CATALIS SE

ANNUAL REPORT 2014

CATALIS SE
JUDGEMENTS AND ESTIMATES

In making these financial reports, group management has made assessments, estimates and assumptions that affect the Group's reported accounts. These estimates and assumptions are based on what is known at the time the financial reports are presented, as well as historical experience and assumptions that the group management considers reasonable under the current circumstances. The conclusions drawn by group management form the basis for the reported values in the accounts. Actual future values, estimates and assessments in future financial reports during the coming financial year may differ from those in this report, due to changing environmental factors and new knowledge and experience.

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Delivering quality to the global entertainment and media marketplace.

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“We’ve made significant advances to improve the financial structure of the business. We are in a good position to invest in the business for further growth.”

Dominic Wheatley
Chief Executive Officer

CATALIS SE
OVERVIEW

Key Figures

All financial data for the 2014 business year is presented in Euros (€) and comply with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Results in millions of EUR		2014	2013
Revenue from continuing operations (A)	Umsatz (A)	28.917	29.167
Subcontracting & Cost of materials	Fremdkosten & Materialkosten (B)	3.376	3.683
Gross profit	Rohertrag (A – B)	25.541	25.484
Gross margin	Rohertragsmarge	88.3%	87.4%
Adjusted EBIT*	EBIT bevor Sondereinflüssen	1.614	2.688
Adjustments to EBIT	Einmalkosten	(1.831)	(0.592)
Operating loss/(profit)	EBIT	(0.217)	2.096
(Loss)/profit before tax	Ergebnis vor Steuern	(0.865)	0.931
(Loss)/profit for the year	Periodenergebnis	(0.902)	0.865
Operating cash flow	Operativer Cashflow	1.516	2.184
Balance Sheet in millions of EUR			
Total assets	Aktiva Gesamt	24.541	24.221
Non-current assets	Anlagevermögen	17.076	17.025
Current assets	Umlaufvermögen	7.465	7.196
Equity	Eigenkapital	8.365	8.929
Current liabilities	Kurzfristige Verbindlichkeiten	13.705	10.376
Non-current liabilities	Langfristige Verbindlichkeiten	2.471	4.916
Share information			
Weighted average number of shares (basic)	Anzahl an ausgegebenen Aktien im Jahresdurchschnitt	6,294,141	6,242,333
Earnings per share (basic) - € cents	Ergebnis je Aktie (unverwässert)	(14.3)	13.9
Earnings per share (diluted) - € cents	Ergebnis je Aktie (verwässert)	(14.3)	11.9
Employees			
Average Employees	Durchschnittliche Mitarbeiteranzahl	494	485
Ratios			
EBIT* as % of revenue	EBIT* in % vom Umsatz	5.6%	7.2%
EBIT* as % of total assets	EBIT* in % von der Aktiva	6.6%	8.5%
Equity Ratio (Equity / Total Assets)	Solvabilität (Eigenkapital / Aktiva)	34.1%	36.9%

*EBIT before impairment of intangibles, exceptional items and non-recurring costs/ EBIT bevor Sondereinflüssen(see page 28)

Letter to shareholders – 2014

To our shareholders,

2014 has been a mixed bag for the Catalis Group. Whilst Testronic, our quality assurance business, made a strong profit, Kuju, our video games business, fell short on its revenue expectations due to difficult market conditions. On a consolidated basis, the group achieved revenues of € 28.9m (2013: € 29.2m), and EBIT of -€ 0.2m (2013: € 2.10m).

Behind the scenes, we've made advances during the year to improve the financial structure of the business. We received investment from Leo Capital 1 LLP and negotiated a more favourable bank facility. As a consequence, I expect the cash flow position of the group to improve, and believe that we are in a good position to invest in the business for further growth.

Strong performance by Testronic

Testronic has posted a year of growth. Revenues and EBIT were up year-on-year at € 22.5m and € 2.27m respectively (Revenues 2013: € 19.9m; EBIT 2013: € 1.8m). The growth of the Testronic business has been driven by investing in both the operations of the business and the sales team.

Slow software market impacts Kuju

Kuju has developed two video games titles for commercial release over the course of the year: *Pokémon Art Academy* and *The Voice: I Want You*. Two further titles – *Art Academy: SketchPad* and *Risk* – are slated for release during 2015.

Financially, Kuju has been impacted by a slow software market. Throughout 2014, consumers predominantly spent money on new console hardware (such the Xbox One and PlayStation 4), as opposed to buying new games. This trend has limited the royalty revenues from Kuju's recent releases and resulted in Kuju missing its revenue and EBIT projections. The games software market is expected to rebound over the course of 2015, and an uplift in the market should benefit Kuju in the future.

Good progress made in financial restructuring

Over the course of the year, I have reported on various efforts we have made to restructure the finances of the group. In summary, we have:

- Completed an investment round with Leo Capital 1 LLP, who have invested € 2.0m in the form of unsecured convertible loan notes;
- Repaid € 1.6m of bank debt from free cash flow; and
- Re-negotiated our credit agreement with KBC Bank NV, with a new facility. The existing credit contract of € 5.7m has been split into a working capital facility of € 3.0m and a term loan of € 2.7m, the latter of which is repayable over three years.

As a consequence of these actions, the Catalis Group is now in a better position to invest in growth opportunities for the business.

Thank you

Let me finish by thanking my colleagues, the management team, the Board, our shareholders and our customers. Their combined passion and support drives us forwards, and gives me confidence in our course. Together, we are committed to delivering long-term, sustainable growth. Here's to a successful 2015.

Sgd.
Dominic Wheatley
Chief Executive Officer
Waalre, 12 May 2015

Catalis SE has a single-tier board structure, with two Executive Directors…

1. Dominic Wheatley (55)
CEO, Executive Director, Software Specialist

Dominic Wheatley (British citizen) is a high-profile veteran of the entertainment software business. He was founder and CEO of Domark (subsequently Eidos Plc), publishers of the international hit-sellers Lara Croft: Tomb Raider and Championship Manager.

Dominic has held various directorships in publicly owned companies, including StatPro PLC, Tavistock PLC, Telecom Plus PLC and Highway Capital PLC.

Dominic joined Catalis SE as a Member on the Board in early 2008, taking up the role of CEO in June 2012.

2. Brett Morris (45)
CFO, Executive Director, Chartered Accountant

Brett Morris (British citizen) is an accomplished qualified Chartered Accountant, and holds an MBA from the London Business School. He has an established career in finance, with over 20 years' experience in Investment Banking, Private Equity and Financial Management.

Brett began his career at Deloitte and progressed through a variety of senior management roles gaining comprehensive experience in a range of financial industries, before joining the Catalis Group in January 2012.

Brett joined the Board in July 2014.

…and four Non-Executive Directors.

3. Peter Biewald (51)
Chairman, Non-Executive Director, Banker

Peter Biewald (German citizen) started his career at Deutsche Bank, and has subsequently held a variety of senior financial roles at EON Group AG and Siemens AG. He served as Group CFO of Advanced Inflight Alliance AG, the quoted German media group, where he helped oversee the successful growth of that business. Peter joined the Catalis Group as CFO from 2011 until July 2014. He was appointed as Non- Executive Chairman in July 2014.

Peter has been a Board Member since July 2012.

4. Nigel Hammond (50)
Non-Executive Director, Chartered Accountant

Nigel Hammond (British citizen) is an Engineer and Chartered Accountant. Nigel's private equity experience covers more than two decades and has involved investing in companies based in many European countries facing most of the organic and acquisitive growth challenges that businesses are ever likely to encounter. From 1990 to 1995 he worked for 3i, from 1995 to 2006 for Montagu Private Equity and co-founded Vespa Capital with Denis Leroy in 2007.

Nigel has been a Board Member since June 2014.

5. Tom Chaloner (51)
Non-Executive Director, Private Equity Professional

Tom Chaloner (British citizen) has worked in Venture Capital and Private Equity since 1998 having been Head of Portfolio at HSBC Ventures until 2002 and then a Partner at Montagu Private Equity until 2009 where he focussed on portfolio matters. He subsequently undertook a number of independent Non-Executive Director (NED) and Chairman roles before joining Vespa Capital LLP in 2013. Tom has extensive experience as a NED in various sectors and countries. He holds various professional qualifications including an MBA.

Tom has been a Board Member since June 2014.

6. Nick Winks (67)
Non-Executive Director, Company Director

Nick Winks' (British citizen) early career saw a variety of senior management roles including CEO of a listed group. He has worked with many businesses to bring about change in operating performance, cash generation and debt structures often as a hands-on Chief Recovery Officer or executive chairman.

Nick has been a Board Member since March 2013.

	Kuju	Testronic
Our businesses	**Kuju Entertainment** Kuju Entertainment has been creating top-rated games for over 15 years	**Testronic Laboratories** Testronic Laboratories is a leading provider of quality assurance, localisation services, compliance, and certification
Our operations	Kuju currently operates two award-winning video game development studios in the UK: Headstrong Games (London) and Zoë Mode (Brighton)	Operating from four global locations, Testronic Laboratories provides a broad spectrum of quality assurance services to the Video Games, Film, TV, Software and Hardware industries
Our reputation	Kuju is renowned for developing high value franchises, such as international bestsellers *Art Academy*, *Zumba Fitness*, and *SingIt!* Since our foundation in 1998, we have released over 120 games, generating estimated retail revenues in excess of $ 750 million	Testronic Laboratories is a pioneer company in the quality assurance sector, having provided testing services to the media industry for over 15 years. Over the past 2 years the group has experienced double digit revenue.
Revenues* Contribution to Group Revenues	€ 6.271m 21.7% (2013: € 8.858m)	€ 22.474m 77.8% (2013: €19.866 m)
Adjusted EBIT** Contribution to Group EBIT	-€ 0.116m (2013: € 1.661m)	€ 2.550m (2013: € 2.119m)

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

*Doublesix Digital Publishing (DDP) contributed revenues of € 0.172m resulting in total Group revenues of € 28.917m. **Adjusted EBIT before non-recurring costs. Adjusted EBIT** DDP: € 0.095m; Corporate EBIT**: -€ 0.915m.

Our Clients & Memberships

Catalis is a leading outsourcing provider, developing and testing content for over 300 media and high tech companies.

The following gives an indication of the clients served by the Catalis Group:

Having worked directly with all major platform holders, Kuju has a wealth of experience in developing for all major console and handheld gaming devices, including next-generation consoles.

Testronic maintains a competitive advantage by being recognised by influential trade bodies. Most recently, Testronic Laboratories gained acceptance to the Wireless Power Consortium (WPC), the Digital Entertainment Content Ecosystem (DECE) and became an accredited tester of SuperSpeed USB – further cementing its reputation as a world-leading centre for excellence in quality assurance.

Kuju Entertainment Ltd.

In difficult trading conditions, Kuju delivered a satisfactory performance. The studios released two titles during the course of the year *Pokémon Art Academy*, and *The Voice: I Want You*, and recorded revenues of € 6.271m (2013: € 8.858m). In contrast, the EBIT of the business line was weakened by poor market conditions. Royalty revenues, which typically go straight to the bottom line, were significantly less than expected. During 2014, Kuju recorded an EBIT of -€ 0.405m (2013: € 1.624m). EBIT before non-recurring items was -€0.116m (2013: €1.661m)

Kuju Entertainment Ltd.

Key achievements of Kuju Entertainment for the financial year ended 31 December 2014 are:

- Kuju continues to develop Nintendo's ever-popular *Art Academy* franchise, and have worked on two titles for the series over the course of the year. The long-anticipated *Pokémon Art Academy* (for 3DS) rose instantly to number one in the charts upon release, outselling the likes of Mario Kart 8 and Pro Evolution Soccer. Kuju has also continued to work on an update to *Art Academy: SketchPad* (for WiiU) – which contains extra lessons and art materials to the original version released in 2013. *Art Academy: SketchPad* is scheduled for release in 2015.
- Kuju's Brighton-based studio, Zoë Mode, was commissioned to develop *The Voice: I Want You* (for Xbox 360, PS3, Wii and WiiU), due to its strong reputation for developing music games. The game, which complements the international award-winning TV show, was released in October 2014, and sales of the title are expected to continue during the course of 2015.

Testronic Laboratories

Testronic Laboratories generated revenues of € 22.474m in 2014, representing a year-on-year increase of 13.1%, and EBIT of € 2.268m (2013: € 1.843m).

Testronic's operational highlights for the financial year ended 31 December 2014 are:

- During Q2, Testronic added a new product to its catalogue of service offerings: SmartSupport™. SmartSupport™ helps games publishers manage their relationship with the end-user – handling everything from the Forums or FAQ pages, to direct enquiries via email, chat or phone. Every consumer interaction is monitored and fed back to the publisher, to help them identify common problems, and ways to improve their game. The service is intended to complement the existing Games business, and will be staffed from both the UK and Polish test facilities.
- During 2013 the Polish operation moved to larger premises, increasing potential capacity significantly. In the third quarter of 2014 the division hit peak capacity in the new premises and continued to operate full-capacity throughout the fourth quarter. The strength of the Polish operation stems from strategic investment into the sales team and operations of the business. The group expects to be able to generate further growth from new and existing clients in the games business. The model for expansion can also be readily transferred to other business segments.

DDP

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

CATALIS SE
OPERATIONAL HIGHLIGHTS

Catalis SE

Over the course of 2014, the group significantly restructured the Board of Directors with the following changes:

- **Mr. Brett Morris** was appointed as an Executive Director and Chief Financial Officer, on 4 July, 2014.
- **Mr. Nick Winks** resigned from his role as Chief Restructuring Office and as an Executive Director. He was appointed as a Non-Executive Director on 4 July, 2014.
- **Mr. Peter Biewald** resigned from his role as an Executive Director, and was appointed as a Non-Executive Director on 4 July 2014.
- **Mr. Nigel Hammond** was appointed as a Non-Executive Director on 20 June, 2014.
- **Mr. Tom Chaloner** was appointed as a Non-Executive Director on 20 June, 2014.

In accordance with the Dutch Corporate Governance Code, Mr Peter Biewald and Mr Nick Winks have been identified as Independent Non-Executive Directors. Mr Tom Chaloner and Mr Nigel Hammond are identified as being non Independent Non-Executive Directors. The Board consider that having two Independent Non-Executive Directors is sufficient given the nature and size of the company.

During the year, Dr. Michael Hasenstab, Mr. Robert Käβ and Mr. Jens Bodenkamp resigned from their responsibilities as Non-Executive Directors of Catalis SE.

The Catalis board has been strengthened by the new appointments and together the board has comprehensive knowledge of international markets and a breadth of experience in the industry. They have a strong vision for the future of the group, and are firmly committed to building a sustainable, profitable business.

