Notes to the Unaudited Consolidated Annual Financial Statements
December 31, 2014
GBS Enterprises Incorporated

Note 1 COMPANY AND BACKGROUND

Overview

GBS Enterprises Incorporated, a Nevada corporation (the “Company,” “GBS,” “GBSX,” “we,” “us,” “our” or similar expressions), conducted its primary business through its 50.1% owned subsidiary, GROUP Business Software AG (“GROUP”) until and including June 3 2014. GROUP is a German-based public-company whose stock trades on the Frankfurt Exchange under WKN A14KR27 – ISIN DE 000A14KR27.

. GROUP’s software and consulting business is focused on serving IBM’s Lotus Notes and Domino market. Headquartered in Eisenach, Germany, the Company has offices throughout Europe and North America. The Company maintains a website at www.gbsx.us. GROUP maintains a website at www.gbs.com. The information contained in the Company’s and GROUP’s websites is not incorporated by reference herein. On June 3, 2014 the Company sold some of its stock in GROUP and as a result of that sale owed a 46% equity stake in GROUP on December 31, 2014; and is no longer the majority stockholder of GROUP. As of December 31, 2014 GBSX’s financial statements classify its GROUP equity position as a financial investment. The sale of the Company’s GROUP shares was approved by the Board of Directors of the Company on May 14, 2014.

The Company’s Common Stock is quoted at the OTCQX under the ticker symbol “GBSX.”

Products & Services

GBS, including its 46% participation GROUP, has grown by consolidating the fragmented Lotus Software market through the acquisition of companies with complementary product, technology or services offerings. GBS has developed its software and service business to service and support its Lotus customer base.

Messaging and Business Applications Software & Solutions

GBS Messaging and Business Application Software & Solutions product lines include software and advisory services for email and Instant Messaging (IM) Management, Security, Compliance, Archiving and Productivity, CRM Applications, Governance, Risk & Compliance (GRC) Management software, Workflow and Business Process Management software, Archiving and Document Management.

GBS develops, sells and installs business process and management software suites mainly based on Lotus Notes / Domino and IBM Portal technology.

Through GBS's and GROUP's comprehensive messaging software product lines and associated services, Lotus Notes, Microsoft Exchange or SMTP-based-email customers, as well as Lotus Sametime, customers are able to provide their users with secure and centrally administered use of e-mail and IM while maintaining control over their compliance with current legal requirements and corporate guidelines.

Consulting Services

GBS, including its participation in GROUP, develops, sells and orchestrates customer-specific Lotus Domino strategy and consulting services.

GBS Consulting Services' global teams of consultants use modern project management techniques, proprietary methodologies and GBS accelerator technologies to complete client projects on time and with reduced risk.

As a Premier IBM Business Partner, GROUP is one of the few partners that can sell and support licenses for all five IBM software brands: Lotus, WebSphere, Rational, Tivoli, and DB2.

Revenue Model

GBSX generates its revenue from the sale of software created within the group of companies, third-party developed software and the delivery of related services.

General Corporate History

GBS Enterprises Incorporated was incorporated in Nevada on March 20, 2007 as SWAV Enterprises Ltd. ("SWAV"). SWAV had a different management team and was in a different industry.

On April 26, 2010, SWAV purchased certain technology assets of Lotus Holdings Ltd. ("Lotus") in consideration for an aggregate of 2,265,240 shares of SWAV common stock. Also on April 26, 2010, Lotus (on behalf of the SPPEF Members as discussed below) purchased an aggregate of 11,984,770 shares of SWAV common stock from certain SWAV stockholders for $370,000. As a result of these transactions, Lotus acquired a total of 14,250,010 shares of SWAV common stock which represented approximately 95.0% of the 15,000,000 outstanding shares of SWAV common stock on April 26, 2010.

On September 6, 2010, SWAV's name was changed to GBS Enterprises Incorporated. On October 14, 2010, the Company's trading symbol on the OTC Bulletin Board was changed from SWAV to GBSX.

About Lotus Holdings, Ltd.

Lotus is a holding company which was formed under the laws of Gibraltar for the purpose of financing merger and acquisition projects, specifically in the niche market of small or microcap companies listed on the Frankfurt Stock Exchange with complex shareholder structures and whose stock is trading below one Euro (€1.00) per share.

SPPEFs

Lotus typically finances its merger and acquisition projects through the use of Special Purpose Private Equity Funds ("SPPEFs"). Typically, SPPEFs are funded by a company's major shareholders (the "Major Shareholders") seeking to raise capital for projects and who fund at least 50% of the SPPEF, with the remaining portion being provided through the investment community and network of investors in Lotus. Each SPPEF is co-managed by a representative of the Major Shareholders (the "Representative Secretary") and an attorney appointed by Lotus (the "Lotus Representative").

On February 25, 2010, a group of shareholders (the "GROUP Major Shareholders") of GROUP Software AG, a German public company trading on the Frankfurt Stock Exchange under the symbol "INW" ("GROUP"), engaged Lotus to provide financial consulting and advisory services, on a non-exclusive basis, for the primary task of establishing a SPPEF. On March 12, 2010, the GROUP Major Shareholders and Lotus established and funded a SPPEF with $1,400,000, consisting of $1,000,000 from the GROUP Major Shareholders and $400,000 from a Lotus investor (collectively, the "SPPEF Members").

In early April 2010, the SPPEF Members decided to acquire SWAV. As disclosed above, on April 26, 2010, Lotus, on behalf of the SPPEF Members, acquired an aggregate of 11,984,770 shares of SWAV common stock from the selling shareholders of SWAV for an aggregate purchase price of $370,000. The 11,984,770 shares of SWAV common stock shares represented approximately 79.9% of the 15,000,000 outstanding shares of SWAV common stock on April 26, 2010.

Transactions following the April 26, 2010 Transaction

On November 1, 2010, the Company repurchased an aggregate of 3,043,985 of the 11,984,770 shares of the Company's common stock originally purchased by Lotus on April 26, 2010. In consideration for these 3,043,985 shares, the Company issued to Lotus a Secured Demand Note, dated November 1, 2010 (the "First Demand Note"), for the principal amount of $300,000, bearing interest at the rate of 5% per annum. The First Demand Note was repaid in September 2011.

Effective December 30, 2010, pursuant to securities purchase agreements between the Company and six GROUP Major Shareholders, the Company purchased an aggregate of 7,115,500 shares of GROUP common stock from the six GROUP Major Shareholders in consideration for the 3,043,985 shares of GBS common stock (the "December 2010 Transaction"). As a result, the Company owned approximately 28.2% of the outstanding common stock of GROUP.

Reverse Merger

After the December 2010 Transaction was completed, the additional GROUP Major Shareholders decided to accept the share swap offer from the Company and to effectuate a reverse merger of GROUP and the Company. To effectuate the reverse merger, on January 5, 2011, the Company repurchased from Lotus an aggregate of 2,361,426 of the 11,984,770 shares of the Company's common stock originally purchased by Lotus on April 26, 2010. In consideration for these 2,361,426 shares, the Company issued to Lotus a Secured

Demand Note, dated January 5, 2011 (the "Second Demand Note"), for the principal amount of $200,000, bearing interest at the rate of 5% per annum. The Second Demand Note was repaid in November 2011.

Effective January 6, 2011, pursuant to securities purchase agreements between the Company and the remaining GROUP Major Shareholders, the Company purchased an aggregate of 5,525,735 shares of GROUP common stock from the remaining GROUP Major Shareholders in consideration for the 2,361,426 shares of GBS common stock (the "January 2011 Transaction"). These 5,525,735 GROUP shares represented approximately 21.9% of the outstanding shares of common stock of GROUP. As a result of the December 2010 Transaction and January 2011 Transaction, the Company had acquired an aggregate of 12,641,235 shares of GROUP common stock from the GROUP Major Shareholders in consideration for an aggregate of 5,405,411 shares of GBS common stock, resulting in GBS owning approximately 50.1% of the outstanding GROUP common stock and effectuating a reverse merger of the Company and GROUP whereby GROUP became the accounting acquirer.

