CATALIS SE

ANNUAL REPORT 2017

CATALIS SE
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Delivering quality to the global entertainment and media marketplace.

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CATALIS SE
BOARD REPORT

The Catalis Group is comprised of Catalis SE (the 'Company') as the ultimate parent company of two divisions: Testronic Laboratories (Testing Division) and Curve Digital Entertainment (Publishing Division). The Testing Division provides quality assurance services to the computer games and entertainment markets and operates from offices in the US, UK, and Poland. The Publishing Division is based in the UK and comprises a publisher of independent console and PC games (Curve Digital), a development studio for third party games (Kuju Limited), and a mobile game (Crack Attack).

Overview

During 2017 the Catalis Group has built upon the strong foundations laid down in the prior year to consolidate our position in the games testing market and delevop our publishing business, although the Film, TV & DVD business continues to face difficult market conditions. The Group has continued to reduce external debt levels and this now provides us with a strong platform for growth.

The formation of the Publishing Division in 2016 provided the cornerstone for our objective of creating a major UK video games publisher and this Division has seen significant growth in revenues and profits during 2017. The Board expects this to continue as Curve Digital establishes itself in the marketplace. Within the Testing Division, growth in the Games testing segment was offset by some shrinkage in the Film and TV sector in 2017 due to lower DVD sales in the global market. In 2018 the Group expects to see further growth in the Games segment and the increase in demand for file based and streaming content will positively impact the Film and TV sector, which is now gaining momentum as a result of strategic investment in new equipment and the hiring of specialised staff in 2017.

Strategy

The Group is dedicated to delivering quality services to the global entertainment and media marketplace. In addition, the Publishing Division is committed to investing in and delivering exciting, innovative and interactive entertainment for the global market. We strive to build a balanced portfolio of businesses that are world-leading in their respective 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 key industry trade bodies. Keeping pace with the latest innovations has helped to build the Group into a deft and nimble operation. The Group is continuously evolving the scope of its services, expanding relationships with existing clients, and establishing relationships with new clients.

As a result of this, the Group 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. Continued investment in games in the Publishing Division will drive revenue growth and deliver value to our shareholders. In addition to growth opportunities, management closely monitors costs and operating margins.

Catalis SE

Following an EGM held in January 2017, the Company resolved that the entire share capital of Catalis SE would be converted into registered shares from bearer shares. This process was completed in May 2017. Registered shares facilitate direct communication between the Company and its shareholders via electronic media. In May 2017 the Company announced a share capital increase of 45,000 new shares that were issued for the sole purpose of enabling Leo Capital 1 LLP to convert options into shares.

In July 2017 the Company announced its intention to relocate its registered office from The Netherlands to the United Kingdom during 2018. The relocation will more closely align the Group structure with its operating segments after the legal restructuring that was completed in 2016. The Company also announced that a new class of "B" shares would be created to facilitate the implementation of a long term incentive scheme for senior management who will be rewarded if the Company's share price exceeds defined thresholds.

In January 2018 the Directors announced plans to terminate the listing of the shares on the Entry Standard Market in Frankfurt. An EGM was held in March 2018 where the voting shareholders unanimously approved the proposals to delist and commenced a three month notice period whereby the Frankfurt Stock Exchange (and any other exchanges where the shares are traded) will cease trading shares at the expiration of the notice period. As the Company has no trading activities in Germany, the Board of Directors believes that the listing of the shares in Germany is no longer appropriate and does not justify the associated costs. Following the decision to delist, the Board of Directors is considering various options including a relisting on the London Stock Exchange's AIM but further investigations and preparations are necessary before a final decision will be taken in this regard. Therefore an uninterrupted stock exchange trading in the shares of the Company cannot be guaranteed and shareholders must currently assume that there will be no stock exchange trading of the Company's shares following a delisting. Catalis SE shares are traded on the Entry Standard Market which is an Unregulated Market in Frankfurt with a par value of €1.00 per share. The shares are traded under the ticker XAE2.F.

In the prior year the Board of Directors announced the acquisition of Curve Digital Publishing Limited, a UK based publisher and developer. This was a strategic acquisition to reduce the reliance on the work for hire games studio business and gave the Group the platform for significant growth as a UK publisher. The Publishing Division was formed to combine the activities of Curve Digital Publishing Limited and the existing work for hire development studios. The Publishing Division covers the complete value chain from creating new ideas for games, developing games, and publishing games. In 2016, management initiated a project to rationalise the legal entity structure of the Group. This project is now complete and was necessary to reduce administration and associated costs and allows the Group to identify and maximise value creating opportunities in each Division.

Operational Highlights

The Publishing Division

The Publishing Division combines Curve Digital Publishing Limited (Curve), Kuju Limited, and a mobile game, Crack Attack. In 2017, the Publishing Division generated revenues of €10.0m (2016: €3.7m*) and an operating profit of €2.6m (2016: €0.5m*).

In 2017 Curve published four new games which included The Flame in the Flood, Bomber Crew and Serial Cleaner. The Company successfully launched several existing titles on the new Nintendo Switch platform as well as enhancing existing releases with new content. The stand out success in the year was the release of the multiplayer format for Human: Fall Flat. Human: Fall Flat was first released on PC in 2016 and to date has sold over three million copies across all platforms. Human: Fall Flat has reached the top 5 in the Nintendo eShop in Europe, USA and Japan and on the PlayStation Store the game was in the December 2017 sales top 10. The Company continues to invest in new games and expects to generate significant levels of income from these new titles.

In July 2017 Curve was recognised by the celebrated Develop Industry Excellence Awards as "Publishing Hero" for its recent work, and in 2018 Curve was awarded the Indie Games Publisher of the Year at the MCV awards and was nominated for the Gaming Campaign of the Year Under £500k award. Curve has announced several new titles for the 2018 release schedule including Smoke and Sacrifice, Racing Apex and For the King. In early 2018 Curve published Beholder on Xbox One and PlayStation. Human: Fall Flat continues to be successful and has been named as one of 2018's most played games on Steam.

Kuju Limited continued to play a major role in the further development of Activision's Guitar Hero Live and in 2017 produced an award winning Virtual Reality experience Chainsmokers Paris VR on the Sony PlayStation.

The Testronic Division

The Testronic Division generated revenues of €14.6m (2016: €15.3m) and an operating profit €1.3m (2016: €2.5m). Revenues were lower than last year mainly due to reduced Film & TV DVD testing and delays with on boarding new clients that were signed during the latter part of the year together with slippage on release schedules from some of our larger clients. The Division has made a strong start to 2018 as the on boarding of the new clients has been largely completed and work on the projects originally scheduled for late 2017 has now commenced. The Division has also won several new clients in the first quarter of 2018.

* 2016 restated for continuing operations subsequent to the disposal of Kuju Entertainment Limited in November 2017

Development of Earnings, Assets and Financial Situation

Sales Development and operating expenses

In 2017, the Group generated revenue of €24.6m (2016: €19.0m*). Of this, €14.6m (2016: €15.3m) was attributable to the Testronic Division (quality assurance) and €10.0m (2016: €3.7m*) to the Publishing Division (video games publishing and development)

Earnings Development

Testronic Division's operating profit was €1.3m (2016: €2.6m) and the Publishing Division generated an operating profit of €2.6m (2016: €0.5m*).

Total operating profit was €1.8m (2016: €1.2m). The Group's financial expense for the year (excluding translation differences) was €0.7m (2016: €0.5m*), after deducting translation differences, the pre-tax profit was €0.1m (2016: €0.8m*). The tax charge was €nil (2016: charge of €0.1m) which generated a profit for the period for continuing operations of €0.1m (2016: €0.7m). Profits attributable to discontinued operations (pre and post-tax) amounted to €0.4m (2016: Loss of €0.3m) resulting in a profit for the year of €0.6m (2016: €0.3m).

Asset Situation

Statement of Financial Position

At 31 December 2017, the Group's statement of financial position total amounted to €16.8m (2016: €14.0m), an increase of €2.8m. This is mainly attributable to the increase in receivables of the Publishing Division arising from increased activity during the year.

Current assets amounted to €9.5m (2016:€6.5m) an increase of €3.0m. A decrease in cash and cash equivalents of €0.3m was offset by increase in trade receivables of €2.8m. In terms of equity, the Group's total shareholder equity increased to €5.3m (2016: €4.4m).