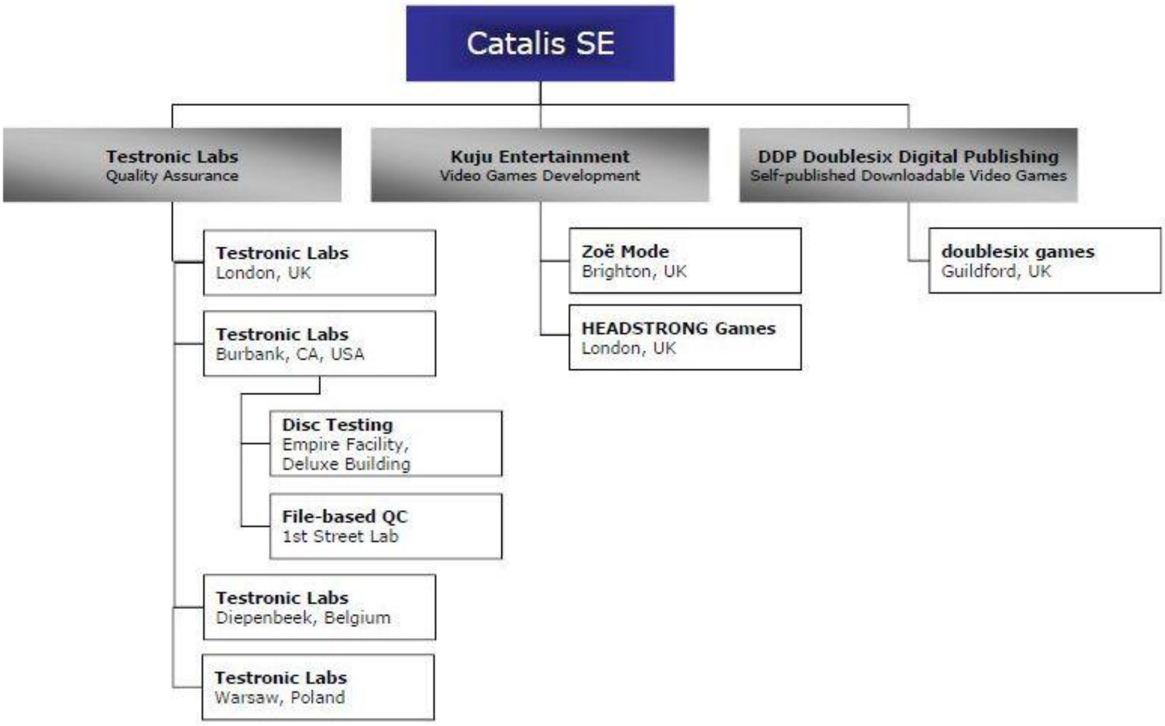
Further notable highlights for Catalis SE from 2014 include:

- 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 will finance further organic growth of the Group.
- In October 2014, the group successfully concluded a restructuring of its credit agreement with KBC Bank NV. The existing credit contract with KBC Bank NV was structured as a term loan repayable in monthly instalments with a final payment due on 31 December 2015. Following discussions with KBC Bank NV the credit contract of € 5.7m was split into a working capital facility of € 3.0m and a term loan of € 2.7m, the latter of which is repayable over three years.
- Lastly, as part of ongoing strategic review of the group's activities, the Board of Directors applied to the Frankfurt Stock Exchange to remove the group's listing from the General Standard market in Frankfurt to the Open Market in Frankfurt. The move, announced in November 2014, will help the Group to realise significant and material cost savings.

Group Structure, Competition & Strategy

Structure

The Catalis Group comprises Catalis SE as the ultimate parent company of two wholly-owned operating segments - Testronic Laboratories Group and the Kuju Group both of which operate through various wholly owned legal entities in the UK, US, Poland and Belgium.



Other non-operating and intermediate holding companies have been excluded from the above chart.

Competition

The competitive landscape for the Catalis Group is complex, as we compete with different businesses across a wide range of product areas.

The group's business environment is competitive and we recognise that the actions of competitors or potential competitors may affect our business. In order to mitigate the effects of competition, we intend to maintain our international spread and sector diversity, build on our reputation and constantly seek to differentiate our services.

In some ways the competitive environment has eased during the past three years as the demanding market conditions have resulted in a lower number of competitors being still active in the market. However, competition has also become more intense, as the remaining market participants have become substantially more aggressive on pricing. Pricing is not always the only key driver and Catalis' operating units have successfully chosen to compete by quality and efficiency of their services rather than by pricing alone.

CATALIS SE
OPERATIONAL HIGHLIGHTS

Strategy

Catalis is dedicated to delivering quality to the global entertainment and media marketplace. We strive to build a balanced portfolio of businesses that are, or can be, world-leading in their corresponding sectors.

An important element to this strategy is to remain at the leading edge of technological innovation. The Catalis Group places great focus on building strong relationships with manufacturers and platform holders, and is an active member in many industrial consortia and influential trade bodies. Keeping pace with the latest innovations has helped to build Catalis into a deft and nimble operation. Catalis is continuously evolving the scope of its services, serving to expand relationships with existing clients, and establish relationships with new clients.

Based on this strategy, Catalis is well positioned to benefit from the future growth potential of the digital media and entertainment industries. Catalis intends to continue adapting to the ongoing transitions in the industry, to help maintain, and grow, the demand for its services. In addition to growth opportunities, Catalis' management has permanent focus on cost control, in order to generate attractive margins from its business.

Catalis Group is subject to widely varying risks because it conducts business globally in different segments. 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 advancements of these industries' driving forces.

Trading Year 2014

2014 was a year of significant economic policy change and market divergence. Worldwide economic growth was largely negative although the US economy was the exception to this with growth of just over 2.5% - this was achieved in spite of concerns with deflation on a global scale. The S&P500 ended the year up 11%, the Dow Jones gained around 1,250 points rising from 16,572 to 17,823 and the Nikkei returned positive growth however the MSCI (ex-US) index was down on the year. Growth in Japan was flat for much of 2014 but accelerated in the final quarter of 2014. The Bank of Japan's unexpected quantitative easing measures enabled Japanese equities to rally by 20% at the end of the year, although closed only 7% up on the year. The European market showed a mixed picture. Whilst the leading German stock market index, DAX, gained slightly more than 200 points from 9,598 to 9,805, London's FTSE lost nearly 200 points from 6,749 to 6,566 points.

Catalis SE Stock

Catalis SE shares were first listed on the Frankfurt Stock Exchange in July 2000. The shares are traded on the Regulated Market (General Standard) section of the Frankfurt Stock Exchange as well as on XETRA and the Open Market of the Stuttgart, Munich, Berlin and Dusseldorf Stock Exchanges.

In 2013 there was a reverse stock split of Catalis shares in a ratio of 10:1, which was accompanied by an ordinary capital reduction. The number of issued shares after the consolidation was 6,242,333 (par value - € 0.10). In October 2014, 310,000 new shares were issued to satisfy the exercise of vesting share options.

During 2014, Leo Capital 1 LLP and the directors of Catalis SE Dominic Wheatley and Peter Biewald exercised a total number of 310,000 options at the fixed strike price of Euro 1.00 defined in the underlying stock option agreements. The total number of shares outstanding therefore rose from 6,242,333 shares to 6,552,333 reflecting a nominal capital of Euro 655,233 at 31 December 2014.

At 31 December 2014, the Catalis SE share price on XETRA was € 1.165. The trading year's lowest share price was recorded at € 1.109 on December 2, 2014. The highest share price for the year was recorded at € 2.020 on May 23, 2014. At the year-end, Catalis SE's market capitalisation amounted to approximately €7.6m. The share price performance for the year was very volatile ending with a lower share price compared to beginning of the year.

Key Stock Figures (XETRA)

	2014	2013
Shares at end of year:	6,552,333	6,242,333
End of year Share Price:	€ 1.165 per share	€ 1.44 per share
Market Capitalisation	€ 7.63m	€ 9.01m
Year High:	€ 2.020	€ 1.61
Year Low:	€ 1.109	€ 0.70

Symbol: XAE, WKN:A1T98Z, ISIN: NL0010447306

Investor Relations

Catalis SE's financial communication policy aims to deliver all essential information to all its target groups in unison. In accordance with the principle of equal treatment of all shareholders (fair disclosure), all important information such as press releases and ad-hoc disclosures, quarterly and financial reports are published on the website, along with analysts' and consensus forecasts, company presentations from road shows and investors' conferences. The company publishes an electronic newsletter informing all subscribers on the Group's latest news.

Catalis considers openness and transparent reporting to be a sound basis for positive share performance. Correspondingly, Catalis is committed to providing a high degree of transparency in its reporting and intends to maintain and improve its communication to investors in the future.

Shareholder Structure as of December 31, 2014

At the end of fiscal year 2014, the number of shares issued and outstanding was 6,552,333, the increase of 310,000 shares resulting from the exercise of options. On May 7, 2014 the previous major shareholder Navigator Equity Solution SE announced that it had concluded a sale and transfer contract with Leo Capital 1 LLP, a limited liability partnership wholly owned by funds managed by Vespa Capital (UK). The subject-matter of the contract was the sale of Catalis SE shares and share options. The transfer agreement included all of the hitherto held 832,968 Catalis SE shares as well as the 1,000,000 Catalis SE share options, according to Navigator´s notification. As of December 2014 23% of the shares outstanding are held by long-term investors and 77% are classified as free float.

Under the Dutch Major Holdings Disclosure Act, shareholdings of 10% or more in any Dutch company must be disclosed to the Netherlands Authority for the Financial Markets (AFM). According to the register kept by the AFM Leo Capital 1 LLP had disclosed that they owned more than 10%, 15% and 20% of Catalis SE's total share capital.

Directors' Dealings

Members of the Board and related parties are required by the Securities Trading Act (§ 15a WpHG - German Securities Trading Act) to disclose any acquisition of shares of Catalis SE worth € 5,000 or more within a calendar year. Catalis is also obliged to disclose any such communication immediately. In 2014 Catalis SE published the dealings of Peter Biewald, non-executive director. In January 2015 Catalis SE published that the company CEO, Dominic Wheatley has exceeded the threshold of 3% by converting options into shares. The notifications for up to April 2015, for 2014 and earlier years are included on the Group website at www.catalisgroup.com

Notifications Pursuant to Part 5.3.3 Section 5:38 Dutch Act on Financial Supervision

The Dutch Act on Financial Supervision imposes a duty to disclose percentage holdings in the capital and/or voting rights in the Company when such holdings reach, exceed or fall below the thresholds of 3, 5, 10, 15, 20, 25, 30, 50 and 75 percent (as a result of an acquisition or divestment by an individual, or as a result of a change in the company's total number of voting rights or capital issues). The notifications pursuant to Section 5:38 resulting from the change in major shareholder have been issued and published by the previous and new shareholders.

Notifications Pursuant to § 26a German WpHG

If a relevant increase or decrease in the total number of voting rights occurs, an issuer must disclose to the public the information. An issuer must, at the end of each calendar month during which an increase or decrease has occurred, disclose to the public: the total number of voting rights and capital in respect of each class of share which it issues (Section 26a WpHG). As of January 2015 Catalis SE disclosed to the public the new number of total voting rights of 6,552,333 as a result of the conversion of 310,000 options into shares.

Corporate Governance

Catalis SE is a company organised under Dutch Law, and, as such, is subject to the revised Dutch Corporate Governance Code of 10 December 2008. Our Board Members have strived to comply with the guidelines laid down in the Code and will continue their efforts to do so. The Code applies to all companies whose registered offices are in the Netherlands and whose shares have been admitted to listing on a stock exchange. The Dutch Corporate Governance Code contains principles and best practice provisions that regulate relations between the management board, the supervisory board and the shareholders.

The principles may be regarded as reflecting the general views on good corporate governance, which enjoy wide support. A copy of the principles and best practice provisions of the Dutch Corporate Governance Code is available on the website www.commissiecorporategovernance.nl

The Board

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

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

The Group board arrangements comply with the Dutch Corporate Governance Code, which is for the most part based on the customary two-tier structure in The Netherlands, by as far as is possible and practicable, applying the provisions of the Dutch Corporate Governance Code relating to members of a management board to the Executive Directors and by applying the provisions relating to members of a supervisory board to the Non-Executive Directors. Management tasks not capable of delegation are performed by the Board as a whole.

Non-application

According to the Dutch Corporate Governance Code, non-application of best practice provisions is not in itself objectionable and indeed may even be justified by certain circumstances. Best practice provisions that are not applicable for Catalis SE are not further explained. We apply all of the relevant provisions of the Code with the following deviations, explained below:

Best practice provision II.1.1, III.3.5, III.8

A Board Member shall be appointed for a maximum period of four years. In the Board's opinion, this limitation would not benefit the Group. The Dutch statutory provision shall apply instead.

Best practice provision II.1.2

The Board has formulated the business strategy (see Strategy) and objectives for the coming years. The objectives and financial parameters to be applied are not mentioned in detail in the annual accounts. This will be determined in the future together with corporate social responsibility issues relevant to Catalis SE.

Best practice provision II.1.3 & II.1.4

The Board is well aware of the risks of the company's business and has a suitable internal risk and control system in place to manage these risks. The Executive Directors discuss and assess the company's management and control system with the Non-Executive Directors at least once per quarter and ensures that the identified risks are properly managed. This system, owing to the size of the company, does not include all elements mentioned in this best practice provision. For further information refer to Accounting Policies – Financial Risk Management.

Best practice provision II.1.7

The Board has approved an explicit whistle-blower policy and it will be published during the first half of 2015.

Best practice provision II.1.8, III.8

The Dutch Corporate Governance Code recommends that a management board member may not be a member of the supervisory board of more than two listed companies. Nor may a management board member be the chairman of the supervisory board of a listed company. The Company is of the opinion that the number and type of the mandates in itself is not a sensible or appropriate criterion for excluding someone from holding the office of a Board member. The election proposals submitted to the annual shareholders' meeting are based primarily on the respective candidate's knowledge, ability and professional experience.

Best practice provision II.2.10 & II.2.11

According to the best practice provision II.2.10 and II.2.11 the supervisory board should have the power to adjust the value of the variable remuneration component of the managing directors downwards or upwards, if in the opinion of the supervisory board the value is an unfair result due to extraordinary circumstances. Also the supervisory board should have the power to recover any variable remuneration awarded on the basis of incorrect financial or other data. These provisions are based on the customary two-tier structure in The Netherlands. As Catalis SE has a one-tier board it is in the articles of association that the remuneration of the Directors is determined by the general meeting. As a result of this the Non-Executive Directors do not have the power to adjust or to recover the variable remuneration.

Best practice provision II.2.12, II.2.13, II.2.15 & III.5.10

The Company has hitherto not drawn up a remuneration report. Catalis SE intends to apply this provision in the future. Because no remuneration report has been drawn up, no report is published on the company's website. All legally required information regarding remuneration is published in the Annual Report.

Best practice provision III.1.1

The division and duties within the Board of Directors and the procedures are laid down in Terms of Reference. Currently, the Terms of Reference are not posted on the company's website.

Best practice provision III.1.3

The Dutch Corporate Governance Code recommends that information about the current term of office of each supervisory board member be included in the report of the supervisory board. In the Annual Report the most important information about the individual board members can be found. Ever since its foundation, Catalis SE has attached great importance to open communication with shareholders and all interested parties. Shareholders can direct questions and suggestions to the Members of Board at any time. Specific information on the Board Members may be found on the website, http://www.catalisgroup.com, which provides comprehensive information in both German and English. Alongside the company's key figures and information about the Catalis shares, the website contains financial reports, press releases, ad-hoc news, as well as the profiles of the Board Members. Thus, it has been ensured that shareholders are provided with the relevant information.

Best practice provision III.2.1, III.2.2, III.2.3 & III.8.4

The Dutch Corporate Governance Code recommends that all Non-Executive Directors, with the exception of not more than one person, shall be independent within the meaning of best practice provision III.2.2. The Management Report shall state that best practice provision III.2.2 is fulfilled, and shall also state which Non-Executive Director is not considered to be independent, if any. The Board has identified two Independent Non-Excecutive Directors and two Non-Executive Directors that are not independent as discolsed in the Management Report. The Board consider that two Independent Non-Executive Directors is sufficient given the nature and size of the company.

