



Financial statements for the year ended 31/12/2014



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Consolidated financial statements as at 31/12/2014



EXPERT SYSTEM GROUP

Consolidated financial statements as at 31/12/2014

BALANCE SHEET

ASSETS	31/12/2014	31/12/2013
A) SUBSCRIBED CAPITAL, UNPAID		
Total subscribed capital, unpaid	0	0
B) FIXED ASSETS		
<i>I - Intangible fixed assets</i>		
1) Start-up and expansion costs	589,021	12,031
2) Costs of research, development and advertising	3,994,152	2,380,535
3) Industrial patent and intellectual property rights	21,562	24,001
4) Concessions, licences, trademarks and similar rights	4,214	1,796

5) Goodwill	20,066	26,755
7) Other	10,940	17,325
Total intangible fixed assets (I)	4,639,955	2,462,443

II - Tangible fixed assets

1) Land and buildings	395,999	407,087
2) Plant and machinery	26,231	5,407
4) Other assets	269,834	210,031
Total tangible fixed assets (II)	692,064	622,525

III - Non-current financial assets

1) Equity investments		
a) subsidiaries	46,144	0
b) associates	281,673	0
d) other companies	59,138	9,138
Total equity investments (1)	386,955	9,138
Total non-current financial assets (III)	386,955	9,138

Total fixed assets (B)	5,718,974	3,094,106
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C) CURRENT ASSETS*I) Inventories*

3) Contract work in progress	1,562,783	476,015
Total inventories (I)	1,562,783	476,015

II) Receivables

1) Due from customers		
Within 12 months	7,865,708	5,690,126
Total receivables due from customers (I)	7,865,708	5,690,126
2) Due from subsidiaries		
Within 12 months	87,241	668,690
After 12 months	726,787	26,787
Total receivables due from subsidiaries (2)	814,028	695,477

4-bis) Tax receivables		
Within 12 months	38,348	146,507
After 12 months	102,257	126,524
Total tax receivables (4-bis)	140,605	273,031
4-ter) Prepaid taxes		
Within 12 months	6,783	7,426
After 12 months	42,608	51,801
Total prepaid taxes (4-ter)	49,391	59,227
5) Other receivables		
Within 12 months	2,544,647	4,672,019
After 12 months	6,290,681	4,919,872
Total other receivables (5)	8,835,328	9,591,891
Total receivables (II)	17,705,060	16,309,752
<i>III - Current financial assets</i>		
1) Equity investments in subsidiaries	4,153,074	1,133,650
4) Other equity investments	8,400	8,400
5) Treasury shares	89,163	0
6) Other securities	4,073,169	0
Total current financial assets (III)	8,323,806	1,142,050
<i>IV - Cash and cash equivalents</i>		
1) Bank and postal deposits	4,898,970	3,333,024
3) Cash at bank and in hand	1,370	1,501
Total cash and cash equivalents (IV)	4,900,340	3,334,525
Total current assets (C)	32,491,989	21,262,342
D) ACCRUALS AND DEFERRALS		
Accrued income and prepaid expenses	189,002	169,918
Total accruals and deferrals (D)	189,002	169,918
TOTAL ASSETS	38,399,965	24,526,366

BALANCE SHEET

LIABILITIES	31/12/2014	31/12/2013
A) SHAREHOLDERS' EQUITY		
I - Share capital	219,497	144,000
II - Share premium reserve	13,768,730	1,468,843
III - Revaluation reserves	0	0
IV - Legal reserve	40,067	28,800
V - Statutory reserves	0	0
VI - Reserve for treasury shares in portfolio	89,163	0
<i>VII) Other reserves, indicated separately</i>		
Extraordinary or optional reserve	3,711,110	3,592,196
Merger surplus reserve	376,622	376,622
Miscellaneous other reserves	233,252	126,756
Total other reserves	4,320,984	4,095,574
VIII - Retained earnings (losses)	-1,569,154	-475,229
<i>IX - Profit (loss) for the year</i>		
Profit (loss) for the year	88,529	-605,169
Residual profit/(loss)	88,529	-605,169
Total shareholders' equity	16,957,816	4,656,819
<i>Shareholders' equity pertaining to minority shareholders</i>		
Minority interests in capital and reserves	0	0
Profit (loss) for the year pertaining to minority shareholders	0	0
Total shareholders' equity pertaining to minority shareholders	0	0
Total consolidated shareholders' equity	16,957,816	4,656,819
B) PROVISIONS FOR RISKS AND CHARGES		
1) Pensions and similar obligations	1,969	836

2) Taxation, including deferred	83,158	6,340
3) Other	149,262	160,000
Total provisions for risks and charges (B)	234,389	167,176
C) EMPLOYEE SEVERANCE INDEMNITY	1,126,002	948,598
D) PAYABLES		
4) Payables due to banks		
Within 12 months	2,647,115	2,693,555
After 12 months	4,381,995	4,462,615
Total payables due to banks (4)	7,029,110	7,156,170
5) Payables due to other lenders		
Within 12 months	293,183	291,472
After 12 months	416,608	709,791
Total payables due to other lenders (5)	709,791	1,001,263
6) Payments on account		
Within 12 months	1,721,747	1,524,588
After 12 months	1,644,448	1,512,933
Total payments on account (6)	3,366,195	3,037,521
7) Trade payables		
Within 12 months	1,913,788	1,109,165
Total trade payables (7)	1,913,788	1,109,165
12) Tax payables		
Within 12 months	1,454,606	718,443
Total tax payables (12)	1,454,606	718,443
13) Payables due to social security institutions		
Within 12 months	235,348	199,194
Total payables due to social security institutions (13)	235,348	199,194
14) Other payables		
Within 12 months	934,723	943,140

Total other payables (14)	934,723	943,140
Total payables (D)	15,643,561	14,164,896
E) ACCRUALS AND DEFERRALS		
Accrued expenses and deferred income	4,438,197	4,588,877
Total accruals and deferrals (E)	4,438,197	4,588,877
TOTAL LIABILITIES	38,399,965	24,526,366

MEMORANDUM ACCOUNTS

	31/12/2014	31/12/2013
Risks assumed by the company		
Sureties		
to subsidiaries	300,000	400,000
to other companies	6,952,948	3,594,100
Total sureties	7,252,948	3,994,100
Other risks		
Total risks assumed by the company	7,252,948	3,994,100
TOTAL MEMORANDUM ACCOUNTS	7,252,948	3,994,100

