



Digital Bros S.p.A.

**Separate Financial Statements
at 30 June 2015**

(FY 2014/2015)

Digital Bros S.p.A.
Via Tortona, 37 – 20144 Milan, Italy
VAT and tax identification no. 09554160151
Share capital: 5,644,334.80 euros fully paid-in
Reg. of Co. Court of Milan 290680 - Vol. 7394 C.C.I.A.A 1302132

This report can be downloaded from the Company's website
at www.digital-bros.net in the Investors section

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DIRECTORS' REPORT

Digital Bros S.p.A. distributes, under the Halifax brand, the video games acquired from international publishers in Italy. The games are marketed through a direct network of key accounts and through an indirect network of sales representatives.

The Company also distributes the Yu-Gi-Oh! trading card game in Italy.

For the breakdown of revenue by geographical area refer to the directors' report attached to the consolidated financial statements for the Digital Bros Group of which the Company is the parent.

1. THE VIDEO GAMES MARKET

The video games market is part of the entertainment industry. Movies, publishing, and toys are businesses that build on the same characters and brands.

The market is in constant flux and is expanding quickly as a result of non-stop technological advances. Today, playing is no longer limited to traditional games consoles, Sony Playstation and Microsoft Xbox in the various versions, but also mobile telephones, tablets, etc. The dissemination of connectivity at increasingly lower costs and the availability of optic fibre networks and high speed mobile networks enable video games to diversify increasingly, becoming more and more sophisticated and interactive. The spread of smartphones among the entire population, of all ages and walks of life, has meant that the developers' creativity can be expressed in completely new ways, generating forms of entertainment dedicated to an adult public and the female public too. The growing use of social networks, Facebook in particular, lends itself to types of game that were practically unknown a few years back.

The video games market for the Sony Playstation and Microsoft Xbox instead performs in cycles, in parallel with the life cycle of the consoles themselves for which the video games are developed, as is standard in almost all technological markets. With the rollout of a given console, the price of the hardware and the video games designed for it is high, and relatively small quantities are sold. Console and game prices then gradually go down, as they progress from new releases to maturity, and the quantities sold increase along with the quality of the video games. The games market for a given console usually peaks in its fifth year on the market. The lifespan for consoles is currently around seven years. The new consoles Sony Playstation 4 and Microsoft Xbox One came out in November 2013.

High quality video games with high sales potential, in addition to being marketed on the digital marketplaces, are also produced physically and distributed through the sales networks. In this case, the value chain is as follows:



Developers are those who create and program the game, which is usually based on an original idea, a hot brand, a film or event sports simulators, etc. The developers retain the intellectual property rights, but they transfer the exploitation rights—for a limited amount of time agreed by contract—to international video game publishers, who are therefore crucial for completing the game and giving it a global reputation and clientèle.

Publishers are the links of the value chain that allow the game to reach the consumer, as most of them are equipped with direct and indirect sales networks in various countries. They also finance the phases of development and implement communication strategies to maximise international sales. The publisher decides on a game's release schedule, international pricing and sales policy, positioning, and package design, while taking on all of the risks and, jointly with the developer, enjoying all the opportunities that the video game may generate if it is a success.

The console manufacturer is the company that designs, engineers, produces and markets the hardware or platform on which consumers play the game. Sony is the console manufacturer for Sony Playstation 4 and Sony PSP Vita; Microsoft is the console manufacturer for Microsoft Xbox One; and Nintendo is the console manufacturer for Nintendo 3 DS and Nintendo Wii U.

The console manufacturer prints the game on behalf of publishers in specific plants dedicated to the reproduction of software on the various physical storage devices used. The video game must be approved in advance by the manufacturer, through a structured process known as submission. Only publishers selected in advance will be allowed to publish games by the console manufacturer, according to a licensing publishing agreement. The console manufacturer and the video game publisher are often one and the same.

The role of the distributor varies from country to country. The more a market is fragmented, like Italy's, the more the distributor's role is integrated with that of the publisher, with the implementation of specific communication policies for a local audience and public relations strategies. In some markets, like the U.K. and the U.S., retailers are highly concentrated so publishers usually have a direct commercial presence. The French and Spanish markets have an intermediate structure somewhere between the Italian and Anglo-Saxon markets.

The retailer is the outlet where the consumer purchases the game. Retailers can be international chains specialized in the sale of video games, mass retail stores, specialized independent shops, or online stores.

If video games are distributed in digital format on the marketplaces, but also as regards video games for smartphones and/or tablets, the value chain is less structured and is as follows:



As distribution goes increasingly digital, console manufacturers have developed “marketplaces” where video games can be sold directly to the consumer without the need for a distributor or retailer. The main marketplaces through which the video games for consoles are sold to the end consumer are: PlayStation Store by Sony, Xbox Live by Microsoft and eShop by Nintendo. The world leader in the digital distribution of games for personal computers is the marketplace Steam. Through its subsidiaries, the Digital Bros Group has entered into publishing contracts with all of the marketplaces mentioned.

Concerning games for mobile phones, on the other hand, Apple has its App Store marketplace, while the marketplace for Android technology is GooglePlayStore. The Group has appropriate distribution agreements with the latter as well.

2. SEASONAL TRENDS

The video game distribution market has some typical seasonal trends. Consumers are most likely to buy in the autumn, due to the approaching holidays and the imminent cold season when they spend more of their free time indoors. This is why video game publishers prefer to launch their best products in the fall.

Seasonal trends have an impact on the structure of the Group's income statement and financial position. As far as revenues and costs are concerned, fixed costs tend to be under- or over-absorbed. Their higher or lower impact on margins is quite apparent in the second quarter of the fiscal year (over-absorption of fixed costs, hence greater margins in both absolute and percentage terms), which is usually when the Group makes 40-50% of its annual sales, and during the first and last quarters (under-absorption of fixed costs and lower margins), when less than 15% of revenues are earned.

Seasonal trends are influenced by launching hit products at times other than the traditional Christmas period. Specifically, quarter-on-quarter results can be volatile depending on whether or not a popular new game is released during each three-month period. The launch of these products causes sales to build up just before the official release date, known as "day one."

The seasonal pattern is even more pronounced for the video game publisher, which usually releases a limited number of games over the 12-month period, whereas the distributor can count on a steady stream of new products as its business is to sell the games of different publishers in a given geographical market. The launch of a game in one quarter as opposed to another concentrates sales in a restricted period of time, thus magnifying the fluctuations in revenue between different quarters and/or different years.

The publication and distribution of video games in the digital marketplace reduces, but does not neutralize, the volatility of a publisher's results from one quarter to the next. In the event of digital distribution, revenues are achieved when end consumers download the video games from the marketplace, differently to traditional distribution that instead sees revenues at the time of delivery to the distributor/retailer regardless of the purchase by the end consumer. This process takes place more gradually over time and not mainly in the days immediately after launch. The digital distribution of a video game then considerably extends the life cycle of a product, enabling the video game to be constantly available on the digital catalogue of the marketplace, a factor that is difficult to imagine if the product were to be physically distributed, but also giving the publisher the chance to run effective promotions. The extension of the life cycle is also accentuated by the possibility for a publisher to effectively distribute additional episodes to a video game.

The financial structure is also closely related to the pattern in sales. The physical distribution of a product in a quarter entails the concentration of investments in net working capital, which are temporarily reflected in the net financial position at least until the revenues from sales become cash.

3. SIGNIFICANT EVENTS DURING THE PERIOD

The main events during the period were as follows:

- 04 September 2014 saw the establishment of Digital Bros Game Academy S.r.l., whose capital, of 50 thousand euros, has been fully subscribed by Digital Bros S.p.A. The Company organises specialisation courses in computing, training courses and professional update courses, including in multimedia form, and started operating in March 2015;
- On 12 September 2014, the Company acquired 100% of Pipeworks Inc., with registered office in Eugene, Oregon (USA). Although Pipeworks Inc. has existed for years as a division of Backbone Entertainment, the American company of the Foundation 9 Group, it was only established as an autonomous company on 01 August 2014. The company numbers approximately 50 people and in the past has developed products like Devil May Cry, Godzilla and Zumba Fitness. Pipeworks Inc. was acquired by the parent company Digital Bros S.p.A. for 1,250 thousand US dollars, increased by the equivalent value of the shareholders' equity as at 01 August 2014, equal to approximately 62 thousand dollars;
- on 28 October 2014, the Shareholders' Meeting of Digital Bros S.p.A. approved the Group's consolidated financial statements as at 30 June 2014 and the separate financial statements of Digital Bros S.p.A. as at 30 June 2014, also approving the Report on Remuneration in accordance with Art. 123-ter of Italian Legislative Decree no. 58 of 24 February 1998. The Shareholders' Meeting has also appointed the new members of the Board of Directors and the board of auditors, appointing respective chairmen in the persons of Abramo Galante and Sergio Amendola. The Shareholders' Meeting also approved the distribution of a dividend of 7 eurocents per share with record date 9 December 2014, dividend warrant date 8 December 2014 and payable as of 10 December 2014;
- on 13 November 2014, the Board of Directors:
 - 1) appointed Messrs Abramo Galante and Raffaele Galante as managing directors, assigning them suitable powers;
 - 2) appointed Guido Guetta, Elena Morini and Bruno Soresina as members of the Remunerations Committee and members of the Control and Risks Committee;
 - 3) appointed Stefano Salbe as director in charge of the in-company control and risk management system;
- on 12 February 2015, the shareholders of Ebooks&Kids S.r.l., an associated company in which the Company holds 20% of the share capital, signed an agreement with Giunti Editori S.p.A. for a capital increase of nominal 5 thousand euros plus premium of 195 thousand reserved for Giunti Editori S.p.A. Upon completion of the transaction, the shareholding of Digital Bros S.p.A. in Ebooks&Kids S.r.l. became equal to 16% of the share capital;

- on 23 March, as part of efforts to strengthen the long-term ties between the Digital Bros Group with Starbreeze AB, Swedish developer of the video game PAYDAY 2 published by 505 Games S.r.l., Digital Bros S.p.A. decided to purchase 3,872,722 shares of Starbreeze (listed on NASDAQ Stockholm First North Premier) for a total of 5 million US dollars. The transaction envisages three instalments (1 April 2015, 1 July 2015 and 1 October 2015);
- on 21 May 2015, Digital Bros S.p.A. signed an agreement for the purchase of a second instalment of 1,167,272 shares of Starbreeze (listed on Nasdaq Stockholm First North Premier) for a total of 3.2 million US dollars. The transaction will be completed in two instalments (1 January 2016 and 1 April 2016). This agreement, combined with the one concluded 23 March 2015, will lead the Group to hold 5,000,000 shares with a total investment of 8.2 million US dollars;
- on 26 June 2015, as part of the reorganization and rationalization of the Group's business segments, the following corporate actions were carried out:
 - a) Digital Bros S.p.A. sold to 505 Games S.r.l. the companies 505 Games France S.a.s. and 505 SI Spain for a 100 thousand euros and 511 thousand euros, respectively. These transfers were made at market value as determined by specific appraisal prepared by an independent expert;
 - b) Digital Bros S.p.A. sold to 505 Games S.r.l. the company 505 Mobile S.r.l., for 940 thousand euros; subsequently, on the same date, Digital Bros S.p.A. sold to 505 Mobile S.r.l. the company Game Entertainment S.r.l. for 330 thousand euros. These transfers were made at market value as determined by specific appraisal prepared by an independent expert;
- on 26 June 2015, Digital Bros S.p.A. also subscribed the share capital increase following the coverage of the losses of Game Network S.r.l. thus becoming new sole shareholder (the ownership of the Company was until then owned 100% by 505 Mobile S.r.l.).

4. ANALYSIS OF ECONOMIC PERFORMANCE AS AT 30 JUNE 2015

Below is the income statement for the year ended 30 June 2015, with comparative figures for the year ended 30 June 2014:

	EUR/000	30 June 2015		30 June 2014		Change	
1	Revenues	24,538	106.4%	47,385	108.8%	(22,847)	-48.2%
2	Revenue adjustments	(1,485)	-6.4%	(3,842)	-8.8%	2,357	-61.3%
3	Total net revenues	23,053	100.0%	43,543	100.0%	(20,490)	-47.1%
4	Purchase of goods for resale	(17,731)	-76.9%	(30,692)	-70.5%	12,961	-42.2%
5	Purchase of services for resale	0	0.0%	0	0.0%	0	0.0%
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in finished product inventories	(541)	-2.3%	(5,126)	-11.8%	4,585	-89.5%
8	Total cost of sold products	(18,272)	-79.3%	(35,818)	-82.3%	17,546	-49.0%
9	Gross profit (3+8)	4,781	20.7%	7,725	17.7%	(2,944)	-38.1%
10	Other revenues	1,824	7.9%	2,800	6.4%	(976)	-34.8%
11	Cost of services	(3,484)	-15.1%	(3,950)	-9.1%	466	-11.8%
12	Rent and leasing	(825)	-3.6%	(832)	-1.9%	7	-0.7%
13	Personnel costs	(5,474)	-23.7%	(6,137)	-14.1%	663	-10.8%
14	Other operating expenses	(667)	-2.9%	(764)	-1.8%	97	-12.8%
15	Total operating costs	(10,450)	-45.3%	(11,683)	-26.8%	1,233	-10.6%
16	EBITDA (9+10+15)	(3,845)	-16.7%	(1,158)	-2.7%	(2,687)	n.s.
17	Amortisation and depreciation	(359)	-1.6%	(420)	-1.0%	61	-14.6%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Write-down of assets	(3,825)	-16.6%	(1,470)	-3.4%	(2,355)	160.3%
20	Write-backs of assets and non-monetary income	12,920	56.0%	4,100	9.4%	8,820	215.1%
21	Total non-monetary income and operating costs	8,736	37.9%	2,210	5.1%	6,526	n.s.
22	EBIT (16+21)	4,891	21.2%	1,052	2.4%	3,839	n.s.
23	Interest and financial income	2,353	10.2%	135	0.3%	2,218	n.s.
24	Interest and financial expenses	(1,035)	-4.5%	(2,243)	-5.2%	1,208	-53.9%
25	Financial income and charges	1,318	5.7%	(2,108)	-4.8%	3,426	n.s.
26	Pre-tax income (22+25)	6,209	26.9%	(1,056)	-2.4%	7,265	n.s.
27	Current taxes	1,144	5.0%	1,640	3.8%	(496)	-30.3%
28	Deferred taxes	(407)	-1.8%	(1,199)	-2.8%	792	-66.1%
29	Total income taxes	737	3.2%	441	1.0%	296	67.1%
30	Net profit (26+29)	6,946	30.1%	(615)	-1.4%	7,561	n.s.

Gross revenues decreased by 48.2% to 24,538 thousand euros compared to 47,385 thousand euros in the previous year mainly as a result of the expected and significant reduction of sales of the trading card Yu-Gi-Oh!, due to the delayed airing of the new series of the cartoon only as of May. In addition to this, there has been a further reduction to video games distribution.

Inventories decreased by 541 thousand euros.

With the cost of goods sold at 18,272 thousand euros, the gross profit decreased to 4,781 thousand euros by 2,944 thousand euros, rising from 17.7% of net revenues in the prior year to 20.7%.

Operating costs fell by 10.6% with respect to the previous year to 1,233 thousand euros. This reduction is due primarily to a decrease in the cost of services by 466 thousand euros following lower advertising investments and the cost containment policies implemented by the Company as of a few years and the significant reduction in personnel costs of 663 thousand euros.

Given these trends, EBITDA reached -3,845 thousand euros, compared to the negative 1,158 thousand euros of the previous year with a decrease of 2,687 thousand euros.

Non-monetary operating income and costs are up by negative 6,526 thousand euros. Growth was driven primarily by higher write-backs of assets and non-monetary income for 8,820 thousand euros; these amounts were partially offset by higher asset impairments for 2,355 thousand euros. The first include:

- the dividends received from 505 Games France S.a.s. for 1,460 thousand euros;
- the dividends received from Game Entertainment S.r.l. for 6,000 thousand euros;
- the release of the impairment provision for the investment of 5,460 thousand euros in 505 Games S.r.l. as it was deemed no longer necessary.

The impairments of assets include:

- the impairment of the investment in Pipeworks Inc. for 1,491 thousand euros;
- the capital loss resulting from the sale of the investment in Game Entertainment S.r.l. for 670 thousand euros;
- the impairment of the investment in Game Network S.r.l. for 877 thousand euros;
- provisions to incorporate the economic effects of the transaction concluded with Dada S.p.A. during the period, in relation to the dispute that arose following the sale of the equity investment in Fueps S.p.A. for 379 thousand euros;
- provisions to cover some specific credit positions on which there is a probability of failure to collect for 408 thousand euros.

EBITDA therefore increased by 3,839 thousand euros, from 1,052 thousand euros in the previous year to 4,891 thousand euros in the current year.

Financial income and charges was positive for 1,318 thousand euros, against a loss of 2,108 thousand euros achieved in the previous year. The significant improvement is given by higher interest income and financial income of 2,218 thousand euros. They consist mainly of foreign exchange gains for 1,609 thousand euros and financial income of 737 thousand euros relating to the fair value assessment of the Starbreeze B shares classified as held for trading. Interest expense also improved by 1,208 thousand euros, which decreased by 1,035 thousand euros, in line with the lower average debt.

Pre-tax income as at 30 June 2015 was 6,209 thousand euros, compared to the pre-tax loss of 1,056 thousand euros recorded in the previous year. Net profit instead came to 6,946 thousand euros, with respect to the loss of 615 thousand euros in the previous year.

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5. ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

The Company's balance sheet at 30 June 2015 is shown below, with comparative figures at 30 June 2014:

	EUR/000	30 June 2015	30 June 2014	Change	
	Non-current assets				
1	Property, plant and equipment	3,335	3,046	289	9.5%
2	Investment property	0	455	(455)	n.s.
3	Intangible assets	322	198	124	62.7%
4	Equity investments	13,931	14,635	(704)	0.0%
5	Non-current receivables and other assets	644	644	0	0.0%
6	Deferred tax assets	517	1,023	(506)	-49.5%
	Total non-current assets	18,749	20,001	(1,252)	-6.3%
	Non-current liabilities				
7	Employee benefits	(442)	(501)	59	-11.7%
8	Non-current provisions	(171)	(205)	34	-16.3%
9	Other non-current payables and liabilities	0	0	0	0.0%
	Total non-current liabilities	(613)	(706)	93	-13.2%
	Net working capital				
10	Inventories	9,266	9,807	(541)	-5.5%
11	Trade receivables	5,445	6,969	(1,524)	-21.9%
12	Due from subsidiaries	14,131	25,393	(11,262)	-44.4%
13	Tax credits	471	2,205	(1,734)	-78.6%
14	Other current assets	499	611	(112)	n.s.
15	Trade payables	(2,204)	(2,011)	(193)	9.6%
16	Due to subsidiaries	(2,031)	(8,000)	5,969	-74.6%
17	Tax payables	(286)	(920)	634	-68.9%
18	Current provisions	(1,491)	(8,519)	7,028	-82.5%
19	Other current liabilities	(940)	(1,158)	218	-18.8%
	Total net working capital	22,860	24,377	(1,517)	-6.2%
	Shareholders' equity				
20	Share capital	(5,644)	(5,644)	0	0.0%
21	Reserves	(18,172)	(17,876)	(296)	1.7%
22	Treasury shares	1,199	1,574	(375)	-23.8%
23	Retained earnings (losses)	(7,214)	(1,228)	(5,986)	n.s.
	Total shareholders' equity	(29,831)	(23,174)	(6,657)	28.7%
	Total net assets	11,165	20,498	(9,333)	-45.5%
24	Cash and cash equivalents	1,780	490	1,290	n.s.
25	Current payables to banks	(12,727)	(19,541)	6,814	-34.9%
26	Other current financial assets and liabilities	1,401	(1,428)	2,829	n.s.
	Current net financial position	(9,546)	(20,479)	10,933	-53.4%
27	Non-current financial assets	0	0	0	0.0%
28	Non-current payables to banks	(1,619)	0	(1,619)	n.s.
29	Other non-current financial liabilities	0	(19)	19	n.s.
	Non-current net financial position	(1,619)	(19)	(1,600)	n.s.
	Total net financial position	(11,165)	(20,498)	9,333	-45.5%

An analysis of net working capital in comparison with figures at 30 June 2014 is provided below:

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	30 June 2015	30 June 2014	Change	
Net working capital				
Inventories	9,266	9,807	(541)	-5.5%
Trade receivables	5,445	6,969	(1,524)	-21.9%
Due from subsidiaries	14,131	25,393	(11,262)	-44.4%
Tax credits	471	2,205	(1,734)	-78.6%
Other current assets	499	611	(112)	n.s.
Trade payables	(2,204)	(2,011)	(193)	9.6%
Due to subsidiaries	(2,031)	(8,000)	5,969	-74.6%
Tax payables	(286)	(920)	634	-68.9%
Current provisions	(1,491)	(8,519)	7,028	-82.5%
Other current liabilities	(940)	(1,158)	218	-18.8%
Total net working capital	22,860	24,377	(1,517)	-6.2%

Net working capital at 30 June 2015 of 22,860 thousand euros is down 1,517 thousand euros on 30 June 2014, when it was 24,377 thousand euros. The most significant changes are related to receivables from subsidiaries, which decreased by 11,262 thousand euros mainly due to the decrease in receivables from 505 Games S.r.l. and 505 Games US (Inc.), payables to subsidiaries, which decreased by 5,969 thousand euros and to current provisions, which decreased by 7,028 thousand euros.