Best practice provision III.3.2, III.8

Normally at least one member of the Supervisory Board shall be a financial expert with knowledge and experience of financial administration and accounting for listed companies or other large legal entities. Catalis has a one-tier Board – Mr Peter Biewald (Diplom-Volkswirt), has gained extensive experience in senior positions in finance and accounting, for example as CFO of a listed company. Peter takes over the position of the financial expert.

Best practice provision III.3.5

The Dutch Corporate Governance Code recommends that a person may be appointed as a Non-Executive Director for a maximum of three four-year terms. According to the articles of association of Catalis SE a Non-Executive Director retiring by rotation can be reappointed immediately for the maximum period of three years. In the articles of association there is no maximum mentioned regarding the number of terms. There are no plans to modify the articles of association for this provision. If the articles of association are modified in the future this best practice provision will be taken into consideration.

Best practice provision III.3.6
The Non-Executive Directors have, partly owing to the size of the company, not drawn up a formal retirement schedule. As such, no retirement schedule is posted on the company's website.

Best practice provision III.4.3 & III.4.4
The Company has no company secretary and no vice chairman in place. Given the nature and the size of the company there is, at this moment, no need for such positions.

Best practice provision III.8.4
The majority of the members of the Management Board shall be independent Non-Executive directors. Since the last General Meeting of Shareholders, the Board consists of two Executive and four Non-Executive Members however, not all of them are considered independent.

Best practice provision IV.3.3
As Catalis SE is a relatively small listed company, research reports are normally not covered by the analysts, as they usually specialize in big listed companies. Therefore, Catalis SE pays fees for research reports to be prepared and published. Catalis SE does not have any influence on the outcome of the research.

Best practice provision IV.3.11
The Dutch Corporate Governance Code recommends that Catalis SE provides a survey of all existing or potential anti-takeover measures in the annual report and indicates in what circumstances it is expected that these measures may be used. No survey of all existing or potential anti-takeover measures has been carried out and so, no indication of expected circumstances or expected measures that may be used in these circumstances are mentioned in the Annual Report.

Best practice provision IV.3.13
Being a public listed company with a huge number of individual shareholders not known to the company Catalis SE has not formulated an outline policy on bilateral contacts with the shareholders.

Best practice provision V.3.3
Catalis SE has not assigned a specific internal auditor. The audit committee will review annually whether there is a need for an internal auditor. Based on this review, a recommendation to the management board is made whether an internal auditor will be engaged in the future.

The Annual General Meeting

The organisation and performance of the Annual Shareholders' Meeting takes place at Catalis SE's headquarters in Waalre, the Netherlands. The meeting is established in order to effectively and comprehensively inform all investors of the company's business activity over the previous year as well as the company's future plans.

In the run-up to the general meeting, shareholders are informed through the annual report about the developments in the previous fiscal year. Usually, all documents and information discussed during the Annual Shareholders' Meeting are available for download on our website.

The general meetings may be held in Amsterdam, Utrecht, Schiphol Airport, Waalre, Maastricht, Beek (Limburg) or Venlo whenever a managing director considers a meeting necessary or one or more shareholders, representing in total at least ten percent of the issued capital, address a written request to the management board containing a complete and accurate statement of the subjects to be dealt with. Each shareholder and holder of depository receipts is authorised to attend the general meeting of shareholders and to address the meeting. Each share confers the right to cast one vote. A shareholder or his proxy will only be admitted to the meeting if he has notified the company of his intention to attend the meeting in writing at the address and by the date specified in the notice of meeting. The proxy is also required to produce written evidence of his mandate.

A general meeting is held every year, usually within six months after the end of the previous financial year. General meetings are chaired by a person appointed by the meeting. Minutes of the proceedings of every meeting are taken by a person nominated by the chairman.

Without prejudice to the provisions of Book 2 of the Netherlands Civil Code, resolutions of the general meeting are passed with an absolute majority of votes cast, unless the articles of association prescribe another majority.

A general meeting may resolve, with an absolute majority of votes cast, and if at least fifty percent (50%) of the issued capital is represented, to change the provisions of these articles of association, to effect a merger subject to the law with one or more other companies, or to divide or dissolve the company.

The Annual General Meeting (continued)

The aforementioned provisions are not applicable to resolutions passed by the general meeting on changing the articles of association, if and to the extent that less than half of the issued capital is represented at the general meeting in question, in which case the general meeting may only resolve to effect the change having legal validity with a majority of at least two thirds of the votes cast.
The announcement convening a new meeting must state that a resolution may be passed and why, independent of the portion of the capital represented at the meeting.

Annual Shareholders' Meeting, July 4, 2014
The statutory Annual Shareholders' Meeting for Catalis SE for the financial year 2013 took place on July 4, 2014 at the company's main office and was held in the English language. The chairman of the meeting concluded that 1,952,009 shares were represented at this meeting representing approximately 31.27 % of total capital. All items of the agenda were approved by the attending shareholders.

Extraordinary Shareholders' Meeting, June 20, 2014
An Extraordinary Meeting of Shareholder took place on June 20, 2014 at company´s main office and was held in the English language. The chairman of the meeting concluded that 1,128,976 shares were represented at this meeting representing approximately 18.09 % of total capital. All items of the agenda were approved by the attending shareholders.

Information according to Article 10 of the Takeover Directive Decree

The EU Takeover Directive lays down measures coordinating the laws, regulations, administrative provisions, codes of practice and other arrangements relating to takeover bids for the securities of companies governed by the laws of Member States, where all or some of those securities are admitted to trading on a regulated market. Takeover bid shall mean a public offer (other than by the offering company itself) made to the holders of the securities of a company to acquire all or some of those securities, whether mandatory or voluntary, which follows or has as its objective the acquisition of control of the offering company in accordance with national law.

The EU Takeover Directive requires that listed companies publish additional information providing insight into defensive structures and mechanisms which they apply. The relevant provision has been implemented into Netherlands law by means of a decree of 5 April 2006. Pursuant to this decree, Netherlands companies whose securities have been admitted to trading on a regulated market have to include information in their annual report which could be of importance for persons who are considering taking an interest in the company.

Information according to Article 10 of the Takeover Directive Decree (continued)

Pursuant to Article 10 of the Takeover Directive Decree, Catalis SE provides the following information:

Capital structure and stock rights
As at 31 December 2014, the company has ordinary shares only and does not have any special control rights. Each share in the company provides entitlement to the casting of one vote at the meeting of shareholders. There are no restrictions on the exercise of voting rights except for own shares held by the company or its subsidiaries.

Restriction of transferring shares or voting rights
The company has no limitation, in the terms of the Articles of Association or by contract, on the transfer of shares.

Duty to report interests in the company
Under the Dutch Major Holdings Disclosure Act, shareholdings of 10% or more in any Dutch company must be disclosed to the Netherlands Authority for the Financial Markets (AFM). According to the register kept by the AFM Leo Capital 1 LLP had disclosed that they owned more than 10%, 15% and 20% of Catalis SE's total share capital:

Employee shares
The Company has an employee share option plan. A detailed description is included in the notes to the financial statements (note 21).

Shareholder agreements
The Company is not aware of any shareholders agreements which may affect the transfer of shares or voting rights.

Governance structure
Catalis SE is a European Public Limited Company. The Board of Catalis SE is a one-tier board, comprising Executive Directors and Non-Executive Directors. Directors shall be appointed by the general meeting in the capacity of Executive or Non-Executive Directors. Natural persons as well as legal persons may be Executive Directors. The legal person who is Executive Director shall appoint a natural person as a representative for the exercise of the powers in the board. Only natural persons may be Non-Executive Directors. Each Director may at all times be suspended and dismissed by the General Meeting. In the event of absence or inability of all Executive and/or Non-Executive Directors, the company will be temporarily managed by one or more persons, who will be appointed for that purpose.

The company is managed by the Executive Directors whose powers arise from legislation and regulations.

Information according to Article 10 of the Takeover Directive Decree (continued)

Generally, without prejudice to the provisions of Book 2 of the Netherlands Civil Code, resolutions of the General Meeting are passed with an absolute majority of votes cast, unless the Articles of Association prescribe another majority. A General Meeting may resolve, with an absolute majority of votes cast, and if at least fifty percent of the issued capital is represented, to change the provisions of the Articles of Association. The aforementioned provisions are not applicable to resolutions passed by the General Meeting on changing the Articles of Association, if and to the extent that less than half of the issued capital is represented at the General Meeting in question, in which case the General Meeting may only resolve to effect the change having legal validity with a majority of at least two thirds of the votes cast.

Change of control provisions

Other than with its main bank the company does not have significant contracts which include change of control clauses.

The Board of Directors

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

Profile of the Board

Profiles of each director have been included in the Report of the Board (page 8).
As all six members of the Board have gained considerable experience in a number of national and international businesses throughout their professional careers, the Board is of the view that the Board's composition meets the requirements of the Dutch Corporate Governance Code.

Board Meetings

The Board of the company held five plenary meetings in the fiscal year 2014.

The Non-Executive Directors were in frequent written, e-mail and verbal contact with the Executive Directors, regarding the financial situation and the business development of the company. At the meetings, the non-executive Board Members were informed and consulted about the activities and policies of Catalis SE. Matters considered by the Board during the year included:

- Company strategy
- Main risks of the business
- Design and effectiveness of the internal risk management and control systems
- Changes in the risk management and control systems
- Development of the business and financial situation of the group
- 2013 and 2014 Financial statements and audit
- M&A projects
- Employee stock option scheme
- Remuneration
- Board composition
- Corporate Governance
- Actual financials 2014
- Budget 2014 and 2015
- Capital restructuring
- Gearing structure

Conflict of Interest

During Fiscal Year 2014, there were the following potential Conflicts of Interest:

A contract for consultancy services was drawn up in 2013 between Catalis SE and Waypoint Change LLP. Mr Nick Winks is the Director of Waypoint Change LLP. Catalis SE has complied with the best practice provisions II.3.2 to II.3.4 of the Dutch Corporate Governance Code. There were no other potential conflicts of interest in fiscal year 2014 between the duties to the Group of the Board Members and their private interests or other duties.

Committees

Even though the Board of Catalis SE comprises only six members, an audit committee comprising of three board members as well as a remuneration committee have been implemented in 2014. The Remuneration Committee is comprised of those three board members not being members of the Audit Committee.

Audit Committee tasks

The tasks of the Audit Committee were performed during the regular Board meetings and separate meetings for the purpose of the approval of the quarterly results and the results for the full fiscal year 2014. 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 BDO Audit & Assurance B.V., the Board holds it that all relevant issues regarding the company's financial statements for the fiscal year 2014 have been taken care of properly.

Diversity

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

Remuneration Committee tasks

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

The tasks of the Remuneration Committee were performed in the course of the regular Board meetings and separate meetings of the Remuneration Committee. As a part of these discussions, the Committee has also decided on the bonus payments for the fiscal year 2013 and 2014. An overview of the Board's remuneration can be found in note 24 to the Consolidated Financial Statements. The remuneration package of the Board of Catalis SE is divided in the remuneration package for the Executive Directors and the remuneration package for Non-Executive Directors.

Remuneration committee tasks (continued)

Remuneration for Executive Directors

The remuneration policy of the company is designed to attract qualified people with both the necessary skills and background for the position of an Executive Director. Additionally, the policy is sufficiently challenging to ensure and extend the focus on performance and long-term growth in the value of the company, to motivate the Executive Director and to retain him if he performs well

The remuneration package for Executive Directors consists of three main elements:

- a base salary
- a variable bonus
- stock options

The variable elements of the remuneration package are closely linked to the achievement of reasonable performance objectives.

Remuneration for Non-Executive Directors

Non-Executive Directors receive a fixed base salary only, determined at the general meeting of shareholders of the company.

Research and Development

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

Investments

We have invested further to improve the efficiency, and increase the capacity, of our businesses. The necessary investments enabling us to conduct our business are subject to a profitability evaluation depending on their importance. Our investment plan is fully in line with our strategy of cementing our existing market positions and enlarging our business through organic and selective external growth.

Total investments in fixed assets in the year ended 31 December 2014 amounted to €0.5m and were mainly attributable to the purchase of property, plant and equipment (€0.4m). There are no principal future investments on which the management bodies have already made firm commitment.

Development of Earnings, Assets and Financial Situation

Earnings situation

Sales Development

In the year ended 31 December 2014, the Group generated revenue of €28.9m (2013:: €29.2m). Of this, €22.5m (2013: €19.9m) was attributable to Testronic (quality assurance), €6.2m (2013: €8.9m) to Kuju (video games development) and €0.2m to DDP (self-published games, 2013: €0.4m).

Subcontracting and cost of materials amounted to €3.4m (2013: €3.7m). The Group's gross profit (total revenues minus subcontracting and cost of materials) amounted to €25.5m in 2014 (2013: €25.5m), which is in line with the prior year.

Development of Earnings, Assets and Financial Situation (continued)

Earnings Development

During the year ended 31 December 2014, the Group's Adjusted EBIT* amounted to €1.614m (2013: €2.688m). After deducting impairments of intangible fixed assets and other exceptional and non-recurring items of €1.831m (2013:€0.592m) the Group operating income was a loss of €0.217m (2013: profit of €2.096m). Non-recurring costs are unusual charges, expenses, or a loss that is unlikely to occur again in the normal course of a business and are described in detail in note 6 to the Financial Statements.

Testronic's profit from operations amounted €2.268m (2013: €1.843m), while Kuju generated a loss of €0.405m (2013: profit of €1.624m). DDP made a loss of €0.023m (2013: profit of €0.284m).

The earnings situation is illustrated in the following table:

k€	2014 €000's	2013 €000's
Total income	**28,917**	29,167
Subcontracting and cost of materials	**(3,376)**	(3,683)
Gross profit	**25,541**	25,484
Operating costs	**25,758**	23,388
EBIT	**(217)**	**2,096**

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

Adjusted EBIT	**1,614**	**2,688**
Exceptional & non-recurring costs - Corporate	**(1,142)**	(279)
Exceptional & non-recurring costs - Kuju	**(289)**	(37)
Exceptional & non-recurring credit DDP	**239**	-
Exceptional & non-recurring costs Testronic	**(282)**	(276)
Impairment of intangible fixed assets - DDP	**(357)**	-
Operating (loss)/profit	**(217)**	**2,096**

The revenue growth generated by Testronic was offset by lower revenues and profit in Kuju and the Group was impacted by exceptional and non-recurring costs that are described in note 6.

The group's financial expense for the fiscal year 2014 amounted to €0.648m (2013: €1.165m). Taking into account this financial expense, the pre-tax income amounted to a loss of €0.865m (2013: profit of €0.931m). The tax charged was €0.037m (2013: 0.066m) leading to a loss for the period of €0.902m (2013: profit of €0.865m).

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

Development of Earnings, Assets and Financial Situation (continued)

Asset Situation
Statement of Financial Position
At 31 December 2014, the Group's statement of financial position total amounted to €24.541m (2013: €24.221m), a slight increase.

Non-current assets increased marginally to € 17.1m (2013: € 17.0m) . Current assets amounted to €7.5m (2013: € 7.2m) an increase of 4%, mainly from higher cash and cash equivalents and trade receivables offset by a reduction in other current assets. Trade receivables increased by €0.4m and Cash & cash equivalents increased by €0.5m. In terms of equity and liabilities, the group's total shareholder equity decreased to € 8.2m (2013: €8.9m).