Non-current liabilities were €2.8m compared to €2.3m in the prior year mainly as a result of the refinancing of the loan due to KBC Bank NV. In October 2017 the Group repaid this loan in full and refinanced with a 3.5 year term loan from HSBC Bank plc, repayable in instalments commencing April 2018. Current loans decreased by €1.2m during the year, after the repayment of the loan owed to KBC Bank NV and the settlement of the loans from the former shareholders of Curve. Trade and other payable increased during the year mainly due to the increased activity of Curve whereby royalty payments to licensors are accrued for and paid on a quarterly basis.

* 2016 restated for continuing operations subsequent to the disposal of Kuju Entertainment Limited in November 2017

Development of Earnings, Assets and Financial Situation (continued)

Cash Flow

During the year ended 31 December 2017, the Group generated cash from operating activities of €2.7m (2016: €2.6m). Cash outflow from investing activities amounted to €1.45 (2016: €1.8m) and is attributable to the purchase of property, plant and equipment and the investment in games titles during the year as intangible fixed assets offset by the issue of shares in settlement of outstanding share options. Cash flows from financing activities was €0.415m (2016: €0.6m) as a result of the repayments of the outstanding loans offset by the new funding put in place to replace the loans from KBC Bank NV. Changes in the rate of currency amounted to an outflow of €0.5m (2016: €0.1m). Consequently the Group's total net decrease in cash and cash equivalents in the fiscal year 2017 was €0.3m (2016: €0.3m). Net cash position at the end of the reporting period was €1.9m (2016: €2.2m).

The Board

The Board of Catalis SE is a one-tier board, comprising Executive Directors and Non-Executive Directors, appointed by a vote at a general meeting. 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

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:

			Audit Committee	Remuneration Committee
Dominic Wheatley	CEO	Executive Director	×	✓
Robert Haxton	CFO	Executive Director	×	×
Peter Biewald	Chairman	Non-Executive Director	×	✓
Nick Winks		Non- Executive Director	✓	×
Tom Chaloner		Non- Executive Director	✓	×
Nigel Hammond		Non- Executive Director	×	✓

Committees

The Board of Catalis SE comprises six members with an audit committee comprising of two board members and a remuneration committee that comprises three board members. The members of the committees are noted in the above table

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 and full year results. 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.

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 Grant Thornton Accountants en Adviseurs B.V., the Board are confident that all relevant issues regarding the Company's financial statements for the fiscal year 2017 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. 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 regularly reviews the remuneration package for certain 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 2016 and 2017 and discussed bonus planning for 2018. An overview of the Board's remuneration can be found in note 43 to the Consolidated Financial Statements. The total remuneration of the Board of Catalis SE is comprised of remuneration for Executive Directors and 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. 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 (tangible and intangible) in the year ended 31 December 2017 amounted to €1.8m and was mainly attributable to the purchase of property, plant and equipment (€0.6m) and the investment in games development for future releases in Curve. Future investment in video games is subject to scrutiny and approval by the Publishing Committee that comprises members of the main Board and Curve senior management.

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.

Risk Report

Catalis Group is a worldwide outsourcing service provider for the digital media and entertainment industry. The Group creates and publishes interactive, exciting and innovative entertainment for the global market and provides 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 we offer might become obsolete or demand will surge for new services we have not yet developed. There could also be changes in the competitive environment or changes in the attainable margins. Such changes can have significant effects on the asset, financial position 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.

The Group addresses this risk by continued investments in our employees, via training and recruitment of specialist staff with the appropriate skills. The management team maintains a constant dialogue with our customers to react quickly to changes in technology and the Group conducts regular market research to identify new trends and technologies pertinent to the Group operating activities.

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 and procedures for employee hiring and the winning 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

The Group is facing a number of different competitors in its respective markets. These markets are driven by quality, reputation, skills and 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 impact the Group's margins. Competition during the RFP process might also provide opportunities for customers to put pressure on margins. The Group addresses this risk by careful monitoring of our pricing and margins specific to each client.

Competition and intellectual property risks

In the development and distribution of video games, the Group 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. The Group monitors its intellectual property carefully and takes specialist legal advice where necessary to mitigate this risk.

Risk Report (continued)

Personnel risks

The performance of the Group's services depends to a great extent on the specialist knowledge and qualifications of its management and employees. If the Group 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 Group might lose its ability to deliver on its service obligations. Personnel risks are addressed by maintaining good working relationships with employees, providing training and identifying initiatives to promote staff retention.

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 the Group's 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 position and earnings situation of Catalis. The Group utilises a flexible contractor model to address increase in activity levels together with shift planning in Poland to address issues of workload during the year.

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.

Security risks

The Group has observed a global increase in IT security threats and higher levels of sophistication in computer crime, posing a risk to the confidentiality, availability and integrity of data and information. This increase in IT security risk has increased the importance of effective IT security measures, including proper identity management processes to protect against unauthorised systems access. Nevertheless, the Group's systems, networks and services to clients remain vulnerable to attacks which could lead to the leakage of confidential information which could have a detrimental impact on the Group's financial position and operating results. Successful cyber-attacks may result in substantial costs and other negative consequences which may include, but are not limited to, lost revenues, reputational damage and remediation costs. Furthermore enhanced protection measures can involve significant costs.

Risk Report (continued)

Security risks (continued)

During the prior year we experienced a cyber-attack that breached our security protocols and the Board immediately reacted by contacting any of our business partners who were impacted to reassure and affirm our commitment to data security. Subsequent to this breach the Group has taken extensive measures to remediate our IT systems during 2016 and 2017 to reduce the risks of further cyber-attacks occurring. Although this risk has been mitigated by enhancements to our systems there can be no guarantee that the Group will be successful in avoiding damages from cyber-attacks which could lead to financial losses. Additionally, the integration of new companies is highly dependent on secure and well controlled IT systems.

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 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 6%. The Group mitigates interest rate risk by reviewing its borrowings regularly to achieve the most appropriate balance between fixed and variable rate loan arrangements.

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. 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.

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 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. The Group mitigates this risk by producing detailed weekly cash flow forecasts to identify any potential cash shortfall so that it can be addressed in a timely manner. Credit risk also applies to customer receivables, which the Group mitigates by the use of credit worthiness checks prior to the contract being committed to and by contracting mainly with large blue chip organisations with which the Group has a long standing relationship.

Risk Report (continued)

Exchange rate fluctuations

The Group's accounts are denominated in Euro (€). Certain investments of the Group may be in currencies other than the Euro, such as sterling. Similarly, certain expenses of the Group, including organizational and operating expenses and the fees of directors and service providers, have been and will continue to be incurred in currencies other than the Euro. Accordingly, the Group 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 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. Where appropriate the Group enters into forward contracts to secure its foreign currency cash requirements to mitigate this risk.

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. The Group mitigates this risk by investing in new lines of business where appropriate, keeping up to date with global market trends and maintaining a strategic 3 year forecast model which can be flexed to model different scenarios and outcomes.

Regulatory Compliance

The Group must comply with regulatory requirements in relation to employment, competition and environmental issues, pensions and taxation legislation. The Group is subject to Dutch corporate governance regulations as well as those regulations applicable to listed companies. 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 not 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. This risk is mitigated by our investment in specialist staff internally and selecting external business partners to provide us with expert advice when appropriate. The Group is preparing for the introduction of the EU General Data Protection Regulation (GDPR) and has taken action to ensure that the Group's systems will be GDPR compliant by May 2018.

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.

Going concern

The Group produces detailed cash flow 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. 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. The Board considers that the significant increase in activity seen in the Publishing Division means that the business is well placed going forward.

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 30 April 2019. The Group's main banking facilities are provided by HSBC Bank plc. The forecasts conclude that cash flows will provide sufficient resources for the Group to pay its liabilities as and when they become due.

The loan from HSBC Bank plc is subject to a financial covenant which must be met on an annual basis, based on the audited consolidated financial report for the Group, commencing on 31 December 2018. The financial covenant is a leverage ratio. The Board of Catalis SE continue to actively monitor the Group's compliance with its bank covenants. Had the financial covenant been in place for the year ended 31 December 2017, Catalis SE would have satisfied the leverage ratio with significant headroom.