Total net debt decreased by 9,333 thousand euros with respect to 30 June 2014. This decrease is explained chiefly by the reduction of 6,814 thousand euros in current payables to banks.

For further details, see the statement of cash flows (attached).

6. INTERCOMPANY AND RELATED PARTY TRANSACTIONS AND ATYPICAL/UNUSUAL TRANSACTIONS

All sales and purchases of goods and services between Digital Bros S.p.A. and other companies in the Group are conducted at arm's length.

Digital Bros S.p.A. charges 505 Games S.r.l. 15% of the revenues it earns from the distribution, exclusively in digital format, of its own products in exchange for marketing and production services carried out in Italian markets that are not directly attributable to individual products.

Digital Bros S.p.A. charges 505 Games S.r.l. for the costs incurred for the coordination of business in acquiring games, for administrative, finance, legal, logistics and information technology services incurred on its behalf.

Digital Bros S.p.A. charges Digital Bros Game Academy S.r.l. for administrative, finance, legal and information technology services incurred on its behalf and the lease of the property located in Via Labus in Milan, the Company's operative HQ.

Other more minor transactions consist of administrative, financial, legal/advisory and general services that are usually performed by the Digital Bros S.p.A. for other members of the Group.

Digital Bros S.p.A. also provides a centralized cash management service, using giro accounts to which the positive and negative balances between Group companies are transferred at least once per quarter, including through the transfer of receivables. These accounts do not bear interest.

Group companies in Italy also transfer tax receivables and payables to Digital Bros S.p.A. under the domestic tax consolidation scheme.

Transactions with other related parties

Transactions with related parties consist of the legal counsel provided by director Dario Treves and the leasing of property by Matov Imm. S.r.l. (owned by the Galante family) and Digital Bros S.p.A.

The impact of the related party transactions is shown in Note 10 of the Explanatory Notes.

Group reorganization

On 26 June 2015, as part of the reorganization and rationalization of the Group's business segments, the following corporate actions were carried out:

- Digital Bros S.p.A. sold to 505 Games S.r.l. the companies 505 Games France S.a.s. and 505 Spain Slu for a 100 thousand euros and 511 thousand euros, respectively. These transfers were made at market value as determined by specific appraisal prepared by an independent expert;

- Digital Bros S.p.A. sold to 505 Games S.r.l. the company 505 Mobile S.r.l., for 940 thousand euros; subsequently, on the same date, Digital Bros S.p.A. sold to 505 Mobile S.r.l. the company Game Entertainment S.r.l. for 330 thousand euros. These transfers were made at market value as determined by specific appraisal prepared by an independent expert.

On 26 June 2015, Digital Bros S.p.A. also subscribed the share capital increase following the coverage of the losses of Game Network S.r.l. thus becoming new sole shareholder (the ownership of the Company was until then owned 100% by 505 Mobile S.r.l.).

Atypical transactions

There were no atypical or unusual transactions in the period under examination or the same period of the previous year, as defined by Consob Communication DEM 6064293 of 28 July 2006.

7. TREASURY SHARES

Pursuant to Art. 2428, paragraph 2 no.3 of the Italian Civil Code, at 30 June 2015 Digital Bros S.p.A. owned 400,247 treasury shares, against the 525,247 held as at 30 June 2014.

In accordance with no. 4 of said paragraph 2, please note, in fact, that during the year the Company sold off 125,000 of its treasury shares at the average price of 3.28 euros each, for a total value of 410 thousand euros.

8. RESEARCH AND DEVELOPMENT

The Company did not engage in research and development during this or the previous periods.

9. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company has developed a risk mapping process by which the directors and the front-line organisational units attend coordination meetings held throughout the year. Their work is summarized in a risk matrix that is prepared and regularly reviewed by the director in charge of control, who attends the coordination meetings. In individual charts, each separate risk is described, given a gross rating according to a probability/impact grid, and assigned a net rating on the basis of mitigating factors and/or steps taken to reduce and monitor the risk. The executive director is assisted in this task by the Control and Risks Committee.

The individual risk charts also show the impact that a failure to reach control objectives would have in terms of operations and financial reporting.

The thoroughness of the risk map and the ratings of net risk are assessed jointly by the two managing directors and by the director in charge of control, and updated by the Board of Directors at least once a year.

The risks can be summarised as two types: operational risks and financial risks.

Operational risks

The most significant operational risks are:

- dependence on hardware and its success;
- dependence on key customers and bad debt risk;
- hardware lifecycles;
- ability to publish popular games;
- piracy;
- product obsolescence;
- dependence on key employees.

Dependence on hardware and its success

This is the risk of depending on the success of the hardware for which games are developed. Most of the Company's revenues come from the sale of video games for the Sony, Microsoft and Nintendo consoles. When signing a development contract, the Company has to pay advances for a game's development and production on the basis of projected demand for these platforms, which takes account of their estimated life cycles. An error in judging the potential of each gaming platform can lead to a drop in revenues or, if underestimated, a loss of sales potential, with consequences for future performance.

The existence of market research, management's familiarity with the market, and the availability of historical data on hardware ownership are mitigating factors. The Company has also implemented a strategic planning procedure that analyzes all of its current development contracts every six months, in an attempt to lower costs, and a contract acquisition procedure that requires accurate economic projections to be made before signing, by testing future profitability on the basis of different market scenarios using sensitivity analyses and other tools.

Dependence on key customers and bad debt risk

During the current year, the revenue concentration of the top 10 customers worldwide was about 76% and that of the top 50 customers was 97%. The concentration of revenues on a few key customers makes the Company dependent on their business, which in today's volatile economy requires greater prudence in terms of quantity and a better selection of products in terms of quality. The smaller number of customers also increases credit risk. This is mitigated, however, by the fact that the Company's projected sales in Italy are less concentrated than in other markets and will continue to make up a significant percentage of total revenues, at least for the imminent future. The extensive use of credit insurance will also reduce potential losses on bad debts.

In addition, customer and credit management procedures are in place that substantially reduce this risk.

Hardware lifecycles

The Company mainly distributes video games for the Sony Playstation 3, Microsoft Xbox 360, Nintendo Wii and Nintendo DS consoles, which have traditionally had a lifecycle of seven years. Although it currently appears that this lifecycle could be extended by online features and by new technologies for the consoles now on the market, it could also be drastically shortened once the consoles mature, especially in light of the international economic crisis. The lifespan of their predecessors could also be far shorter than thought. The potential volatility of the market makes it difficult to predict results.

This risk is mitigated by the fact that the Company can significantly reduce operating expenses on games scheduled for future release, depending on the forecast trend in demand.

Piracy

Piracy has always been a bane to the video games market and to the entertainment industry in general. The use of peer-to-peer networks and the growing availability and speed of broadband have made it even easier to copy a video game illegally. National laws and anti-piracy systems used by manufacturers reduce this risk substantially, although it varies sharply from one country to the next.

If piracy were to increase, due in part to a weakening of today's legislation, the Company's sales and margins could go down and its forecasts might no longer be reliable. This risk is mitigated by the fact that

video game producers (Microsoft, Sony and Nintendo) earn substantial profits from their game production businesses and it is thus to their advantage to develop anti-piracy measures. The increasing use of online features, or even parts or episodes of games that are only available on the servers of Microsoft, Sony and Nintendo, allows better control over authenticity and deprives bootlegs of much of their interest.

Product obsolescence

Video games can quickly become obsolete. A game that is sold at a certain price is then repositioned at gradually lower ones over time. The launch price of a game is usually high during the launch of the console, and then decreases throughout the lifecycle of the hardware.

Purchasing decisions in terms of volumes are often made months in advance, while the contract is being negotiated with publishers, so it is possible that these games will remain unsold and will require appropriate write-downs for obsolescence.

This risk is mitigated by the possibility to reduce the production, marketing and royalty costs paid to developers, thereby minimizing the impact on margins; by awareness of the lifecycles of earlier consoles and advance information on new gaming platforms; and last but not least, by the chance to ask publishers for discounts to offset inventory impairment losses, especially for games that do not sell well.

Dependence on key employees

Whether the Company is successful depends largely on the performance of some key individuals who have made a solid contribution to its development and acquired valuable experience in the industry.

The Company has an executive team (chairman, managing director and CFO) with many years' experience in the sector and a decisive role in the management of its business. Losing the services of these individuals without their being suitably replaced could have a negative impact on the Company's performance and financial position, and in particular could affect the process of understanding, appreciating and monitoring risks.

In any case, management feels that the Group has an operational and executive structure that can ensure continuity in the handling of business affairs.

Financial instruments and financial risk management

The main financial instruments used by the Company are as follows:

- Bank account overdrafts
- Sight- and short-term bank deposits

- Import financing
- Export financing
- Commercial credit lines (factoring)
- Finance leases
- Derivative contracts
- Financial instruments held for trading

The purpose of these instruments is to finance the Company's operating activities.

The credit facilities available to the Company with the related uses at 30 June 2015 are as follows:

EUR/000	Credit limits	Uses	Availability
Bank account overdrafts	1,250	2	1,248
Import financing	21,700	10,529	11,171
Advances on invoices and subject to collection	17,502	859	16,643
Factor	1,000	134	866
Unsecured loans	1,000	0	1,000
Total	42,452	11,390	31,062

Digital Bros S.p.A. manages all financial risks on behalf of itself and its subsidiaries, with the exception of other financial instruments not listed above, namely trade payables and receivables arising from operating activities for which the financial risk is the responsibility of each subsidiary.

The Company tries to maintain a balance between short-term and medium/long-term financial instruments. The Company's core business, the marketing of video games, entails investments primarily in net working capital which are funded through short-term credit lines. Long-term investments are normally financed through medium/long-term lines often dedicated to the individual investment, including in the form of finance leases.

Given the above, medium- and long-term financial payables have a well-distributed range of maturities.

The main risks generated by the Company's financial instruments are:

- interest rate risk
- liquidity risk
- exchange rate risk
- credit risk

Interest rate risk

The Company's exposure to interest rate fluctuations is marginal with respect to its medium- and long-term financial instruments, which were originally designated as fixed-rate instruments or have been converted into fixed rates using appropriate derivative agreements.

For short-term financial instruments, the possibility of rising interest rates is an effective risk, because the Company cannot immediately transfer the higher rates to its prices. These risks are reduced by:

- the availability of an interconnected series of short-term credit lines, allowing it to borrow under the most favourable conditions;
- the degree of short-term borrowings, which varies substantially on the basis of seasonal trends in the video games market;
- the implementation of a short-term cash flow procedure that constantly monitors the trend in short-term debt and allows preventive action to be taken when interest rates are expected to rise.

Liquidity risk

Liquidity risk arises if it becomes difficult or impossible to obtain, under sustainable conditions, the financial resources needed to operate the business.

The factors that influence the Company's financial needs are the resources generated or absorbed by operating and investing activities, the maturity and renewal terms of debt and the liquidity of investments and current conditions and available funds in the credit market.

The Company has reduced this risk by:

- setting up the centralized management of treasury procedures and therefore of credit lines;
- obtaining credit that allows the creation of a sustainable liability structure, through the use of irrevocable credit lines;
- monitoring prospective liquidity conditions.

Given the results of short- and medium/long-term planning, currently available funds, along with those to be generated by operating activities, should allow the Company to satisfy its requirements as far as investment, working capital management, and debt repayment at natural maturity are concerned and in any case to determine financial requirements ahead of time.

Exchange rate risk

The Company is influenced by exchange rate fluctuations in the British pound and US dollars due to the amounts owed by the subsidiaries 505 Games Ltd. and 505 Games US Inc.

To monitor the risk level of the EUR/GBP and EUR/USD exchange rates, the Company closely monitors exchange rate forecasts from independent analysts and other sources, and may use derivative instruments to hedge this risk as appropriate.

Credit risk

The Company sells exclusively to known buyers. If necessary information on customers is not available, merchandise is sold with advance payment and/or cash on delivery to limit credit risk to negligible amounts.

Customer credit facilities are granted by a credit committee which includes the managing directors, the sales department, the finance department and the head of credit management. The credit manager reviews the credit facilities and customer balances on a daily basis, before any shipments are made. Despite these precautions, the Company has taken out insurance covering almost all of its customers.

Derivative contracts

The policy for using derivative contracts is explained in the notes.

Financial instruments held for trading

The policy for using contracts of financial instruments held for trading is explained in the notes.

10. CONTINGENT ASSETS AND LIABILITIES

At 30 June 2015, there were no contingent assets and liabilities.

11. SUBSEQUENT EVENTS

In the period following the end of the year, Digital Bros S.p.A. purchased 1,149,816 Starbreeze B shares for a total of 902 thousand euros and disposed of 2,682,904 Starbreeze B ordinary shares for a total of 3,285 thousand euros; at the same time, the Company purchased 708,264 Starbreeze A ordinary shares for a total of 621 thousand euros.

In August and September, Digital Bros S.p.A. sold on the open market 270,000 treasury shares for a total value of 3,045 thousand euros. At the date of approval of the reports, the number of treasury shares is equal to 130,247 ordinary shares.

On 11 September 2015, the Company acquired 49% of the Italian video game developer Ovosonico S.r.l. for 720 thousand euros. The company is based in Varese and employs about 25 people. Among the products already developed, Murasaki Baby, award-winning video game published by Sony Computer Entertainment, stands out.

12. OUTLOOK

For the following year, volumes are expected to be virtually stable compared to the previous year; however, the Company may benefit from significant cost savings obtained during the current year.

The Company is also expected to benefit from dividends resolved by the subsidiary 505 Games S.r.l.

A decrease is expected in net debt although at lower rates than those seen in recent years.

13. OTHER INFORMATION

EMPLOYEES

Below are the details of the workforce at 30 June 2015 with comparative figures at 30 June 2014:

Type	30 June 2015	30 June 2014	Change
Executives	5	6	(1)
Office workers	51	56	(5)
Blue-collar workers and apprentices	4	6	(2)
Total employees	60	68	(8)

The average headcount for FY 2014/2015, calculated as the average number of employees in service at the end of every month, is shown below with comparative figures from the prior year:

Type	Average number for 2015	Average number for 2014	Change
Executives	4	6	(2)
Office workers	55	58	(3)
Blue-collar workers and apprentices	6	6	0
Total employees	65	70	(5)

The Company adheres to the current Confcommercio national collective employment contract for the commercial, distribution and services sector.

ENVIRONMENT

At 30 June 2015, there were no issues of an environmental nature, and as the Company's environment-related activities consist chiefly of packing and shipping video games and affixing labels to packaging, there is no reason any such problems should arise.

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Separate Financial Statements at 30 June 2015

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FINANCIAL STATEMENTS

Digital Bros S.p.A.

Separate statement of financial position at 30 June 2015

	EUR/000	30 June 2015	30 June 2014	Change	
	Non-current assets				
1	Property, plant and equipment	3,335	3,046	289	9.5%
2	Investment property	0	455	(455)	n.s.
3	Intangible assets	322	198	124	62.7%
4	Equity investments	13,931	14,635	(704)	0.0%
5	Non-current receivables and other assets	644	644	0	0.0%
6	Deferred tax assets	517	1,023	(506)	-49.5%
	Total non-current assets	18,749	20,001	(1,252)	-6.3%
	Non-current liabilities				
7	Employee benefits	(442)	(501)	59	-11.7%
8	Non-current provisions	(171)	(205)	34	-16.3%
9	Other non-current payables and liabilities	0	0	0	0.0%
	Total non-current liabilities	(613)	(706)	93	-13.2%
	Net working capital				
10	Inventories	9,266	9,807	(541)	-5.5%
11	Trade receivables	5,445	6,969	(1,524)	-21.9%
12	Due from subsidiaries	14,131	25,393	(11,262)	-44.4%
13	Tax credits	471	2,205	(1,734)	-78.6%
14	Other current assets	499	611	(112)	n.s.
15	Trade payables	(2,204)	(2,011)	(193)	9.6%
16	Due to subsidiaries	(2,031)	(8,000)	5,969	-74.6%
17	Tax payables	(286)	(920)	634	-68.9%
18	Current provisions	(1,491)	(8,519)	7,028	-82.5%
19	Other current liabilities	(940)	(1,158)	218	-18.8%
	Total net working capital	22,860	24,377	(1,517)	-6.2%
	Shareholders' equity				
20	Share capital	(5,644)	(5,644)	0	0.0%
21	Reserves	(18,172)	(17,876)	(296)	1.7%
22	Treasury shares	1,199	1,574	(375)	-23.8%
23	Retained earnings (losses)	(7,214)	(1,228)	(5,986)	n.s.
	Total shareholders' equity	(29,831)	(23,174)	(6,657)	28.7%
	Total net assets	11,165	20,498	(9,333)	-45.5%
24	Cash and cash equivalents	1,780	490	1,290	n.s.
25	Current payables to banks	(12,727)	(19,541)	6,814	-34.9%
26	Other current financial assets and liabilities	1,401	(1,428)	2,829	n.s.
	Current net financial position	(9,546)	(20,479)	10,933	-53.4%
27	Non-current financial assets	0	0	0	0.0%
28	Non-current payables to banks	(1,619)	0	(1,619)	n.s.
29	Other non-current financial liabilities	0	(19)	19	n.s.
	Non-current net financial position	(1,619)	(19)	(1,600)	n.s.
	Total net financial position	(11,165)	(20,498)	9,333	-45.5%

Digital Bros S.p.A.
Separate income statement at 30 June 2015

	EUR/000	30 June 2015		30 June 2014		Change	
1	Revenues	24,538	106.4%	47,385	108.8%	(22,847)	-48.2%
2	Revenue adjustments	(1,485)	-6.4%	(3,842)	-8.8%	2,357	-61.3%
3	Total net revenues	23,053	100.0%	43,543	100.0%	(20,490)	-47.1%
4	Purchase of goods for resale	(17,731)	-76.9%	(30,692)	-70.5%	12,961	-42.2%
5	Purchase of services for resale	0	0.0%	0	0.0%	0	0.0%
6	Royalties	0	0.0%	0	0.0%	0	0.0%
7	Changes in finished product inventories	(541)	-2.3%	(5,126)	-11.8%	4,585	-89.5%
8	Total cost of sold products	(18,272)	-79.3%	(35,818)	-82.3%	17,546	-49.0%
9	Gross profit (3+8)	4,781	20.7%	7,725	17.7%	(2,944)	-38.1%
10	Other revenues	1,824	7.9%	2,800	6.4%	(976)	-34.8%
11	Cost of services	(3,484)	-15.1%	(3,950)	-9.1%	466	-11.8%
12	Rent and leasing	(825)	-3.6%	(832)	-1.9%	7	-0.7%
13	Personnel costs	(5,474)	-23.7%	(6,137)	-14.1%	663	-10.8%
14	Other operating expenses	(667)	-2.9%	(764)	-1.8%	97	-12.8%
15	Total operating costs	(10,450)	-45.3%	(11,683)	-26.8%	1,233	-10.6%
16	EBITDA (9+10+15)	(3,845)	-16.7%	(1,158)	-2.7%	(2,687)	n.s.
17	Amortisation and depreciation	(359)	-1.6%	(420)	-1.0%	61	-14.6%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Write-down of assets	(3,825)	-16.6%	(1,470)	-3.4%	(2,355)	160.3%
20	Write-backs of assets and non-monetary income	12,920	56.0%	4,100	9.4%	8,820	215.1%
21	Total non-monetary income and operating costs	8,736	37.9%	2,210	5.1%	6,526	n.s.
22	EBIT (16+21)	4,891	21.2%	1,052	2.4%	3,839	n.s.
23	Interest and financial income	2,353	10.2%	135	0.3%	2,218	n.s.
24	Interest and financial expenses	(1,035)	-4.5%	(2,243)	-5.2%	1,208	-53.9%
25	Total net interest	1,318	5.7%	(2,108)	-4.8%	3,426	n.s.
26	Pre-tax income (22+25)	6,209	26.9%	(1,056)	-2.4%	7,265	n.s.
27	Current taxes	1,144	5.0%	1,640	3.8%	(496)	-30.3%
28	Deferred taxes	(407)	-1.8%	(1,199)	-2.8%	792	-66.1%
29	Total income taxes	737	3.2%	441	1.0%	296	67.1%
30	Net profit (26+29)	6,946	30.1%	(615)	-1.4%	7,561	n.s.

