FSM HOLDINGS LIMITED

DIRECTORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2017

Company Registration No: C46654

Contents

Accounts

The directors present the annual report and audited consolidated financial statements for the year ended 31 December 2017.

Principal activity

The principal activity of the company is that of a holding company.

Results

The group registered a profit for the year after tax of €447,928 (2016: profit of €857,066) and the company registered a profit for the year of €445,219 (2016: profit of €916,401). The results for the year are shown in the statement of comprehensive income on page 5.

Dividends

An interim dividend of €50,000 (2016: €70,000) has been paid during the year.

Directors

The directors of the company are:

Centric Holdings S.A.	
Ioannis Kapodistrias	*Resigned 17th November 2017*
Kenneth Micallef	*Appointed 17th November 2017*

Under the provisions of the company's Memorandum and Articles of Association, the present directors continue in office.

Auditors

BDO Malta have expressed their willingness to continue in office. A resolution will be submitted to the Annual General Meeting to re-appoint BDO Malta as auditors to the company.

The directors' report was approved by the board of directors and was signed on its behalf by:

Kenneth Micellef
Director

Rodolfo Odoni
o.b.o. Centric Holdings S.A.
as director of FSM Holdings Limited

Bella Vista Court B, Flat 14
Bella Vista Street,
San Gwann SGN 2698
Malta

27 April 2018

The Directors are required by the Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of each financial period and of its profit or loss for that period. In preparing the financial statements, the Directors are responsible for:

- ensuirng that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the European Union
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal controls relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act 1995. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 DECEMBER 2017

		Group		Company	
		2017	2016	2017	2016
	Notes	€	€	€	€
Turnover	2	1,104,384	791,404	-	-
Other income		123,428	162,000	123,428	162,000
Administrative expenses	3	(656,343)	(476,742)	(4,671)	(4,853)
Operating profit		571,469	476,662	118,757	157,147
Investment income	5	-	551,523	501,538	947,792
Interest payable	6	(2)	(2)	-	-
Interest receivable	7	55	22,399	-	-
Profit before taxation		571,522	1,050,582	620,295	1,104,939
Taxation charge	8	(123,594)	(193,516)	(175,076)	(188,538)
Profit for the year - total comprehensive income		447,928	857,066	445,219	916,401

The accounting policies on pages 9 to 13 and the notes on pages 14 to 22 form part of the financial statements.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION at 31 DECEMBER 2017

		Group		Company	
		2017	**2016**	**2017**	**2016**
	Notes	€	€	€	€
ASSETS					
Non-current assets					
Property, plant and equipment	10	341,687	383,769	-	-
Finanacial assets	11	-	-	407,549	407,548
Current taxation		-	462	925	462
		341,687	384,231	408,474	408,010
Current assets					
Inventory	12	-	5,988	-	-
Trade and other receivables	13	522,100	413,238	791,315	395,591
Cash and cash equivalents	18	575,131	280,731	46	87
Total current assets		1,097,231	699,957	791,361	395,678
Total assets		1,438,918	1,084,188	1,199,835	803,688

The equity and liabilities section is continued on page 5.

The accounting policies on pages 9 to 13 and the notes on pages 14 to 22 form part of the financial statements.

Audit report pages 23 to 25.

		Group		Company	
		2017	2016	2017	2016
	Notes	€	€	€	€
EQUITY AND LIABILITIES					
Capital and reserves					
Called up issued share capital	14	4,000	4,000	4,000	4,000
Share premium	15	336,693	336,693	336,693	336,693
Other reserves		121	-	-	-
Retained earnings		629,677	290,591	768,062	372,843
		970,491	631,284	1,108,755	713,536
Current liabilities					
Trade and other payables	16	137,887	198,552	91,080	90,152
Deferred taxation	17	76,287	51,067	-	-
Taxation		254,253	203,285	-	-
		468,427	452,904	91,080	90,152
Total equity and liabilities		1,438,918	1,084,188	1,199,835	803,688

The financial statements were approved by the Board of Directors on 27 April 2018 and signed on its behalf by:

Kenneth Micallef
Director

Rodolfo Odoni
o.b.o. Centric Holdings S.A.
as director of FSM Holdings Limited

The accounting policies on pages 9 to 13 and the notes on pages 14 to 22 form part of the financial statements.

Audit report pages 23 to 25.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 DECEMBER 2017

	Share Capital	Share premium	Other reserves	Retained earnings	Total
	€	€	€	€	€
Group					
At 1 January 2016	2,500	-	-	(496,475)	(493,975)
Comprehensive income					
Profit for the year	-	-	-	857,066	857,066
Transaction with owners					
Issue of share capital	1,500	336,693	-	-	338,193
Dividend paid	-	-	-	(70,000)	(70,000)
At 31 December 2016	4,000	336,693	-	290,591	631,284
Comprehensive income					
Profit for the year	-	-	-	447,928	447,928
Transfer from retained earning	-	-	121	(121)	-
Net liabiliities transferred from acquisition of subsidiary	-	-	-	(58,721)	(58,721)
Transaction with owners					
Dividend paid	-	-	-	(50,000)	(50,000)
At 31 December 2017	4,000	336,693	121	629,677	970,491
Company					
At 1 January 2016	2,500	-	-	(473,558)	(471,058)
Comprehensive income					
Profit for the year	-	-	-	916,401	916,401
Transaction with owners					
Issue of share capital	1,500	336,693	-	-	338,193
Dividend paid	-	-	-	(70,000)	(70,000)
At 31 December 2016	4,000	336,693	-	372,843	713,536
Comprehensive income					
Profit for the year	-	-	-	445,219	445,219
Transaction with owners					
Dividend paid	-	-	-	(50,000)	(50,000)
At 31 December 2017	4,000	336,693	-	768,062	1,108,755