Based on the weighted average number of shares outstanding at the end of the fiscal year, shareholder's equity amounted to -€ Cent 14.3 per share (2013: € Cent 13.9 per share). In 2014 total equity represents 34.1% of the statement of financial position total (2013: 36.9%).

Deferred tax liabilities remained unchanged (2014: € 0.2m, 2013: € 0.2m). Current liabilities increased to €13.7m (2013: €10.4m) with trade and other payables increasing by €0.4m to €5.9m (2013: € 5.5m). The bank overdraft increased to €2.988m from €0.476m as a result of the debt restructure described in note 16 of the financial statements. Movement in the long term loans and the issue of the convertible loan note is described in detail in note 16 and accounts for the movement in these balances.

Financial Situation
Cash Flow
During the year ended 31 December 2014, the Group generated an operating cash flow of €1.5m (2013: €2.2m). Compared to the previous year the result was mainly influenced by the decreased profit after tax from a profit of €0.865m in 2013 to a loss of €0.902 in 2014. This was offset by an increase in other current liabilities of €0.8m. Cash outflow from investing activities amounted to €0.5m (2013: €1.2m) and is attributable to purchase of property, plant and equipment. Cash flow from financing activities amounted to an inflow of €0.5m (2013: outflow €1.8m) as a result of the refinancing of the debt of the Group. The net effect of currency translation in cash and cash equivalents amounted to an outflow of €1.1m (2013: inflow of €0.3m). Consequently the Group's total net increase in cash and cash equivalents in the fiscal year 2014 amounted to an inflow of €0.5m (2013: outflow of €0.5m). Net cash position at the end of the reporting period was €1.3m (2013: €0.9m).

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.

Employees (continued)

The average numbers of permanent employees for the year ended 31 December 2014 was 494 (2013: 485) of which 265 were employed in the United Kingdom (2013: 257), 59 in the United States (2013: 75), 86 in Belgium (2013: 81) and 83 in Poland (2013: 70). Catalis SE, situated in the Netherlands, had 1 employee (2013: 2).

Supplementary Report – subsequent events

On 30 November 2014 Catalis SE announced that the board of directors had decided to move the company's listing from the General Standard in Frankfurt to the Open Market in Frankfurt. As part of the on-going strategic review of the group's activities the board of directors had investigated the merits of moving the group's listing from the General Standard market in Frankfurt to the Open Market in Frankfurt. As a result of this review the board has decided to move the listing in order to realize significant and material cost savings for the group. In January 2015 the Frankfurt Stock Exchange informed Catalis SE that it had agreed to its request to withdraw from the regulated market. The last day of trading on the regulated market will be July 27th, 2015 which reflects the 6 month termination period of the Frankfurt stock exchange.

On 30 April 2015 the board of directors announced sale of Testronic Laboratories Belgium NV for a total consideration of €8.174m. During the year ended 31 December 2014, Testronic Laboratories Belgium NV generated revenues of €7.921m and an operating profit before non-recurring cost of €958k. The sale was agreed on a cash free, debt free basis. The board of directors approved the disposal as Testronic Laboratories Belgium NV operates in a very specific testing market and has limited interaction with the group's other business lines.

€3m of the proceeds will be used to reduce the working capital facility with KBC Bank. the remaining cash will be invested in new business around the company's defined core business of providing services to media companies in particular around the games industry

Risk Report

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

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

Risk Report (continued)

Risk of substantial changes in trends and technologies

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

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

Quality and reputation risks

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

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

Competition and pricing risks

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

Risk Report (continued)

Competition and intellectual property risks

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

Personnel risks

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

Operational risks

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

Capacity risks

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

Security risks

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

Risk Report (continued)

Judgement and assumptions

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

Credit risk and default risk

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

Exchange rate fluctuations

The company's accounts are denominated in Euro (€). Certain investments of the company may be in currencies other than the Euro, such as the GBP (£). Similarly, certain expenses of the company, including organizational and operating expenses and the fees of directors and service providers, have and will continue to be incurred in currencies other than the Euro. Accordingly, the company is at risk and potentially liable for any gain or loss incurred as a result of exchange rate fluctuation, when such investments are realised or when such expenses are paid. Thus, shareholders – indirectly – bear the risk of exchange rate fluctuations.

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.

Trading risks

Substantial risks are involved in the trading of securities. Market movements can be volatile and are difficult to predict. Politics, recession, inflation, employment levels, trade policies, international events, war and other unforeseen events can also have a significant impact on the price of securities.

Risk Report (continued)

Regulatory Compliance

The Group must comply with regulatory requirements in relation to employment, competition and environmental issues, pensions and taxation legislation. Failure to do so 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. There is a danger that we do not understand the risks associated with either existing or proposed changes to legislative requirements across the jurisdictions in which we operate. The Group also faces the risk that changes in applicable laws and regulations could have a serious adverse impact on the business.

Going concern

The management board of the Company and all other subsidiaries of Catalis SE have produced budgets and cash flow forecasts which have been used by Catalis SE to forecast cash flows for the Group for the period ended 30 April 2016. These forecasts are themselves reliant on the continuation of Group banking facilities to Catalis SE and Catalis SE providing continued financial support to the Company and its other subsidiaries. The Group's main banking facilities are provided by KBC Bank. The ongoing availability of the Bank facilities are subject to certain covenants being met by Catalis SE.

The covenants include two financial covenants which must be met on an annual basis based on the audited consolidated financial report for the Group. The financial covenants are a solvency ratio and a leverage ratio (defined as existing debt divided by EBIT).

On 30 October 2014, the Catalis SE Board announced the successful re-negotiation of its bank facility agreement with KBC Bank NV. This converted the existing loan of €5.7m (that was due to expire 31 December 2015) into a €3.0m working capital facility and a loan of €2.7m repayable in instalments over 2 years ending 31 December 2017. The Group's monthly repayments on the KBC loan facility reduced from €200,000 to €75,000 with effect from November 2014. The new banking facility significantly improves the Group's cashflow for periods after October 2014 and therefore its ability to invest in the business for future growth.

Management and the Board of Catalis SE continue to actively monitor the Group's compliance with its bank covenants. Catalis SE has a long standing strong relationship with its bank. For the year ended 31 December 2014, Catalis SE expects to satisfy the solvency ratio. Due to there being uncertainties as to whether the leverage ratio financial covenant was met at 31 December 2014, a waiver of the leverage ratio financial covenant was obtained in writing from the bank on 28 April 2015. This has resulted in all facilities with the bank being classified as current as at 31 December 2014 (refer to note 16 for further information). Based on the historical support provided by the bank in waiving debt covenants for financial year 2014 and prior years and its continued communications with the Bank, the Directors are confident that in the event the covenants are not met during 2015, they will be successful in obtaining agreement from the bank for the facilities to continue to be available for the period through to the current maturity date, 31 December 2017.

Based on the aforementioned, management and the directors are of the opinion that it is appropriate to adopt the going concern assumption in the preparation of the financial statements.

Internal Control

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

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

With due observance of the limitations that are inevitably inherent in any risk management and internal control system, we have not identified any matters indicating that our internal risk management and control systems did not provide reasonable assurance that our financial reports are free of material misstatement and that these systems were adequate and effective in 2014. The phrase "reasonable assurance", is taken to mean the level of assurance that would be provided by a director acting with due care under the given circumstances. To fulfil our responsibilities, we systematically enhance the Company's internal risk management and control processes where necessary, with regard to its strategic, operational, compliance and financial (reporting) risks during the year 2014.

The set of procedures involving the internal risk management and control systems, and the related findings, recommendations and measures have been discussed with the Board and the independent external auditor.

Corporate Governance Declaration

This declaration is included pursuant to Article 2a of the Decree regarding further stipulations for the content of annual reports dated 1 January 2010 or later (the 'Decree'). For the statements in this declaration as understood in Articles 3, 3a and 3b of the Decree please see the relevant sections of this annual report. The following should be understood to be insertions into and repetitions of these statements:

- The shareholders' equity structure of the company;
- Compliance with the provisions and best practice principles of the Code ('Corporate Governance');
- The most important characteristics of the management and control systems in connection with the Group's financial reporting process ('Internal control');
- The functioning of the Shareholders' Meeting and its primary authorities and the rights of shareholders and how they can be exercised ('Annual General Meeting' and 'Governance structure');
- The composition and functioning of the Board of Management ('Corporate Governance - Board' and 'Management Report');
- The composition and functioning of the Committees;
- The regulations regarding the appointment and replacement of members of the Board of Management (sections 'Annual General Meeting' and 'Corporate Governance - Board');
- The regulations related to amendment of the Company's Articles of Association ('Annual General Meeting');
- The authorisations of the members of the Board of Management in respect of the possibility to issue or purchase shares ('Annual General Meeting' and 'Information according to Article 10 of the Takeover Directive Decree - Governance structure');
- The change of control stipulations in major contracts ('Information according to Article 10 of the Takeover Directive Decree - Change of control provisions').

Management statement

The Management Board of the Catalis Group hereby confirms that these financial statements give a true and fair view of the situation as per reporting date and of the course of the business during the year. The significant risks that the Company faces are described in the Accounting Policies and note 19.

Forecast Report

Economic activity is expected to improve further in 2015–16, largely on account of anticipated recovery in the advanced economies. Global growth is now projected to be slightly higher in 2015, at around 4%. Downward revisions to growth forecasts in some economies highlight continued fragilities, and risks remain. In advanced economies, output gaps generally remain large and, given the risks, the monetary policy stance should stay accommodative while fiscal consolidation continues. In many emerging market and developing economies, stronger external demand from advanced economies will lift growth, although domestic weaknesses remain a concern.

Forecast Report (continued)

The markets are highly promising for Catalis. Growth in the gaming industry undoubtedly will come from mobile and online gaming and Cloud storage is a massive selling-point of Digital HD, allowing easy access to your content whether you have downloaded or streamed it. Ultra-Violet (UV) is the key to this and this is the industry's big focus in 2015 supported by the major studios. Downloaded or streamed, UV is now one of the best ways to watch digital content anywhere, on almost any device and as easy to use as catch-up TV. DHD is Ultra-Violet compatible if you buy it at a retailer that is part of the UV ecosystem.

Our corporate earnings may continue to develop well in this environment as Testronic achieved good growth revenue this year. Revenues and EBIT were up year-on-year at € 22.5m and € 2.27m respectively (Revenues 2013: € 19.9m; EBIT 2013: € 1.8m). The growth of the Testronic business has been driven by investing in both the operations of the business and the sales team.

Financially, Kuju has been impacted by a slow software market. Throughout 2014, consumers predominantly spent money on new console hardware (such as the Xbox One and PlayStation 4), as opposed to buying new games. This trend has limited the royalty revenues from Kuju's recent releases and resulted in Kuju missing its revenue and EBIT projections. The games software market is expected to rebound over the course of 2015, and an uplift in the market should benefit Kuju in the future.

At a Corporate level the Group underwent significant financial restructuring bringing on board new investors and paying down debt. The credit agreement with KBC Bank NV was replaced with a new facility whereby the existing credit contract of € 5.7m has been split into a working capital facility of € 3.0m and a term loan of € 2.7m, the latter of which is repayable over three years. This gives the Catalis Group more flexibility to invest in growth opportunities for the business.

The Group is very confident for 2015 and expects to achieve revenue growth in the region of 10% compared to the current year and to achieve an operating profit margin in the region of 10% compared to 6% in the current year to be achieved by continued focus on cost efficiencies and taking advantage of the expected growth in games market worldwide that the Group is well placed to take advantage of.

Responsibility Statement

In accordance with best practice II.1.5 of the Dutch corporate governance code of December 2008, the Managing Board confirms that internal controls over financial reporting provide a reasonable level of assurance that the financial reporting does not contain any material inaccuracies, and confirms that these controls functioned properly in the year under review and that there are no indications that they will not continue to do so. The financial statements fairly represent the company's financial condition and the results of the company's operations and provide the required disclosures.

It should be noted that the above does not imply that these systems and procedures provide absolute assurance as to the realization of operational and strategic business objectives, or that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliances with legislation, rules and regulations.

With reference to section 5.25c, paragraph 2c of the Financial Markets Supervision Act, the Board of Management states that, to the best of its knowledge:

- The annual financial statements of 2014 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the companies who's financial information it consolidates; and
- The Report of the Management Board gives a true and fair view of the position as per December 31, 2014, the development during 2014 of the Company and its Group companies included in the annual financial statements, together with a description of principal risks the Company faces.

For the Board:

Sgd.
Dominic Wheatley
Waalre, The Netherlands
12 May 2015

Financial Information

CATALIS SE

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 €000's	2013 €000's
TOTAL REVENUES	2	**28,917**	**29,167**
Subcontracting and cost of materials		3,376	3,683
Personnel costs	3	18,117	16,624
Depreciation of fixed assets	11	658	686
Impairment of intangible fixed assets		357	-
Amortisation of intangible fixed assets		96	138
General and administration	4	6,530	5,940
Total expenses		**29,134**	**27,071**
Operating (loss)/profit		**(217)**	**2,096**
Adjusted EBIT*		**1,614**	**2,688**
Impairment of intangible fixed assets		(357)	-
Exceptional and non-recurring items	6	(1,474)	(592)
		(1,831)	**(592)**
Operating (loss)/profit		**(217)**	**2,096**
Interest expense		(756)	(754)
Other financial expense		(246)	-
Currency differences		354	(411)
Total financial expense		(648)	(1,165)
(Loss)/profit before tax		**(865)**	**931**
Income tax	5	(37)	(66)
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS		**(902)**	**865**
Earnings per share (in EUR cents) attributable to shareholders			
Basic	7	(14.3)	13.9
Diluted	7	(14.3)	11.9

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ENDED 31 DECEMBER

	2014 €000's	2013 €000's
NET (LOSS)/PROFIT FOR THE YEAR	**(902)**	**865**
Items that are or may be reclassified through the profit or loss in the future:		
Exchange differences on translating foreign operations	(121)	(42)
Other comprehensive (loss)/income for the year, net of tax	(121)	(42)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(1,023)**	**823**

CATALIS SE

CONSOLIDATED STATEMENT OF FINANCIAL POSTION AS AT 31 DECEMBER 2014

	Note	2014 €000's	2013 €000's
ASSETS			
Non-current assets			
Goodwill	10	15,058	14,172
Intangible assets	9	366	667
Property, plant and equipment	11	1,440	1,970
Deferred tax assets	5	212	216
		17,076	17,025
Current assets			
Trade receivables	12	4,527	4,120
Tax and social security		57	69
Income tax		71	78
Other current assets	13	1,474	2,065
Cash and cash equivalents	14	1,336	864
		7,465	7,196
Total assets		24,541	24,221
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	656	625
Share premium		19,623	19,344
Share based payments		737	733
Cumulative translation differences		(3,679)	(3,558)
Other reserve		145	-
Accumulated deficit		(9,117)	(8,215)
Total equity		8,365	8,929
LIABILITIES			
Non-current liabilities			
Non-current loans	17	2,259	4,700
Deferred tax liabilities	5	212	216
		2,471	4,916
Current liabilities			
Current loans	16	2,950	2,400
Bank overdraft	16	2,988	476
Trade and other payables	18	5,981	5,576
Taxes and social security		1,704	1,539
Income tax		41	38
Provisions		41	347
		13,705	10,376
Total equity and liabilities		24,541	24,221