The Group is forecast to generate operating profits and positive cash flows from operating activities and remain in compliance with its bank covenants in the year ending 31 December 2018 and the first quarter of 2019. On this basis, the directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future.

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.

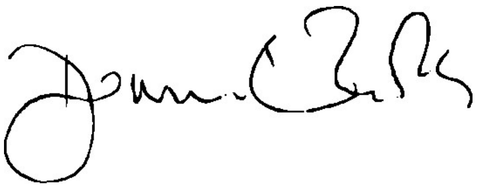
Forecast Report

Our corporate earnings are expected to further develop in the current environment and to build upon the solid foundation established during the current year.

During the year the Publishing Division invested in new games to provide a pipeline of new high quality titles for release in 2018 and there are plans to continue to invest during 2018 to provide content for future periods, together with continuing to benefit from its growing back catalogue of titles to increase revenues from ancillary revenue streams. The Publishing Division's flexible contractor based model makes it ideally placed to take advantage of opportunities in the Division's developing fields of Augmented and Virtual Reality.

The Group is confident for 2018 and based upon current forecasts expects to achieve revenue growth and an improved operating profit margin in line with the current, published guidance to be achieved by continued focus on cost efficiencies and taking advantage of the expected growth in the games market worldwide. Guidance for 2018 is updated regularly on the Group website at www.catalisgroup.com.

For the Board:



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

Waalre, The Netherlands, 16 April 2018

CATALIS SE

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 €000's	*Restated 2016 €000's
TOTAL REVENUES	2	**24,605**	**19,017**
Subcontracting and cost of materials	2	(5,824)	(1,786)
Personnel costs	3	(11,229)	(11,159)
Depreciation of property, plant and equipment	11	(502)	(487)
Amortisation and impairment of intangible non-current assets	9	(941)	(716)
General and administration	4	(4,355)	(3,697)
Total expenses		**(22,851)**	**(17,845)**
Operating profit		1,754	1,172
Operating profit		**1,754**	**1,172**
Interest expense		(360)	(372)
Other financial expense		(302)	(140)
Currency differences		(992)	155
Total financial result		(1,654)	(357)
Profit before tax		**100**	**815**
Income tax	5	38	(137)
PROFIT FROM CONTINUING OPERATIONS		**138**	**678**
Profit from discontinued items, net of tax	6	414	(349)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		**552**	**329**
Earnings per share (€) attributable to shareholders			
Basic	7	0.76	0.47
Diluted	7	0.73	0.46

* 2016 comparative figures have been adjusted for discontinued operations as described in note 6.

CATALIS SE

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	€000's	€000's
		*Restated
NET PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	**552**	**329**
Items that are or may be reclassified through the profit or loss in the future:		
Exchange differences on translating foreign operations	(101)	38
Other comprehensive (loss)/income for the year, net of tax	(101)	38
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	**451**	**367**

The accompanying notes on pages 20 to 55 form an integral part of the financial statements.

* 2016 comparative figures have been adjusted for discontinued operations as described in note 7.

CATALIS SE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

AFTER APPROPRIATION OF NET PROFIT

	Note	2017	2016
		€000's	€000's
ASSETS			
Non-current assets			
Intangible assets	9	1,404	1,173
Goodwill	10	4,057	4,547
Property, plant and equipment	11	1,356	1,253
Other financial assets	12	455	468
		7,272	7,441
Current assets			
Trade receivables	13	5,035	2,192
Tax and social security		879	291
Income tax		36	82
Other receivables	14	1,641	1,789
Cash and cash equivalents	15	1,901	2,174
		9,492	6,528
Total assets		16,764	13,969
EQUITY AND LIABILITIES			
EQUITY			
Share capital	16	745	700
Share premium		20,433	20,028
Share based payments		767	757
Cumulative translation differences		(3,731)	(3,630)
Other reserve		145	145
Legal reserve		1,346	898
Accumulated deficit		(14,438)	(14,542)
Total equity		5,267	4,356
LIABILITIES			
Non-current liabilities			
Non-current loans	18	2,818	2,266
		2,818	2,266
Current liabilities			
Current loans	17	301	1,493
Trade and other payables	19	7,258	4,410
Deferred consideration	19	-	60
Taxes and social security		991	874
Income tax		4	66
Provisions	21	125	444
		8,679	7,347
Total equity and liabilities		16,764	13,969

The accompanying notes on pages 20 to 55 form an integral part of the financial statements.

CATALIS SE

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital €000's	Share premium €000's	Share based payments €000's	Cumulative translation differences €000's	Other reserve €000's	Legal reserve €000's	Accumulated deficit €000's	Total equity €000's
At 1 January 2016	**700**	**20,028**	**746**	**(3,668)**	**145**	**-**	**(13,973)**	**3,978**
Share based transactions	-	-	11	-	-	-	-	11
Other reserve movements	-	-	-	-	-	898	(898)	-
Total comprehensive profit for the year	-	-	-	38	-	-	329	367
At 31 December 2016	**700**	**20,028**	**757**	**(3,630)**	**145**	**898**	**(14,542)**	**4,356**
Issue of share capital	**45**	**405**	**-**	**-**	**-**	**-**	**-**	**450**
Share based transactions	**-**	**-**	**10**	**-**	**-**	**-**	**-**	**10**
Other reserve movements	**-**	**-**	**-**	**-**	**-**	**448**	**(448)**	**-**
Total comprehensive profit for the year	**-**	**-**	**-**	**(101)**	**-**	**-**	**552**	**451**
At 31 December 2017	**745**	**20,433**	**767**	**(3,731)**	**145**	**1,346**	**(14,438)**	**5,267**

The accompanying notes on pages 20 to 55 form an integral part of the financial statements.

CATALIS SE

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 €000's	2016 €000's *Restated
Cash flow from operating activities			
Profit after tax from continuing operations		138	678
Profit/(loss) after tax from discontinued operations	**6**	414	(349)
		552	329
Adjustments to reconcile profit after tax to net cash provided by operating activities			
Depreciation and amortisation		1,321	1,202
Impairment of intangible fixed assets	**9**	122	-
Share based payment	**22**	10	11
Interest expense		685	512
Income taxes	**5**	(38)	137
Currency differences		1,014	(155)
Loss on sale of fixed assets		4	-
Decrease in other current assets		(2,763)	501
Increase/(decrease) in current liabilities		2,148	(354)
Adjustments for discontinued operations	**6**	(38)	441
Decrease in provisions	**21**	(319)	-
Cash generated from operations		2,698	2,624
Interest paid		(556)	(315)
Income tax paid	**5**	-	(45)
Net cash generated from operating activities		2,142	2,264
Cash flow from investing activities			
Additions of intangible assets	**9**	(1,203)	(1,104)
Purchase of property, plant and equipment	**11**	(633)	(649)
(Payment)/Receipt of deferred consideration		(66)	500
Acquisition of subsidiary, net of cash		-	(534)
Issue of shares	**16**	450	-
Net cash used in investing activities		(1,452)	(1,787)
Cash flow from financing activities			
Repayment of bank loans and overdrafts		(999)	(566)
New loan funding received		675	-
Increase in finance leases		318	31
Decrease in other loans		(409)	(100)
Net cash used in financing activities		(415)	(635)
Net effect of currency translation		(548)	(115)
Net decrease in cash and cash equivalents		(273)	(273)
Cash and cash equivalents at beginning of year		2,174	*2,447*
Cash and cash equivalents at end of year		*1,901*	2,174

* 2016 comparative figures have been adjusted for discontinued operations as described in note 7.

1. GENERAL

Catalis SE, registered with the Dutch Chamber of Commerce (company number 17123178), (“the Company”) and its 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. The consolidated financial statements of Catalis SE for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the (Non-) Executive Board on 16 April 2018. The shares are traded on the Frankfurt Entry Standard Market, which is an Unregulated Market, 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. All companies in the Group have the same reporting date of 31 December.

DISTINCTION BETWEEN CURRENT AND NON-CURRENT

Current assets are defined as those that are expected to be realised in the entity's normal operating cycle, held primarily for the purpose of trading, expected to be realised within 12 months after the reporting period and cash and cash equivalents (unless restricted). All other assets are non-current.
Current liabilities are defined as those that are expected to be settled within the entity's normal operating cycle, held for purpose of trading, due to be settled within 12 months and for which the entity does not have an unconditional right to defer settlement beyond 12 months (settlement by the issue of equity instruments does not impact classification). All other liabilities are non-current.