Separate statement of comprehensive income at 30 June 2015

EUR/000	30 June 2015	30 June 2014	Change
Net profit (loss) for the period (A)	6,946	(615)	7,561
Items that will not subsequently be reclassified to the income statement (B)			
Actuarial profit (loss)	30	(50)	80
Tax effect relating to the actuarial profit (loss)	(9)	14	(23)
Fair value adjustment of shares “available for sale”	330	0	330
Tax effect related to the fair value adjustment of shares “available for sale”	(90)	0	(90)
Items that will subsequently be reclassified to the income statement (C)	261	(36)	297
Total other items of comprehensive profit D = (B)+(C)	261	(36)	297
Total comprehensive profit (loss) (A)+(D)	7,207	(651)	7,858
Attributable to:			
Shareholders of the parent company	7,207	(651)	7,858
Equity investments pertaining to third parties	0	0	0

Digital Bros S.p.A.
Separate statement of cash flows at 30 June 2015

	EUR/000	30 June 2015	30 June 2014
A. Initial net cash and cash equivalents		(20,498)	(31,276)
B. Cash flow from operating activities			
Net profit (loss) for the year		6,946	(615)
<i>Provisions and non-monetary costs:</i>			
Provisions and impairment of assets		407	1,470
Intangible fixed assets		95	108
Tangible fixed assets		264	312
Net change to other provisions		(34)	(126)
Net change to employee benefits		(59)	2
SUBTOTAL B.		7,621	1,151
C. Changes in net working capital			
Inventories		541	5,126
Trade receivables		1,117	1,478
Due from subsidiaries		11,262	8,797
Tax credits		1,734	(1,140)
Other current assets		112	100
Trade payables		193	(1,944)
Due to subsidiaries		(5,969)	(120)
Tax payables		(634)	(1,352)
Current provisions		(7,028)	(37)
Other current liabilities		(218)	84
SUBTOTAL C.		1,109	10,992
D. Cash flow from investing activities			
Net investments in intangible fixed assets		(219)	(116)
Net investments in tangible fixed assets		(98)	(17)
Net investments in financial fixed assets		1,210	(1,196)
SUBTOTAL D.		892	(1,329)
E. Cash flow from financing activities			
Capital increases		0	0
SUBTOTAL E.		0	0
F. Changes in shareholders' equity			
Dividends distributed		(960)	0
Changes in treasury shares held		375	0
Increases (decreases) in other items of shareholders' equity		296	(36)
SUBTOTAL F.		(289)	(36)
G. Period cash flow (B+C+D+E+F)		9,333	10,778
H. Closing net financial position (A+G)		(11,165)	(20,498)

Details of cash flow movements by maturity:

EUR/000	30 June 2015	30 June 2014
Increase (decrease) in securities and liquid funds	1,290	177
Decrease (increase) in current payables to banks	6,814	9,625
Decrease (increase) in other current financial liabilities	2,829	(122)
Short-term period cash flow	10,933	9,680
Medium-term period cash flow	(1,600)	1,098
Period cash flow	9,333	10,778

Additional information on the statement of cash flows:

	30 June 2015	30 June 2014	Change
Income tax paid	0	(364)	364
Interest paid	(853)	(1,805)	952
Interest collected	7	13	(6)
Dividends collected	7,460	4,100	3,360
Dividends paid	(960)	0	(960)
Total	5,654	1,944	3,710

Digital Bros S.p.A.

Separate statement of changes in equity

EUR/000	Share capital (A)	Share premium reserve	Legal reserve	IAS transition reserve	Actuarial valuation reserve	Other reserves	Total reserves (B)	Treasury shares (C)	Retained earnings (losses)	Period profit (loss)	Total retained earnings (D)	Shareholders' equity (A+B+C+D)
Total as at 1 July published	5,644	16,954	1,129	(142)	0	21	17,962	(1,574)	4,973	(3,180)	1,793	23,825
Effects deriving from the amended IAS 19					(50)		(50)		51	(1)	50	0
Total as at 01 July 2013 restated	5,644	16,954	1,129	(142)	(50)	21	17,912	(1,574)	5,024	(3,181)	1,843	23,825
Allocation of net profit of the year							0		(3,181)	3,181	0	0
Purchase of treasury shares							0				0	0
Comprehensive profit (loss)					(36)		(36)			(615)	(615)	(651)
Total as at 01 July 2014	5,644	16,954	1,129	(142)	(86)	21	17,876	(1,574)	1,843	(615)	1,228	23,174
Allocation of net profit of the year							0		(615)	615	0	0
Distribution of dividends							0		(960)		(960)	(960)
Purchase of treasury shares						35	35	375			0	410
Comprehensive profit (loss)					22	239	261			6,946	6,946	7,207
Total as at 30 June 2015	5,644	16,954	1,129	(142)	(64)	295	18,172	(1,199)	268	6,946	7,214	29,831

A) not available;

B) available - can be used to cover losses but is not distributable;

D) available - can be used to cover losses, capital increases and pay dividends.

Digital Bros S.p.A.
Separate income statement compliant with Consob Resolution 15519 (related parties)

	Migliaia di Euro	30 June 2015		30 June 2014	
			of which: related parties		of which: related parties
1	Gross revenues	24,538	0	47,385	0
2	Revenue adjustments	(1,485)	0	(3,842)	0
3	Total net revenues	23,053	0	43,543	0
4	Purchase of goods for resale	(17,731)	0	(30,692)	0
5	Purchase of services for resale	0	0	0	0
6	Royalties	0	0	0	0
7	Changes in finished product inventories	(541)	0	(5,126)	0
8	Total cost of sold products	(18,272)	0	(35,818)	0
9	Gross profit (3+8)	4,781	0	7,725	0
10	Other revenues	1,824	0	2,800	0
11	Cost of services	(3,484)	(200)	(3,950)	(196)
12	Rent and leasing	(825)	(754)	(832)	(744)
13	Personnel costs	(5,474)	0	(6,137)	0
14	Other operating costs	(667)	0	(764)	0
15	Total operating costs	(10,450)	(954)	(11,683)	(940)
16	EBITDA (9+10+15)	(3,845)	(954)	(1,158)	(940)
17	Amortisation and depreciation	(359)	0	(420)	0
18	Provisions	0	0	0	0
19	Write-down of assets	(3,825)	0	(1,470)	0
20	Write-backs of assets and non-monetary income	12,920	0	4,100	0
21	Total non-monetary income and operating costs	8,736	0	2,210	0
22	EBIT (16+21)	4,891	(954)	1,052	(940)
23	Interest and financial income	2,353	0	135	0
24	Interest and financial expenses	(1,035)	0	(2,243)	0
25	Financial income and charges	1,318	0	(2,108)	0
26	Pre-tax income (22+25)	6,209	(954)	(1,056)	(940)
27	Current taxes	1,144	0	1,640	0
28	Deferred taxes	(407)	0	(1,199)	0
29	Total income taxes	737	0	441	0
30	Net profit (26+29)	6,946	(954)	(615)	(940)

Statement of financial position compliant with Consob Resolution 15519 (related parties)

	EUR/000	30 June 2015		30 June 2014	
			of which: related parties		of which: related parties
	Non-current assets				
1	Property, plant and equipment	3,335	0	3,046	0
2	Investment property	0	0	455	0
3	Intangible assets	322	0	198	0
4	Equity investments	13,931	0	14,635	0
5	Non-current receivables and other assets	644	635	644	635
6	Deferred tax assets	517	0	1,023	0
	Total non-current assets	18,749	635	20,001	635
	Non-current liabilities				
7	Employee benefits	(442)	0	(501)	0
8	Non-current provisions	(171)	0	(205)	0
9	Other non-current payables and liabilities	0	0	0	0
	Total non-current liabilities	(613)	0	(706)	0
	Net working capital				
10	Inventories	9,266	0	9,807	0
11	Trade receivables	5,445	0	6,969	0
12	Due from subsidiaries	14,131		25,393	
13	Tax credits	471	0	2,205	0
14	Other current assets	499	0	611	0
15	Trade payables	(2,204)	(18)	(2,011)	(18)
16	Due to subsidiaries	(2,031)		(8,000)	
17	Tax payables	(286)	0	(920)	0
18	Current provisions	(1,491)	0	(8,519)	0
19	Other current liabilities	(940)	0	(1,158)	0
	Total net working capital	22,860	(18)	24,377	(18)
	Shareholders' equity				
20	Share capital	(5,644)	0	(5,644)	0
21	Reserves	(18,172)	0	(17,876)	0
22	Treasury shares	1,199	0	1,574	0
23	Retained earnings (losses)	(7,214)	0	(1,228)	0
	Total shareholders' equity	(29,831)	0	(23,174)	0
	Total net assets	11,165	617	20,498	617
24	Cash and cash equivalents	1,780	0	490	0
25	Current payables to banks	(12,727)	0	(19,541)	0
26	Other current financial assets and liabilities	1,401	0	(1,428)	0
	Current net financial position	(9,546)	0	(20,479)	0
27	Non-current financial assets	0	0	0	0
28	Non-current payables to banks	(1,619)	0	0	0
29	Other non-current financial liabilities	0	0	(19)	0
	Non-current net financial position	(1,619)	0	(19)	0
	Total net financial position	(11,165)	0	(20,498)	0

Digital Bros S.p.A.
Separate income statement compliant with Consob Resolution 15519 (non recurring)

	Migliaia di Euro	30 June 2015		30 June 2014	
			of which: non- recurring		of which: non- recurring
1	Gross revenues	121,244	0	141,574	0
2	Revenue adjustments	(5,254)	0	(8,429)	0
3	Total net revenues	115,990	0	133,145	0
		0			
4	Purchase of goods for resale	(34,104)	0	(46,394)	0
5	Purchase of services for resale	(5,374)	0	(6,570)	0
6	Royalties	(28,328)	0	(36,909)	0
7	Changes in finished product inventories	(1,898)	0	(5,904)	0
8	Total cost of sold products	(69,704)	0	(95,777)	0
		0			
9	Gross profit (3+8)	46,286	0	37,368	0
		0			
10	Other revenues	2,295	0	264	0
		0			
11	Cost of services	(11,733)	(181)	(14,357)	0
12	Rent and leasing	(1,548)	0	(1,338)	0
13	Personnel costs	(17,853)	0	(12,569)	0
14	Other operating costs	(1,371)	0	(1,190)	0
15	Total operating costs	(32,505)	(181)	(29,454)	0
		0			
16	EBITDA (9+10+15)	16,076	(181)	8,178	0
		0			
17	Amortisation and depreciation	(2,920)	0	(1,211)	0
18	Provisions	0	0	0	0
19	Write-down of assets	(1,455)	0	(32)	0
20	Write-backs of assets and non-monetary income	641	0	0	0
21	Total non-monetary income and operating costs	(3,734)	0	(1,243)	0
		0			
22	EBIT (16+21)	12,342	(181)	6,935	0
		0			
23	Interest and financial income	3,939	0	348	0
24	Interest and financial expenses	(2,027)	0	(2,723)	0
25	Financial income and charges	1,912	0	(2,375)	0
		0			
26	Pre-tax income (22+25)	14,254	(181)	4,560	0
		0			
27	Current taxes	(3,897)	0	(435)	0
28	Deferred taxes	(1,252)	0	(2,200)	0
29	Total income taxes	(5,149)	0	(2,635)	0
		0			
30	Net profit (26+29)	9,105	(181)	1,925	0

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Notes to the Separate Financial Statements at 30 June 2015

1. FORM, CONTENT AND OTHER GENERAL INFORMATION

The activities carried out by Digital Bros S.p.A. are described in the directors' report.

The financial statements at 30 June 2015 have been prepared on a going concern basis. The Company has determined that the uncertainties and risks to which it is exposed, as described in the directors' report, do not cast doubt on its ability to operate as a going concern.

Accounting standards and compliance with IFRS

The separate financial statements of Digital Bros S.p.A. for the year ended 30 June 2015 have been prepared in accordance with Art. 154-ter of Legislative Decree 58 of 24 February 1998, as amended. They comply with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), on the basis of the text published in the Official Journal of the European Union. The term "IFRS" encompasses the International Accounting Standards (IAS) still in effect, as well as all interpretations published by the International Financial Reporting Interpretations Committee (IFRIC). All amounts contained in the separate financial statements at 30 June 2015 are expressed in thousands of euros (EUR/000), unless otherwise specified.

Reporting formats

The separate financial statements for the year ended 30 June 2015 comply with the IAS/IFRS and with the interpretations thereof (SIC/IFRIC) endorsed by the European Commission as of that date.

The statements and the notes also include the disclosures required by Consob Resolution 15519 of 27 July 2006 and Consob Announcement 6064293 of 28 July 2006.

No changes have been made to the reporting format with respect to previous years, and all schedules are consistent with those used for the separate financial statements at 30 June 2015.

The financial statements are comprised of:

- statement of financial position at 30 June 2015 with comparative figures at 30 June 2014 (the previous year-end reporting date);
- income statement for the period from 01 July 2014 to 30 June 2015, in comparison with the income statement from 01 July 2013 to 30 June 2014;
- statement of comprehensive income from 01 July 2014 to 30 June 2015 in comparison with the statement of comprehensive income from 01 July 2013 to 30 June 2014;
- statement of cash flows for the period under review, in comparison with the previous year's statement;
- statement of changes in equity from 01 July 2014 to 30 June 2015 and from 01 July 2013 to 30 June 2014.

The following have been presented to supplement the information in the financial statements:

- details of cash flows by maturity, compared with movements taking place the previous year;
- additional information on the statement of cash flows, with prior-year comparison;
- the income statement and balance sheet compliant with Consob Resolution 15519 of 27 July 2006.

The first column of the statement of financial position indicates the number of the relevant note.

The statement of financial position is divided into five categories:

- non-current assets;
- non-current liabilities;
- net working capital;
- shareholders' equity;
- net financial position.

Non-current assets are those whose duration is long-term by nature, such as fixed assets to be used over several years, equity investments, and receivables due in subsequent periods. They also include investment property, and deferred tax assets regardless of when they might be realized.

Non-current liabilities cover provisions not expected to be used during the next 12 months and for post-employment benefits, in particular the provision for employee termination indemnities at the parent company and its Italian subsidiaries.

Net working capital expresses current assets and liabilities. Because of the commercial nature of the Company's operations, net working capital is especially significant, as it represents the amount the Company invests in operating activities to help increase its turnover. Its trend in relation to business volumes, and as a function of seasonal patterns in the market, is extremely important.

Shareholders' equity consists of share capital, reserves, unallocated earnings (the profit for the year plus the portion of previous years' profits not allocated to specific types of reserve by the shareholders), as adjusted by treasury shares.

Total net assets are the sum of non-current assets plus net working capital, less non-current liabilities and equity.

The net financial position is divided into current and non-current debt and corresponds to the total of net assets.

The first column of the official income statement and of the income statement provided for segment reporting purposes indicates the number of the relevant note.

The income statement has been prepared in vertical format, with individual entries grouped by type, and shows four intermediate levels of profit:

- gross profit, the difference between net revenues and the total cost of goods sold;
- EBITDA, the difference between the gross profit and total operating costs;
- EBIT, the difference between EBITDA and total depreciation, amortization and impairment;
- pre-tax income, the difference between EBIT and net interest income or expense.

The net profit, the difference between the pre-tax profit and total tax, is followed by earnings per share.

The cash flow statement has been prepared using the indirect method, whereby profit is adjusted for the effects of transactions of a non-cash nature, changes in net working capital, cash flows from financing and investing activities, and changes in consolidated equity.

The overall change for the period is given by the sum of the following items:

- cash flow from operating activities;
- changes in net working capital;
- cash flow from investing activities;
- cash flow from financing activities;
- changes in consolidated shareholders' equity.

The statement of changes in equity has been drawn up in accordance with IFRS, and shows movements between 01 July 2013 and 30 June 2015.

There are no minority interests, which are therefore not reported.

2. ACCOUNTING STANDARDS

Figures in the separate financial statements were determined according to the International Accounting Standards and their interpretations in effect as of 30 June 2015.

The financial statements were prepared on the basis of the accounts at 30 June 2015 submitted by the Company.

The measurement criteria used to prepare the separate financial statements as at 30 June 2015 are coherent with those used to prepare the separate financial statements as at 30 June 2014. Changes in standards and interpretations adopted by the European Union did not have any significant effect in the preparation of the separate financial statements at 30 June 2014 except as indicated in paragraph 1 “Form and content and other general information and paragraph” and 1.1 “Comparability of the financial statements”. Changes in the standards and interpretations adopted by the European Union have had no significant effect on the preparation of the consolidated financial statements as at 30 June 2015.

Property, plant and equipment

Property, plant and equipment are recognized at purchase or production cost and are shown net of depreciation and impairment. No revaluations have been conducted in previous years. Any financial charges are not capitalized.

Leasehold improvements and costs incurred after purchase are capitalized only if they increase the future economic benefits associated with the asset. All other costs are charged to the income statement when incurred.

Depreciation is calculated on a straight-line basis over the asset’s estimated useful life, as follows:

Buildings	3%
Plants and machinery	12%-25%
Industrial and commercial equipment	20%
Other assets	20%-25%

Assets acquired under existing finance leases, in which all of the risks and benefits of ownership are transferred to the Company, are recognized at the lower of purchase cost and the present value of the minimum payments due for the entire duration of the lease. The corresponding debt to the lessor is listed under financial payables. Depreciation is charged on a straight-line basis over the estimated useful life of the asset.

Leases in which the lessor substantially retains all of the risks and rewards associated with ownership of the assets are classified as operating leases. The costs of operating leases are charged to “rentals and leasing” in the income statement in relation to the term of the contract.

Land is not depreciated, although impairment losses are charged if the fair value falls below cost.

Investment property

Buildings and property units held for appreciation of the invested capital are recognized at historical cost and are not depreciated. Impairment losses are charged if their market value falls below cost.

Intangible assets

Intangible assets purchased or produced internally are capitalized in accordance with IAS 38, when it is likely that their use will generate future economic benefits and when their cost can be reliably determined.

They are recognized at purchase or production cost and, if they have a finite useful life, are amortized on a straight-line basis over that period.

Amortization rates are as follows:

- Brands: 10%
- Microsoft Dynamics Navision licenses: 20%
- Long-term licenses / usage rights: 20%.

Intangible assets of finite useful life are amortized systematically over their estimated useful lives, starting from the date they are available for use. Their value is tested for recoverability in accordance with IAS 36, as explained under “impairment of assets” below.

The same principle is followed for long-term usage rights and intellectual property, whose amortization method must reasonably and reliably reflect the correlation between costs and income. If that correlation cannot be objectively determined, the Company uses the straight-line method over the duration of the contract, and in any event over a period not exceeding five years.

Rights available for multiple means of exploitation that are used in the distribution business are amortized according to international best practice, considering the relationship between the income earned for each type of exploitation and the total income generated by the exploitation of that right.

The amortization charge is shown in the income statement.

Equity investments

Equity investments in associates are recognized at cost less any impairment.

The positive difference between the purchase cost and the Company’s share of net equity at present values, if apparent at the time of the acquisition from third parties, is included in the carrying value of the investment.

Once a year, or more frequently if necessary, equity investments in subsidiaries and associates undergo impairment testing in accordance with IAS 36. If there is evidence that these investments have suffered an impairment loss, the loss is recognized in the income statement as an impairment loss. If the Company's share of the company's losses exceeds its carrying value, and if the Company is obliged to respond for this, the value of the investment is reduced to zero and the Company's share of the additional losses is charged to the provisions for risks and charges on the liabilities side of the statement of financial position. If the loss in value is subsequently reversed or reduced, the impairment loss is likewise reversed up to an amount not exceeding cost.

Other financial assets available for sale

In accordance with IAS 39, investments in companies other than subsidiaries and associates, constituting non-current financial assets which are not held for trading, are classified as financial assets available for sale and are measured at fair value, except in situations where the fair value may not be reliably determined: in such cases, the cost method is adopted.

Gains and losses resulting from fair value adjustments are recognized in a separate reserve of total gains (losses) until they are sold or impaired; when the asset is sold, the gains and losses previously recognized in total gains (losses) are recognized in the income statement for the period. When the asset is impaired, the accumulated losses are included in the income statement under "interest and financial expenses".

For further information on the standards regarding financial assets, refer to the specific note ("Financial Assets").

Impairment of assets

At least once a year, therefore, the Company tests the recoverability of these assets' carrying value. If they are found to be impaired, the asset's recoverable amount is estimated in order to determine the extent of the write-down. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount of an asset is its fair value net of costs to sell or its value in use, whichever is higher. An asset's value in use is estimated by discounting the present value of estimated future cash flows at a pre-tax rate that reflects the current time value of money and the specific risks inherent to the asset.

