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Levi, Ray & Shoup, Inc. and Subsidiaries

Consolidated Financial Report
(with Independent Auditor's Report Thereon)
July 31, 2017

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RSM US LLP

Independent Auditor's Report

To the Stockholders
Levi, Ray & Shoup, Inc. and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Levi, Ray & Shoup, Inc. and Subsidiaries (Company), which comprise the consolidated balance sheets as of July 31, 2017 and 2016, the related consolidated statements of comprehensive income, stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Levi, Ray & Shoup, Inc. and Subsidiaries as of July 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM VS LLP

Springfield, Illinois
October 27, 2017

Levi, Ray & Shoup, Inc. and Subsidiaries

Consolidated Balance Sheets
July 31, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 37,979,480	\$ 34,015,799
Marketable securities	6,262,457	8,352,686
Accounts receivable	49,984,852	49,643,758
Prepaid expenses and other assets	5,560,535	3,846,480
Total current assets	99,787,324	95,858,723
Property and equipment, net	32,175,999	32,807,502
Marketable securities	73,735,376	72,323,104
Other assets	9,299,879	8,448,752
Amortizable intangible assets, net	760,000	520,000
Goodwill, net	9,883,559	1,462,283
Total assets	\$ 225,642,137	\$ 211,420,364
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 7,892,323	\$ 6,109,201
Accrued income taxes	1,115,809	1,392,437
Accrued expenses and other current liabilities	15,477,840	14,073,967
Current portion of deferred gain	218,585	218,585
Deferred revenue	78,315,280	74,662,450
Total current liabilities	103,019,837	96,456,640
Long-term liabilities:		
Deferred gain, less current portion	91,079	309,664
Total long-term liabilities	91,079	309,664
Total liabilities	103,110,916	96,766,304
Commitments and contingencies (Notes 5, 9, 12 and 14)		
Stockholders' equity:		
Common stock:		
No par value; 500 shares authorized, 50 shares issued and outstanding	-	500
Voting, no par value; 100 shares authorized, 50 shares issued and outstanding	25	-
Non-voting, no par value; 1900 shares authorized, 950 shares issued and outstanding	475	-
Additional paid-in capital	978,295	978,295
Undistributed Subchapter S earnings	119,478,075	109,566,130
Accumulated other comprehensive income	2,074,351	4,109,135
Total stockholders' equity	122,531,221	114,654,060
Total liabilities and stockholders' equity	\$ 225,642,137	\$ 211,420,364

See notes to consolidated financial statements.


RICHARD H. LEVI, DIRECTOR

Levi, Ray & Shoup, Inc. and Subsidiaries

**Consolidated Statements of Comprehensive Income
Years Ended July 31, 2017 and 2016**

	2017	2016
Revenue:		
Software sales	\$ 94,042,487	\$ 83,562,798
Software maintenance	41,431,219	39,131,883
Hardware sales	36,170,254	37,267,067
Consulting services	47,050,959	40,287,832
Other operating revenue	9,138,059	7,907,761
Total revenue	227,832,978	208,157,341
Costs and expenses:		
Compensation and related expenses	87,241,334	77,866,989
Cost of hardware sold	28,595,247	30,266,902
Depreciation and amortization	5,161,994	3,512,592
Other operating expenses	53,806,843	44,337,377
Total costs and expenses	174,805,418	155,983,860
Income before other income and income taxes	53,027,560	52,173,481
Other income, net	3,488,344	2,714,785
Income before income taxes	56,515,904	54,888,266
Provision for income taxes	2,603,959	2,619,174
Net income	53,911,945	52,269,092
Other comprehensive income (loss):		
Unrealized gain (loss) on marketable securities arising during the year	(2,034,784)	1,715,115
Comprehensive income	\$ 51,877,161	\$ 53,984,207

See notes to consolidated financial statements.

Levi, Ray & Shoup, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity
Years Ended July 31, 2017 and 2016

	Common Stock				Additional Paid-in Capital	Undistributed Subchapter S Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount				
Balance, July 31, 2015	50	\$ 500	-	\$ -	\$ 978,295	\$ 99,297,038	\$ 2,394,020	\$ 102,669,853
Net income	-	-	-	-	-	52,269,092	-	52,269,092
Other comprehensive income	-	-	-	-	-	-	1,715,115	1,715,115
Cash dividends	-	-	-	-	-	(42,000,000)	-	(42,000,000)
Balance, July 31, 2016	50	500	-	-	978,295	109,566,130	4,109,135	114,654,060
Conversion of common stock to voting and non-voting common stock (Note 1)	(50)	(500)	50	25	-	-	-	-
Net income	-	-	-	-	-	53,911,945	-	53,911,945
Other comprehensive loss	-	-	-	-	-	-	(2,034,784)	(2,034,784)
Cash dividends	-	-	-	-	-	(44,000,000)	-	(44,000,000)
Balance, July 31, 2017	-	\$ -	50	\$ 25	\$ 978,295	\$ 119,478,075	\$ 2,074,351	\$ 122,531,221

See notes to consolidated financial statements.

Levi, Ray & Shoup, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended July 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Net income	\$ 53,911,945	\$ 52,269,092
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,161,993	3,512,592
Amortization of premiums on investments in marketable securities	688,071	662,483
Gain on disposal of property and equipment, net	(11,682)	-
Accretion of deferred gain	(218,585)	(218,585)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(280,858)	(10,100,586)
Prepaid expenses and other current assets	(1,649,287)	(855,557)
Other assets	(851,127)	162,229
Increase (decrease) in liabilities:		
Accounts payable	1,758,519	1,395,216
Accrued expenses and other current liabilities	906,980	943,411
Deferred revenue	1,568,492	5,043,254
Net cash provided by operating activities	60,984,461	52,813,549
Cash flows from investing activities:		
Purchase of property and equipment	(1,801,385)	(220,928)
Proceeds from sale of property and equipment	20,900	-
Proceeds from maturities of marketable securities	10,240,000	9,315,956
Investment in marketable securities	(12,284,898)	(13,036,731)
Purchase of Cirrato (Note 14)	(6,195,397)	-
Purchase of Central Illinois Security, Inc. (Note 14)	(3,000,000)	-
Net cash used in investing activities	(13,020,780)	(3,941,703)
Cash flows from financing activities:		
Dividends paid	(44,000,000)	(42,000,000)
Net cash used in financing activities	(44,000,000)	(42,000,000)
Change in cash and cash equivalents	3,963,681	6,871,846
Cash and cash equivalents:		
Beginning of year	34,015,799	27,143,953
End of year	<u>\$ 37,979,480</u>	<u>\$ 34,015,799</u>

(Continued)

Levi, Ray & Shoup, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (Continued)
Years Ended July 31, 2017 and 2016

	2017	2016
Supplemental disclosures of cash flow information:		
Cash payments for:		
Interest	\$ 4,781	\$ 844
Income taxes	\$ 2,880,587	\$ 2,080,056
Supplemental disclosure of other investing activities:		
Acquisition of Cirrato and CIS (see Note 14)		
Assets acquired:		
Accounts receivable	\$ 60,236	\$ -
Inventory	64,768	-
Furniture and equipment	100,599	-
Identifiable intangible assets	600,000	-
Goodwill	10,699,000	-
Liabilities assumed:		
Accounts payable and accrued expenses	(244,868)	-
Deferred revenue	(2,084,338)	-
Net cash paid for business acquisitions	\$ 9,195,397	\$ -

See notes to consolidated financial statements.

Levi, Ray & Shoup, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Business: Levi, Ray & Shoup, Inc. (LRS) develops, sells, and maintains proprietary output management software in mainframe and open system markets that are sold in approximately 120 countries around the world. In addition, LRS provides information technology solutions, consulting and mainframe computer processing services, and resells IBM computer hardware.

LRS operates a marina business in Fort Myers, Florida, through its wholly-owned subsidiary, Diversified Yacht Services, Inc. (DYS) and a commercial and residential security business in Springfield, Illinois through its wholly-owned subsidiary Central Illinois Security, Inc. (CIS).

LRS, DYS and CIS are collectively referred to as the Company.

Principles of consolidation: The financial statements include the accounts of LRS and its wholly-owned subsidiaries, DYS and CIS. All significant intercompany accounts and transactions have been eliminated in the consolidation.

Use of estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and their reported amounts of revenue and expenses during the reporting periods. Such estimates relate to useful lives of property and equipment, as well as intangible assets, accounts receivable, contract accounting, and deferred revenue. Actual results could differ from such estimates.

Revenue recognition: The Company enters into contractual arrangements with the end-users of its products to sell software licenses, software maintenance, consulting and processing services and hardware, either separately or combined into multiple-element arrangements. For each arrangement, revenues are recognized when persuasive evidence of an arrangement exists, the fees to be paid by the customer are fixed or determinable, collection of the fees is probable, delivery of the product has occurred, the vendor-specific objective evidence (VSOE) of the fair value of any undelivered elements exists, and no other significant obligations on the part of the Company remain. The Company's software products are licensed to customers under both perpetual and time-based license arrangements. The Company also sells customized software under the product name Pension Gold.

Perpetual license revenue: Customers that purchase licenses under a perpetual license agreement generally enter into renewable one-year maintenance agreements that entitle the customer to receive unspecified updates on licensed software, technical corrections and support, generally for a fixed fee. The Company has established the VSOE of fair value for the maintenance element of its perpetual license arrangements by reference to the renewal rate paid by customers. For arrangements that include perpetual licenses and maintenance elements, the arrangement fee is allocated to separate elements using the residual method. Under the residual method, the VSOE of fair value is allocated to the maintenance element, and the remaining arrangement fee is allocated to the license element. The amount allocated to the license element is recognized on delivery of the software if collection of the fees is probable, the fees are fixed or determinable, and an agreement is signed. Maintenance revenue is recognized ratably over the maintenance period, which is generally 12 months. Revenue from sales through marketing agents is recorded as revenue, net of fees withheld by agents, upon receipt of a signed perpetual license arrangement, delivery of the software license to the end-user customer and determination that the fees are fixed or determinable as well as collectible.

Levi, Ray & Shoup, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Term license revenue: The Company also licenses its software under multiyear, time-based license agreements and on a month-to-month basis under various operating lease-type rental plans. Revenue under time-based license arrangements is recognized ratably over the term of the arrangement. The Company has a history of successfully collecting substantially all amounts due under the original terms of multiyear, time-based license arrangements without making concessions on payments. Unbilled and unearned future amounts due under multiyear noncancellable, time-based license arrangements totaled \$139,165,000 and \$124,815,000 at July 31, 2017 and 2016, respectively. Revenue related to unbilled future amounts as of July 31, 2017, will be recognized during the periods in which earned and are due in future years as follows:

2018	\$ 43,468,000
2019	39,923,000
2020	28,509,000
2021	17,603,000
2022	6,573,000
Thereafter	3,089,000
	<u>\$ 139,165,000</u>

Software maintenance revenue: Revenue from annual maintenance contracts for which customers pay a fee up front in order to receive software maintenance is recognized on a straight-line basis over the periods in which the support is provided.

Consulting services revenue: Consulting and processing services revenue is generally sold on a time and material basis, and the related revenue is recognized as the specific services are performed. Consulting and services revenue includes general consulting, processing services, training and other related services.

Hardware revenue: In some cases, the Company resells third-party hardware to its customers. Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collection is considered probable. The Company considers delivery to occur when the product is shipped and title and risk of loss have passed to the customer.

Levi, Ray & Shoup, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Pension Gold license revenue: The Company undertakes projects for implementation of Pension Gold software, which requires significant production, modification or customization of software, and the related revenue is recognized in accordance with contract accounting. Under contract accounting, the Company utilizes the percentage-of-completion method for revenue recognition. The Company estimates the profit on a contract as the difference between the total estimated revenue and the total estimated costs of a contract and recognizes that profit over the contract term. The Company determines progress toward completion on production contracts based on input measures (labor hours incurred). The Company reviews its long-term contracts periodically to assess revisions in contract values and estimated project costs at completion. The Company applies the effect of any changes in estimates resulting from these assessments in the period of change so that the consolidated balance sheet at the end of the period of change and the accounting in subsequent periods are as they would have been if the revised estimates had been the original estimates. The Company charges any anticipated losses on contracts to earnings as soon as they are identified. Accounts receivable associated with long-term contracts consist of billed and unbilled amounts. Billed amounts include invoices presented to customers that have not been paid. Unbilled amounts relate to revenues that have been recorded and billings that have not been presented to customers. Unbilled amounts at July 31, 2017 and 2016, were \$1,554,932 and \$1,222,942, respectively, and are included in accounts receivable.

Other revenue: The Company also provides other miscellaneous services, such as technical education training, which are recognized as other operating revenue as services are performed.

Deferred revenue: Deferred revenue represents amounts received from customers under certain license, maintenance and service agreements for which the revenue earning process has not been completed.

Research and development costs: Research and development costs are expensed as incurred and amounted to \$806,614 and \$690,266, respectively, during the years ended July 31, 2017 and 2016. Included in those amounts are costs pertaining to development of software to be sold, which the Company expenses as incurred as such amounts are not significant.

Charitable contributions: Charitable contributions are recognized as an expense when committed to be paid by the Company and are included in other operating expenses in the consolidated statements of comprehensive income. Charitable contributions during the years ended July 31, 2017 and 2016, were approximately \$1,015,000 and \$1,008,000, respectively.

Cash equivalents: Cash equivalents consist of money market funds, a portion of which is on deposit with related parties (see Note 10).

Concentration of credit risk: The Company maintains its cash, cash equivalents, and certain investments in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and management believes they are not exposed to any significant credit risk on cash and cash equivalents.

Levi, Ray & Shoup, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Marketable securities: The Company's investment in marketable securities includes corporate debt securities and municipal revenue bonds. All are classified as available-for-sale as the Company intends to hold these securities for an indefinite period of time, but not necessarily to maturity. Available-for-sale securities are stated at fair value, with the unrealized gains and losses reported as a separate component of accumulated other comprehensive income in stockholders' equity. Realized gains and losses are included in the consolidated statements of comprehensive income as other income. The cost of securities sold is based on the specific identification method. Where applicable, discounts and premiums on investments are accreted and amortized into interest income using the effective yield method over the estimated remaining life of the assets. Declines in the fair value of available-for-sale securities below their amortized cost basis, if any, that are deemed to be other-than-temporary impairment losses are reflected as realized losses.

Trade receivables: Trade receivables are carried at original invoice amount less an estimate for uncollectible trade receivables. The Company performs ongoing credit evaluations of its customers and provisions are made for estimated uncollectible trade receivables. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. There was no allowance for doubtful accounts recorded at July 31, 2017 and 2016.

Trade accounts receivable are considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Interest may be charged on accounts that are outstanding for more than 45 days and is recognized when charged.

Foreign currency translation: The monetary assets and liabilities of the foreign branches, whose functional currency is the U.S. dollar, are translated at year-end exchange rates and nonmonetary items are translated at historical rates. Income and expense accounts are translated each month at the rate in effect at the beginning of the month, except for nonmonetary assets and liabilities, which are translated at historical rates. The effects of changes in exchange rates are included in income during the period of change. Foreign currency gains/(losses) included in other income were \$613,916 and \$(186,943) for the years ended July 31, 2017 and 2016, respectively, and arose primarily from fluctuations in the value of the Australian dollar, Euro, British pound sterling, and Swedish Krona against the U.S. dollar.

Property and equipment: Property and equipment is stated at cost. Depreciation is recorded over the estimated useful lives of the assets using principally the straight-line method as follows:

	Years
Buildings	40 - 50
Computer equipment and software	3 - 5
Other equipment, furniture, and fixtures	5 - 10
Aircraft	10

Other assets: Other assets include a Section 444 deposit to the Internal Revenue Service (IRS). This Section 444 deposit, held by the IRS in connection with the Internal Revenue Code (Code) requirements for a Subchapter S Corporation with a tax year ending July 31, was \$9,299,879 and \$8,448,752 at July 31, 2017 and 2016, respectively.

