CATALIS SE

ANNUAL REPORT 2015

CONTENTS

Delivering quality to the global entertainment and media marketplace.

CATALIS SE
BOARD REPORT

The Catalis Group is comprised of Catalis SE (the Company) as the ultimate parent company of three wholly-owned operating segments- Testronic Laboratories Group, the Kuju Group and DoubleSix Publishing which operate through various wholly owned legal entities in the UK, US and Poland. The Testronic Laboratories Group operates in the US, UK and Poland. The Kuju Group operates in the UK only. During the year the Testronic Laboratories Group disposed of its investment in Testronic Laboratories NV, a Belgian company.

Strategy

Catalis is dedicated to deliver quality to the global entertainment and media marketplace. We strive to build a balanced portfolio of businesses that are, or can be, world-leading in their corresponding sectors. An important element to this strategy is to remain at the leading edge of technological innovation. The Catalis Group places great focus on building strong relationships with manufacturers and platform holders, and is an active member in many industrial consortia and influential trade bodies. Keeping pace with the latest innovations has helped to build Catalis into a deft and nimble operation. Catalis is continuously evolving the scope of its services, serving to expand relationships with existing clients, and establish relationships with new clients.

As a result of this, Catalis is well positioned to benefit from the future growth potential of the digital media and entertainment industries. The Group intends to continue adapting to the ongoing transitions in the industry, to help maintain, and grow, the demand for its services. In addition to growth opportunities, management has permanent focus on cost control to focus on the margin generated from the business.

Catalis SE

In May 2015 Catalis announced the disposal of Testronic Laboratories Belgium NV for a total gross consideration of € 8.174m. The decision to dispose of Testronic Laboratories Belgium NV was as a result of a strategic review of the Group in late 2014. Testronic Laboratories Belgium NV was a specialized testing business and had little interaction or business overlap with the wider Catalis SE Group. In 2014, Testronic Laboratories Belgium NV generated revenues of € 7.921m and an operating profit before non-recurring cost of € 958k. The sale was agreed on a cash free, debt free basis and €1m of the gross proceeds was held for an agreed period in escrow in support of specific representations and warranties. During 2015 Catalis Se received €0.5m of the total escrow value with a further €0.5m to be received in 2016.

On 28 July 2015 Catalis SE shares commenced trading on the Entry Standard Market which is an Unregulated Market in Frankfurt with a par value of € 1.00 per share and withdrew its listing from the Regulated Market in Frankfurt. Immediately prior to the relisting of the shares on the Entry Standard Market the company executed a 10:1 reverse stock split to increase the par value per share from 0.10 € to € 1.00 per share, a prerequisite for the listing on the Entry Standard Market. The reverse split had a minimal effect of €0.02 on the company’s total equity and the number of shares after the reverse split was 655,233, with a par value of € 1.00 (prior to the reverse split there were 6,552,332 with a par value of € 0.10). The shares are traded under the ticker XAE2.F.

Catalis SE - Events after the reporting date

In January 2016 Catalis SE Board of Directors announced the acquisition of Curve Digital Publishing Limited, a UK based publisher and developer. Kuju and Curve will combine into a new division, Curve Digital Entertainment, the combined company will cover the complete value chain from creating new ideas for games to publishing games from internal and external sources.

Operational Highlights

Kuju Entertainment Ltd.

During the year Kuju continued to develop Nintendo's ever-popular *Art Academy* franchise, and June 2015 saw the release of *Art Academy: Atelier* for WiiU – the most sophisticated product in the franchise so far. Kuju also played a major role in the development of Activision's Guitar Hero Live, the seventh instalment in the Guitar Hero franchise. The game was well received by critics and consumer alike, receiving an average review score of over 80/100 and quickly out-selling the previous two Guitar Hero games. Kuju's Brighton-based studio, Zoë Mode, was commissioned to develop Risk (for Xbox and PS4). The game, brings the hit-selling board game to console, and was released both as a standalone product, and as part of a Family Fun Pack, by publishers Ubisoft.

Testronic Laboratories

Testronic Laboratories generated revenues of € 14.9m in 2015, representing a year-on-year increase of 2%, and EBIT of € 1.9m (2014: € 1.6m). The Polish operation performed strongly during the year and operated at peak capacity for the majority of the year after the move to larger premises in late 2014. The strength of the Polish operation stems from strategic investment into the sales team and operations of the business. The group expects to be able to generate further growth from new and existing clients in the games business. The model for expansion can also be readily transferred to other business segments. During 2015 the group has won several significant new clients that they will continue to serve during 2016.

Doublesix Publishing

DDP made limited contributions to Catalis' net sales in 2015 after a decision was made in 2012 not to pursue further self published games and the European version of Who Wants to Be a Millionaire was delisted in 2014. The Company continues to receive royalties from other self published titles already in the marketplace.

Development of Earnings, Assets and Financial Situation

Sales Development and gross profit

During the year ended 31 December 2015, the Group generated revenue of €19.7m (2014*: €21.0m). Of this, €14.9m (2014*: €14.5m) was attributable to Testronic (quality assurance), €4.7m (2014: €6.3m) to Kuju (video games development) and €0.1m to DDP (self-published games, 2014: €0.2m).

Development of Earnings, Assets and Financial Situation (continued)

Sales Development and gross profit (continued)

Subcontracting and cost of materials amounted to €1.2m (2014*: €1.5m) resulting in a gross profit of €18.5m in 2015 (2014*: €19.5m) with Testronic being €0.7m higher than last year* at €14.8m and Kuju being €1.5m lower. The reduction in the Kuju gross profit reflects the move to the more flexible contractor model combined with lower revenues and although the gross profit has been impacted during the year the Kuju group has benefitted from lower fixed wages and salaries. The increase in the gross profit for the Testronic group reflects improved focus on cost and operational efficiencies implemented during the year.

Earnings Development

During the year the Group's Adjusted EBIT** amounted to €1.1m (2014: €0.9m). After adjusting for impairments of goodwill, other non-recurring items** and the profit on the disposal of Testronic Belgium NV totalling of €6.2m (2014: €1.8m) the Group operating loss was €5.1m (2014: €0.9m*). Non-recurring costs are unusual charges, expenses, or a loss that is unlikely to occur again in the normal course of a business and are described in detail in note 6 to the Financial Statements.

Testronic's profit from operations amounted €1.9m (2014*: €1.6m), while Kuju generated a loss of €0.03m (2014: loss of €0.4m). DDP made a loss of €0.1m (2014: €0.02m).

	2015 Continuing operations €000's	2014 Total €000's	2014 Discontinued operations €000's	2014 Restated €000's
Total income	19,719	28,917	(7,921)	20,996
Subcontracting and cost of materials	(1,246)	(3,376)	1,847	(1,529)
Gross profit	18,473	25,541	(6,074)	19,467
Operating costs	(23,576)	(25,758)	5,437	(20,321)
Operating loss	(5,103)	(217)	(637)	(854)

Reconciliation from adjusted EBIT to operating profit/(loss):

	2015 Continuing operations €000's	2014 Total €000's	2014 Discontinued operations €000's	2014 Restated €000's
Adjusted EBIT**	1,080	1,614	(687)	927
Exceptional & non-recurring costs - Corporate	(124)	(1,142)	-	(1,142)
Exceptional & non-recurring costs - Kuju	(105)	(289)	-	(289)
Exceptional & non-recurring credit DDP	(78)	239	-	239
Exceptional & non-recurring costs Testronic	(205)	(282)	50	(232)
Impairment of goodwill	(8,162)	-	-	-
Impairment of intangible fixed assets - DDP	-	(357)	-	(357)
Provision for restructuring - Kuju	(444)	-	-	-
Profit on sale of subsidiary	2,935	-	-	-
Operating loss	(5,103)	(217)	(637)	(854)

* 2014 restated for the disposal of Testronic Belgium NV (revenue of €7.9m, operating income €0.6m)

** Adjusted EBIT is a non-GAAP measure. Adjusted EBIT profit is a company specific measure which excludes impairment of intangible fixed assets and expenses which are considered to be one off and non-recurring in nature.

Development of Earnings, Assets and Financial Situation (continued)

Earnings Development (continued)

The group's financial expense for the year (excluding translation differences) was €0.624m (2014*: €0.982m). After deducting financial expenses and translation differences, the pre-tax loss was €5.043m (2014: €1.480m). The tax charge was €0.120m (2014: €0.015m) generating a loss for the period for continuing operations of €5.056m (2014*: €1.495m).The results of the discontinued operations after tax was €0.2 (2014:€0.593m).

Statement of Financial Position

At 31 December 2015, the Group's statement of financial position total amounted to €12.6m (2014: €24.5m), a reduction of €11.9m. During the year the Group disposed of trading assets amounting to €2.5m with regard to the disposal of Testronic Belgium NV and disposed of €3.4m of goodwill relating to Testronic Belgium NV that had been previously capitalised. In accordance with IFRS the Group also conducted a review of the goodwill at the balance sheet date and determined that an impairment charge of €8.2m was necessary in relation to the Kuju group.

Current assets amounted to €6.6m (2014:€7.5m) a decrease of €0.9m. An increase in cash and cash equivalents of €1.1m was offset by the disposal of Belgium (€2.1m). In terms of equity, the group's total shareholder equity decreased to €4.0m (2014: €8.4m).

The cash proceeds from the sale of Testronic Belgium NV enabled the group to significantly reduce its borrowings and other current liabilities during the year. The overdraft was repaid in full and other current liabilities (trade, other payables, taxes and social securities) were all significantly reduced so that the total of current and non-current liabilities reduced by €7.6m during the year.

During the year it became apparent that a provision against the closure of the Vatra Games business that was established in 2013 and previously released to the income statement in 2014 should be reinstated, totalling €0.444m.

Financial Situation

Cash Flow

During the year ended 31 December 2015, the Group generated cash from operating activities of €0.006m (2014: €1.9m). Compared to the previous year the result was mainly influenced by the reduction in trade and other payables offset by a reduction in the interest paid during the year. Cash inflow from investing activities amounted to €6.0m (2014: outflow of €0.5m) and is attributable to purchase of property, plant and equipment offset by the proceeds of the disposal of the Belgian business. Cash flow from financing activities amounted to an outflow of €4.0m (2014: inflow of €0.5m) as a result of the repayment of the overdraft. The net effect of currency outflow of €0.4m (2014: €0.7m). Consequently the Group's total net increase in cash and cash equivalents in the fiscal year 2015 amounted to an inflow of €1.1m (2014: €0.5m). Net cash position at the end of the reporting period was €2.4m (2014: €1.3m).

The Board

The Board of Catalis SE is a one-tier board, comprising Executive Directors and Non-Executive Directors. Directors are appointed by the general meeting in the capacity of Executive or Non-Executive Directors. Natural persons as well as legal persons may be Executive Directors. Only natural persons may be Non-Executive Directors.

The Board has ultimate responsibility for the management, general affairs, direction and performance of our business as a whole. The responsibility of the Directors is collective, taking into account their respective roles as Executive Directors and Non-Executive Directors. The Executive Directors have additional responsibility for the operation of the business as determined by the Board. In all cases of conflicts of interest between the company and a Director, the company shall be represented by one of the other Directors.

The Board of Directors

Catalis SE has a one-tier Board, consisting of two Executive and four Non-executive Directors. The Executive Directors are charged with the day-to-day management of the company and the business connected with it, while the Non-Executive Directors supervise the management of the company.

The Directors who served during the year and subsequently are as follows:

Dominic Wheatley (CEO, Executive Director)	
Robert Haxton (CFO, Executive Director)	appointed 2nd February 2016*
Brett Morris (CFO, Executive Director)	resigned 28th January 2016
Peter Biewald (Chairman, Non-Executive Director)	
Nick Winks (Non-Executive Director)	
Tom Chaloner (Non-Executive Director)	
Nigel Hammond (Non-Executive Director)	

* Appointment to be confirmed at the next General Shareholder Meeting

Committees

The Board of Catalis SE comprises six members with an audit committee comprising of three board members and a remuneration committee that comprises those three board members not being members of the Audit Committee.

Audit Committee tasks

The tasks of the Audit Committee were performed during the regular Board meetings and separate meetings for the purpose of the approval of the quarterly results and the results for the full fiscal year 2015. The Audit Committee and the Board had a thorough discussion about the development of the financial results and the reasons thereto. The Board also discussed the risks for the future development of the company's financial situation and the measures required to handle these risks. Following these discussions, the Audit Committee and the Board believe that risks are adequately prioritised by the Executive Directors and that the Executive Directors follow a reasonable approach in controlling and handling such risks.