If the recoverable amount of an asset (or of a cash-generating unit) is estimated to be lower than the relative book value, it is reduced to the lower recoverable value. The reversal of an impairment loss is immediately recognized in the income statement. In particular, when assessing the existence of any impairment losses of investments in subsidiaries and associates, when these companies are not listed or if a reliable market value (fair value less costs to sell) is not determinable, the recoverable value is defined as the value in use. Value in use is defined as the portion attributable to the Company of the present value of estimated cash flows from operations or dividends to be received in respect of each subsidiary and the amount that is expected to be received from the ultimate disposal of the asset in line with the provisions

of IAS 28 and IAS 36 for the part referred to by IAS 28.

When it is no longer necessary to maintain an impairment, the carrying value of the asset (or cash-generating unit), with the exception of goodwill, is increased to the new value deriving from the estimate of its recoverable value, but not exceeding the net book value that the asset would have had if it had not been written down for impairment. The write-back is recognized in the income statement.

Inventories

Finished product inventories are recognized at the lower of cost including ancillary expenses and realizable value, as estimated from market trends. Specific cost is the measurement used to define cost.

When the realizable value of inventories is less than their purchase cost, impairment is charged directly to the unit value of the article in question.

Receivables and payables

Receivables are recognized at their estimated realizable value. The face value of receivables is adjusted to their estimated realizable value by means of a provision for doubtful accounts, which is formed in consideration of debtors' individual situations.

Receivables from customers undergoing insolvency procedures are written off in full, or written down to the extent that legal action in course indicates their partial collectibility.

Payables are shown at face value.

Factoring of trade receivables

The Company has factored its trade receivables without recourse to various companies. In accordance with IAS 39, factored assets can be eliminated from the financial statements only when the associated risks and benefits have been substantially transferred. Thus, receivables factored without recourse that include provisions limiting the transfer of these risks and benefits at the time of the transaction, such as deferred payments or deductibles by the transferor, or that imply continued significant exposure to the trend in inflows deriving from the receivables, remain in the separate financial statements even though said receivables have been transferred. An amount equal to the sums advanced for factored receivables not yet collected is therefore recognized in the separate financial statements under other current financial liabilities.

Employee benefits

Employee termination indemnities (trattamento di fine rapporto or TFR), which are mandatory for Italian companies pursuant to Art. 2120 of the Civil Code, qualify as deferred compensation and depend on the employee's duration of employment and amount of compensation received while in the Company's service.

Since 1 January 2007, Italy has made significant changes to the TFR system, including the employee's choice as to where his or her benefits are to be held (in complementary pension funds or in the "Treasury Fund" managed by the Social Security agency INPS). Thus, the obligation to INPS and the payments to complementary pension funds qualify as defined contribution plans, while the amounts remaining in TFR, in accordance with IAS 19, retain their status as defined benefit plans.

Actuarial gains and losses in accordance with the amendment to IAS 19 are recognized in equity under other reserves.

Current and non-current provisions

The Company makes provisions against legal or constructive obligations to third parties whose exact amount and/or timing are unknown, and/or it is likely that the Company's resources will have to be employed to fulfil the obligation and the amount can be reliably estimated. The provisions are adjusted periodically to reflect any changes in the estimated amount of the liability.

Changes in estimates are recorded in the income statement for the period in which the changes are made.

Financial assets and liabilities

Current financial assets, non-current financial assets, and current and non-current financial liabilities are recognized in accordance with IAS 39 – Financial Instruments: Recognition and Measurement.

Cash and cash equivalents include cash on hand, bank deposits, mutual fund units, other highly negotiable securities, and other financial assets recognized as assets available for sale.

Current financial assets and securities are booked on the basis of their trading date; upon first-time recognition they are valued at purchase cost including transaction expenses. Following first-time recognition, financial instruments available for sale and trading securities are posted at fair value. If the market price is unavailable, the fair value of financial instruments available for sale is measured with the most appropriate valuation techniques, such as the discounted cash flow method, using the market information available at the close of the year.

Financial liabilities cover financial and other payables, including those arising from the recognition of derivative instruments at market value.

Financial liabilities hedged by derivatives are shown at fair value, according to the rules of hedge accounting: gains and losses from subsequent recognition at fair value, due to changes in interest rates and/or exchange rates, are posted to the income statement and offset by the effective portion of the loss or gain deriving from the subsequent fair-value recognition of the instrument hedged.

Financial assets measured at fair value directly in the income statement

In accordance with the provision of IAS 39, the category includes the following cases:

- financial assets held for the specific purpose of trading;
- financial assets to be considered at fair value from their purchase.

On initial recognition, financial assets held for trading are measured at fair value, without adding directly attributable transaction costs or income that are recorded in the income statement.

All assets within this category are classified as current if they are held for trading or if they are expected to be sold within 12 months from the closing date of the financial statements.

Designation of a financial instrument to this category is final (IAS 39 only envisages some exceptional circumstances in which said financial assets may be classified in another category) and can only be done on initial recognition.

Gains or losses on “Financial assets at fair value directly through the income statement” are immediately recognized in the income statement.

The fair value is the amount for which an asset could be exchanged, or to be paid to transfer the liability (“exit price”) in an arm’s length transaction between knowledgeable and independent parties. In the case of securities traded on regulated markets, the fair value is determined with reference to bid prices at the end of trading at the closing date of the period.

Purchases or sales regulated at “market prices” are recognized on the trade date, which is the date on which the Group commits to purchase or sell the asset. In cases where the fair value cannot be reliably determined, the financial asset is valued at cost, with disclosure in the notes of its type and related reasons.

Investments in financial assets may be derecognised (derecognition process) only upon expiry of the contractual rights to receive cash flows from investments (ex. final redemption of bonds subscribed) or when the Company transfers the financial asset and all related risks and benefits.

Derivative financial instruments

Derivatives are normally used to hedge the risk of fluctuation in exchange rates, interest rates and market prices. In accordance with IAS 39, derivative financial instruments may be recognized on a hedge accounting basis only if, at the inception of the hedge, the relationship is formally designated and documented; the hedge is expected to be highly effective; its effectiveness can be reliably measured; and the hedge is assessed as being highly effective throughout the financial reporting periods for which it was designated.

All derivative financial instruments are measured at fair value, as established by IAS 39.

When the financial instruments qualify for hedge accounting, the following rules apply:

Fair value hedge – If a derivative financial instrument is designated as a hedge against changes in the fair value of a recognized asset or liability attributable to a particular risk that may affect the income

statement, the gain or loss arising from subsequent fair value accounting of the hedge is recognized in the income statement.

The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of that item and is recognized in the income statement.

Cash flow hedge – If a financial instrument is designated as a hedge against exposure to variations in the cash flows of a recognized asset or liability or a forecast transaction that is highly probable and could affect the income statement, the effective portion of the gain or loss on the financial instrument is recognized directly in equity. The cumulative gain or loss is transferred from shareholders' equity to the income statement in the same period in which the hedged transaction is recognized. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in the income statement. If a hedge or a hedging relationship is closed, but the hedged transaction has not yet taken place, the gains or losses accrued up to that time in equity are reclassified to the income statement as soon as the transaction occurs. If the hedged transaction is no longer expected to occur, the unrealized gains or losses still recognized in equity are immediately taken to the income statement.

If hedge accounting cannot be used, the gains or losses arising from the fair value accounting of the derivative financial instrument are recognized immediately to the income statement.

Treasury shares

Treasury shares held by Digital Bros S.p.A. and other companies in the consolidation are deducted from equity. Their original cost and any positive/negative differences from their subsequent sale are recorded as equity movements under “other reserves.”

Revenues

Revenues are recognized when the Company is expected to obtain economic benefits whose amount can be reliably determined. Specifically, revenues from the sale of goods are recognized when the risks and benefits of ownership are transferred to the buyer, and the price has been agreed or can be determined and is expected to be received.

Revenues from services are recognized when the services are rendered and accepted by the customer.

“Gross revenues” are shown net of discounts, rebates and returns. Revenue adjustments are comprised of variable costs depending on the revenues and estimated returns from customers, both contractual and non-contractual.

Costs

Costs and other operating expenses are recognized when incurred in accordance with the principles of

accrual and matching, when they do not produce future economic benefits, or when those benefits do not qualify for recognition as assets.

Advertising costs are recognized upon receipt of the service.

Cost of goods sold

The cost of goods sold is the purchase or production cost of products, goods and/or services for resale. It includes all materials and workmanship costs.

The item “change in inventories” refers to the gross value of year-end inventories with respect to the previous year, net of the change in provisions for inventory obsolescence.

Dividends received

Dividends received from equity investments are recognized when the right to receive payment is established, provided they derive from the allocation of profits earned after the interest in the company was acquired. If they derive from the distribution of reserves generated prior to the acquisition, such dividends are deducted from the carrying value of the equity investment.

Interest income and expense

Interest income and expense are recognized on an accruals basis and are shown separately in the income statement without being offset against each other.

Current taxes

Income taxes include all charges calculated on Company’s taxable income. Income taxes are generally recognized to the income statement, except when they pertain to items directly charged from or credited to equity, in which case the tax effect is recognized directly to equity.

Other taxes not related to income, such as those on property and capital, are presented in other operating expenses.

Deferred taxes

Deferred taxes are determined according to the balance sheet liability method. They are calculated on all temporary differences between the accounting and tax value of an asset or liability, with the exception of non-deductible goodwill and differences deriving from investments in subsidiaries that are not expected to reverse in the foreseeable future.

Deferred tax assets on business losses and unused tax credits eligible to be carried forward are recognized in proportion to the likelihood of earning enough future taxable income for these to be recovered. Deferred tax assets and liabilities are calculated at the tax rates expected to be in force, when

the temporary differences are likely to be realized or reversed.

They are classified as non-current assets and liabilities, regardless of the estimated year of use.

Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period by the number of shares outstanding, net of treasury shares. For Digital Bros, diluted earnings per share is the same as basic earnings per share, since there were no financial instruments convertible into shares in circulation during the period.

Foreign currency transactions

Transactions in foreign currencies are recognized at the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies as of the reporting date are translated at the exchange rate in force on that date. Exchange gains and losses generated by the closure of monetary items or by their translation at rates other than those used upon initial recognition during the year or in prior periods are recognized to the income statement.

New accounting standards

The following IFRS standards, amendments and interpretations were applied for the first time by the Company with effect from 1 July 2014:

- IFRS 11 – Joint Arrangements, which replaces IAS 31 – Interests in Joint Ventures and SIC-13 – Jointly-controlled entities – Non-monetary contributions by venturers. The standard is not applicable to the Group.

The new standard, subject to the criteria for the identification of the presence of a jointly controlled entity, provides the criteria for the accounting of joint arrangements by focusing on the rights and obligations deriving from these arrangements, rather than its legal form, distinguishing these arrangements between joint ventures and joint operations. According to IFRS 11, on the contrary of the previous IAS 31, the existence of a separate vehicle is not a sufficient condition for classifying a joint arrangement as a joint venture. For joint ventures, where the parties have rights only on shareholders' equity of the agreement, the standard establishes the equity method as the only method of accounting the consolidated financial statements. For joint operations, where the parties have rights to the assets and obligations for the liabilities of the agreement, the standard involves the direct inclusion in the consolidated financial statements (and in the separate financial statements) of the pro-quota of the assets, liabilities, costs and revenues from the joint operation. In general terms, the application of IFRS 11 requires a significant degree of judgement in certain areas of the Company with regard to the distinction between joint venture and joint operation.

The new standard shall be applied retrospectively from 1 July 2014.

Following the adoption of the new standard IFRS 11, IAS 28 - Investments in associated companies has been amended to include within its scope of application, from the effective date of the standard, also the investments in jointly controlled entities. The adoption of this new standard had no significant impact on the Company;

- IFRS 12 – Disclosure of interests in other entities, which is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other unconsolidated vehicles. It must be applied retrospectively from 1 July 2014. The adoption of this new standard had no significant impact on the Company;
- Amendments to IAS 32 “Compensation of financial assets and financial liabilities”, aimed at clarifying the application of the criteria required to offset financial assets and liabilities in the financial statements (i.e. the entity currently has the legal right to offset the recognized amounts and intends either to settle the net residual amount, or to realize the asset and at the same time settle the liability). The amendments are retrospectively applicable from 1 July 2014. The adoption of this new standard had no significant impact on the Company;
- Amendments to IFRS 10, IFRS 12 and IAS 27 “Investment entities”, which, for investment companies, introduce an exception to the consolidation of subsidiaries, except in cases in which said subsidiaries provide ancillary services to the investment activities carried out by the investment company. The standard is not applicable to the Company.

In accordance with these amendments, investment entities must measure their investments in subsidiaries at fair value. The following criteria were introduced for qualification as an investment company and therefore, have access to said exception:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- undertake with its investors to pursue the purpose of investing the funds exclusively to obtain returns from capital revaluation, from the income of the investment or both; and
- measure and evaluate the performance of substantially all investments on a fair value basis.

These amendments shall apply, with the principles of reference, as of 1 July 2014. The adoption of this new standard had no significant impact on the Company;

- Amendments to IAS 36 “Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets”. The amendments aim to clarify that the disclosure to be provided on the recoverable amount of assets (including goodwill) or cash flow generating units subject to impairment tests, if their recoverable amount is based on the fair value net of the disposal costs, regards only assets or cash-generating units for which an impairment loss has been recognised or reversed during the year. In this case, it will be necessary to provide adequate information on the hierarchy of the fair value level of the recoverable value and the valuation techniques and assumptions used (in the case of level 2 or 3). The amendments are retrospectively applicable from 1 July 2014. The adoption of this new standard had no significant impact on the Company;
- Amendments to IAS 39 – Financial instruments Recognition and Measurement - Novation of derivatives and continuation of hedge accounting. The amendments regard the introduction of

certain exemptions from the hedge accounting requirements defined by IAS 39 in the circumstance in which an existing derivative shall be replaced with a new derivative in a specific case in which said substitution is against a Central Counterparty – CCP following the introduction of a new law or regulation. The amendments are retrospectively applicable from 1 July 2014. The adoption of this new standard had no significant impact on the Company.

IFRS and IFRIC Accounting Principles, Amendments and Interpretations approved by the European Union, not yet obligatorily applicable and not adopted by the Group in advance at 30 June 2015.

- On 20 May 2013 the interpretation IFRIC 21 – Levies, was published, which provides clarification on when recognition of a liability related to taxes (other than income taxes) imposed by a government agency. The standard is not applicable to the Group.
The standard addresses both the liabilities for taxes that fall within the scope of IAS 37 – Provisions, contingent liabilities and assets, both for the taxes where the amount and timing are certain. The interpretation is applied retrospectively for annual periods commencing no later than 17 June 2014 or later. The directors anticipate that the adoption of this new interpretation will not affect the Company;
- On 12 December 2013, the IASB published the document: “Annual Improvements to IFRSs: 2010-2012 Cycle”, which implements the amendments to some standards in the context of the annual process of improving the same. The main changes are:
 - IFRS 2 Share Based Payments – Definition of vesting condition. Changes have been made to the definitions of “vesting condition” and “market condition” and additional definitions of “performance condition” and “service condition” given (previously included under the definition of “vesting condition”); the standard is not applicable to the Company;
 - IFRS 3 Business Combination – Accounting for contingent consideration. The amendment clarifies that a “contingent consideration” as part of business combinations classified as a financial asset or liability must be remeasured at fair value at each year-end date and the changes in fair value shall be noted on the income statement or amongst the items of the comprehensive income statement according to the requirements of IAS 39 (or IFRS 9); the standard is not applicable to the Company;
 - IFRS 8 Operating segments – Aggregation of operating segments. The amendments require an entity to provide information on management’s considerations in applying the aggregation criteria of operating segments, including a description of the operating segments that have been aggregated and the economic indicators considered in determining whether or not said operating segments have similar economic characteristics;
 - IFRS 8 Operating segments – Reconciliation of total of the reportable segments’ assets to the entity’s assets. The amendments clarify that the reconciliation of total assets of operating segments and total overall assets of the entity must only be presented if the total assets of the operating segments are regularly revised by the higher operating decision-making level;
 - IFRS 13 Fair Value Measurement – Short-term receivables and payables. The Basis for Conclusions of said principle have been amended to clarify that with the issue of IFRS 13

and the consequent amendments to IAS 39 and IFRS 9, the possibility of booking current receivables and payables without needing to book the effects of discounting remains valid, if said effects are immaterial;

- IAS 16 Property, plant and equipment and IAS 38 Intangible Assets – Revaluation method: proportionate restatement of accumulated depreciation/amortization. The amendments eliminated the inconsistencies in the recognition of depreciation/amortisation when a tangible or intangible asset is subject to revaluation. The requirements of the amendments clarify that the gross book value shall be adjusted consistently with the increase in value of the asset's book value and that the provision for amortization/depreciation shall be the difference between the gross book value and the book value net of impairment recorded;
- IAS 24 Related Parties Disclosures – Key management personnel. It is clarified that if the services of key managers are provided by an entity (i.e. not by a natural person), said entity shall however be considered as a related party.

The amendments shall apply at the latest beginning the years starting 1 July 2015. The directors do not expect a significant impact on the Company from the adoption of said amendments;

- On 12 December 2013, the IASB published the document: “Annual Improvements to IFRSs: 2011-2013 Cycle”, which implements the amendments to some standards in the context of the annual process of improving the same. The main changes are:
 - IFRS 3 Business Combinations – Scope exception for joint ventures. The amendment states that paragraph 2 (a) of IFRS 3 excludes from the scope of IFRS 3 the formation of all types of joint arrangements, as defined by IFRS 11; the standard is not applicable to the Company;
 - IFRS 13 Fair Value Measurement – Scope of portfolio exception (par. 52). The amendment clarifies that the portfolio exception included in paragraph 52 of IFRS 13 applies to all contracts included within the scope of IAS 39 (or IFRS 9) regardless of whether they meet the definition of financial assets and liabilities provided by IAS 32;
 - IAS 40 Investment Properties – Interrelationship between IFRS 3 and IAS 40. The amendment clarifies that IFRS 3 and IAS 40 are not mutually exclusive and that, in order to determine whether or not the purchase of a property falls within the scope of application of IFRS 3 or IAS 40, reference shall be made respectively to the specific indications of IFRS 3 or IAS 40.

The amendments shall apply beginning the years starting 1 July 2015 or subsequently. The directors do not expect a significant impact on the Group's consolidated financial statements from the adoption of said amendments;

- On 21 November 2013, the IASB issued the amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”, which aims to present the contributions (relating only to the service provided by the employee during the year) made by employees or third parties to defined benefit plans to reduce the service cost for the year in which the contribution is paid. The need for this proposal stems from the introduction of the new IAS 19 (2011), which states that such contributions are to be interpreted as part of a post-employment benefit, rather than a short-term

benefit and, therefore, that this contribution shall be spread over the years of service of the employee. The amendments shall apply at the latest beginning the years starting 1 July 2015. The directors do not expect a significant impact on the Company from the adoption of said amendment.

Accounting standards, amendments and interpretations not yet endorsed by the European Union

At the reporting date of these consolidated financial statements, the EU authorities had not yet finished the endorsement process necessary for the adoption of the following amendments and standards:

- On 30 January 2014, the IASB published the standard IFRS 14 – Regulatory Deferral Accounts that allows only those that adopt IFRS for the first time to continue to recognize the amounts related to activities subject to regulated tariffs (“Rate Regulation Activities”) under previous accounting principles adopted. As the Group is not a first-time adopter, said standard is not applicable;
- On 6 May 2014, the IASB issued amendments to IFRS 11 Joint Arrangements – “Accounting for acquisitions of interests in joint operations” relating to the accounting for the purchase of stakes in a joint operation whose activity constitutes a business in the meaning provided by IFRS 3. The standard is not applicable to the Company.

The amendments require that for these cases the principles set out in IFRS 3 apply related to the effects of a business combination.

The amendments are applicable starting from 1 January 2016. However, earlier application is permitted. The directors do not expect a significant impact on the Company from the adoption of said amendments;

- On 12 May 2014, the IASB issued amendments to IAS 16 Property, plant and Equipment and IAS 38 Intangibles Assets – “Clarification of acceptable methods of depreciation and amortisation”. The amendments to IAS 16 require that the amortization criteria based on revenues are not appropriate, since, according to the amendment, the revenues generated by an activity that includes the use of the amortized asset generally reflect different factors only from the consumption of the economic benefits of the asset. The amendments to IAS 38 introduce a related presumption, according to which a depreciation method based on revenues is normally considered inappropriate for the same reasons laid down by the amendments made to IAS 16. In the case of intangible assets, this presumption can be exceeded, however only in limited and specific circumstances.