INCOME STATEMENT

	31/12/2014	31/12/2013
A) VALUE OF PRODUCTION		
1) Sales and service revenues	11,967,532	10,865,634
3) Changes in contract work in progress	1,086,768	-245,498
4) Own work capitalised	3,041,447	2,255,895
5) Other revenues and income		
Other	548,371	442,266
Operating grants	528,777	59,049
Total other revenues and income (5)	1,077,148	501,315
Total value of production (A)	17,172,895	13,377,346
B) COSTS OF PRODUCTION		
6) Raw materials, consumables and goods for resale	350,063	669,804
7) For services	7,229,182	5,601,269
8) Use of third-party assets	583,718	517,337
9) Personnel:		
a) Salaries and wages	5,087,754	3,995,922
b) Social security costs	1,174,087	1,034,337
c) Employee severance indemnity	288,312	274,484
e) Other costs	34,679	21,141
Total personnel costs (9)	6,584,832	5,325,884
10) Amortisation, depreciation and write-downs:		
a) Amortisation of intangible fixed assets	1,512,309	956,305
b) Depreciation of tangible fixed assets	145,786	107,809
d) Write-down of receivables included in current assets and of cash and cash equivalents	41,665	36,493
Total amortisation, depreciation and write-downs (10)	1,699,760	1,100,607
12) Provisions for risks	30,000	0
14) Sundry operating expenses	85,933	48,333
Total costs of production (B)	16,563,488	13,263,234

Difference between the value and costs of production (A-B)	609,407	114,112
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C) FINANCIAL INCOME AND EXPENSES

16) Other financial income:

a) from receivables classified as fixed assets

From subsidiaries	57	0
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Total financial income from receivables classified as fixed assets	57	0
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c) From securities included in current assets	0	998
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d) Other income

Other	131,847	27,038
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Total other income (d)	131,847	27,038
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Total other financial income (16)	131,904	28,036
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17) Interest and other financial expenses

Other	337,049	392,479
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Total interest and other financial expenses (17)	337,049	392,479
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17-bis) Exchange gains and losses	233,778	-35,833
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Total financial income and expenses (C) (15+16-17+-17-bis)	28,633	-400,276
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D) VALUE ADJUSTMENTS OF FINANCIAL ASSETS

18) Revaluations:

a) of equity investments	0	-7,807
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Other	0	-7,807
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Total revaluations (18)	0	-7,807
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19) Write-downs:

a) of equity investments	0	3,500
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Other	0	3,500
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Total write-downs (19)	0	3,500
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Total value adjustments to financial assets (D) (18-19)	0	-11,307
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E) EXTRAORDINARY INCOME AND EXPENSES

20) Income		
Other	215,363	149,945
Total income (20)	215,363	149,945
21) Expenses		
Other	156,106	92,156
Total expenses (21)	156,106	92,156
Total extraordinary items (E)	59,257	57,789
PRE-TAX RESULT (A-B+-C+-D+-E)	697,297	-239,682
22) Income taxes for the year – current, deferred and prepaid		
Current taxes	552,114	365,706
Prepaid taxes	-9,835	6,559
Deferred taxes	46,819	6,340
Total income taxes for the year (22)	608,768	365,487
23) Profit (loss) for the year	88,529	-605,169
Profit (loss) for the year pertaining to minority shareholders	0	0
Group profit (loss) for the year	88,529	-605,169



Explanatory notes to the consolidated financial

statements for the year ended 31/12/2014



EXPERT SYSTEM GROUP

Explanatory notes to the consolidated financial statements for the year ended 31/12/2014

Form and content of the financial statements

The consolidated financial statements as at 31/12/2014, comprising the balance sheet, income statement and explanatory notes have been drawn up in compliance with Italian Legislative Decree No. 127/1991 supplemented, with regard to the aspects not specifically envisaged by the decree, by the national accounting standards published by the Italian Accounting Body (OIC) and, in the

absence thereof, by those of the International Accounting Standard Board (IASB) and the Financial Accounting Standards Board (FASB); they are accompanied by the Report on operations.

They are also accompanied by the following documents:

- List of the companies included in the consolidated financial statements and of the equity investments;
 - Companies consolidated line-by-line (pursuant to art. 26)
 - Other equity investments in subsidiaries and associates
- Statement of reconciliation between shareholders' equity and profit/(loss) for the year of the parent company and the corresponding consolidated balances
- Cash flow statement

The amounts are expressed in units of Euro.

The financial statements of the companies included in the scope of consolidation have been drawn up by the respective management bodies on the basis of the accounting standards mentioned above.

Exceptions

No exceptional cases were identified that required recourse to the exceptions set forth under art. 29, sections 4 and 5 of Italian Legislative Decree No. 127/1991.

Scope of consolidation - Consolidation and conversion standards

The consolidated financial statements comprise the financial statements of **EXPERT SYSTEM SPA** and of the Italian and foreign companies over which it directly or indirectly exercises control.

The assets and liabilities of the consolidated companies are included on a line-by-line basis. The book value of the equity investments held by the parent company and by the other companies included in the scope of consolidation is eliminated against the related shareholders' equity. The difference between the purchase cost and the shareholders' equity at current value of the investee companies as of the date control is acquired is distributed, where possible, to the assets and liabilities of the investees; any remaining difference, if positive, is recognised in the item "Consolidation difference" under intangible fixed assets and amortised on a straight-line basis over a period of five years in relation to the estimate of the period in which this value will contribute to

the production of economic results.

If an excess of the shareholders' equity is recognised with respect to the acquisition costs, after having possibly reduced the values of the fixed assets and having established the "Consolidation provision for future risks and charges" for estimated liabilities, this would be credited to consolidated shareholders' equity under the item "Consolidation reserve". The portion of shareholders' equity pertaining to minority shareholders of the consolidated subsidiaries is recorded in the item "Minority interests in capital and reserves" under shareholders' equity, while the portion of the net result pertaining to the same is indicated separately in the consolidated income statement in the item "Profit (loss) for the year pertaining to minority shareholders".

The equity investment in the associate CY4Gate Srl has been carried at cost because financial statement data as at 31/12/2014 is not available as the company was established on 11/12/2014 and the first accounting period ends as at 31/12/2015.

The following companies have been excluded from the scope of consolidation: ADMANTX SPA, with headquarters in Naples, which the Group directly controls, and ADMANTX INC with headquarters in the USA, which the Group indirectly controls. The equity investment in Admantx Spa as at 31/12/2014 is not considered functional with regard to the group's objectives and in fact, since the last quarter of 2014, scouting activities have been underway via a specialised advisor for the purpose of identifying a strategic partner, of an industrial and/or financial nature, to whom a significant or total holding in the company may be transferred, which permits Admantx to more fully express its potential on a market such as that of ADTech which has features and methods very different from the Expert System business model.

Expert System Iberia SL has been excluded from the scope of consolidation because it was established on 21/11/2014 and remained dormant until 23/12/2014. Furthermore, as of the date of drafting of these consolidated financial statements, the subsidiary Expert System Iberia SL had not yet closed the financial statements as at 31/12/2014.

The financial statements of the foreign companies are converted into Euro according to the following criteria:

- the assets and liabilities at the exchange rate in force as of the period end date;
- the income and expenses by applying the average of the period exchange rates;
- the shareholders' equity components at the rate in force in the related formation period.

The exchange differences deriving from the conversion of the closing shareholders' equity using the original formation exchange rates with respect to those in force as of the balance sheet date are booked directly to shareholders' equity, together with the differences between the economic result expressed using the average exchange rates and the economic result expressed in Euro using the exchange rates in force as of the end of the period to the item "Conversion reserves", included under the item "Other reserves".