Audit Committee tasks (continued)

Other matters discussed were the financial statements, main audit and accounting issues, internal risk management and controls, developments in law and regulations as well as a statement to the audit and auditor's independence. Based on the Board's discussions and the opinion of the independent auditors of KPMG Accounts N.V., the Board holds it that all relevant issues regarding the company's financial statements for the fiscal year 2015 have been taken care of properly.

Diversity

The Management Board and Supervisory Board of Catalis currently consist of men. In the appointment of directors and managers, job profiles are used in which there is no gender distinction. Although the current composition of the Board is not diverse, the Management and the Board seek a more diverse composition. In any future replacement of Directors or Board members both men and women are invited to apply. In the final stage of the future selection of candidates, the quality of any candidate will prevail.

Remuneration Committee tasks

According to the company's remuneration policy, the Remuneration Committee implemented in 2014 will regularly review the remuneration package for a set of defined staff and executives to ensure that it meets the remuneration principles in both composition and amount.

The tasks of the Remuneration Committee were performed in the course of the regular Board meetings and separate meetings of the Remuneration Committee. As a part of these discussions, the Committee has also decided on the bonus payments for the fiscal year 2014 and 2015. An overview of the Board's remuneration can be found in note 28 to the Consolidated Financial Statements. The remuneration package of the Board of Catalis SE is divided in the remuneration package for the Executive Directors and the remuneration package for Non-Executive Directors.

Research and Development

Catalis' policy is to expense all research and development costs as they occur unless the required criteria are met in which case they are included within intangible fixed assets as capitalised development. Global research and development activities support Catalis' existing products and development of new services that align with our technical and commercial capabilities.

Investments

We have invested further to improve the efficiency, and increase the capacity, of our businesses. The necessary investments enabling us to conduct our business are subject to a profitability evaluation depending on their importance. Our investment plan is fully in line with our strategy of cementing our existing market positions and enlarging our business through organic and selective external growth.
Total investments in fixed assets in the year ended 31 December 2015 amounted to €0.6m and were mainly attributable to the purchase of property, plant and equipment (€0.5m). There are no principal future investments on which the management bodies have already made firm commitment.

Employees

Our workforce is our greatest asset – our aim is to be an employer of choice. Our values of respect, honesty and courage, customer focus, results and execution underpin the way in which we do business. We recruit, develop, reward and promote our staff on the basis of their skills and suitability for the role. Our goal is to maximize individual potential, increase commercial effectiveness, reinforce the firm's culture, expand our people's professional opportunities, and help them contribute positively to their greater communities. The average number of employees during the year is disclosed in note 3 to the Financial Statements.

Supplementary Report – subsequent events

In January 2016 Catalis SE Board of Directors announced the acquisition of Curve Digital Publishing Limited, a UK based publisher and developer. Kuju and Curve will combine into a new division, Curve Digital Entertainment, the combined company will cover the complete value chain from creating new ideas for games to publishing games from internal and external sources.

Risk Report

Catalis Group is a worldwide outsourcing service provider for the digital media and entertainment industry. The Group's focus is on quality assurance and video games development services for its customers in the home entertainment and consumer electronics space.

As a service provider, Catalis is always dependent on the demand for services from its customers which in turn is subject to the general economic environment and consumer demand for their respective products. Apart from these general risks that exist in the company's business environment, Catalis is also subjected to other risks which have been summarised below. These risks have the potential to impact our business, revenues, profits, assets, liquidity and capital resources adversely. There may be risks which are unknown or which are presently judged not to be significant but later prove to be significant.

Risk of substantial changes in trends and technologies

A major risk for all of Catalis' business activities lies predominately with consumer interest and demand. Building on the development in the media and entertainment industry, we depend on the advancement of these industries' driving forces. Technological changes and variations in end user behavioural patterns represent a risk as well as an opportunity for our business. Therefore, a material change or downturn in the pattern of the whole media and entertainment industry is a substantial risk for our business. Changes in trends and consumer behaviour might lead to a significant weakening in demand for some of our clients' products and in turn reduce their demand for our services. Technological changes may affect both the production and distribution processes in the industry and result in a material change of demand for our services, some services might even become obsolete, demand for new services not yet developed, changes in the competitive environment or changes in the attainable margins. Such changes can have significant effects on the asset, financial and earnings situation of Catalis.

Risk Report (continued)

Our continued investment in delivering new and innovative products and solutions to our customers will continue to place increasing demands on our existing supply chain and systems infrastructure. There is a risk that our infrastructure will lack the necessary scalability, flexibility and resilience to support its successful execution. The Group depends on the availability of its facilities (both in-house and outsourced) and the performance, reliability and availability of its information technology and communications systems. Any damage or denial of access to these systems could disrupt operations.

Quality and reputation risks

For Catalis as a service provider it is crucial to deliver high quality services just to stay in business. It has a number of highly qualified competitors in its markets and therefore a substantial reduction or lack of quality in its services may cause significant cancellations and losses of orders. Moreover, Catalis might lose its strong reputation in the market and be eliminated from future pitches for new projects. This may have adverse effects on the asset, financial and earnings situation of Catalis.

Clients rely on the Group's integrity and probity. The Group has policies and procedures in place to manage this risk to the extent possible, which include conduct of business rules, procedures for employee hiring and the taking on of new business. Maintaining a positive reputation for the Group is of vital importance to ensure the smooth operation of the existing business and to protect profitability.

Competition and pricing risks

Catalis is facing a number of different competitors in its respective markets. These markets are driven by quality, reputation, skills, capacity and barriers to market entry are therefore relatively high. Intensified competition for available orders might result in more aggressive pricing behaviour in the markets and harm Catalis' margins. Competition might also provide opportunities for customers to put pressure on margins.

Competition and intellectual property risks

In the development and distribution of video games, Catalis competes with a large number of other publishers. The Group's success in this segment depends on the Group's ability to exploit and protect its intellectual property throughout the world. Domestic and foreign laws promoting or limiting intellectual property rights may have significant impacts on the Group's operations in this field. In some foreign countries preventing unauthorized use of the Group's intellectual properties can be difficult even in countries with substantial legal protections. In addition, the Group's activities that rely on the exploitation of intellectual property are subject to the risk of challenges by third parties claiming infringement of their proprietary rights.

Personnel risks

The performance of the company's services depends to a great extent on the specialist knowledge and qualifications of its management and employees. If the company is not able to attract the necessary highly qualified staff or to maintain the quality of its existing staff through continuous training and skill enhancements, the company might lose its ability to deliver on its service obligations.

Risk Report (continued)

Operational risks
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people activities, systems or external events. Operational risks are managed through a combination of effective, relevant and proportional control processes and experienced managers who are alert to the risks involved in the business they process.

Capacity risks
The performance of Catalis' services is limited by its technological and personnel capacity. It is common in the company's markets that customers are specifying minimum requirements that service providers have to meet in order to be able to compete for a new project. Such minimum requirements sometimes result in substantial investments without a guarantee of winning the order. Also, if there should be a significant rise in customers' minimum requirements this will either cause the company to make some substantial investments to stay in the business or to be excluded from competition for certain projects. This may have adverse effects on the asset, financial and earnings situation of Catalis.

Security risks
Risk that a serious security breach or incident occurs within the Group that is directly attributable to the actions of one of our employees or the failure of related processes and/or training.

Judgement and assumptions
The Group prepares its consolidated financial statements in accordance with IFRS as issued by the IASB and adopted by the European Union, the application of which often requires judgements to be made by management when formulating the Group's financial position and results. In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Group should it later be determined that a different choice would be more appropriate.

Credit risk and default risk
The credit risk faced by the Group consists of counterparty credit risk. The company could lose money if the counterparty to a contract, does not make timely payments or honour its obligation. The Group is exposed to counterparty risk in respect of cash deposits held with financial institutions. The vast majority of the Group's cash deposits are held with highly rated clearing banks and settlement organisations. We may be subject to reduced availability of financing because our bank counterparties are unable to honour their commitments when required to deliver funds that they have committed to lend when requested. Limited ability to borrow additional funds may also reduce the Groups ability to respond to competitive and industry pressures, or opportunities.

Risk Report (continued)

Exchange rate fluctuations

The company's accounts are denominated in Euro (€). Certain investments of the company may be in currencies other than the Euro, such as the GBP (£). Similarly, certain expenses of the company, including organizational and operating expenses and the fees of directors and service providers, have and will continue to be incurred in currencies other than the Euro. Accordingly, the company is at risk and potentially liable for any gain or loss incurred as a result of exchange rate fluctuation, when such investments are realised or when such expenses are paid. Thus, shareholders – indirectly – bear the risk of exchange rate fluctuations. Following the recent referendum result in the UK to leave the European Union, the Board continues to monitor the situation carefully and will undertake appropriate action to mitigate risk as the need arises.

Economic conditions

The group's business operations are sensitive to economic conditions and in particular to levels of consumer spending. Any delay in economic recovery could affect consumer expenditure and therefore our revenue.

Regulatory Compliance

The Group must comply with regulatory requirements in relation to employment, competition and environmental issues, pensions and taxation legislation. Non compliance could lead to financial penalties or reputational damage. The geographic, political and cultural diversity of the markets in which we operate exposes us to wide ranging and complex legal and regulatory frameworks. The risk is that the Group does comply with existing or proposed changes to legislative requirements across the jurisdictions in which we operate. Changes in applicable laws and regulations could have a serious impact on the business.

Going concern

The management board of the Company and all other subsidiaries of Catalis SE have produced budgets and cash flow forecasts which have been used by Catalis SE to forecast cash flows for the Group for the period ended 31 August 2017. These forecasts are themselves reliant on the continuation of Group banking facilities to Catalis SE and Catalis SE providing continued financial support to the Company and its other subsidiaries. The Group's main banking facilities are provided by KBC Bank. The ongoing availability of the Bank facilities are subject to certain covenants being met by Catalis SE.

The Group produces detailed cashflow forecasts on a rolling 13 week basis and this is updated and reviewed by the Board regularly. Detailed trading forecasts for the Group are prepared and updated at least quarterly to a detailed client level and approved by the Board. The Board considers that the cost cutting program that started in 2014 and continued into 2015 is positively impacting the Group's cashflow and that the increase in activity seen in Poland in the first half of 2016, together with the acquisition of Curve Digital Entertainment means that the business is well placed to continue in operation for the foreseeable future.

Going concern

The covenants include two financial covenants which must be met on an annual basis based on the audited consolidated financial report for the Group. The financial covenants are a solvency ratio and a leverage ratio. The Board of Catalis SE continue to actively monitor the Group's compliance with its bank covenants. For the year ended 31 December 2015, Catalis SE has satisfied the solvency ratio and leverage ratio. Based on the aforementioned, management and the directors are of the opinion that it is appropriate to adopt the going concern assumption in the preparation of the financial statements.

Internal Control

Catalis' internal Risk Management and Control System is designed to avoid or mitigate rather than to eliminate the risks associated with the realization of Catalis' strategic, operational, financial, compliance, regulatory and financial reporting objectives. The Board of Directors is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against material misstatement or loss.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group including those risks relating to social, ethical and environmental matters. Catalis has implemented appropriate strategies to deal with each significant risk that has been identified. These strategies include internal controls, insurance and specialised treasury instruments.

Forecast Report

Our corporate earnings are expected to further develop in the current environment to build upon the solid foundation established during the current year. The growth of the Testronic business has been driven by investing in both the operations of the business and the sales team together with restructuring the cost base by moving to lower cost premises.

Financially, Kuju continues to be impacted by a slow software market and has restructured it's cost base to a flexible contractor based model to reduce its fixed cost base. The acquisition of Curve Digital Publishing will combine Kuju and Curve into a new division, Curve Digital Entertainment. The combined company will cover the complete value chain from creating new ideas for games to publishing games from internal and external sources.