The amendments are applicable starting from 1 July 2016. However, earlier application is permitted. The directors do not expect a significant impact on the Company from the adoption of said amendments;

- On 28 May 2014, the IASB published the standard IFRS 15 – Revenue from Contracts with Customers, which is destined to replace IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as the interpretations of IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The standard

establishes a new model of revenue recognition that shall apply to all contracts with clients except those that fall within the scope of application of other IAS/IFRS principals such as leasing, insurance contracts and financial instruments. The fundamental steps for the recognition of revenues according to the new model are:

- identification of the contract and with the client;
- identification of the performance obligations of the contract;
- determination of the price;
- allocation of the price to the performance obligations of the contract;
- criteria for recognition of revenues when the entity meets each performance obligation.

The standard is applicable starting from 1 July 2017. However, earlier application is permitted. The directors expect that the application of IFRS 15 will not have a significant impact on the amounts recorded as revenues and the related disclosure for the Company. However, it is not possible to provide a reasonable estimate of the effect until the Company has completed a detailed analysis of contracts with clients;

- On 24 July 2014, the IASB published the final version of IFRS 9 – Financial instruments. The document includes the results of the phases relating to classification and measurement, impairment and hedge accounting, of the IASB’s project aimed at replacing IAS 39. The new standard, which replaces the previous version of IFRS 9, shall be applied for financial statements beginning on 1 July 2018.

Following the financial crisis of 2008, at the request of the main financial and political institutions, the IASB started the project aimed at the replacement of IFRS 9 and proceeded in phases. In 2009, the IASB published the first version of IFRS 9 that only covered the Classification and measurement of financial assets; later, in 2010, the criteria were published for the classification and measurement of financial liabilities and derecognition (the latter topic was transposed unchanged by IAS 39). In 2013, IFRS 9 was amended to include the general model of hedge accounting. Following the current publication, which also includes impairment, IFRS 9 shall be considered completed with the exception of criteria regarding macro hedging, for which the IASB has undertaken an independent project.

The standard introduces new criteria for classifying and measuring financial assets and liabilities. In particular for financial assets, the new principle uses a single approach based on management procedures for financial instruments and the contractual cash flow characteristics of the financial assets in order to determine the valuation criteria, replacing the many different regulations in IAS 39. In terms of financial liabilities, the main modification introduced concerns the recognition of variations in the fair value of financial liabilities measured at fair value in the income statement whenever these changes are due to a change in the issuer’s creditworthiness of the liability. Under the new standard, these changes must be recognized in the statement “Other comprehensive income” and no longer in the income statement.

With reference to the impairment model, the new standard requires the estimate of losses on receivables to be made on the basis of the model of expected losses (and not on the model of incurred losses) using supportable information, available without unreasonable effort or expense that include current and prospective historical data. The standard requires that the impairment

model apply to all financial instruments, i.e. financial assets measured at amortized cost, those measured at fair value through other comprehensive income, receivables arising from lease agreements and trade receivables.

Finally, the standard introduces a new model of hedge accounting in order to adapt the requirements of the current IAS 39 that sometimes were considered too stringent and unsuitable to reflect the risk management policies of the Company. The main developments are as follows:

- increase in the types of transactions eligible for hedge accounting, also including the risks eligible for hedge accounting of non-financial items;
- changes in the way forward contracts and options are accounted for when they are in a hedge accounting relationship, in order to reduce volatility of the income statement;
- overhaul of the effectiveness test through replacement of the current methods based on the 80-125% parameter with the principle that an “economic relationship” must exist between the hedged item and hedging instrument; in addition, retrospective assessment of hedge effectiveness is no longer required.

The greater flexibility of the new accounting requirements is counterbalanced by enhanced disclosure requirements about the entity’s risk management activities. The directors do not expect that the application of IFRS 9 may have a significant impact on the amounts and the disclosure in the Company’s financial statements. However, it is not possible to provide a reasonable estimate of the effect until the Company has completed a detailed analysis;

- On 11 September 2014, the IASB published an amendment to IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture. The standard is not applicable to the Group. The document was published in order to resolve the current conflict between IAS 28 and IFRS 10.

According to the provisions of IAS 28, the gain or loss resulting from the sale or transfer of a non-monetary asset to a joint venture or associate in exchange for a share in the capital of the latter is limited to the shareholding in the joint venture or associate by other investors extraneous to the transaction. In contrast, IFRS 10 requires the recording of the entire gain or loss in the event of loss of control of a subsidiary, even if the entity continues to hold a non-controlling stake in it, including in this case also the sale or transfer of a subsidiary to a joint venture or associate. The amendments introduced require that for a sale/transfer of an asset or a subsidiary to a joint venture or associate, the measure of the gain or loss to be recognized in the financial statements of the seller/transferor depends on whether the asset or subsidiary sold/transferred constitute a business, under the meaning of IFRS 3. If the assets or the subsidiary sold/transferred represent a business, the entity shall recognize the gain or loss on the entire investment held; otherwise, the portion of the gain or loss related to the share still held by the entity shall be eliminated. The amendments are applicable starting from 1 January 2016. However, earlier application is permitted. The directors do not expect a significant impact on the Company’s financial statements from the adoption of said amendments;

- On 25 September 2014, the IASB published the document: “Annual Improvements to IFRSs: 2012-2014 Cycle”. The amendments introduced by the document shall be applied beginning the years starting 1 July 2016.

The document introduces amendments to the following standards:

- IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. The amendment introduces specific guidelines to the standard in the case in which an entity reclassifies an asset (or disposal group) from the held-for-sale category to the held-for-distribution category (or vice versa), or when the classification requirements no longer apply of an asset as held-for-distribution. The amendments define that (i) such reclassification shall not be considered as a change to a sales plan or a distribution plan and that the same criteria for the classification and evaluation shall remain valid; (ii) the assets that no longer meet the classification criteria for the held-for-distribution shall be treated the same way as an asset no longer classified as held-for-sale;
- IFRS 7 – Financial Instruments: Disclosure. The amendments govern the introduction of additional guidelines to clarify whether a servicing contract constitutes residual involvement in a transferred asset for the purposes of the disclosure required in relation to the assets transferred. Moreover, it is clarified that the disclosure on the compensation of financial assets and liabilities is normally not explicitly required for interim financial statements. However, said disclosure may be necessary to fulfil the requirements of IAS 34, in the case of significant information;
- IAS 19 – Employee Benefits. The document introduces amendments to IAS 19 to clarify that the high quality corporate bonds used to determine the discount rate of post-employment benefits shall be in the same currency used for the payment of the benefits. The amendments clarify that the scope of the market of high quality corporate bonds to be considered shall be the one in terms of currency;
- IAS 34 – Interim Financial Reporting. The document introduces amendments in order to clarify the requirements to be met in the event that the disclosure required is presented in the interim financial report, however outside of the interim financial statements. The amendment specifies that said disclosure is included through a cross-reference from the interim financial statements to other parts of the interim financial report and that said document is available to readers of the financial statements in the same manner and with the same timing of the interim financial statements.

The directors do not expect a significant impact on the Company’s financial statements from the adoption of said amendments;

- On 18 December 2014, the IASB published the amendment to IAS 1 - Disclosure Initiative. The objective of the amendments is to provide clarification to disclosure elements that may be perceived as impediments to a clear and intelligible drafting of financial statements. The main amendments are as follows:
 - Materiality and aggregation: it is clarified that a company shall not obscure information aggregating or disaggregating it and that the considerations of materiality shall apply to the financial statements, notes and specific disclosure requirements of the IFRS. The

disclosures specifically required by IFRS shall be provided only if the information is significant;

- Statement of financial position and statement of comprehensive income: it is clarified that the list of items specified by IAS 1 for these statements may be disaggregated and aggregated as appropriate. A guideline on the use of subtotals within the prospectuses is also provided;
- Presentation of items of Other Comprehensive Income (“OCI”): it is clarified that the share of OCI of associates and joint ventures consolidated using the equity method shall be presented in aggregate form in a single item, in turn divided between components susceptible or not to future reclassifications to the income statement;
- Notes: it is clarified that entities have flexibility in defining the structure of the notes and a guideline is provided on how to set up a systematic order of the notes themselves, for example:
 - Giving prominence to those that are most relevant for the purposes of understanding the economic and financial position (ex. grouping information on particular activities);
 - Regrouping elements measured according to the same criteria (ex. assets measured at fair value);
 - Following the order of the elements presented in the statements.

The amendments introduced by the document shall be applied beginning the years starting 1 July 2016. The directors do not expect a significant impact on the Company’s financial statements from the adoption of said amendments.

3. USE OF ESTIMATES

Discretionary valuations

The preparation of the separate financial statements and notes for the year ended 30 June 2015 required the Company to make certain discretionary valuations. These were used to prepare estimates and assumptions that affect the recognized value of assets and liabilities in the separate financial statements and the information on contingent assets and liabilities as of the reporting date. They are formulated on the basis of short- and medium/long-term budgets that are constantly updated and approved by the Board of Directors prior to the approval of all financial reports.

Estimates are based on data reflecting current available knowledge; they are periodically reviewed and the effects are conveyed in the income statement. Actual results may differ even substantially from these estimates due to changes in the factors considered when formulating them. Estimates are used, in particular, to report provisions for doubtful accounts, the measurement of inventories, depreciation and amortization, asset impairment, employee benefits, deferred taxes, and other provisions and reserves.

The main sources of uncertainty in making estimates concerned doubtful accounts, inventory impairment, employee benefits, revenue adjustments, royalties, and deferred taxes.

Credit risk

The risk of credit default is assessed periodically, on the basis of opinions provided by the external legal advisor in charge of customer disputes. According to the Company's credit collection procedure, receivables not paid within 45 days of falling due are passed on to the legal advisor for collection. Frequent meetings between the legal advisor and the credit manager, and frequent updates of the legal advisor's collectibility forecasts, make the estimate of doubtful accounts reliable over time.

Valuation of inventories

The Company values inventories on a quarterly basis, in consideration of the rapid obsolescence of its products. Impairment losses may be charged to reflect individual products' lower market value with respect to their historical cost. To arrive at these estimates, the Company uses revenue forecasts for the four following quarters, produced by the sales department. Any differences found between the market valuation of a product held in inventory, taking account of its platform/price category, and its historical cost are recognized to the income statement in the quarter they are discovered.

Employee benefits

The Company offers no pension plans and/or other employee benefits, with the exception of the employee termination indemnities (trattamento di fine rapporto, or TFR) required by Italian law. Estimating those benefits requires an assessment of the future financial outlays that may arise as a result

of employees' voluntary and involuntary departure from the Company, in relation to their seniority and the revaluation rates these benefits enjoy by law.

The TFR system underwent significant changes during the year ended 30 June 2006. Estimating the liability is still complex, due to a small portion of benefits that have remained with the Company. To arrive at this estimate, the Company is assisted by a registered actuary to help define the necessary parameters.

Revenue adjustments

A significant cost element defined as "revenue adjustments" involves analytical computations for which the Company has adopted suitable procedures.

Revenue adjustments are made up of two kinds of cost. The first, discounts granted to customers at the end of the contractual period (known as year-end credits), are easier to determine. The second are difficult to estimate and consist of potential credit notes that the Company will have to issue to customers as a result of unsold products. To estimate this amount, management uses calculations based on an analysis by individual customer as well as an analysis by individual product, in which the risk is shown separately for price cuts and potential returns. The forecast is made quarterly, on a product-by-product basis, comparing volumes sold to retailers with the volumes they have sold to end consumers. The availability of sales classifications on a single national basis makes the forecast reliable over time, often product inventory data can be used for certain clients that make forecasts easier.

Deferred tax assets and liabilities

There are two areas of uncertainty in the calculation of deferred taxes. The first is their recoverability, an uncertainty the Company mitigates by comparing the deferred tax assets recognized by individual companies with their budgets. The second is the tax rate, which is assumed to be constant over time, and/or modified if we can already be certain that the changes will come into force.

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4. ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

The statement of financial position as at 30 June 2015 compared with the statement of financial position as at 30 June 2014 is given below:

	EUR/000	30 June 2015	30 June 2014	Change	
	Non-current assets				
1	Property, plant and equipment	3,335	3,046	289	9.5%
2	Investment property	0	455	(455)	n.s.
3	Intangible assets	322	198	124	62.7%
4	Equity investments	13,931	14,635	(704)	0.0%
5	Non-current receivables and other assets	644	644	0	0.0%
6	Deferred tax assets	517	1,023	(506)	-49.5%
	Total non-current assets	18,749	20,001	(1,252)	-6.3%
	Non-current liabilities				
7	Employee benefits	(442)	(501)	59	-11.7%
8	Non-current provisions	(171)	(205)	34	-16.3%
9	Other non-current payables and liabilities	0	0	0	0.0%
	Total non-current liabilities	(613)	(706)	93	-13.2%
	Net working capital				
10	Inventories	9,266	9,807	(541)	-5.5%
11	Trade receivables	5,445	6,969	(1,524)	-21.9%
12	Due from subsidiaries	14,131	25,393	(11,262)	-44.4%
13	Tax credits	471	2,205	(1,734)	-78.6%
14	Other current assets	499	611	(112)	n.s.
15	Trade payables	(2,204)	(2,011)	(193)	9.6%
16	Due to subsidiaries	(2,031)	(8,000)	5,969	-74.6%
17	Tax payables	(286)	(920)	634	-68.9%
18	Current provisions	(1,491)	(8,519)	7,028	-82.5%
19	Other current liabilities	(940)	(1,158)	218	-18.8%
	Total net working capital	22,860	24,377	(1,517)	-6.2%
	Shareholders' equity				
20	Share capital	(5,644)	(5,644)	0	0.0%
21	Reserves	(18,172)	(17,876)	(296)	1.7%
22	Treasury shares	1,199	1,574	(375)	-23.8%
23	Retained earnings (losses)	(7,214)	(1,228)	(5,986)	n.s.
	Total shareholders' equity	(29,831)	(23,174)	(6,657)	28.7%
	Total net assets	11,165	20,498	(9,333)	-45.5%
24	Cash and cash equivalents	1,780	490	1,290	n.s.
25	Current payables to banks	(12,727)	(19,541)	6,814	-34.9%
26	Other current financial assets and liabilities	1,401	(1,428)	2,829	n.s.
	Current net financial position	(9,546)	(20,479)	10,933	-53.4%
27	Non-current financial assets	0	0	0	0.0%
28	Non-current payables to banks	(1,619)	0	(1,619)	n.s.
29	Other non-current financial liabilities	0	(19)	19	n.s.
	Non-current net financial position	(1,619)	(19)	(1,600)	n.s.
	Total net financial position	(11,165)	(20,498)	9,333	-45.5%

NON-CURRENT ASSETS

1. Property, plant and equipment

This item went from 3,046 thousand euros to 3,335 thousand euros. Movements during this and the previous year were as follows:

EUR/000	01 July 2014	Increases	Decreases	Amort./Dep.	Use of provision for amort./dep.	30 June 2015
Industrial buildings	2,010	455	0	(91)	0	2,374
Land	600	0	0	0	0	600
Plants and machinery	96	92	0	(82)	0	106
Other assets	340	6	(27)	(91)	27	255
Leasehold improvements	0	0	0	(0)	0	0
Total	3,046	553	(27)	(264)	27	3,335

EUR/000	01 July 2013	Increases	Decreases	Amort./Dep.	Use of provision for amort./dep.	30 June 2014
Industrial buildings	2,090	2	0	(82)	0	2,010
Land	600	0	0	0	0	600
Plants and machinery	220	13	0	(137)	0	96
Other assets	431	2	(48)	(93)	48	340
Leasehold improvements	0	0	0	0	0	0
Total	3,341	17	(48)	(312)	48	3,046

Property, plant and equipment, with the exception of land, are depreciated over their individual useful lives.

The heading “Industrial buildings” refers to the warehouse in Trezzano sul Naviglio, which also accounts for the 600 thousand euros in land. These assets were acquired by the Group under a finance lease and are recognized in the balance sheet in accordance with IAS 17.

The increase in industrial buildings relates exclusively to the reclassification to this item of the property owned and intended for use as offices and laboratories, situated in via Labus, Milan, which has become the operative headquarters of Digital Bros Game Academy S.r.l. as of March 2015.

Investments for the year in relation to plant and machinery, amounting to 92 thousand euros, refer to 46 thousand euros for work performed on the building in Milan to make it suitable to the activity of Digital Bros Game Academy S.r.l. and 46 thousand euros for the purchase of office automation equipment.

Investments in other assets for 6 thousand euros are related to the purchase of some lifting equipment.

The decrease of 27 thousand euros recorded in the year concerns the sale during the year of a motor vehicle fully depreciated.

Movements in property, plant and equipment and in accumulated amortization, in this and the previous year, were as follows:

Current FY

Gross value of property, plant and equipment

EUR/000	01 July 2014	Increases	Disposals	30 June 2015
Industrial buildings	2,736	455	0	3,191
Land	600	0	0	600
Plants and machinery	1,895	92	0	1,987
Other assets	1,324	6	(27)	1,303
Leasehold improvements	312	0	0	312
Total	6,867	553	(27)	7,393

Accumulated amortization

EUR/000	01 July 2014	Increases	Disposals	30 June 2015
Industrial buildings	(726)	(91)	0	(817)
Land	0	0	0	0
Plants and machinery	(1,799)	(82)	0	(1,881)
Other assets	(984)	(91)	27	(1,048)
Leasehold improvements	(312)	(0)	0	(312)
Total	(3,821)	(264)	27	(4,058)

Previous FY

Gross value of property, plant and equipment

EUR/000	01 July 2013	Increases	Disposals	30 June 2014
Industrial buildings	2,734	2	0	2,736
Land	600	0	0	600
Plants and machinery	1,882	13	0	1,895
Other assets	1,370	2	(48)	1,324
Leasehold improvements	312	0	0	312
Total	6,898	17	(48)	6,867

Accumulated amortization

EUR/000	01 July 2013	Increases	Disposals	30 June 2014
Industrial buildings	(644)	(82)	0	(726)
Land	0	0	0	0
Plants and machinery	(1,662)	(137)	0	(1,799)
Other assets	(939)	(93)	48	(984)
Leasehold improvements	(312)	0	0	(312)
Total	(3,557)	(312)	48	(3,821)

The Group's property, plant and equipment are unencumbered by liens, mortgages or other real guarantees.

2. Investment property

In the period, the amount of property investments at 30 June 2014, equal to 455 thousand euros for the owned property in Milan, was reclassified to property, plant and equipment as, from the third quarter of the year, it has become the operative headquarters of Digital Bros Game Academy S.r.l.

3. Intangible assets

All of the intangible assets recognized by the Company have finite useful lives. No intangible assets have been recorded in connection with internal development costs and business combinations.

Intangible assets increased by 124 thousand euros, with additions of 219 thousand euros less amortization of 95 thousand euros. The following table shows movements for this and the previous year by type of intangible asset:

EUR/000	01 July 2014	Increases	Decreases	Amort./Dep.	30 June 2015
Concessions and licences	154	207	0	(65)	296
Trademarks and similar rights	4	2	0	(2)	4
Other assets	40	10	0	(28)	22
Total	198	219	0	(95)	322

EUR/000	01 July 2013	Increases	Decreases	Amort./Dep.	30 June 2014
Concessions and licences	158	86	0	(90)	154
Trademarks and similar rights	6	0	0	(2)	4
Other assets	26	30	0	(16)	40
Total	190	116	0	(108)	198

Concessions and licenses increased in the year by 142 thousand euros as a result of investing 95 thousand euros in ERP systems and 112 thousand euros in an application for mobile platforms, net of 65 thousand euros in amortization.

The item Other assets decreased by 18 thousand euros as a result of the new investments made in the Halifax website of 10 thousand euros, less amortization of 28 thousand euros.

Movements in intangible assets and accumulated amortization for this and the previous year were as follows:

Current FY

Gross value of intangible assets

EUR/000	01 July 2014	Increases	Disposals	30 June 2015
Concessions and licences	2,235	207	0	2,442
Trademarks and similar rights	1,506	2	0	1,508
Other assets	63	10	0	73
Total	3,804	219	0	4,023

Accumulated amortization

EUR/000	01 July 2014	Increases	Disposals	30 June 2015
Concessions and licences	(2,081)	(65)	0	(2,146)
Trademarks and similar rights	(1,502)	(2)	0	(1,504)
Other assets	(23)	(28)	0	(51)
Total	(3,606)	(95)	0	(3,701)

*Previous FY**Gross value of intangible assets*

EUR/000	01 July 2013	Increases	Disposals	30 June 2014
Concessions and licences	2,149	86	0	2,235
Trademarks and similar rights	1,506	0	0	1,506
Other assets	33	30	0	63
Total	3,688	116	0	3,804

Accumulated amortization

EUR/000	01 July 2013	Increases	Disposals	30 June 2014
Concessions and licences	(1,991)	(90)	0	(2,081)
Trademarks and similar rights	(1,500)	(2)	0	(1,502)
Other assets	(7)	(16)	0	(23)
Total	(3,498)	(109)	0	(3,606)

The Company did not recognize any costs relating to internal development, research and development and advertising under intangible assets.