Levi, Ray & Shoup, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Goodwill and amortizable intangible assets: The Company records as goodwill the excess of the purchase price over the fair value of identifiable net assets acquired in a business combination. In January 2014, the Financial Accounting Standards Board (FASB) issued guidance related to private companies and the subsequent accounting for goodwill. The revised guidance allows an entity to amortize goodwill over a 10-year period, or less than 10 years if the entity demonstrates that another useful life is more appropriate, and perform impairment analysis only when a triggering event occurs. The Company is amortizing goodwill using the straight-line method over an estimated useful life of 5 years for goodwill recognized in connection with technology company-related acquisitions. A useful life of 10 years is used for all other acquisitions. The Company has elected to evaluate goodwill impairment at the entity level. As of July 31, 2017, the Company has determined that there was no occurrence of an event or circumstance that may indicate the fair value of the entity is less than its carrying value.

Amortizable intangible assets include the fair value of proprietary software and customer relationships acquired. Amortizable intangible assets are being amortized using the straight-line method over an estimated useful life of 5 years.

Recoverability of long-lived assets: All long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future undiscounted cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Income taxes: Deferred taxes are provided on a liability method, whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying consolidated balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized tax benefits, if any, are classified as provision for income taxes in the consolidated statements of comprehensive income.

Levi, Ray & Shoup, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Stockholders' equity: During the year ended July 31, 2017, the Company amended its articles of incorporation to increase the aggregate number of shares of common stock the Company may issue to 2,000. The common stock has no par value and has been designated into two classes – 100 shares were designated as Class A voting common stock and 1,900 shares were designated as Class B non-voting common stock. The existing 50 shares of common stock outstanding at the time of the amendment to the articles of incorporation were surrendered and exchanged for 50 shares of Class A voting common stock and 950 shares of Class B non-voting common stock. Other than voting rights, Class A and Class B shares are identical in all respects.

Note 2. Marketable Securities

The amortized cost and fair values of marketable securities as of July 31, 2017 and 2016, are summarized as follows:

	2017			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Short-term marketable securities:				
Available-for-sale:				
Corporate debt securities	\$ 1,004,672	\$ 12,768	\$ -	\$ 1,017,440
Municipal revenue bonds	5,208,035	37,907	(925)	5,245,017
Short-term marketable securities	<u>\$ 6,212,707</u>	<u>\$ 50,675</u>	<u>\$ (925)</u>	<u>\$ 6,262,457</u>
Long-term marketable securities:				
Available-for-sale:				
Corporate debt securities	\$ 5,092,027	\$ 399,491	\$ -	\$ 5,491,518
Municipal revenue bonds	66,618,748	2,030,647	(405,537)	68,243,858
Long-term marketable securities	<u>\$ 71,710,775</u>	<u>\$ 2,430,138</u>	<u>\$ (405,537)</u>	<u>\$ 73,735,376</u>
	2016			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Short-term marketable securities:				
Available-for-sale:				
Corporate debt securities	\$ 4,009,455	\$ 55,225	\$ -	\$ 4,064,680
Municipal revenue bonds	4,236,379	51,627	-	4,288,006
Short-term marketable securities	<u>\$ 8,245,834</u>	<u>\$ 106,852</u>	<u>\$ -</u>	<u>\$ 8,352,686</u>
Long-term marketable securities:				
Available-for-sale:				
Corporate debt securities	\$ 6,141,444	\$ 562,582	\$ -	\$ 6,704,026
Municipal revenue bonds	62,179,377	3,508,250	(68,549)	65,619,078
Long-term marketable securities	<u>\$ 68,320,821</u>	<u>\$ 4,070,832</u>	<u>\$ (68,549)</u>	<u>\$ 72,323,104</u>

Levi, Ray & Shoup, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Marketable Securities (Continued)

Gross unrealized losses on investments and the fair value of the related investments, aggregated by the length of time that individual securities have been in a continuous unrealized loss position, at July 31, 2017 and 2016, were as follows:

		2017					
		Less than 12 Months		12 Months or More		Total	
		Unrealized	Fair	Unrealized	Fair	Unrealized	Fair
		Losses	Value	Losses	Value	Losses	Value
Available-for-sale:							
Municipal revenue bonds	\$	(330,935)	\$ 16,355,433	\$ (75,527)	\$ 3,337,953	\$ (406,462)	\$ 19,693,386

		2016					
		Less than 12 Months		12 Months or More		Total	
		Unrealized	Fair	Unrealized	Fair	Unrealized	Fair
		Losses	Value	Losses	Value	Losses	Value
Available-for-sale:							
Municipal revenue bonds	\$	(9,788)	\$ 1,865,238	\$ (58,761)	\$ 1,532,865	\$ (68,549)	\$ 3,398,103

The table above represents 18 investment securities at July 31, 2017 compared to 3 at July 31, 2016 that, due to the current interest rate environment and other factors, have declined in value but do not presently represent realized losses. Management evaluates securities for other-than-temporary impairment at least on an annual basis, and more frequently when economic or market concerns warrant such evaluation. In estimating other-than-temporary impairment losses on investment securities, management considers many factors which include: (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. To determine if an other-than-temporary impairment exists on a debt security, the Company first determines if (a) it intends to sell the security or (b) it is more likely than not that it will be required to sell the security before its anticipated recovery. If either of the conditions is met, the Company will recognize an other-than-temporary impairment in earnings equal to the difference between the security's fair value and its adjusted cost basis. If neither of the conditions is met, the Company determines (a) the amount of the impairment related to credit loss and (b) the amount of the impairment due to all other factors. The difference between the present values of the cash flows expected to be collected and the amortized cost basis is the credit loss. The credit loss is the portion of the other-than-temporary impairment that is recognized in earnings and is a reduction to the cost basis of the security. The portion of total impairment related to all other factors is included in other comprehensive income (loss). Management has deemed all declines in the values of investment securities held at July 31, 2017 and 2016 to be temporary.

In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analysts' reports.

Securities with maturity dates within one year are classified as short-term marketable securities. Securities with maturity dates greater than one year are classified as long-term marketable securities. At July 31, 2017, the maturity dates of long-term marketable securities, based on current contractual maturities, extend to December 2029. Actual maturities may differ from contractual maturities because certain issuers have the right to call or prepay obligations with or without call or prepayment penalties.

Levi, Ray & Shoup, Inc. and Subsidiaries**Notes to Consolidated Financial Statements****Note 3. Property and Equipment**

Property and equipment at July 31, 2017 and 2016, consists of the following:

	2017	2016
Land	\$ 5,560,324	\$ 5,560,324
Buildings	17,695,894	17,656,078
Computer equipment and software	5,683,683	4,823,505
Other equipment, furniture, and fixtures	11,987,386	12,126,223
Aircraft	33,172,528	33,172,528
	<u>74,099,815</u>	<u>73,338,658</u>
Less accumulated depreciation	<u>41,923,816</u>	<u>40,531,156</u>
	<u>\$ 32,175,999</u>	<u>\$ 32,807,502</u>

Depreciation expense was \$2,524,269 and \$2,521,450 for the years ended July 31, 2017 and 2016, respectively.

Note 4. Goodwill and Amortizable Intangible Assets

Goodwill and amortizable intangible assets as of July 31, 2017 and 2016, consisted of the following:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	2017		
Goodwill	<u>\$ 14,354,708</u>	<u>\$ 4,471,149</u>	<u>\$ 9,883,559</u>
Amortizable intangible assets:			
Software	\$ 1,400,000	\$ 740,000	\$ 660,000
Customer relationships	500,000	400,000	100,000
	<u>\$ 1,900,000</u>	<u>\$ 1,140,000</u>	<u>\$ 760,000</u>
	2016		
Goodwill	<u>\$ 3,655,708</u>	<u>\$ 2,193,425</u>	<u>\$ 1,462,283</u>
Amortizable intangible assets:			
Software	\$ 800,000	\$ 480,000	\$ 320,000
Customer relationships	500,000	300,000	200,000
	<u>\$ 1,300,000</u>	<u>\$ 780,000</u>	<u>\$ 520,000</u>

Levi, Ray & Shoup, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 4. Goodwill and Amortizable Intangible Assets (Continued)

The changes in the net carrying amount of goodwill and amortizable intangible assets for the years ended July 31, 2017 and 2016 were as follows:

	Goodwill	Customer Relationships	Software
	2017		
Balance, beginning	\$ 1,462,283	\$ 200,000	\$ 320,000
Additions (Note 14)	10,699,000	-	600,000
Amortization	(2,277,724)	(100,000)	(260,000)
Balance, ending	<u>\$ 9,883,559</u>	<u>\$ 100,000</u>	<u>\$ 660,000</u>
	2016		
Balance, beginning	\$ 2,193,425	\$ 300,000	\$ 480,000
Amortization	(731,142)	(100,000)	(160,000)
Balance, ending	<u>\$ 1,462,283</u>	<u>\$ 200,000</u>	<u>\$ 320,000</u>

Estimated aggregate annual amortization expense on goodwill and amortizable intangible assets as of July 31, 2017, in future years, is as follows:

Year Ending July 31,	Goodwill	Amortizable Intangible Assets	Total
2018	\$ 2,587,042	\$ 380,000	\$ 2,967,042
2019	1,855,900	120,000	1,975,900
2020	1,855,900	120,000	1,975,900
2021	1,855,900	120,000	1,975,900
2022	545,900	20,000	565,900
Thereafter	1,182,917	-	1,182,917
	<u>\$ 9,883,559</u>	<u>\$ 760,000</u>	<u>\$ 10,643,559</u>

Note 5. Sale and Leaseback Transaction, Lease Commitments and Total Rent Expense

During the year ended July 31, 2009, the Company sold its Springfield, Illinois, office facilities (Springfield Campus) to a related party at a gain of \$2,149,421. Simultaneous with the sale, the Company entered into an operating lease agreement with the related party to lease back the Springfield Campus for an initial term of nine years and ten months. Annual rental payments due under the original lease totaled \$1,058,250. The gain resulting from the sale has been recorded as deferred income and is being amortized to income over the lease term. Included as a deferred item in current and noncurrent liabilities on the consolidated balance sheets as of July 31, 2017 and 2016, is the unamortized balance of \$309,664 and \$528,249, respectively. The lease was amended effective July 1, 2017 to increase annual rental payments to \$1,814,684 and amend the termination date to coincide with the expected completion date of a new office building subject to the lease agreement, which has been estimated as October of 2018. The Company will then occupy the new office building under a new lease.

Levi, Ray & Shoup, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Sale and Leaseback Transaction, Lease Commitments and Total Rent Expense (Continued)

Rent expense incurred under facilities leases for the years ended July 31, 2017 and 2016, was \$3,087,424 and \$2,658,088, respectively.

The total approximate rental commitments as of July 31, 2017, are due in future years as follows:

Year Ending July 31,	Amount
2018	\$ 3,187,354
2019	1,611,876
2020	922,096
2021	666,159
2022	393,077
Thereafter	960,266
	<u>\$ 7,740,828</u>

The Company also leases from non-related parties certain other facilities under non-cancelable operating leases.

Note 6. International Operations

The Company operates eight branches with offices in the United Kingdom, Germany, Spain, Italy, France, Sweden, Australia, and Singapore. The U.S. dollar is used as the functional currency for all international operations. The following is a summary of certain significant financial information of the Company's international operations included in the accompanying financial statements:

	2017	2016
Assets	\$ 29,885,969	\$ 24,527,716
Liabilities and deferred revenue	29,850,933	25,350,201
Revenue	41,348,322	37,282,751
Foreign income tax expense	1,953,362	1,967,086
Net income	5,372,513	7,187,474

Note 7. Income Taxes

Since July 31, 1987, the Company has operated under the provisions of Subchapter S of the Internal Revenue Code. As such, the Company's net income is recognized by the stockholders of the Company for federal income tax purposes as if the Company were a partnership. Accordingly, the Company is not liable for any federal income tax. The Company files its income tax returns using the accrual basis method of accounting.

The Company also files various state and local income tax returns. State and local income taxes were approximately \$651,000 and \$652,000 for the years ended July 31, 2017 and 2016, respectively.

Levi, Ray & Shoup, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 7. Income Taxes (Continued)

The deferred tax benefit arising from net operating losses (NOLs) in foreign branches totaled approximately \$1,926,000 and \$1,507,000 at July 31, 2017 and 2016, respectively. At July 31, 2017 and 2016, the Company does not believe any of its NOLs will be utilized and, therefore, a full valuation allowance has been provided against all NOLs. The NOLs arise in foreign jurisdictions and can be carried forward indefinitely.

The Company has adopted the FASB issued guidance on accounting for uncertainty in income taxes. Management has evaluated the Company's tax positions and concluded that the Company has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Company is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for fiscal years ended before 2014.

Note 8. Retirement Plan

Effective January 1, 2005, the Company adopted a 401(k) matching contribution plan covering substantially all domestic salaried employees of the Company. The Company matches 100 percent of employee contributions up to a maximum of 5 percent of eligible employee compensation. Employer matching contributions to the plan totaled \$1,986,017 and \$1,850,742 for the years ended July 31, 2017 and 2016, respectively.

Note 9. Self-Insurance

The Company is self-insured for medical claims up to predetermined amounts. The Company has stop-loss insurance for individual claims in excess of \$150,000 for the policy years ended December 31, 2017 and 2016. As of July 31, 2017 and 2016, the Company reserved \$281,000 and \$255,000, respectively, for medical claims payable and incurred but not yet reported as of year-end. The expenses under the Company's self-insured medical program for the years ended July 31, 2017 and 2016, were \$4,426,000 and \$4,119,000, respectively.

Note 10. Related-Party Transactions

The Company enters into certain transactions with two financial institutions in which the sole shareholder of the Company owns an equity interest. Cash balances on deposit were \$20,021,234 and \$20,342,702 as of July 31, 2017 and 2016, respectively. Interest income derived from cash balances on deposit with both financial institutions totaled \$32,381 and \$4,105 for the years ended July 31, 2017 and 2016, respectively. Revenue for services provided to the financial institutions totaled \$234,504 and \$178,012 for the years ended July 31, 2017 and 2016, respectively. Bank service fees expense totaled \$31,765 and \$28,684 for the years ended July 31, 2017 and 2016, respectively. The Company has also entered into a sale and leaseback transaction with a related party (see Note 5).

The Company's eight foreign branches file income tax returns in their respective countries. Foreign income tax expense was approximately \$1,953,000 and \$1,967,000 for the years ended July 31, 2017 and 2016, respectively.

Levi, Ray & Shoup, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 11. Fair Value Disclosures

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, deferred revenue and accrued expenses approximate fair value because of the short-term maturity of these instruments. Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of judgment and, therefore, cannot be determined with precision.

Fair Value Measurements

The FASB Accounting Standards Codification (ASC) 820, Fair Value Measurements, provides a framework for measuring fair value under generally accepted accounting principles. FASB ASC 820 applies to all financial and non-financial instruments that are being measured and reported on a fair value basis.

FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods including market, income and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.
- Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of July 31, 2017 and 2016.