Additional GROUP Acquisition

On February 27, 2012, the Company acquired an additional 883,765 shares of common stock of GROUP from GAVF LLC for an average purchase price of $0.70 per share, or approximately $619,000, after an outstanding loan of GROUP was converted into an aggregate of 1,750,000 shares of GROUP common stock, thereby increasing GROUP's outstanding common stock to 26,982,000 shares. By acquiring the new shares, the Company kept its ownership of GROUP common stock at 50.1%.

Sale GROUP majority stake

On June 3, 2014, the Company sold a portion of its equity stake in GROUP Software AG. The Company sold an aggregate of 1,000,000 GROUP shares to unaffiliated third parties for a net sales price of $308,250. As a result of the sale, the Company currently holds a 46.4% equity stake in GROUP, a 3.7% change from its pre-sale 50.1% equity stake; and is no longer the majority stockholder of GROUP. As of December, 31, 2014, GBSX's financial statements will classify its GROUP equity position as a financial investment. The sale of the Company's GROUP shares was approved by the Board of Directors of the Company on May 14, 2014.
On May 15, 2014, the Company also voluntarily filed a Form 15 with the Securities and Exchange Commission (the "SEC") to deregister its common stock under the Section 12(g) of Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company filed the Form 15 due to the fact that it had fewer than 300 stockholders of record and therefore was eligible to terminate the registration of its common stock with the SEC. Upon the filing of the Form 15, the Company's obligation to file periodic and current reports under the Exchange Act was immediately suspended. Deregistration of the Company's common stock will be effective 90 days after filing of the Form 15. Upon deregistration of its shares, the Company's obligation to comply with the requirements of the proxy rules and to file proxy statements under Section 14 of the Exchange Act will also be terminated. In addition, the Company will no longer be subject to the provisions of the Sarbanes-Oxley Act of 2002. The Company's Board of Directors approved the filing of the Form 15 with the SEC on April 23, 2014.

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Acquisition/Dissolution of Subsidiary Companies

Pavone AG

Effective April 1, 2011, the Company acquired 100% of the outstanding common shares of Pavone AG, a German corporation, for $350,000 in cash and 1,000,000 shares of its common stock. The fair value of the common stock was determined to be $4.90 per share, representing the market value at the end of trading on the date of the acquisition. The total value of the investment, including the assumption of $583,991 in debt was $5,843,991. Pavone's workflow software for Lotus Notes and Domino along with their customer base is well suited to GBS Enterprises portfolio strategy.

GroupWare, Inc.

Effective June 1, 2011, the Company acquired 100% of the outstanding common shares of GroupWare, Inc., a Florida corporation ("GroupWare"). As consideration the Company paid $250,000 and issued 250,000 shares of its common stock. The fair value of the common stock was determined to be $4.34 per share, representing the market value at the end of trading on the date of the acquisition. The total value of the investment, including the assumption of $694,617 in debt was $2,029,617. Upon the consummation of the acquisition, the management and board of GroupWare resigned and Joerg Ott, the Company's Chief Executive Officer and sole director, was appointed as the Chief Executive Officer and sole director of GroupWare. GroupWare's ePDF server delivers centralized, network-wide PDF solutions for messaging, workflow, document, content and data management.

IDC Global, Inc.

On July 25, 2011, the Company acquired 100% of the issued and outstanding shares of common stock of IDC Global, Inc., ("IDC") a Delaware corporation. Pursuant to the acquisition agreement, dated July 15, 2011, the Company agreed to issue the shareholders an aggregate of 800,000 shares of common stock and made a cash payment of $750,000. The agreement required an additional payment to the management shareholders of 80,000 shares of common stock and signing bonuses to personnel of $35,000. The Company also agreed to reimburse IDC up to $25,000 for incurred accounting and legal fees related to the transaction. The fair value of the common stock was determined to be $3.70 per share, representing the market value at the end of trading on the date of the agreement. The total value of the investment, including $883,005 of debt assumption, was $4,066,000. IDC was a privately held company that provides nationwide network and data center services. During the year ended December 31, 2013, the Company sold IDC Global Inc., the effect of which was to reduce the goodwill associated with this subsidiary

<u>SD Holdings, Ltd.</u>

On September 27, 2011, the Company entered into an acquisition agreement with SD Holdings, Ltd. ("SYN"), a Mauritius corporation, and the shareholders of SYN owning 100% of issued and outstanding shares of SYN. SYN owns 100% of all issued and outstanding shares of Synaptris, Inc., a California corporation ("Synaptris"), and 100% of all issued and outstanding shares of Synaptris Decisions Private Limited, a company formed in India ("Synaptris India"). Pursuant to the acquisition agreement, the Company purchased one hundred percent (100%) of the issued and outstanding shares of SYN (effective November 1, 2011 in consideration for $525,529 and agreed to issue 700,000 shares of common stock, subject to adjustment. Actual shares issued were 612,874. The fair value of the common stock was determined to be $2.05 per share, representing the market value at the end of trading on the date of the agreement.

On April 1, 2012, the Company sold SYN, Synaptris and Synaptris India for $1,877,232 to Lotus. in an effort to restructure the Company's multilevel subsidiary - structure derived from the historical mergers and acquisitions, and to reduce overhead and administrative costs.

<u>GBS India Private Limited</u>

Pursuant to an existing transfer agreement, effective July 1, 2012, the Company entered into a purchase agreement with SYN for $1,877,232, which transferred all assets, including intellectual property rights, and liabilities of the IntelliPRINT and FewClix product lines, customer contracts and certain employees for operations in a new subsidiary, GBS India Private Limited, an incorporated entity formed under the Indian Companies Act 1956 ("GBS India"). A royalty fee in the amount of approximately $350,000 has been agreed upon for the benefit the Company. Additionally a profit based fee of up to $700,000 may be earned based on license and revenue recognized from the sold IntelliVIEW and IntelliVIEW NXT products.

On August 1, 2012, the Company acquired 100% of the outstanding shares of capital stock of GBS India. We anticipate GBS India's presence in India to accelerate our plan to expand our product development team particularly for our strategic offerings in India.

Pavone AG/Groupware AG

On July 6, 2012 and August 9, 2012, wholly-owned subsidiaries Pavone AG and Groupware AG, respectively, were merged into Pavone GmbH. The mergers were consummated solely for administrative purposes. Pavone GmbH is a wholly-owned subsidiary of the Company.

Pavone, Ltd.

Pavone, Ltd, a shell company, was dissolved on July 8, 2012.

EbVokus, GmbH.

On October 1, 2012, GROUP sold all of the software and operational assets (constituting substantially all of the assets) of its wholly-owned subsidiary, ebVokus GmbH, along with the associated maintenance and project agreements to a non-affiliated third party for a purchase price of approximately $459,000, approximately $258,000 (200,000 Euros: 1 EUR = $1.29 USD on October 1, 2012) was paid at closing and the remaining $201,000 was paid on February 15, 2013 (150,000 Euro: 1EUR = $1.35 USD on February 15, 2013).

B.E.R.S. AD.

On November 23, 2012 GBS AG sold its entire participation (50%) in B.E.R.S AD for a total of 25,000 BGN (approximately $ 16,438 USD).

Note 2 ACCOUNTING POLICIES

The financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America, the more significant of which are as follows:

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Segment Reporting

The Financial Accounting Standards Board ("FASB") authoritative guidance regarding segment reporting establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. It also establishes standards for related disclosures about products and services, geographic areas and major customers. The Company has determined that it operates in only one segment – the development and maintenance of computer software programs and support products.

Comprehensive Income (Loss)

The Company adopted the FASB Codification topic ("ASC") 220, "Reporting Comprehensive Income", which establishes standards for the reporting and display of comprehensive income and its components in the financial statements. Comprehensive income consists of net income and other gains and losses affecting stockholder's equity that are excluded from net income, such as unrealized gains and losses on investments available for sale, foreign currency translation gains and losses and minimum pension liability. Since inception, the Company’s other comprehensive income represents foreign currency translation adjustments and small net actuarial losses on pension plans.

Net Income per Common Share

ASC 260, “Earnings per share”, requires dual presentation of basic and diluted earnings per share (EPS) with a reconciliation of the numerator and denominator of the EPS computations. Basic earnings per share amounts are based on the weighted average shares of common stock outstanding. If applicable, diluted earnings per share would assume the conversion, exercise or issuance of all potential common stock instruments such as options, warrants and convertible securities, unless the effect is to reduce a loss or increase earnings per share. Diluted net income (loss) per share on the potential exercise of the equity-based financial instruments is not presented where anti-dilutive. Accordingly, although the diluted weighted average number of common stock outstanding is disclosed on the statements of operation, the calculated net loss per share is the same for both the basic and diluted as both are based on the basic weighted average of common stock outstanding. There were no adjustments required to net income for the period presented in the computation of diluted earnings per share.