All of the intangible assets recognized by the Company have finite useful lives.

4. Equity investments

Equity investments amounted to 13,931 thousand euros, a decrease in the year of 704 thousand euros.

The item at 30 June 2015 is broken down as follows:

EUR/000	30 June 2015	30 June 2014	Change
505 Games S.r.l.	10,100	10,100	0
Game Entertainment S.r.l.	0	1,000	(1,000)
505 Games France S.a.s.	0	100	(100)
505 Games Spain Slu	0	2,100	(2,100)
Game Service S.r.l.	85	85	(0)
505 Mobile S.r.l.	0	940	(940)
Pipeworks Inc.	2,412	0	2,412
Digital Bros Game Academy S.r.l.	50	0	50
Game Network S.r.l.	10	0	10
Total subsidiaries	12,657	14,325	(1,668)
Italian Gaming Entertainment S.r.l.	0	5	(5)
Games Analytics Ltd.	60	60	0
Ebooks S.r.l.	200	200	0
Cityglance S.r.l.	45	45	0
Total associates	305	310	(5)
Starbreeze AB Shares A	969	0	969
Total other investments	969	0	969
Total investments	13,931	14,635	(704)

With regard to subsidiaries, as already described in the paragraph on significant events during the period, on 4 September 2014, Digital Bros Game Academy S.r.l. was established. It is engaged in the organization of IT specialization courses, training courses and professional refresher courses also in multimedia form and became operational in March. On 12 September 2014, the Company acquired 100% of Pipeworks Inc. based in Eugene and which has realized in the past products such as Devil May Cry, Godzilla and Zumba Fitness. As part of the rationalization and reorganization process of the Group's business segments, on 26 June 2015, Digital Bros S.p.A. sold to 505 Games S.r.l. the companies 505 Games France S.a.s. and 505 Spain Slu. On the same date, Digital Bros S.p.A. sold to 505 Games S.r.l. the company 505 Mobile S.r.l. and to 505 Mobile S.r.l. the company Game Entertainment S.r.l. These transfers were made at market value as determined by specific appraisal prepared by a third-party independent expert. Also on 26 June 2015, Digital Bros S.p.A. also subscribed the share capital increase following the coverage of the losses of Game Network S.r.l. thus becoming new sole shareholder (the ownership of the Company was until then owned 100% by 505 Mobile S.r.l.).

Regarding investments in associates, during the year, Digital Bros S.p.A. sold its 40% shareholding in Italia Gaming Entertainment S.r.l. at a price substantially in line with the book value.

The item Starbreeze AB shares A includes 783,188 shares issued by the company Starbreeze AB (listed on Nasdaq Stockholm First North Premier). These shares were measured at fair value with recognition in equity reserve of the difference between the book value and the market value at 30 June 2015 as instruments classified as available for sale.

At the close of the year, the carrying value of the equity investments in comparison with the Company's portion of their equity was as follows:

Company name	Registered Office	Book value a	Share capital b	SE pro-rata c	Result for the FY	Change d=c-a
505 Games S.r.l.	Milan	10,100	100	12,662	11,247	2,562
Game Service S.r.l.	Milan	85	50	255	0	170
Pipeworks Inc.	Milan	2,412	1,442	921	(461)	(1,491)
Digital Bros Game Academy S.r.l.	Milan	50	10	(96)	(146)	(146)
Game Network S.r.l.	Milan	10	10	(80)	(362)	(90)
Total subsidiaries		12,657				
Games Analytics Ltd. ⁽¹⁾	Edinburgh	60	3	28	(2,352)	(32)
Ebooks S.r.l. ⁽¹⁾	Milan	200	26	42	2	(158)
Cityglance S.r.l. ⁽²⁾	Milan	45	10	8	52	(37)
Total associates		305				

⁽¹⁾The data was obtained from the financial statements at 31 December 2014

⁽²⁾The data was obtained from the interim report at 30 November 2014 approved by the Shareholders' Meeting on 17 December 2014

During the year, the Company set aside an investment write-down provision in relation to the subsidiary Pipeworks Inc. amounting to 1,491 thousand euros while it considered it was not necessary to allocate any amount for Digital Bros Game Academy S.r.l. as the subsidiary started its activities only in March 2015, or for Game Network S.r.l. as in September, the new game Fantasfida will be launched that, according to the development plans presented, will allow the return to profitability of the Company.

5. Non-current receivables and other assets

This item, unchanged over 30 June 2014, amounted to 644 thousand euros and consists exclusively of security deposits for contractual obligations. The most significant component is related to the 635 thousand euros deposited with Matov Imm. S.r.l. to secure rent on the premises at Via Tortona 37, where the Company's headquarters are located.

6. Deferred tax assets

Deferred tax assets at 30 June 2015 amounted to 517 thousand euros, down 506 thousand euros with respect to 30 June 2014.

Deferred tax assets are calculated on temporary differences between values applicable for tax purposes and those recognized in the financial statements, and are estimated according to the tax rates expected to be applicable at the time of use, on the basis of current tax rates and/or modified rates when rates are expected to change. Those rates are 27.5% for IRES (corporate income tax) and 3.9% for IRAP (regional business tax). The following table reports the details of temporary differences existing at 30 June 2015 and 30 June 2014:

Item	Balance of temporary differences at 30 June 2014	Changes in the year of temporary differences	Balance of temporary differences at 30 June 2015
Taxed provision for doubtful receivables	1,483	0	1,483
Non-deductible interest expense	1,515	(1,515)	0
Provisions for derivative risks	41	0	41
Provision for clients' indemnities	81	(40)	41
Directors' fees not pertinent	202	105	307
Employee termination indemnities	13	8	21
		(82)	292
Inventory obsolescence provision	374	(330)	(330)
Other	0	15	15
Total	3,709	(1,839)	1,870

The greatest difference on the previous year is the decrease in deferred tax assets on temporarily non-deductible interest expense.

The table below, in thousands of Euro, shows the calculation of deferred tax assets relating to IRES at 30 June 2015:

Item	Balance temporary differences at 30 June 2015	Rate IRES	IRES deferred tax assets at 30 June 2015
Taxed provision for doubtful receivables	1,483	27.5%	408
Non-deductible interest expense	0	27.5%	0
Provisions for derivative risks	41	27.5%	11
Provision for clients' indemnities	41	27.5%	11
Directors' fees not pertinent	307	27.5%	84
Employee termination indemnity	21	27.5%	6
Inventory obsolescence provision	292	27.5%	80
Reserve from security revaluation	(330)	27.5%	(90)
Other	15	27.5%	4
Total	1,870		514

The table below, in thousands of Euro, shows the calculation of deferred tax assets relating to IRAP at 30 June 2014:

Item	Balance temporary differences at 30 June 2015	Rate IRAP	IRAP deferred tax assets at 30 June 2015
Taxed provision for doubtful receivables	1,483	n.a.	0
Non-deductible interest expense	0	n.a.	0
Provisions for derivative risks	41	n.a.	0
Provision for clients' indemnities	41	3.9%	2
Directors' fees not pertinent	307	n.a.	0
Employee termination indemnity	21	n.a.	0
Inventory obsolescence provision	292	n.a.	0
Reserve from security revaluation	(330)	n.a.	
Other	15	3.9%	1
Total	1,870		3

The following table, in thousands of Euro, shows total deferred tax assets at 30 June 2015:

Item	IRES deferred tax assets at 30 June 2015	IRAP deferred tax assets at 30 June 2015	Total deferred tax assets at 30 June 2015
Taxed provision for doubtful receivables	408	0	408
Non-deductible interest expense	0	0	0
Provisions for derivative risks	11	0	11
Provision for clients' indemnities	11	2	13
Directors' fees not pertinent	84	0	84
Employee termination indemnity	6	0	6
Inventory obsolescence provision	80	0	80
Reserve from security revaluation	(90)	0	(90)
Other	4	1	5
Total	514	3	517

NON-CURRENT LIABILITIES

7. Employee benefits

This provision reflects the actuarial value of the Company's effective liability to employees, calculated by an independent actuary in accordance with IAS 19. It decreased by 59 thousand euros with respect to the previous year.

Under the scope of the actuarial valuation IAS19 as at the date of 30 June 2015, a discounting rate Iboxx Corporate A was used, with a duration in excess of ten years, in line with the rate used at the end of last year. The use of a discounting rate Iboxx Corporate AA would not cause significant differences.

The calculation method can be summarised as follows:

- forecast, for each employee on the workforce as at the valuation date, of the severance indemnity already accrued as at 31 December 2006 and value adjusted as at the valuation date;
- determination for each employee of payments considered probable for severance indemnity, which will need to be made by the Company if an employee leaves through being made redundant, tendering his resignation, becoming unable to continue working, death and retirement, as well as where advances are requested;
- discounting as at the valuation date, of each probable payment.

The estimate is based on a year-end workforce at the Italian companies of 60 employees, with an average age of around 43 years.

The economic and financial parameters used in the actuarial calculation are as follows:

- annual interest rate: 2.37%;
- real annual increase rate in compensation: 1%;
- annual inflation rate equal to 0.60%, 1.20% for 2016, 1.50% for 2017 and 2018 and 2% from 2019 onwards.

The table below shows movements in the provision for employee termination indemnities, in comparison with the previous year.

EUR/000	2014/15	2013/14
Reserve for employee termination indemnities (T.F.R.) as at 01 July 2014	501	499
Use of the provision for disposals	(51)	(67)
Provisions for the period	208	230
Adjustment for complementary welfare	(186)	(210)
Adjustment for actuarial recalculation	(30)	49
Reserve for employee termination indemnities (T.F.R.) as at 30 June 2015	442	501

The Company has no supplementary pension plans in course.

8. Non-current provisions

These consist entirely of the provision for agents' indemnities. The amount as at 30 June 2015 of 171 thousand euros is down 34 thousand euros on 30 June 2014, when it was 205 thousand euros. The change relates to uses for 20 thousand euros, period provisions for 3 thousand euros and the elimination of positions no longer necessary for 17 thousand euros.

9. Other non-current payables and liabilities

At 30 June 2015, as in the previous year, there were no other non-current payables or liabilities.

NET WORKING CAPITAL

At 30 June 2015, there were no receivables or payables with a residual duration of more than five years and no payables secured by collateral on the Company's assets. There has been no significant impact from fluctuations in foreign exchange rates occurring since the close of the year. In addition, there are no receivables or payables concerning transactions that involve a reconveyance obligation for the buyer.

The following table reports the geographical breakdown of all working capital items at 30 June 2015:

	EUR/000	Italy	EU	NON-EU	Total
10	Inventories	9,266	0	0	9,266
11	Trade receivables	5,143	269	33	5,445
12	Due from subsidiaries	11,440	1,174	1,517	14,131
13	Tax credits	471	0	0	471
14	Other current assets	499	0	0	499
15	Trade payables	(1,359)	(806)	(39)	(2,204)
16	Due to subsidiaries	(100)	(1,538)	(393)	(2,031)
17	Tax payables	(286)	0	0	(286)
18	Current provisions	0	0	(1,491)	(1,491)
19	Other current liabilities	(940)	0	0	(940)
	Total net working capital	24,134	(902)	(372)	22,860

10. Inventories

Inventories consist of finished products for resale.

Inventories went from 9,807 thousand euros as at 30 June 2014 to 9,266 thousand euros as at 30 June 2015, a decrease of 541 thousand euros. The decrease in inventories is due to the pursuit of the Company's strategy of selling off games for older generation consoles thus systematically reducing the finished product inventories.

The item is shown net of the provision for obsolescence amounting to 315 thousand euros compared to 374 thousand euros at 30 June 2014.

11. Trade receivables

Receivables due from customers and for video game licenses showed the following movements for the year:

EUR/000	30 June 2015	30 June 2014	Change
Receivables due from customers in Italy	7,202	8,273	(1,071)
Receivables due from customers in EU	269	315	(46)
Receivables due from customers in the rest of world	33	33	0
Allowance for doubtful receivables	(2,059)	(1,652)	(407)
Total trade receivables	5,445	6,969	(1,524)

Trade receivables include advances on receivables factored without recourse, amounting to 134 thousand at 30 June 2015, with respect to 366 thousand euros at 30 June 2014.

Total trade receivables at 30 June 2015 amounting to 5,445 thousand euros compared to the figure at 30 June 2014 amounting to 6,969 thousand euros shows a decrease of 1,524 thousand euros, in line with the decrease in revenues.

Receivables are adjusted for the credit notes the Company will have to issue for price repositioning and returns. These amounted to 142 thousand euros versus 248 thousand euros at 30 June 2014.

The following table breaks down receivables from customers by due date at 30 June 2015 and 30 June 2014:

EUR/000	30 June 2015	% of total	30 June 2014	% of total
Not past due	3,885	71%	4,851	70%
0 > 30 days	92	2%	902	13%
30 > 60 days	114	2%	181	3%
60 > 90 days	13	0%	19	0%
> 90 days	1,341	25%	1,016	15%
Total receivables due from customers	5,445	100%	6,969	100%

The provision for doubtful accounts reflects potential losses on receivables due to customer default. The estimated losses are based on an analytical estimate of each customer's degree of solvency.

12. Due from subsidiaries

Receivables from subsidiaries amount to 14,131 thousand euros, a decrease of 11,262 thousand euros on the previous year, due mainly to lower receivables from 505 Games S.r.l. and the U.S. subsidiary.

For further details, see the section on related party transactions, which specifies the nature and amount of receivables due to Digital Bros S.p.A. by its subsidiaries.

13. Tax credits

Tax receivables decreased from 2,205 thousand euros to 471 thousand euros at 30 June 2015 mainly due to the full utilization of the receivable related to the national tax consolidation that at 30 June 2014 amounted to 1,730 thousand euros. At 30 June 2015, the balance is composed of 120 thousand euros for the receivable for the IRES reimbursement regarding the deductibility of IRAP on personnel costs and 351 thousand euros for other reimbursements.

14. Other current assets

Other current assets are comprised of advances paid to suppliers, employees and sales representatives. They totalled 611 thousand euros as at 30 June 2014 and 499 thousand euros as at 30 June 2015. The composition is analysed below:

EUR/000	30 June 2015	30 June 2014	Change
Insurance reimbursements to be received	1	1	0
Trade payables	356	341	15
Advances to suppliers	10	75	(65)
Advances to employees	101	96	5
Other receivables	31	98	(67)
Total other current assets	499	611	(112)

15. Trade payables

Trade payables due within 12 months increased from 2,011 thousand euros at 30 June 2014 to 2,204 thousand euros at 30 June 2015, an increase of 193 thousand euros and consist mainly of amounts due to publishers for the purchase of finished products.

EUR/000	30 June 2015	30 June 2014	Change
Italian trade payables	(1,359)	(1,819)	460
EU trade payables	(806)	(143)	(663)
Rest of world trade payables	(39)	(49)	10
Total payables due to suppliers	(2,204)	(2,011)	(193)

16. Due to subsidiaries

Payables to subsidiaries amount to 2,031 thousand euros, a decrease of 5,969 thousand euros over the previous year mainly due to the decrease in the payable to Game Entertainment S.r.l. for 5,391 thousand euros as a result of the dividends received.

For further details, see the section on related party transactions, which specifies the nature and amount of payables due by Digital Bros S.p.A. to its subsidiaries.

17. Tax payables

Tax payables went from 920 thousand euros to 286 thousand euros, a decrease of 634 thousand euros. Details are as follows:

EUR/000	30 June 2015	30 June 2014	Change
Tax payables	(113)	(757)	644
Other tax payables	(173)	(163)	(10)
Total tax payables	(286)	(920)	634

Tax payables only refer to the VAT payable at 30 June 2015, which is significantly lower than at 30 June 2014, having decreased by 644 thousand euros. Other tax liabilities refer to withholding taxes on remuneration paid in June.

18. Current provisions

The item only applies to investment write-down provisions and amounted to 1,491 thousand euros. It decreased by 7,028 thousand euros on 30 June 2014, when it was 8,519 thousand euros.

The changes in the period are as follows:

EUR/000	30 June 2014	Provisions	Uses	30 June 2015
505 Games S.r.l.	5,460	0	(5,460)	0
505 Games Spain Sl	1,589	0	(1,589)	0
505 Mobile S.r.l.	1,470	0	(1,470)	0
Pipeworks Inc.	0	1,491	0	1,491
Total current provisions	8,519	1,491	(8,519)	1,491

The Company used the provision related to 505 Games Spain Sl and 505 Games Mobile S.r.l. and released the investment write-down provision for 5,460 thousand euros in 505 Games S.r.l., considered no longer necessary following the actual positive results and expected cash flows for future years. It has set aside a provision for 1,491 thousand euros relating to the subsidiary Pipeworks Inc. Reference is made to the paragraph on equity investments for further details.

19. Other current liabilities

Other current liabilities went from 1,158 thousand euros at 30 June 2014 to 940 thousand euros at 30 June 2015, a decrease of 218 thousand euros as detailed below:

EUR/000	30 June 2015	30 June 2014	Change
Amounts due to social security institutions	(270)	(332)	62
Amounts due to employees	(569)	(683)	114
Amounts due to collaborators	(40)	(39)	(1)
Agents' commission	(35)	(100)	65
Other payables	(26)	(4)	(22)
Total other current liabilities	(940)	(1,158)	218

Amounts due to employees include pay in lieu of holiday and personal leave not taken by the end of the period, as well as the standard contractual bonus (13th monthly salary).

The decrease in payables to social security institutions and employees is due to lower provisions for company bonuses compared to 30 June 2014.

This item also includes commissions accrued to sales representatives but not yet paid at the end of the year, and those on sales already closed even if the commissions have not officially accrued. The decrease is in line with the trend in revenues.

SHAREHOLDERS' EQUITY

Details of equity are reported in the statement of changes in equity. They can be summarised as follows:

EUR/000	30 June 2015	30 June 2014	Change
Share capital	5,644	5,644	0
Treasury shares	(1,199)	(1,574)	375
Legal reserve	1,129	1,129	0
Share premium reserve	16,954	16,954	0
Reserve from IFRS introduction	(142)	(142)	0
Actuarial revaluation reserve	(64)	(86)	22
Security valuation reserve	240	0	240
Other reserves	55	21	34
Profits previous years	268	1,843	(1,575)
Result for the year	6,946	(615)	7,561
Total shareholders' equity	29,831	23,174	6,657

Detailed changes in shareholders' equity are reported in the statement of changes in equity. They can be summarised as follows:

EUR/000	30 June 2015	30 June 2014	Change
Initial shareholders' equity	23,174	23,825	(651)
Distribution of dividends	(960)	0	(960)
Change in treasury shares	375	0	375
Actuarial profit (loss)	22	(36)	58
Change in the security revaluation reserve	240	0	240
Other changes	34	0	34
Result for the period	6,946	(615)	7,561
Final shareholders' equity	29,831	23,174	6,657

Share capital, unchanged since the previous year, is made up exclusively of 14,110,837 ordinary shares issued and fully paid-in, with a par value of 0.40 euros each. There are no rights, preferences or restrictions on ordinary shares.

Treasury shares held at year-end, 400,247 ordinary Digital Bros S.p.A. shares, amounted to 1,199 thousand euros or 2.84% of the share capital as it sold 125,247 during the year for an amount of 410 thousand euros.

The security valuation reserve is related to the fair value adjustment with recognition in equity reserve of the difference between the book value of Starbreeze A shares and the market value at 30 June 2015 as instruments classified as available for sale.

No specific uses or objectives have been designated for individual equity reserves, other than those defined by law.

As of the approval date of this annual report, no dividends had been authorized but not yet paid.

The Company has issued no dividend-bearing shares, convertible bonds, or securities of a similar nature.

NET FINANCIAL POSITION

The breakdown of net debt at 30 June 2015 with comparative figures at 30 June 2014 is as follows:

	EUR/000	30 June 2015	30 June 2014	Change	
24	Cash and cash equivalents	1,780	490	1,290	n.s.
25	Current payables to banks	(12,727)	(19,541)	6,814	-34.9%
26	Other current financial assets and liabilities	1,401	(1,428)	2,829	n.s.
	Current net financial position	(9,546)	(20,479)	10,933	-53.4%
27	Non-current financial assets	0	0	0	0.0%
28	Non-current payables to banks	(1,619)	0	(1,619)	n.s.
29	Other non-current financial liabilities	0	(19)	19	n.s.
	Non-current net financial position	(1,619)	(19)	(1,600)	n.s.
	Total net financial position	(11,165)	(20,498)	9,333	-45.5%

At the close of the period, the carrying values of the financial instruments held by the Company were equal to their fair values.