CATALIS SE

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CATALIS SE FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Share capital	Share premium	Share based payments	Currency differences	Accumulated deficit	Other reserve	Total Equity
		€000's	€000's	€000's	€000's	€000's	€000's	€000's
At 1 January 2013		**6,242**	**19,349**	**438**	**(3,516)**	**(14,697)**	**-**	**7,816**
Reduction of share capital	15	(5,617)	-	-	-	5,617	-	-
Share based transactions		-	(5)	295	-	-	-	290
Total comprehensive income for the year		-	-	-	(42)	865	-	823
At 31 December 2013		**625**	**19,344**	**733**	**(3,558)**	**(8,215)**	**-**	**8,929**
Issue of share capital	**15**	**31**	**279**	**-**	**-**	**-**	**-**	**310**
Share based transactions		**-**	**-**	**4**	**-**	**-**	**-**	**4**
Equity element of convertible loan note		**-**	**-**	**-**	**-**	**-**	**145**	**145**
Total comprehensive income for the year		**-**	**-**	**-**	**(121)**	**(902)**	**-**	**(1,023)**
At 31 December 2014		**656**	**19,623**	**737**	**(3,679)**	**(9,117)**	**145**	**8,365**

CATALIS SE

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	**2014**	**2013**
		€000's	**€000's**
Cash flow from operating activities			
(Loss)/profit after tax		(902)	865
Adjustments to reconcile profit after tax to net cash provided by operating activities			
Depreciation, amortisation and impairment		1,110	824
Change in provisions		(306)	(43)
Share based payment		4	295
Interest expense		1,002	754
Income taxes		37	66
Decrease in other current assets		184	120
Increase / (decrease) in current liabilities		797	(38)
Loss on sale of fixed assets		291	-
Cash generated from operations		2,217	2,843
Interest paid		(674)	(591)
Income tax paid		(27)	(68)
Net cash generated from operating activities		1,516	2,184
Cash flow from investing activities			
Additions of intangible assets		(122)	(226)
Purchase of property, plant and equipment, net		(382)	(929)
Net cash used in investing activities		(504)	(1,155)
Cash flow from financing activities			
Increase/(decrease) of short term loans and overdrafts		2,512	(1,843)
Decrease of long term loans		(4,251)	-
Increase of convertible loan		2,000	-
Decrease in finance leases		(27)	-
Proceeds from issue of share capital		310	-
Net cash funded / used in financing activities		544	(1,843)
Net effect of currency translation in cash and cash equivalents		(1,084)	302
Net increase / (decrease) in cash and cash equivalents		472	(512)
Cash and cash equivalents at beginning of year		864	1,376
Cash and cash equivalents at end of year		*1,336*	*864*

1. GENERAL

Catalis SE ("the Company") and its wholly owned subsidiaries (together "Catalis" or "the Group") provide testing services for the media industry and the design and development of interactive computer games for personal computers and video games consoles. Catalis SE was incorporated on 24 March 2000. With respect to the Company profit and loss account of Catalis SE use has been made of the exemption under Article 2:402 of Book 2 of the Netherlands Civil Code. For events after balance sheet date please refer to the 'other information' section in this annual report. The consolidated financial statements of Catalis SE for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the (non-)executive Board on 30 April 2015.

SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF CONSOLIDATION

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

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

ADJUSTED RESULTS

Adjusted results are amended for certain expense items to provide a better understanding of the underlying trading performance of the business. Amendments to the adjusted results include the exclusion of material non-cash items such as the impairment of intangible assets where the asset has ceased to be used by the business and other expenses which are considered to be one off and non-recurring in nature (note 6). A full reconciliation of the adjusted results is included in note 2 and the non-recurring items are disclosed in the relevant notes to the accounts.

GOING CONCERN

The management board of the Company and all other subsidiaries of Catalis SE have produced budgets and cash flow forecasts which have been used by Catalis SE to forecast cash flows for the Group for the period ended 30 April 2016. These forecasts are themselves reliant on the continuation of Group banking facilities to Catalis SE and Catalis SE providing continued financial support to the Company and its other subsidiaries. The Group's main banking facilities are provided by KBC Bank. The ongoing availability of the Bank facilities are subject to certain covenants being met by Catalis SE.

The covenants include two financial covenants which must be met on an annual basis based on the audited consolidated financial report for the Group. The financial covenants are a solvency ratio and a leverage ratio (defined as existing debt divided by EBIT).

On 30 October 2014, the Catalis SE Board announced the successful re-negotiation of its bank facility agreement with KBC Bank NV. This converted the existing loan of €5.7m (that was due to expire 31 December 2015) into a €3.0m working capital facility and a loan of €2.7m repayable in instalments over 2 years ending 31 December 2017. The Group's monthly repayments on the KBC loan facility reduced from €200,000 to €75,000 with effect from November 2014. The new banking facility significantly improves the Group's cashflow for periods after October 2014 and therefore its ability to invest in the business for future growth.

Management and the Board of Catalis SE continue to actively monitor the Group's compliance with its bank covenants. Catalis SE has a long standing strong relationship with its bank. For the year ended 31 December 2014, Catalis SE expects to satisfy the solvency ratio. Due to there being uncertainties as to whether the leverage ratio financial covenant was met at 31 December 2014, a waiver of the leverage ratio financial covenant was obtained in writing from the bank on 28 April 2015. This has resulted in all facilities with the bank being classified as current as at 31 December 2014 (refer to note 16 for further information). Based on the historical support provided by the bank in waiving debt covenants for financial year 2014 and prior years and its continued communications with the Bank, the Directors are confident that in the event the covenants are not met during 2015, they will be successful in obtaining agreement from the bank for the facilities to continue to be available for the period through to the current maturity date, 31 December 2017.

Based on the aforementioned, management and the directors are of the opinion that it is appropriate to adopt the going concern assumption in the preparation of the financial statements.

DISTINCTION BETWEEN CURRENT AND NON-CURRENT

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

BUSINESS COMBINATIONS

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

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

FOREIGN CURRENCIES

Catalis SE has designated the Euro (€) as its reporting currency, due to the fact that the company is listed on the Frankfurt stock market and the majority of its shareholders are located within the Euro zone.

Each entity of the group records transactions and balance sheet items in its functional currency. Transactions denominated in currency other than the functional currency are recorded at the spot exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in a currency other than the functional currency of the entity are translated at the closing rates. Exchange rates resulting from the settlement of these transactions and from the translation of monetary items are recognized through profit or loss.

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

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

The same applies to exchange differences arising from borrowings and other financial instruments in so far as they hedge the currency risk related to the net investment. On disposal of an entity with a functional currency other than the Euro the cumulative exchange differences relating to the translation of the net investment is recognized through profit or loss.

FOREIGN CURRENCIES (continued)

The currency exchange rates that were used in drawing up the consolidated statements are listed below for the most important currencies:

For the year ending 31 December	Balance sheet date		Average exchange rate	
	2014	2013	2014	2013
1 Pound Sterling =	€1.277	€1.1979	€1.240	€1.1779
1 US Dollar =	€0.82	€0.73	€0.75	€0.75

USE OF ESTIMATES IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported in the income statement in the period in which they become known. The areas of the Financial Statements that are subject to significant estimates and assumptions by management are the impairment of goodwill (key judgement and assumptions surrounding future revenue and profitability are described in note 10) and the market discount rate applied to the debt portion of the convertible loan note. The market discount rate applied to the debt portion of the convertible loan note is described in note 17 to the financial statements.

IMPAIRMENT

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. For the developed downloadable self-published games, the group performs an impairment test twice a year. The assets are tested per game and cash flows are based on expectations on the number of sales per game.

GOODWILL

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

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

INTANGIBLE ASSETS

Intangible assets are initially measured at cost. After initial recognition the benchmark treatment is that intangible assets should be carried at cost less any amortisation and impairment losses. The amortisation method reflects the systematic allocation of the depreciable amount of intangible assets over their useful lives. If that pattern cannot be determined reliably, the straight-line method is used. Subsequent expenditure on an intangible asset after its purchase or completion is recognised as an expense when incurred, unless, in accordance with IAS 38, it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and the expenditure can be measured and attributed to the asset reliably.

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

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

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

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

TANGIBLE FIXED ASSETS

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

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

OTHER FINANCIAL ASSETS

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

LEASES

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

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

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

TRADE AND OTHER RECEIVABLES

Trade receivables are stated at their amortised cost less any provisions for doubtful debts. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

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

FINANCIAL INSTRUMENTS

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

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

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

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 2014 (2013 - €nil)

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

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

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

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

FINANCIAL LIABILITIES

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

BANK BALANCE AND CASH

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

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

LOANS

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

TRADE PAYABLES

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

PROVISIONS

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

EQUITY

Currency differences

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

Dividend

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

Share based payments

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

REVENUE RECOGNITION

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

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

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

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

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

DEFINED CONTRIBUTION PLANS

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

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 21.

SHARE-BASED PAYMENTS (continued)

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.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

INCOME TAXES

Current income tax

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

Deferred income tax

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

INCOME TAXES (continued)

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

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

OPERATING SEGMENTS

The Company's operating segment information is based on existing management information which can be identified in the Company's internal reporting and internal controls, testing (quality assurance) and games development under assignment of third parties. 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.

CONTINGENCIES

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

JUDGEMENTS AND ASSUMPTIONS

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

Impairment of Goodwill

The Company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" of the cash-generating units to which the goodwill is allocated. Estimating a "value in use" amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to determine a suitable discount rate in order to calculate the present value of those cash flows. Further details are contained in note 10.

JUDGEMENTS AND ASSUMPTIONS (continued)

Deferred tax assets

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

Income taxes

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

Share-based payments

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

Accrued and deferred income/ revenue recognition

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

CONVERTIBLE LOAN NOTES

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

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

New standards and amendments to existing standards that have been published and are mandatory for the first time for the financial year 1 January 2014 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 2014 have not been early adopted in preparing these financial statements. The main accounting standard which may be relevant to the Group is set out below and will be effective the Group's 2015 financial report. The Group does not plan to adopt this standard early.

IFRS 9 "Financial Instruments"

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

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

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

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

FINANCIAL RISK MANAGEMENT

The Group is exposed to interest rate risk, credit risk, liquidity risk and capital risk management arising from the financial instruments it holds (see also note 19). The risk management policies employed by the Group to manage these risks are discussed below:

FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk

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

Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group has adopted a policy of only dealing with creditworthy counter parties. Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed. Concentration of credit risk did exceed 10% of gross monetary assets at the balance sheet date.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The management boards of the subsidiaries have produced budgets and cash flow forecasts which have been used by Catalis SE to forecast cash flows for the Group for the next twelve months. These forecasts are themselves reliant on the continuation of Group banking facilities which are extended until 31 December 2017. Should the cash flows fall below those forecast, the management boards are aware that the parent, Catalis SE, can, if required, seek to raise further funds by public share issues within 6 – 12 weeks. Over the years Catalis has established stable shareholders base underpinned by the major shareholders who have been long term supporters of the company. These major shareholders consider their investment a strategic long term investment and as such the management was and is confident with the continued support of such strategic investors. The issuing of shares is always a serious option and tool with which to increase the company’s liquidity if deemed necessary. There is no guarantee that these shareholders will provide their support in a future rights issue.

Currency risk

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

Currency risks are mitigated by entering into currency forward contracts. At 31 December 2014 and 2013 there were no outstanding hedging contract obligations. At the reporting date, the effect of a change in the exchange rate of the US dollar and the British Pound Sterling by 10% would not have a material impact on either profit or equity.

Capital Risk Management

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

2. Operating segments

2014 - The following table illustrates information about the reportable segments:

	Testing	Games	Downloadable self-published games	Corporate (non-operating)	Total
	€000's	€000's	€000's	€000's	€000's
Revenue from external customers	**22,474**	**6,271**	**172**	**-**	**28,917**
Subcontracting & cost of materials	2,301	1,193	(118)	-	3,376
Personnel costs	13,804	4,102	34	177	18,117
Impairment of intangible fixed assets	-	-	357	-	357
Depreciation and amortisation	519	154	81	-	754
General & Administration	3,582	1,227	(159)	1,880	6,530
Operating profit/(loss)	**2,268**	**(405)**	**(23)**	**(2,057)**	**(217)**
Adjusted EBIT	**2,550**	**(116)**	**95**	**(915)**	**1,614**
Amortisation & impairment	-	-	(357)	-	(357)
Exceptional & non-recurring items	(282)	(289)	239	(1,142)	(1,474)
Operating profit/(loss)	2,268	(405)	(23)	(2,057)	(217)
Interest & financing costs	(268)	(43)	-	(691)	(1,002)
Reportable segment assets	**7,705**	**8,816**	**351**	**7,669**	**24,541**
Reportable segment liabilities	**4,559**	**2,289**	**359**	**8,969**	**16,176**

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

	Revenues 2014 €000's	Non-current assets 2014 €000's	Revenues 2013 €000's	Non-current assets 2013 €000's
UK	16,148	8,279	18,164	8,507
Europe - other	7,921	8,359	6,466	7,986
United States	4,848	438	4,537	532
Total	28,917	17,076	29,167	17,025

2. Operating segments (continued)

Revenues and non-current assets are attributed to countries on the basis of the Catalis Group's location. At 31 December 2014, revenues from five major customers accounted for 35% of total revenues (2013: 44%). Three of these customers relate to the testing segment and two relate to the gaming segment. UK Games development includes € 317 k, relating to royalties received (2013: € 914 k).

2013 - The following table illustrates information about the reportable segments:

	Testing	Games	Downloadable self-published games	Corporate	Total
	€000's	€000's	€000's	€000's	€000's
Revenue from external customers	**19,866**	**8,858**	**443**	**-**	**29,167**
Subcontracting & cost of material	3,037	630	16	-	3,683
Personnel costs/(credit)	11,588	4,988	(246)	294	16,624
Depreciation and amortisation	565	121	138	-	824
General & Administration	2,833	1,495	251	1,361	5,940
Operating profit/(loss)	**1,843**	**1,624**	**284**	**(1,655)**	**2,096**
Adjusted EBIT	**2,119**	**1,661**	**284**	**(1,376)**	**2,688**
Exceptional & non-recurring items	(276)	(37)	-	(279)	(592)
Operating profit/(loss)	1,843	1,624	284	(1,655)	2,096
Interest & financing costs	(197)	(7)	-	(550)	(754)
Reportable segment assets	**6,971**	**9,228**	**699**	**7,323**	**24,221**
Reportable segment liabilities	**(3,588)**	**(2,739)**	**(810)**	**(8,155)**	**(15,292)**

3. Personnel expenses

Personnel expenses are summarised as follows:	2014	2013
	€000's	€000's
Wages and salaries	15,939	14,450
Share based payments	4	282
Pension costs	139	142
Social security costs	1,505	1,494
Other expenses	530	256
Total personnel expenses	18,117	16,624

3. Personnel expenses (continued)

Included in staff costs are €234k relating to non-recurring redundancy costs incurred during the year (2013 – €313k). The average number of employees is by territory is as follows:

	2014	2013
	No.	No.
The Netherlands	1	2
Poland	83	70
Belgium	86	81
United Kingdom	265	257
United States	59	75
Total average number of employees	494	485

4. General and administration

	2014	2013
	€000's	€000's
Housing and communication	1,649	1,707
Advisory and legal costs	951	1,012
Sales and marketing	703	469
Operating lease payments	540	633
Other	1,447	1,840
Disentanglement costs (note 6)	1,053	-
Restructuring costs	187	279
Total G&A expenses	6,530	5,940

5. Income Taxes

Major components of income tax expense for the years ended December 31, 2014 and 2013 are:

	2014	2013
	€000's	€000's
Current tax	(13)	(98)
Recognized losses of current year	4	20
Other	-	41
Accelerated depreciation	(28)	(29)
Total tax expense	**(37)**	**(66)**

5. Income Taxes (continued)

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 2014 and 2013 is as follows:

	2014	2013
	€000's	€000's
Accounting result before tax	(865)	931
Tax at statutory rate (nominal)	216	(233)
Higher nominal tax rates foreign subsidiaries	48	9
Recognition of previous year unrecognized losses	251	304
Unrecognized current year losses	(524)	(117)
Accelerated depreciation	(28)	(29)
Total tax expense	**(37)**	**(66)**

Movements in deferred tax assets are as follows:

	2014	2013
	€000's	€000's
Balance as of 1 January	216	196
Movements through comprehensive income		
Adjustment of previous years recognized losses	(4)	20
Balance as of 31 December	**212**	**216**

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Due to a history of losses, management derecognized capitalized unused tax losses in 2012. Currently, the forecasts are promising. Nevertheless, a conservative standpoint by Catalis SE is taken to not reverse the recorded impairments. We recognised tax losses only up to the same amount as tax liabilities.