The payable and receivable items and those concerning costs and revenues between the companies included in the scope of consolidation, are eliminated. In detail, the gains and losses deriving from transactions between Group companies not yet realised vis-à-vis third parties are eliminated, if significant.

The annual financial statements of the individual companies approved by the shareholders' meeting or drawn up by the Board of Directors for approval, have been reclassified and adjusted if necessary to align them with the accounting standards adopted by the Group.

Measurement criteria

The measurement criteria adopted for the drafting of the consolidation financial statements are in line with those used by the parent company, supplemented where necessary by the accounting standards adopted for specific consolidated financial statement items.

The measurement of the individual items is carried out on a prudent basis and with a view to the business as a going-concern, and taking into account the economic function of the asset and liability elements on the basis of the principle of prevalence of substance over form.

The measurement criteria adopted are unchanged with respect to those used in the previous year.

In particular, the measurement criteria adopted were as follows.

Intangible fixed assets

Intangible fixed assets are recognised at purchase or production cost, inclusive of any accessory charges, and are amortised systematically in relation to the residual possible useful life, possibly written down if as at the year end date the estimated recovery value of the fixed assets is permanently lower than the cost.

Tangible fixed assets

Tangible fixed assets are recognised at purchase or production costs net of the related accumulated depreciation, including all the costs and accessory charges directly attributable.

The cost is revalued in accordance with monetary revaluation laws and, in any event, does not exceed the market value.

The cost of the fixed assets whose use is limited over time is systematically depreciated each year on the basis of the economic-technical rates established in relation to the residual possible useful life.

In the event that, irrespective of the depreciation already recognised, permanent losses in value (impairment) are registered, the fixed assets are written down in relation to the residual possibility of use. If the reasons for the write-downs no longer exist in subsequent years, the original value is written back. Fixed assets in progress and payments on account to suppliers are recorded under the assets on the basis of the cost incurred and/or the payment on account made inclusive of the directly attributable costs.

Non-current financial assets

Equity investments in associates are measured at cost since the financial statements as at 31/12/2014 are not available, because the associate CY4GATE SRL was established on 11/12/2014 and closes its first accounting period on 31/12/2015.

The other equity investments and other securities are recognised at purchase and/or subscription cost, inclusive of accessory charges, and are written down in the presence of permanent losses in value (impairment), calculated taking into account the respective listings as well for listed securities.

Current financial assets

Securities held over the short-term for investment have been measured at purchase/subscription cost or the value taken from market trends, whichever is the lower.

Inventories

Contract work in progress has been measured adopting the percentage of completion criterion:

costs, revenues and the job profit are recognised on the basis on the progress of production activities. For the application of this criterion the hours worked method is adopted.

Receivables

The receivables are recognised at estimated realisable value via allocations to the bad debt provision, recorded as a direct deduction from the asset and determined in relation to the risk of loss emerging from specific analysis of the individual positions and in relation to the past performance of the losses on receivables, as well as the country risk.

Current financial assets

The equity investments and securities which do not represent fixed assets are recognised at purchase cost or estimated realisable value taken from market trends, whichever is the lower.

The receivables recorded under financial assets are stated at estimated realisable value. This value has been established by adjusting the face value of the existing receivables so as to take into account all the risks of non-collection.

Cash and cash equivalents

Cash and cash equivalents at year end are valued at face value.

Accruals and deferrals

Accrued income and prepaid expenses, and accrued expenses and deferred income are recognised on an accruals basis.

Provisions for risks and charges

Provisions for risks and charges are set aside to cover losses or payables which are certain or likely to exist but, in respect of which, the amount or date of occurrence cannot be determined at year-end.

The provisions reflect the best possible estimate on the basis of the elements available.

The pension provision is established to cover the commitments accrued at period end vis-à-vis those with the right to a pension.

The provision for taxation includes the deferred tax liabilities associated with consolidation

adjustments, when the effective manifestation with regard to one of the subsidiaries is probable.

Employee severance indemnity

This reflects the liability, subject to revaluation by means of specific indices and net of the advance paid out, accrued by all the employees of the Group at year end, in compliance with the provisions of the law and current employment agreements.

Payables

Payables recognised under balance sheet liabilities are stated at their face value, deemed representative of their discharge value.

Criteria for the translation of amounts stated in foreign currency

Receivables and payables outstanding at the end of the year, originally expressed in currencies of countries not complying with the Euro, are expressed in the financial statements at the exchange rate in force at the end of the period. Profits and losses on the translation of the receivables and payables mentioned above using the exchange rate as of the balance sheet date are respectively credited and charged to the income statement.

Commitments, guarantees and risks

The commitments and guarantees are indicated in the memorandum accounts at their contractual value.

Amounts have been set aside in the specific provisions for risks in relation to which manifestation of a liability is certain or probable.

The risks for which the manifestation of a liability is only possible are described in the explanatory notes without making any provision for risks.

Costs and revenues

These are stated on a prudent basis in accordance with the accruals principle.

Income taxes for the year

Current income taxes are recognised, for each company, on the basis of the estimate of the taxable income in compliance with the rates and current provisions as of the period end date in each country, taking into account any applicable exemptions and the tax credits possible due.

Prepaid and deferred taxes are calculated on the timing differences between the value assigned to an asset or liability in the financial statements and the corresponding values recognised for tax purposes, on the basis of the rates in force at the time the timing differences will reverse. Prepaid taxes are only recognised if reasonable certainty exists with respect to their future recoverability.

Information on the Balance Sheet

Intangible fixed assets

Intangible fixed assets amount to € 4,639,955 (€ 2,462,443 in the previous year).

The breakdown and the changes in the individual items are presented as follows:

	Start-up and expansion costs	Costs of research, development and advertising	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Goodwill	Consolidation difference	Intangible fixed assets in progress and payments on account	Other intangible fixed assets	Total intangible fixed assets
Opening balance									
Cost	50,407	9,539,020	570,169	14,085	33,444	-	-	38,464	10,245,589
Amortisation (Acc. amortisation)	38,376	7,158,485	546,168	12,289	6,689	-	-	21,139	7,783,146
Book value	12,031	2,380,535	24,001	1,796	26,755	-	-	17,325	2,462,443
Changes during the year									
Increases for purchases	725,918	3,041,447	5,766	3,127	-	-	-	-	3,776,258
Amortisation for the year	148,928	1,341,393	8,205	705	6,689	-	-	6,385	1,512,309
Other changes	-	86,437	-	-	-	-	-	-	86,437
Total changes	576,990	1,613,617	2,439	2,412	6,689	-	-	6,385	2,177,512
Closing balance									
Cost	775,320	12,466,953	575,935	17,212	33,444	-	-	38,464	13,907,328
Amortisation (Acc. amortisation)	186,298	8,472,801	554,373	12,998	13,378	-	-	27,524	9,267,373
Book value	589,021	3,994,152	21,562	4,214	20,066	-	-	10,941	4,639,955

The item “Other intangible fixed assets”, which includes residual balances which cannot be classified in the previous items, amounts to € 10,941 (€ 17,325 in the previous year), and is made up as follows:

	Opening balance	Closing balance	Change
Leasehold improvements	1,545	877	(668)
Substitute tax on loans	10,817	7,601	(3,216)
Loan fees	4,963	2,463	(2,500)
Total	17,325	10,941	(6,384)

In relation to the matters laid down by art. 38.1, letter d) of Italian Legislative Decree No. 127/1991, the breakdown of the start-up and expansion costs and research, development and advertising costs is illustrated in the following tables.