The Group is confident for 2016 and expects to achieve revenue growth in line with expectations and to achieve an improved operating profit margin by continued focus on cost efficiencies and taking advantage of the expected growth in games market worldwide that the Group is well placed to take advantage of.
For the Board:

Dominic Wheatley, Robert Haxton,
Peter Biewald, Tom Chaloner,
Nick Winks, Nigel Hammond

Waalre, The Netherlands, 5 August 2016

CATALIS SE

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 €000's	2014 €000's
TOTAL REVENUES	2	**19,719**	**20,996**
Subcontracting and cost of materials	2	(1,246)	(1,529)
Personnel costs	3	(12,627)	(13,234)
Depreciation of fixed assets	13	(440)	(503)
Impairment of intangible fixed assets	11	-	(356)
Amortisation of intangible fixed assets	11	(172)	(96)
General and administration	4	(5,110)	(6,132)
Impairment of goodwill	12	(8,162)	-
Total expenses		**(27,757)**	**(21,850)**
Operating loss before other income		(8,038)	(854)
Other income – profit on disposal of subsidiaries	7	2,935	-
Operating loss		**(5,103)**	**(854)**
Interest expense		(410)	(736)
Other financial expense		(214)	(246)
Currency differences		684	356
Total financial result		60	(626)
Loss before tax		**(5,043)**	**(1,480)**
Income tax	5	(13)	(15)
LOSS FROM CONTINUING OPERATIONS		**(5,056)**	**(1,495)**
Profit on discontinued items, net of tax	8	200	593
LOSS ATTRIBUTABLE TO SHAREHOLDERS		**(4,856)**	**(902)**
Earnings per share (€) attributable to shareholders			
Basic	9	(7.23)	(0.14)
Diluted	9	(7.23)	(0.14)

Adjusted EBIT*		**1,080**	**927**
Impairment of intangible fixed assets		-	(357)
Impairment of goodwill	6	(8,162)	-
Non-recurring items	6	(512)	(1,424)
Restructuring provision	**6**	(444)	-
Profit on disposal of subsidiaries	**7**	2,935	-
		(6,183)	**(1,781)**
Operating loss		**(5,103)**	**(854)**

***** Adjusted EBIT is a non-GAAP measure. Adjusted EBIT profit is a company specific measure which excludes impairment of intangible fixed assetsand goodwill plus expenses which are considered to be one off and non-recurring in nature.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

	2015	2014
	€000's	€000's
NET LOSS FOR THE YEAR	**(4,856)**	**(902)**
Items that are or may be reclassified through the profit or loss in the future:		
Exchange differences on translating foreign operations	11	(120)
Other comprehensive income for the year, net of tax	11	(120)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(4,845)**	**(1,022)**

The accompanying notes form an integral part of the financial statements

CATALIS SE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Note	2015	2014
		€000's	€000's
ASSETS			
Non-current assets			
Intangible assets	11&12	4,350	15,424
Property, plant and equipment	13	1,189	1,440
Other financial assets	14	455	-
Deferred tax assets	5	-	212
		5,994	17,076
Current assets			
Trade receivables	15	2,036	4,527
Tax and social security		104	57
Income tax		79	71
Other receivables	16	1,908	1,474
Cash and cash equivalents	17	2,447	1,336
		6,574	7,465
Total assets		12,568	24,541
EQUITY AND LIABILITIES			
EQUITY			
Share capital	18	700	655
Share premium		20,028	19,623
Share based payments		746	737
Cumulative translation differences		(3,668)	(3,678)
Other reserve		145	145
Accumulated deficit		(13,973)	(9,117)
Total equity		3,978	8,365
LIABILITIES			
Non-current liabilities			
Non-current loans	20	2,975	2,259
Deferred tax liabilities	5	-	212
		2,975	2,471
Current liabilities			
Current loans	19	900	2,950
Bank overdraft	19	-	2,988
Trade and other payables	21	3,338	5,981
Taxes and social security		888	1,704
Income tax		45	41
Provisions	23	444	41
		5,615	13,705
Total equity and liabilities		12,568	24,541

The accompanying notes form an integral part of the financial statements

CATALIS SE

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CATALIS SE FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Share capital	Share premium	Share based payments	Currency differences	Accumulated deficit	Other reserve	Total Equity
		€000's	€000's	€000's	€000's	€000's	€000's	€000's
At 1 January 2014		**624**	**19,344**	**734**	**(3,558)**	**(8,215)**	**-**	**8,929**
Issue of share capital	18	31	279	-	-	-	-	310
Share based transactions		-	-	3	-	-	-	3
Equity element of convertible loan note		-	-	-	-	-	145	145
Total comprehensive loss for the year		**-**	**-**	**-**	**(120)**	**(902)**	**-**	**(1,022)**
At 31 December 2014		**655**	**19,623**	**737**	**(3,678)**	**(9,117)**	**145**	**8,365**
Issue of share capital	**18**	**45**	**405**	**-**	**-**	**-**	**-**	**450**
Share based transactions		**-**	**-**	**9**	**-**	**-**	**-**	**9**
Equity element of convertible loan note		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive loss for the year		**-**	**-**	**-**	**10**	**(4,856)**	**-**	**(4,846)**
At 31 December 2015		**700**	**20,028**	**746**	**(3,668)**	**(13,973)**	**145**	**3,978**

The accompanying notes form an integral part of the financial statements

CATALIS SE

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 €000's	2014 €000's
Cash flow from operating activities			
Loss after tax from continuing operations		(5,056)	(1,495)
Profit after tax from discontinued operations	8	200	593
		(4,856)	(902)
Adjustments to reconcile profit after tax to net cash provided by operating activities			
Depreciation and amortisation		612	1,110
Impairment of goodwill	12	8,162	-
Share based payment	28	9	4
Interest expense		624	1,002
Income taxes	5	13	37
Gain on disposal of subsidiary undertakings		(2,935)	-
Translation differences		(684)	(356)
Loss on sale of fixed assets		-	291
Decrease in other current assets		906	186
(Decrease)/increase in current liabilities		(2,248)	797
Change in provisions	23	403	(306)
Cash generated from operations		6	1,863
Interest paid		(537)	(674)
Income tax paid		(13)	(27)
Net cash generated from operating activities		(544)	1,162
Cash flow from investing activities			
Additions of intangible assets	11	(107)	(122)
Purchase of property, plant and equipment, net	13	(532)	(382)
Disposal of subsidiary undertaking, net of cash	7	6,674	-
Net cash used in investing activities		6,035	(504)
Cash flow from financing activities			
Repayment of bank loans and overdrafts		(4,079)	(1,739)
Increase of convertible loan		-	2,000
Increase/(decrease) in finance leases		241	(27)
Increase/(decrease) in other loans		(602)	-
Proceeds from issue of share capital		450	310
Net cash funded / used in financing activities		(3,990)	544
Net effect of currency translation		(390)	(730)
Net increase / (decrease) in cash and cash equivalents		1,111	472
Cash and cash equivalents at beginning of year		1,336	864
Cash and cash equivalents at end of year		*2,447*	*1,336*

1. GENERAL

Catalis SE ("the Company") and its wholly owned subsidiaries (together "Catalis" or "the Group") provide testing services for the media industry and the design and development of interactive computer games for personal computers and video games consoles. Catalis SE was incorporated on 24 March 2000. With respect to the Company profit and loss account of Catalis SE use has been made of the exemption under Article 2:402 of Book 2 of the Netherlands Civil Code. For events after balance sheet date please refer to the 'other information' section in this annual report. The consolidated financial statements of Catalis SE for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the (non-)executive Board on 30 June 2016. The shares are traded on the Entry Standard Market, which is an Unregulated Market in Frankfurt, under the ticker XAE2.F.

SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The financial statements are prepared in Euros (€), rounded to the nearest thousand. The financial statements have been drawn up on the basis of historical cost, with the exception of certain financial assets, which are measured at fair value.

BASIS OF CONSOLIDATION

The Consolidated financial statements include the accounts of Catalis SE ('the Company') and all subsidiaries that the Company controls, i.e. when it is exposed, 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. The existence and effect of potential voting rights are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. All intercompany balances and transactions have been eliminated in the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

On acquisition, the assets and liabilities of the subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition, or up to the effective date of disposal, as appropriate. Entities which are acquired and are controlled, but where the intention is that they will be held for a period less than twelve months and are actively managed as such, are recorded as assets held for sale. The consolidated financial statements are based on the financial statements of the individual companies which have been drawn up using standardised group accounting policies. All companies in the group have the same reporting date of 31 December.

GOING CONCERN

The management board of the Company and all other subsidiaries of Catalis SE have produced budgets and cash flow forecasts which have been used by Catalis SE to forecast cash flows for the Group for the period ending 31 August 2017. These forecasts are themselves reliant on the continuation of Group banking facilities to Catalis SE and Catalis SE providing continued financial support to the Company and its other subsidiaries. The Group's main banking facilities are provided by KBC Bank. The ongoing availability of the Bank facilities are subject to certain covenants being met by Catalis SE.

The Group produces detailed cashflow forecasts on a rolling 13 week basis and this is updated and reviewed by the Board regularly. Detailed trading forecasts for the Group are prepared and updated at least quarterly to a detailed client level and approved by the Board. The Board considers that the cost cutting program that started in 2014 and continued into 2015 is positively impacting the Group's cashflow and that the increase in activity seen in Poland in the first half of 2016, together with the acquisition of Curve Digital Entertainment means that the business is well placed to continue in operation for the foreseeable future.

The covenants include two financial covenants which must be met on an annual basis based on the audited consolidated financial report for the Group. The financial covenants are a solvency ratio and a leverage ratio. The Board of Catalis SE continue to actively monitor the Group's compliance with its bank covenants. For the year ended 31 December 2015, Catalis SE has satisfied the solvency ratio and leverage ratio. Based on the aforementioned, management and the directors are of the opinion that it is appropriate to adopt the going concern assumption in the preparation of the financial statements.

DISTINCTION BETWEEN CURRENT AND NON-CURRENT

An asset or liability is classified as current when it is expected to be realized (settled) within 12 months after the balance sheet date.

BUSINESS COMBINATIONS

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition costs are charged to the profit and loss account. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, which are recognised and measured at fair value less costs to sell.

BUSINESS COMBINATIONS (continued)

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

FOREIGN CURRENCIES

Catalis SE has designated the Euro (€) as its reporting currency, due to the fact that the company is listed on the Entry Standard Market in Germany and the majority of its shareholders are located within the Euro zone. Each entity of the group records transactions and balance sheet items in its functional currency. Transactions denominated in currency other than the functional currency are recorded at the spot exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in a currency other than the functional currency of the entity are translated at the closing rates. Exchange rates resulting from the settlement of these transactions and from the translation of monetary items are recognized through profit or loss.

Non-monetary assets denominated in a currency other than the functional currency continue to be translated against the rate of initial recognition and do not result in exchange difference.

On consolidation the balance sheet of subsidiaries whose functional currency is not the Euro (€) are translated into Euro at the closing rate. The income statements of these entities are translated into Euro at the average rates for the relevant period. Goodwill paid on acquisition is recorded in the functional currency of the acquired entity. Exchange differences from the translation of the net investment in entities with a functional currency other than the Euro are recorded in equity (translation reserve).

The same applies to exchange differences arising from borrowings and other financial instruments in so far as they hedge the currency risk related to the net investment. On disposal of an entity with a functional currency other than the Euro the cumulative exchange differences relating to the translation of the net investment is recognized through profit or loss. The currency exchange rates that were used in drawing up the consolidated statements are listed below for the most important currencies:

For the year ending 31 December	Balance sheet date		Average exchange rate	
	2015	2014	2015	2014
1 Pound Sterling =	€1.362	€1.277	€1.377	€1.240
1 US Dollar =	€0.92	€0.82	€0.90	€0.75

USE OF ESTIMATES IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported in the income statement in the period in which they become known.

IMPAIRMENT

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

GOODWILL

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Goodwill is tested for impairment on an annual basis in respect of the cash generating unit to which the goodwill attaches. If the recoverable amount of the cash generating unit is less than the carrying amount of the investment, the impairment to the related goodwill is recognised through profit or loss.

Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries and jointly controlled entities is presented separately in the statement of financial position. On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. The economic life of goodwill has been determined as indefinite.

INTANGIBLE ASSETS

Intangible assets are initially measured at cost. After initial recognition the benchmark treatment is that intangible assets should be carried at cost less any amortisation and impairment losses. The amortisation method reflects the systematic allocation of the depreciable amount of intangible assets over their useful lives. If that pattern cannot be determined reliably, the straight-line method is used.

Subsequent expenditure on an intangible asset after its purchase or completion is recognised as an expense when incurred, unless, in accordance with IAS 38, it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and the expenditure can be measured and attributed to the asset reliably.