Levi, Ray & Shoup, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 11. Fair Value Disclosures (Continued)

Marketable securities: The fair value of available-for-sale securities is determined by various valuation methodologies. Where quoted market prices are available in an active market, securities are classified within Level 1. If quoted market prices are not available, then fair values are estimated by using pricing models or quoted prices of securities with similar characteristics. For these investments, the pricing applications apply available information as applicable through processes such as benchmark curves, benchmarking of like securities, sector groupings and matrix pricing to prepare evaluations. They also use model processes, such as the Option Adjusted Spread model to assess interest rate impact and develop prepayment scenarios. In the case of municipal securities, information on the Bloomberg terminal such as credit ratings, credit support, and call features are used to set the matrix values for the issues, which will be used to determine the yields from which the market values are calculated each month. Because they are not price quote valuations, the pricing methods are considered Level 2 inputs. At this time, all of the Company's securities fall within the Level 2 hierarchies for pricing. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Company currently has no securities classified within Level 3.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement as of the reporting date.

To assess the appropriate classification of investments within the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of investments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period.

We evaluate the significance of transfers between levels based upon the nature of the investment and size of the transfer relative to total investments. There were no transfers in or out of Level 3 during the year ended July 31, 2017.

Levi, Ray & Shoup, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 11. Fair Value Disclosures (Continued)

Assets Measured at Fair Value on a Recurring Basis

The following table presents the Company's assets that are measured at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of July 31, 2017 and 2016:

	Level 1	Level 2	Level 3	Total
	2017			
Assets:				
Marketable securities:				
Corporate debt securities:				
A- credit rating	\$ -	\$ 1,134,380	\$ -	\$ 1,134,380
BBB+ credit rating	-	5,374,578	-	5,374,578
Municipal revenue bonds:				
A credit rating	-	11,470,263	-	11,470,263
A- credit rating	-	4,717,584	-	4,717,584
A+ credit rating	-	4,711,696	-	4,711,696
AA credit rating	-	24,536,610	-	24,536,610
AA- credit rating	-	4,689,717	-	4,689,717
AA+ credit rating	-	1,888,284	-	1,888,284
AAA credit rating	-	1,708,413	-	1,708,413
BBB+ credit rating	-	4,724,315	-	4,724,315
Not Rated	-	15,041,993	-	15,041,993
	\$ -	\$ 79,997,833	\$ -	\$ 79,997,833
	Level 1	Level 2	Level 3	Total
	2016			
Assets:				
Marketable securities:				
Corporate debt securities:				
A credit rating	\$ -	\$ 1,003,620	\$ -	\$ 1,003,620
A- credit rating	-	2,140,430	-	2,140,430
AA+ credit rating	-	1,014,640	-	1,014,640
BBB credit rating	-	873,392	-	873,392
BBB+ credit rating	-	5,736,624	-	5,736,624
Municipal revenue bonds:				
A credit rating	-	7,899,294	-	7,899,294
A- credit rating	-	2,923,541	-	2,923,541
A+ credit rating	-	4,852,155	-	4,852,155
AA credit rating	-	24,134,335	-	24,134,335
AA- credit rating	-	5,069,842	-	5,069,842
AA+ credit rating	-	1,537,109	-	1,537,109
AAA credit rating	-	1,750,960	-	1,750,960
BBB+ credit rating	-	4,622,425	-	4,622,425
Not Rated	-	17,117,423	-	17,117,423
	\$ -	\$ 80,675,790	\$ -	\$ 80,675,790

Levi, Ray & Shoup, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 12. Commitments and Contingencies

Under the terms of substantially all of the Company's license agreements, the Company has agreed to indemnify customers from all damages awarded against them and all reasonable expenses incurred by them as the result of any claim of trade secret, patent, or copyright infringement asserted against them by virtue of their use of the Company's software products. In the event of an infringement claim, in the vast majority of the license agreements, the Company retains the right to (a) procure for the customer the right to continue to use the software products or (b) replace or modify the software products to make their use non-infringing.

In the majority of the license agreements, if neither option is readily available, the Company may terminate the license agreement and refund a pro rata portion of the license fees paid. Such indemnification provisions are accounted for as contingent liabilities. The likelihood that the Company would be required to make refunds to customers under any such provisions is considered remote. The amount of the indemnification is limited to the amount paid by the customer in substantially all of the license agreements, while in some arrangements the Company's liability could extend up to unlimited amounts.

The Company's standard license agreements include a product warranty provision for all products. Such warranties are accounted for as contingent liabilities. The likelihood that the Company would be required to make refunds to customers under such provisions is considered remote. The amount of refund is typically limited to the actual license fees paid by the customer; however, in some arrangements, the Company's liability could extend up to unlimited amounts.

In the ordinary course of its business activities, the Company experiences certain disputed matters which give rise to claims that may result in litigation. Management vigorously pursues appropriate resolutions to such claims, but at any point in time, some claims, which could result in lawsuits by and against the Company, remain outstanding. In the opinion of management, no outstanding claims have the potential to result in judgments which, in the aggregate, would have a material adverse effect on the Company's financial statements.

Note 13. New Accounting Pronouncements

In March 2017, the FASB issued Accounting Standards Update (ASU) 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*, which shortens the amortization period of certain callable debt securities held at a premium. This ASU is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company is currently assessing the impact of the adoption of this ASU on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which addresses eight specific cash-flow presentation and classification issues with the objective of reducing existing diversity in practice. This ASU is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Company is currently assessing the impact of the adoption of this ASU on its consolidated financial statements.

Notes to Consolidated Financial Statements

Note 13. New Accounting Pronouncements (Continued)

In June 2016, the FASB issued 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which sets forth “current expected credit loss” (CECL) model which requires the Company to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost and applies to some off-balance sheet credit exposures. This ASU is effective for fiscal years beginning after December 15, 2020. The Company is currently assessing the impact of the adoption of this ASU on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU is expected to impact the Company’s financial statements as the Company has certain operating lease arrangements for which it is the lessee. This ASU is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company is currently assessing the impact of the adoption of this ASU on its consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments*. This ASU eliminates the requirement to retrospectively account for changes to provisional amounts initially recorded in a business combination. ASU 2015-16 requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustments are determined, including the effect of the change in provisional amount as if the accounting had been completed at the acquisition date. This ASU is effective for reporting periods beginning after December 15, 2016, and is to be applied prospectively to adjustments to provisional amounts that occur after the effective date. Early adoption is permitted for financial statements that have not yet been made available for issuance. The adoption of this guidance is not expected to have a material impact on the Company’s financial statements.

Levi, Ray & Shoup, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 13. New Accounting Pronouncements (Continued)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, which affects narrow aspects of Topic 606 related to assessing collectability, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications. In April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, which affects aspects of Topic 606 related to identifying performance obligations and licensing. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, which clarifies the implementation guidance in ASU 2014-09 related to principal versus agent considerations. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Company has not yet selected a transition method and is currently evaluating the effect that the standard will have on its consolidated financial statements.

Note 14. Acquisitions

On September 19, 2016, the Company acquired substantially all of the operations of Cirrato Technologies AB, Cirrato Technologies, Inc. and Cirrato Technologies, Ltd. (collectively, Cirrato), a privately owned group headquartered in Stockholm, Sweden. Cirrato is an output management software provider with products complementary to the Company's software solutions, with a "channel-ready" print management offering which will be compelling for customer segments beyond the Company's current markets. In addition, Cirrato brings well-established partnerships with major third parties which are expected to offer the Company new ways to promote its software solutions to organizations of all sizes.

As a result of the acquisition, the Company acquired Cirrato operations including the customer network, application software, intellectual property and other assets used in the Cirrato business. Purchase consideration totaled \$8,500,000, which consisted of \$6,195,397 in cash paid to the owners of Cirrato and the assumption of liabilities totaling \$2,304,603.

The Company is required to allocate the purchase price to tangible and certain non-customer related identifiable intangible assets acquired and liabilities assumed based on their fair values. The fair value of the identifiable intangible assets was determined by discounting the estimated net future cash flows of these intangible assets. The excess of purchase price over those fair values is recorded as goodwill. The Company's fair market valuation of acquired assets and liabilities is summarized below:

Furniture and equipment	\$ 40,000
Identifiable intangible assets	600,000
Goodwill	7,860,000
Liabilities assumed	(2,304,603)
	<u>\$ 6,195,397</u>

Levi, Ray & Shoup, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 14. Acquisitions (Continued)

The Company's estimated useful life of the identifiable intangible assets acquired is five years. Goodwill associated with the acquisition was \$7,860,000. The factors that contribute to the recognition of goodwill included securing synergies that are specific to the Company's business and not available to other market participants, which are expected to increase revenues and profits, and the acquisition of a talented workforce. The goodwill is expected to be deductible for tax purposes.

The Cirrato acquisition agreement provides for earn-out payments totaling up to \$7,500,000 contingent upon the achievement of certain pretax earnings targets through the fifth anniversary of the acquisition date. Under the terms of the earn-out arrangement, the first \$850,000 of pretax earnings from Cirrato products or LRS products through Cirrato channels will be due to LRS. Further, if the cumulative net loss from the sale of Cirrato products or LRS products through Cirrato channels reaches \$2,000,000 at any time during the earn-out period, the earn-out will be deemed null and void. As of the acquisition date, it was estimated that no contingent payments would be due related to the earn-out. Such contingent payments, if necessary, will be recorded as expense in the period in which they are incurred.

On September 30, 2016, the Company entered into an agreement to purchase all of the outstanding shares of common stock of Central Illinois Security, Inc. (CIS). CIS provides security system services specializing in fire detection and burglar alarm systems, including the installation of electrical apparatus and equipment. Cash consideration for the purchase totaled \$3,000,000.

The Company is required to allocate the purchase price to tangible and certain non-customer related identifiable intangible assets acquired and liabilities assumed based on their fair values. The excess of purchase price over those fair values is recorded as goodwill. The Company's fair market valuation of acquired assets and liabilities is summarized below:

Accounts receivable	\$	60,236
Inventory		64,768
Furniture and equipment		60,599
Goodwill		2,839,000
Liabilities assumed		(24,603)
	\$	<u>3,000,000</u>

Note 15. Subsequent Events

All of the effects of subsequent events that provide additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements, are recognized in the financial statements. The Company does not recognize subsequent events that provide evidence about conditions that did not exist at the balance sheet date but arose after, but before the financial statements are available to be issued. In some cases, non-recognized subsequent events are disclosed to keep the financial statements from being misleading.

The Company has evaluated events occurring subsequent to July 31, 2017, as to their potential impact to the financial statements through October 27, 2017, which is the date the financial statements were available to be issued.

Smadex, S.L.

⁵
201~~8~~ Summarized Financial Statements

Includes Auditing Report concerning the Summarized Financial
Statements



GrantThornton

Independent Auditing Report for Summarised Annual Accounts

To the Partners of SMADEX, S.L.

We have audited the attached summarised annual accounts of SMADEX, S.L. (hereinafter, the Company), made up of the summarised balance as of December 31, 2015, the summarised profit and loss account, the summarised statement of changes in total equity and the summarised annual report as of said date.

The responsibility of directors/administrators in relationship with summarised annual accounts

The administrators are responsible for drafting the attached summarised annual accounts so that they show a true image of equity, the financial situation and the results of SMADEX, S.L. in accordance with the regulatory framework for financial information which is applicable to the entity in Spain, identified in note 2 of the attached report, and with the internal monitoring considered necessary to allow for the preparation of the annual accounts in a way that is free of material errors due to fraud or mistakes.

Auditor's responsibility

Our responsibility is to express an opinion on the summarised annual accounts, attached, which is based on our audit. We have carried out our audit in accordance with the regulatory framework for accounts auditing which is in force in Spain. Said regulations require us to comply with ethics; likewise, we must plan and carry out the audit with the aim of being reasonably sure that the summarised annual accounts are free of material errors.

An audit requires the application of procedures to obtain auditing evidence on the amounts and information set forth in the summarised annual accounts. The procedures selected depend on the auditor's judgement, including the evaluation of the risk of material errors in the summarised annual account due to fraud or mistake. When making said risk evaluations, the auditor bears in mind the relevant internal monitoring in the entity when drafting the summarised annual accounts. This is done with the aim of designing the auditing procedures so that they are adequate for the circumstances – not to express an opinion on the entity's internal monitoring efficiency. An audit also includes the evaluation of the adequateness of the accounting policies applied and the reasonability of the accounting estimates made by the management, as well as the evaluation of the presentation of the summarised annual accounts taken as a whole.

We feel that the auditing evidence that we have obtained provides a sufficient base and it is adequate for our auditing opinion.

Opinion

In our opinion, the summarised annual accounts express, in all significant aspects, a faithful image of the equity and financial situation of SMADEX, S.L. as of December 31, 2015, as well as of its results which correspond to the annual fiscal period ending on said date, in accordance with the regulatory framework for financial information which is of application and, more specifically, the accounting principles and criteria contained therein.



GrantThornton

Grant Thornton

[ILLEGIBLE SIGNATURE]

Carlos Capellá

June 23, 2016

**Catalan Institute of Certified
Public Accountants**

GRANT THORNTON S.L.P.

Year 2016 No. 20/16/08168

Institute Fee: 86.00 EUR

Financial statements auditing
report subject to Spanish or
international auditing rules

SMADEX, S.L.

**Summarised Balance
as of December 31, 2015
(expressed in euros)**

ASSETS	Note	31.12.2015
NON-CURRENT ASSETS		469.857
Intangible fixed	5	450.465
Material fixed	6	15.648
Long-term financial investments	8	3.744
CURRENT ASSETS		1.494.974
Commercial debtors and other accounts receivable	9	676.311
Clients by sales and service provision		663.710
Other debtors		12.601
Short-term accruals		3.685
Cash and other equivalent liquid assets		814.978
TOTAL ASSETS		1.964.831
TOTAL EQUITY AND LIABILITIES	Nota	31.12.2015
NET EQUITY		544.086
Own funds		544.086
Authorised	10a	7.360
Authorised capital		7.360
Premium on issued shares		684.733
Results from prior fiscal periods		(422.191)
Results of fiscal period	3	274.184
NON-CURRENT LIABILITIES		534.129
Long-term debts	11	534.129
Debts with credit institutions		281.894
Other long-term debts		252.235
CURRENT LIABILITIES		886.616
Short-term debts	11	196.298
Debts with credit institutions		96.406
Other short-term debts		99.892
Commercial creditors and other accounts payable	12	690.318
Providers		49
Other creditors		690.269
TOTAL NET EQUITY AND LIABILITIES		1.964.831

SMADEX, S.L.

Summarised Profit and Loss Account
corresponding to the finished annual fiscal period
December 31 2015
(expressed in euros)

	<u>Note</u>	<u>2015</u>	<u>2014</u>
CONTINUOUS OPERATIONS			
Net turnover amount	15a	4.097.525	1.297.377
Work undertaken by the company for its assets	5	121.531	271.637
Provisions	15b	(2.914.722)	(910.442)
Other operating income		2.000	10.000
Personnel expenses	15c	(594.119)	(497.790)
Other operating expenses	15d	(292.375)	(175.648)
Depreciation of fixed assets	5 y 6	(138.411)	(95.995)
Other results		213	-
OPERATING RESULTS		<u>281.642</u>	<u>(100.861)</u>
Interest income		28	2.889
Interest expenses		(29.156)	(13.167)
Exchange differences		21.670	(8.207)
FINANCIAL RESULTS		<u>(7.458)</u>	<u>(18.485)</u>
RESULTS BEFORE TAXES FISCAL		<u>274.184</u>	<u>(119.346)</u>
PERIOD RESULTS	3	<u>274.184</u>	<u>(119.346)</u>

SMADEX, S.L.