Breakdown of start-up and expansion costs

	Opening balance	Increases in the year	Amortisation in the year	Closing balance	Change
Establishment / article of association amendment costs	0	1,053	205	848	848
Extraordinary transaction costs (mergers, etc.)	10,367	0	3,494	6,873	-3,494
Admission to stock market listing	1,664	724,865	145,229	581,300	579,636
Total	12,031	725,918	148,928	589,021	576,990

The increase in start-up and expansion costs includes € 724,865 relating to the capitalisation of the AIM listing admission costs incurred by the parent company.

Breakdown of costs of research, development and advertising:

	Opening balance	Increases in the year	Amortisation in the year	Other decreases	Closing balance	Change
Increase in production	2,380,534	3,041,447	1,341,393	86,437	3,994,151	1,613,617
Total	2,380,534	3,041,447	1,341,393	86,437	3,994,151	1,613,617

The increase realised in 2014 with regard to research and development costs totalling € 3,041,447, is entirely represented by the capitalisation carried out by the parent company in 2014 of costs relating to personnel employed in research and development activities, as illustrated in detail in the explanatory notes of the parent company.

The costs recorded are reasonably correlated to long-term benefit over several years, and are systematically amortised in relation to their residual useful life.

Tangible fixed assets

Tangible fixed assets amount to € 692,064 (€ 622,525 in the previous year).

The breakdown and the changes in the individual items are presented as follows:

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Tangible fixed assets in progress and payments on account	Total tangible fixed assets
Balance at start of the year						
Cost	456,980	187,550	1,558	1,155,906	0	1,801,994
Depreciation (accumulated depreciation)	49,893	182,143	1,558	945,875	0	1,179,469
Book value	407,087	5,407	0	210,031	0	622,525
Changes in the year						
Depreciation in the year	11,087	5,117	0	129,582	0	145,786
Other changes	-1	25,941	0	189,385	0	215,325
Total changes	-11,088	20,824	0	59,803	0	69,539
Balance at end of the year						
Cost	456,979	213,491	1,558	1,343,079	0	2,015,108
Depreciation (accumulated depreciation)	60,980	187,260	1,558	1,073,245	0	1,323,044
Book value	395,999	26,231	0	269,834	0	692,064

The item "Other assets", which includes the residual values which cannot be classified in the previous items, amounts to € 269,834 (€ 210,031 in the previous year).

Non-current financial assets - Equity investments

The equity investments not included in the scope of consolidation, since they are irrelevant or carry out activities dissimilar to those of the group, included under non-current financial assets amounted to € 386,955 (€ 9,138 in the previous year).

The breakdown and the changes in the individual items are presented as follows:

	Equity investments in subsidiaries	Equity investments in associates	Equity investments in parent companies	Equity investments in other companies	Other securities	Treasury shares	Total equity investments
Balance at start of the year							
Cost	0	3,500	0	9,138	0	0	12,638
Write-downs	0	3,500	0	0	0	0	3,500
Book value	0	0	0	9,138	0	0	9,138
Changes in the year							
Increases due to purchases	47,392	281,673	0	50,000	0	0	379,065
Reclassifications	1,133,651	0	0	0	0	0	1,133,651
Other changes	-1,134,899	0	0	0	0	0	-1,134,899
Total changes	46,144	281,673	0	50,000	0	0	377,817
Balance at end of the year							
Cost	46,144	285,173	0	59,138	0	0	390,455
Write-downs	0	3,500	0	0	0	0	3,500
Book value	46,144	281,673	0	59,138	0	0	386,955

Changes in equity investments in subsidiaries are justified as follows:

- the reduction is due to the reclassification of the equity investment in Admantx Spa under current assets and no longer under long-term assets. The reason for this differing classification with respect to the previous year can be found in the changed purpose for the holding of the equity investment by Expert System Spa.

The equity investment in Admantx Spa as at 31/12/2014 is no longer considered functional with regard to the group's objectives and in fact, since the last quarter of 2014, scouting activities have been underway via a specialised advisor for the purpose of identifying a strategic partner, of an industrial and/or financial nature, to whom a significant or total holding in the company may be transferred, which permits Admantx to more fully express its potential on a market such as that of ADTech which has features and methods very different from the Expert System business model.

- the increase is due to the purchase of new controlling equity investments in the companies EXPERT SYSTEM COGITO Ltd, with headquarters in London (UK) for € 1,248, and EXPERT SYSTEM IBERIA SL, with headquarters in Barcelona (Spain) for € 46,144.

The change in equity investments in associates concerns the purchase of the equity investment in CY4GATE SRL with headquarters in Rome (Italy) for € 281,673.

The change in equity investments in other companies concerns the purchase of the equity investment in Buzzoole Srl, with headquarters in Via Giovanni Paolo II 100, Fisciano (SA), equating to 1.852% of the share capital.

The item “equity investments in other companies” is made up of the following:

- equity investment in Okkam Srl € 1,000
- Conai € 5
- ICT Sud € 133
- Semantic Valley € 2,000
- Confidimpresa € 5,000
- Trentino technology district € 1,000
- equity investment in Buzzoole Srl € 50,000

Current assets - Inventories

Inventories included under current assets amount to € 1,562,783 (€ 476,015 in the previous year).

The breakdown and the changes in the individual items are presented as follows:

	Raw materials and consumables	Work in progress and semi-finished products	Contract work in progress	Finished products and goods for resale	Payments on account	Total inventories
Balance at start of the year	0	0	476,015	0	0	476,015
Change during the year	0	0	1,086,768	0	0	1,086,768

Balance at end of the year	0	0	1,562,783	0	0	1,562,783
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Current assets - Receivables

Receivables included under current assets amount to € 17,705,060 (€ 16,309,752 in the previous year).

The breakdown is as follows:

Breakdown of current receivables:

	Nominal value	Bad debt provision	Bad debt provision - default interest	Net value
Due from customers - within 12 months	8,221,767	356,059	0	7,865,708
Due from subsidiaries - within 12 months	87,241	0	0	87,241
Due from subsidiaries - after 12 months	726,787	0	0	726,787
Tax receivables - within 12 months	38,348	0	0	38,348
Tax receivables - after 12 months	102,257	0	0	102,257
Prepaid taxes - within 12 months	6,783	0	0	6,783
Prepaid taxes - after 12 months	42,608	0	0	42,608
Other receivables - within 12 months	2,544,647	0	0	2,544,647
Other receivables - after 12 months	6,290,681	0	0	6,290,681
Total	18,061,119	356,059	0	17,705,060

Additional information with regard to “Receivables for prepaid taxes” is provided in the section “Prepaid and deferred taxation”.