Internally generated intangible assets are amortised on a straight line basis. The expected useful lives vary from 2 to 3 years. Currently, the useful lives of all intangible assets are (except for goodwill) estimated to be finite.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred. Where the recognition criteria are met, development expenditure (for downloadable self-published games, this is mainly hourly rates) is capitalised and amortised over its useful life from the point the product is launched commercially. The recognition criteria are:

- The feasibility to complete the asset to enable the sale of the asset which is the task of the teams working on such games; as well as
- Completing the games in a defined period of time to bring it to the market at a predefined point in time.
- The ability to sell the asset as the assets are intended to be sold and not for internal use;
- Capability to generate future economic benefits.

Catalis SE creates downloadable self-published games based on user and markets requirements to ensure that a market is available for these games. The cost for the development of games is comprised of software and hardware to enable the creation of new games and the manpower to work on such developments. All recognised costs can be measured reliably. The carrying amount of assets arising from development expenditures is reviewed for impairment at each balance sheet date or earlier upon indication of impairment. Any impairment losses are recorded in the Statement of Comprehensive Income.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is computed on a straight-line basis over the estimated useful lives. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the Statement of Comprehensive Income. The rates used to write off the cost, less the residual value over useful economic lives of the various categories of tangible fixed assets are:

- Buildings & Machinery: 15% - 33%
- Fixtures & Fittings: 14% - 25%
- Other fixed assets: 20% - 50%

OTHER FINANCIAL ASSETS

Loans and long-term receivables are measured at fair value upon initial recognition and subsequently at amortized cost, if necessary after deduction of a value adjustment for doubtful debts. The proceeds from these assets and the gain or loss upon their disposal are recognized in the income statement.

LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Leases, where the group has substantially all the risks and rewards of ownership, are classified as finance leases.

Assets held under finance lease are recognised as assets of the Group at their fair value or, if lower the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability of the lessor is included in the statement of financial position as finance lease obligations. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating lease are not recognised on the Group's Statement of Financial Position, but are charged to income on a straight-line basis over the term of relevant lease.

TRADE AND OTHER RECEIVABLES

Trade receivables are stated at their amortised cost less any provisions for doubtful debts. 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.

As soon as individual trade accounts receivable can no longer be collected in the normal way and are expected to result in a loss, they are designated as doubtful trade accounts receivable and valued at the expected collectible amounts. They are written off when they are deemed to be uncollectible because of bankruptcy or other forms of receivership of the debtors. The allowance for the risk of non-collection of trade accounts receivable takes into account average historical losses.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are initially recorded at fair value (plus any directly attributable transactions costs where applicable). For those financial instruments that are not subsequently held at fair value, the group assesses whether there is any objective evidence of impairment at each reporting date. If a market for a financial asset or liability is not active or if equity instruments are not listed, the Group establishes fair value by using valuation techniques.

Financial assets are recognised when the Group has the rights to future economic benefits. Financial assets are derecognised when the right to receive cash flows from the asset have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities are recognised when there is a present obligation to deliver cash or other financial assets. Financial liabilities are derecognised when they are extinguished (discharged, cancelled or expired). All purchases and sales of financial assets are recognised on the trade date, this is the date that the Group has a commitment to purchase the asset.

FINANCIAL INSTRUMENTS (continued)

Interest income and expenses are recorded on the effective interest basis. Dividends received for these investments are allocated to the income statement when the Group has the right to receive them. The Group did not receive any dividends during 2015 (2014 - €nil)

The classification depends on the purpose of the financial instrument. Management decides on the classification on initial recognition and evaluates this classification at each reporting date. In these financial statements all financial assets are classified as "loans and receivables". The Company's only financial assets are loans and receivables which are measured at their nominal value respectively based on their expected repayment amounts.

Loans and receivables are non-listed financial assets (other than derivatives), with fixed or determinable repayment dates. They are presented as current assets, unless they have a maturity date more than 12 months after the balance sheet date, in which case they are classified as non-current assets.

After initial measurement loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The fair value of trade receivables, trade payables, financial assets, bank loans and overdraft is not materially different to their book value.

Further information concerning the risks faced by the Group can be found in the Risk Report.

FINANCIAL LIABILITIES

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal repayments and amortisations.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand, balances with banks, and investments in money market instruments which are readily available. Cash and cash equivalents are measured at fair value based on the relevant exchange rates as at the reporting date.

The cash flow statement provides an explanation of the changes in cash and cash equivalents. It is prepared on the basis of a comparison of the statement of financial position as at January 1 and December 31. Changes that do not involve cash flows, such as changes in exchange rates, amortisation, depreciation, impairment losses and transfers to other balance sheet items, are eliminated. Changes in working capital due to acquisition or disposal of subsidiaries are included under investing activities. All changes in the cash flow statement can be reconciled to the detailed Statement of Financial Position for the items concerned.

LOANS

Loans are recognised initially at fair value, net of transaction costs incurred. Loans are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

TRADE PAYABLES

Trade payables are initially stated at fair value and subsequently stated at their amortised cost.

OPERATING SEGMENTS

The Company's operating segment information is based on existing management information which can be identified in the Company's internal reporting and internal controls, testing (quality assurance), games development under assignment of third parties and downloadable published games. Geographical information is reported based on the revenue for the country where the customer is located.

Non-allocated revenues and costs are shown as a separate non-operating segment and contain corporate overheads, corporate project costs and all other items that cannot be allocated. Segment reporting reflects the Company's management and internal reporting structure and the same accounting policies that are applied for these consolidated financial statements are also applied by the operating segments.

PROVISIONS

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

EQUITY

Currency differences

The currency reserve is intended to reflect the differences arising from the translation of net investments in foreign subsidiaries (including long term monetary items in foreign entities).

Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Share based payments

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date").

DEFINED CONTRIBUTION PLANS

The Group sponsors defined contribution plans based on local practices and regulations. The plans cover full-time employees and provide for contributions for up to 7% of salary. The Group's contributions relating to defined contribution plans are charged through profit or loss in the year to which they relate.

INCOME TAXES

Current income tax

Current income tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred income tax

Deferred income tax is provided using the balance sheet method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognized for deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same tax authority.

REVENUE RECOGNITION

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer.

As the Group generates revenues from different areas and deal structures, the recognition of such revenues slightly differs. In Kuju, the game development area, the recognition of revenue is based on the percentage of completion method. Revenue is recognized in the accounting periods in which the services are rendered. Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the entity. Revenues from project related business are usually dependent on the accomplishment of milestones and the acceptance and approval by the client. Revenues are recognised in stages while remaining future revenue is accrued.

Revenue from the provision of hardware and software testing services is recognised when the outcome of the transaction can be estimated reliably and is based on the percentage of completion method. The revenue is often based on the volume of produced hours.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group’s activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the group.

Royalty income is recognised in revenue on an accruals basis in accordance with the substance of the relevant agreements. Depending on the individual contract royalty income is generated either on a fixed amount per unit sold or as a percentage per unit sold. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

SHARE-BASED PAYMENTS

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees, for awards granted after 7 November 2002, is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using an appropriate pricing model, further details of which are given in note 24.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification. The same treatment is applied to any third party share-based payments.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

CONTINGENCIES

Contingent liabilities are not recognised in the financial statements. If there is a high probability that the contingencies will result in an outflow of resources then they are they recognised as liabilities. All contingencies are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

JUDGEMENTS AND ASSUMPTIONS

The areas of the Financial Statements that are subject to significant estimates and assumptions by management are the impairment of goodwill (key judgement and assumptions surrounding future revenue and profitability are described in note 12) and the market discount rate applied to the debt portion of the convertible loan note. The market discount rate applied to the debt portion of the convertible loan note is described in note 19 to the financial statements.

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

Impairment of Goodwill

The Company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" of the cash-generating units to which the goodwill is allocated. Estimating a "value in use" amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to determine a suitable discount rate in order to calculate the present value of those cash flows. Further details are contained in note 12.

Deferred tax assets

Deferred tax assets are recognized as described above. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 5.

Income taxes

The Company is subject to income taxes in various jurisdictions. Significant judgement is required in determining the worldwide liability for income tax and the valuation of deferred income tax assets. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recognised, this impacts the income tax position and deferred income tax assets and liabilities in the applicable period.

Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The value of such options is calculated using a binominal mathematical model which is considered appropriate for these purposes. The major parameters which determine the value of an option are the exercise price of the individual option, term of the option, market interest rate and vesting period.

Accrued and deferred income/ revenue recognition

Revenues related to different types of transactions are recognised according to relevant revenue recognition policies described above. Some of these transactions require the Company´s management's judgement and assumptions as to when projects milestones will be achieved and accepted and how many units of games will be sold in a defined period of time to make a decision if and how much revenue might be recognised or if income has to be accrued/ deferred.

CONVERTIBLE LOAN NOTES

Convertible loan notes are recognised at inception date in accordance with the terms of the underlying instrument with the note-holder. At inception date, non-derivative convertible loan notes are evaluated to determine if they contain both a liability and equity component. The liability component of the instrument is recognised in liabilities and the equity component is recognised in equity. The equity component of the convertible loan note is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount determined to be the fair value of the liability component. The liability is subsequently recorded at amortised cost using the effective interest rate method, and the equity component is not revalued.

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

New standards and amendments to existing standards that have been published and are mandatory for the first time for the financial year 1 January 2015 have been adopted but had no significant impact on the Group. New standards, amendments to standards and interpretations have been issued but are not effective (and in some cases had not been adopted by the EU) for the financial year beginning 1 January 2015 have not been early adopted in preparing these financial statements. The main accounting standard which may be relevant to the Group is set out below and will be effective the Group's 2016 financial report. The Group does not plan to adopt this standard early.

IFRS 9 "Financial Instruments"

This standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and de-recognition requirements for financial instruments.

The key changes made to accounting requirements which may be relevant to Catalis SE, include -

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The objective of the Standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. Catalis SE is already been presenting information about financial instruments in the Financial Instruments sections of the accounting policies and further details are included within the Risk Report.

IFRS 15 "Revenue from Contracts with Customers"

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

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. However, IFRS 15 is currently not endorsed yet by the EU. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

FINANCIAL RISK MANAGEMENT

The Group is exposed to interest rate risk, credit risk, liquidity risk and capital risk management arising from the financial instruments it holds (see also note 22). The risk management policies employed by the Group to manage these risks are discussed below:

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The interest rate on the working capital facility is set on a quarterly basis and is based on the rate applicable to KBC business credits. The interest rate payable on the portion of the working capital facility that it draws down in the form of a straight loan is set on the basis of the interest prevailing on the interbank market plus a margin between 1.5% and 3.5% per annum. The margin is dependent upon the actual leverage ratio achieved. The interest rate on the fixed term loan is set on the basis of the interest rate prevailing on the interbank market at the end of each month plus a fixed margin of 2.5% per annum. The interest rate on the Genussrechte facility is set on the basis of the interest rate prevailing on the interbank market at the end of each month plus a fixed margin of 1.55 % per annum.

Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group has adopted a policy of only dealing with creditworthy counter parties. Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed. Concentration of credit risk did exceed 10% of gross monetary assets at the balance sheet date. Following the recent referendum result in the UK to leave the European Union, the Board will review and make appropriate decisions to mitigate credit risk.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The management boards of the subsidiaries have produced budgets and cash flow forecasts which have been used by Catalis SE to forecast cash flows for the Group for the next twelve months. These forecasts are themselves reliant on the continuation of Group banking facilities which are extended until 31 December 2017. Should the cash flows fall below those forecast, the management boards are aware that the parent, Catalis SE, can, if required, seek to raise further funds by public share issues within 6 – 12 weeks. Over the years Catalis has established a stable shareholder base underpinned by a major shareholder who initially invested in 2014. The major shareholder considers their investment a strategic investment and as such the management is confident of their continuing support. The issuance of shares to increase the company's liquidity remains an option if deemed appropriate and necessary. However, there is no guarantee that the major shareholder will provide support to any future rights issue or share placing.

Currency risk

The Group is exposed to currency risks due to exchange rate fluctuations in connection with the activities denominated in foreign currencies and other foreign currency transactions. The currency risks mentioned exist in particular with respect to the exchange rate between the US Dollar, British Pound Sterling and the Euro. Risks in connection with other foreign currencies are only of minor significance.

Currency risks are mitigated by entering into currency forward contracts. At 31 December 2015 and 2014 there were no outstanding hedging contract obligations. At the reporting date, the effect of a change in the exchange rate of the US dollar and the British Pound Sterling by 10% would not have a material impact on either profit or equity.

Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity ratio. The Company aims to achieve an equity ratio (Equity/Total assets) of 25% or less, which fulfils the equity covenant defined in the credit agreement with KBC bank. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

2. Operating segments

The Group is divided into three operating segments. The Testronic Group undertakes quality testing operations, the Kuju Group produces video games as a "work for hire" studio and Doublesix Digital Publishing publishes downloadable video games. The following table illustrates information about the reportable segments:

2015	Testing €000's	Games €000's	Downloadable self-published games €000's	Corporate (non-operating) €000's	Total €000's
Revenue from external customers	**14,905**	**4,747**	**67**	**-**	**19,719**
Subcontracting and cost of materials	155	1,109	(18)	-	1,246
Personnel costs	9,137	2,209	39	1,242	12,627
Depreciation and amortisation	336	158	106	12	612
General & Administration	3,417	1,297	19	377	5,110
Impairment of goodwill	-	-	-	8,162	8,162
Income from disposal of subsidiary	-	-	-	(2,935)	(2,935)
Operating profit/(loss)	**1,860**	**(26)**	**(79)**	**(6,858)**	**(5,103)**
Reportable segment assets	**5,864**	**1,260**	**52**	**5,392**	**12,568**
Reportable segment liabilities	**2,374**	**1,951**	**173**	**4,092**	**8,590**

The geographical split of revenues and non-current assets is as follows:

	Revenues 2015 €000's	Non-current assets 2015 €000's	Revenues 2014 €000's	Non-current assets 2014 €000's
UK	13,890	557	16,148	8,279
Europe - other	-	5,086	-	8,359
United States	5,829	351	4,848	438
Total	19,719	5,994	20,996	17,076

2. Operating segments (continued)

Revenues and non-current assets are attributed to countries on the basis of the Catalis Group's location. At 31 December 2015, revenues from five major customers accounted for 39% of total revenues (2014: 35%). Three of these customers relate to the testing segment and two relate to the gaming segment. UK Games development includes €228k, relating to royalties received (2014: €317k).

2014 - The following table illustrates information about the reportable segments, from continuing operations:

	Testing	Games	Downloadable self-published games	Corporate	Total
	€000's	€000's	€000's	€000's	€000's
Revenue from external customers	**14,553**	**6,271**	**172**	**-**	**20,996**
Subcontracting and cost of material	454	1,193	(118)	-	1,529
Personnel cost	8,921	4,102	34	177	13,234
Impairment of intangible fixed assets	-	-	356		356
Depreciation and amortisation	364	154	81	-	599
General & Administration	3,183	1,227	(158)	1,880	6,132
Operating profit/(loss)	**1,631**	**(405)**	**(23)**	**(2,057)**	**(854)**
Reportable segment assets	**7,705**	**8,816**	**351**	**7,669**	**24,541**
Reportable segment liabilities	**4,559**	**2,289**	**359**	**8,969**	**16,176**

3. Personnel expenses

Personnel expenses from continuing operations:

	2015	2014
	€000's	€000's
Wages and salaries	11,660	12,169
Share based payments	9	4
Pension costs	145	139
Social security costs	678	775
Other expenses	135	147
Total personnel expenses	12,627	13,234

Staff costs includes €214k (2014 - €234k) relating to redundancy costs and one-off costs incurred during the year. The average number of employees from continuing operations by territory is:

	2015	2014
	No.	No.
The Netherlands	1	1
Poland	105	83
United Kingdom	179	265
United States	48	59
Total average number of employees	333	408

4. General and administration from continuing activities

	2015	2014
	€000's	€000's
Housing and communication	1,202	1,378
Advisory and legal costs	459	947
Sales and marketing	430	613
Operating lease payments	392	540
Other	1,905	1,464
Disentanglement costs (note 6)	-	1,053
Restructuring costs	722	137
General and Administration costs	5,110	6,132

5. Income Taxes

Major components of income tax expense for the years ended December 31, 2015 and 2014 are:

	2015	2014
	€000's	€000's
Current tax	(13)	(13)
Recognized losses of current year	-	4
Taxation charge of discontinued operations	-	22
Accelerated depreciation	-	(28)
Total tax expense	**(13)**	**(15)**

The reconciliation between tax expense and the accounting result multiplied by the statutory tax rate (25%) of The Netherlands for the years ended 31 December 2015 and 2014 is:

	2015	2014
	€000's	€000's
Accounting result before tax – continuing operations	(5,043)	(1,480)
Accounting results before tax –discontinued operations	200	615
Non-taxable result	5,569	-
Total accounting result	726	(865)
Tax at statutory rate (nominal)	(182)	216
Higher nominal tax rates foreign subsidiaries	-	48
Recognition of previous year unrecognized losses	367	251
Unrecognized current year losses	(198)	(524)
Discontinued operations	-	22
Accelerated depreciation	-	(28)
Total tax expense	**(13)**	**(15)**

5. Income Taxes (continued)

Movements in deferred tax assets are as follows:

	2015	2014
	€000's	€000's
Balance as of 1 January	212	216
Movements through comprehensive income		
Adjustment of previous years recognized losses	-	(4)
Derecognition of deferred tax	(212)	-
Balance as of 31 December	**-**	**212**

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Due to history of taxable losses and uncertainty regarding of timing of utilisation management estimates that no taxable profits will be available in the foreseeable future.

After the processing of the 2015 tax result, the tax losses currently amount to approximately €22.9m (2014: €26.3 million), of which €2.2m (2014: €8.1m) can be allocated to Catalis SE (expires in 2020). €15.7m (2014: €13.3million) can be allocated to several UK based companies and €5.0m (2014: €4.9m) to US based companies. The UK losses can be carried forward indefinitely and in The Netherlands the time frame for compensation is nine years. In the US losses can be carried forward for more than 10 years.

Movements in deferred tax liabilities are as follows:

	2015	2014
	€000's	€000's
Balance as of January 1	212	216
Movements through comprehensive income		
Addition due to accelerated depreciation	-	(28)
Exchange difference	-	24
Derecognition of deferred tax	(212)	-
Balance as of December 31	**-**	**212**

6. Impairment of intangible fixed assets and non-recurring items.

During the year the Group incurred non-recurring items as follows:

	2015	2014
	€000's	€000's
Impairment of intangible fixed asset	-	357
Restructuring and redundancy costs	957	421
Disentanglement costs	-	1,053
Impairment of goodwill (see note 12)	8,162	-
	9,119	1,831

Restructuring and Redundancy

During the year the company continued the process that started in 2014 to review the efficiency of the business and as a result relocated its main UK operation to a more cost effective location which resulted in costs of €0.299m and relocation redundancy costs of €0.214m. During the prior year the company instigated the efficiency review to streamline the business so as to position the company with a flexible workforce and this resulted in redundancy costs totalling €0.234m and restructuring costs of €0.187m.

During the year the Directors determined that a provision of €0.444m for the closure of Vatra Games SRO was necessary. A provision for this event had been charged in 2013 and substantially released to the income statement in 2014, however the Directors now feel that a provision is necessary.

Disentanglement costs

During the prior year the Directors announced that their major shareholder, Navigator Equity Solutions SE had concluded a sale and transfer contract with Leo Capital 1 LLP, a limited liability partnership wholly owned by funds managed by Vespa Capital (UK) Limited. The cost of the termination of the directors' service contracts amounted to €0.705m. Brokerage and transaction fee related to the transaction amounted to €0.248million.

Tom Chaloner and Nigel Hammond, both representing Leo Capital 1 LLP joined the Board of Directors as Non-executive directors. The Board of Directors also resolved to offer, under the terms of a private placement, unsecured convertible loan notes with a principal nominal value of EUR 2,000,000 and a final maturity on March 31st, 2019 to Leo Capital 1 LLP. The loan notes are unsecured and bear interest at 10% per annum. Following the approval by the shareholders of the necessary exclusion of pre-emptive rights in the Extraordinary General Meeting of the Company held on 20 June 2014, the loan notes will be convertible into 1,000,000 new, ordinary bearer shares of Catalis SE. Brokerage and legal fees related to the transaction amounted to €0.1 million.

Impairment of goodwill

At 31 December 2015 the Directors performed an impairment test in accordance with IAS 36 and IFRS 13, as described in note 12 to the accounts. As a result of this testing the Directors determined that the goodwill attributable to the Kuju group of companies should be impaired, resulting in a charge to the income statement of €8.162m.

7. Profit on disposal of subsidiary

During the year the Group disposed of its subsidiary undertaking, Testronic Laboratories Belgium NV:

	2015
	€000's
Proceeds	8,174
Costs attributable to the disposal	(391)
Net assets disposed	(1,060)
Goodwill attributable	(3,788)
Profit on disposal of subsidiary	2,935

On 30th April 2015 the group announced the disposal of its non-core Belgian based subsidiary that resulted from a strategic review of the business conducted during 2015. Consideration of €7.174k was received at the date of disposal with a further €1.0m placed into escrow. During 2015, €0.5m of the escrow value was received and a further €0.5m was received during the first half of 2016 upon the completion of the audit of disposed business. Net assets of €1.060m were disposed of, and comprised the following asset categories:

	2015
	€000's
Tangible fixed assets	409
Other current assets	1,883
Cash	392
Current liabilities	(1,624)
Net assets disposed	1,060

8. Discontinued operations

The profit attributable to Testronic Belgium NV, a discontinued operation, in 2015 and the comparatives for the prior year were:

	2015	2014
	€000's	€000's
Revenues	-	7,921
Subcontracting and costs of material	-	(1,847)
Other expenses	-	(5,437)
Operating profit	-	637
Other income	200	-
Financial expense		(22)
Results of discontinued operations – pre tax	200	615
Discontinued operations – tax charge	-	(22)
Results of discontinued operations – after tax	200	593

During 2015 other income of €200k was recognised as a management fee for the period 1 January 2015 to the disposal date of 30th April 2015.

9. Earnings per Share

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

For the purpose of calculating diluted earnings per share, the net result attributable to common shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive common shares from supposed exercise of all “in the money” share options. The number of common shares is the weighted average number of common shares plus the weighted average number of common shares which would be issued on the conversion of all the dilutive potential common shares into common shares. Share options are deemed to have been converted into common shares on the date when the options were granted.

	For the year ended 2015		
	Loss after tax (€000's)	**Weighted Average Number of Shares**	**Earnings Per Share Amount (€)**
Loss attributable to continuing operations	(5,056)	671,288	(7.53)
Profit attributable to discontinued operations	200	671,288	0.30
Basic Earnings per Share	(4,856)	671,288	(7.23)
Add: Options outstanding	-	25,332	-
Diluted Earnings per Share	**(4,856)**	**696,620**	**(7.23)***

*In accordance with IAS 33 – Earnings per share, due to the loss for the year the effect of outstanding options cannot be dilutive.

	For the year ended 2014		
	Profit after tax (€000's)	**Weighted Average Number of Shares**	**Earnings Per Share Amount (€)**
Loss attributable to continuing operations	(1,495)	6,294,141	(0.23)
Profit attributable to discontinued operations	593	6,294,141	0.09
Basic Earnings per Share	(902)	6,294,141	(0.14)
Add: Options outstanding	-	1,273,836	-
Diluted Earnings per Share	(902)	7,567,977	(0.14)

During 2015, a reverse stock split in a ratio of 10:1 took place which was accompanied by an ordinary capital reduction. The number of issued shares after the consolidation was 655,233 (par value of € 1.00). The number of outstanding shares before the adjustment was 6,552,332 (par value of € 0.10). The diluted earnings per share include the stock options for management calculated from the date of grant.