The following table shows the financial liabilities at 30 June 2015, grouped by maturity:

EUR/000	Due within 12 months	1-5 years	over 5 years	Total
Amounts due to banks relating to current accounts	(2)	0	0	(2)
Amounts due to banks relating to the financing of import and export	(10,529)	0	0	(10,529)
Amounts due to banks relating to advances on invoices and subject to collection	(859)	0	0	(859)
Amounts due to banks for unsecured loans	(1,337)	(1,619)	0	(2,956)
Total amounts due to banks (A)	(12,727)	(1,619)	0	(14,346)
Other financial liabilities (B)	(152)	0	0	(152)
Total (A+B)	(12,879)	(1,619)	0	(14,498)

Current net financial position

The current net financial position is made up as follows:

	EUR/000	30 June 2015	30 June 2014	Change
22	Cash and cash equivalents	1,780	490	1,290
23	Current payables to banks	(12,727)	(19,541)	6,814
24	Other current financial payables	1,401	(1,428)	2,829
	Total current net financial position	(9,546)	(20,479)	10,933

22. Cash and cash equivalents

Cash and cash equivalents at 30 June 2015, which are not restricted in any way, were comprised of sight deposits at banks and a Quadrante policy taken out by Digital Bros S.p.A. on 21 October 2002 in connection with the Montepaschivita insurance scheme. Details are as follows:

EUR/000	30 June 2015	30 June 2014	Change
Cash on hand and bank deposits	1,459	176	1,283
Quadrante policy with Banca Toscana	321	314	7
Total liquid funds	1,780	490	1,290

The Company's cash and cash equivalents at 30 June 2015 amount to 1,780 thousand euros, an increase of 1,290 thousand euros with respect to 30 June 2014 mainly due to the increase in bank account cash and deposits for 1,283 thousand euros.

23. Current payables to banks

Current payables to banks are comprised of account overdrafts, import-export financing, advances on invoices, advances subject to collection, and the short-term portion of two loans. The decrease in current payables to banks with respect to 30 June 2014 for 6,814 thousand euros is mainly due to the reduction in import-export financing and advances on invoices subject to collection only partially offset by the increase in loans payable within 12 months. Details are as follows:

EUR/000	30 June 2015	30 June 2014	Change
Current account overdrafts	(2)	(435)	433
Loans for import and export	(10,529)	(15,807)	5,278
Advances on invoices and subject to collection	(859)	(3,286)	2,427
Loans payable within 12 months	(1,337)	0	(1,337)
Fair value of derivatives within 12 months	0	(13)	13
Total current payables due to banks	(12,727)	(19,541)	6,814

Payables to banks do not involve pledges, guarantees or covenants to be satisfied by the Company.

The portion of loans payable within twelve months at 30 June 2015 consists of, for 456 thousand euros, the outstanding debt of an unsecured loan granted by Banco Popolare Società Cooperativa maturing in January 2016 and for 881 thousand euros from the portion maturing in the short term of a loan granted by Unicredit S.p.A. maturing in January 2018.

The unsecured loan granted by Banco Popolare Società Cooperativa to Digital Bros S.p.A. was granted on 2 December 2014 and had an original value of 1 million euros. The loan is being paid back in twelve monthly instalments starting on 02 January 2015 and charges variable interest at the Euribor three-month rate plus a spread of 1.25 points.

The derivatives fair value was determined by the interest rate swap contract in place as at 30 June 2014 stipulated with Banca Intesa San Paolo, which was terminated at the same time as the financial lease contract relative to the Trezzano sul Naviglio warehouse, in November 2014.

24. Other current financial assets and liabilities

The breakdown of current financial assets and liabilities is as follows:

EUR/000	30 June 2015	30 June 2014	Change
Starbreeze AB Shares B	1,553	0	1,553
Advances on the non-recourse factoring of trade receivables	(133)	(366)	233
Leasing instalments due within twelve months	(19)	(1,062)	1,043
Total other current financial assets and liabilities	1,401	(1,428)	2,829

The item Starbreeze AB shares B represents the market value at 30 June 2015 of 1,220,691 shares issued by the company Starbreeze (listed on Nasdaq Stockholm First North Premier). These shares were measured at fair value with recognition in the income statement of the difference between the book value and the market value at 30 June 2015 as instruments classified as available for sale. In July 2015, the shares were all sold with the simultaneous recognition of the gains.

Advances on the non-recourse factoring of trade receivables, in the amount of 133 thousand euros, a decrease of 233 thousand euros compared with 30 June 2014.

Leasing instalments due within twelve months consist of the entire residual amount of the instalments of the financial lease contracts stipulated with Unicredit Leasing and Volkswagen Bank. The leases currently in force concern two cars. During the period, the financial lease contract for the warehouse in Trezzano sul Naviglio was redeemed for 911 thousand euros.

As at 30 June 2015, there are two lease contracts in force, with a residual debt that is all due in the short-term:

- a 50-thousand euro lease with Volkswagen Bank GmbH calling for 47 monthly payments of 1 thousand euros each, plus an advance payment of 10 thousand euros and an end-of-lease purchase option of 5 thousand euros. The lease contract matures on 01 November 2015. The amount of the instalments due within the twelve months comes to 9 thousand euros. The effective interest rate is 5.11%;
- a 46-thousand euro lease with Unicredit Leasing calling for 47 monthly payments of 1 thousand euros each, plus an advance payment of 9 thousand euros and an end-of-lease purchase option of 5 thousand euros. The lease contract matures on 02 April 2016. The amount of the instalments due within the twelve months comes to 10 thousand euros. The effective interest rate is 6.46%;

Non-current net financial position

The non-current net financial position is made up as follows:

	EUR/000	30 June 2015	30 June 2014	Change
25	Non-current financial assets	0	0	0
26	Non-current payables to banks	(1,619)	0	(1,619)
27	Other non-current financial liabilities	0	(19)	19
	Total non-current net financial position	(1,619)	(19)	(1,600)

25. Non-current financial assets

There were no non-current financial assets at 30 June 2015, as there were none at 30 June 2014.

26. Non-current payables to banks

Non-current payables to banks consist exclusively of the portion with maturity beyond 12 months of a loan granted by Unicredit S.p.A. The unsecured loan granted by Unicredit S.p.A. to Digital Bros S.p.A. was granted on 1 April 2015 for a counter-value of 2.5 million euros. The loan provides for interest payments and the repayment of capital through deferred quarterly instalments starting from 31 July 2015. The interest rate is variable and is determined based on the 3-month Euribor plus a spread of 3.50 points.

27. Other non-current financial liabilities

There are no non-current financial liabilities as the debt at 30 June 2014 of 19 thousand euros was related solely to the non-current portion of the debt for two financial lease contracts which at 30 June 2015, had only short-term residual debt.

The following table shows finance lease payments by maturity:

EUR/000	Nominal value of instalments
Due within 12 months	19
1-5 years	0
Over 5 years	0
Total	19

COMMITMENTS AND RISKS

The Company's current commitments are as follows:

EUR/000	30 June 2015	30 June 2014	Change
Commitments for purchase of Starbreeze shares	(5,534)	0	(5,534)
Financial commitments	(4,450)	0	(4,450)
Total commitments	(9,984)	0	(9,984)

Commitments for the purchase of A and B shares of the Swedish company Starbreeze refer to the agreement described in significant events that includes the total purchase of 5 million shares of the Swedish company for a total price of 8.2 million dollars. At 30 June 2015, the Group purchased 1,533 thousand shares at a price of 2,008 thousand dollars.

Financial commitments refer to mandates of receivables from subsidiaries for 4,450 thousand euros.

5. ANALYSIS OF THE INCOME STATEMENT

3. Net revenues

Total net revenues went from 43,543 thousand euros to 23,053 thousand euros, a decrease of 47%.

EUR/000	30 June 2015	30 June 2014	Change	
Gross sales - Italy	24,225	46,615	(22,390)	-48.0%
Gross sales - Abroad	313	770	(457)	-59.4%
Total gross revenues	24,538	47,385	(22,847)	-48.2%
Total revenue adjustments	(1,485)	(3,842)	2,357	-61.3%
Total net revenues	23,053	43,543	(20,490)	-47.1%

The geographical breakdown of gross revenues at 30 June 2015 is as follows:

EUR/000	30 June 2015	30 June 2014	Change	
Gross revenues - Italy	24,225	46,615	(22,390)	-48.0%
Gross revenues - EU	313	758	(445)	-58.7%
Gross sales - Non-EU	0	12	(12)	n.s.
Total gross revenues	24,538	47,385	(22,847)	-48.2%

8. Cost of goods sold

The cost of goods sold is detailed below:

EUR/000	30 June 2015	30 June 2014	Change	%
Purchase of goods for resale	(17,731)	(30,692)	12,961	-42.2%
Changes in finished product inventories	(541)	(5,126)	4,585	-89.5%
Total cost of sold products	(18,272)	(35,818)	17,546	-49.0%

Refer to the directors' report for more detailed information on the individual components of revenues and the cost of goods sold.

10. Other revenues

Other revenues stems mainly from activities performed on behalf of subsidiaries.

11. Cost of services

The following table provides details of the cost of services:

EUR/000	30 June 2015	30 June 2014	Change	%
Advertising, marketing, trade fairs and exhibitions	(1,148)	(1,686)	538	-31.9%
Freight and transport	(290)	(513)	223	-43.5%
Other costs related to sales	0	0	0	0.0%
Sub-total services related to sales	(1,438)	(2,199)	761	-34.6%
Miscellaneous insurance	(114)	(214)	99	-46.5%
Legal and notary consultancy	(1,295)	(834)	(462)	55.5%
Postal and telegraph	(55)	(69)	16	-22.3%
Trips and transfers	(218)	(213)	(6)	2.7%
Utilities	(129)	(227)	98	-43.3%
Maintenance	(89)	(78)	(10)	12.4%
Fees to corporate bodies	(74)	(74)	0	0.0%
Sub-total general services	(1,974)	(1,709)	(265)	15.6%
Intercompany services	(72)	(42)	(30)	74.1%
Sub-total	(2,046)	(1,751)	(295)	17.0%
Total costs of services	(3,484)	(3,950)	466	-11.8%

The item amounting to 3,484 thousand euros decreased by 466 thousand euros compared to 30 June 2014, when it was 3,950 thousand euros mainly due to lower advertising and logistics costs only partially offset by higher consultancy costs.

12. Rent and leasing

The item rentals and leases amounted to 825 thousand euros, slightly down on 30 June 2014, when it was 832 thousand euros. The item includes 754 thousand euros related to the rental of offices of the Company, in Via Tortona 37, Milan and 71 thousand euros related to the operating lease of cars assigned to employees and to the leasing of warehouse equipment.

13. Personnel costs

Personnel costs, including commissions paid to sales representatives, directors' fees approved by the shareholders, amounts paid to temporary workers and contract workers, and the cost of cars assigned to employees, came to 5,474 thousand euros and decreased by 663 thousand euros on the previous year:

EUR/000	30 June 2015	30 June 2014	Change	%
Wages and salaries	(2,975)	(3,373)	398	-11.8%
Social security contributions	(1,004)	(1,169)	165	-14.1%
Employee termination indemnity	(208)	(230)	22	-9.5%
Directors' fees	(1,094)	(996)	(98)	9.8%
Temporary work and collaborators	(80)	(64)	(16)	25.1%
Agents' commission	(99)	(264)	165	-62.7%
Other personnel costs	(14)	(41)	28	-67.6%
Total personnel costs	(5,474)	(6,137)	663	-10.8%

The increase in directors' fees for 98 thousand euros takes into account the fact that during the year, a variable component was introduced of the fee for managing directors related to the three-year results achieved by the Group.

Personnel costs in the strict sense of the term consist of employee wages and salaries, social security charges and provisions for employee termination indemnities. They fell by 586 thousand euros with respect to the previous year:

EUR/000	30 June 2015	30 June 2014	Change	%
Wages and salaries	(2,975)	(3,373)	398	-11.8%
Social security contributions	(1,004)	(1,169)	165	-14.1%
Employee termination indemnity	(208)	(230)	22	-9.5%
Total personnel costs	(4,188)	(4,772)	584	-12.2%
Average number for 2014 of employees	65	70	(5)	-7.1%
Average cost per employee	(64)	(68)	4	-5.5%

The average cost per employee decreased by 5.5%.

The breakdown of the Company's workforce at 30 June 2015 by type is provided in the directors' report under "Other information".

14. Other operating expenses

The details of operating expenses by type are presented below, with the previous year's figures for comparison:

EUR/000	30 June 2015	30 June 2014	Change	%
Purchase of miscellaneous materials	(33)	(40)	7	-17.2%
General and administrative costs	(483)	(527)	44	-8.4%
Representation costs	(56)	(56)	0	-0.5%
Miscellaneous bank charges	(95)	(141)	46	-32.7%
Total other operating costs	(667)	(764)	97	-12.7%

Operating costs went down by 12.7% on the previous year, from 764 thousand euros to 667 thousand euros due primarily to a drop in general and administrative expenses, as well as miscellaneous bank charges.

21. Depreciation, amortization, provisions and impairment

EUR/000	30 June 2015	30 June 2014	Change	%
Amortisation and depreciation	(359)	(420)	61	-14.6%
Provisions	0	0	0	0.0%
Write-down of assets	(3,825)	(1,470)	(2,355)	n.s.
Asset write-backs	12,920	4,100	8,820	n.s.
Total non-monetary income and operating costs	8,736	2,210	6,526	n.s.

Depreciation and amortization are discussed in the notes concerning non-current assets and investments.

The impairment of assets at 30 June 2015 includes:

- the impairment of the investment in Pipeworks Inc. for 1,491 thousand euros;
- the capital loss resulting from the sale of the investment in Game Entertainment S.r.l. for 670 thousand euros;
- the impairment of the investment in Game Network S.r.l. for 877 thousand euros;
- provisions to incorporate the economic effects of the transaction concluded with Dada S.p.A. during the period, in relation to the dispute that arose following the sale of the equity investment in Fueps S.p.A. for 379 thousand euros;
- provisions to cover some specific credit positions on which there is a probability of failure to collect for 408 thousand euros.

Asset write-backs include:

- the dividends received from the subsidiary 505 Games France S.a.s. for 1,460 thousand euros;
- the dividends received from the subsidiary Game Entertainment S.r.l. for 6,000 thousand euros;
- the release of the impairment provision for the investment of 5,460 thousand euros in 505 Games S.r.l. as it was deemed no longer necessary.

25. Financial income and charges

Financial income and charges was positive for 1,318 thousand euros, against a loss of 2,108 thousand euros achieved in the previous year.

The item consists of:

	EUR/000	30 June 2015	30 June 2014	Change	%
23	Interest and financial income	2,353	135	2,218	n.s.
24	Interest and financial expenses	(1,035)	(2,243)	1,208	-53.9%
25	Financial income and charges	1,318	(2,108)	3,426	n.s.

Interest and financial income is broken down below:

EUR/000	30 June 2015	30 June 2014	Change	%
Interest income on bank accounts	0	1	(1)	-83.3%
Financial income	744	12	732	n.s.
Exchange gains	1,609	122	1,487	n.s.
Total interest and financial income	2,353	135	2,218	n.s.

Interest and financial income increased by 2,218 thousand euros. They consist mainly of foreign exchange gains for 1,609 thousand euros and financial income of 737 thousand euros relating to the valuation of the Starbreeze B shares measured at fair value and classified as held for trading.

Below are the details of interest expense:

EUR/000	30 June 2015	30 June 2014	Change	%
Interest expenses on bank account and sales activities	(830)	(1,725)	895	-51.9%
Other interest expense	0	(18)	18	n.s.
Interest expense on financing and leasing	(13)	(33)	20	-59.7%
Interest on factoring	(10)	(29)	19	-66.1%
Total interest expense on sources of finance	(853)	(1,805)	952	-52.8%
Exchange losses	(182)	(438)	256	-58.4%
Total interest and financial expenses	(1,035)	(2,243)	1,208	-53.9%

Interest expenses improved by 1,208 thousand euros and decreased by 1,035 thousand euros, in line with the lower average debt.

The implied cost of debt is calculated on the average net debt at the end of each quarter. Gross interest expense is shown net of interest expense on derivative products and on exchange losses. It went from 6.8% at 30 June 2014 to 5.9% at 30 June 2015:

EUR/000	30 June 2015	30 June 2014
Average debt	14,524	26,408
Net interest expense	(853)	(1,805)
Cost of debt	-5.9%	-6.8%

29. Taxes

The breakdown of current and deferred taxes at 30 June 2015 is as follows:

EUR/000	30 June 2015	30 June 2014	Change	%
Current taxes	1,144	1,640	(496)	-30.3%
Deferred taxes	(407)	(1,199)	793	-66.2%
Total income taxes	737	441	297	67.3%

Below is the breakdown of current taxes between corporate income tax (IRES) and the regional business tax (IRAP):

EUR/000	30 June 2014	30 June 2013	Change	%
IRES	1,144	1,734	(590)	-34.0%
IRAP	0	(94)	94	n.s.
Total current taxes	1,144	1,640	(496)	-30.2%

IRES for the period was determined as follows:

EUR/000	30 June 2015	30 June 2014	Change
IRES taxable income	(1,320)	(2,545)	1,225
IRES rate	27.5%	27.5%	0
IRES for the period	363	700	(337)
Effect from tax consolidation	763	1,051	(288)
Taxes on income for the previous FY	18	(17)	35
IRES for the period	1,144	1,734	(590)

Below is a reconciliation between the IRES provision for the year and the profit shown in the financial statements:

<i>EUR/000</i>	30 June 2015		30 June 2014	
Pre-tax profit of the Company	6,209		(1,057)	
IRES rate	27.5%		27.5%	
Theoretical tax	(1,707)	-27.5%	291	-27.5%
Tax effect of non-deductible costs	2,066	33%	604	4%
Tax effect of the use of tax losses not previously used	0	0%	0	0%
Net tax effect of the release of deferred tax assets not included in the points above	5		(196)	
Effect from tax consolidation	763		1,051	
Taxes on income for the previous FY	18		(17)	
Income tax for the FY and effective tax rate	1,144	18.4%	1,733	-34.6%

IRAP for the period was determined as follows:

<i>EUR/000</i>	30 June 2015	30 June 2014	Change
IRAP taxable income	(4,204)	1,897	(6,101)
IRAP rate	3.90%	3.90%	0
Taxes on income for the year	0	(74)	74
Taxes on income for the previous year	0	(20)	20
IRAP for the period	0	(94)	94

Below is a reconciliation between the IRAP provision for the year and the profit shown in the financial statements:

<i>EUR/000</i>	30 June 2015		30 June 2014	
Company EBIT	(4,204)		(1,580)	
IRAP rate (3.9%)	3.9%		3.9%	
Theoretical tax	0	0.0%	62	-3.9%
Tax effect of non-deductible costs	0	0.0%	(135)	8.6%
Income tax for the FY and effective tax rate	0	0.0%	(74)	4.7%

6. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (IFRS 7)

The main financial instruments used by the Company are as follows:

- Bank account overdrafts
- Sight- and short-term bank deposits
- Import financing
- Export financing
- Commercial credit lines (factoring)
- Short-term mortgage loans
- Finance leases
- Derivative contracts
- Financial instruments held for trading

The purpose of these instruments is to finance the Company's operating activities.

Digital Bros S.p.A. manages all financial risks on behalf of itself and its subsidiaries, with the exception of other financial instruments not listed above, namely trade payables and receivables arising from operating activities for which the financial risk is the responsibility of each individual subsidiary.

The Company tries to maintain a balance between short-term and medium/long-term financial instruments. The Company's core business, the marketing of video games, entails investments primarily in net working capital which are funded through short-term credit lines. Long-term investments are normally financed through medium/long-term lines often dedicated to the individual investment, including in the form of finance leases.

Given the above, there are no significant maturities for medium- and long-term financial payables. Current net debt is deemed to be suitably balanced by the careful management of working capital.

In the following tables, the disclosures required by IFRS 7 regarding the significance of financial instruments for the Company's financial position and performance are provided separately for 2015 and 2014.