Current assets - Financial assets

Current financial assets amount to € 8,323,806 (€ 1,142,050 in the previous year).

The breakdown and the changes in the individual items are presented as follows:

	Current equity investments in subsidiaries	Current equity investments in associates	Current equity investments in parent companies	Other current equity investments	Current treasury shares	Other current securities	Total current financial assets
Balance at start of the year	1,133,650	0	0	8,400	0	0	1,142,050
Changes in the year	3,019,424	0	0	0	89,163	4,073,169	7,181,756
Balance at end of the year	4,153,074	0	0	8,400	89,163	4,073,169	8,323,806

Current assets - Cash and cash equivalents

Cash and cash equivalents included under current assets amount to € 4,900,340 (€ 3,334,525 in the previous year).

The breakdown and the changes in the individual items are presented as follows:

	Bank and postal deposits	Cheques	Cash at bank and in hand	Total cash and cash equivalents
Balance at start of the year	3,333,024	0	1,501	3,334,525
Change during the year	1,565,946	0	-131	1,565,815
Balance at end of the year	4,898,970	0	1,370	4,900,340

Receivables - broken down by maturity

The information relating to the breakdown of the receivables by maturity is presented below, in accordance with art. 38.1, letter e) of Italian Legislative Decree No. 127/1991:

	Current receivables due from customers	Current receivables due from subsidiaries	Current receivables due from associates	Current receivables due from parent companies	Current tax receivables	Current prepaid tax assets	Other current receivables	Total current receivables
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Balance at start of the year	5,690,126	695,477	0	0	273,031	59,227	9,591,891	16,309,752
Change during the year	2,175,582	118,551	0	0	-132,426	-9,836	-756,563	1,395,308
Balance at end of the year	7,865,708	814,028	0	0	140,605	49,391	8,835,328	17,705,060
Portion due after 5 years	0	0	0	0	0	0	0	0

Accrued income and prepaid expenses

Accrued income and prepaid expenses amount to € 189,002 (€ 169,918 in the previous year).

The breakdown and the changes in the individual items are presented as follows:

Accrued income and prepaid expenses:

	Discount on loans	Accrued income	Other prepaid expenses	Total accrued income and prepaid expenses
Balance at start of the year	0	1,656	168,262	169,918
Change during the year	0	-1,656	20,740	19,084
Balance at end of the year	0	0	189,002	189,002

Breakdown of prepaid expenses:

	Amount
RENT AND LEASES	5,618
VEHICLES INSURANCE	871
NON-DEDUCTIBLE INSURANCE	3,906
MOTORCYCLE INSURANCE AND ROAD TAX	19
INSURANCE FOR EMPLOYEES ABROAD	52
MISCELLANEOUS INSURANCE - OFFICE	17,403
RENTED VEHICLE FUEL	144
SURETY COMMISSION	47,834
LOAN FEES	6,732

SALES CONSULTANCY - ITALY	5,819
STRATEGIC CONSULTANCY	9,532
TECHNICAL CONSULTANCY - ITALY	3,326
BOOKS, MAGAZINES AND SUBSCRIPTIONS	1,724
MAINTENANCE	1,040
ADVERTISING MATERIAL	34
RENTAL	12,393
PUBLIC RELATIONS	5,301
MEMBERSHIP FEES	871
RESEARCH, EDUCATION, TRAINING	4,740
ADMINISTRATIVE SERVICES	1,616
COMMERCIAL SERVICES	1,857
CLEANING SERVICES	84
AIM LISTING SERVICES	9,836
SOFTWARE	6,209
BANK CHARGES AND FEES	3,546
INTERNET COSTS	29,358
EXPENSES FOR RENTAL SERVICES	6,237
TELEPHONE EXPENSES	1,617
OTHER PREPAID EXPENSES	1,283
Total	189,002

Shareholders' equity

The shareholders' equity existing at the end of the year amounted to € 16,957,816 (€ 4,656,819 in the previous year).

The following tables disclose the change during the year in the individual items which make up the shareholders' equity and the breakdown of the item "Other reserves".

	Balance at start of the year	Allocation of dividends	Other allocations	Increases	Decreases	Reclassifications	Profit/loss for the year	Balance at end of the year
Share capital	144,000	0	0	75,497	0	0		219,497
Share premium reserve	1,468,843	0	0	12,299,887	0	0		13,768,730
Legal reserve	28,800	0	0	11,267	0	0		40,067
Reserve for treasury shares in portfolio	0	0	0	89,163	0	0		89,163

Other reserves								
Extraordinary or optional reserve	3,592,196	0	0	214,077	95,163	0		3,711,110
Merger surplus reserve	376,622	0	0	0	0	0		376,622
Miscellaneous other reserves	126,756	0	0	106,497	0	0		233,252
Total other reserves	4,095,574	0	0	320,573	95,163	0		4,320,984
Retained earnings (losses)	-475,229	0	0	-1,093,925	0	0		-1,569,154
Profit (loss) for the year	-605,169	0	605,169				88,529	88,529
Total shareholders' equity	4,656,819	0	605,169	11,702,462	95,163	0	88,529	16,957,816
Shareholders' equity pertaining to minority shareholders								
Total consolidated shareholders' equity	4,656,819	0	605,169	11,702,462	95,163	0	88,529	16,957,816

	Description	Amount
	PIA RESERVE	141,000
	TRANSLATION RESERVE	92,253
Total		233,253

In order to be able to better understand the changes in shareholders' equity, the movements during the previous year in the shareholders' equity items are illustrated below:

	Balance at start of the year	Allocation of dividends	Other allocations	Increases	Decreases	Reclassifications	Profit/loss for the year	Balance at end of the year
Share capital	144,000	0	0	0	0	0		144,000
Share premium reserve	1,468,843	0	0	0	0	0		1,468,843
Legal reserve	28,800	0	0	0	0	0		28,800
Other reserves								
Extraordinary or optional reserve	3,592,196	0	0	516,611	0	-516,611		3,592,196
Merger surplus	0	0	0	0	0	376,622		376,622

reserve								
Miscellaneous other reserves	0	0	0	126,757	0	-1		126,756
Consolidation reserve	0	0	0	0	0	-475,229		-475,229
Total other reserves	3,592,196	0	0	643,368	0	-615,219		3,620,345
Profit (loss) for the year	696,611	101,000	-595,611				-605,169	-605,169
Total shareholders' equity	5,930,450	101,000	-595,611	643,368	0	-615,219	-605,169	4,656,819
Shareholders' equity pertaining to minority shareholders								
Total consolidated shareholders' equity	5,930,450	101,000	-595,611	643,368	0	-615,219	-605,169	4,656,819

Share capital

Share capital is composed as follow:

Shares issued by the company by category	SHARES WITH NO PAR VALUE	TOTAL
Opening balance, number	21,949,680	21,949,680
Closing balance, number	21,949,680	21,949,680

Other reserves

The composition of the other reserves is as follows:

	Opening balance	Use to cover losses	Other changes	Closing book balance
Extraordinary or optional reserve	3,592,196	0	118,914	3,711,110

Merger surplus reserve	376,622	0	0	376,622
Miscellaneous other reserves	126,756	0	106,497	233,253
Total	4,095,574	0	225,410	4,320,984

The consolidation reserve represents the negative difference deriving from the replacement of the book value of the equity investments of the parent company in the consolidated companies with the corresponding net capitals at the time of acquisition.