**Summarised Statement of Changes in Net Equity
corresponding to the annual fiscal year ending on
December 31 2015
(express in euros)**

A) STATEMENT OF ACKNOWLEDGE INCOME AND EXPENSES CORRESPONDING TO THE ANNUAL FISCAL PERIOD ENDING ON DECEMBER 31, 2015

	<u>Nota</u>	<u>2015</u>	<u>2014</u>
Results from the profit and loss account	3	274.184	(119.346)
TOTAL ACKNOWLEDGED INCOME AND EXPENSES		<u>274.184</u>	<u>(119.346)</u>

B) TOTAL STATEMENT OF CHANGES IN NET EQUITY CORRESPONDING TO THE ANNUAL FISCAL PERIOD ENDING ON DECEMBER 31, 2015

	<u>Note</u>	<u>Authorised Capital</u>	<u>Issuance Premium</u>	<u>Results from prior periods</u>	<u>Results from period</u>	<u>TOTAL</u>
BALANCE, END OF THE YEAR 2013		<u>7.229</u>	<u>576.136</u>	<u>(178.609)</u>	<u>(124.234)</u>	<u>280.522</u>
ADJUSTED BALANCE, START OF THE YEAR 2014		<u>7.229</u>	<u>576.136</u>	<u>(178.609)</u>	<u>(124.234)</u>	<u>280.522</u>
Total acknowledge income and expenses	3	-	-	-	(119.346)	(119.346)
Other variations in net equity		-	-	(124.236)	124.234	(2)
BALANCE, END OF THE YEAR 2014		<u>7.229</u>	<u>576.136</u>	<u>(302.845)</u>	<u>(119.346)</u>	<u>161.174</u>
ADJUSTED BALANCE, START OF THE YEAR 2015		<u>7.229</u>	<u>576.136</u>	<u>(302.845)</u>	<u>(119.346)</u>	<u>161.174</u>
Total acknowledge income and expenses	3	-	-	-	274.184	274.184
Transactions with partners or owners						
Capital increase	10a	131	108.597	-	-	108.728
Other variations in net equity	3	-	-	(119.346)	119.346	-
BALANCE, END OF THE YEAR 2015		<u>7.360</u>	<u>684.733</u>	<u>(422.191)</u>	<u>274.184</u>	<u>544.086</u>

SMADEX S.L.
Simplified financial statements of the tax year ending on December 31 2015

1) Activity

Smadex S.L. (hereinafter, the Company) was incorporated on April 19 2010. In tax year 2015 its corporate address was changed to the current address, located in Barcelona, carrer Roselló 33, where its business is currently carried out.

The business of the company, pursuant to its articles of association, is the development, innovation, design, marketing and distribution of technological platforms aimed at the creation of digital systems of discount coupons and at the retention of clients via Internet, mobile phones, etc., as well as the provision of consulting services concerning company marketing, and the commercialization of products and services related to the aforementioned activities. Its main activity is the development and commercialization of a platform aimed at serving advertisements in mobile devices (known in the industry as a Demand Side Platform), through advanced technologies such as the so-called Real Time Bidding.

2) Basis for the submission of these simplified financial statements

a) Faithful image

These financial statements, which comprise a simplified balance sheet, a simplified profit and loss account, a simplified statement of changes in shareholders' equity, and these simplified notes from number 1 to 18, have been prepared on the basis of the Company's accounting books, which have been recorded taking into account the applicable laws currently in force, and in particular the General Accountancy Plan approved in the Royal Decree 1514/07, of November 16 2007. Our aim is to provide a faithful image of the Company's assets, financial position, results, and changes in shareholder's equity during the relevant tax year.

Unless otherwise mentioned in these notes, all the figures hereby included are in euros.

These financial statements have been formulated by the board of directors and will be subject to the approval of the general shareholders' meeting, which is expected to approve them with no change.

b) Accounting principles

These financial statements have been approved in compliance with the compulsory accounting principles. No accounting principle of significance has not been applied.

SMADEX S.L.
Simplified financial statements of the tax year ending on December 31 2015

c) Critical aspects of valuing and ascertaining uncertainty

In the preparation of these financial statements we have used certain estimations provided by the Company's directors, concerning the value of certain assets, liabilities, income, expenses, and commitments hereby recorded. Such estimations basically refer to:

- The service life of certain tangible and intangible assets (notes 4a and 5b).
- The valuation of certain losses due to the impairment of certain assets (note 4c).

Such estimations have been made on the basis of the best information available at the date of formulating these financial statements, and there is no new fact suggesting that they should be changed. Any future event not known at the moment of evaluating these estimations might entail their modification, which would be carried out in due time.

In order to carry out its activity, the Company has developed several advanced technologies, and has capitalized the corresponding research and development expenses. On December 31 2015 and on December 31 2014 the company was declaring assets on that basis in a value of 450,464 and 464,484 euros respectively. In tax year 2015 the turnover was reduced in a 216% in comparison to year 2014, and the company obtained a profit of 274,184 euros. The Company directors consider that during the coming years that Company will keep experiencing an increase in turnover and results, thus resulting in the recovery of the aforementioned assets. These results will also ensure that the Company can keep applying the accounting principles of a going concern.

d) Classifying current and non-current items

Current accounting items have been identified considering a maximum term of one year, counting from the date of these financial statements.

3) Result distribution

The directors submit to the General Shareholders Assembly the following proposal concerning the distribution of the 2015 results.

Base to be distributed

Profit and loss (profit)	274,184
--------------------------	---------

Distribution

Offsetting losses in previous years	274,184
-------------------------------------	---------

SMADEX S.L.
Simplified financial statements of the tax year ending on December 31 2015

In June 30 2015 the General Shareholders Assembly approved the distribution of the 2014 results. As a consequence, a loss of 119,346 euros was transferred to negative results of previous tax years.

4) Accounting and valuation rules

These are the main accounting and valuation rules used in order to formulate these financial statements:

a) Intangible assets

As a general rule, intangible assets are accounted for in all cases where the identifiability criterion is met. They are valued at their acquisition or production cost, afterwards reduced through accumulated depreciation, and as a result of any additional loss or damages. In particular, the following criteria are followed.

a.1) Research and development expenses

Research expenses incurred during this tax year have been accounted for in the Company's profit and loss statement. However, the Company capitalizes these assets as fixed intangible assets if the following conditions are met:

- They can be singled out project by project, and their cost can be clearly established and distributed through time.
- If there are grounds for believing that the project will result in technical success, and will be profitable from an economic and commercial perspective.

Development expenses are also recognized as assets when such conditions are met.

Research and development expenses are depreciated linearly all through their service life (5 years).

b) Tangible assets

Tangible assets are valued at their acquisition or production cost, and their value is reduced as a result of the relevant accumulated depreciation, and the corresponding impairment losses.

Extension, modernization and improvement costs that represent an increase in the productivity, capacity or efficiency, or an extension of the service life of the relevant assets, are registered as an add-on cost to them. Conservation costs are charged to the profit and loss statement of the year in which they take place.

SMADEX S.L.
Simplified financial statements of the tax year ending on December 31 2015

Works carried out by the Company for its own fixed asset are accounted for on the basis of the cost of the raw materials and other materials used in that process, as well as the costs directly related to such assets, and a reasonable proportion of all indirect costs.

The company depreciates its tangible assets linearly. The years of service life for that purpose are as follows:

<u>Element</u>	<u>Years of service life</u>
Furniture	5
Information processing devices	5
Technical equipment	10

c) Depreciation of tangible and intangible fixed assets

We record a loss due to the depreciation of a tangible or intangible fixed asset when it's accounting value exceeds its recoverable value, that is the higher of the following figures: its reasonable value minus sale costs, and its value when in use.

To that effect, at least at closing of this tax year, the Company assesses through the so-called 'depreciation test' the existence of facts or cues pointing to the depreciation of any tangible or intangible asset, as well as of any cash-product unit. In such case, it estimates its recoverable value, thus carrying out the corresponding adjustments in value.

The recoverable values are calculated separately for each cash-producing unit. However, when it comes to tangible, asset depreciation is calculated asset by asset, whenever that is possible.

d) Financial instruments

d.1) Financial assets

They correspond to credits arising from commercial or non-commercial operations, such as the sale of goods, the provision of services, and the transfer of cash, provided that the related payments are not negotiated in any active market.

Such instruments are accounted for at the reasonable value of any compensation provided in their exchange, plus any transaction costs directly attributable to them. Afterwards, they are valued at their depreciated cost, thus registering in the profit and loss account any interest rate accrued.

SMADEX S.L.

Simplified financial statements of the tax year ending on December 31 2015

Notwithstanding the foregoing, commercial operation credits that are due and payable within a period longer than one year and that are subject to no contractual interest are valued at their face value, provided that the effect of failing to update the corresponding cash flows is of no significance. In that case they will be valued afterwards at the same figure, unless they have been depreciated.

Value adjustments due to depreciation are registered as a function of the difference between the book value and the actual value of the relevant assets, at closing of the cash flow movements they are expected to result in, discounted at the effective interest rate estimated at the moment of recognising such assets. These adjustments are accounted for in the profit and loss statement.

Financial assets are cancelled at the moment of their expiry, or when the underlying rights to cash flows are transferred, together with the risk and benefits of holding them.

On the contrary, financial assets are not cancelled, and the corresponding financial debt is recognized, whenever financial assets are transferred but the company retains the risk and benefits arising from their ownership. This is the case of discounting receivables with banks.

Interests and dividends of financial assets accrued after acquisition date are recognized as income in the profit and loss statements. Interests are accounted for using the effective interest rate method, while dividends are registered when the shareholders' right to earn them has been established.

To that effect, at the moment of valuing financial assets the following elements are accounted for separately: explicitly accrued but not due interests, and dividends that have already been approved by the competent body. We regard as explicit interests those that are calculated by means of applying the commercial interest rate of the relevant financial instrument.

Furthermore, if any distributed dividend arises from results accrued prior to the acquisition of the relevant subsidiary, because such subsidiary has distributed dividends in an amount superior to its actual benefits since its acquisition, then such dividends are not regarded as income, and they reduce the value of the corresponding investment.

d.2) Financial liabilities

We recognize a financial liability in the balance sheet of the Company, when the Company assumes an obligation under any contract or transaction, in the terms therein established.

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Simplified financial statements of the tax year ending on December 31 2015

Debit and payment obligations arising from the acquisition of goods and services arising from business transaction or from non-commercial operations, are valued at the initial reasonable value of the good or service acquired in exchange, plus any relevant directly related transaction cost.

Notwithstanding the foregoing, commercial operation debits with a due date under one year, and non-subject to a contractual interest rate, are valued at face value, provided that the effect of not updating any relevant cash flows is not relevant.

Debit and payment obligations are afterwards valued at their depreciated cost, using for that purpose the effective interest rate. Assets that are valued at face value, as we have pointed out in the paragraph above, are still valued in the same amount.

Financial liabilities are cancelled at the extinction of the obligations that gave rise to them.

d.3) Guarantees, granted and received

The difference in the reasonable value between guarantees granted either in favour or by the Company, and the relevant amount disbursed or earned by the Company, is regarded as an anticipated payment or income due to the relevant provision of services or operating lease. It is reflected in the profit and loss account during the lease period, or during the period in which services are provided.

When it comes to short-term guarantees, no cash flow discount is carried out, as its effect would not be important.

e) Lease contracts and similar operations

The company registers as a financial lease those operations in which a lessor transfers to the lease-holder the risks and benefits arising from the ownership of the relevant asset. Any other lease is accounted for as an operating lease.

Income and expenses arising from operating lease agreements are registered in the profit and loss statement of the tax year in which they accrue.

f) Transactions in foreign currency

- Cash items

Accounts in foreign currency (mainly receivable and payable accounts arising from commercial operations, and the Company's cash position) are recorded at the exchange rate in force when they were created. A benefit or a loss is registered at the moment of cancelling the operation by means of the relevant payment. Exchange rate

SMADEX S.L.
Simplified financial statements of the tax year ending on December 31 2015

difference not made effective on December 31 2014 or on December 31 2015 are not of importance in relation to this year's bottom line.

g) Corporate tax

Income or expenses arising from the corporate tax are calculated by means of adding the income or the expense arising from the tax payable in the current year, and any income or expense arising from deferred tax payments.

The current corporate tax is the amount that must be paid as a result of applying the relevant tax rate, to the taxable base in the relevant tax year. A lower payable tax can result from tax deductions, excluding retentions and payments in account, as well as from tax losses arising from previous years that can be offset this tax year.

Income or expenses due to deferred taxes correspond to the recognition and the cancelation of assets arising (a) from taxes deferred due to deductible temporary difference, (b) from the right to offset tax losses in future years, and (c) from deductions and other similar tax benefits not applied this year, but that might be applied in the future. Liabilities related to deferred taxes due to taxable temporary differences are also taken into account.

Assets and liabilities due to deferred taxes are valued in accordance with the tax rate expected at the moment of their reversal.

We recognize deferred tax liabilities for all the temporary taxable differences, with the exception of those derive from the initial recognition of goodwill and other assets and liabilities in an operation that does not affect neither the tax result nor the accounting result of the Company, and that is not a business merger.

Income and expenses due to both current and deferred taxation, are registered in the profit and loss statement. That said, current and deferred tax assets and liabilities that are specifically related to a transaction or an event reflected in a particular equity balance item are recognized as a debit or credit in such balance item.

At the closing of each tax period we review deferred taxes in order to ensure that they are still in force, thus carrying out any necessary adjustment. Furthermore, recognized and non-recognized deferred tax assets are reviewed with the aim of cancelling those that are not likely to be recovered, or registering any asset of similar nature not previously recognized if it becomes likely that it will be recovered through future taxable profits.

SMADEX S.L.
Simplified financial statements of the tax year ending on December 31 2015

h) Provisions and contingencies

These financial statements reflect all provisions in which the likelihood that the relevant obligation will materialize is higher than 50%. They are registered by reference to the value as per our best estimate on the amount that should be paid in order to cancel or transfer such obligation to a third party. Contingent liabilities are not acknowledged in the accounts, but they are reported in these notes.

i) Environmental patrimonial elements

Intangible assets related to the minimization of the environmental impact and the improvement of the environment are valued at their acquisition cost. Costs related to the extension, modernization and improvement represent a productivity, capacity and efficiency increase, or an extension in the serving life of these goods, and are capitalized as an increase in their cost. Maintenance and repair costs assumed during this year are accounted for in the profit and loss statement.

Expenses arising from environmental activities or from activities related to the management of the environmental effects of the Company's operations are registered in accordance with the accrual principle, that is, when the actual provision of services and goods takes place, independently from the date of the relevant monetary or financial payments.

j) Transactions between related parties

Transactions between related parties, regardless of the degree of relation between such parties, are accounted for using the general accounting rules. As a consequence, in general the object of the transaction is registered at its reasonable value. If the value agreed by the parties in an operation differs from its reasonable value, the difference is registered with regards to the economic reality of the operation. An additional valuation is afterwards carried out in accordance with the relevant rules.

k) Income and expenses

Income and expenses are registered in accordance with the accrual criterion, that is, at the moment of the corresponding real transfer of services and goods, rather than at the moment in which the payment or financial flow takes place.

Income is valued at the reasonable value of the corresponding compensation, deducting rebates and taxes.

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Simplified financial statements of the tax year ending on December 31 2015

Income due to sales is recognized at the moment of transferring to the buyer the risks and benefits underlying the operation, and when the Company does not hold any management power or effective control over the sold good.

Income due to the provision of services is recognised taking into account the degree in which the services have been provided at the date of the relevant financial statement, provided that the result of the transaction can be estimated with certainty.

5) Intangible assets

These are the balance and variations, during tax years 2014 and 2015, in the gross value, the accumulated depreciation, and the value corrections of intangible assets.

<u>Gross value</u>	<u>Change</u>
Balance 1.1.14	347,666
Entries	271,637
Balance at 31.12.14	619,303
Entries	121,531
Balance at 31.12.15	740,834
<u>Accumulated depreciation</u>	
Balance at 1.1.14	(60,362)
Depreciation provision	(94,457)
Balance at 31.12.14	(154,819)
Depreciation provision	(133,550)
Balance at 31.12.15	(290,369)
Net accounting value at 31.12.14	464,484
Net accounting value at 31.12.15	450,465

Research and development costs capitalized during this tax year concern expenses arising from the improvement and the extension of the algorithm that allows advertisers and agencies

SMADEX S.L.
Simplified financial statements of the tax year ending on December 31 2015

to buy advertising inventory in a more transparent and efficient manner, using real time bidding systems.