Financial instruments: balance sheet at 30 June 2015

Category of financial assets pursuant to IAS 39

Financial instruments – Assets at 30 June 2015 (EUR/000)	Fair value assets held for trading	Investments held to maturity	Receivables and loans	Assets held for sale	Book value at 30 June 2015	Notes
Equity investments			-	13,931	13,931	4
Non-current receivables and other assets			644	-	644	5
Trade receivables	-	-	5,445	-	5,445	11
Due from subsidiaries	-	-	14,131	-	14,131	12
Other current assets	-	-	499	-	499	22
Cash and cash equivalents	-	-	1,780	-	1,780	24
Other current financial assets	1,553	-	-	-	1,553	26
Total	1,553	-	22,499	13,931	37,983	

Category of financial liabilities pursuant to IAS 39

Financial instruments – Liabilities at 30 June 2015 (EUR/000)	Fair value liabilities held for trading	Liabilities measured at amortised cost	Book value at 30 June 2015	Notes
Trade payables	-	2,204	2,204	15
Due to subsidiaries	-	2,031	2,031	16
Other current liabilities	-	940	940	19
Current payables to banks	-	19,528	19,528	25
Other current financial liabilities	-	152	152	26
Non-current payables to banks	-	-	-	28
Other non-current financial liabilities	-	1,619	1,619	29
Total	-	26,474	26,474	

Financial instruments: balance sheet at 30 June 2014

Category of financial assets pursuant to IAS 39

Financial instruments – Assets at 30 June 2014 (EUR/000)	Fair value assets held for trading	Investments held to maturity	Receivables and loans	Assets held for sale	Book value at 30 June 2014	Notes
Equity investments			-	14,635	14,635	4
Non-current receivables and other assets			644	-	644	5
Trade receivables	-	-	6,969	-	6,969	11
Due from subsidiaries	-	-	25,393	-	25,393	12
Other current assets	-	-	611	-	611	22
Cash and cash equivalents	-	-	490	-	490	24
Total	-	-	34,107	14,635	48,742	

Category of financial liabilities pursuant to IAS 39

Financial instruments – Liabilities at 30 June 2014 (EUR/000)	Fair value liabilities held for trading	Liabilities measured at amortised cost	Book value at 30 June 2014	Notes
Trade payables	-	2,011	2,011	15
Due to subsidiaries	-	8,000	8,000	16
Other current liabilities	-	1,158	1,158	19
Current payables to banks	13	19,528	19,541	25
Other current financial payables	-	1,428	1,428	26
Non-current payables to banks	-	-	-	28
Other non-current financial liabilities	-	19	19	29
Total	13	32,144	32,157	

The main risks generated by the Company's financial instruments are:

- interest rate risk
- liquidity risk
- exchange rate risk
- credit risk

Interest rate risk

The Company's exposure to interest rate fluctuations is marginal with respect to its medium- and long-term financial instruments, which were originally designated as fixed-rate instruments or have been converted into fixed rates using appropriate derivative agreements.

For short-term financial instruments, the possibility of rising interest rates is an effective risk, because the Company cannot immediately transfer the higher rates to its prices. These risks are reduced by:

- the availability of an interconnected series of short-term credit lines, allowing it to borrow under the most favourable conditions; Specifically, the Company has access to fiduciary credit whose conditions are less volatile than interest rates;
- the degree of short-term borrowings, which varies substantially on the basis of seasonal trends in the video games market;
- the implementation of a short-term cash flow procedure that constantly monitors the trend in short-term debt and allows preventive action to be taken when interest rates are expected to rise.

Liquidity risk

Liquidity risk arises if it becomes difficult or impossible to obtain, under sustainable conditions, the financial resources needed to operate the business.

The factors that influence the Company's financial needs are the resources generated or absorbed by operating and investing activities; the maturity and renewal terms of debt and the liquidity of investments; and current conditions and available funds in the credit market.

The Company has reduced this risk by:

- setting up the centralized management of treasury procedures and therefore of credit lines;
- obtaining credit that allows the creation of a sustainable liability structure, through the use of irrevocable credit lines;
- monitoring prospective liquidity conditions.

Given the results of short- and medium/long-term planning, currently available funds, along with those to be generated by operating activities, should allow the Company to satisfy its requirements as far as investment, working capital management, and debt repayment at natural maturity are concerned and in any case to determine financial requirements ahead of time.

The following table shows the Company's financial obligations by maturity, in the worst-case scenario and using undiscounted values, considering the nearest date by which the Company could be asked for payment and providing the number of the relevant note.

Financial liabilities at 30 June 2015 (EUR/000)	Book value	Within the FY	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total	Notes
Current payables to banks	12,727	12,727						12,727	23
Other current financial liabilities	152	152						152	24
Non-current payables to banks	1,619		913	706				1,619	26
Other non-current financial liabilities									27
Total	20,988	20,969	19	-	-	-	-	20,988	

Financial liabilities at 30 June 2014 (EUR/000)	Book value	Within the FY	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total	Notes
Current payables to banks	19,541	19,541						19,541	23
Other current financial payables	1,428	1,428						1,428	24
Non-current payables to banks									26
Other non-current financial liabilities	19		19					19	27
Total	20,988	20,969	19	-	-	-	-	20,988	

The Company has sufficient financial resources to satisfy all debts maturing within one year, in the form of cash and cash equivalents, undrawn credit lines, which at the date of these financial statements amount to about 31 million euros, and cash flows from core operations.

Exchange rate risk

The Company is influenced by exchange rate fluctuations in the British pound and US dollars due to the amounts owed by the subsidiaries 505 Games Ltd. and 505 Games US Inc.

To monitor the risk level of the EUR/GBP and EUR/USD exchange rates, the Company closely monitors exchange rate forecasts from independent analysts and other sources, and may use derivative instruments to hedge this risk as appropriate.

Credit risk

In Italy, the Company sells exclusively to known buyers. If necessary information on customers is not available, merchandise is sold cash on delivery to limit credit risk to negligible amounts.

Customer credit facilities are granted by a credit committee which includes the managing directors, the sales department, the finance department and the head of credit management. The credit manager reviews the credit facilities and customer balances on a daily basis, before any shipments are made. Despite these precautions, the Company has taken out insurance covering almost all of its customers. The insurance policy does not eliminate all credit risk on the customers covered, but considerably limits potential losses.

Receivables are shown in the financial statements net of the provision for doubtful accounts, to represent the fair value of trade receivables.

The following table breaks down receivables from customers by due date at 30 June 2015 and 30 June 2014:

EUR/000	30 June 2015	% of total	30 June 2014	% of total
Not past due	3,885	71%	4,851	70%
0 > 30 days	92	2%	902	13%
30 > 60 days	114	2%	181	3%
60 > 90 days	13	0%	19	0%
> 90 days	1,341	25%	1,016	15%
Total receivables due from	5,445	100%	6,969	100%

Fair value of financial assets and liabilities and calculation methods used

The table below presents the fair value of assets and liabilities by type of method used to calculate them.

Financial assets whose fair value cannot be objectively determined are not included.

The fair value of payables to banks has been calculated on the basis of the interest rate curve as of the reporting date, without making assumptions as to the credit spread.

The fair value of financial instruments listed in an active market is based on market prices as of the reporting date. The market prices used are bid/ask prices depending on the asset/liability held. The fair value of unlisted financial instruments and derivatives is determined according to the market's prevailing models and techniques, using inputs observable in the market.

For trade receivables and payables and other financial assets, fair value has not been calculated as it is approximated by carrying value.

For lease instalments due and payables to other lenders, there is held to be no significant difference between fair value and the carrying value at which they are recognized.

EUR/000	Balance sheet value 30 June 2015	Mark to market Fair value	Mark to model Fair value	Total fair value	Notes
Cash and cash equivalents	1,780	490		490	24
Current payables to banks	12,727	19,528		19,528	25
Other current financial assets	1,553	0		1,533	26
Interest rate swap	0	0		0	25-28

EUR/000	Balance sheet value 30 June 2014	Mark to market Fair value	Mark to model Fair value	Total fair value	Notes
Cash and cash equivalents	490	490		490	24
Current payables to banks	19,528	19,528		19,528	25
Trading derivatives	0	0		0	
Interest rate swap	13	13		13	25-28

Exchange and interest rate risk: sensitivity analysis

The sensitivity analysis was performed in accordance with IFRS 7. It applies to all financial instruments recognized in the financial statements.

The Company has performed the sensitivity analysis, which measures the estimated impact on the income statement and on the statement of financial position of a fluctuation in the exchange rate of +/-10% and in the interest rate of +/-1% with respect to the rates in effect at 30 June 2015 for each class of financial instrument, with all other variables remaining constant. The analysis is purely illustrative, as such changes rarely take place in an isolated manner.

At 30 June 2015, the Company was not exposed to additional risks, such as commodity risk.

For the sensitivity analysis on exchange rates, account was taken of the risk that may arise for any financial instrument denominated in a currency other than the euro. Consequently, translation risk was also taken into consideration.

These financial instruments are subject to gains or losses in value as a result of movements in interest rates:

- instruments with floating interest rates
- instruments with fixed interest rates but measured at fair value.

The table below shows the impact on net debt and pre-tax profit of an increase/decrease of 10% in the EUR/USD exchange rate with respect to the budgeted figures of 1.12:

Type of change	Effect on net financial position	Effect on pre-tax profit
+10% Dollar	2,203	744
-10% Dollar	(2,581)	(973)

Also, given the absolute value of the Company's unhedged, variable-rate borrowings, it is estimated that a 1-point change in annual interest rates would affect net debt and the pre-tax profit by around 150 thousand euros.

Fair value hierarchy

IFRS 7 requires that financial instruments recognized at fair value be classified in a hierarchy reflecting the significance of the inputs used to measure fair value. The levels are as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted market prices included within Level 1 that are directly or indirectly observable in the market;

- Level 3: inputs not based on observable market data.

To calculate the market value of financial instruments, the Company uses various measurement and valuation models, as summarized below for 2015 and 2014:

Book value at 30 June 2015	Instrument	Level 1	Level 2	Level 3	Total	Notes
Other current financial assets	Listed shares	1,553			1,553	24

Book value at 30 June 2014	Instrument	Level 1	Level 2	Level 3	Total	Notes
Derivatives for trading	Interest rate swap		13		13	25-28

7. NON-RECURRING INCOME AND EXPENSES

As required by Consob Resolution no. 15519 of 27 July 2006, non-recurring income and expenses are shown separately in the income statement. These are generated by transactions or events that by nature do not occur on a regular basis as part of the business.

In the year, the Company booked non-recurring expenses for 181 thousand euros relative to costs incurred for professionals used for the acquisitions completed during the period.

8. CONTINGENT ASSETS AND LIABILITIES

At 30 June 2015, there were no contingent assets and liabilities.

9. RELATED PARTY TRANSACTIONS

In accordance with Consob Resolution 17221 of 12 March 2010, it is hereby reported that all commercial and financial transactions between Digital Bros S.p.A. and its direct subsidiaries and associates have been conducted at arm's length and do not qualify as atypical or unusual transactions.

Subsidiaries

Commercial and financial transactions between Digital Bros S.p.A. and other Group companies at 30 June 2015 were settled at arm's length. Such transactions are summarized below:

EUR/000	Receivables		Payables		Income	Costs
	comm.	finan.	comm.	finan.		
505 Games S.r.l.	600	4,108	0	0	1,671	(549)
505 Mobile S.r.l.	0	5,582	0	0	11	0
Digital Bros Game Academy S.r.l.	0	124	0	0	84	0
Game Entertainment S.r.l.	0	0	0	(100)	0	0
Game Network S.r.l.	0	598	0	0	11	0
Game Service S.r.l.	0	428	0	0	0	0
505 Games France S.a.s.	0	120	0	0	0	0
505 Games Ltd.	0	0	0	(771)	0	0
505 Games Iberia Slu	0	516	0	0	0	0
505 Games (US) Inc.	0	1,518	0	0	13	0
505 Games GmbH	0	537	0	0	0	0
505 Games Interactive	0	0	0	(180)	0	0
505 Games Mobile (US)	0	0	0	(170)	0	0
DR Studios Ltd.	0	0	0	(767)	0	0
Pipeworks Inc.	0	0	0	(43)	0	0
Total	600	13,531	0	(2,031)	1,790	(549)

Transactions in the year ended 30 June 2014 are summarized below:

EUR/000	Receivables		Payables		Income	Costs
	comm.	finan.	comm.	finan.		
505 Games S.r.l.	1,695	12,260	0	0	2,298	(1,227)
505 Mobile S.r.l.	0	1,499	0	0	0	0
Game Service S.r.l.	0	388	0	0	12	(211)
Game Entertainment S.r.l.	0	0	0	(5,491)	12,783	0
Game Network S.r.l.	0	927	0	0	11	0
505 Games France S.a.s.	0	0	0	(2,300)	0	0
505 Games Ltd.	0	777	0	0	4	0
505 Games Iberia Slu	0	1,139	0	0	0	0
505 Games (US) Inc.	0	5,326	0	0	17	0
505 Games GmbH	0	1,382	0	0	0	0
505 Games Interactive	0	0	0	(99)	0	0
505 Games Mobile (US)	0	0	0	(110)	0	0
Total	1,695	23,698	0	(8,000)	15,125	(1,438)

The Company also provides a centralized cash management service, using giro accounts to which the positive and negative balances between Group companies are transferred at least once per quarter. The accounts do not bear interest.

Other related parties

Transactions with other related parties consist of the legal counsel provided by director Dario Treves and the leasing of property by Matov Imm. S.r.l., which is owned by the Galante family.

Transactions in the year ended 30 June 2015 are summarized below:

EUR/000	Receivables		Payables		Revenues	Costs
	comm.	finan.	comm.	finan.		
Dario Treves	0	0	(18)	0	0	(200)
Matov Imm. S.r.l.	0	635	0	0	0	(754)
Total	0	635	(18)	0	0	(954)

Transactions in the year ended 30 June 2014 are summarized below:

EUR/000	Receivables		Payables		Revenues	Costs
	comm.	finan.	comm.	finan.		
Dario Treves	0	0	(18)	0	0	(196)
Matov Imm. S.r.l.	0	635	0	0	0	(744)
Total	0	635	(18)	0	0	(940)

The financial receivable due to Digital Bros S.p.A. by Matov Imm. S.r.l. refers to the security deposit on the Via Tortona 37 premises in Milan.

Tax consolidation

Digital Bros S.p.A., in its capacity as parent company/consolidating company, has opted for the tax consolidation allowed by Italian law with the companies 505 Games Mobile S.r.l., Game Entertainment S.r.l., Game Service S.r.l. and 505 Games S.r.l.

This has made it necessary to prepare a set of rules for intercompany relations to ensure that no prejudice is caused to the individual participants in the system.

10. ATYPICAL OR UNUSUAL TRANSACTIONS

There were no atypical or unusual transactions in this or the previous year, as defined by Consob Communication DEM 6064293 of 28 July 2006.

11. OTHER INFORMATION

INCOME FROM EQUITY INVESTMENTS OTHER THAN DIVIDENDS

Pursuant to Art. 2425 (15) of the Italian Civil Code, the Company did not receive any income from equity investments other than dividends.

DIRECTORS' FEES

The compensation paid to members of the board of directors is detailed in the table on the following pages.

STATUTORY AUDITORS' FEES

During the year ended 30 June 2015, a total of 73,840 euros was paid to the members of the board of statutory auditors.

FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY

The Company has issued no financial instruments.

LOANS FROM SHAREHOLDERS WITH SUBORDINATION CLAUSES

The Company has not taken out loans with subordination clauses from its shareholders.

CAPITAL EARMARKED FOR A SPECIFIC USE

The Company has not earmarked any capital for a specific use.

LOANS EARMARKED FOR A SPECIFIC USE

The Company has not taken out any loans earmarked for a specific use.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

12. COMPENSATION OF DIRECTORS AND STATUTORY AUDITORS

Pursuant to CONSOB Regulation 11971/99 (as amended), which implemented Legislative Decree 58 of 24 February 1998, below are the details of fees paid or due to members of the Board of Directors and Board of Statutory Auditors, to the general managers and to executives with strategic responsibilities. At the close of the year, there were no general managers per Article 2396 of the Italian Civil Code. For further information, refer to the remuneration report.

Name and Surname	Office covered	Period for which the office was covered	End of term	Fees for the office	Bonuses and other incentives	Non-monetary benefits	Other compensation
Board of directors							
Abramo Galante	Chairman and managing director (1)	01/07/14 to 30/06/15	30/06/2017	479,150	0	3,917	59,360
Raffaele Galante	Managing director (1)	01/07/14 to 30/06/15	30/06/2017	479,150	0	3,917	59,360
Davide Galante	Director (2)	01/07/14 to 30/06/15	30/06/2017	72,000	0	0	0
Stefano Salbe	Director (1) (4)	01/07/14 to 30/06/15	30/06/2017	0	0	3,713	216,214
Lidia Florean	Director (2)	01/07/14 to 30/06/15	30/06/2017	6,600			
Guido Guetta	Director (3)	01/07/14 to 30/06/15	30/06/2017	25,500			
Elena Morini	Director (3)	01/07/14 to 30/06/15	30/06/2017	15,500			
Bruno Soresina	Director (3)	01/07/14 to 30/06/15	30/06/2017	15,500	0	0	0
Dario Treves	Director (2)	01/07/14 to 30/06/15	30/06/2017	6,600	0	0	199,950
Board of statutory auditors							
Sergio Amendola	Sergio Amendola	01/07/14 to 30/06/15	30/06/2017	27,000	0	0	0
Laura Guazzoni	Laura Guazzoni	01/07/14 to 30/06/15	30/06/2017	22,000	0	0	0
Paolo Villa	Paolo Villa	01/07/14 to 30/06/15	30/06/2017	22,000	0	0	0
Emanuela Maria Conti	Emanuela Maria Conti	01/07/14 to 30/06/15	30/06/2017	0	0	0	0
Simone Luigi Dalledonne	Simone Luigi Dalledonne	01/07/14 to 30/06/15	30/06/2017	0	0	0	0

(1) Executive directors

(2) Non-executive directors

(3) Independent directors

(4) Financial reporting officer per Art. 154-bis of Legislative Decree 58/98

13. INFORMATION ON SHARE OWNERSHIP (PURSUANT TO ART. 123-BIS OF THE CONSOLIDATED FINANCE ACT)

Structure of share capital

At 30 June 2015, the share capital was comprised of 14,110,837 ordinary shares issued and fully paid in of par value 0.40 eurocents each.

The Company has not issued shares in different categories or other financial instruments entitling the holder to subscribe to newly issued shares. There are no share-based incentive plans in course that entail increasing the share capital against payment or free of charge.

Restrictions on the transfer of securities

There are no statutory restrictions on the transfer of securities, such as limits on the possession of shares or the need to obtain permission from the issuer or from other shareholders.

Shares carrying special rights

No shares have been issued that confer special rights of control.

Employee shareholdings: mechanism for the exercise of voting rights.

The Company offers no employee stock sharing plans.

Voting restrictions

There are no restrictions on the right to vote.

Shareholder agreements

There are no agreements in existence among the shareholders.

Election and replacement of directors; by-law amendments

Please see the Corporate Governance section of the consolidated annual report, available in the Investor Relations section at www.digital-bros.net.

Authorization to increase the share capital and/or purchase treasury shares

The board of directors has no authorization to increase the share capital pursuant to Civil Code Art. 2443 or to issue quotas or shares.

The board has been authorized to purchase treasury shares as described in the Corporate Governance and Ownership section of the consolidated annual report, available in the Investor Relations section at www.digital-bros.net.

Change of control provisions

There are no change of control provisions.

Directors' indemnities in case of resignation, dismissal or departure as a result of a takeover bid

No agreements are in place that provide for indemnities in the event of dismissal, resignation and/or departure from office, even if a takeover bid is the cause of termination.

14. INFORMATION ON ASSETS SUBJECT TO REVALUATION IN ACCORDANCE WITH SPECIAL LAWS

No revaluations have been carried out on the Company's assets pursuant to Art. 10 of Law 72/83.

15. LOANS GRANTED TO MEMBERS OF ADMINISTRATIVE, MANAGERIAL AND SUPERVISORY BODIES

Pursuant to Art. 43 (1) of the Fourth Council Directive 78/660/EEC, no loans have been granted to members of the Company's administrative, managerial and supervisory bodies.

16. EXTERNAL AUDITING FEES

Pursuant to Art. 149-*duodécies* of the Issuers' Regulations, the external auditing company, Deloitte & Touche, was paid fees of 179 thousand euros for the current year.

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STATEMENT PURSUANT TO ART. 154-BIS (5) OF THE CONSOLIDATED FINANCE ACT

We, the undersigned, Abramo Galante as chairman of the Board of Directors and Stefano Salbe as financial reporting officer of the Digital Bros Group, hereby declare, including in accordance with Art. 154-bis (3) and (4) of Legislative Decree 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the business; and
- the effective application of the administrative and accounting procedures for preparation of the consolidated financial statements for the period July 2014 - June 2015. No significant issues arose.

We also confirm that:

1. the financial statements of Digital Bros S.p.A. for the year ended 30 June 2015:
 - a) have been prepared in accordance with the applicable International Accounting Standards recognized by the European Union pursuant to Regulation 1606/2002/EC of the European Parliament and the Council of 19 July 2002;
 - b) corresponds to the ledgers and accounting entries;
 - c) provide a true and fair view of the financial position and performance of Digital Bros S.p.A.;
2. the report on operations includes a reliable analysis of performance and of the results of operations, together with a description of the main risks and uncertainties to which they are exposed.

Milan, 11 September 2015

Signed

Chairman of the Board of Directors

Abramo Galante

Financial Reporting Officer

Stefano Salbe