The translation reserve contains the exchange differences deriving from the translation of the foreign subsidiaries.

Summary statement of the usability of the reserves

The information required by Article 2427, section 7 *bis* of the Italian Civil Code relating to the specification of the shareholders' equity items with reference to their origin, possibility of use and distributable nature, as well as their use in previous years, can be gathered from the following tables:

	Amount	Origin/nature	Possibility of use	Available portion	Summary of uses made in the three previous years - for coverage of losses	Summary of uses made in the three previous years - for other reasons
Share capital	219,497			0	0	0
Share premium reserve	13,768,730		share capital increase, coverage of losses, distribution to shareholders	9,125,792	0	0
Legal reserve	40,067			0	0	0
Reserve for treasury shares in portfolio	89,163			0	0	0
Other reserves						
Extraordinary or optional reserve	3,711,110		share capital increase, coverage of losses, distribution to shareholders	3,711,110	0	0
Merger surplus reserve	376,622			376,622	0	0
Miscellaneous other reserves	233,253			0	0	0
Total other reserves	4,320,984			0	0	0

Retained earnings (losses)	-1,569,154			4,087,732	0	0
Total	16,869,287			13,213,524	0	0
Undistributable portion				4,032,421		
Residual distributable portion				9,181,103		

Provisions for risks and charges

Provisions for risks and charges are recorded under the liabilities for a total of € 234,389 (€ 167,176 in the previous year).

The breakdown and the changes in the individual items are presented as follows:

	Pension provision and similar obligations	Provision for taxes, including deferred	Other provisions	Total provisions for risks and charges
Balance at start of the year	836	6,340	160,000	167,176
Changes in the year				
Other changes	1,133	76,818	-10,738	67,213
Total changes	1,133	76,818	-10,738	67,213
Balance at end of the year	1,969	83,158	149,262	234,389

With regard to the information relating to changes in the “Provision for deferred taxation”, please see the section “Prepaid and deferred taxation”.

EMPLOYEE SEVERANCE INDEMNITY

The employee severance indemnity is recorded under the liabilities for € 1,126,002 (€ 948,598 in the previous year).

The breakdown and the changes in the individual items are presented as follows:

	Employee severance indemnity
Balance at start of the year	948,598
Changes in the year	
Provision in the year	288,312

Use in the year	110,908
Total changes	177,404
Balance at end of the year	1,126,002

Payables

The payables are recorded under the liabilities for a total of € 15,644,561 (€ 14,164,896 in the previous year).

The breakdown of the individual items is as follows:

	Opening balance	Closing balance	Change
Payables due to banks	7,156,170	7,029,110	-127,060
Payables due to other lenders	1,001,263	709,791	-291,472
Payments on account	3,037,521	3,366,195	328,674
Trade payables	1,109,165	1,913,788	804,623
Tax payables	718,443	1,454,606	736,163
Payables due to social security institutions	199,194	235,348	36,154
Other payables	943,140	934,723	-8,417
Total	14,164,896	15,643,561	1,478,655

Payables - Broken down by maturity

The information relating to the breakdown of the payables by maturity is presented below, in accordance with art. 38.1, letter e) of Italian Legislative Decree No. 127/1991:

	Balance at start of the year	Change during the year	Balance at end of the year	Of which with a duration of over 5 years
Payables due to banks	7,156,170	-127,060	7,029,110	0
Payables due to other lenders	1,001,263	-291,472	709,791	0
Payments on account	3,037,521	328,674	3,366,195	0

Trade payables	1,109,165	804,623	1,913,788	0
Tax payables	718,443	736,163	1,454,606	0
Payables due to social security institutions	199,194	36,154	235,348	0
Other payables	943,140	-8,417	934,723	0
Total payables	14,164,896	1,478,655	15,643,561	0

Payables backed by collaterals on company assets

The information concerning collaterals on company assets is presented below, in pursuance of art. 38.1, letter e) of Italian Legislative Decree No. 127/1991:

	Payables backed by mortgages	Payables backed by pledges	Payables backed by special liens	Total payables backed by collaterals	Payables not backed by collaterals	Total
Payables due to banks	434,000	0	0	434,000	6,595,110	7,029,110
Payables due to other lenders	0	0	0	0	709,791	709,791
Payments on account	0	0	0	0	3,366,195	3,366,195
Trade payables	0	0	0	0	1,913,788	1,913,788
Tax payables	0	0	0	0	1,454,606	1,454,606
Payables due to social security institutions	0	0	0	0	235,348	235,348
Other payables	0	0	0	0	934,723	934,723
Total payables	434,000	0	0	434,000	15,209,561	15,643,561

Accrued expenses and deferred income

Accrued expenses and deferred income are recorded under the liabilities for a total of € 4,438,197 (€ 4,588,877 in the previous year).

The breakdown and the changes in the individual items are presented as follows:

Accrued expenses and deferred income:

	Accrued expenses	Premium on loans issued	Other deferred income	Total accrued expenses and deferred income

Balance at start of the year	162,899	0	4,425,978	4,588,877
Change during the year	-29,623	0	-121,057	-150,680
Balance at end of the year	133,276	0	4,304,921	4,438,197

Breakdown of accrued expenses:

	Amount
other accrued expenses	133,276
Total	133,276

Breakdown of deferred income:

	Amount
deferred income for research project grants	2,870,802
other deferred income	1,434,119
Total	4,304,921

Memorandum accounts: guarantees, commitments and risks

The memorandum accounts include entries relating to risks, commitments and guarantees with the exclusion of intercompany ones.

As at the year end date, the following guarantees were outstanding:

	Opening balance	Closing balance	Change
SURETIES	3,994,100	7,252,948	3,258,848
- to subsidiaries	400,000	300,000	-100,000
- to other companies	3,594,100	6,952,948	3,358,848

Information on the income statement**Sales and service revenues**

In relation to the matters laid down by art. 38.1, letter I) of Italian Legislative Decree No. 127/1991, the breakdown of the revenues by geographic area is illustrated in the following table:

Breakdown of sales and services by geographic area:

	REVENUES FROM ABROAD	DOMESTIC REVENUES	Total

Current year balance	2,622,462	9,345,070	11,967,532
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Other revenues and income

Other revenues and income are recorded under value of production in the income statement for a total of € 1,077,148 (€ 501,315 in the previous year).