Financial Instruments

Financial instruments consist of cash and cash equivalents, accounts and other receivable, financial assets, notes payable, liabilities to banks, accounts payable, accrued liabilities and other liabilities, due to related parties and retirement benefit obligations. Financial assets and liabilities are measured upon first recognition and reviewed at the financial statement date. Changes in fair value are recognized through profit and loss. Unless otherwise noted, it is management’s opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

Currency Risk

We use the US dollar as our reporting currency. The functional currencies of our significant foreign subsidiaries are the local currency, which includes the Euro, the British pound and the Indian rupee. Accordingly, some assets and liabilities are incurred in those currencies and we are subject to foreign currency risks.

Fair Value Measurements

The Company follows ASC 820, "Fair Value Measurements and Disclosures", for all financial instruments and non-financial instruments accounted for at fair value on a recurring basis. This new accounting standard establishes a single definition of fair value and a framework for measuring fair value, sets out a fair value hierarchy to be used to classify the source of information used in fair value measurement and expands disclosures about fair value measurements required under other accounting pronouncements. It does not change existing guidance as to whether or not an instrument is carried at fair value. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions and credit risk.

The Company has adopted ASC 825, Financial Instruments, which allows companies to choose to measure eligible financial instruments and certain other items at fair value that are not required to be measured at fair value. The Company has not elected the fair value option for any eligible financial instruments.

Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

Inventories

Pursuant to ASC 330 (Inventories), inventories held for sale are recognized under inventories. Inventories were measured at the lower of cost or market. Cost is determined on a first-in-first out basis, without any overhead component.

Goodwill and other Intangible Assets

Intangible assets predominately comprise goodwill, acquired software and capitalized software development services. Intangible assets acquired in exchange for payment are reflected at acquisition costs. If the development costs can be capitalized per ASC 985-20-25, these are reflected as ascribable personnel and overhead costs.

Company created software can be intended for sale to third parties or used by the Company itself. If the conditions for capitalization are not met, the expenses are recorded with their effect on profit in the year in which they were incurred.

The Company amortizes intangible assets with a limited useful life to the estimated residual book value in accordance with ASC regulations. In addition, in special circumstances according to ASC 350-30, a recoverability test is performed and, if applicable, unscheduled amortization is considered.

The useful life of acquired software is between three and five years and three years for Company created software.

Intangible assets obtained as part of an acquisition which do not meet the criteria for a separate entry are identified as goodwill. Goodwill is reviewed once a year during an impairment test, whereby the appraised fair value of the invested capital of the reporting unit, is compared with the carrying (book) value of its invested capital amount (including goodwill.) Use value is generally applied in order to determine the recoverability of goodwill and intangible assets with an indefinite useful life. The projected financial plan prepared by the management serves as the basis for this determination of use value and the planning assumptions are each adjusted for the current state of knowledge. Reasonable assumptions regarding macroeconomic trends and historical developments are taken into account in making these adjustments. Future estimated cash flows are determined based on the expected growth rates of the markets in question.

If the carrying amount of the reporting unit exceeds the appraised fair value, the impairment based on use value measures the amount of loss, if any, and an unscheduled amortization expense is recorded. If the appraised value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to be impaired.

Property, Plant and Equipment

Property, plant and equipment are valued at acquisition or manufacturing costs reduced by scheduled and, if necessary, unscheduled depreciation. Fixed assets are depreciated on a straight-line basis, prorated over their expected useful life. Scheduled depreciation for property, plant and equipment is based on useful lives of 3 to 10 years. Leasehold Improvements are depreciated up to 40 years.

If fixed assets are sold, retired or scrapped, the profit or loss arising from the difference between the net sales proceeds and the residual book value are included under other operating earnings and expenses.

Impairment or Disposal of Long-Lived Assets

The Company evaluates the recoverability of its fixed assets and other assets in accordance with ASC topic, 360.10. This guidance requires recognition of impairment of long-lived assets in the event the net book value of such assets exceeds its' expected cash flows or appraised value In this instance, the asset is considered to be impaired and is written down to fair value.

<u>Revenue Recognition</u>

<u>License revenues</u>

Our license revenues consist of revenues earned from the licensing of our software products. These products are generally licensed on a perpetual basis. Pricing models have generally been based either upon the physical infrastructure, such as the number of physical desktop computers or servers, on which our software runs or on a per user basis. License revenues are recognized when the elements of revenue recognition for the licensed software are complete, generally upon electronic shipment of the software and the software key to provide full access to all functionalities for our customers. In general, our invoices reflect license, service and maintenance components. In the case of multi element contracts, the revenues allocated to the software license in most cases represent the residual amount of the contract after the fair value of the other elements has been determined. Certain products of our software offering are licensed on a subscription basis.

<u>Software maintenance revenues</u>

Software maintenance revenues are recognized ratably on a pro-rata basis over the range of the contract period. Our contract periods typically range from one to five years. Vendor-specific objective evidence (“VSOE”) of fair value for software maintenance services is established by the rates charged in stand-alone sales of software maintenance contracts or the stated renewal rate for software maintenance. Customers who are party to software maintenance agreements with us are entitled to receive support, product updates and upgrades on a when-and-if-available basis.

<u>Professional services revenues</u>

Professional services include pre-project consulting, software design, customization, project management, implementation and training. Professional services are not considered essential to the functionality of our products, as these services do not alter the product capabilities and may be performed by our customers or by other vendors. Professional services engagements performed for a fixed fee, for which we are able to make reasonably dependable estimates of progress toward completion, are recognized on a proportional performance basis based on hours incurred and estimated hours of completion. Professional services engagements that are on a time and materials basis are recognized based on hours incurred. Revenues on all other professional services engagements are recognized upon completion. Our professional services may be sold with software products or on a stand-alone basis. Vendor Specific Objective Evidence (VSOE) of fair value for professional services is based upon the standard rates we charge for such services when sold separately.

Foreign Currency Translation

The functional currency of the Company is US dollars. For financial reporting purposes, the financial statements of the subsidiary companies whose functional currency is other than US dollars were translated into US dollars using the current rate method. Assets and liabilities were translated at the exchange rates at the balance sheet dates, revenue and expenses were translated at the average exchange rates and stockholders' equity was translated at historical exchange rates. Any translation adjustments resulting are not included in determining net income but are included in foreign exchange adjustment to other comprehensive income, a component of stockholders' equity.

Other Provisions

According to FASB ASC 450 "Contingencies", provisions are made whenever there is a current obligation to third parties resulting from a past event which is likely in the future to lead to an outflow of resources and of which the amount can be reliably estimated. Provisions not already resulting in an outflow of resources in the following year are recognized at their discounted settlement amount on the financial statement date. The discount taken is based on market interest rates. The settlement amount also includes the expected cost increases. Provisions are not set off against contribution claims. If the amended estimate leads to a reduction of the obligatory amount, the provision is proportionally reversed and the earnings are recognized in other operating earnings.

Deferred Taxes

Income taxes are provided in accordance with FASB Codification topic 740, “Accounting for Income Taxes”. A deferred tax asset or liability is recorded for all temporary differences between financial and tax reporting and net operating loss-carry forwards.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that, that some portion or all of the deferred tax asset will not be realized. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates on the date of enactment.

Recent Accounting Pronouncements

In July 2012, the FASB issued ASU 2011-08, Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment. With the objective of reducing the cost and complexity of performing an impairment test for indefinite-lived intangible assets by simplifying how an entity tests those assets for impairment and to improve consistency in impairment testing guidance among long-loved asset categories. The amendments permit an entity first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test in accordance with Subtopic 350-30, Intangibles – Goodwill and Other – General Intangibles Other than Goodwill. The more-likely-than-not threshold is defined as having the likelihood of more than 50 percent. The amendments are effective for annual and interim impairment tests performed beginning April 1, 2013. Adoption of this new standard is not expected to have significant impact to the Company’s financial statement.