GOING CONCERN

The Group produces detailed cash flow 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. 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 SE 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. The Board considers that the significant increase in activity seen in the Publishing Division means that the business is well placed going forward.

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 30 April 2019. The Group's main banking facilities are provided by HSBC Bank plc. The forecasts conclude that cash flows will provide sufficient resources for the Group to pay its liabilities as and when they become due.

The loan from HSBC Bank plc is subject to a financial covenant which must be met on an annual basis based on the audited consolidated financial report for the Group, commencing on 31 December 2018. The financial covenant is a leverage ratio. The Board of Catalis SE continue to actively monitor the Group's compliance with its bank covenants. Had the financial covenant been in place for the year ended 31 December 2017, Catalis SE would have satisfied the leverage ratio with significant headroom.

The Group is forecast to generate operating profits and positive cash flows from operating activities and remain in compliance with its bank covenants in the year ending 31 December 2018 and the first quarter of 2019. On this basis, the directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future.

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.

BUSINESS COMBINATIONS

Business combinations are accounted for under the acquisition method as at the acquisition date, which is the date upon which control is transferred to the Group. The Company controls an investee when it is exposed or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns though its power over the investee. The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interest in the transfer; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the transfer; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the statement of comprehensive income.

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 statement of financial position 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 recognised 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 statement of financial position 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 (cumulative translation differences 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 recognised 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	Statement of financial position date		Average exchange rate	
	2017	2016	2017	2016
1 Pound Sterling =	€1.127	€1.168	€1.1418	€1.225
1 US Dollar =	€0.84	€0.95	€0.84	€0.90

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.

VIDEO GAMES TAX RELIEF

Video Games Tax Relief (VGTR) is a tax relief that supports the development of video games in the UK which was introduced in 2014. VGTR is part of a wider creative sector tax relief which seeks to incentivise investments into UK inventions or productions that may otherwise take place outside of the country, and to promote the long-term sustainability of technology, skills and infrastucture. VGTR is recognised where management believe that a tax credit will be recoverable based on their experience of obtaining the relevant certification and the success of similar historical claims. The Group expects to further benefit from this relief in future periods. To reflect the substance of these credits to the Group, amounts receivable for this tax relief are deducted from personnel costs in the statement of comprehensive income.

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, to the extent 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 subsidiaries is presented separately in the Consolidated Statement of Financial Position. On disposal of a subsidiary, 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. Any impairment loss on goodwill is not subsequently reversed.

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 5 years. Currently, the useful lives of all intangible assets are (except for goodwill) estimated to be finite.

INTANGIBLE ASSETS (continued)

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 game 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 statement of financial position date or earlier upon indication of impairment. Any impairment losses are recorded in the income statement.

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 income statement. 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%
- Leasehold improvements: 10%

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 recognised 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 Group's Consolidated 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 Consolidated 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 is specific by customer where required.

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 2017 (2016: €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 statement of financial position 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.

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 statement of financial position date 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.

FINANCIAL LIABILITIES

Non-derivative financial liabilities 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. Segments can be identified as the Testronic Division (quality assurance) and the Publishing Division (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

Share Capital - The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to 1 vote per share at every meeting of the shareholders of the Company. Called up share capital represents the nominal value of shares that have been issued.

Share Premium Account - includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

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").

Cumulative translation 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).

Other reserves – represents the equity element of the non-derivative convertible loan note as determined at the inception date.

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.

Legal reserve – Under the Netherlands Civil Code a legal reserve is required for costs of internally generated intangible fixed assets. Legal reserves cannot be distributed to the shareholders and are intended to protect the Company's equity, and by doing so, to protect third party interests.

Accumulated deficit - includes all current and prior period retained profits and losses.

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 5% 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 statement of financial position date.

Deferred income tax - Deferred income tax is calculated using the balance sheet liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognised 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 utilised.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position 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 utilised. Unrecognised deferred income tax assets are reassessed at each statement of financial position date and are recognised 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. For the Publishing Division, revenue arises from royalty income and game development. 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. Revenue arising from game development is based upon a time and materials rate as determined by the individual contract and subject to monthly approval by the client. Revenue is recognised in the accounting periods in which the services are rendered. Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the entity.

REVENUE RECOGNITION

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. 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 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

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

Impairment of Goodwill

The Group 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 10.

Development costs

Development costs relating to computer game development include staff time and direct materials. Costs are carried forward and amortised over the life of the game, typically 2 years, commencing in the month of the game's release, when the Group starts to benefit from the expenditure and in line with the inflows of future revenues. Development costs are reviewed by the directors at least on an annual basis to identify any projects that do not meet the criteria for continued capitalisation and addtional amortisation is recognised in the income statement. The key judgement in relation to development costs is the amortisation policy and subsequent carrying value.

Deferred tax assets

Deferred tax assets are recognised as described above. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, 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 Group 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.

Acquisition accounting

The Group recognises the assets and liabilities of acquired businesses at fair value and applies judgements to identify these fair values and also any intangible fixed assets based on an assessment of future cash flows.

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.

JUDGEMENTS AND ASSUMPTIONS (CONTINUED)

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 project 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 2017 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 2018. In addition, they have not been early adopted in preparing these financial statements. The main accounting standard which may be relevant to the Group are set out below and will be effective from the Group's 2018 financial report. The Group has not adopted 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.

IFRS 9 "Financial Instruments"

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 has 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. IFRS 15 is endorsed by the EU. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

IFRS 16 – "Leases"

IFRS 16 replaces IAS17 and specifies how leases are recognised, measured, presented and disclosed. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is endorsed by the EU. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

FINANCIAL RISK MANAGEMENT

The Group is exposed to interest rate risk, credit risk, liquidity risk and currency risk arising from the financial instruments it holds (see also note 20). 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 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 6% per annum. The Group mitigates interest rate risk by reviewing its borrowings regularly to achieve the most appropriate balance between fixed and variable rate loan arrangements.

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. Significant credit is only extended to customers who are deemed credit worthy and credit checks are performed on all customers. Trade receivables consist of a large number of customers. Following the referendum result in the UK to leave the European Union, the Board will review and make appropriate decisions to mitigate credit risk.

FINANCIAL RISK MANAGEMENT (CONTINUED)

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. 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 SE 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, Euro and Polish Zloty. 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 2017 and 2016 there were no outstanding hedging contract obligations.

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 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 Division undertakes quality testing operations, the Publishing Division produces video games as a "work for hire" studio via the Kuju Studio and Curve Digital Publishing develops and publishes downloadable video games for PC and console. The following table illustrates information about the reportable segments:

2017	Testronic Division €000's	Publishing Division €000's	Corporate (non-operating) €000's	Total €000's
Revenue from external customers	**14,627**	**9,978**	**-**	**24,605**
Subcontracting and cost of materials	149	5,675	-	5,824
Personnel costs	9,828	(61)	1,462	11,229
Depreciation and amortisation	469	935	39	1,443
General & Administration	2,888	871	596	4,355
Operating profit/(loss)	**1,293**	**2,558**	**(2,097)**	**1,754**
Reportable segment assets	**4,460**	**5,157**	**7,147**	**16,764**
Reportable segment liabilities	**2,980**	**4,508**	**4,008**	**11,496**

2. Operating segments (continued)

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

	Revenues 2017 €000's	Non-current assets 2017 €000's	Revenues 2016 €000's	Non-current assets 2016 €000's
UK	17,468	1,908	12,376	1,713
Europe - other	44	4,948	-	5,293
United States	7,093	416	6,993	435
Total	24,605	7,272	19,369	7,441

Revenues and non-current assets are attributed to countries on the basis of the Group's location. At 31 December 2017, revenues from five major customers accounted for 38% of total revenues (2016: 34%). One of these customers (2016: five) relates to the Testronic Division and four relate to the Publishing Division (2016: nil). During the prior year the Group combined its operations of the Kuju Group with Curve Digital Publishing to form the Publishing Division.