10. Investments in subsidiaries

At the end of 2015 Catalis SE held the following direct and indirect subsidiaries. Details of the subsidiaries which have been consolidated in the group financial statements at 31 December 2015 (and the comparative period) are:

Name of subsidiary	Country of incorporation (registration)	Ownership %	Voting rights %	Principal activity
Testronic Laboratories SE	The Netherlands	100	100	Intermediate Holding
International Quality Control Inc.	USA	100	100	Testing
Aerostream Corporation Inc.	USA	100	100	Testing
Testronic Laboratories Ltd	UK	100	100	Testing
Testline Ltd.	UK	100	100	Dormant
Testronic SpZoo	Poland	100	100	Testing
Kuju Group SE	The Netherlands	100	100	Intermediate Holding
Catalis Development Services Ltd.	UK	100	100	Intermediate Holding
Kuju Plc (Kuju Limited from 27 June 2016)	UK	100	100	Intermediate Holding
Zoë Mode Entertainment Ltd.	UK	100	100	Games development
Kuju Entertainment Ltd.	UK	100	100	Games development
Vatra Games s.r.o.	Czech Republic	100	100	Games development
Attack Games Ltd*	UK	100	100	Games development
Headstrong Games Ltd.	UK	100	100	Games development
Kuju Sheffield Ltd.	UK	100	100	Dormant
Kuju Manila Inc.	Philippines	100	100	Dormant
Kuju America Inc.	USA	100	100	Dormant
Doublesix Digital Publishing B.V.	The Netherlands	100	100	Intermediate Holding
Doublesix Digital Publishing Ltd.	UK	100	100	Self-published games

*formerly Simis Ltd

11. Intangible assets

2015 - €000's	Client lists	Downloadable self-published games	Research & Development	Total
Cost				
Cost at 1 January	438	3,198	158	3,794
Additions	-	106	1	107
Currency differences	-	213	9	222
Cost at 31 December	438	3,517	168	4,123
Accumulated amortisation				
Accumulated amortisation and impairment at 1 January	(438)	(2,975)	(15)	(3,428)
Amortisation during the year	-	(138)	(34)	(172)
Currency differences	-	(196)	-	(196)
Accumulated amortisation 31 December	(438)	(3,309)	(49)	(3,796)
Net book value	-	208	119	327

11. Intangible assets (continued)

2014 - €000's	Client lists	Downloadable self-published games	Research & Development	Total
Cost				
Cost at 1 January	438	2,885	147	3,470
Additions	-	121	1	122
Currency differences	-	192	10	202
Cost at 31 December	438	3,198	158	3,794
Accumulated amortisation				
Accumulated amortisation and impairment at 1 January	(438)	(2,365)	-	(2,803)
Amortisation during the year	-	(81)	(15)	(96)
Impairment charge for the year	-	(356)	-	(356)
Currency differences	-	(173)	-	(173)
Accumulated amortisation 31 December	(438)	(2,975)	(15)	(3,428)
Net book value	-	223	143	366

During 2010 Catalis SE started the development downloadable self-published games and recognised the costs as internally generated intangible assets that are expected to generate net cash inflows for Catalis SE. Amortisation commences upon completion of the development.

During the prior year the Group incurred salary and other direct costs totalling €147k in relation to the enhancement of the existing game engine that is used in the production of video games for external customers in its subsidiary company, Zoë Mode Entertainment Limited. The Directors have determined that the useful life of the asset is 5 years and that the asset will be amortized on a straight line basis as the phasing of revenue cannot be determined with sufficient certainty to match the amortisation of the asset against future revenues.

12. Goodwill

	2015	2014
Cost	€000's	€000's
Cost at January 1	16,493	15,607
Disposals	(3,788)	-
Currency differences	915	886
Cost at 31 December	13,620	16,493
Accumulated impairment		
Impairment at 1 January	1,435	1,435
Impairment charge	8,162	-
Accumulated impairment at 31 December	9,597	1,435
Net book value	4,023	15,058

12. Goodwill (continued)

During the year Catalis SE disposed of its investment in Testronic Belgium NV as described in note 7. This resulted in the reduction of the carrying value of goodwill by €3.788k. In addition to this the results of the impairment testing described below resulted in an impairment charge of €8.162m relating to Kuju.

The recoverable values of the goodwill allocated to cash generating units have been determined based on past experience and on a value in use calculation. The key assumptions on which management made the predictions are expected margins, costs and revenue projections. This approach is valid for all cash generating units. Referring to the goodwill allocated to the individual cash generating units an impairment test has been performed based on the discounted cash flow method using budgets for a five year period prepared by management, including a terminal value. The weighted average cost of capital is between 10.69% for Europe and 10.38% for the US for 5 years. A growth rate of 2% has been assumed for the cash flows of all cash generating units after the five year period. An inflation rate of 0% has been applied. These assumptions are identical for all cash generating units and in line with the assumptions applied for the comparative period. As a result no impairment was necessary on the goodwill attributable to Testronic, however, the goodwill attributable to Kuju has been impaired by €8,162k. The goodwill attributable to Kuju is denominated in £ sterling and after retranslating the balance at 1 January 2015 at the year end rate, this resulted in the impairment charge being €8.162m.

The key assumptions in the cash flow projections relate to the expected margins, costs and the related revenue projections for the cash generating units. A sensitivity analysis was performed for both cash generating units. For Testronic a decrease of the underlying free cash flows used for calculations of 10% and 0% terminal growth rate doesn't result in any impairment. This is the same for an increase of the WACC percentage of one percentage point.

For Kuju, a decrease of the underlying free cash flows used for calculations of 10% as well as an increase of the WACC percentage of one percentage point result in a reduction on the level of the capital invested and a consequence the Directors have determined that the goodwill relating to Kuju should be subject to an impairment charge of €8.162m.

Income from operations in all units is expected to increase over the projection period as a result of volume growth and cost efficiencies. Cash flow projections of the Testronic Group and Kuju Group were based on the following assumptions, based on the annual impairment test:

	Compound annual sales growth rate (CAGR%)		
	Forecast Period	Used to Calculate Terminal value	Pre-tax Discount rates
Kuju	0%	2%	10.65%
Testronic	5.4%	2%	10.2%

The aggregate carrying amounts of goodwill allocated to each cash-generating unit are as follows:

	2015	2014
	€000's	€000's
Kuju	-	7,654
Testronic (note 29)	4,023	7,404
Total	4,023	15,058

13. Property, Plant and Equipment

2015 - €000's	Buildings and Machinery	Furniture and fittings	Other fixed assets	Total
Cost				
Cost at 1 January	5,301	528	851	6,680
Additions	525	-	7	532
Disposals of subsidiary undertakings	(1,406)	(368)	(336)	(2,110)
Currency differences	294	11	60	365
Cost at 31 December	4,714	171	582	5,467
Accumulated Depreciation				
Accumulated depreciation at 1 January	(4,170)	(465)	(605)	(5,240)
Depreciation for the year	(399)	(7)	(34)	(440)
Disposals of subsidiary undertakings	1,238	321	142	1,701
Currency differences	(242)	(3)	(54)	(299)
Accumulated depreciation at 31 December	(3,573)	(154)	(551)	(4,278)
Net book value	**1,141**	**17**	**31**	**1,189**

2014 - €000's	Buildings & Machinery	Furniture and fittings	Other fixed assets	Total
Cost				
Cost at 1 January	6,092	839	703	7,634
Reclassifications	(878)	(218)	147	(949)
Additions	319	24	39	382
Disposals	(525)	(132)	(97)	(754)
Currency differences	293	15	59	367
Cost at 31 December	5,301	528	851	6,680
Accumulated Depreciation				
Accumulated depreciation at 1 January	(4,511)	(681)	(472)	(5,664)
Reclassifications	777	224	(52)	949
Depreciation for the year	(442)	(12)	(49)	(503)
Depreciation charge – discontinued operations	(110)	(35)	(10)	(155)
Currency differences	(235)	(12)	(52)	(299)
Disposals	351	51	30	432
Accumulated depreciation at 31 December	(4,170)	(465)	(605)	(5,240)
Net book value	**1,131**	**63**	**246**	**1,440**

14. Other non-current assets

Other non-current assets the following:

	2015	2014
	€000's	€000's
Loan to Directors	455	-

During the year the company entered into a loan agreement with Dominic Wheatley, a member of the Board of Directors of Catalis SE and the holder of 45,000 exercisable options for shares in the capital of the Company which have an exercise price of €450,000. The Company agreed to provide a loan of €450,000 for the purpose of financing the exercise price upon exercise of the Options. The loan is due for repayment in full on 31 August 2019. The loan attracts interest at a fixed rate of 3% per annum, receivable annually which is considered to be a fair market interest rate. At 31 December 2015 the interest accrued to the Company amounted to €5k.

15. Trade Receivables

Trade receivables include the following:

	2015	2014
	€000's	€000's
Accounts receivable	2,036	4,527

Debtors are dominated in 2015 by currency as 60% in EUR, 31% in USD and 9% in GBP (2014: 58% EUR, 23% USD and 19% GBP). The movement in the provision for doubtful accounts is as follows:

	2015	2014
	€000's	€000's
At 1 January	-	218
Utilisation	-	(218)
At 31 December	-	-

With respect to trade accounts receivable that are neither impaired nor past due, there are no indications that the debtors will not meet their payment obligations.

	2015	2014
Neither past due nor impaired	60%	57%
1 – 29 days overdue	28%	29%
30 or more days overdue	12%	14%
	100%	100%

16. Other Receivables

Other current assets include the following:

	2015	2014
	€000's	€000's
Deferred consideration	500	-
Other receivables	765	710
Prepaid expenses	643	764
Total other current assets	1,908	1,474

Deferred consideration represents the remaining €0.5m of the total €1.0m consideration placed into escrow relating to the disposal of Testronic Belgium NV in April 2015. The directors expect this amount to be recovered in full during the current financial year. The first tranche was of €0.5m was received in November 2015.

17. Cash and Cash Equivalents

Cash and cash equivalents comprise bank balances and cash and are immediately available. The carrying amount of these assets approximates their fair value.

18. Share Capital

The authorised share capital of the Company amounts to € 17.5 million divided into 175 million common shares each having a nominal value of € 0.10 per share. On 20th August 2015 the company issued 45,000 new shares to enable option holders to convert options into shares. During the prior year the company issued 310,000 shares to enable option holders to convert options into shares.

Movements in share capital:

	Number of Shares – 000's		Amount - €000's	
	2015	2014	2015	2014
Common Shares – issued and paid in				
1 January	6,552	6,242	655	624
Issue of shares	45	310	45	31
Reverse share split	(5,897)	-	-	-
31 December	700	6,552	700	655

During 2015, a reverse stock split in a ratio of 10:1 took place which was accompanied by an ordinary capital reduction. The number of issued shares after the consolidation was 655,233 (par value of € 1.00). The number of outstanding shares before the adjustment was 6,552,332 (par value of € 0.10).

19. Loans and Bank overdrafts

During the prior year the Catalis SE Board announced re-negotiation of its bank facility agreement with KBC Bank NV to convert the loan of €5.7m (that was due to expire 31 December 2016) into a €3.0m working capital facility and a fixed term loan of €2.7m repayable in instalments over 36 months ending 31 October 2017. The Group's monthly repayments on the KBC loan facility reduced from €200,000 to €75,000 with effect from November 2015. In December 2014 the Group secured a term loan of €400,000 to fund certain loan related expenses which was fully repaid during 2015.

The working capital facility was repaid in full during 2015. The interest rate on the fixed term loan is set on the basis of the interest rate prevailing on the interbank market at the end of each month plus a fixed margin of 2.5% per annum. During the prior year Catalis completed a private placement with several individual investors under a Genussrechte arrangement. This loan is an unsecured Euro denominated subordinated loan bearing basic interest of 6% plus a profitability linked interest margin of up to 3% dependent on earnings. 50% of the principal and interest is repayable by instalment over a maximum term of 4 years with the remaining 50% repayable over 7 years.

To secure the commitments to the bank Catalis has established an equitable mortgage granted by Catalis Development Services Ltd. over 80% of the registered shares of Kuju Plc. Furthermore, Catalis SE pledged the shares of Kuju SE, Testronic SE and DDP BV. Catalis also has pledged the major assets of the Group.

19 Loans and overdraft (continued)

Maturity amounts are according to the particular loan contracts due within the following periods:

	2015	2014
	€000's	€000's
Bank overdraft – on demand	-	2,988
Within one year (current)	900	2,950
In the second and third years	3,065	2,384
	3,965	8,322

Amounts due within one year include €900k (2014: €2,950k) relating to a term loan facility with KBC Bank NV. In the prior year, uncertainties arose as to whether the leverage ratio financial covenant was met at 31 December 2014 and this resulted in all facilities with the bank being classified as current as at 31 December 2014. A waiver of the leverage ratio financial covenant was obtained in writing from the bank on 28 April 2015. In the current year the financial covenants were met and the loan is disclosed as €900k (within one year) and €750k (more than one year).

20. Non-Current Loans

	2015	2014
	€000's	€000's
Bank Loan	750	-
Convertible Loan	2,051	2,130
Unamortised interest	(90)	(125)
Other	264	254
Total	2,975	2,259

Bank Loan

During the prior year the Group re-negotiated its bank facility agreement with KBC Bank NV (note 19).