After the processing of the 2014 tax result, the tax losses currently amount to approximately €26.3 million (2013: €26.7 million), of which €8.1 million (2013: €8.0 million) can be allocated to Catalis SE (expires in the period 2015-2019). €13.3 million (2013: €12.2 million) can be allocated to several UK based companies and € 4.9 million (2013: €5.1million) 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.

5. Income Taxes (continued)

Movements in deferred tax liabilities are as follows:

	2014	2013
	€000's	€000's
Balance as of January 1,	216	196
Movements through comprehensive income		
Addition due to accelerated depreciation	(28)	20
Exchange difference	24	-
Balance as of December 31,	**212**	**216**

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

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

	2014	2013
	€000's	€000's
Impairment of intangible fixed asset	357	-
Restructuring costs	187	279
Redundancy costs	234	313
Disentanglement costs	1,053	-
	1,831	592

Restructuring and Redundacy

During the year the company instigated a process to review and streamline the business in order to meet the changing market conditions and to position the company with a flexible workforce to fully take advantage of the opportunities in the coming year. This resulted in redundancy costs totalling €0.234m and restructuring costs of €0.187m.

Disentanglement costs

On the 7th May 2014 the Directors announced that their major shareholder, Naviagator Equity Solutions SE had concluded a sale and transfer contract with Leo Capital 1 LLP, a limited liability partnership wholly owned by funds managed by Vespa Capital (UK) Limited. The transfer agreement between these parties was in relation to 832,968 Catalis SE shares together with 1,000,000 share options previously in favour of Navigator Equity. As a result of this agreement Robert Kass, Michael Hasenstab and Jens Bodenkamp resigned as Non-Executive Directors of Catalis SE. The cost of the termination of the directors service contracts amounted to €0.705m. Brokerage and transaction fee related to the transaction amounted to €0.248million.

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

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 2014		
	Loss after tax (€000’s)	**Weighted Average Number of Shares**	**Earnings Per Share Amount (cent)**
Basic Earnings per Share	(902)	6,294,141	(14.3)
Add: Options outstanding	-	1,273,836	-
Diluted Earnings per Share	(902)	7,567,977	(14.3)

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

	For the year ended 2013		
	Profit after tax (€000’s)	**Weighted Average Number of Shares**	**Earnings Per Share Amount (cent)**
Basic Earnings per Share	865	6,242,333	13.9
Add: Options outstanding	-	1,055,671	-
Diluted Earnings per Share	**865**	**7,298,004**	**11.9**

In July 2013 a reverse stock split in the ratio 10:1 was executed that reduced the number of shares from 62,423,333 outstanding to 6,242,333. The diluted earnings per share include the stock options for management calculated from the date of grant.

8. Investments in subsidiaries

At the end of 2014 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 2014 (and the comparative period) are as follows:

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

*formerly Simis Ltd

9. Intangible assets

2014 - €000's	Client lists	Downloadable self-published games	Research & Development	Total
Cost				
Cost at 1 January	438	2,885	147	3,470
Additions	-	121	1	122
Currency differences	-	192	10	202
Cost at 31 December	438	3,198	158	3,794
Accumulated amortisation				
Accumulated amortisation and impairment at 1 January	(438)	(2,365)	-	(2,803)
Amortisation during the year	-	(81)	(15)	(96)
Impairment charge for the year	-	(357)	-	(357)
Currency differences	-	(172)	-	(172)
Accumulated amortisation 31 December	(438)	(2,975)	(15)	(3,428)
Net book value	-	223	143	366

9. Intangible assets (continued)

2013 - €000's	Client lists	Downloadable self-published games	Research & Development	Total
Cost				
Cost at 1 January	438	2,866	-	3,304
Additions	-	79	147	226
Currency differences	-	(60)		(60)
Cost at 31 December	438	2,885	147	3,470
Accumulated amortisation				
Accumulated amortisation and impairment at 1 January	(438)	(2,280)	-	(2,718)
Amortisation during the year	-	(138)	-	(138)
Currency differences	-	53	-	53
Accumulated amortisation 31 December	(438)	(2,365)	-	(2,803)
Net book value	-	520	147	667

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

During the prior year the Group incurred salary and other direct costs totalling €147k in relation to the enhancement of the existing game engine that is used in the production of video games for external customers in its subsidiary company, Zoë Mode Entertainment Limited. Development of new consoles within the industry required the enhancement of its existing systems in order to continue to win and retain business at a high level within the industry and the Company invested €147k during the prior year so that they will continue to do so. Capitalised expenditure incurred during the year is in accordance with accounting policies of the Group. At the year end the project was substantially complete and will start to be used within the business to generate revenue. The Directors have determined that the useful life of the asset is 5 years and that the asset will be amortized on a straight line basis as the phasing of revenue cannot be determined with sufficient certainty to match the amortisation of the asset against future revenues.

10. Goodwill

	2014	2013
Cost	€000's	€000's
Cost at January 1	15,607	15,890
Currency differences	886	(283)
Accumulated cost at 31 December	16,493	15,607
Accumulated impairment		
Accumulated impairment at 1 January	1,435	1,435
Accumulated impairment at 31 December	1,435	1,435
Net book value	15,058	14,172

The recoverable values of the goodwill allocated to cash generating units have been determined based on past experience and on a value in use calculation. The key assumptions on which management made the predictions are expected margins, costs and revenue projections. This approach is valid for all cash generating units. Referring to the goodwill allocated to the individual cash generating units an impairment test has been performed based on the discounted cash flow method using budgets for a five year period prepared by management, including a terminal value. The weighted average cost of capital is between 12.18% for Europe and 12.26% for the US for 5 years. This is a similar discount rate to that used in the latest research covering Catalis SE using a weighted average cost of capital of up to 12.5 % which was based on a higher risk free interest rate. A growth rate of 2% has been assumed for the cash flows of all cash generating units after the five year period. An inflation rate of 0% has been applied. These assumptions are identical for all cash generating units and in line with the assumptions applied for the comparative period. As a result no impairment was necessary. 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% doesn't result in any impairment. This is the same for an increase of the WACC percentage of one percentage point. For Kuju a decrease of the underlying free cash flows used for calculations of 10% as well as an increase of the WACC percentage of one percentage point result in a positive value on the level of the capital invested. Therefore no impairment is required.

10. Goodwill (continued)

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

	Compound annual sales growth rate (CAGR%)		
	Forecast Period	Used to Calculate Terminal value	Pre-tax Discount rates
Kuju	12%	2%	12.2%
Testronic Europe	14.5%	2%	12.2%
Testronic USA	10.1%	2%	12.2%

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

	2014	2013
	€000's	€000's
Kuju	7,653	7,175
Testronic Europe	4,020	4,008
Testronic USA	3,385	2,989
Total	15,058	14,172

11. Property, Plant and Equipment

2014 - €000's	Buildings & Machinery	Furniture and fittings	Other fixed assets	Total
Cost				
Cost at 1 January	6,092	839	703	7,634
Reclassifications	(878)	(218)	147	(949)
Additions	319	24	39	382
Disposals	(525)	(132)	(97)	(754)
Currency differences	293	15	59	367
Cost at 31 December	5,301	528	851	6,680
Accumulated Depreciation				
Accumulated depreciation at 1 January	(4,511)	(681)	(472)	(5,664)
Reclassifications	777	224	(52)	949
Depreciation for the year	(552)	(78)	(28)	(658)
Currency differences	(235)	(12)	(83)	(329)
Disposals	351	82	30	463
Accumulated depreciation at 31 December	(4,170)	(465)	(605)	(5,240)
Net book value	1,131	63	246	1,440

11. Property, Plant and Equipment (continued)

2013 - €000's	Buildings & Machinery	Furniture and fittings	Other fixed assets	Total
Cost				
Cost at 1 January	5,531	808	527	6,866
Additions	686	50	193	929
Currency differences	(125)	(19)	(17)	(161)
Cost at 31 December	6,092	839	703	7,634
Accumulated Depreciation				
Accumulated depreciation at 1 January	(4,036)	(643)	(411)	(5,090)
Depreciation for the year	(561)	(51)	(74)	(686)
Currency differences	85	12	11	108
Disposals	1	1	2	4
Accumulated depreciation at 31 December	(4,511)	(681)	(472)	(5,664)
Net book value	1,581	158	231	1,970

12. Trade Receivables

Trade receivables include the following:

	2014	2013
	€000's	€000's
Accounts receivable	4,527	4,338
Less: provision for doubtful accounts	-	(218)
Total trade receivables	4,527	4,120

Debtors are dominated in 2014 by currency as 60% in EUR, 31% in USD and 9% in GBP (2013: 58% EUR, 23% USD and 19% GBP). The movement in the provision for doubtful accounts is as follows:

	2014	2013
	€000's	€000's
At 1 January	218	54
Utilisation	(218)	(31)
Addition	-	195
At 31 December	-	218

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.

	2014	2013
Neither past due nor impaired	57%	57%
1 – 29 days overdue	29%	19%
30 or more days overdue	14%	24%
	100%	100%

13. Other Current Assets

Other current assets include the following:

	2014	2013
	€000's	€000's
Other receivables	710	1,069
Prepaid expenses	764	996
Total other current assets	1,474	2,065

Other receivables include an amount of €nil (2013 - €89k) from the agreement with SocialGO Development Ltd., a related party.

14. 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.

15. Share Capital

The authorised share capital of the Company amounts to € 17.5 million divided into 175 million common shares each having a nominal value of € 0.10 per share. On 31st October 2014 the company issued 310,000 new shares to enable option holders to convert options into shares.

Movements in share capital:

	Number of Shares – 000's		Amount - €000's	
	2014	2013	2014	2013
Common Shares – issued and paid in				
1 January	6,242	62,423	625	6,242
Issue of shares	310	-	31	-
Reverse share split	-	(56,181)	-	(5,617)
31 December	6,552	6,242	656	625

During 2013, a reverse stock split in a ratio of 10:1, which was accompanied by an ordinary capital reduction, took place. The number of issued shares after the consolidation was 6,242,333, each share with a par value of € 0.10. The number of outstanding shares before the adjustment was 62,423,328 with a par value of € 0.10.

16. Loans and Bank overdrafts

On 30 October 2014, the Catalis SE Board announced the successful re-negotiation of its bank facility agreement with KBC Bank NV. This converted the existing loan of €5.7m (that was due to expire 31 December 2015) into a €3.0m working capital facility, in respect of which the Group has the right to drawdown all or a portion thereof in the form of a straight loan for a period of at least 14 days, and a fixed term loan of €2.7m repayable in instalments over 36 months ending 31 October 2017. The Group's monthly repayments on the KBC loan facility reduced from €200,000 to €75,000 with effect from November 2014. The new banking facility significantly improves the Group's cashflow for periods after October 2014 and therefore its ability to invest in the business for future growth. In December 2014 the Group secured a term loan of €400,000 to fund certain loan related expenses, the loan is repayable in 12 equal monthly instalments of €33,333 starting on 31 January 2015.

The interest rate on the working capital facility is set on a quarterly basis and is based on the rate applicable to KBC business credits. The interest rate payable on the portion of the working capital facility that it draws down in the form of a straight loan is set on the basis of the interest prevailing on the interbank market plus a margin between 1.5% and 3.5% per annum. The margin is dependent upon the actual leverage ratio achieved. The interest rate on the fixed term loan is set on the basis of the interest rate prevailing on the interbank market at the end of each month plus a fixed margin of 2.5% per annum. The interest rate on the Genussrechte facility is set on the basis of the interest rate prevailing on the interbank market at the end of each month plus a fixed margin of 1.55 % per annum

To secure the commitments to the bank Catalis has established an equitable mortgage granted by Catalis Development Services Ltd. over 80% of the registered shares of Kuju Plc., Testronic Laboratories SE has established a pledge of 80% of the shares of Testronic Laboratories N.V. and has established a floating charge on the assets of Testronic Laboratories N.V. in the amount of € 550,000. Furthermore, Catalis SE pledged the shares of Kuju SE, Testronic SE and DDP BV. Catalis also has pledged the major assets of the Group.

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

	2014	2013
	€000's	€000's
Bank overdraft – on demand	2,988	476
Within one year (current)	2,950	2,400
In the second and third years	2,384	4,700
	8,322	7,576

Amounts due within one year include €1,650k relating to a term loan facility with KBC Bank NV. Due to there being uncertainties as to whether the leverage ratio financial covenant was met at 31 December 2014, a waiver of the leverage ratio financial covenant was obtained in writing from the bank on 28 April 2015. This has resulted in all facilities with the bank being classified as current as at 31 December 2014.

As at 30th April 2015 loan amounts of €1,650k are repayable after 31 December 2015, a period more than one year from the reporting date.

17. Non-Current Loans

	2014	2013
	€000's	€000's
Bank Loan	-	4,700
Convertible Loan	2,130	-
Unamortised interest	(125)	-
Other	254	-
Total	2,259	4,700

Bank Loan

During the year the Group re-negotiated its bank facility agreement with KBC Bank NV (note 16).

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 are intended to finance further organic growth of the Group. The terms of the loan are described in note 6. In accordance with the accounting policy described in note 1 an amount of €145,000 was deemed to be the equity component and has been transferred to equity and an amount of €145,000 was recognised as unamortised interest in relation to the convertible loan. During the year €20,000 was charged to the income statement as a financial expense. The market discount rate applied to the debt portion of the convertible loan note is 16.5%.

Other

During the year Catalis completed a private placement with several individual investors under a Genussrechte arrangement. The 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.