Off - Balance Sheet Arrangements

We have not entered into any other financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder’s equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

Principles of Consolidation and Reverse Merger

As previously disclosed, the Company has exchanged a total of 5,405,411 shares of common stock in exchange for 50.1% of the outstanding common shares of GROUP. Although the Company was the legal acquirer, the transaction was accounted for as a recapitalization of GROUP in the form of a reverse merger, whereby GROUP became the accounting acquirer and is deemed to have retroactively adopted the capital structure of the Company. Accordingly, the accompanying consolidated financial statements reflect the historical consolidated financial statements of GROUP for periods presented prior to January 6, 2011. All costs associated with the reverse merger transaction were expensed as incurred. Those expenses totaled approximately $300,000 and were included in professional fees in administrative expenses.

The Company has based its financial reporting for the consolidation with GROUP in accordance with the FASB ASC 805-40 as it relates to reverse acquisitions. Goodwill has been measured as the excess of the fair value of the consideration effectively transferred by the Company, the acquiree, for financial reporting purposes, over the net amount of the Company's recognized identifiable assets and liabilities.

We have recorded the acquired assets and liabilities of Group Business Software Enterprises, Inc. on the acquisition date of January 6, 2011, at their fair value and the operations of Group Business Software Enterprises, Inc. have been included in the consolidated financial statements since the acquisition date.

The assets and liabilities of GROUP, the acquirer for financial reporting purposes, are measured and recognized in the consolidated financial statements at their precombination carrying amounts in accordance with ASC 805-40-45-2(a). Therefore, the non-controlling interest reflects the non-controlling shareholders' proportionate interest in the pre-combination carrying amounts of GROUP's net assets even though the non-controlling interests in other acquisitions are measured at their fair values at the acquisition date.

Note 3 CHANGE IN ACCOUNTING POLICIES

Fiscal reporting

Effective September 19, 2012, the Company changed its fiscal year end from March 31 to December 31. Prior to this change, the company's subsidiaries, with the exception of SD Holdings, had fiscal year ends of December 31 and in reporting its financial statements, the Company, through the use of Regulation S-X Rule 3A-02 ("the 93 day rule"), consolidated those subsidiaries without any adjustments for timing differences in the period ends. This application was in error. With the change in year end, the Company retroactively adjusted previously released financial statements to reflect this change beginning December 31, 2010. Accordingly, the financial statements for the year ended December 31, 2012 include the accounts of all consolidated companies for the same twelve month period beginning January 1, 2012. The Balance Sheet as of December 31, 2012 has also been adjusted to include the accounts of all consolidated companies as of this date.

Note 4 SUBSIDIARY COMPANIES

The subsidiaries listed below were included in the basis of consolidation (KUSD = 1,000's of US Dollars):

Subsidiary	Headquarters	Stockholders' Equity as of 12.31.14 KUSD	Percentage of Subscribed Capital KUSD	in %	Profit (Loss) of the consolidated year KUSD	Date of the first consolidation
Pavone GmbH	Boeblingen	120,407	47	100.0%	-47,833	1/4/2011
Groupware Inc.	Woodstock	-559,780	1	100.0%	-27,501	1/6/2011
GBS India	Chennai	255,322	12	100.0%	46,759	9/30/2012

The above table reflects the individual companies owned at period end.

Note 5 CASH AND CASH EQUIVALENTS

As of the financial statement date, the Company's cash and cash equivalents totaled 29 KUSD (December 31, 2013 restated year end: 626 KUSD).

Note 6 ACCOUNTS RECEIVABLE

As of the financial statement date, Accounts Receivable was 990 KUSD (December 31, 2013 restated year end: 5,048 KUSD). Receivables are generally measured at their nominal value and taking into account all foreseeable risks. Probable default risks are handled with specific allowances for bad debts. With regard to the trade receivables which are neither impaired nor delinquent, there are no indications as of the financial statement date that the debtors will not meet their payment obligations.

Note 7 PREPAID EXPENSES

Prepaid expenses in the amount of 19 KUSD were primarily recorded for prepaid loan discount, prepaid rent and miscellaneous operating costs (December 31, 2013 restated year end: 235 KUSD).

Note 8 OTHER RECEIVABLES - CURRENT

Other Receivables as of the financial statement date were 610 KUSD (December 31, 2013 restated year end: 43 KUSD) for short term deposits and miscellaneous receivables including 583 KUSD for the sale of "Painkiller" software.

Note 9 INVESTMENT IN ASSOCIATED COMPANY

On June 3, 2014 the Company sold some of its stock in GROUP and as a result of that sale owed a 46.4% equity stake in GROUP on December 31, 2014; and is no longer the majority stockholder of GROUP. As of December 31, 2014 GBSX's financial statements classify its GROUP equity position as a financial investment. The initial balance is equal to the fair value of the Company's retained shares in GROUP AG as of June 3, 2014.

Note 10 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost less scheduled straight-line depreciation. Depreciation of the computer hardware listed as office equipment is distributed over a period of three to five years. The depreciation period for other office equipment is three to ten years. Office furnishings are depreciated over a period of eight to ten years.

kUSD	Development of the cost	Development of accumulated depreciation	Balance
Restated 12/31/2013	4,547	(4,287)	260
Additions	18	(8)	10
Disposals	(4,236)	4,012	(224)
12/31/2014	329	(283)	46

kUSD	Development of the cost	Development of accumulated depreciation	Balance
Restated 12/31/2012	7,207	(6,874)	333
Additions	198	(271)	(73)
Disposals	(2,858)	2,858	0
Restated 12/31/2013	4,547	(4,287)	260

Note 11 NOTES RECEIVABLE

As of the financial statement date, Notes Receivable was 6,206 KUSD (December 31, 2013 year end: -0- KUSD). These are Notes or Line of Credit with previous majority held subsidiaries which are now classified as an Investment (see Note 9) due to a change in ownership control.

Note 12 NON-OPERATING RECEIVABLES

The major components of the Non-Operating Receivables include the following:

	KUSD Restated 12/31/2013	KUSD 12/31/2014
Cooperative shares	1	0
Balance	1	-0-

Note 13 GOODWILL

Goodwill derives from the following business acquisitions:

	1/1/2014	Additions	Adjustments	Written Off	12/31/2014
GROUP Business Software AG	18,426	0	0	18,426	0
GROUP Business Software Corp.	2,765	0	0	2,765	0
Permessa Corporation	2,387	0	0	2,387	0
Pavone GmbH	5,951	0	0	3,151	2,800
GBS India	1,732	0	0	882	850
Totals	31,260	0	0	27,611	3,650

	1/1/2013	Additions	Adjustments	Written Off	Restated 12/31/2013
GROUP Business Software AG	18,426	0	0	0	18,426
GROUP Business Software Corp.	2,765	0	0	0	2,765
Permessa Corporation	2,387	0	0	0	2,387
Pavone GmbH	5,951	0	0	0	5,951
IDC Global Inc.	2,994	0	0	2,994	0
GBS India	1,732	0	0	0	1,732
Totals	34,255	0	0	2,994	31,260

During the year ended December 31, 2014, the Company sold its majority stake in GROUP Business Software AG (see Note 9). Therefore, all Goodwill associated with GROUP AG and its 100% owned subsidiaries Group Business Software Corp. and Permessa Corp. have been deconsolidated.

Goodwill in Pavone GmbH has been written off during 2014 due to the focus of the company in the development of a new product line, App Designer which has been launched in 2015.

Goodwill in GBS India has been written off during 2014 for impairment valuations associated with the software products.

During the year ended December 31, 2013, the Company sold IDC Global Inc., the effect of which was to reduce the goodwill associated with this subsidiary.

Note 14 INTANGIBLE ASSETS

Software Development costs

The costs of developing new software products and updating products already marketed by the Company are generally recognized as expenses in the period in which they arise. Provided they meet the conditions for capitalization as per FASB ASC 985-20-25, they are capitalized. Capitalized development costs can be attributed to the defined products. These products are technically realizable and there is a target market for them.

The development costs arising in the reporting period result from the personnel costs attributed to the development work as well as overhead costs, provided that these are related to the development work and do not represent general administrative costs. The ascribable overhead costs are directly recognized.

Capitalized development costs are generally amortized over a period of three years starting with the date of marketability of the new products or major releases.