6) Tangible assets

These are the balance and variations, during tax years 2014 and 2015, in the gross value, the accumulated depreciation, and the value corrections of tangible assets.

<u>Gross value</u>	<u>Technical facilities and other fixed assets</u>
Balance 1.1.14	7,111
Entries	2,012
Balance at 31.12.14	9,123
Entries	12,360
Balance at 31.12.15	21,483
<u>Accumulated depreciation</u>	
Balance at 1.1.14	(1,436)
Depreciation provision	(1,538)
Balance at 31.12.14	(2,974)
Depreciation provision	(2,861)
Balance at 31.12.15	(5,835)
Net accounting value at 31.12.14	6,149
Net accounting value at 31.12.15	15,648

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Simplified financial statements of the tax year ending on December 31 2015

7) Leasing and similar transaction

7.1. Operating lease

The minimum operating lease payments owed to lessors, as per the contracts currently in force, are as follows:

<u>Minimum payment</u>	<u>31/12/2015</u>	<u>31/12/2014</u>
Less than one year	21,677	21,060
Between one and five years	105,600	105,296
	127,277	126,356

The amount of operating lease payments acknowledged as expenses in year 2015 amounts to 21,677 euros (22,052 euros in year 2014).

The most important operating lease payments at the closing of tax year 2015 corresponds to the lease of the office where the company carries out its activity, which is located in Barcelona, calle Roselló nº 33. At closing of year 2014, the most significant operating lease contract was the lease of the office where the company carried out its activity at the time, located in Calle Llacuna 162 box 210, Barcelona.

8) Long-term financial investments

At closing of tax year 2015 the long-term financial investment of the Company correspond mainly to the guarantee provided in the context of the lease of the office located in calle Roselló nº 33, in an amount equal to 3,520 euros. At closing of tax year 2014 the long-term financial investment of the Company correspond mainly to the guarantee provided in the context of the lease of the prior offices where the Company carried out its business, in an amount equal to 1,792 euros

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Simplified financial statements of the tax year ending on December 31 2015

9) Commercial debtors and other receivables

This is the detail of the balance item 'commercial debtors and other receivables':

<u>Concept</u>	<u>31.12.15</u>	<u>31.12.15</u>
Customers for sales and provision of services	663,710	360,988
Other credits with Public administrations (see note 14)	12,601	3,872
Various debtors	.	104
Total	676,211	363,964

During tax year 2014 we have recorded no losses caused by receivable non-payment. Variations due to losses arising from receivable non-payment risk during 2015 were as follows:

	<u>Tax year 2015</u>
<u>Item</u>	<u>Short term</u>
Initial impairment	-
Impairment value adjustment (note 15d)	(9,367)
Final impairment	(9,367)

10) Shareholders' equity

a) Share capital

The share capital as of December 21 2014 amounts to 7,229 euros and is represented by 7,229 shares, with 1 euro of face value each of them, all of the same class, fully underwritten and disbursed, conferring the same rights to their owners.

As of June 30 2015, the Company executed a share capital increase through the compensation of loans in an amount equal to 131 euros. This increase entailed the creation of 131 new company shares, each with a face value of one euro. Such capital increase was issued with a share premium of 828,99 euros per share, thus resulting in a total 108,597 euros premium.

As a consequence of the aforementioned share capital increase, the company's share capital as of December 31 2015 amounts to 7,360 euros, corresponding to 7,360 shares with a face value of 1 euro each, all of the same class, fully underwritten and disbursed, and granting the same rights to all shareholders.

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Simplified financial statements of the tax year ending on December 31 2015

These are the companies owning a stake of 10% or more in the Company as of December 31 2015 and December 31 2014:

	<u>Stake percentage</u>
Highgrowth Innovación, F.C.R., S.A.	26.39%

11) Short-term and long-term liabilities

On 2014 the Company owed a total of 200,000 euros to financial institutions. This is the breakdown of such liabilities:

- Loan by the *Institut Català de Finances* granted on 2013 in an amount of 100,000 euros, with a waiting period of 24 months, an initial annual interest rate of 7.5%, and a last devolution payment in 2018. The principal to be repaid as of December 31 2014 was 100,000 Euros.
- Loan by *Banc de Sabadell* granted on 2014 in an amount equal to 100,000 euros, with an annual interest rate of 5.38%, and a last devolution payment on 2019. The principal yet to be repaid as of December 31 2014 was 100,000 euros.

Other Company debts on 2014 amounted to 519,068 euros. They were the following:

- Equity loan by the *Empresa Nacional de Innovación (ENISA)* granted on 2012 in an amount of 100,000 euros, with a waiting period of 42 months, an interest rate equal to Euribor plus 2%, and a last devolution payment on 2018. As of December 31 2014 the principal to be repaid was 100,000 euros.
- Equity loan by the *Empresa Nacional de Innovación (ENISA)* granted on 2013 in an amount of 100,000 euros, with a waiting period of 39 months, an interest rate equal to 3%, and a last devolution payment on 2019. As of December 31 2014 the principal to be repaid was 100,000 euros.
- Shareholder contributions that could be converted into share capital, in an amount equal to 319,068 euros (see note 17).

On 2015 the Company owes a total of 378,300 euros to financial institutions. This is the breakdown of such liabilities:

- Loan by the *Institut Català de Finances* granted on 2013 in an amount of 100,000 euros, with a waiting period of 24 months, an initial annual interest rate of 7.5%, and a last devolution payment in 2018. The principal to be repaid as of December 31 2015 was 100,000 Euros.

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Simplified financial statements of the tax year ending on December 31 2015

- Loan by *Banc de Sabadell* granted on 2014 in an amount equal to 100,000 euros, with an annual interest rate of 5.38%, and a last devolution payment on 2019. The principal yet to be repaid as of December 31 2015 was 196,213 euros.
- Loan by *Banc de Sabadell* granted on 2015 through the credit line *ICO-Empresas* in an amount equal to 200,000 euros, with an annual interest rate of 4.807%, and a last devolution payment on 2019. As of December 31 2015 the principal to be repaid was 196,213 euros.

Other Company debts on 2015 amounted to 352,127 euros. They are the following:

- Equity loan by the *Empresa Nacional de Innovación (ENISA)* granted on 2012 in an amount of 100,000 euros, with a waiting period of 42 months, an interest rate equal to Euribor plus 2%, and a last devolution payment on 2018. As of December 31 2015 the principal to be repaid is 100,000 euros.
- Equity loan by the *Empresa Nacional de Innovación (ENISA)* granted on 2013 in an amount of 100,000 euros, with a waiting period of 39 months, an interest rate equal to 3%, and a last devolution payment on 2019. As of December 31 2015 the principal to be repaid is 100,000 euros.
- Shareholder contributions that could be converted into share capital, in an amount equal to 152,127 euros (see note 17).

a) Classification by due date

The details concerning the due date of Company long-term financial liabilities that have, at closing of year 2015, a determined or determinable final due date, are as follows:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Remainder</u>	<u>Total</u>
Debts:							
With financial institutions	96,406	102,153	108,259	71,482	-	.	378,300
Others	99,892	133,225	66,667	33,333	-	19,010	352,127
	196,268	235,378	174,926	104,815	-	19,010	740,427

SMADEX S.L.
Simplified financial statements of the tax year ending on December 31 2015

The details concerning the due date of Company long-term financial liabilities that had, at closing of year 2014, a determined or determinable final due date, was as follows:

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Remainder</u>	<u>Total</u>
Debts:							
With financial institutions	17,912	49,759	53,213	56,914	22,202	.	200,000
Others	99,930	133,264	166,597	66,667	33,333	19,277	519,068
	117,842	183,023	219,810	13,581	55,535	19,277	719,068

12) Commercial creditors and other payables

This is the detail of the balance sheet item 'Commercial creditors and other payables':

<u>Concept</u>	<u>31.12.15</u>	<u>31.12.14</u>
Suppliers	49	63
Various creditors	656,662	366,569
Personnel (pending salaries)	53	27,765
Other debts with public administration (see note 14)	33,554	28,774
Total	690,318	423,171

For the purposes of what is envisaged in the second supplementary provision of Spanish Law 31/2013, of December 3, by means of which the Capital Companies Law, we provide the following detail concerning the average period of payment:

	<u>2014</u>
	Days
Average period of payment to suppliers	58

In the 2015 financial statement we do not include comparative information concerning this new obligations, as these accounts are regarded as initial account to the exclusive effects of the application of both the uniformity principle and the comparability requirement, thus following the January 29 2016 resolution of the Economy and Competitiveness Ministry.

SMADEX S.L.
Simplified financial statements of the tax year ending on December 31 2015

13) Foreign currency

This is the breakdown in euros of the assets and liabilities that are currently recorded in foreign currency:

Tax year 2015

Assets	USD	GBP	Total
Commercial debtors and other receivables	723,206	-	723,206
Cash and equivalent liquid assets	457,353	-	457,353

Tax year 2014

Assets	USD	GBP	Total
Commercial debtors and other receivables	327,912	21,414	349,326
Cash and equivalent liquid assets	201,170	-	201,170

Tax year 2015

Liabilities	USD	GBP	Total
Commercial creditors and other payables	(616,304)	(28,776)	(645,080)

Tax year 2014

Liabilities	USD	GBP	Total
Commercial creditors and other payables	(333,662)	(872)	(334,534)

This is the amount (formulated in euros) of purchases and sales, as well as of services provided and received, finalised in foreign currency.

SMADEX S.L.
Simplified financial statements of the tax year ending on December 31 2015

Tax year 2015

Concept	USD	GBP	Total
Services received	2,833,011	195,340	3,028,351
Services provided	3,880,804	22,309	3,903,113

Tax year 2014

Concept	USD	GBP	Total
Services received	865,807	100,434	966,241
Services provided	1,146,167	32,827	1,178,994

The amount of the differences in exchange rate reflected in the result of tax years 2015 and 2014 arise from the items commercial debtors and other receivables, and commercial creditors and other payables, and correspond to operations settled in 2015 and 2014 respectively.

14) Tax situation

This is the detail of the accounts related to Public Administrations in years 2015 and 2014:

2015

Current

<u>Account</u>	<u>Debit balance</u>	<u>Credit balance</u>
Value Added Tax	12,595	-
Income Tax	-	25,139
Assets due to deferred taxes	6	-
Social Security Authorities	-	8,415
	12,601	33,554

SMADEX S.L.
Simplified financial statements of the tax year ending on December 31 2015

<u>2014</u>		
<u>Current</u>		
<u>Account</u>	<u>Debit balance</u>	<u>Credit balance</u>
Value Added Tax	2,266	-
Income Tax	-	19,346
Assets due to deferred taxes	606	-
Social Security Authorities	-	9,428
	2,872	28,774

The settlement of (a) net income and expenses of year 2015 and (b) taxable base of the corporate tax (fiscal result) is as follows:

<u>2015</u>				
<u>Profit and loss statement</u>				
	<u>Increase</u>	<u>Decrease</u>	<u>Net effect</u>	<u>Total</u>
Balance of income and expenses	-	-	274,184	(274,184)
Corporate tax	-	-	-	-
Taxable base			(274,184)	(274,184)

The settlement of the (a) income and expenses of year 2014 and (b) taxable base of the corporate tax (fiscal result), is as follows:

<u>2014</u>				
<u>Profit and loss statement</u>				
	<u>Increase</u>	<u>Decrease</u>	<u>Net effect</u>	<u>Total</u>
Balance of income and expenses	-	-	(119,346)	(119,346)
Corporate tax	-	-	-	-
Taxable base			(119,346)	(119,346)

SMADEX S.L.
Simplified financial statements of the tax year ending on December 31 2015

The detail of the negative tax bases to be offset against future benefits is as follows:

	<u>On 31.12.15</u>	<u>On 31.12.15</u>
	<u>Amount</u>	<u>Amount</u>
Negative tax base:		
2010	-	1,460
2011	-	79,699
2012	-	97,450
2013	28,659	124,234
2014	119,346	119,346

According to the laws currently in force, taxes cannot be regarded as finally settled until the returns submitted by the Company have been inspected by tax authorities, or the four-year statute of limitations period has expired. At the closing of 2015, tax year 2011 and following (concerning the corporate tax), and tax year 2012 and following (concerning other taxes), could be subject to inspection. Company directors consider that the aforementioned taxes have been properly submitted by the Company. As a consequence, even if there is an discrepancy concerning the normative interpretation of the fiscal consideration of certain operations, the resulting liabilities, if materialized, would not affect in any significant way the attached financial statements.

15) Income and expenses

a) Net income

The total income of the Company in years 2015 and 2014 is the result of the provision of publicity services.

SMADEX S.L.
Simplified financial statements of the tax year ending on December 31 2015

b) Supplies

This is their breakdown:

	<u>2015</u>	<u>2014</u>
Ad exchange purchases	2,573,140	780,650
Server purchases	341,582	129,792
	2,914,722	910,442

Furthermore, the breakdown between geographical markets is as follows:

	<u>2015</u>	<u>2014</u>
Intra-EU purchases	2,269,088	107,287
Imports	645,634	803,155
	2,914,722	910,442

c) Social security costs

This is their breakdown:

	<u>2015</u>	<u>2014</u>
Social security assumed by company	89,441	93,915
Other charges	7,182	1,135
	96,623	95,050

d) Other operational expenses:

	<u>31.12.15</u>	<u>31.12.14</u>
Lease and rents	21,677	22,052
Repairs and conservations	320	42
Independent professional services	216,340	117,611
Transport	1,948	3,385
Insurance premium	1,044	1,344
Banking services and similar	9,509	4,200

SMADEX S.L.
Simplified financial statements of the tax year ending on December 31 2015

Publicity and public relations	23,088	20,393
Supplies	6,425	3,619
Other services	2,612	2,551
Others	45	451
Losses due to impairment of commercial operation credits	9,367	-
	292,375	175,648

16) Environmental information

Given its activity, the Company's fixed assets do not include neither significant elements aimed at minimizing the environmental impact of its operations, nor other elements aimed at the protection and improvement of the environment.

17) Related party transactions

The Company has received short-term and long-term loans by several shareholders, in an amount equal to 152,127 euros (year 2015) and 319,068 euros (year 2014) (see note 11).

The Company's senior management comprised the director of the Company in years 2015 and 2014.

Compensation accrued during 2015 by the member of the board of directors that is at the same time part of the senior management amounted to 90,107 euros (50,000 euros in year 2015).

The Company has not granted any loans or payments in account to any member of the board of directors or any member of the senior management of the Company, at closing of years 2015 and 2014. In the same sense, no life insurance and retirement pension commitments have been made.

Neither the members of the board of directors of the Company, nor any person related to them as described in Article 231 of the Consolidated Text of the Capital Companies Law have communicated the existence of any direct or indirect conflict of interest. Furthermore, they declare that they do not hold any stake in companies with an identical, similar, or complementary business to that of the Company.

SMADEX S.L.
Simplified financial statements of the tax year ending on December 31 2015

18) Further information

The average number of personnel hired by the Company during years 2015 and 2014 was as follows:

Professional category	<u>2015</u>	<u>2014</u>
Senior management	1	1
Other management	2	2
Account management	3	4
Developers	11	7
Administration	1	-
	18	14

Members of the board of directors and personnel at closing of years 2015 and 2014, distributed by professional category.