18. Trade and Other Payables

Trade and other payables include the following:

	2014	2013
	€000's	€000's
Accounts payable	2,296	2,035
Accrued expenses	2,557	3,541
Factoring payables	1,128	-
Total trade and other payables	5,981	5,576

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

19. Financial Instruments

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

Financial risk management objectives

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

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

Principal financial instruments

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

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

Financial assets

The Group held the following financial assets:

	2014	2013
Trade receivables	4,527	4,120
Other receivables	1,602	2,212
Cash and cash equivalents	1,336	864
Current assets and receivables	7,465	7,196

Financial liabilities

The Group held the following financial liabilities:

	2014	2013
Trade payables	2,296	2,035
Other payables*	2,832	1,539
Bank loans and overdrafts	8,322	7,576
	13,450	11,150

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

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

19. Financial Instruments (continued)

Market risk

Foreign currency risk management

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

Interest rate risk management

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

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

The Group is exposed to interest rate risk on its financial liabilities. The average interest of all loans is 3.0%. An increase of the interest rate by 1% would mean a decline in the reported result before tax of €52,000 (2013: €124,000).

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 2014, the Company had accounts receivable from five major customers which accounted for 9% of total accounts receivable (2013: 18%). During the current year revenues from these five major customers accounted for 35% of total revenues (2013: 44%). The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as detailed in the Financial assets above.

Liquidity Risk

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

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

19. Financial Instruments (continued)

2013	Carrying value	Contractual Cash flow	3 months Or less	Between 3 -12 months	Between 1-3 years	More than 3 years
Trade payables	2,035	2,035	2,035	-	-	-
Other payables	1,539	1,539	1,539	-	-	-
Bank loans & overdrafts	7,576	8,463	678	2,034	5,751	-
	11,150	12,037	4,252	2,034	5,751	-

20. Provisions

	2014	2013
	€000's	€000's
Balance at 31 December	347	390
Credited through profit or loss	(306)	-
Utilisation	-	(43)
Balance at 31 December	41	347
Current	41	347

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

21. Employee Benefits Obligations

Defined Contribution Plan

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

Defined contribution obligations were not significant as of December 2014 and 2013, respectively. These obligations are presented under other payables.

21. Employee Benefits Obligations (continued)

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

Options are, on occasion, granted to third parties. The goal in issuing these options to third parties can differ from the goal of issuing options to employees and as such there are differing terms and conditions. The terms and conditions under which such options were granted in 2014 are disclosed in the tables below (tranches 15).

In 2006, 2007, 2009, 2010, 2011, 2012 and 2013 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 14 tranches. 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. The terms and conditions of these options are disclosed below.

Movements during the year

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

21. Employee Benefits Obligations (continued)

	Tranche 5	Tranche 6	Tranche 7	Tranche 12	Tranche 13	Tranche 14	Tranche 15
Grant date	May 31, 2010	May 31, 2010	August 31, 2010	April 25, 2013	April 25, 2013	April 25, 2013	December 02, 2014
Granted stock options	474,500	39,000	34,500	60,000	500,000	1,000,000	300,000
Remaining term of the option	5.4 years	0.4 years	5.7 years	3.0 years	3.0 years	3.0 years	9.9 years
Exercise price	0.27	0.27	0.27	1.00	1.00	1.00	1.13 to 2.00
Outstanding at 1 January 2014	88,500	13,000	33,000	60,000	500,000	1,000,000	0
Granted during the year	0	0	0	0	0	0	300,000
Forfeited during the year	44,000	13,000	0	0	0	0	0
Exercised during the year	0	0	0	60,000	50,000	200,000	0
Expired during the year	0	0	0	0	0	0	0
Cancelled during the year	0	0	0	0	0	0	0
Outstanding at 31 December 2014	44,500	0	33,000	0	450,000	800,000	300,000
Exercisable at 31 December 2014 (fully vested)	29,667	0	22,000	0	450,000	800,000	0

For the options exercised in 2014 the weighted average exercise price was EUR 1.00 per option.

21. Employee Benefits Obligations (continued)

Vesting conditions

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

- Tranche 5 (May 31, 2010)
  - 158,167 options (1/3) vested on 1 June 2013,
  - 158,167 options (1/3) vested on 1 June 2014,
  - 158,167 options (1/3) will vest on 1 June 2015.

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

- Tranche 6 (May 31, 2010)
  - all of the 39,000 options vested on 1 January 2011,

The options could be exercised at any time after the options became exercisable. The options were forfeited during 2014.

- Tranche 7 (August 31, 2010)
  - 11,500 options (1/3) vested on 1 September 2013,
  - 11,500 options (1/3) vested on 1 September 2014,
  - 11,500 options (1/3) will vest on 1 September 2015.

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

Tranche 12 (April 25, 2013)

  - 60,000 options (100%) vested immediately on 25 April 2013.

- Tranche 13 (April 25, 2013)
  - 500,000 options (100%) vested immediately on 25 April 2013.
- Tranche 14 (April 25, 2013)
  - 1,000,000 options (100%) vested immediately on 25 April 2013.
- Tranche 15 (December 02, 2014)
  - 100,000 options (33%) will vest on 01 December 2015,
  - 100,000 options (33%) will vest on 01 December 2016,
  - 100,000 options (33%) will vest on 01 December 2017.

21. 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

For the stock option valuation the contractual life of the options and the possibility of early exercise were considered in the binomial model.

The risk-free interest rate is the implied yield currently available on German government bond issues with a remaining term equal to the term of the options.

The future volatility for the lives of the options was estimated based on historical volatilities and also considered management’s expectation of future market trends.

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

The expense recognized during 2014 and 2013 is shown in the following table:

€	*2014*	*2013*
Expense arising from equity-settled share-based payment transactions	3,293	282,049
Expense arising from cash-settled share-based payment transactions	0	0
Total expense arising from share-based payment transactions	**3,293**	**282,049**

21. Employee Benefits Obligations (continued)

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, 2012, 2011 and 2010 at the measurement date:

	Tranche 5	Tranche 6	Tranche 7	Tranche 12	Tranche 13	Tranche 14	Tranche 15
Share price on the measurement date (€)	0.19	0.19	0.15	1.18	1.18	1.18	1.17
Life of the option on the grant date (years)	10.00	5.00	10.00	4.69	4.69	4.69	10.00
Exercise price (€)	0.27	0.27	0.27	1.00	1.00	1.00	1.13 to 2.00
Expected dividend yield (%)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Risk-free interest rate (%)	2.93	1.82	2.34	0.58	0.58	0.58	0.92
Expected volatility of the share price (%)	75.52	60.06	75.15	71.59	71.59	71.59	56.45
Option value (€)	0.09 – 0.11	0.03	0.06 – 0.08	0.20	0.20	0.20	0.34 – 0.49

During the prior year options granted to Navigator, Mr. Wheatley and Mr. Biewald in 2012 were cancelled and replaced by new stock options. The terms of these options are disclosed in the tables above (tranches 12-14). The following table summarizes the changes with respect to each grant:

	Mr. Biewald		*Mr. Wheatley*		*Navigator*	
	Cancelled plan	New plan	Cancelled plan	New plan	Cancelled plan	New plan
Number of options	400,000	60,000	500,000	500,000	1,000,000	1,000,000
Fair Value (Total) at grant date	4,617	12,059	10,049	100,492	20,098	200,984
Incremental Fair Value	7,442		90,443		180,886	

The fair value of the stock options of the cancelled and the new plan at replacement date (25 April 2013) were measured using a binomial option pricing model taking into account the terms and conditions upon which the options were granted.

22. 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:

	2014	2013
	€000's	€000's
Within 1 year	460	366
1 year through 5 years	444	642
After 5 years	425	802
Total future minimum lease payments	1,329	1,810

During the year ended 31 December 2014 €540k was recognized as an expense in the income statement in respect of operating leases (2013: €633k).

23. Contingent Liabilities

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

24. 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 are disclosed in note 24.

The following related parties can be identified:

Ascendo Management GmbH	relative of management
Acon Aktienbank AG	relative of management
Hi7seas GmbH	relative of management
Ideal Partners Ltd	relative of management
Advail Ltd	relative of management
SocialGO Development Ltd.	relative of management
Waypoint Change LLP	relative of management
Adval Gmbh	relative of management
Vespa Capital LLP	relative of management

24. Related party transactions (continued)

The following transactions (in €000's) were carried out with related parties during 2014 and 2013:

	2014	2013
Purchase of services		
Ascendo Management GmbH, consultancy fee	64	91
Acon Aktienbank AG, consultancy fee	16	13
Hi7seas GmbH	-	6
Ideal partners Ltd., consultancy fee	-	21
Advail Ltd., consultancy fee	117	74
SocialGO Development Limited (formerly SocialGO PLC)	-	74
Waypoint Change LLP	113	152

The following amounts (€000's) were outstanding with related parties as at 31 December 2014 and 31 December 2013:

	2014	2013
Ascendo Management GmbH, consultancy fee*	40	97
Acon Aktienbank AG, consultancy fee	10	19
Hi7seas GmbH	-	6
Advail Ltd., consultancy fee	40	47
SocialGO PLC	-	297
Waypoint Change LLP	65	20

During the year Catalis SE paid Vespa Capital LLP €27,000 (2013 - nil) for directors services provided by Tom Chaloner (2013- nil) and €27,000 (2013 –nil) for directors services provided by Nigel Hammond and €113k to Waypoint Change LLP for directors services provided by Nick Winks.

25. Emoluments of the directors and key management personnel

Directors' total remuneration was €1,640k in 2014 (2013: €855k).

2014 €000's	Fixed Fee	Termination	Share based payments	Total
Dominic Wheatley	385	-	1	386
Peter Biewald	126	-	-	126
Brett Morris	227	-	2	229
Michael Hasenstab*	-	451	-	451
Robert Käß*	-	448	-	448
	738	899	3	1,640

* The payments to Michael Hasenstab and Robert Käß are based on the termination agreements between these non-executive board members and Catalis SE and reflect the payment of all accrued fees and costs arising from these contracts including periods after 31 December 2014.

25. Emoluments of the directors and key management personnel (continued)

Nick Winks is a partner of Waypoint Change LLP, a related party, that received payments totalling €113k (2013 - €152k) during the year (see note 24). Nigel Hammond and Tom Chaloner are partners of Leo Capital 1 LLP, a major shareholder in Catalis SE (refer to note 24 for payments made to Vespa Capital LLP for directors services provided by Nigel Hammond and Tom Chaloner). The Directors did not receive a bonus during 2014.

2013 €000's	**Fixed Fee**	**Bonus**	**Share based payments**	**Total**
Dominic Wheatley	232	100	100	432
Peter Biewald	159	50	12	221
Jens Bodenkamp	8	-	-	8
Michael Hasenstab	90	-	-	90
Robert Käß	90	-	-	90
Nick Winks	14	-	-	14
	593	150	112	855

Members of the Board had no compensation in 2014 and 2013 for post-employment benefits and other long-term benefits. No termination benefits were paid in 2013. In 2014 Members of the Board received compensation in the form of share based payments (note 21).

Shares and options held by members of the Board as at 31 December 2014:

		No. of shares	**No. of options**
Dominic Wheatley	Executive member	227,510	550,000
Brett Morris	Executive member	-	200,000
Peter Biewald	Non- Executive member	60,000	-
Nick Winks	Non- Executive member	10,000	-

As at 31 December 2014, Leo Capital 1 LLP held 800,000 options and a convertible loan note carrying 1,000,000 options. Nigel Hammond and Tom Chaloner are partners of Vespa Capital (UK) Limited, Leo Capital 1 LLP's parent company.

2013		**No. of shares**	**No. of options**
Dominic Wheatley	Executive member	177,510	500,000
Peter Biewald	Executive member	10,000	60,000
Jens Bodenkamp	Non-executive member	8,916	-
Michael Hasenstab	Non-executive member	5,000	-
Robert Käß	Non-executive member	5,000	-
Nick Winks	Executive member	10,000	-

As at 31 December 2013, Navigator Equity SE held 1,000,000 options. Robert Käß was an executive board member of Navigator Equity SE at 31 December 2013.

24. Emoluments of the directors and key management personnel (continued)

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.

	2014 €000's	2013 €000's
Short-term employee benefits	2,167	1,590
Share based payments	3	112
Total remuneration of key management	2,170	1,702

The short term employee benefits in 2014 of total €2,167k (2013: €1,590k) are comprised of fixed salaries of €2,167k (2013: €1,364k) and bonus payments of €nil (2013: €226k). The value of share based payments granted to key management during the year ended December 31 2014 amounted to €3k (2013: €112k).

Waalre, 12 May 2015
Management Board:

Sgd.
Dominic Wheatley Executive member

Sgd.
Brett Morris Executive member

CATALIS SE
COMPANY-ONLY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014
AFTER APPROPRIATION OF NET PROFIT

	Note	2014 €000'S	2013 €000'S
ASSETS			
Non-current assets			
Goodwill	28	7,404	6,997
Loans – group	30	11,250	10,725
Total non-current assets		18,654	17,722
Current assets			
Receivables – group	32	4,392	4,601
Other current assets	33	50	9
Cash and cash equivalents	34	3	43
Total current assets		4,445	4,653
Total assets		23,099	22,375
LIABILITIES AND EQUITY			
Equity			
Share capital	35	656	625
Share premium		19,623	19,344
Share based payments		737	733
Currency differences		(3,679)	(3,558)
Other reserve		145	-
Accumulated deficit		(9,117)	(8,215)
Total equity		8,365	8,929
Provision for subsidiaries	36	4,074	3,565
Non-current loans	37	2,259	4,700
Current liabilities			
Bank overdrafts	37	2,779	-
Loans	37	2,950	2,400
Liabilities-group	38	1,917	2,004
Trade and other payables	39	755	777
Total current liabilities		8,401	5,181
Total equity and liabilities		23,099	22,375

CATALIS SE

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

	Note	2014 €000's	2013 €000's
Result after taxes		1,045	37
Result subsidiaries after tax		(1,947)	828
Net (loss)/profit		**(902)**	**865**

26. 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 2014 of Catalis SE. For events after balance sheet date please refer to the 'other information' section in this annual report.

27. Summary of Significant Accounting Policies

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

Going concern

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

28. Goodwill

The movements in goodwill are as detailed in note 10.

29. Investment in Group Companies

The movement in the investment in group companies as follows:

	2014	2013
	€000's	€000's
Book value at 1 January	-	-
Income from subsidiaries	(1,947)	828
Provision for negative equity	2,919	(946)
Currency differences	(972)	118
Book value at 31 December	-	-

Negative equity values of group companies are balanced with receivables on those group companies, if additional provisions are required these are presented under provisions. This results in a provision for investments in group companies of € 4.074m as of 31 December 2014 and € 3.565m as of 31 December 2013.

30. Loans - group

In 2007 a loan of €7,000,000 was granted to Catalis Development Services Ltd. The interest rate amounts to 7.5% a year. Including the accrued interest the carrying value of the loan is € 11.250m as of December 31, 2014 (2013: €10.725 m).

31. Deferred tax

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

Further details of the deferred tax assets may be found in note 5 of the notes to the consolidated financial statements.

32. Receivables - group

Intercompany group receivables comprise of several current accounts.

33. Other current assets

Other current assets mainly consist of prepaid costs.

34. Cash and cash equivalents

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

35. Equity

Details of the equity may be found in note 15 of the notes to the consolidated financial statements.

36. 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:

	2014	2013
	€000's	€000's
Book value at January 1	3,565	3,743
Provision for negative equity	7,819	5,231
Deducted from receivables of the subsidiaries	(7,310)	(5,409)
Book value at December 31	4,074	3,565

37. Bank Loans and Overdrafts

An analysis of the debt position of the company is provided in note 16 and note 17.

38. Liabilities – group

Intercompany group liabilities comprise short term payables to subsidiary undertakings.