Concessions, Industrial Property Rights, Licenses

The intangible financial assets carried in this item are licenses acquired in exchange for payment.

These financial assets are measured at acquisition cost less scheduled straight-line amortization. The assets added in the scope of the cost price allocation of the business divisions acquired this year.

The useful life spans were based uniformly throughout the Company according to those used by the parent company. Scheduled amortization is performed over a period from three to ten years.

The useful life of the domain “gbs.com”, was estimated as unlimited. This is because no other legal, contractual or other factors exist which would limit its useful life. It is not systematically amortized, but rather annually. Should there exist signs indicating towards impairment it is tested for recoverability and, if necessary, written down to the amount which could be obtained for it if sold.

Amortization of concessions, industrial property and similar rights and assets, as well as licenses to such rights and assets are presented in the profit and loss statement under "Depreciation and Amortization."

kUSD	Development of the cost	Development of accumulated depreciation	Balance
Restated 12/31/2013	37,422	(31,953)	5,469
Additions	0	(1,613)	(1,613)
Disposals	(33,015)	33,156	141
12/31/2014	4,407	(410)	3,997

Concessions and Licenses kUSD	Development of the cost	Development of accumulated depreciation	Balance
Restated 12/31/2012	33,039	(20,832)	12,207
Additions	4,879	(11,121)	(6,242)
Disposals	(496)	0	(496)
Restated 12/31/2013	37,422	(31,953)	5,469

Note 15 OTHER ASSETS

This includes of 34 KUSD primarily from rent and other security deposits (December 31, 2013 restated year end: 64 KUSD).

Note 16 NOTES PAYABLE

A breakdown of the Notes Payable of $ -0- as of December 31, 2014 (December 31, 2013 restated year end: 1,858 KUSD) is as follows:

	Restated 12/31/2013 KUSD	12/31/2014 KUSD
Third Party Promissory Notes	1,859	0
Total	1,859	0

Note 17 LIABILITIES TO BANKS – CURRENT

Short term liabilities to banks of -0- KUSD (December 31, 2013 restated year end: 2,754 KUSD) and previously represented bank obligations of GROUP AG with Baden-Württembergische Bank.

Note 18 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Trade payables

As of the financial statement date, trade accounts payable amounted to 1,175 KUSD (December 31, 2013 restated year end: 4,109 KUSD). Trade payables are carried at their repayment amount and all have a residual term of up to one year.

<u>Other Accrual</u>

Other provisions are created as of the financial statement date in an amount necessary according to a reasonable commercial appraisal, to cover future payment obligations, perceivable risks and uncertain liabilities of the Company. Amounts deemed to be most likely to occur, in careful assessment, are accrued.

Accrued Liabilities	Restated 12/31/2013 KUSD	12/31/2014 KUSD
Tax provision	81	0
Salary	830	120
Vacation	240	41
Workers Compensation Insurance Association	32	6
Compensation Levy for Non-Employment of Severely Handicapped Persons	18	0
Outstanding Invoices	442	13
Audit and Annual Costs	79	9
Other Provisions	400	876
Warranties	66	0
Consulting Fees	20	0
Total	2,208	1,065

Provisions for salaries of 120 KUSD (December 31, 2013 restated year end: 830 KUSD) include the provisions created salary earned but not yet paid as of year end as well as the accrual for the variable salaries of the sales staff for the sales objectives reached in this business period.

Vacation provisions of 41 KUSD (December 31, 2013 restated year end: 240 KUSD) include the obligations of GROUP's companies to their employees for remaining vacation claims from the reporting period. The amount of the provision is calculated on the gross salary of the individual employee plus the employer contribution to social security/Medicare and based on the unused vacation days as of the financial statement date.

For liabilities not yet settled, a provision totaling 13 KUSD (December 31, 2013 restated year end: 442 KUSD) was created.

Other Provisions of 876 KUSD (December 31, 2013 restated year end: 400 KUSD) include accruals for miscellaneous and bad debt provisions.

Expenses for the audit of the Company and other annual costs were recognized at 9 KUSD (December 31, 2013 restated year end: 79 KUSD).

Note 19 DEFERRED INCOME

Accruals for future periods leading to realization of sales after the financial statement date are reported under deferred income. The deferred income items listed as of the financial statement date in the amount of 1 KUSD (December 31, 2013 restated year end 5,921 KUSD). It primarily includes maintenance income collected in advance for the period after the end of the financial statement date. They are amortized on a straight-line basis over their respective contract terms.

Note 20 OTHER LIABILITIES - SHORT TERM

	Restated 12/31/2013 KUSD	12/31/2014 KUSD
Purchase Assets Permessa	25	0
Due to Group Business AG	0	1,161
Tax Liabilities	128	22
Purchase Assets Painkiller	344	0
Credit Card, Travel, Other	575	56
	1,072	1,239

Note 21 DUE TO RELATED PARTIES

Related parties refer to the Management, Board of Directors, Supervisory Board, stockholders and associated companies.

Business transactions between the companies and its subsidiaries which are also considered to be related companies were eliminated through the consolidation and are not reflected within these footnotes to the consolidated statements. **Due to Related Parties**	12/31/2013 KUSD	12/31/2014 KUSD
Accounts payable and Accruals:		
A company owned by the CEO	332	38
Board of Directors fees and outstanding expenses	208	205
Notes payable - Company owned by the CFO	-	25
Due to associated company	-	61
Total	540	329

Remuneration of the management occupying key positions within the Company and its' subsidiaries including that of the Board of Directors include the following:

	2014		Restated 2013	
	Paid	Accrued	Paid	Accrued
Management Fees (to officers)	220,000	15,000	976,946	180,130
Management Fees (to Directors)	80,000	77,211	62,625	167,225

Note 22 LIABILITIES TO BANKS – LONG TERM

Liabilities to banks as of the financial statement date was -0- KUSD (December 31, 2013 restated year end: 1,279 KUSD) and previously represented non-current bank obligations of GROUP Business Software AG with Baden-Württembergische Bank.

Note 23 NOTES PAYABLE - LONG-TERM

As of the financial statement date, Notes Payable was 3,325 KUSD (December 31, 2013 restated year end: -0- KUSD). These are Notes or Line of Credit with previous majority held subsidiaries which are now classified as an Investment (see Note 9) due to a change in ownership control. Interest accrues at 5%.

	Restated 12/31/2013 KUSD	12/31/2014 KUSD
GROUP Business Software AG	0	3,325

Note 24 COMMON STOCK

The Company has authorized capital of 75,000,000 shares of common stock and 25,000,000 shares of "blank check" preferred stock, each with a par value of $0.001. No class of preferred stock has been designated or issued. As of December 31, 2014, there were 31,929,291 shares of common stock outstanding. At the time of the Reverse Merger of the Company by GROUP on January 6, 2011, there were 16,500,000 shares of common stock of the Company outstanding and, as the Reverse Merger was accounted for as a recapitalization and applied retroactively, this balance is recorded as the balance outstanding since inception.

Transactions occurring in 2011

In March, 2011, the Company consummated a private placement offering (the "Private Placement") of an aggregate of 6,044,000 Units at a purchase price of $1.25 per Unit, for gross proceeds of $7,555,000. Each Unit was comprised of one share of Common Stock and one three-year Warrant to purchase one share of Common Stock at an exercise price of $1.50 per share ("Private Placement Warrant"). The net proceeds of this offering were $6,878,950. As disclosed in Note 1, the Company issued 1,742,874 shares of common stock for the purchase of Pavone AG., GroupWare, Inc. and SD Holdings Ltd.

In December, 2011, certain investors exercised their private purchase warrants at $1.50 per share and bought 2,020,000 shares of common stock for net proceeds of $3,024,970 after legal fees.

Transactions occurring in 2012

- In March, 2012 an investor exercised their private purchase warrant and bought 5,000 shares of common stock for net proceeds of $7,500.
- Also in March, 2012, as a result of purchasing warrants at nominal value, wherein each warrant allowed the holder to purchase one common share at $0.50 for a period of three years, certain

investors exercised those warrants and bought 900,000 shares of common stock for net proceeds of $450,000.