Convertible Loan

In May 2014, the Board of Directors agreed to a private placement of unsecured convertible loan notes with a principal nominal value of € 2.0m and a final maturity on March 31st, 2019 to Leo Capital 1 LLP, a limited liability partnership wholly owned by funds managed by Vespa Capital (UK). The proceeds from the convertible loan notes were intended to finance further organic growth of the Group. The terms of the loan are described in note 6. In accordance with the accounting policy described in note 1 an amount of €145,000 was deemed to be the equity component and has been transferred to equity and an amount of €145,000 was recognised as unamortised interest in relation to the convertible loan. During the year €35,000 was charged to the income statement as a financial expense. The market discount rate applied to the debt portion of the convertible loan note is 16.5%.

Other

During the prior year Catalis completed a private placement with several individual investors under a Genussrechte arrangement. This loan is an unsecured Euro denominated subordinated loan bearing basic interest of 6% plus a profitability linked interest margin of up to 3% dependent on earnings. 50% of the principal and interest is repayable by instalment over a maximum term of 4 years with the remaining 50% repayable over 7 years.

21. Trade and Other Payables

Trade and other payables include the following:

	2015	2014
	€000's	€000's
Accounts payable	948	2,296
Accrued expenses	1,933	2,557
Factoring payables	457	1,128
Total trade and other payables	3,338	5,981

The group has entered into factoring agreements in the UK and US with two financial institutions. The company receives 85% of the factored amount upfront, the terms and conditions of the agreements are market standard. Included within trade and other payables is an amount of €457k (2014:€1,128k) owed to these financial institutions with respect to factored debts. The factoring terms are such that the Group retains bad debt risk until such time as the customer settles the underlying debt. Accordingly the factoring advances are treated as payables in the Group's statement of financial position.

22. Financial Instruments

The Group is exposed to the risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of the Group for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout this financial information.

Financial risk management objectives

The management of the Company monitors and manages the financial risks relating to the operations of the Group by management reports. These risks mainly include credit risk, price risk, interest risk and currency risk.

The Group uses derivative financial instruments to hedge these risk exposures if appropriate. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. There were no such arrangements outstanding at the reporting date. There has been no change to the Group's exposure to credit risk and interest risks.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Trade and other payables
- Cash and cash equivalents
- Borrowings

22. Financial Instruments (continued)

Financial assets

The Group held the following financial assets:

	2015	2014
Trade receivables	2,036	4,527
Other receivables	1,939	1,602
Cash and cash equivalents	2,447	1,336
Current assets and receivables	6,422	7,465

Financial liabilities

The Group held the following financial liabilities:

	2015	2014
Trade payables	948	2,296
Other payables*	1,345	2,832
Bank loans and overdrafts	3,965	8,322
	6,258	13,450

*other payables comprises taxes and social securites plus factoring payables.

The Group's directors monitor and manage the financial risks relating to the operation of the Group. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

Market risk

Foreign currency risk management

At the reporting date, the effect of a change in the exchange rate of the US dollar and the British Pound Sterling by 10% would not have a material impact on either profit or equity.

Interest rate risk management

At the reporting date the financial assets and liabilities are subject to the interest rates described in note 18 above.

Catalis Group's interest rate risk policy is aimed at minimizing the interest rate risks associated with the financing of the Company and thus at the same time optimizing the net interest costs.

The Group is exposed to interest rate risk on its financial liabilities. The average interest of all loans is 3.0%. An increase of the interest rate by 1% would mean a decline in the reported result before tax of €13,000 (2014: €52,000).

22. Financial Instruments (continued)

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counter parties. Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed.

As at 31 December 2015, the Company had accounts receivable from five major customers which accounted for 39% of total accounts receivable (2014: 9%). During the current year revenues from these five major customers accounted for 22% of total revenues (2014: 35%). The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as detailed in the Financial assets above.

Liquidity Risk

Floating-rate and short-term monetary liabilities analysed by maturity are summarized in the following table. The maturities presented in the following table provide an appropriate understanding of the timing of the related cash flows and amounts are not expected to differ from those reported. Financial assets are not linked to financial liabilities in order to meet cash outflows on these liabilities. The fair value of all financial assets and liabilities approximate their carrying value.

2015	Carrying value	Contractual Cash flow	3 months Or less	Between 3 -12 months	Between 1-3 years	More than 3 years
Trade payables	948	948	948	-	-	-
Other payables	1,345	1,345	1,345	-	-	-
Bank loans & overdrafts	3,965	5,308	241	713	939	3,415
	6,258	7,601	2,534	713	939	3,415

2014	Carrying value	Contractual Cash flow	3 months Or less	Between 3 -12 months	Between 1-3 years	More than 3 years
Trade payables	2,296	2,296	2,296	-	-	-
Other payables	2,832	2,832	2,832	-	-	-
Bank loans & overdrafts	8,322	10,509	5,842	316	184	4,167
	13,450	15,637	10,970	316	184	4,167

22. Financial Instruments (continued)

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

2015	Carrying value	Fair values	Level 1	Level 2	Level 3
Financial liabilities					
Trade payables	948	948	-	-	948
Factoring payable	457	457	-	-	457
Bank loans & overdrafts	3,965	3,965	-	-	3,965
	5,370	5,370	-	-	5,370

2015	Carrying value	Fair values	Level 1	Level 2	Level 3
Financial assets					
Trade receivables	2,036	2,036	-	-	2,036
Other receivables	1,939	1,939	-	-	1,939
Cash and cash equivalents	2,447	2,447	-	-	2,447
	6,422	6,422	-	-	6,422

2014	Carrying value	Fair values	Level 1	Level 2	Level 3
Financial liabilities					
Trade payables	2,296	2,296	-	-	2,296
Factoring payable	1,128	1,128	-	-	1,128
Bank loans & overdrafts	8,322	8,322	-	-	8,322
	11,746	11,746	-	-	11,746

2014	Carrying value	Fair values	Level 1	Level 2	Level 3
Financial assets					
Trade receivables	4,527	4,527	-	-	4,527
Other receivables	1,602	1,602	-	-	1,602
Cash and cash equivalents	1,336	1,336	-	-	1,336
	7,465	7,465	-	-	7,465

23. Provisions

	2015	2014
	€000's	€000's
Balance at 31 December	41	347
Charged to the profit and loss	444	
Credited through profit or loss	(41)	(306)
Balance at 31 December	444	41
Current	444	41

During 2012 management conducted a strategic review of the games development business and concluded that the studio located in the Czech Republic was no longer viable and a decision was made to close the business. The provision related to the office closure costs of the business. During the year the Directors determined that the provision that was substantially released in 2014 should be reinstated in 2015. The Directors expect that the provision will be fully utilised during 2016.

24. Employee Benefits Obligations

Defined Contribution Plan

The group sponsored defined contribution plans for its employees based on the local practices and regulations in the United States of America, the United Kingdom, Poland and Belgium. These plans require employer contributions up to 5% of annual salary.

Defined contribution obligations were not significant as of December 2015 and 2014, respectively. These obligations are presented under other payables.

Share Option Plan for key employees and third parties

Catalis' policy for the remuneration of the key employees has as an objective to attract and retain high quality people and motivate them towards excellent performance, in accordance with Catalis' strategic and financial goals. The remuneration package consists of a base salary and a long-term incentive, currently in the form of stock options. Long-term incentives are linked to long-term drivers and sustained shareholder value creation. The following stock options are equity-settled share-based payment transactions in accordance with IFRS 2.

Options are, on occasion, granted to third parties. The goal in issuing these options to third parties can differ from the goal of issuing options to employees and as such there are differing terms and conditions. The terms and conditions under which such options were granted in 2015 are disclosed in the tables below (tranches 15).

24. Employee Benefits Obligations (continued)

In 2006, 2007, 2009, 2010, 2011, 2012, 2013 and 2014 the group issued stock options to selected key employees and management personnel as well as to contractors that provide the same services as employees. The stock options are equity-settled share-based payment transactions in accordance with IFRS 2 and comprise eleven tranches. In 2012, 50,000 options were granted to Mr. Wheatley. Furthermore in 2012 100,000 options were granted to Navigator Equity Solutions SE as consideration for received consulting services. In 2013 options granted to Navigator, Mr. Wheatley and Mr. Biewald were cancelled and replaced by new stock options. In 2014 options were granted to Mr. Wheatley and Mr. Morris. In 2015 no further options were granted. The following information shows the numbers of options after the reverse stock split in 2015.

Movements during the year

The following table illustrates the number and exercise prices of and movements in share options during the year, as well as the grant dates and the remaining terms of the options:

	Tranche 5	Tranche 7	Tranche 13	Tranche 14	Tranche 15
Grant date	May 31, 2010	August 31, 2010	April 25, 2013	April 25, 2013	December 02, 2014
Granted stock options	47,450	3,450	50,000	100,000	30,000
Remaining term of the option	4.4 years	4.7 years	2.0 years	2.0 years	7.9 years
Exercise price	2.70	2.70	10.00	10.00	20.00
Outstanding at 1 January 2015	4,450	3,300	45,000	80,000	30,000
Granted during the year	0	0	0	0	0
Forfeited during the year	1,250	3,300	0	0	20,000
Exercised during the year	0	0	45,000	0	0
Expired during the year	0	0	0	0	0
Cancelled during the year	0	0	0	0	0
Outstanding at 31 December 2015	3,200	0	0	80,000	10,000
Exercisable at 31 December 2015	3,200	0	0	80,000	0

Tranche 7 was forfeited during the 2015 due o the sale of Testronic Belgium NV. For the options exercised in 2015 the weighted average exercise price was €10.00 per option.

24. Employee Benefits Obligations (continued)

Any option granted under the stock option plan 2010, 2011, 2012, 2013 and 2014 shall be exercisable and the rights thereunder shall vest at such times and under such conditions as determined by the board at the time of grant and shall be permissible under the terms of the plan. For the options granted in 2010, 2011, 2012, 2013 and 2014 different vesting schedules apply:

Tranche 5 (May 31, 2010)

- 158,167 options (1/3) vested on 1 June 2013,
- 158,167 options (1/3) vested on 1 June 2014,
- 158,167 options (1/3) vested on 1 June 2015.

The options can be exercised at any time after the options become exercisable.

Tranche 7 (August 31, 2010)

- 11,500 options (1/3) vested on 1 September 2013,
- 11,500 options (1/3) vested on 1 September 2014,
- 11,500 options (1/3) vested on 1 September 2015.

The options can be exercised at any time after the options become exercisable.

Tranche 13 (April 25, 2013)

- 500,000 options (100%) vested immediately on 25 April 2013.

Tranche 14 (April 25, 2013)

- 1,000,000 options (100%) vested immediately on 25 April 2013.

Tranche 15 (December 02, 2014)

- 100,000 options (33%) vested on 01 December 2015,
- 100,000 options (33%) will vest on 01 December 2016,
- 100,000 options (33%) will vest on 01 December 2017.

In the event of termination of an optionee's continuous status as an employee during the first three years of the term of the option agreement running from the date of the grant of the option, any options issued in 2006 and 2007 which have not been exercised at that moment shall terminate. In the event of termination of the continuous status as an employee at a point in time after the first three years, the optionee may exercise the options to the extent exercisable on the date of termination, provided that such exercise must occur within six months after the date of such termination, but no event later than the date of expiration of the terms of this option. To the extent that the optionee was not entitled to exercise the option at the date of such termination or does not exercise such option, the option shall terminate.

24. Employee Benefits Obligations (continued)

In the event of termination of an option holder's continuous status as an employee, the option holder shall be entitled to exercise unexercised options to the extent such options are exercisable at the date of termination of the option holder's continuous status as an employee, provided that such exercise must occur within six months from the date of termination but in no event later than the date of expiration of the terms of this option as set forth in the option agreement. To the extent that the option holder was not entitled to exercise the option at the date of termination of continuous status as an employee or does not exercise such options within the time specified herein, the options shall lapse.

The fair value of the stock options is measured using a binomial option pricing model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the plans granted in 2015, 2014, 2012, 2011 and 2010 at the measurement date:

	Tranche 5	Tranche 7	Tranche 13	Tranche 14	Tranche 15
Share price on the measurement date (€)	1.90	1.50	11.80	11.80	11.70
Life of the option on the grant date (years)	10.00	10.00	4.69	4.69	10.00
Exercise price (€)	2.70	2.70	10.00	10.00	20.00
Expected dividend yield (%)	0.00	0.00	0.00	0.00	0.00
Risk-free interest rate (%)	2.93	2.34	0.58	0.58	0.92
Expected volatility of the share price (%)	75.52	75.15	71.59	71.59	56.45
Option value (€)	0.90 – 1.10	0.60 – 0.80	2.00	2.00	3.40

For the stock option valuation the contractual life of the options and the possibility of early exercise were considered in the binomial model. The risk-free interest rate is the implied yield currently available on German government bond issues with a remaining term equal to the term of the options. The future volatility for the lives of the options was estimated based on historical volatilities and also considered management's expectation of future market trends.