39. Trade and other payables

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

40. Personnel
During the reporting year, the Company employed 1 employee (2013: 1).

41. Audit fees
Profit after tax is stated after charging audit fees of €145,000 (2013: € 115,000) for the audit of the financial statements.

42. Related parties
Profit after tax is stated after crediting € 2.9m (2013: €1.9m) of licence fees and management fees due from subsidiaries.

43. Emoluments of the directors

Directors' total remuneration was €738k in 2014 (2013: €855k).

2014 €000's	Fixed Fee	Termination	Share based payments	Total
Dominic Wheatley	385	-	1	386
Peter Biewald	126	-	-	126
Brett Morris	227	-	2	229
Michael Hasenstab*	-	451	-	451
Robert Käß*	-	448	-	448
	738	899	3	1,640

* The payments to Michael Hasenstab and Robert Käß are based on the termination agreements between these non-executive board members and Catalis SE and reflect the payment of all accrued fees and costs arising from these contracts including periods after 31 December 2014.

Nick Winks is a partner of Waypoint Change LLP, a related party, that received payments totalling €113k (2013 - €152k) during the year (see note 24). Nigel Hammond and Tom Chaloner are partners of Leo Capital 1 LLP, a major shareholder in Catalis SE (refer to note 24 for payments made to Vespa Capital LLP for directors services provided by Nigel Hammond and Tom Chaloner). The Directors did not receive a bonus during 2014.

2013 €000's	Fixed Fee	Bonus	Share based payments	Total
Dominic Wheatley	232	100	100	432
Peter Biewald	159	50	12	221
Jens Bodenkamp	8	-	-	8
Michael Hasenstab	90	-	-	90
Robert Käß	90	-	-	90
Nick Winks	14	-	-	14
	593	150	112	855

43. Emoluments of the directors (continued)

Members of the Board had no compensation in 2014 and 2013 for post-employment benefits and other long-term benefits. No termination benefits were paid in 2013. In 2014 Members of the Board received compensation in the form of share based payments (note 21).

Shares and options held by members of the Board as at 31 December 2014:

		No. of shares	No. of options
Dominic Wheatley	Executive member	227,510	550,000
Brett Morris	Executive member	-	200,000
Peter Biewald	Non- Executive member	60,000	-
Nick Winks	Non- Executive member	10,000	-

As at 31 December 2014, Leo Capital 1 LLP held 800,000 options and a convertible loan note carrying 1,000,000 options. Nigel Hammond and Tom Chaloner are partners of Vespa Capital (UK) Limited, Leo Capital 1 LLP's parent company.

2013		**No. of shares**	**No. of options**
Dominic Wheatley	Executive member	177,510	500,000
Peter Biewald	Executive member	10,000	60,000
Jens Bodenkamp	Non-executive member	8,916	-
Michael Hasenstab	Non-executive member	5,000	-
Robert Käß	Non-executive member	5,000	-
Nick Winks	Executive member	10,000	-

As at 31 December 2013, Navigator Equity SE held 1,000,000 options. Robert Käß was an executive board member of Navigator Equity SE at 31 December 2013.

Dominic Wheatley's total remuneration amounted to €385k out of which an amount of €285k has been paid by Kuju, a 100% owned subsidiary company. Members of the Board had no compensation in 2014 and 2013 for post-employment benefits and other long-term benefits. No termination benefits were paid in 2013. In 2014 Members of the Board received compensation in form of share based payments according to note 21. Shares and options held by members of the Board as at 31 December 2014 are:

		No. of shares	No. of options
Dominic Wheatley	Executive member	227,510	550,000
Brett Morris	Executive member	-	200,000
Peter Biewald	Non- Executive member	60,000	-
Nick Winks	Non- Executive member	10,000	-

As at 31 December 2014, Leo Capital 1 LLP held 800,000 options and a convertible loan note carrying 1,000,000 options. Nigel Hammond and Tom Chaloner are partners of Vespa Capital (UK) Limited, Leo Capital 1 LLP's parent company.

43. Emoluments of the directors (continued)

Shares and options held by members of the Board as at 31 December 2013 were:

		No. of shares	No. of options
Dominic Wheatley	Executive member	177,510	500,000
Peter Biewald	Executive member	10,000	60,000
Jens Bodenkamp	Non-executive member	8,916	-
Michael Hasenstab	Non-executive member	5,000	-
Robert Käß	Non-executive member	5,000	-
Nick Winks	Executive member	10,000	-

As at 31 December 2013, Navigator Equity SE held 1,000,000 options. Robert Käß is an executive board member of Navigator Equity SE.

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 €1.1m of the after tax performance into the retained earnings of the company.

45. Subsequent events

On 30 November 2014 Catalis SE announced that the board of directors had decided to move the company's listing from the General Standard in Frankfurt to the Open Market in Frankfurt. As part of the on-going strategic review of the group's activities the board of directors had investigated the merits of moving the group's listing from the General Standard market in Frankfurt to the Open Market in Frankfurt. As a result of this review the board has decided to move the listing in order to realize significant and material cost savings for the group. In January 2015 the Frankfurt Stock Exchange informed Catalis SE that it had agreed to its request to withdraw from the regulated market. The last day of trading on the regulated market will be July 27th, 2015 which reflects the 6 month termination period of the Frankfurt stock exchange.

On 30 April 2015 the board of directors announced sale of Testronic Laboratories Belgium NV for a total consideration of €8.174m. During the year ended 31 December 2014, Testronic Laboratories Belgium NV generated revenues of €7.921m and an operating profit before non-recurring cost of €958k. The sale was agreed on a cash free, debt free basis. The board of directors approved the disposal as Testronic Laboratories Belgium NV operates in a very specific testing market and has limited interaction with the group's other business lines.

€3m of the proceeds will be used to reduce the working capital facility with KBC Bank. the remaining cash will be invested in new business around the company's defined core business of providing services to media companies in particular around the games industry.

Independent auditor's report

To: The shareholders and Supervisory Board of Catalis SE

Report on the audit of the financial statements 2014

Our opinion

We have audited the financial statements 2014 of Catalis SE (the company), based in Amsterdam. The financial statements include the consolidated financial statements and the Company financial statements.

In our opinion:

- the consolidated financial statements give a true and fair view of the financial position of Catalis SE as at 31 December 2014 and of its result and its cash flows for 2014 in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

- the Company financial statements give a true and fair view of the financial position of Catalis SE as at 31 December 2014 and of its result for 2014 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. the consolidated statement of financial position as at 31 December 2014;
2. the following consolidated statements for 2014: statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

The Company financial statements comprise:

1. the Company balance sheet as at 31 December 2014;
2. the Company profit and loss account for 2014; and

3. the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the “Our responsibilities for the audit of the financial statements” section of our report.

We are independent of Catalis SE in accordance with the “Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO)” and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the “Verordening gedrags- en beroepsregels accountants (VGBA)”.

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

Materiality

Misstatements can arise from errors or fraud and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgment we determined the materiality for the financial statements as a whole at € 290,000. The materiality is based on 1% of revenue as recorded in the consolidated profit and loss account. We believe that basing our materiality on revenue best reflects what is important for the users of the consolidated financial statements, considering the nature of the entity’s business and industry as well as the entity’s current operations. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Audit Committee that misstatements in excess of € 14,500, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Catalis SE is head of a group of entities. The financial information of this group is included in the consolidated financial statements of Catalis SE.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Scope of the group audit (continued)

Our group audit mainly focused on significant components. We consider a component significant when:

- it is of individual financial significance to the group; or
- the component, due to its specific nature or circumstances, is likely to include significant risks of material misstatement, whether due to fraud or error of the group financial statements.

To this extent we:

- performed audit procedures ourselves at parent company Catalis SE;
- used the work of other auditors (BDO UK) when auditing the UK entities: Catalis Development Services Ltd, Kuju Entertainment Ltd, Kuju Plc, Testronic Laboratories Ltd, Testronic Laboratories N.V. and Zoe Mode Entertainment Ltd;
- performed review procedures or specific audit procedures at other group entities.

We instructed component auditors as to the significant areas to be covered and the information to be reported back. We approved for each component a component materiality adopted by the component auditors. The component materiality ranged between € 65,000 - € 290,000 having regarded size and risk profile of the components audited by the component auditor. We visited the component auditors in the UK. The findings reported to us were discussed in detail, and any further work required by us was then performed by the component auditors.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the audit committee. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of the carrying value of goodwill and other intangibles

At 31 December 2014, the group held goodwill of € 15.1m and other intangibles in the form of intellectual property of € 0.4m. Other intangibles include downloadable self-published game licenses of € 0.2m and capitalized game development costs, relating to platforms, of € 0.2m. The amount of these balances together with the inherent judgements required to be made when performing an impairment review have resulted in us considering this a key audit matter.

We challenged the Board of Directors' assumptions used in the company's impairment model for goodwill and other intangibles, described in note 10 to the consolidated financial statements, including specifically the cash flow projections, discount rate, perpetuity growth rates and sensitivities used. We used our BDO valuation specialists to assist us in analyzing the impairment model. Furthermore, we tested the mathematical accuracy of the impairment model and assessed the adequacy of the related disclosures.

Revenue recognition and cut off for work in progress

The following revenue streams are recognized in the consolidated financial statements of Catalis SE and disclosed in note 1 and 2 of the financial statements:

1. Testing (excluding Film & TV) and consulting: Services are provided to customers on a project basis, with the length of projects varying from a few days to a few months. Work is invoiced on a charge-out rate basis each month, based on actual time costs incurred by the company.
2. Testing (Film & TV): Services are provided to customers in three stages. Projects typically last two months and are billed entirely on completion.
3. Games development: The company receives an upfront payment from the publisher (a non-refundable advance royalty), followed by quarterly royalty payments where target sales levels are met/exceeded.

Due to the fact that risk of fraud in revenue recognition is a presumed risk in our audit based on audit requirements, combined with the fact that revenue is the key business driver for this company, we consider revenue to be an important topic for our audit. We reviewed the group's revenue recognition policy to ensure it was in accordance with IAS 18.

We performed testing on a sample of contracts, confirming that amounts recognised in revenue are consistent with the contract, invoices raised and cash received. For a sample of projects ongoing at year end, we checked amounts accrued in work-in-progress, and amounts included in deferred income, to payroll records and contract terms.

We tested the percentage of completion of these projects at reporting date and concluded whether the revenues recognised at year-end are fairly stated, in all material respects. This has been completed through a review of the work performed up to the reporting date and subsequent to the year-end and through discussion with project managers for individual projects.

We have reviewed the Board of Directors' calculation of any accrued royalties and corroborated amounts accrued with reference to post year end royalty statements, where available.

<u>Recognition, Subsequent Measurement and Presentation of Convertible Loan Note Instrument</u>

As disclosed in Note 6 and 17 to the consolidated financial statements, an unsecured convertible loan note instrument ("instrument") amounting to € 2,000,000 bearing a 10% interest was issued by Catalis SE to Leo Capital 1 LLP, an entity managed by Vespa Capital (UK), on 7 May 2014. The instrument matures on 31 March 2019 or can be converted at any time in the manner set out in the agreed conditions into shares at the holder's option at the rate of €2 per ordinary share. If no conversion has taken place by 31 March 2018, the interest rate will increase to 30% per annum (i.e. effective from 1 April 2018).

The treatment of the convertible loan in the financial statements depends on the characteristics and the terms of the loan and the classification into debt or equity components. Based upon this possible treatment, the complexity in the accounting and the amount involved, we consider the convertible loan to be an important topic for our audit.

We have reviewed the convertible loan agreement. We have reviewed the group's analysis of the transaction and the accounting treatment. We have analysed the contracts in order to understand the substance of the transaction. We have reviewed the terms and conditions of the contracts to assess if there are debt and equity components. In order to determine if there are two components, we have performed a fixed-for-fixed test. Based upon the outcomes we have assessed whether the fair value of the entire loan should be split between the fair value of the liability on initial recognition and the remainder being the equity component. We have assessed whether the amount initially attributed to the debt component equals the discounted cash flows. In our assessment we used a market rate of interest that would be payable on a similar debt instrument which does not include an option to convert. We have reviewed the input used by the client in assessing the fair value of the loan for reasonability and applicability. Furthermore, we have audited the presentation of the convertible loan in the balance sheet.

<u>Going concern, financing and presentation</u>

As disclosed in Note 1 the Group is subject to a number of capital requirements, which are a key determinant of the Group's ability to continue as a going concern. We identified that the most significant assumption in assessing the Group's ability to continue as a going concern was the expected future profitability of the Group as a whole, as the key determinant of the forecasted capital position. The calculations supporting the assessment require the Board of Directors to make highly subjective judgments which is why this is an important topic for our audit. The calculations are based on estimates of future performance, and are fundamental to assessing the suitability of the basis adopted for the preparation of the financial statements. We have therefore spent significant audit effort, including the time of senior members of our audit team, in assessing the appropriateness of this assumption.

Going concern, financing and presentation (continued)

As at the 2013 and 2012 reporting dates, the group had breached one of its bank covenants (leverage ratio) and needed to obtain waiver letters from the bank to confirm the financing would continue to be available over the contracted facility periods.

During the year a number of the facilities were renegotiated which allowed the Company to increase their operational headroom. After year-end a waiver from the banks was obtained with respect to the breach of the agreed leverage ratio covenant.

Our audit of the going concern assumption and presentation of financing in the annual accounts has focussed on:

- review of compliance with bank covenants and agreed ratios during the year and as at the year end and review of forecasted ratios based on the 2015 forecasts;
- review of any modifications to the group’s new financing facilities;
- review of the waiver from the bank;
- review of the group’s cash flow forecasts, including forecast covenant compliance, for a period of not less than 12 months from the date of signing the auditor’s report; and
- intentions of the Board of Directors for the future strategy and focus of the business.

Management override of controls

Management is in a unique position to perpetrate fraud because of management’s ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively; which is why we consider this to be a key audit matter.

In accordance with ISA 240 “Auditors’ responsibilities relating to fraud”, we performed audit procedures in order to address the risk of management override of controls. The audit team and component auditors performed the following procedures in order to address this risk:

- review of manually prepared journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- review of accounting estimates on significant financial statement areas for evidence of bias;
- review of the consistency of the application of management judgements and estimates;
- review of the consistency of the application of accounting policies, especially with respect to deferred revenues and intangibles;
- evaluation of transactions, if any, that are outside the normal course of business;
- assessment of user access reviews and user management controls.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Audit Committee, being part of the Board of Directors, is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

Our responsibilities for the audit of the financial statements (continued)

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibilities for the audit of the financial statements (continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not mentioning it is in the public interest.

Report on other legal and regulatory requirements

Report on the management board report and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the management board report and other information):

- we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- we report that the management board report, to the extent we can assess, is consistent with the financial statements.

Engagement

We were engaged by the Board of Directors as auditor of Catalis SE in December 2012 for the financial year 2012 and have operated as statutory auditor ever since that date. Our engagement for the financial year 2014 was agreed and confirmed by the Audit Committee on 15 January 2015.

Amstelveen, 12 May 2015

For and on behalf of BDO Audit & Assurance B.V.,

Sgd.

J.A. de Rooij RA

Imprint

Catalis SE
Headquarters
Geldropseweg 26-28
5611 SJ Eindhoven
Netherlands
t: +31 (0) 40 213 59 30
f: +31 (0) 40 213 56 04
info@catalisgroup.com