- On April 16, 2012, the Company sold 120,000 Units to Joerg Ott, the then CEO and Chairman of the Board of Directors of the Company, for a price of $1.50 per Unit, for a total purchase price of $180,000. Each Unit consisted of one share of Common Stock of the Company and one warrant to purchase one share of Common Stock of the Company from the date of issuance until the third anniversary date of the date of issuance for $1.50 per share. The Company sold the Units and underlying securities to Mr. Ott in reliance on Section 4(a)(2) (formerly Section 4(2)) of the Securities Act due to the fact that the issuance was isolated and did not involve a public offering of securities
- On April 28, 2012, $632,500 in notes payable were converted at $1.15 per unit into 550,000 units with each unit consisting of one common share of common stock and one warrant. Each warrant allows the holder to purchase one common share at $1.75 for a period of three years. The Company issued the Note pursuant to Section 4(a)(2) (formerly Section 4(2)) under the Securities Act due to the fact that the issuance was isolated and did not involve a public offering of securities.
- On April 30, 2012, $460,000 in notes payable to Lotus were converted at $1.15 per unit into 400,000 units, with each unit consisting of one share of common stock and one warrant. Each warrant allows the holder to purchase one common share at $1.75 for a period of three years. The Company issued the Lotus Note pursuant to Section 4(a)(2) (formerly Section 4(2)) under the Securities Act due to the fact that the issuance was isolated and did not involve a public offering of securities.
- Also on April 30, 2012, $172,500 in debt to a company owned by Joerg Ott, the then CEO and Chairman of the Board of Directors of the Company, were converted at $1.15 per unit into 150,000 units, with each unit consisting of one share of common stock and one warrant. Each warrant allows the holder to purchase one common share at $1.75 for a period of three years. The Company issued the debt pursuant to Section 4(a)(2) (formerly Section 4(2)) under the Securities

Act due to the fact that the issuance was isolated and did not involve a public offering of securities.

- On May 10, 2012, the Company sold 30,000 Units to Markus R. Ernst, the Chief Financial Officer of the Company, for a purchase price of $1.50 per unit, for a total purchase price of $45,000. Each unit consists of one share of common stock of the Company and one warrant, allowing the holder to purchase one share of common stock of the Company from the date of issuance until the third anniversary date of the date of issuance for $1.50 per share. The Company sold the units and underlying securities to Mr. Ernst in reliance on Section 4(a)(2) (formerly Section 4(2)) of the Securities Act due to the fact that the issuance was isolated and did not involve a public offering of securities.
- On May 15, 2012, the Company issued 150,000 unregistered shares of common stock to Kjell Jahn, the former selling stockholder of GroupWare, AG, a Florida corporation purchased by the Company in June 2011. The Company issued the shares in reliance on Section 4(a)(2) (formerly Section 4(2)) of the Securities Act due to the fact that the issuance was isolated and did not involve a public offering of securities.

<u>Transactions occurring in 2013</u>

- As stated above, on February 12, 2013, and in connection with the above October 26, 2012 Loan Agreement the Company issued an aggregate of 500,000 restricted shares of Common Stock to Board Member, Stephen Baksa pursuant to exercise of a common stock purchase warrant issued on October 26, 2012 and exercisable for $0.20 per share. The Company issued the securities in reliance on Section 4(a)(2) (formerly Section 4(2)) of the Securities Act due to the fact that the issuance was isolated and did not involve a public offering of securities.

- On February 12, 2013, the Company sold an aggregate of 250,000 restricted shares of Common Stock to an Accredited Investor (as that term is defined the Securities Act) pursuant to exercise of a common stock purchase warrant issued on November 30, 2012 and exercisable for $0.20 per share. The Company issues the securities in reliance on Section 4(a)(2) (formerly Section 4(2)) of the Securities Act due to the fact that the issuance was isolated and did not involve a public offering of securities.

As of March 31, 2013, these shares had not yet been issued and remain as Subscriptions Receivable.

- As stated above, on February 22, 2013 and in connection with the above August 13, 2012 Loan Agreement, the Company and Board Member, John Moore amended the Note pursuant to which Mr. Moore agreed to convert the interest due under the Note into shares of GBSX common stock at a rate of $0.30 per share. Pursuant to the amendment, the Company issued 450,960 shares of Common Stock to Mr. Moore. The Company issued the shares in reliance on Section 4(a)(2) (formerly Section 4(2)) of the Securities Act due to the fact that the issuance was isolated and did not involve a public offering of securities.

- As stated above, on February 22, 2013, and in connection with the above October 26, 2012 Loan Agreement, the Company and Board Member Stephen Baksa amended the Note pursuant to which Mr. Baksa agreed to convert the interest due under the Note into shares of GBSX common stock at a rate of $0.30 per share. Pursuant to the amendment, the Company issued 200,000 shares of Common Stock to Mr. Baksa. The Company issued the shares in reliance on Section 4(a)(2) (formerly Section 4(2)) of the Securities Act due to the fact that the issuance was isolated and did not involve a public offering of securities.

- On March 20, 2013, the Company issued an aggregate of 450,950 restricted shares of Common

Stock to Board Member, John Moore pursuant to a February 22, 2013 amendment to a Secured Promissory Note Agreement entered into on August 13, 2012 between the Company and the Board Member. The Company issued the securities in reliance on Section 4(a)(2) (formerly Section 4(2)) of the Securities Act due to the fact that the issuance was isolated and did not involve a public offering of securities.

- On March 27, 2013, the Company issued an aggregate of 200,000 restricted shares of Common Stock to Board Member, Stephen Baksa pursuant to a February 22, 2013 amendment to a Secured Promissory Note Agreement entered into on October 26, 2012 between the Company and the Board Member. The Company issued the securities in reliance on Section 4(a)(2) (formerly Section 4(2)) of the Securities Act due to the fact that the issuance was isolated and did not involve a public offering of securities.

- On March 27, 2013, the Company issued 200,000 restricted shares of Common Stock to a third party non-affiliated consultant in consideration for consulting services rendered by the consultant to the Company. The Company issued the securities in reliance on Section 4(a)(2) (formerly Section 4(2)) of the Securities Act due to the fact that the issuance was isolated and did not involve a public offering of securities.

  - On April 26, 2013, the Company entered into a note purchase and security agreement (the "Loan Agreement") with Stephen D. Baksa (the "Lender'), a member of the Board. Pursuant to the Loan Agreement, the Company issued a secured promissory note, dated April 26, 2013 (the "Note"), to Mr. Baksa for the principal amount of $200,000, bearing interest at a rate of 2% per month and maturing on June 30, 2013 or such other time as described in more detail in the Note, without any penalty for prepayment. This Note is secured by fifty percent (50%) of certain financial holdbacks to the Company pursuant to the Stock Purchase Agreement, dated February 1, 2013, by and among the Company, IDC Global, Inc. and Global Telecom & Technology Americas, Inc. The Company issued the Note upon reliance on Section 4(a)(2) (formerly 4(2)) of the Securities Act in light of the fact it was a private transaction and did not involve a public offering of securities.

In connection with the execution of the Loan Agreement, on April 29, 2013, the Company issued the Lender a common stock purchase warrant (the "Warrant"), pursuant to which the Lender is entitled to purchase 100,000 shares of common stock at an exercise price of $0.25 from May 1, 2013 until April 30, 2016. The Warrant was issued in a private transaction between the Company and the Lender and was exempt from registration under the Securities pursuant to Section 4(a)(2) (formerly Section 4(2)) thereof.

- In connection with the execution of the Loan Agreement, on April 29, 2013, the Company issued the Lender a conditional common stock purchase warrant (the "Conditional Warrant") which is exercisable in the event that Note is not paid in full by June 30, 2013, pursuant to which the Lender is entitled to purchase 100,000 shares of common stock at an exercise price of $0.25 from July 1, 2013 until June 30, 2016 as described more fully in the Note. The Conditional Warrant was issued in a private transaction between the Company and the Lender and was exempt from registration under the Securities Act, pursuant to Section 4(a)(2) (formerly Section 4(2)) thereof.