The breakdown of the individual items is as follows:

	Previous period	Current period	Change
Other	103,186	39,322	-63,864
Capital grants (portions)	339,080	509,049	169,969
Operating grants	59,049	528,777	469,728
Total	501,315	1,077,148	575,833

Services

Costs for services are recorded under costs of production in the income statement for a total of € 7,229,182 (€ 5,601,269 in the previous year).

The breakdown of the individual items is as follows:

	Previous period	Current period	Change
Services	5,601,269	7,229,182	1,627,913
Total	5,601,269	7,229,182	1,413,054

Use of third party assets

Costs for the use of third party assets are recorded under costs of production in the income statement for a total of € 583,718 (€ 517,337 in the previous year).

The breakdown of the individual items is as follows:

	Previous period	Current period	Change
Use of third party assets	517,337	583,718	66,381
Total	517,337	583,718	66,381

Sundry operating expenses

Sundry operating expenses are recorded under costs of production in the income statement for a total of € 85,933 (€ 48,333 in the previous year).

The breakdown of the individual items is as follows:

	Previous period	Current period	Change
Sundry operating expenses	48,333	85,933	37,600
Total	48,333	85,933	37,600

Interest and other financial expenses

In relation to the matters laid down by art. 38.1, letter l) of Italian Legislative Decree No. 127/1991, the breakdown of the item “interest and other financial expenses” is illustrated in the following table:

	Relating to bond issues	Relating to payables due to banks	Other	Total
Other	0	0	337,049	337,049
Total	0	0	337,049	337,049

Extraordinary income

In relation to the matters laid down by art. 38.1, letter m) of Italian Legislative Decree No. 127/1991, the breakdown of extraordinary income is illustrated in the following table:

	Previous period	Current period	Change
Other extraordinary income	149,945	215,363	65,418
Total	149,945	215,363	65,418

Extraordinary expense

In relation to the matters laid down by art. 38.1, letter m) of Italian Legislative Decree No.

127/1991, the breakdown of extraordinary expense is illustrated in the following table:

	Previous period	Current period	Change
Other extraordinary expense	92,156	156,106	63,950
Total	92,156	156,106	63,950

Income taxes

The breakdown of the individual items is as follows:

	Current taxes	Deferred taxes	Prepaid taxes	Income (expenses) transparency
IRES	319,623	46,819	-9,835	0
IRAP	232,491	0	0	0
Total	552,114	46,819	-9,835	0

Other information

Cash flow statement

This has been drawn up on the basis of the indications envisaged by OIC 10.

The cash flows deriving from operations are represented according to the:

“indirect method”.

	31.12.2014
Net operating profit (NOP)	609,407
+ Amortisation/Depreciation	1,658,096
EBITDA SELF-FINANCING	2,267,503
Taxes for the period	608,767
NET OPERATING PROFIT SELF-FINANCING	1,658,735

- Change in operational working capital	1,794,924
+ Change in employee severance indemnity provision	177,404
+ Change in other provisions	86,743
CURRENT OPERATIONAL CASH FLOW (COCF)	425,658
- Purchase and sale of tangible and intangible fixed assets	3,905,146
+ Capital gains/losses on disposal of fixed assets	-
OPERATIONAL CASH FLOW	- 3,479,488
- Purchase and sale of financial assets	6,436,075
+ Financial income and expenses	0
ORDINARY CASH FLOW	- 9,915,563
+ Extraordinary income and expenses	59,257
CASH FLOW SERVING THE DEBT	- 9,856,306
- Repayment of financial payables	- 417,436
+ Borrowing	-
- Financial expenses	269,066
CASH FLOW SERVING EQUITY	- 10,542,808
- Distribution of profits and reserves	-
- Repayments of share capital	-
+ Share capital increases	12,281,504
Exchange delta	172,841
CHANGE IN CASH BALANCE	1,565,855

Statement of reconciliation between shareholders' equity and result for the year of the Parent company and the corresponding consolidated balances

	Shareholders' equity	of which: result for the year
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Balances as per the financial statements of the parent company	18,257,027	0
Adjusted balances as per the financial statements of the parent company	18,257,027	0
Effect of the valuation of the equity investments using the line-by-line method		
- Elimination of the book values of the investees	-1,248	
- Shareholders' equities of the investees	-1,581,968	
	-1,583,216	0
Other adjustments	106,349	0
Total adjustments	-1,476,867	0
Group shareholders' equity and result for the year	16,780,160	0
Consolidated shareholders' equity and result for the year	16,780,160	0

List of companies included in the scope of consolidation

In relation to the matters laid down by art. 38.2, letters a) to d) of Italian Legislative Decree No. 127/1991, the following lists are presented:

List of equity investments included in the scope of consolidation using the line-by-line method

Company name	Registered offices	Currency	Share capital	Group direct holding	Group indirect holding
Expert System Cogito Ltd	London UK	£	1,284	100%	
Expert System USA Inc	Delaware USA	\$	0.71	100%	

List of other equity investments in subsidiaries and associates

Company name	Registered offices	Currency	Share capital	Group direct holding	Group indirect holding
Expert System IBERIA SL	Barcelona, Spain	€	3,000	100%	

ADMANTX SPA	Naples Italy	€	189,991	69.41%	
ADMANTX INC	USA	\$	0		69.41%
CY4GATE SRL	Rome Italy	€		30%	

Fees for the directors and statutory auditors of the parent company

The information concerning the fees of the directors and statutory auditors of the parent company for the performance of these functions also in other companies included in the scope of consolidation, as per Article 38.1, letter o) of Italian Legislative Decree No. 127/1991, is presented below:

	Value
Directors' fees	1,038,696
Statutory Auditors' fees	14,000
Total Directors' and Statutory Auditors' fees	1,052,696



Report on operations as at 31/12/2014



EXPERT SYSTEM GROUP

Report on operations as at 31/12/2014

Structure and activities of the Group

The Group headed up by the parent company Expert System Spa is active in the Technology Company sectors where it deals with unstructured information and is the global leader in the development of semantic software for understanding and analysing information. The group has always pursued the objective of developing a software platform that understands the significance of said information and the context to which it refers, therefore providing results of a decidedly higher quality compared to the output of traditional products, based on key words or statistical algorithms. The Cogito platform is able to apply the typical human understanding techniques and, therefore, makes it possible to manage all forms of unstructured information, like documents, web pages, e-mails, etc. in a revolutionary way.

The Group mainly operates in the following geographic areas: Expert System Spa mainly operates

in Italy and Europe, Expert System Cogito Ltd operates on the UK market, particularly strategic for sectors such as Finance, Oil & Gas and Publishing where the parent company has already gained great experience. Expert System USA Inc operates in the enormous area of the USA further strengthening its position with respect to previous years.

By means of the acquisition by Expert System Iberia Slu, with headquarters in Barcelona and Madrid, of the ICM (Intelligent Content Management) and iLab – Research Center Innovation - division of iSOCO, an international company with headquarters in Barcelona with business relations launched in South America, operating in the field of software design based on semantic technology for the handling of non-structured information dedicated to a vast range of industrial services with particular reference to the banking, governmental and pharmaceutical sector, the company will see its presence enhanced in 2015 within Europe and will see new commercial relations launched in South America.