<u>Professional Category</u>	<u>At 31.12.15</u>		<u>At 31.12.14</u>	
	<u>Men</u>	<u>Women</u>	<u>Men</u>	<u>Women</u>
Directors	4	-	4	-
	4	-	4	-
Senior management	1	-	1	-
Other management	1	-	2	-
Account Management	5	3	5	2
Developers	6	-	7	-
Administration	-	1	-	1
Commercial, sellers, others	1	-	-	-
	15	4	13	2

SMADEX S.L.
Simplified financial statements of the tax year ending on December 31 2015

The auditors of the Company accrued the following fee, on years 2015 and 2014.

	<u>2015</u>	<u>2014</u>
For financial statement auditing	4,500	2,900
	4,500	2,900

Smadex, S.L.

Cuentas Anuales Abreviadas de 2015

Incluye Informe de Auditoría de Cuentas Anuales Abreviadas

Informe de Auditoría Independiente de Cuentas Anuales Abreviadas

A los Socios de SMADEX, S.L.

Hemos auditado las cuentas anuales abreviadas adjuntas de SMADEX, S.L. (en adelante, la Sociedad), que comprenden el balance abreviado a 31 de diciembre de 2015, la cuenta de pérdidas y ganancias abreviada, el estado de cambios en el patrimonio neto abreviado y la memoria abreviada correspondientes al ejercicio terminado en dicha fecha.

Responsabilidad de los administradores en relación con las cuentas anuales abreviadas

Los administradores son responsables de formular las cuentas anuales abreviadas adjuntas, de forma que expresen la imagen fiel del patrimonio, de la situación financiera y de los resultados de SMADEX, S.L. de conformidad con el marco normativo de información financiera aplicable a la entidad en España, que se identifica en la nota 2 de la memoria adjunta, y del control interno que consideren necesario para permitir la preparación de cuentas anuales libres de incorrección material, debida a fraude o error.

Responsabilidad del auditor

Nuestra responsabilidad es expresar una opinión sobre las cuentas anuales abreviadas adjuntas basada en nuestra auditoría. Hemos llevado a cabo nuestra auditoría de conformidad con la normativa reguladora de la auditoría de cuentas vigente en España. Dicha normativa exige que cumplamos los requerimientos de ética, así como que planifiquemos y ejecutemos la auditoría con el fin de obtener una seguridad razonable de que las cuentas anuales abreviadas están libres de incorrecciones materiales.

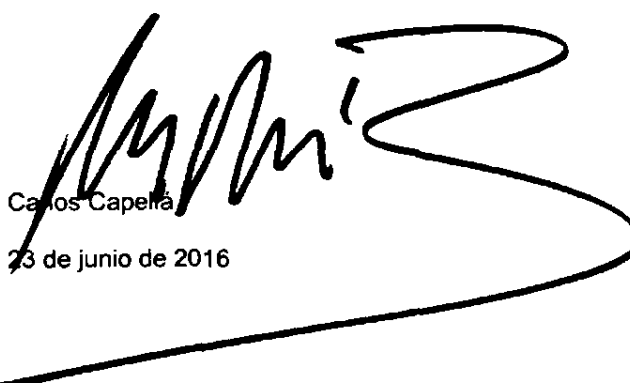
Una auditoría requiere la aplicación de procedimientos para obtener evidencia de auditoría sobre los importes y la información revelada en las cuentas anuales abreviadas. Los procedimientos seleccionados dependen del juicio del auditor, incluida la valoración de los riesgos de incorrección material en las cuentas anuales abreviadas, debida a fraude o error. Al efectuar dichas valoraciones del riesgo, el auditor tiene en cuenta el control interno relevante para la formulación por parte de la entidad de las cuentas anuales abreviadas, con el fin de diseñar los procedimientos de auditoría que sean adecuados en función de las circunstancias, y no con la finalidad de expresar una opinión sobre la eficacia del control interno de la entidad. Una auditoría también incluye la evaluación de la adecuación de las políticas contables aplicadas y de la razonabilidad de las estimaciones contables realizadas por la dirección, así como la evaluación de la presentación de las cuentas anuales abreviadas tomadas en su conjunto.

Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para nuestra opinión de auditoría.

Opini3n

En nuestra opini3n, las cuentas anuales abreviadas adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situaci3n financiera de SMADEX, S.L. a 31 de diciembre de 2015, as3 como de sus resultados correspondientes al ejercicio anual terminado en dicha fecha, de conformidad con el marco normativo de informaci3n financiera que resulta de aplicaci3n y, en particular, con los principios y criterios contables contenidos en el mismo.

Grant Thornton


Carlos Capella

23 de junio de 2016

**Col·legi
de Censors Jurats
de Comptes
de Catalunya**

GRANT THORNTON, S.L.P.

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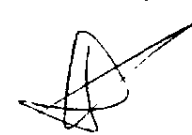
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SMADEX, S.L.

**Balance abreviado
al 31 de diciembre 2015
(expresado en euros)**

ACTIVO	Nota	31.12.2015	31.12.2014
ACTIVO NO CORRIENTE		469.857	472.479
Inmovilizado intangible	5	450.465	464.484
Inmovilizado material	6	15.648	6.149
Inversiones financieras a largo plazo	8	3.744	1.846
ACTIVO CORRIENTE		1.494.974	830.934
Deudores comerciales y otras cuentas a cobrar	9	676.311	363.964
Clientes por ventas y prestaciones de servicios		663.710	360.988
Otros deudores		12.601	2.976
Periodificaciones a corto plazo		3.685	4.199
Efectivo y otros activos líquidos equivalentes		814.978	462.771
TOTAL ACTIVO		1.964.831	1.303.413
PATRIMONIO NETO Y PASIVO	Nota	31.12.2015	31.12.2014
PATRIMONIO NETO		544.086	161.174
Fondos propios		544.086	161.174
Capital	10a	7.360	7.229
Capital escriturado		7.360	7.229
Prima de emisión		684.733	576.136
Resultados de ejercicios anteriores		(422.191)	(302.845)
Resultado del ejercicio	3	274.184	(119.346)
PASIVO NO CORRIENTE		534.129	601.226
Deudas a largo plazo	11	534.129	601.226
Deuda con entidades de crédito		281.894	182.088
Otras deudas a largo plazo		252.235	419.138
PASIVO CORRIENTE		886.616	541.013
Deudas a corto plazo	11	196.298	117.842
Deuda con entidades de crédito		96.406	17.912
Otras deudas a corto plazo		99.892	99.930
Acreedores comerciales y otras cuentas a pagar	12	690.318	423.171
Proveedores		49	63
Otros acreedores		690.269	423.108
TOTAL PATRIMONIO NETO Y PASIVO		1.964.831	1.303.413

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SMADEX, S.L.

**Cuenta de Pérdidas y Ganancias abreviada
correspondiente al ejercicio anual terminado
el 31 de diciembre 2015
(expresada en euros)**

	<u>Nota</u>	<u>2015</u>	<u>2014</u>
OPERACIONES CONTINUADAS			
Importe neto de la cifra de negocios	15a	4.097.525	1.297.377
Trabajos realizados por la empresa para su activo	5	121.531	271.637
Aprovisionamientos	15b	(2.914.722)	(910.442)
Otros ingresos de explotación		2.800	10.000
Gastos de personal	15c	(594.119)	(497.790)
Otros gastos de explotación	15d	(292.375)	(175.648)
Amortización del inmovilizado	5 y 6	(138.411)	(95.995)
Otros resultados		213	-
RESULTADO DE EXPLOTACION		<u>281.642</u>	<u>(100.861)</u>
Ingresos financieros		28	2.889
Gastos financieros		(29.156)	(13.167)
Diferencias de cambio		21.670	(8.207)
RESULTADO FINANCIERO		<u>(7.458)</u>	<u>(18.485)</u>
RESULTADO ANTES DE IMPUESTOS		<u>274.184</u>	<u>(119.346)</u>
RESULTADO DEL EJERCICIO	3	<u>274.184</u>	<u>(119.346)</u>

SMADEX, S.L.

**Estado abreviado de Cambios en el Patrimonio Neto
correspondiente al ejercicio anual terminado el
31 de diciembre 2015
(expresado en euros)**

A) ESTADO DE INGRESOS Y GASTOS RECONOCIDOS CORRESPONDIENTE AL EJERCICIO ANUAL TERMINADO EL 31 DE DICIEMBRE DE 2015

	<u>Nota</u>	<u>2015</u>	<u>2014</u>
Resultado de la cuenta de pérdidas y ganancias	3	274.184	(119.346)
TOTAL DE INGRESOS Y GASTOS RECONOCIDOS		274.184	(119.346)

B) ESTADO TOTAL DE CAMBIOS EN EL PATRIMONIO NETO CORRESPONDIENTE AL EJERCICIO ANUAL TERMINADO EL 31 DE DICIEMBRE 2015

	<u>Nota</u>	<u>Capital escriturado</u>	<u>Prima de emisión</u>	<u>Resultado de ejercicios anteriores</u>	<u>Resultado del ejercicio</u>	<u>TOTAL</u>
SALDO, FINAL DEL AÑO 2013		7.229	576.136	(178.609)	(124.234)	280.522
SALDO AJUSTADO, INICIO DEL AÑO 2014		7.229	576.136	(178.609)	(124.234)	280.522
Total ingresos y gastos reconocidos	3	-	-	-	(119.346)	(119.346)
Otras variaciones de patrimonio neto		-	-	(124.236)	124.234	(2)
SALDO, FINAL DEL AÑO 2014		7.229	576.136	(302.845)	(119.346)	161.174
SALDO AJUSTADO, INICIO DEL AÑO 2015		7.229	576.136	(302.845)	(119.346)	161.174
Total ingresos y gastos reconocidos	3	-	-	-	274.184	274.184
Operaciones con socios o propietarios						
Aumento de capital	10a	131	108.597	-	-	108.728
Otras variaciones de patrimonio neto	3	-	-	(119.346)	119.346	-
SALDO, FINAL DEL AÑO 2015		7.360	684.733	(422.191)	274.184	544.086

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SMADEX, S.L.
Memoria abreviada del ejercicio anual terminado
el 31 de diciembre de 2015

1) Actividad

Smadex, S.L. (en adelante, la Sociedad) se constituyó el 19 de abril del 2010. En el ejercicio 2015 ha cambiado su domicilio social al actual, en la calle Roselló 33, Barcelona, donde desarrolla sus actividades.

El objeto social de la Sociedad de acuerdo con sus estatutos, es el desarrollo, innovación, diseño, comercialización y distribución de plataformas tecnológicas para la creación de sistemas digitales de cupones de descuento y de fidelización a través de internet, teléfonos móviles, etc., y servicios de marketing y consultoría empresarial en diferentes ámbitos de la gestión, así como la comercialización de productos y servicios relacionados con las actividades mencionadas. Su actividad principal es el desarrollo y comercialización de una plataforma para servir publicidad en teléfonos móviles (conocida en la industria como Demand Side Platform) mediante tecnologías avanzadas como las denominadas Real Time Bidding o Subastas en Tiempo Real.

2) Bases de presentación de las cuentas anuales abreviadas

a) Imagen fiel

Las cuentas anuales, compuestas por el balance abreviado, la cuenta de pérdidas y ganancias abreviada, el estado de cambios en el patrimonio neto abreviado y la memoria abreviada compuesta por las notas 1 a 18, se han preparado a partir de los registros contables, habiéndose aplicado las disposiciones legales vigentes en materia contable, en concreto, el Plan General de Contabilidad aprobado por el Real Decreto 1514/07, de 16 de noviembre de 2007, con el objeto de mostrar la imagen fiel del patrimonio, de la situación financiera, de los resultados y de los cambios en el patrimonio neto habidos durante el correspondiente ejercicio.

Salvo indicación en contrario, todas las cifras presentadas en esta memoria vienen expresadas en euros.

Las cuentas anuales formuladas por los administradores serán sometidas a aprobación por la Junta General de Socios, estimándose que serán aprobadas sin modificación alguna.

b) Principios contables

Las cuentas anuales se han preparado de acuerdo con los principios contables obligatorios. No existe ningún principio contable que, siendo significativo su efecto, se haya dejado de aplicar.

c) Aspectos críticos de la valoración y estimación de la incertidumbre

En la elaboración de las cuentas anuales adjuntas se han utilizado estimaciones realizadas por los Administradores de la Sociedad para valorar algunos de los activos, pasivos, ingresos, gastos y compromisos que figuran registrados en ellas. Básicamente estas estimaciones se refieren a:

- La vida útil de los activos intangibles y materiales (notas 4a y 4b).
- La evaluación de posibles pérdidas por deterioro de determinados activos (nota 4c).

Estas estimaciones se han realizado sobre la base de la mejor información disponible hasta la fecha de formulación de estas cuentas anuales, no existiendo ningún hecho que pudiera hacer cambiar dichas estimaciones. Cualquier acontecimiento futuro no conocido a la fecha de elaboración de estas estimaciones, podría dar lugar a modificaciones (al alza o a la baja), lo que se realizaría, en su caso, de forma prospectiva.

SMADEX, S.L.
Memoria abreviada del ejercicio anual terminado
el 31 de diciembre de 2015

Para poder realizar su actividad la Sociedad ha desarrollado diversas tecnologías avanzadas, habiendo activado gastos de investigación y desarrollo; al 31 de diciembre de 2015 y 2014 están registrados activos por dicho concepto por un importe neto de 450.465 y 464.484 euros, respectivamente. En el ejercicio 2015 la cifra de negocios se ha incrementado un 216% respecto el ejercicio 2014 y se presenta un beneficio de 274.184 euros. Los administradores de la Sociedad consideran que en los próximos ejercicios continuarán existiendo incrementos de actividad y resultados, lo que permitirá recuperar los citados activos y asegurar el principio contable de empresa en funcionamiento.

d) Clasificación de las partidas corrientes y no corrientes

Para la clasificación de las partidas corrientes se ha considerado el plazo máximo de un año a partir de la fecha de las presentes cuentas anuales.

3) Aplicación del resultado

La propuesta de distribución de resultados del ejercicio 2015 que los Administradores someten a la aprobación de la Junta General de es la siguiente:

Base de reparto

Pérdidas y ganancias (beneficio)	274.184
----------------------------------	---------

Aplicación

A compensación de pérdidas de ejercicios anteriores	274.184
---	---------

El 30 de junio de 2015 la Junta General de Socios aprobó la distribución del resultado de 2014, consistente en traspasar la pérdida del ejercicio de 119.346 euros a resultados negativos de ejercicios anteriores.

4) Normas de registro y valoración

Las principales normas de registro y valoración utilizadas para la formulación de las cuentas anuales son las siguientes:

a) Inmovilizado intangible

Como norma general, el inmovilizado intangible se registra siempre que cumpla con el criterio de identificabilidad y se valora inicialmente por su precio de adquisición o coste de producción, minorado, posteriormente, por la correspondiente amortización acumulada y, en su caso, por las pérdidas por deterioro que haya experimentado. En particular se aplican los siguientes criterios:

a.1) Gastos de investigación y desarrollo

Se registran en la cuenta de pérdidas y ganancias los gastos de investigación incurridos en el ejercicio. No obstante la Sociedad activa estos gastos como inmovilizado intangible en caso de cumplir las siguientes condiciones:

- Estar específicamente individualizados por proyectos y su coste claramente establecido para que pueda ser distribuido en el tiempo.
- Existir motivos fundados del éxito técnico y de la rentabilidad económico-comercial del proyecto.

SMADEX, S.L.
Memoria abreviada del ejercicio anual terminado
el 31 de diciembre de 2015

Los gastos de desarrollo también se reconocen en el activo cuando cumplen las condiciones anteriores.

Los gastos de investigación y los de desarrollo que figuran en el activo se amortizan linealmente durante su vida útil (cinco años).

b) Inmovilizado material

El inmovilizado material se valora por su precio de adquisición o coste de producción y minorado por la correspondiente amortización acumulada y las pérdidas por deterioro experimentadas.