- On April 26, 2013, the Company entered into a note purchase and security agreement (the "Loan Agreement") with Vitamin B Venture GmbH (the "Lender"), an entity of which Joerg Ott, the Company's Chairman and Chief Executive Officer, has voting and dispositive control. Pursuant to the Loan Agreement, the Company issued to the Lender a secured promissory note, dated October 26, 2012 (the "Note"), for the principal amount of $200,000, bearing interest at a rate of 2% per month and maturing on June 30, 2013 or such other time as described in more detail in the Note, without any penalty for prepayment. This Note is secured by fifty percent (50%) of certain financial holdbacks to be paid to the Company pursuant to the Stock Purchase Agreement, dated February 1, 2013, by and among the Company, IDC Global, Inc. and Global Telecom & Technology Americas, Inc. The Company issued the Note upon reliance on Section 4(a)(2) (formerly 4(2)) of the Securities Act in light of the fact it was a private transaction and did not involve a public offering of securities.

- In connection with the execution of the Loan Agreement, on April 29, 2013, the Company issued the Lender a common stock purchase warrant (the "Warrant"), pursuant to which the Lender is entitled to purchase 100,000 shares of common stock at an exercise price of $0.25 from May 1, 2013 until April 30, 2016. The Warrant was issued in a private transaction between the Company and the Lender and was exempt from registration under the Securities Act pursuant to Section 4(a)(2) (formerly Section 4(2)) thereof.

- In connection with the execution of the Loan Agreement, on April 29, 2013, the Company issued the Lender a conditional common stock purchase warrant (the "Conditional Warrant") which is exercisable in the event that Note is not paid in full by June 30, 2013, pursuant to which the Lender is entitled to purchase 100,000 shares of common stock at an exercise price of $0.25 from July 1, 2013 until June 30, 2016 as described more fully in the Note. The Conditional Warrant was issued in a private transaction between the Company and the Lender and was exempt from registration under the Securities Act, pursuant to Section 4(a)(2) (formerly Section 4(2)) thereof.

- On August 6, 2013, the Company issued 25,000 restricted shares of Common Stock to a third party non-affiliated consultant in consideration for consulting services rendered by the consultant to the Company. The Company issued the securities in reliance on Section 4(a)(2) (formerly Section 4(2)) of the Securities Act due to the fact that the issuance was isolated and did not involve a public offering of securities.

Transactions occurring in 2014

- On January 31, 2014, the Company issued 25,000 restricted shares of Common Stock to a third party non-affiliated consultant in consideration for consulting services rendered by the consultant to the Company. The Company issued the securities in reliance on Section 4(a)(2) (formerly Section 4(2)) of the Securities Act due to the fact that the issuance was isolated and did not involve a public offering of securities.
- On March 19, 2014, the Company issued 666,667 restricted shares of Common Stock to Directors in consideration for director services rendered to the Company. The Company issued the securities in reliance on Section 4(a)(2) (formerly Section 4(2)) of the Securities Act due to the fact that the issuance was isolated and did not involve a public offering of securities.
- On July 17, 2014, the Company issued 25,000 restricted shares of Common Stock to a third party non-affiliated consultant in consideration for consulting services rendered by the consultant to the Company. The Company issued the securities in reliance on Section 4(a)(2) (formerly Section 4(2)) of the Securities Act due to the fact that the issuance was isolated and did not involve a public offering of securities.

Options

The Company has not issued any options, so that none are outstanding as at December 31, 2014 and 2013.

Warrants

The Company has issued warrants in four different manners. In each instance, the warrant allows the holder to purchase a common share within a three year period from issuance at a specific price per share. In the first instance, warrants have been issued as part of a private placement offering wherein the investor purchases a common share, and a warrant. The fair value of those warrants has been determined (and is shown below) by utilizing the residual method, whereby the current market value of the stock is deducted from the unit price and the remainder is allocated to the warrant. The valuation of the warrants issued is for disclosure purposes only and has no impact to the financial statements. A description of those warrants has been described above under common shares.

The second manner in which warrants are issues is in respect to financing by way of the issuance of notes payable or the conversion of debt into shares. In these instances, the fair value of the warrant has been determined using the effective interest rate method whereby the note is discounted when the interest rate is less than other similar notes and discount is allocated to the warrant and credited to additional paid in capital. The corresponding charge to discount is then amortized over the life of the note. Where there is no difference in interest terms, no value is attributable to the warrant.

The Company has also sold warrants at nominal value to certain investors. In this instance the fair value of the warrants has been determined using a Black-Scholes option pricing model with volatility, equity value and interest rate inputs noted below. The valuation of the warrants issued is for disclosure purposes only and has no impact to the financial statements.

Lastly, the Company has issued warrants to outside consultants in consideration for services rendered. The warrants are issued as “cashless” warrants and have been valued using a Black-Scholes option pricing model with volatility, equity value and interest rate inputs noted below. The fair value of warrants issued for financing are determined for disclosure purposes as there is no impact to the financial statements. The fair value for other services, namely legal, and consulting have been recorded in the financial statements with a charge to the corresponding expense account and a credit to additional paid in capital.

The following share purchase warrant transactions have not been disclosed elsewhere:

On April 1, 2011, the former CFO was issued 100,000 share purchase warrants, which gave him the option of purchasing 100,000 shares of common stock for a period of 3 years at a price of $1.50 per common share. The value of this issuance, using the Black-Scholes pricing model was determined to $34,000 and this amount was recorded as a consulting expense.

In March, 2012, the Company issued an aggregate of 2,020,000 warrants to five “accredited investors” pursuant to Section 4(a)(2) (formerly Section 4(2)) of the Securities Act. Each investor warrant is exercisable for the three-year period commencing from the date of issuance for $0.50 per share of Common Stock and has the same terms as the Private Placement Warrants. As noted above, investors immediately exercised warrants and purchased 900,000 shares of common stock for $450,000.

On March 27, 2012, the Company issued an aggregate of 250,000 warrants to 3 outside consultants pursuant to Section 4(a)(2) (formerly Section 4(2)) of the Securities Act. Each warrant is exercisable for the three-year period commencing from the date of issuance for $1.10 per share of Common Stock and has the same terms as the Private Placement Warrants. The value of this issuance, using the Black-Scholes pricing model was determined to $270,208 and this amount was recorded as a professional expense.

In December, 2012, the Company issued 16,875 warrants to an outside consultant pursuant to Section 4(a)(2) (formerly Section 4(2)) of the Securities Act. Each warrant is exercisable for the three-year period commencing from the date of issuance for $0.21 per share of Common Stock and has the same terms as the Private Placement Warrants. The value of this issuance, using the Black-Scholes pricing model was determined to $2,624 and this amount was recorded as a consulting expense.

		# of shares allowed to purchase	Issue Date	Expiry Date	Strike Price	Fair value at Issuance	Issued	Exercised	Balance End of Period
Opening - Jan 1, 2011		2,000,000	10/1/2010	6/1/2013	4	-	-	-	2,000,000
Issued for financing services			3/11/2011	3/14/2014	1.5	-	707,280	-	707,280
Issued for financing services			3/28/2011	3/24/2014	1.5	-	15,000	-	15,000
Sold with share units			3/31/2011	3/31/2014	1.5	-	6,044,000	2,020,000	4,024,000
Issued for consulting services	(1)		4/1/2011	4/1/2014	1.5	34,000	100,000	-	100,000
Closing - Dec 31, 2011							6,866,280	2,020,000	6,846,280
Opening - Jan 1, 2012		6,846,280						5,000	6,841,280
Amended		-2,000,000	10/1/2010	6/1/2013	4	-	-	-	-
Reissued		2,000,000	6/1/2012	6/1/2015	1	556,785	-	-	-
Issued for legal services	(2)		3/31/2012	3/31/2012	1.1	270,208	250,000	-	250,000
Issued for nominal value			3/28/2012	3/28/2015	0.5	2,457,662	2,020,000	900,000	1,120,000
Sold with share units			4/16/2012	4/16/2015	1.5	90,000	120,000	-	120,000
Issued with debt conversion			4/28/2012	4/28/2015	1.75	-	550,000	-	550,000
Issued with debt conversion			4/30/2012	4/30/2015	1.75	-	500,000	-	500,000
Sold with share units			5/10/2012	5/10/2015	1.5	25,800	30,000	-	30,000
Issued with debt			7/5/2012	7/5/2012	0.5	26,500	550,000	-	550,000
Issued with debt			8/13/2012	8/13/2015	0.35	-	100,000	-	100,000
Issued with debt			10/26/2012	10/29/2015	0.2	-	500,000	500,000	-
Issued with debt			11/30/2012	11/30/2015	0.2	-	500,000	250,000	250,000
Issued for consulting services	(1)		12/21/2012	12/21/2015	0.21	2,624	16,875	-	16,875
Closing - Dec 31, 2012							5,136,875	1,655,000	10,328,155