2016 - The following table illustrates information about the reportable segments, from continuing operations:

2016 - restated	Testronic Division €000's	Publishing Division €000's	Corporate (non-operating) €000's	Total €000's
Revenue from external customers	**15,270**	**3,747**	**-**	**19,017**
Subcontracting and cost of materials	100	1,686	-	1,786
Personnel costs	9,720	203	1,236	11,159
Depreciation and amortisation	449	724	29	1,202
General & Administration	2,493	639	566	3,698
Operating profit/(loss)	**2,508**	**495**	**(1,831)**	**1,172**
Reportable segment assets	**5,281**	**3,346**	**5,342**	**13,969**
Reportable segment liabilities	**3,118**	**2,715**	**3,779**	**9,612**

3. Personnel expenses

Personnel expenses from continuing operations:

	2017 €000's	Restated 2016 €000's
Wages and salaries	11,572	11,249
Video Games Tax Relief	(1,348)	(924)
Share based payments	10	11
Pension costs	35	42
Social security costs	911	705
Other expenses	49	76
Total personnel expenses	11,229	11,159

3. Personnel expenses (continued)

Video Games Tax Relief

During the year the Group received amounts totalling €506k (2016: €924k) in relation to costs incurred during 2016 and applied for amounts totalling €842k in relation to costs incurred in 2017 (prior year receipt of €924k relates to financial years 2014 and 2015). The Group has reinvested the proceeds in the future development of the Publishing Group and expects to further benefit from this relief in 2018.

The average number of employees from continuing operations by territory is:

	2017	2016
	No.	No.
The Netherlands	1	1
Poland	188	143
United Kingdom	101	142
United States	38	34
	328	320
Total average number of employees		

4. General and administration from continuing activities

	2017	Restated 2016
	€000's	€000's
Housing and communication	1,336	1,175
Advisory and legal costs	458	579
Sales and marketing	491	412
Operating lease payments	557	428
Other	1,348	866
Restructuring costs	165	237
General and Administration costs	4,355	3,697

5. Income Taxes

Major components of income tax expense for the years ended December 31, 2017 and 2016 are:

	2017	2016
	€000's	€000's
Current tax	38	(137)
Total tax expense	38	(137)

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 2017 and 2016 is:

	2017	2016
	€000's	€000's
Accounting result before tax – continuing operations	100	815
Accounting results before tax –discontinued operations	414	(349)
Total accounting result	514	466
Tax at statutory rate (nominal)	(128)	(117)
Expenses not deductible for tax	325	(20)
Video Games Development tax profit adjustments	554	-
Foreign tax credits	-	(6)
Non-taxable income	35	319
Adjustments to tax charge in respect of previous periods	38	-
Unrecognised current year losses	(806)	(289)
Difference in overseas tax rates	20	(24)
Total tax expense	**38**	**(137)**

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. 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. There were no deferred tax assets or liabilities recognised at the current or prior year end. After the processing of the 2017 tax result, the tax losses currently amount to approximately €26.3m (2016: €26.8 million), of which €1.2m (2016: €1.2m) can be allocated to Catalis SE (expires in 2020). €24.0m (2016: €24.3million) can be allocated to several UK based companies and €1.1m (2016: €1.3m) 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.

6. Acquisitions of subsidiaries and discontinued operations

Acquisitions

In the prior year the Group announced the acquisition of Curve Digital Publishing Limited, UK based publisher of Video Games. The acquisition resulted in a net cash outflow of €478k, together with legal and professional fees amounting to €94k. Goodwill of €485k was recognised on the transaction. Deferred cash consideration of €124k was recognised at the point of acquisition, payable to a former directors and shareholder. Of this, €60k was cash settled during 2016 and €66k was settled during 2017.

Discontinued operations

In late November 2017 the Directors commenced a process to liquidate the subsidiary company Kuju Entertainment Limited and a liquidator was appointed. The Company did not have any active customer contracts or employees in either the current or preceding year so the Directors decided to close the business in entirety. The statement of financial position at the point of liquidation, excluding intercompany amounts was as follows:

	2017
	€000's
Tangible fixed assets	1
Accounts receivables	2
Cash at bank	2
Other current assets	30
Other current liabilities	(35)
Net liabilities disposed	-

The profit attributable to discontinued operations net of tax of €414k (2016: loss of €349k) was comprised of operating costs of €76k offset by provision releases (€437k) and a receipt of VGTR (€98k). The Company also incurred interest and translation expenses totalling €45k resulting in pre-tax profit for discontinued items of €414k. In 2016 Kuju Entertainment Limited generated revenue of €352k and an operating profit of €23k and after adjusting for financial expenses this generated a loss before tax of €349k. The 2016 income statement and accompanying notes have been adjusted to reflect the discontinued operations. All profits from discontinued operations are attributable to shareholders.

General

The results of the Group have been restated and the following table shows the impact of the restatement on the Consolidated Income Statement:

	2016 As published	2016 Adjustments	2016 Restated
	€000's	€000's	€000's
Total Revenues	19,369	(352)	19,017
Total expenses	(18,174)	329	(17,845)
Operating profit	1,195	(23)	1,172
Total financial expense	(729)	372	(357)
Profit before tax	466	349	815
Tax	(137)	-	(137)
Profit for the year for continuing operations	329	349	678
Loss for the year for discontinued operations			(349)
Profit attributable to shareholders			329

6. Acquisitions of subsidiaries and discontinued operations (continued)

In the Consolidated Cashflow Statement adjustments to reconcile profit after tax to net cash provided by operating activities in relation to discontinued operations were an outflow of €38k (2016: inflow of €441). This comprised deprecation charged of €7k (2016: €69k), financial income of €23k (2016: expense of €39k) and foreign exchange differences of €22k (2016: €333k).

7. 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 2017		
	Profit after tax (€000’s)	**Weighted Average Number of Shares**	**Earnings Per Share Amount (€)**
Profit attributable to continuing operations	138	726,521	0.19
Profit attributable to discontinued operations	414	726,521	0.57
Basic Earnings per Share	552	726,521	0.76
Add: Options outstanding	-	28,520	(0.03)
Diluted Earnings per Share	**552**	**755,041**	**0.73**

	For the year ended 2016 -restated		
	Profit after tax (€000’s)	**Weighted Average Number of Shares**	**Earnings Per Share Amount (€)**
Profit attributable to continuing operations	678	700,233	0.97
Loss attributable to discontinued operations	(349)	700,233	(0.5)
Basic Earnings per Share	329	700,233	0.47
Add: Options outstanding	-	20,247	(0.01)
Diluted Earnings per Share	**329**	**720,480**	**0.46**

8. Investments in subsidiaries

At the end of 2017 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 2017 (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
Testronic Laboratories Inc	USA	100	100	Testing
Testronic Laboratories Ltd	UK	100	100	Testing
Testronic Sp z.o.o	Poland	100	100	Testing
Curve Digital Entertainment Ltd*	UK	95	95	Intermediate Holding
Curve Digital Publishing Ltd*	UK	95	95	Games publishing
Kuju Group SE	The Netherlands	100	100	Intermediate Holding
Catalis Development Services Ltd	UK	100	100	Intermediate Holding
Kuju Limited*	UK	95	95	Games development
Zoe Mode Entertainment Ltd*	UK	95	95	Games development
Kuju Entertainment Ltd*	UK	95	95	In administration
Vatra Games s.r.o.	Czech Republic	100	100	In administration
Attack Games Ltd*	UK	95	95	Games development
Headstrong Games Ltd*	UK	95	95	Dormant
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

* Subsequent to the Statement of Financial Position date Catalis SE has acquired the remaining 5% of shares in Curve Digital Entertainment by means of a share swap and consequently all subsidiaries are 100% owned.