The expense resulting from the share-based payment transactions is recognized during the vesting period on a pro-rata-basis with a corresponding increase in equity. Furthermore, the amount recognized is based on the best available estimate of the number of equity instruments expected to vest and is revised, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates.

24. Employee Benefits Obligations (continued)

The expense recognized during 2015 and 2014 is shown in the following table:

€	*2015*	*2014*
Expense arising from equity-settled share-based payment transactions	9,075	3,293
Expense arising from cash-settled share-based payment transactions	-	-
Total expense arising from share-based payment transactions	**9,075**	**3,293**

25. Leases

The Company and its subsidiaries have various operating lease agreements for machinery, offices and other facilities. Future minimum lease payments under non-cancellable operating lease are as follows:

	2015	2014
	€000's	€000's
Within 1 year	335	460
1 year through 5 years	1,340	444
After 5 years	411	425
Total future minimum lease payments	2,086	1,329

During the year ended 31 December 2015 €446k was recognized as an expense in the income statement in respect of operating leases (2014: €540k).

26. Contingent Liabilities

Various legal actions and claims may be asserted in the future against the Group companies from litigations and claims incidents to the ordinary course of business. These mainly include matters relating to warranties and infringement on intellectual property rights. Related risks have been analysed as to likelihood of occurrence. Although the outcome of these matters cannot always be ascertained with precision, management believes that no material liabilities are likely to result.

27. Related party transactions

The parties affiliated to the group, of which Catalis SE is the parent company, may be divided into: group companies, members of The Board (Executive and Non-Executive) and other related parties.

A list of the group companies may be found in note 10. Transactions between group companies are eliminated on consolidation and no further disclosures are necessary under IFRS. The remuneration of the members of The Board are disclosed in note 28.

27. Related party transactions (continued)

The following related parties can be identified:

Ascendo Management GmbH	related to former Director, provision of financial services
Acon Aktienbank AG	related to former Director, provision of financial services
Advail Ltd	provision of Directors services
Waypoint Change LLP	provision of Directors services
Vespa Capital LLP	provision of Directors services

The Directors as disclosed in Board report

The following transactions (in €000's) were carried out with related parties during 2015 and 2014:

	2015	2014
Purchase of services		
Ascendo Management GmbH, consultancy fee	2	64
Acon Aktienbank AG, consultancy fee	3	16
Advail Ltd., consultancy fee	110	117
Waypoint Change LLP	50	113

The following amounts (€000's) were outstanding with related parties as at 31 December 2015 and 31 December 2014:

	2015	2014
Ascendo Management GmbH, consultancy fee*	-	40
Acon Aktienbank AG, consultancy fee	-	10
Advail Ltd., consultancy fee	18	40
Waypoint Change LLP	7	65

During the year Catalis SE paid Vespa Capital LLP €40k (2014 - €27k) for directors services provided by Tom Chaloner and €40k (2014 –€27k) for directors services provided by Nigel Hammond and €50k (2014 - €113k) to Waypoint Change LLP for directors services provided by Nick Winks. Of the fees owed to Vespa Capital LLP €21k was outstanding at 31 December 2015 (2014 - €51k). During the year the Company made a loan to Dominic Wheatley, a Director, details of which are disclosed in note 14 to the accounts. Directors of the Company control 10,07% of the voting shares of the Company (2014 – 4,69%)

28. Remuneration of managing and supervisory directors

The emoluments of managing and supervisory directors, including pension costs, as referred to in Section 2:383(1) of the Netherlands Civil Code, charged in the financial year to the company and group companies amounted to €968k (2014- €1,807k). This can be split between Executive Directors and Non-Executive Directors as follows:

	2015	2014
	€000's	€000's
Executive Directors	838	1,640
Non-executive Directors	130	167
	968	1,807

The remuneration also includes employee options granted to current and former Directors amounting to €9k (2014- €3k).

The loans, advances and guarantees granted by the Company's to its managing and supervisory directors amounted to €455k (2014-€nil), including interest accrued of €5,000, as disclosed in note 14 to the accounts. An option programme was set up for members of the Executive and Supervisory Boards, which is disclosed in shareholders' equity.

Remuneration of key management personnel

The remuneration of the key management personnel of the Group, is set out below in aggregate for the relevant categories specified in IAS 24 'Related Party Disclosures' and represents the total compensation costs incurred by the Group in respect of remuneration, not the benefit to individuals.

	2015	2014
	€000's	€000's
Short-term employee benefits	1,154	2,167
Share based payments	9	3
Total remuneration of key management	1,163	2,170

The short term employee benefits in 2015 of total €1,154k (2014: €2,167k) are comprised of fixed salaries of €1,143k (2014: €2,167k) and bonus payments of €20k (2014: €nil). The value of share based payments granted to key management during the year ended December 31 2015 amounted to €9k (2014: €3k).

CATALIS SE

COMPANY-ONLY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

AFTER APPROPRIATION OF NET PROFIT

	Note	2015 €000'S	2014 €000'S
ASSETS			
Non-current assets			
Goodwill	29	4,023	7,404
Tangible fixed assets		281	-
Investment in subsidiaries	30	1,626	-
Loans – group	31	5,504	11,250
Loans - other		455	-
Total non-current assets		11,889	18,654
Current assets			
Receivables – group	33	8,325	4,392
Other current assets	35	190	50
Cash and cash equivalents	36	443	3
Total current assets		8,958	4,445
Total assets		20,847	23,099
LIABILITIES AND EQUITY			
Equity			
Share capital	37	700	656
Share premium		20,028	19,623
Share based payments		746	737
Currency differences		(3,668)	(3,679)
Other reserve		145	145
Accumulated deficit		(13,973)	(9,117)
Total equity		3,978	8,365
Provision for subsidiaries	38	4,383	4,074
Non-current loans	38	2,975	2,259
Current liabilities			
Bank overdrafts	39	-	2,779
Loans	39	900	2,950
Liabilities-group	40	8,393	1,917
Trade and other payables	41	218	755
Total current liabilities		9,511	8,401
Total equity and liabilities		20,847	23,099

The accompanying notes form an integral part of the financial statements.

CATALIS SE

COMPANY-ONLY STATEMENT OF INCOME CATALIS SE FOR THE YEAR ENDED 31 DECEMBER

	Note	2015	2014
		€000's	€000's
Result after taxes		(3,054)	1,045
Result subsidiaries after tax		(1,801)	(1,947)
Net (loss)/profit		**(4,855)**	**(902)**

The accompanying notes form an integral part of the financial statements.

General

The description of the Company's activities and the Group structure, as included in the notes to the consolidated financial statements, also apply to the Company-only financial statements. The company only financial statements form part of the financial statements 2015 of Catalis SE. For events after balance sheet date please refer to the 'other information' section in this annual report.

Summary of Significant Accounting Policies

The company financial statements have been prepared in accordance with accounting principles generally accepted in The Netherlands. Catalis SE makes use of the option offered in Article 2:362 (8) of the Netherlands Civil Code. This means that the principles for the valuation of assets and liabilities and the determination of the result of the company-only financial statements of Catalis SE are equal to those of the consolidated financial statements. Investments in subsidiaries are accounted for in accordance with the equity method.

Going concern

A detailed review of the Going Concern assumption has been performed by the Directors of the Catalis SE, the details of which can be found in note 1 of the Notes to the Consolidated Financial Statements above.

29. Goodwill

The movements in goodwill are as detailed in note 12. Goodwill recognised on the Catalis Se company balance sheet is in relation to Testronic.

30. Investment in Subsidiaries

The movement in the investment in subsidiaries is

	2015	2014
	€000's	€000's
Book value at 1 January	-	-
Income from subsidiaries	(1,801)	(1,947)
Currency differences	(1,046)	(972)
Movement in deduction of receivables of the subsidiary	4,164	2,410
Movement in provision for negative equity	309	509
Book value at 31 December	1,626	-

Negative equity values of group companies are balanced with receivables on those group companies, if additional provisions are required these are presented under provisions. This results in a provision for investments in group companies of € 4.383m as of 31 December 2015 and € 4.074m as of 31 December 2014. The provision for investment relates to the Doublesix Digital Publishing Group.

31. Loans - group

In 2007 a loan of €7,000,000 was granted to Catalis Development Services Ltd (part of the Kuju Group). The interest rate amounts to 7.5% a year. Including the accrued interest the value of the loan is € 11.775m as of December 31, 2015 (2014: €11.250 m). After deducting the negative equity of the investment in the Kuju Group the loan has a carrying value of €5.504m.

32. Deferred tax

Deferred tax assets mainly relate to future benefits from tax loss carry forward in The Netherlands, to the extent that it is probable that these benefits will occur. There was no movement in deferred assets in the current or prior year.

33. Receivables - group

Intercompany group receivables comprise of several current accounts.

34. Loans - Other

During the year the company entered into a loan agreement with Mr Dominic Wheatley, the terms of which are disclosed in note 14 to the Group financial statements. The balance at 31 December 2015 was €0.455m (including interest of €0.05m)

35. Other current assets

Other current assets mainly consist of prepaid costs and in December 2015 the company made a loan to Curve Digital Entertainment Limited of €0.136m that bears interest at 10% per annum and is repayable in 2016.

36. Cash and cash equivalents

Cash and cash equivalents comprise of several bank balances. The carrying amount of these assets approximates their fair value.

37. Equity

Details of the equity may be found in note 18 of the notes to the consolidated financial statements.

38. Provisions for subsidiaries

A provision for subsidiaries is made for the negative equity value of investments, after netting with receivables on the subsidiaries, as far as Catalis SE guarantees the subsidiaries' obligations.

Movement in the provision for subsidiaries is as follows:

	2015	2014
	€000's	€000's
Book value at January 1	4,074	3,565
Loss for the year	82	268
Currency differences	227	241
Book value at December 31	4,383	4,074

39. Bank Loans and Overdrafts

An analysis of the debt position of the company is provided in note 19 and note 20 of the consolidated financial statements.

40. Liabilities – group

Intercompany group liabilities comprise short term payables to subsidiary undertakings.

41. Trade and other payables

Trade and other payables relate to accrued costs, mainly advisory fees from professional service providers.

42. Personnel

During the reporting year, the Company employed 1 employee (2014: 1).

43. Audit fees

Profit after tax is stated after charging audit fees of €150,000 by KPMG Accountants NV and KPMG LLP. In 2014: audit fees of €145,000 were charged by BDO Audit and Assurance BV for the audit of the financial statements.

44. Related parties

Profit after tax is stated after crediting € 2.1m (2014: €2.9m) of licence fees and management fees due from subsidiaries.

45. Emoluments of the directors

The emoluments of managing and supervisory directors, including pension costs, as referred to in Section 2:383(1) of the Netherlands Civil Code, charged in the financial year to the company and group companies amounted to €968k (2014- €1,807k). This can be split between Executive Directors and Non-Executive Directors as follows:

	2015	2014
	€000's	€000's
Executive Directors	838	1,640
Non-executive Directors	130	167
	968	1,807

The remuneration also includes employee options granted to current and former Directors amounting to €9k (2014- €3k).

The loans, advances and guarantees granted by the Company's to its managing and supervisory directors amounted to €455k (2014-€nil), as disclosed in note 14 to the accounts. An option programme was set up for members of the Executive and Supervisory Boards, which is disclosed in shareholders' equity.

For the Board:

Dominic Wheatley,
Robert Haxton,
Peter Biewald
Tom Chaloner,
Nick Winks,
Nigel Hammond

Waalre, The Netherlands, 5 August 2016

46. Appropriation of Net Profit after Taxes

The Articles of Association of the company provide that the appropriation of the profit after taxes for the year is decided upon at the Annual General Meeting of Shareholders. Awaiting the decision by the shareholders, the net profit or loss for the year is added to the accumulated profit. At the Annual Shareholders' Meeting, the management of Catalis SE will recommend the allocation of €1.1m of the after tax performance into the retained earnings of the company.

47. Subsequent events

In January 2016 Catalis SE Board of Directors announced the acquisition of Curve Digital Publishing Limited, a UK based publisher and developer. Kuju and Curve will combine into a new division, Curve Digital Entertainment, the combined company will cover the complete value chain from creating new ideas for games to publishing games from internal and external sources.

Imprint

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