Opening - Jan 1, 2013

No Activity

Closing - December 31, 2013

Opening - Jan 1, 2014

No Activity

Closing - December 31, 2014

(1) recorded as consulting expense

(2) recorded as legal expense

The weighted average exercise price at December 31, 2014 was $0.00

The weighted average exercise price at December 31, 2013 was $0.00

Note 25 REVENUE ALLOCATION

Gross revenue may be broken down by the following products for the twelve months ended December 31, 2014 are as follows:

Sales Revenues	Restated 12/31/2013 KUSD	12/31/2014 KUSD
Licenses	292	0
Maintenance	995	2
Service	942	559
Third-Party Products	360	0
Others	0	1,489
	2,589	2,050

Revenues by geographical area for the twelve months ended December 31, 2014

are as follows:

Sales Revenues by geographic area	Restated 12/31/2013 KUSD	12/31/2014 KUSD
US	0	0
Germany	2,555	1,489
India	34	561
	2,589	2,050

Long-lived assets by geographical area, which primarily include property plant and equipment, are as follows:

Long-lived assets by geographic area	Restated 12/31/2013 KUSD	12/31/2014 KUSD
US	62	-
Germany	179	19
United Kingdom	3	-
India	16	27
	260	46

Note 26 OTHER INCOME (EXPENSE)

At the financial statement date, Other Expense was 1,060 KUSD (December 31, 2013 Restated Other Expense: (1,303) KUSD).

Other Expense	Restated 12/31/2013 KUSD	12/31/2014 KUSD
Other Expense	(903)	(1,324)
Interest Income	0	359
Interest Expense	(400)	(95)
Other Expense	(1,303)	(1,060)

Other Expense primarily includes provision for bad debt expense (783k), loan discount amortization (139k) and currency differences.

NOTE 27 PENSION PLAN OBLIGATIONS

The Company maintains one retirement plan with two components within GBS India, described as follows:

Accrued Gratuity Liability –

Representing a government mandated obligation to provide employees with 15 days of wages for every year worked. Obligations are paid upon termination of employee services due to retirement, resignation or death and payable only if employee vests at least five years of employment with the Company.

Details of the provision for gratuity which are included within Accrued Liabilities:

Net Liability Recognized on the Balance Sheet	As of 12/31/2014	As of 12/31/2013
Accrued Gratuity Liability		
Present Value of Current Year Obligation	1,758	2,671
Present Value of Non- Current Year Obligation	49,872	40,698
Present Value of Obligation	51,630	43,369
Fair Value of Assets	0	0
Net Asset/Liability Recognized	(51,630)	(43,369)

Expenses Recognized in P/L		
Current Service Costs for the Accounting Period	14,894	7,905
Net Expenses as of the end of the Accounting Period	23,133	12,103

Changes in the present value of obligation	As of 12/31/2014	As of 12/31/2013
Liability at the beginning of the period	42,134	31,939
Add Interest Cost	2,507	2,236
Add Current Service Cost	14,249	7,466
Less Benefits Paid	(12,636)	0
Add Past Service Cost	0	0
Add Settlement Cost	0	0
Add Curtailment Cost	0	0
Actuarial gain / loss	5,376	1,729
Liability at the end of the period	51,630	43,369

Compensated Absences: Earned Leave Liability –

Representing a government mandated obligation to provide employees with monthly salary at time of exit divided by number of days in the month multiplied by the accumulated qualifying earned leave credit. Obligations are paid upon termination of employee services due to retirement, resignation or death and payable only if employees vests at least five years of employment with the Company.

Details of the provision for compensated absences which are included within Accrued Liabilities is as follows:

Net Liability Recognized on the Balance Sheet	As of 12/31/2014	As of 12/31/2013
Present Value of Current Year Obligation	850	3,694
Present Value of Non-Current Year Obligation	22,351	16,440
Present Value of Obligation	23,201	20,134
Fair Value of Assets	0	0
Net Asset/Liability Recognized	(23,201)	(20,134)
Expenses Recognized in P/L Account		
Current Service Costs for the Accounting Period	6,126	5,929
Net Expenses as of the end of the Accounting Period	9,711	5,687

Changes in the present value of obligation	As of 12/31/2014	As of 12/31/2013
Liability at the beginning of the period	19,560	18,470
Add Interest Cost:	1,171	1,165
Add Current Service Cost:	5,861	5,600
Less Benefits Paid:	(5,650)	(3,708)
Add Past Service Cost:	0	0
Add Settlement Cost:	0	0
Add Curtailment Cost:	0	0
Actuarial gain / loss:	2,258	(1,393)
Liability at the end of the period:	23,201	20,134

Note 28 EXTRAORDINARY INCOME (EXPENSE)

At the financial statement date, Extraordinary Income was 19,748 KUSD (December 31, 2013 Restated Extraordinary Income: -0- KUSD). This was a result of the write off of the Capital Reserves of GROUP AG due to the sale of the majority interest.

At the financial statement date, Extraordinary Expense was 15,212 KUSD (December 31, 2013 Restated Extraordinary Expense: 2,994 KUSD). This was a result of the write down of the Goodwill of GROUP AG and its' subsidiaries (Permessa Corporation and Group Business Software Corporation) offset by deconsolidation income arising from the majority interest sale (11,179 KUSD).

In addition, the write down of the Goodwill from the investments in Pavone, GmbH and GBS India are included (4,033 KUSD).

Note 29 COMMITMENTS

The Company has the following commitments as at December 31, 2014:

	Amount for Next 12 Months 1/1/2015 to 12/31/2015	Amount Exceeding 12 Months 1/1/2016 & On	Total Commitments
	($)	($)	($)
Total Liabilities from Rental Agreements	126,598	192,877	319,475
Obligations from Vehicle Lease Agreements	8,550	7,838	16,388
Obligations from Other Lease Agreements	0	0	0
Obligations started after 12/31/14	0	0	0
Total Financial Obligations	135,148	200,714	335,862

Note 30 SUPPLEMENTAL CASH FLOW DISCLOSURES

The significant non-cash transactions for the year ended December 31, 2014 and 2013 were as follows:

- On March 1, 2013, $700,000 of Notes Payable and Accounts Payable due to Vitamin VbV GmbH was dissolved as payment against a Loan Payable from Group AG.
- On March 20, 2013, 450,960 shares were issued at a rate of .30/share on conversion of accrued interest due on a Note Payable to John Moore.
- On March 27, 2013, 200,000 shares were issued at a rate of .30/share on conversion of accrued interest

due on a Note Payable to Stephen Baksa. Also on March 27, 2013, 200,000 shares were issued in lieu of services and the fair value based on the Black Scholes pricing model, was determined to be $ 70,000 and recorded as Additional Paid-In Capital.

- On August 6, 2013, 25,000 shares were issued at a rate of .16/share in lieu of consulting services and recorded as Additional Paid-In Capital.
- On January 31, 2014, 25,000 shares were issued at a rate of .15/share in lieu of consulting services and also recorded as Additional Paid-In Capital
- On March 19, 2014, 666,667 shares were issued at a rate of .10/share on conversion of accrued Board of Director Fees due and also recorded as Additional Paid-In Capital.
- On July 17, 2014, 25,000 shares were issued at a rate of .13/share in lieu of consulting services and also recorded as Additional Paid-In Capital.

Additional Information:

	For the fiscal year: 1/1/2014 - 12/31/2014	**For the fiscal year: 1/1/2013 - 12/31/2013**
Interest Expense:	0	0
Corporate Income Taxes Paid:	42,176	35,173
Corporate Taxes Refund:	0	0
Total Cash Expenditure	42,176	35,173

Note 31 SUBSEQUENT EVENTS

GROUP Business Software AG ("GROUP") in which the Company had a financial investment of 46.2% as of December 31, 2014 (50.1% December 31, 2013) of GROUP's capital stock has filed a reduction of its subscribed capital with a ratio of 9:2 beginning of the fiscal year 2015. This capital stock split has been registered and has affected all shareholders of GROUP Business Software AG equally.