9. Intangible assets

2017 - €000's	Downloadable self-published games	Research & Development	Software	Total
Cost				
Cost at 1 January	6,120	145	394	6,659
Additions	1,203	-	-	1,203
Disposals	-	-	(322)	(322)
Currency differences	(215)	(5)	(11)	(231)
Cost at 31 December	7,108	140	61	7,309
Accumulated amortisation				
Accumulated amortisation and impairment at 1 January	(5,062)	(72)	(352)	(5,486)
Disposals	-	-	315	315
Amortisation during the year	(771)	(28)	(20)	(819)
Impairment charge	(122)	-	-	(122)
Currency differences	192	3	12	207
Accumulated amortisation 31 December	(5,763)	(97)	(45)	(5,905)
Net book value	1,345	43	16	1,404

9. Intangible assets (continued)

2016 - €000's	Client lists	Downloadable self-published games	Research & Development	Software	Total
Cost					
Cost at 1 January	438	3,517	168	-	4,123
Acquisition of subsidiary	-	2,242	-	-	2,242
Reclassifications				394	394
Additions	-	1,104	-	-	1,104
Disposals	(438)	-		-	(438)
Currency differences	-	(743)	(23)	-	(766)
Cost at 31 December	-	6,120	145	394	6,659
Accumulated amortisation					
Accumulated amortisation and impairment at 1 January	(438)	(3,309)	(49)	-	(3,796)
Acquisition of subsidiary	-	(1,760)	-	-	(1,760)
Reclassifications		-	-	(352)	(352)
Disposals	438	-	-	-	438
Amortisation during the year	-	(685)	(31)	-	(716)
Currency differences	-	692	8	-	700
Accumulated amortisation 31 December	-	(5,062)	(72)	(352)	(5,486)
Net book value	-	1,058	73	42	1,173

Downloadable self-published games

During 2010 Catalis SE started the development of 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. In 2016, the Group acquired Curve Digital Publishing Limited (Curve), a British video games publisher (note 6). Curve capitalises development costs incurred in bringing games to market and releases the costs over the lifetime of the game, normally 2 years, to mirror the expected lifecycle of the cash inflows. During the year the directors conducted a review of the games published by the Group and determined that one game was impaired due to declining revenue forecasts and that an impairment charge of €122k was necessary.

Software

At 31 December 2016, in accordance with IAS38 – Intangible Assets, the Group reclassified Software costs with a net book value of €42k from tangible fixed assets to intangible fixed assets.

Research and Development

Included within intangible fixed assets are costs totalling €140k 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, Zoe Mode Entertainment Limited. The Directors 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.

10. Goodwill

	2017	2016
Cost	€000's	€000's
Cost at January 1	12,979	13,620
Acquisitions	-	485
Disposals	-	-
Currency differences	(735)	(1,126)
Cost at 31 December	12,244	12,979
Accumulated impairment		
Impairment at 1 January	8,432	9,597
Currency differences	(245)	(1,165)
Accumulated impairment at 31 December	8,187	8,432
Net book value	4,057	4,547

On 8 January 2016 Catalis SE acquired 100% of the share capital of Curve Digital Publishing Limited resulting in goodwill upon consolidation of €0.485m. Details of the acquisition can be found in note 6 to the accounts. At 31 December 2016 this goodwill was revalued to the year-end exchange rate to be €0.430m.

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 11.71%. 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 2% 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 either the Testronic Group or Publishing Group.

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.

From the results of the 2017 impairment test the Directors determined that no impairment was necessary in 2017. 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 Division and Publishing Division 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
Publishing Division	10%	2%	11.7%
Testronic Division	5.1%	2%	11.7%

10. Goodwill (continued)

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

	2017	2016
	€000's	€000's
Publishing Division	415	430
Testronic Division	3,642	4,117
Total	4,057	4,547

11. Property, Plant and Equipment

2017 - €000's	Buildings and Machinery	Furniture and fittings	Other fixed assets	Total
Cost				
Cost at 1 January	4,747	161	613	5,521
Additions	612	5	16	633
Disposals	(674)	-	-	(674)
Currency differences	(246)	(16)	(75)	(337)
Cost at 31 December	4,439	150	554	5,143
Accumulated Depreciation				
Accumulated depreciation at 1 January	(3,531)	(149)	(588)	(4,268)
Depreciation for the year	(485)	(5)	(12)	(502)
Disposals	667	-	-	667
Currency differences	232	12	72	316
Accumulated depreciation at 31 December	(3,117)	(142)	(528)	(3,787)
Net book value	**1,322**	**8**	**26**	**1,356**

Included with Buildings and Machinery are assets with the net book value of €0.372m (2016:€0.368m) held under Finance Lease agreements.

2016 - €000's	Buildings and Machinery	Furniture and fittings	Other fixed assets	Total
Cost				
Cost at 1 January	4,714	171	582	5,467
Additions	633	4	12	649
Acquisitions of subsidiary undertakings	60	-	-	60
Reclassifications	(394)	-	-	(394)
Currency differences	(266)	(14)	19	(261)
Cost at 31 December	4,747	161	613	5,521
Accumulated Depreciation				
Accumulated depreciation at 1 January	(3,573)	(154)	(551)	(4,278)
Depreciation for the year	(531)	(6)	(19)	(556)
Acquisition of subsidiary undertakings	(9)	-	-	(9)
Reclassifications	352	-	-	352
Currency differences	230	11	(18)	223
Accumulated depreciation at 31 December	(3,531)	(149)	(588)	(4,268)
Net book value	**1,216**	**12**	**25**	**1,253**

12. Other financial assets

Other non-current assets consist of the following:

	2017	2016
	€000's	€000's
Loan to Directors	455	468

In 2015 the Group 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 had 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 2017 the interest accrued to the Company amounted to €5k.

13. Trade Receivables

Trade receivables include the following:

	2017	2016
	€000's	€000's
Accounts receivable	5,254	2,266
Less provision for doubtful accounts	(219)	(74)
	5,035	2,192

Debtors are dominated in 2017 by currency as 14% in EUR, 65% in USD and 21% in GBP (2016: 22% EUR, 50% USD and 28% GBP). The movement in the provision for doubtful accounts is as follows:

	2017	2016
	€000's	€000's
At 1 January	74	-
Credited to the income statement	(30)	-
Charged to the income statement	175	74
At 31 December	219	74

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.

	2017	2016
Neither past due nor impaired	89%	76%
1 – 29 days overdue	8%	11%
30 or more days overdue	3%	13%
	100%	100%

14. Other Receivables

Other current assets include the following:

	2017	2016
	€000's	€000's
Other receivables	348	344
Prepaid expenses and accrued income	1,293	1,445
Total other current assets	1,641	1,789

Included within other receivables at 31 December 2017 is a short term loan to London Digital Games Limited of €nil (2016: €100k). The loan increased to €138k during the current year and was fully provided for at year end. The loan represented payments to third parties made by the Group on behalf of London Digital Games Limited during its fundraising period. The loan was expected to be repaid in full upon the successful completion of the fund raise – however due to uncertainty regarding the timing of the fund raise the Directors determined that the loan should be provided for in full.

15. 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.

	2017	2016
	€000's	€000's
Cash at bank and in hand	1,901	2,174

16. Share Capital

The authorised share capital of the Company amounts to € 17.5 million divided into 17.5 million common shares each having a nominal value of €1.0 per share.

Movements in share capital:

	Number of Shares – 000's		Amount - €000's	
	2017	2016	2017	2016
Common Shares – issued and paid in				
1 January	700	700	700	700
Issue of shares	45	-	45	-
31 December	745	700	745	700

During 2017 Catalis SE issued 45,000 shares to settle obligations in respect of share options for total consideration of €450,000, resulting in an increase to share premium of €405,000.

17. Current Loans

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

	2017	2016
	€000's	€000's
Within one year (current)	301	1,493
In the second and third years	2,838	2,321
	3,139	3,814

Amounts due within one year include €169k (2016: €nil) relating to a term facility with HSBC Bank plc, €nil (2016: €750k) relating to a term loan facility with KBC Bank NV and €132k (2016: €nil) relating to the Genussrechte private placement portion that is due for repayment in April 2018.

In 2016 Catalis SE negotiated a term loan of €600k to fund the working capital requirements of the business which was repayable in instalments ending May 2017. At the year end €334k of this loan remained outstanding. These loans were repaid in full during 2017. As part of the acquisition of Curve Digital Publishing Limited the Group acquired loans of €409k payable to the former owners of the business. These loans attract interest at a market rate and were repaid in full in November 2017.

During 2014 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 2017) 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 loan was repaid in full in October 2017 and replaced by a new loan facility provided by HSBC plc with a value of €761k

The interest rate on the fixed term loan facility is set on the basis of the interest rate prevailing on the Bank of England Base Rate at the end of each month plus a fixed margin of 3.5% per annum. The term of the loan is 3.5 years with repayments commencing April 2018. In 2014 Catalis SE 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. The first instalment of the principal is due for payment in May 2018.