Los costes de ampliación, modernización o mejoras que representan un aumento de la productividad, capacidad o eficiencia, o un alargamiento de la vida útil de los bienes, se contabilizan como un mayor coste de los mismos. Los gastos de conservación y mantenimiento se cargan a la cuenta de pérdidas y ganancias del ejercicio en que se incurren.

Los trabajos efectuados por la Sociedad para su propio inmovilizado se reflejan en base al precio de coste de las materias primas y otras materias consumibles, los costes directamente imputables a dichos bienes, así como una proporción razonable de los costes indirectos.

La Sociedad amortiza su inmovilizado material de forma lineal. Los años de vida útil aplicados son los siguientes:

Elemento	Años de vida útil
Mobiliario	5
Equipos para proceso de la información	5
Instalaciones técnicas	10

c) Deterioro de valor del inmovilizado intangible y material

Se produce una pérdida por deterioro del valor de un elemento del inmovilizado material o intangible cuando su valor contable supera su valor recuperable, entendido éste como el mayor importe entre su valor razonable menos los costes de venta y su valor en uso.

A estos efectos, al menos al cierre del ejercicio, la Sociedad evalúa, mediante el denominado "test de deterioro" si existen indicios de que algún inmovilizado material o intangible, o en su caso alguna unidad generadora de efectivo puedan estar deteriorados, en cuyo caso se procede a estimar su importe recuperable efectuando las correspondientes correcciones valorativas.

Los valores recuperables se calculan para cada unidad generadora de efectivo, si bien en el caso de inmovilizaciones materiales, siempre que sea posible, los cálculos de deterioro se efectúan elemento a elemento, de forma individualizada.

d) Instrumentos financieros

d.1) Activos financieros

Corresponden a créditos por operaciones comerciales o no comerciales, originados en la venta de bienes, entregas de efectivo o prestación de servicios, cuyos cobros son de cuantía determinada o determinable y que no se negocian en un mercado activo.

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Se registran inicialmente al valor razonable de la contraprestación entregada más los costes de la transacción que sean directamente atribuibles. Se valoran posteriormente a su coste amortizado, registrando en la cuenta de resultados los intereses devengados en función de su tipo de interés efectivo.

No obstante lo anterior, los créditos por operaciones comerciales con vencimiento no superior a un año y que no tengan un tipo de interés contractual se valoran inicialmente por su valor nominal, siempre y cuando el efecto de no actualizar los flujos de efectivo no sea significativo, en cuyo caso se seguirán valorando posteriormente por dicho importe, salvo que se hubieran deteriorado.

Las correcciones valorativas por deterioro se registran en función de la diferencia entre su valor en libros y el valor actual al cierre del ejercicio de los flujos de efectivo futuros que se estima van a generar, descontados al tipo de interés efectivo calculado en el momento de su reconocimiento inicial. Estas correcciones se reconocen en la cuenta de pérdidas y ganancias.

Se dan de baja los activos financieros cuando expiran o se han cedido los derechos sobre los flujos de efectivo del correspondiente activo financiero y se han transferido sustancialmente los riesgos y beneficios inherentes a su propiedad.

Por el contrario, no se dan de baja los activos financieros y se reconoce un pasivo financiero por un importe igual a la contraprestación recibida, en las cesiones de activos financieros en las que se retenga sustancialmente los riesgos y beneficios inherentes a su propiedad, tales como el descuento de efectos.

Los intereses y dividendos de activos financieros devengados con posterioridad al momento de la adquisición se reconocen como ingresos en la cuenta de pérdidas y ganancias. Los intereses se reconocen utilizando el método del tipo de interés efectivo y los dividendos cuando se declara el derecho del socio a recibirlos.

A estos efectos, en la valoración inicial de los activos financieros se registran de forma independiente, atendiendo a su vencimiento, el importe de los intereses explícitos devengados y no vencidos en dicho momento, así como el importe de los dividendos acordados por el órgano competente en el momento de la adquisición. Se entiende por intereses explícitos aquellos que se obtienen de aplicar el tipo de interés comercial del instrumento financiero.

Asimismo, si los dividendos distribuidos proceden inequívocamente de resultados generados con anterioridad a la fecha de adquisición, porque se hayan distribuido importes superiores a los beneficios generados por la participada desde entonces, no se reconocen como ingresos y minoran el valor contable de la inversión.

d.2) Pasivos financieros

Se reconoce un pasivo financiero en el balance cuando la Sociedad se convierte en una parte obligada del contrato o negocio jurídico conforme a las disposiciones del mismo.

Los débitos y partidas a pagar originados en la compra de bienes y servicios por operaciones de tráfico de la empresa o por operaciones no comerciales se valoran inicialmente al valor razonable de la contraprestación recibida, ajustada por los costes de la transacción directamente atribuibles.

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No obstante lo anterior, los débitos por operaciones comerciales con vencimiento no superior a un año y que no tengan un tipo de interés contractual se valoran inicialmente por su valor nominal, siempre y cuando el efecto de no actualizar los flujos de efectivo no sea significativo.

Los débitos y partidas a pagar se valoran, con posterioridad, por su coste amortizado, empleando para ello el tipo de interés efectivo. Aquellos que, de acuerdo a lo comentado en el párrafo anterior, se valoran inicialmente por su valor nominal, continúan valorándose por dicho importe.

Los pasivos financieros se dan de baja cuando se extinguen las obligaciones que los han generado.

d.3) Fianzas entregadas y recibidas

La diferencia entre el valor razonable de las fianzas entregadas y recibidas y el importe desembolsado o cobrado es considerada como un pago o cobro anticipado por el arrendamiento operativo o prestación del servicio, que se imputa a la cuenta de pérdidas y ganancias durante el periodo del arrendamiento o durante el periodo en el que se preste el servicio.

Cuando se trata de fianzas a corto plazo, no se realiza el descuento de flujos de efectivo dado que su efecto no es significativo.

e) Arrendamientos y otras operaciones de naturaleza similar

La Sociedad registra como arrendamientos financieros aquellas operaciones por las cuales el arrendador transfiere sustancialmente al arrendatario los riesgos y beneficios inherentes a la propiedad del activo objeto del contrato, registrando como arrendamientos operativos el resto.

Los ingresos y gastos derivados de los acuerdos de arrendamiento operativo se contabilizan en la cuenta de pérdidas y ganancias en el ejercicio en que se devengan.

f) Transacciones en moneda extranjera

- Partidas monetarias

Las cuentas en moneda extranjera (básicamente cuentas a cobrar y a pagar por operaciones comerciales, y tesorería) se presentan contabilizadas al tipo de cambio existente en el momento de su creación, registrándose el beneficio o pérdida al cancelarse la operación mediante el correspondiente pago o cobro. Las diferencias de cambio no realizadas al 31 de diciembre de 2015 y 2014 no son significativas en relación al resultado del ejercicio.

g) Impuesto sobre beneficios

El gasto o ingreso por impuesto sobre beneficios se calcula mediante la suma del gasto o ingreso por el impuesto corriente más la parte correspondiente al gasto o ingreso por impuesto diferido.

El impuesto corriente es la cantidad que resulta de la aplicación del tipo de gravamen sobre la base imponible del ejercicio. Las deducciones y otras ventajas fiscales en la cuota del impuesto, excluidas las retenciones y pagos a cuenta, así como las pérdidas fiscales compensables de ejercicios anteriores y aplicadas efectivamente en el ejercicio, darán lugar a un menor importe del impuesto corriente.

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Por su parte, el gasto o ingreso por impuesto diferido se corresponde con el reconocimiento y la cancelación de los activos por impuesto diferido por diferencias temporarias deducibles, por el derecho a compensar pérdidas fiscales en ejercicios posteriores y por deducciones y otras ventajas fiscales no utilizadas pendientes de aplicar y pasivos por impuesto diferido por diferencias temporarias imponibles.

Los activos y pasivos por impuesto diferido se valoran según los tipos de gravamen esperados en el momento de su reversión.

Se reconocen pasivos por impuesto diferido para todas las diferencias temporarias imponibles, excepto aquellas derivadas del reconocimiento inicial de fondos de comercio o de otros activos y pasivos en una operación que no afecta ni al resultado fiscal ni al resultado contable y no es una combinación de negocio.

De acuerdo con el principio de prudencia, sólo se reconocen los activos por impuesto diferido en la medida en que se estima probable la obtención de ganancias futuras que permitan su aplicación. Sin perjuicio de lo anterior, no se reconocen los activos por impuesto diferido correspondientes a diferencias temporarias deducibles derivadas del reconocimiento inicial de activos y pasivos en una operación que no afecta ni al resultado fiscal ni al resultado contable y no es una combinación de negocios.

Tanto el gasto o el ingreso por impuesto corriente como diferido se inscriben en la cuenta de pérdidas y ganancias. No obstante, los activos y pasivos por impuesto corriente y diferido que se relacionan con una transacción o suceso reconocido directamente en una partida de patrimonio neto, se reconocen con cargo o abono a dicha partida.

En cada cierre contable se revisan los impuestos diferidos registrados con objeto de comprobar que se mantienen vigentes, efectuándose las oportunas correcciones a los mismos. Asimismo, se evalúan los activos por impuesto diferido reconocidos y aquéllos no registrados anteriormente, dándose de baja aquellos activos reconocidos si ya no resulta probable su recuperación, o registrándose cualquier activo de esta naturaleza no reconocido anteriormente, en la medida en que pase a ser probable su recuperación con beneficios fiscales futuros.

h) Provisiones y contingencias

Las cuentas anuales recogen todas las provisiones con respecto a las cuales se estima que la probabilidad de que se tenga que atender la obligación es mayor que lo contrario, y se registran por el valor actual de la mejor estimación posible del importe necesario para cancelar o transferir a un tercero la obligación. Los pasivos contingentes no se reconocen en las cuentas anuales, sino que se informa sobre los mismos en la memoria.

i) Elementos patrimoniales de naturaleza medioambiental

El inmovilizado material destinado a la minimización del impacto medioambiental y mejora del medio ambiente se encuentra valorado al coste de adquisición. Los costes de ampliación, modernización o mejora que representan un incremento de la productividad, capacidad, eficiencia, o un alargamiento de la vida útil de estos bienes, se capitalizan como un mayor coste de los mismos. Los gastos de reparación y mantenimiento incurridos durante el ejercicio se cargan en la cuenta de pérdidas y ganancias.

Los gastos devengados por las actividades medioambientales realizadas o por aquellas actividades realizadas para la gestión de los efectos medioambientales de las operaciones de la Sociedad se registran de acuerdo con el principio del devengo, es decir, cuando se produce la corriente real de bienes y servicios que los mismos representan, con independencia de la corriente monetaria o financiera derivada de ellos.

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j) Transacciones entre partes vinculadas

Las operaciones entre partes vinculadas, con independencia del grado de vinculación, se contabilizan de acuerdo con las normas generales. En consecuencia, con carácter general, los elementos objeto de transacción se contabilizan en el momento inicial por su valor razonable. Si el precio acordado en una operación difiere de su valor razonable, la diferencia se registra atendiendo a la realidad económica de la operación. La valoración posterior se realiza de acuerdo con lo previsto en las correspondientes normas.

k) Ingresos y gastos

Los ingresos y gastos se imputan en función del criterio de devengo, es decir, cuando se produce la corriente real de bienes y servicios que los mismos representan, con independencia del momento en que se produzca la corriente monetaria o financiera derivada de ellos.

Los ingresos se valoran por el valor razonable de la contraprestación recibida, deducidos descuentos e impuestos.

El reconocimiento de los ingresos por ventas se produce en el momento en que se han transferido al comprador los riesgos y beneficios significativos inherentes a la propiedad del bien vendido y la Sociedad no mantiene la gestión corriente sobre dicho bien, ni retiene el control efectivo sobre el mismo.

Los ingresos por prestación de servicios se reconocen considerando el grado de realización de la prestación a la fecha de balance, siempre y cuando el resultado de la transacción pueda ser estimado con fiabilidad.

5) Inmovilizado intangible

Los saldos y variaciones durante los ejercicios 2015 y 2014, de los valores brutos, de la amortización acumulada y de la corrección valorativa son:

	<u>Desarrollo</u>
Valores brutos	
Saldo al 01.01.14	347.666
Entradas	271.637
Saldo al 31.12.14	619.303
Entradas	121.531
Saldo al 31.12.15	740.834
Amortización acumulada	
Saldo al 01.01.14	(60.362)
Dotación a la amortización	(94.457)
Saldo al 31.12.14	(154.819)
Dotación a la amortización	(135.550)
Saldo al 31.12.15	(290.369)
Valor Neto Contable al 31.12.14	464.484
Valor Neto Contable al 31.12.15	450.465

Los costes por investigación y desarrollo activados durante el ejercicio corresponden a los incurridos en las mejoras y ampliaciones del algoritmo que permite a anunciantes y agencias comprar inventario publicitario de forma más transparente y eficiente utilizando sistemas de pujas en tiempo real.

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6) Inmovilizado material

Los saldos y variaciones durante los ejercicios 2015 y 2014, de los valores brutos, de la amortización acumulada y de la corrección valorativa son:

	Instalaciones técnicas y otro inmovilizado material
Valores brutos	
Saldo al 01.01.14	7.111
Entradas	2.012
Saldo al 31.12.14	9.123
Entradas	12.360
Saldo al 31.12.15	21.483
Amortización acumulada	
Saldo al 01.01.14	(1.436)
Dotación a la amortización	(1.538)
Saldo al 31.12.14	(2.974)
Dotación a la amortización	(2.861)
Saldo al 31.12.15	(5.835)
Valor Neto Contable al 31.12.14	6.149
Valor Neto Contable al 31.12.15	15.648

7) Arrendamientos y otras operaciones de naturaleza similar

7.1. Arrendamiento operativo

Las cuotas de arrendamiento operativo mínimas contratadas con los arrendadores, de acuerdo con los actuales contratos en vigor, son las siguientes:

<u>Cuotas mínimas</u>	31/12/2015	31/12/2014
Menos de un año	21.677	21.060
Entre uno y cinco años	105.600	105.296
	127.277	126.356

El importe de las cuotas de arrendamiento operativos reconocidas como gasto asciende a 21.677 euros en el ejercicio 2015 (22.052 euros en el ejercicio 2014).

Como arrendatario, el contrato de arrendamiento operativo más significativo al cierre del ejercicio 2015 corresponde al contrato de arrendamiento de la oficina donde desarrolla su actividad localizada en la Calle Roselló nº 33, Barcelona. Al cierre del ejercicio 2014, el contrato de arrendamiento operativo más significativo correspondía al contrato de arrendamiento de la oficina donde desarrollaba su actividad localizada en la Calle Llacuna 162 box 210, Barcelona.

8) Inversiones financieras a largo plazo

Al cierre del ejercicio 2015 las inversiones financieras a largo plazo corresponden básicamente a la fianza entregada por el alquiler de la nueva oficinas en la calle Roselló nº 33 por importe de 3.520 euros. En el ejercicio 2014 las inversiones financieras a largo plazo básicamente correspondían a la fianza entregada por el alquiler de las anteriores oficinas donde desarrollaba su actividad, por importe de 1.792 euros.

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11) Deudas a largo y corto plazo

Las deudas con entidades de crédito del ejercicio 2014, por importe total de 200.000 euros, correspondían a:

- Préstamo del Institut Català de Finances contratado en el 2013 por importe inicial de 100.000 euros que tiene una carencia de amortización de 24 meses, devenga un interés inicial anual del 7,5% y su último vencimiento es en el año 2018. El importe pendiente a 31 de diciembre de 2014 era de 100.000 euros.
- Préstamo del Banc de Sabadell contratado en el ejercicio 2014 por importe inicial de 100.000 euros, devenga a un interés anual del 5,38% y su último vencimiento es en el año 2019. El importe pendiente a 31 de diciembre de 2014 era de 100.000 euros.