Approval of the consolidated financial statements

The consolidated financial statements as at 31/12/2014 were approved by the Board of Directors on 28 May 2015 and audited.

Operating performance

With regard to the operating performance, please refer to the matters illustrated in the Report on operations of the parent company Expert System Spa.

With regard to the performance of the company's value of production, the trend disclosed an increase of more than 28% with respect to 2013.

In order to provide a better outline of the performance and the operating result, the following tables provide a reclassification of the added value income statement, a reclassification of the financial Balance sheet and the more significant financial statement ratios. Since this is the first year in which the consolidated financial statements have been drawn up, a comparison with the previous year is not provided.

Main income statement figures

Reclassified income statement	31/12/2014
Sales revenues	11,967,532
Change in inventories	1,086,769
Own work capitalised	3,041,447
Sundry income	1,077,148
Value of operating production	17,172,896
Cost of operating materials and overheads	(8,248,896)
Value added	8,924,000
Personnel costs	(6,584,832)
EBITDA	2,339,168
Amortisation, depreciation and provisions	(1,729,760)

EBIT	609,408
Financial area result	28,632
Ordinary profit	638,040
Extraordinary area result	59,257
Pre-tax result	697,297
Income taxes	(608,768)
Net profit	88,529

The value of production trend presents an EBITDA/Value of Production equal to 14% which compared with that of the parent company equating to 20%, highlights the heavy investments made in 2014 on the international structure of the group.

In terms of providing a better description of the company's profits, the table below outlines some profitability ratios.

Profitability ratios	31/12/2014
Net ROE	0.01
Gross ROE	0.04
ROI	0.02
ROS	0.05

Main balance sheet figures

Financial balance sheet	31/12/2014
Net intangible fixed assets	4,639,954
Net tangible fixed assets	692,064
Equity investments and other non-current financial assets	7,549,288
Fixed assets	12,881,306
Short-term financial assets	4,153,074
Inventories	1,562,783
Receivables due from customers	7,865,706
Other receivables	2,677,019
Accrued income and prepaid expenses	189,002
Short-term operating assets	16,447,585
Trade payables	(1,913,788)
Payments on account	(538,058)
Tax and social security payables	(1,689,954)

Other payables	(934,723)
Accrued expenses and deferred income	(2,076,444)
Short-term operating liabilities	(7,152,965)
Net working capital	9,294,620
Employee severance indemnity	(1,126,002)
Tax and social security payables	0
Accrued expenses and deferred income after 12 months	(2,361,753)
Other medium and long-term liabilities	(3,062,526)
Medium-term liabilities	(6,550,281)
INVESTED CAPITAL	15,625,646
Shareholders' equity	(16,957,818)
Net medium/long-term financial position	(4,798,603)
Net short-term financial position	6,130,775
OWN EQUITY AND NET FINANCIAL DEBT	(15,625,646)

The positive net financial position was positively impacted by the listing of the parent company on the AIM (alternative capital market) on 18/02/2014

The reclassified balance sheet highlights the company's capital strength (i.e. its capacity to maintain financial equilibrium over the medium/long-term).

For the purposes of a better description of the company's capital strength, the table below shows certain financial statement ratios relating to both (i) the methods of financing medium/long-term investments and to the (ii) composition of sources of financing, compared to the same financial statement ratios in the previous year.

Fixed assets funding indicators	31/12/2014
Fixed asset /equity margin	4,076,512
Fixed asset /equity ratio	1.32
Fixed assets / liabilities and equity margin	13,063,641
Fixed assets / liabilities and equity ratio	2.01

Capital assets and related fixed assets to equity ratio: these two indicators are an expression of how the company manages to finance fixed assets.

The Fixed asset/equity margin and its associated ratio, which correlate the value of shareholders' equity with fixed assets (as quantified in the table above), provide us with information on the company's capacity to finance all fixed assets with its own equity.

Fixed asset/equity margin: shareholders' equity - fixed assets

$$(16,957,818 - 12,881,306) = 4,076,512$$

Fixed asset / equity ratio:

$$16,957,818 / 12,881,306 = 1.32$$

The positive result of the fixed asset/equity margin with the correlated ratio higher than one indicates that the company meets its long-term financial commitments without the need for third party financing.

The improvement with respect to the previous years is reflected by the parent company listing transaction on the AIM market with consequent share capital increase which equipped the company with considerable financial means.

The fixed asset / liabilities and equity margin and its related ratio also take as a reference medium/long-term liabilities.

Fixed asset / liabilities and equity margin:

(SE + net long-term financial position + medium/long-term liabilities) – FIXED ASSETS

Net long-term financial position	4,798,603
Medium/long-term liabilities	3,062,526
Employee severance indemnity	1,126,000
TOTAL	8,987,129

FIXED ASSETS 12,881,306

SE 16,957,818

$$(16,957,818 + 8,987,129) - 12,881,306 = 13,063,641$$

Fixed assets / liabilities and equity ratio

(SE + net long-term financial position + medium/long-term liabilities) / fixed assets

$$(16,957,818 + 8,987,129) / 12,881,306 = 2.01$$

Main financial figures

Net financial position	31/12/2014
Bank deposits	4,898,970
Cash at bank and in hand	1,370
Treasury shares	89,163

Cash and cash equivalents and treasury shares	4,989,503
Current financial assets	4,081,569
Bonds and convertible bonds (within 12 months)	0
Payables due to shareholders for loans (within 12 months)	0
Payables due to banks (within 12 months)	(2,647,115)
Payables due to other lenders (within 12 months)	(293,183)
Advances for overseas payments	0
Short-term portion of loans	0
Financial receivables	0
Short-term financial payables	(2,940,298)
Net short-term financial position	6,130,775
Bonds and convertible bonds (after 12 months)	0
Payables due to shareholders for loans (after 12 months)	0
Payables due to banks (after 12 months)	(4,381,995)
Payables due to other lenders (after 12 months)	(416,608)
Advances for overseas payments	0
Long-term portion of loans	0
Financial receivables	0
Net medium/long-term financial position	(4,798,603)
NET FINANCIAL POSITION	1,332,171

Environment and personnel

With regard to information on the environment and personnel as per art. 2428.1 of the Italian Civil Code, please refer to the parent company's Report on operations.

Significant events after the close of the year

You are hereby informed that after the close of the year, the following events took place: on 27 May 2015, Expert System Spa's BoD resolved the acquisition of Temis, a company which has a strong presence in France, Germany, the UK and the USA and which boasts technology for Big Data in the Media and Publishing, Healthcare and Intelligence sectors which also includes a number of semantic solutions developed *ad hoc* by said Temis.

As a result of the Temis Acquisition Transaction and the investments aimed at creating synergies and integrations between the Expert Group, Temis and the investee companies of the latter, it is envisaged that Expert System may become the main European operator in its reference sector endowing itself, among other aspects, with additional managerial abilities difficult to find on the market.

Treasury shares

As at 31/12/2014, the company held 47,000 treasury shares.



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