To secure the loan from HSBC Bank plc a debenture comprising a fixed and floating charge of the assets and undertakings of Testronic Laboratories Limited was established together with an unlimited composite company guarantee given by Testronic Laboratories SE, its subsidiaries and Catalis SE to secure all liabilities of each other.

18. Non-Current Loans

	2017	2016
	€000's	€000's
Bank Loan	592	-
Convertible Loan	2,114	2,057
Other	132	264
Sub-total	2,838	2,321
Unamortised interest	(20)	(55)
Total	2,818	2,266

18. Non-Current Loans (continued)

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 and the loan attracts interest at 10% per annum until 31 March 2018 and at 30% per annum for the final year to 31 March 2019. 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 (2016: €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 2014 Catalis SE completed a private placement with several individual investors under a Genussrechte arrangement as described in note 17.

19. Trade and Other Payables

Trade and other payables include the following:

	2017	2016
	€000's	€000's
Accounts payable	948	1,034
Accrued expenses	4,662	2,314
Deferred consideration	-	60
Finance lease payables	607	289
Factoring payables	1,041	773
Total trade and other payables	7,258	4,470

The Group has entered into factoring agreements in the UK and US with two financial institutions. The Group receives up to 90% 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 €1,041k (2016:€773k) 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. In 2016 the deferred consideration related to the acquisition of Curve Digital Publishing Limited and was settled in full during the first half of 2017.

20. 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 interest rate risk, liquidity risk, currency risk and credit 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

Financial assets

The Group held the following financial assets:

	2017	2016
Trade receivables	5,035	2,192
Other current receivables	2,556	2,162
Other non-current receivables	455	468
Cash and cash equivalents	1,901	2,174
Current assets and receivables	9,947	6,996

Financial liabilities

The Group held the following financial liabilities:

	2017	2016
Trade payables	948	1,034
Other payables*	2,036	1,647
Bank loans, overdrafts and other loans	3,139	3,814
	6,123	6,495

*other payables comprises taxes and social securities 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.

20. Financial Instruments (continued)

Market risk

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 5% would not have a material impact on 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 17 above. The 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 (where the interest element is variable) is 3.5%. An increase of the interest rate by 1% would mean a decline in the reported result before tax of €7k (2016: €3k).

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.

2017	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	2,036	2,036	2,036	-	-	-
Bank loans & other loans	3,139	3,856	173	798	2,885	-
	6,123	6,840	3,157	798	2,885	-

2016	Carrying value	Contractual Cash flow	3 months Or less	Between 3 -12 months	Between 1-3 years	More than 3 years
Trade payables	1,034	1,034	1,034	-	-	-
Other payables	1,647	1,647	1,647	-	-	-
Bank loans & overdrafts	3,814	5,154	442	1,149	171	3,392
	6,495	7,835	3,123	1,149	171	3,392

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 2017, the Group had accounts receivable from its top five trade debtors which accounted for 55% of total accounts receivable (2016: 34%). During the current year revenues from these five major customers accounted for 32% of total revenues (2016: 31%). 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.

20. 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.

2017	Carrying value	Fair values	Level 1	Level 2	Level 3
Financial liabilities					
Trade payables	948	948	-	-	948
Factoring payable	1,041	1,041	-	-	1,041
Bank & other loans	3,139	3,139	-	-	3,139
	5,128	5,128	-	-	5,128

2017	Carrying value	Fair values	Level 1	Level 2	Level 3
Financial assets					
Trade receivables	5,035	5,035	-	-	5,035
Other receivables	3,011	3,011	-	-	3,011
Cash and cash equivalents	1,901	1,901	-	-	1,901
	9,947	9,947	-	-	9,947

2016	Carrying value	Fair values	Level 1	Level 2	Level 3
Financial liabilities					
Trade payables	1,034	1,034	-	-	1,034
Factoring payable	773	773	-	-	773
Bank & other loans	3,812	3,812	-	-	3,812
	5,619	5,619	-	-	5,619

2016	Carrying value	Fair values	Level 1	Level 2	Level 3
Financial assets					
Trade receivables	2,192	2,192	-	-	2,192
Other receivables	2,630	2,630	-	-	2,630
Cash and cash equivalents	2,174	2,174	-	-	2,174
	6,996	6,996	-	-	6,996

21. Provisions

	2017	2016
	€000's	€000's
Balance at 31 December	444	444
Charged to the income statement	125	-
Credited to the income statement	(444)	-
Balance at 31 December	125	444
Current	125	444

In 2017 the Directors continued with the review of the business to reduce headcount. The result of this review was a provision for employee related expenses of €125k. These provisions are expected to be fully utilised during 2018.

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 and a provision was established to provide for certain employee related claims arising subsequent to the closure of the business. In November 2017 Kuju Entertainment Limited entered a liquidation process and the provision was no longer required.

22. 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 and Poland. These plans require employer contributions up to 5% of annual salary.

Defined contribution obligations were not significant as of December 2017 and 2016, respectively. These obligations are presented under other payables.

Share Option Plan for key employees and third parties
The Group's 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 the Group's 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 2017 are disclosed in the tables below (tranche 15).

22. 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 2016 and 2017 no further options were granted. The information disclosed below has been adjusted to represent the number 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 date and the remaining term of the option:

	Tranche 5	**Tranche 14**	**Tranche 15**
Grant date	31 May 2010	25 April 2013	2 December 2014
Granted stock options	47,450	100,000	30,000
Remaining term of the option	3.4 years	1.0 years	6.9 years
Exercise price	27.00	10.00	20.00
Outstanding at 1 January 2017	165	80,000	10,000
Forfeited during the year	15	-	-
Exercised during the year	-	45,000	-
Outstanding at 31 December 2017	150	35,000	10,000
Exercisable at 31 December 2017	150	35,000	10,000

Any option granted under the stock option plan 2010, 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, 2013 and 2014 different vesting schedules apply:

- Tranche 5 (31 May 2010), options can be exercised at any time after the options become exercisable.
    - 15,817 options (1/3) vested on 1 June 2013,
    - 15,817 options (1/3) vested on 1 June 2014,
    - 15,817 options (1/3) vested on 1 June 2016.
- Tranche 14 (25 April 2013)
    - 100,000 options (100%) vested immediately on 25 April 2013.
- Tranche 15 (2 December 2014)
    - 10,000 options (33%) vested on 1 December 2015,
    - 10,000 options (33%) vested on 1 December 2016,
    - 10,000 options (33%) vested on 1 December 2017.

22. Employee Benefits Obligations (continued)

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.

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.

Valuation model and input parameters

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 2014, 2013 and 2010 at the measurement date:

	Tranche 5	Tranche 14	Tranche 15
Share price on the measurement date (€)	1.90	11.80	11.40
Life of the option on the grant date (years)	10.00	4.69	10.00
Exercise price (€)	2.70	10.00	20.00
Expected dividend yield (%)	-	-	-
Risk-free interest rate (%)	2.93	0.58	0.92
Expected volatility of the share price (%)	75.52	71.59	56.45
Option value (€)	0.90 – 1.10	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 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 also considering the management’s expectation of future market trends. The expense resulting from the share-based payment transactions is recognised during the vesting period on a pro-rata-basis with a corresponding increase in equity. Furthermore, the amount recognised 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.

22. Employee Benefits Obligations (continued)

The expense recognised during 2017 and 2016 is shown in the following table:

€	**2017**	**2016**
Expense arising from equity-settled share-based payment transactions	10,351	11,308
Expense arising from cash-settled share-based payment transactions	-	-
Total expense arising from share-based payment transactions	**10,351**	**11,308**

23. 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:

	2017	2016
	€000's	€000's
Within 1 year	546	323
1 year through 5 years	1,554	1,039
After 5 years	203	280
Total future minimum lease payments	2,303	1,642

During the year ended 31 December 2017 €806k was recognised as an expense in the income statement in respect of operating leases (2016: €557k).

24. 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 the 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.

25. 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 8. Transactions between Group companies are eliminated on consolidation and no further disclosures are necessary under IFRS. The remuneration of the members of The Board is disclosed in note 27.