Las otras deudas del ejercicio 2014, por importe total de 519.068 euros, correspondían a:

- Préstamo participativo de la Empresa Nacional de Innovación (ENISA) contratado en el ejercicio 2012 por importe inicial de 100.000 euros, que tiene una carencia de amortización de 42 meses, devenga un interés del Euribor a un año más un diferencial del 2% y su último vencimiento es en el año 2018. El importe pendiente a 31 de diciembre de 2014 era de 100.000 euros.
- Préstamo participativo de la Empresa Nacional de Innovación (ENISA) contratado en el ejercicio 2013 por importe de 100.000 euros que tiene una carencia de amortización de 39 meses, devenga un interés inicial anual del 3% y su último vencimiento es en el año 2019. El importe pendiente a 31 de diciembre de 2014 era de 100.000 euros.
- Aportaciones de los socios que podrán ser convertibles en participaciones de capital, por importe de 319.068 euros (ver nota 17).

Las deudas con entidades de crédito del ejercicio 2015, por importe total de 378.300 euros, corresponden a:

- Préstamo del Institut Català de Finances contratado en el 2013 por importe inicial de 100.000 euros que tiene una carencia de amortización de 24 meses, devenga un interés inicial anual del 7,5% y su último vencimiento es en el año 2018. El importe pendiente a 31 de diciembre de 2015 es de 100.000 euros.
- Préstamo del Banc de Sabadell contratado en el ejercicio 2014 por importe inicial de 100.000 euros, devenga a un interés anual del 5,38% y su último vencimiento es en el año 2019. El importe pendiente a 31 de diciembre de 2015 es de 82.087 euros.
- Préstamo del Banc de Sabadell contratado en el ejercicio 2015 a través de la línea ICO-Empresas por importe inicial de 200.000 euros, que devenga a un interés nominal anual del 4,807% y su último vencimiento es en el año 2019. El importe pendiente a 31 de diciembre de 2015 es de 196.213 euros.

Las otras deudas del ejercicio 2015, por importe total de 352.127 euros, corresponden a:

- Préstamo participativo de la Empresa Nacional de Innovación (ENISA) contratado en el ejercicio 2012 por importe inicial de 100.000 euros, que tiene una carencia de amortización de 42 meses, devenga un interés del Euribor a un año más un diferencial del 2% y su último vencimiento es en el año 2018. El importe pendiente a 31 de diciembre de 2015 es de 100.000 euros.
- Préstamo participativo de la Empresa Nacional de Innovación (ENISA) contratado en el ejercicio 2013 por importe de 100.000 euros que tiene una carencia de amortización de 39 meses, devenga un interés inicial anual del 3% y su último vencimiento es en el año 2019. El importe pendiente a 31 de diciembre de 2015 es de 100.000 euros.
- Aportaciones de los socios que podrán ser convertibles en participaciones de capital, por importe de 152.127 euros (ver nota 17).

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a) Clasificación por vencimientos

El detalle por vencimientos de los diferentes pasivos financieros a largo plazo, con vencimiento determinado o determinable, al cierre del ejercicio 2015 es el siguiente:

	2016	2017	2018	2019	2020	Resto	Total
Deudas:							
Deudas con entidades de crédito	96.406	102.153	108.259	71.482	-	-	378.300
Otros pasivos financieros	99.892	133.225	66.667	33.333	-	19.010	352.127
	<u>196.298</u>	<u>235.378</u>	<u>174.926</u>	<u>104.815</u>	<u>-</u>	<u>19.010</u>	<u>730.427</u>

El detalle por vencimientos de los diferentes pasivos financieros a largo plazo, con vencimiento determinado o determinable, al cierre del ejercicio 2014 es el siguiente:

	2015	2016	2017	2018	2019	Resto	Total
Deudas:							
Deudas con entidades de crédito	17.912	49.759	53.213	56.914	22.202	-	200.000
Otros pasivos financieros	99.930	133.264	166.597	66.667	33.333	19.277	519.068
	<u>117.842</u>	<u>183.023</u>	<u>219.810</u>	<u>123.581</u>	<u>55.535</u>	<u>19.277</u>	<u>719.068</u>

12) Acreedores comerciales y otras cuentas a pagar

El detalle del epígrafe del balance de "Acreedores comerciales y otras cuentas a pagar" es:

Concepto	31.12.15	31.12.14
Proveedores	49	63
Acreedores varios	656.662	366.569
Personal (remuneraciones pendientes de pago)	53	27.765
Otras deudas con las Administraciones Públicas (ver nota 13)	33.554	28.774
Total	<u>690.318</u>	<u>423.171</u>

En relación con la Ley 15/2010 de 5 de julio, de modificación de la Ley 3/2004, de 29 de diciembre, por la que se establecen medidas de lucha contra la morosidad en las operaciones comerciales, se incluye a continuación un detalle del periodo medio de pago a proveedores:

	2014
	<u>Días</u>
Periodo medio de pago a proveedores	<u>58</u>

En las cuentas anuales del ejercicio 2015 no se presenta información comparativa correspondiente a esta nueva obligación, calificándose las cuentas anuales como iniciales a estos exclusivos efectos en lo que se refiere a la aplicación del principio de uniformidad y del requisito de comparabilidad, siguiendo lo establecido por la Resolución de 29 de enero de 2016 del Ministerio de Economía y Competitividad.

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13) Moneda extranjera

El desglose de los elementos de activo y pasivo denominados en moneda extranjera, expresados en su contravalor en euros, es el siguiente:

Ejercicio 2015			
Activos	USD	GBP	Total
Deudores comerciales y otras cuentas a cobrar	723.206	-	723.206
Efectivo y otros activos líquidos equivalentes	457.353	-	457.353

Ejercicio 2014			
Activos	USD	GBP	Total
Deudores comerciales y otras cuentas a cobrar	327.912	21.414	349.326
Efectivo y otros activos líquidos equivalentes	201.170	-	201.170

Ejercicio 2015			
Pasivos	USD	GBP	Total
Acreedores comerciales y otras cuentas a pagar	(616.304)	(28.776)	(645.080)

Ejercicio 2014			
Pasivos	USD	GBP	Total
Acreedores comerciales y otras cuentas a pagar	(333.662)	(872)	(334.534)

Los importes correspondientes a compras y ventas, así como a servicios prestados y recibidos, denominados en moneda extranjera, expresados en su contravalor en euros, son los siguientes:

Ejercicio 2015			
Concepto	USD	GBP	Total
Servicios recibidos	2.833.011	195.340	3.028.351
Servicios prestados	3.880.804	22.309	3.903.113

Ejercicio 2014			
Concepto	USD	GBP	Total
Servicios recibidos	865.807	100.434	966.241
Servicios prestados	1.146.167	32.827	1.178.994

Los importes de las diferencias de cambio reconocidas en los resultados de los ejercicios 2015 y 2014 corresponden a deudores comerciales y otras cuentas a cobrar y acreedores comerciales y otras cuentas a pagar por operaciones liquidadas en los ejercicios 2015 y 2014 respectivamente.

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14) Situación fiscal

El detalle de las cuentas relacionadas con Administraciones Públicas en los ejercicios 2015 y 2014 es el siguiente:

2015		
Cuenta	Corriente	
	Saldos deudores	Saldos acreedores
Impuesto sobre el valor añadido	12.595	-
Impuesto sobre la renta de las personas físicas	-	25.139
Retenciones y pagos a cuenta	6	-
Organismos de la Seguridad Social	-	8.415
	<u>12.601</u>	<u>33.554</u>
2014		
Cuenta	Corriente	
	Saldos deudores	Saldos acreedores
Impuesto sobre el valor añadido	2.266	-
Impuesto sobre la renta de las personas físicas	-	19.346
Retenciones y pagos a cuenta	606	-
Organismos de la Seguridad Social	-	9.428
	<u>2.872</u>	<u>28.774</u>

La conciliación del importe neto de los ingresos y gastos del ejercicio 2015 con la base imponible del Impuesto sobre Sociedades (resultado fiscal) es la siguiente:

2015			
Cuenta de Pérdidas y Ganancias			
Aumentos	Disminuciones	Efecto neto	Total
Saldo de ingresos y gastos		274.184	274.184
Impuesto sobre Sociedades	-	-	-
Compensación de bases imponibles negativas de ejercicios anteriores		(274.184)	(274.184)
Base imponible (Resultado fiscal)		-	-

La conciliación del importe neto de los ingresos y gastos del ejercicio 2014 con la base imponible del Impuesto sobre Sociedades (resultado fiscal) es la siguiente:

2014			
Cuenta de Pérdidas y Ganancias			
Aumentos	Disminuciones	Efecto neto	Total
Saldo de ingresos y gastos		(119.346)	(119.346)
Impuesto sobre Sociedades	-	-	-
Base imponible (Resultado fiscal)		(119.346)	(119.346)

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El detalle de las bases imponibles negativas fiscales no registradas y pendientes de compensar, es el siguiente:

	Al 31.12.15	Al 31.12.14
	Importe	Importe
Bases imponibles negativas:		
2010	-	1.460
2011	-	79.699
2012	-	97.450
2013	28.659	124.234
2014	119.346	119.346

Según establece la legislación vigente, los impuestos no pueden considerarse definitivamente liquidados hasta que las declaraciones presentadas hayan sido inspeccionadas por las autoridades fiscales o haya transcurrido el plazo de prescripción de cuatro años. Al cierre del ejercicio 2015 la Sociedad tiene abiertos a inspección los ejercicios 2011 y siguientes del Impuesto sobre Sociedades y los ejercicios 2012 y siguientes para los demás impuestos que le son de aplicación. Los administradores de la Sociedad consideran que se han practicado adecuadamente las liquidaciones de los mencionados impuestos, por lo que, aun en el caso de que surgieran discrepancias en la interpretación normativa vigente por el tratamiento fiscal otorgado a las operaciones, los eventuales pasivos resultantes, en caso de materializarse, no afectarían de manera significativa a las cuentas anuales adjuntas.

15) Ingresos y gastos

a) Importe neto de la cifra de negocios

La cifra de negocios de la Sociedad del ejercicio 2015 y 2014 corresponden íntegramente a servicios de publicidad.

b) Aprovisionamientos

Su desglose es el siguiente:

	2015	2014
Compras Ad Exchange	2.573.140	780.650
Compras servicios servidor	341.582	129.792
	<u>2.914.722</u>	<u>910.442</u>

Asimismo, la distinción en mercados geográficos es la siguiente:

	2015	2014
Adquisiciones Intracomunitarias	2.269.088	107.287
Importaciones	645.634	803.155
	<u>2.914.722</u>	<u>910.442</u>

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c) Cargas sociales

Su desglose es el siguiente:

	2015	2014
Seguridad Social a cargo de la empresa	89.441	93.915
Otras cargas sociales	7.182	1.135
	<u>96.623</u>	<u>95.050</u>

d) Otros gastos de explotación

Su desglose es el siguiente:

	31.12.15	31.12.14
Arrendamientos y cánones	21.677	22.052
Reparaciones y conservación	320	42
Servicios profesionales independientes	216.340	117.611
Transportes	1.948	3.385
Primas de seguros	1.044	1.344
Servicios bancarios y similares	9.509	4.200
Publicidad, propaganda y relaciones públicas	23.088	20.393
Suministros	6.425	3.619
Otros servicios	2.612	2.551
Otros	45	451
Pérdidas por deterioro de créditos por operaciones comerciales (ver nota 9)	9.367	-
	<u>292.375</u>	<u>175.648</u>

16) Información sobre el medio ambiente

Dada su actividad, la Sociedad no dispone, dentro de su inmovilizado material, de elementos significativos destinados a la minimización del impacto medioambiental y a la protección y mejora del medioambiente.

17) Operaciones con partes vinculadas

La Sociedad tiene préstamos a pagar a largo y corto plazo con distintos socios por importe de 152.127 euros en el ejercicio 2015 y 319.068 euros en el ejercicio 2014 (ver nota 11).

La alta dirección está constituida por un administrador de la Sociedad en el ejercicio 2015 y 2014.

Las remuneraciones devengadas en el ejercicio 2015 por el miembro del órgano de administración que a su vez es personal de alta dirección han ascendido a 90.107 euros (50.000 euros en el ejercicio 2014).

No existen anticipos y créditos concedidos a los miembros del Consejo de Administración y al personal de alta dirección de la Sociedad a fecha de cierre de los ejercicios 2015 y 2014, ni compromisos en materia de pensiones y seguros de vida.

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Los miembros del Consejo de Administración de la Sociedad y las personas vinculadas a los mismos a que se refiere el artículo 229 de la Ley de Sociedades de Capital, aprobada mediante Real Decreto Legislativo 1/2010, de 2 de julio, con las modificaciones introducidas por la Ley 31/2014, de 3 de diciembre, por la que se modifica la Ley de Sociedades de Capital para la mejora del gobierno corporativo, no han comunicado situaciones de conflicto, directo o indirecto, que pudieran tener con el interés de la Sociedad. Asimismo, manifiestan no tener cargos o participaciones en sociedades con el mismo, análogo o complementario género de actividad al que constituye el objeto social de la Sociedad.

18) Otra información

El número medio de personas empleadas durante los ejercicios 2015 y 2014 es el siguiente:

Categoría profesional	2015	2014
Alta dirección	1	1
Resto de personal directivo	2	2
Account Management	3	4
Programadores	11	7
Administrativos	1	-
	<u>18</u>	<u>14</u>

El número de miembros del Consejo de Administración y de personas empleadas al cierre de los ejercicios 2015 y 2014, distribuido por categorías profesionales, es el siguiente:

Categoría profesional	A 31.12.15		A 31.12.14	
	Hombres	Mujeres	Hombres	Mujeres
Administradores	4	-	6	-
	<u>4</u>	<u>-</u>	<u>6</u>	<u>-</u>
Alta dirección	1	-	1	-
Resto de personal directivo	1	-	2	-
Account Management	6	3	3	2
Programadores	6	-	7	-
Empleados de tipo administrativo	-	1	-	-
Comerciales, vendedores y similares	1	-	-	-
	<u>15</u>	<u>4</u>	<u>13</u>	<u>2</u>

Los honorarios devengados por los auditores de la Sociedad en los ejercicios 2015 y 2014 son:

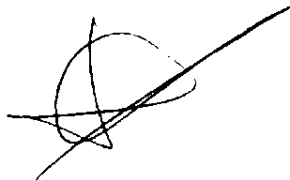
	2015	2014
Por auditoría de cuentas	4.500	2.900
	<u>4.500</u>	<u>2.900</u>

**FORMULACIÓN DE CUENTAS ANUALES POR EL ÓRGANO DE
ADMINISTRACIÓN**

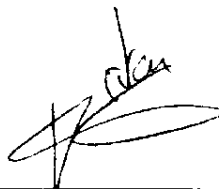
En cumplimiento de lo dispuesto por la legislación vigente, los administradores de SMADEX, S.L. han formulado las cuentas anuales abreviadas (balance, cuenta de pérdidas y ganancias, estado de cambios en el patrimonio neto y memoria) de la Sociedad correspondientes al ejercicio anual terminado el 31 de diciembre de 2015.

Asimismo declaran firmado de su puño y letra los citados documentos, mediante la suscripción del presente folio anexo a la Memoria, que se extiende en las páginas número 1 a 16.

Barcelona, 31 de marzo de 2016



D. Jordi de los Pinos Pont
Presidente



D. Víctor José Ruíz Ortiz
Consejero



D. Iñaki Ecenarro Iturioz



AVET VENTURES S.G.E.I.C. S.A
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D. Félix Arias Gabasa