The following related parties can be identified:

Advail Ltd	provision of Directors services
Waypoint Change LLP	provision of Directors services
Vespa Capital LLP	provision of Directors services
Hilary Cole	provision of financial services, former director *
Stuart Dinsey	provision of financial services, director *
Golden Green Consultancy Limited	provision of Directors services *
Warp Digital Entertainment Limited (formerly Carbon Games Ltd)	provision of games development services, related to current and former director*

* Current and/or former directors of Curve Digital Publishing Limited

25. Related party transactions (continued)

The following transactions (in €000's) were carried out with related parties during 2017 and 2016:

	2017	2016
Purchase of services		
Advail Ltd., consultancy fee	91	98
Waypoint Change LLP	35	39
Golden Green Consultancy Limited, consultancy fees	96	66
Hilary Cole, interest on loan	10	12
Stuart Dinsey, interest on loan	28	31
Warp Digital Entertainment Ltd (game development services)	355	986

	2017	2016
Sales of services		
Warp Digital Entertainment Ltd (game development services)	-	178

The following amounts (€000's) were outstanding with related parties as at 31 December 2017 and 31 December 2016:

	2017	2016
Advail Ltd., consultancy fee	8	16
Waypoint Change LLP	6	6
Golden Green Consultancy Limited	7	
Warp Digital Entertainment Limited	-	77

During the year Catalis SE incurred fees from Vespa Capital LLP €40k (2016: €40k) for directors services provided by Tom Chaloner and €40k (2016 –€40k) for directors services provided by Nigel Hammond and €35k (2016: €39k) to Waypoint Change LLP for directors services provided by Nick Winks. Of the fees owed to Vespa Capital LLP €20k was outstanding at 31 December 2017 (2016: €20k). For interest payments on the convertible loans invoices totalling €278k were outstanding at the year end (2016: €209k). During 2015 the Company made a loan to Dominic Wheatley, a Director, details of which are disclosed in note 13 to the accounts. At the prior year end loans of €117k and €292k were due to Hilary Cole and Stuart Dinsey, as described in note 18 above. These loans were fully repaid in 2017. Directors of the Company control 9.6% of the voting shares of the Company (2016 – 9.9%)

26. 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 €721k (2016- €796k). This can be split between Executive Directors and Non-Executive Directors as follows:

	2017	2016
	€000's	€000's
Executive Directors	606	677
Non-Executive Directors	115	119
	721	796

26. Remuneration of managing and supervisory directors (continued)

The remuneration also includes employee options granted to current and former Directors amounting to €10k (2016- €11k).

The loans, advances and guarantees granted by the Company to its managing and supervisory directors amounted to €455k (2016-€468k), including interest accrued of €5k, as disclosed in note 12 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.

	2017	2016
	€000's	€000's
Short-term employee benefits	1,432	1,254
Share based payments	10	11
Total remuneration of key management	1,442	1,265

The short term employee benefits in 2017 of total €1,432k (2016: €1,254k) are comprised of fixed salaries of €1,394k (2016: €1,254k) and bonus payments of €38k (2016: €nil). The value of share based payments granted to key management during the year ended December 31 2017 amounted to €10k (2016: €11k).

COMPANY-ONLY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017
AFTER APPROPRIATION OF NET PROFIT

	Note	2017 €000'S	2016 €000'S
ASSETS			
Non-current assets			
Goodwill	27	3,642	4,117
Tangible fixed assets		238	252
Investment in subsidiaries	28	5,656	3,808
Loans – Group	29	719	1,738
Loans - other	31	455	468
Total non-current assets		10,710	10,383
Current assets			
Receivables – Group	30	7,691	10,466
Other current assets	32	62	150
Cash and cash equivalents	33	63	355
Total current assets		7,816	10,971
Total assets		18,526	21,354
LIABILITIES AND EQUITY			
Equity			
Share capital	34	745	700
Share premium		20,433	20,028
Share based payments		767	757
Currency differences		(3,731)	(3,630)
Other reserve		145	145
Legal reserve		1,346	898
Accumulated deficit		(14,438)	(14,542)
Total equity		5,267	4,356
Provision for subsidiaries	35	830	3,764
Non-current loans		2,226	2,266
Current liabilities			
Loans	36	132	1,084
Liabilities-Group	37	9,454	9,450
Trade and other payables	38	492	434
Provisions	39	125	-
Total current liabilities		10,203	10,968
Total equity and liabilities		18,526	21,354

The accompanying notes on pages 58 to 61 form an integral part of the financial statements.

COMPANY-ONLY STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
		€000's	€000's
Result after taxes		(3,949)	1,583
Result subsidiaries after tax		4,501	(1,254)
Net profit		**552**	**329**

The accompanying notes on pages 58 to 61 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 2017 of Catalis SE. For events after Statement of Financial Position 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 net asset value 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.

27. Goodwill

The movements in goodwill are as detailed in note 10. Goodwill recognised on the Catalis SE company statement of financial position is in relation to the Testronic Group.

28. Investment in Subsidiaries

The movement in the investment in subsidiaries is

	2017	2016
	€000's	€000's
Book value at 1 January	3,808	1,626
Income from subsidiaries	4,501	(1,254)
Currency differences	722	3,342
Movement in deduction of receivables of the subsidiary	(441)	713
Movement in provision for negative equity	(2,934)	(619)
Book value at 31 December	5,656	3,808

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 €0.830m as of 31 December 2017 and €3.764m as of 31 December 2016. The provision for investment relates to the Doublesix Digital Publishing Group.

29. 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 € 12.825m as of December 31, 2017 (2016: €12.306m). After deducting the negative equity of the investment in the Kuju Group the loan has a carrying value of €0.719m (2016: €1.499m).

30. Receivables - Group

Intercompany group receivables comprise of several current accounts.

31. Loans - Other

During the prior year the Company entered into a loan agreement with Mr Dominic Wheatley, the terms of which are disclosed in note 12 to the Group financial statements. The balance at 31 December 2017 was €0.455m (including interest of €5k)

32. Other current assets

Other current assets mainly consist of prepaid costs and, in the prior year, a loan to London Digital Games Limited of €0.1m repayable in 2017. Due to uncertainty over the repayment of this Loan the directors determined that a provision for the full amount due at 31 December 2017 (€138k) was necessary.

33. Cash and cash equivalents

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

34. Equity

Details of the equity may be found in note 16 of the notes to the consolidated financial statements.

35. 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:

	2017	2016
	€000's	€000's
Book value at January 1	3,764	4,383
(Profit)/loss for the year	(2,841)	7
Currency differences	(93)	(626)
Book value at December 31	830	3,764

36. Bank Loans and Overdrafts

An analysis of the debt position of the Company is provided in note 17 and note 18 of the consolidated financial statements.

37. Liabilities – Group

Intercompany group liabilities comprise short term payables to subsidiary undertakings.

38. Trade and other payables

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

39. Provisions

Provisions relate to employees related costs as described in note 21

40. Personnel

During the reporting year, the Company employed 1 employee (2016: 1).

41. Audit fees

Profit after tax is stated after charging audit fees of €110,000 (2016: €110,000) by Grant Thornton Accountants en Adviseurs B.V.

42. Related parties

Profit after tax is stated after crediting €1.3m (2016: €nil) of management fees due from subsidiaries.

43. 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 €721k (2016- €796k). This can be split between Executive Directors and Non-Executive Directors as follows:

	2017	2016
	€000’s	€000’s
Executive Directors	606	677
Non-Executive Directors	115	119
	721	796

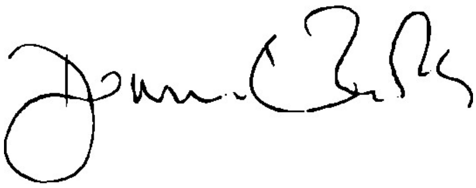
The remuneration also includes employee options granted to current and former Directors amounting to €10k (2016- €11k).

The loans, advances and guarantees granted by the Company to its managing and supervisory directors amounted to €455k (2016-€468k), including interest accrued of €5k, as disclosed in note 12 to the accounts. An option programme was set up for members of the Executive and Supervisory Boards, which is disclosed in shareholders’ equity.

44. 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 €0.5m of the after tax performance into the retained earnings of the Company.

For the Board:



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

Waalre, The Netherlands, 16 April 2018

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