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 DECEMBER 2017

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Cash flows from operating activities				
Operating profit	571,469	476,662	118,757	157,147
Adjustment for:				
Depreciation	72,001	68,823	-	-
Exchange difference	-	(41,775)	-	-
(Gain)/loss on disposal of property, plant and equipment	(14,189)	51	-	-
Operating profit before working capital changes	629,281	503,761	118,757	157,147
Movement in working capital				
Inventories	5,988	19,058	-	-
Trade and other receivables	(108,861)	(311,961)	(395,724)	(72,073)
Trade and other payables	(60,665)	(1,995,470)	928	(381,813)
Cash generated from/(used in) operating activities	465,743	(1,784,612)	(276,039)	(296,739)
Interest paid	(2)	(2)	-	-
Dividend paid	(50,000)	(70,000)	(50,000)	(70,000)
Taxation paid	(46,944)	(566)	(175,539)	(189,000)
Net liabilities transferred from acquisition of subsidiary	(58,721)	-	-	-
Interest received	55	32	-	-
Net cash generated from/(used in) operating activities	310,131	(1,855,148)	(501,578)	(555,739)

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 DECEMBER 2017
(continued)

		Group		Company	
		2017	**2016**	**2017**	**2016**
	Note	€	€	€	€
Net cash generated from/(used in) operating activities		310,131	(1,855,148)	(501,578)	(555,739)
Cash flow from investing activities					
Dividend received from group undertakings		-	-	501,538	540,000
Loan interest received		-	22,367	-	-
Purchases of financial assets		(1)	-	(1)	(322,548)
Purchases of plant, property and equipment		(45,730)	(84,065)	-	-
Repayment of loan receivable		-	229,854	-	-
Sale of available for sale investment		-	1,376,517	-	-
Sales of plant, property and equipment		30,000	4,075	-	-
Net cash (used in)/generated from investing activities		(15,731)	1,548,748	501,537	217,452
Cash flow from financing activities					
Issued of ordinary shares		-	338,193	-	338,193
Net cash generated from financing activities		-	338,193	-	338,193
Net increase/(decrease) in cash and cash equivalents		294,400	31,793	(41)	(94)
Cash and cash equivalents at beginning of year		280,731	248,938	87	181
Cash and cash equivalents at end of year	18	575,131	280,731	46	87

1. Basis of preparation of financial statements

The financial statements are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as adopted by the European Union, under the historical cost convention.

The reporting currency used for the preparation of the financial statements is the Euro (€), which is the currency in which the company's share capital is denominated.

The preparation of financial statements in conformity with IFRSs requires the use of certain accounting estimates. It also requires directors to exercise their judgement in the process of applying the company's accounting policies (see Note 1 – Critical accounting estimates and judgements).

a) New standards, interpretations and amendments effective from 1 January 2017

The following new standards, amendments and interpretations are effective for the first time in these financial statements but none have had a material effect on the company:

- Amendments to IAS 7: Disclosure Initiative (issued on 29/01/2016, effective from the year beginning on 01/01/2017)
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (issued on 19/01/2016, effective from the year beginning on 01/01/2017)

The applications of these new standards and amendments has had no impact on the disclosures or amounts recognized in the company's financial statements, although an amendment to IAS 7 has resulted in a reconciliation of liabilities disclosed for the statement of cash flows.

b) New standards, interpretations and amendments as adopted by EU but not yet effective

The following new standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the company's future financial statements:

- Improvements to IFRSs 2014-2016 (issued on 08/12/2016, effective from year beginning on 01/01/2018)
- IFRS 9 Financial Instruments (issued on 24/07/2014, effective from year beginning on 01/01/2018)
- IFRS 15 Revenue from Contracts with Customers (issued on 28/05/2014, effective from the year beginning 01/01/2018)
- IFRS 16 Leases (issued on 13/01/2016, effective from the year beginning 01/01/2019)
- IFRIC 22: Foreign Currency Transactions and Advance Consideration (issued on 08/12/2016, effective from the year beginning on 01/01/2018)
- Clarification to IFRS 15: Revenue from Contracts with Customers (issued on 12/04/2016, effective from the year beginning on 01/01/2018)
- Amendments to IAS 40: Transfers to Investment Property (issued on 08/12/2016, effective from the year beginning on 01/01/2018)
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (issued on 20/06/2016, effective for the year beginning on 01/01/2018)
- Amendments to IFRS 4: Applying IFRS 9 with IFRS 4 (issued on 12/07/2016, effective for the year beginning on 01/01/2018)
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12/10/2017, effective for the year beginning on 01/01/2019)

The effects of IFRS 15 Revenues from Contracts with Customers, IFRS 16 Leases and IFRS 9 Financial Instruments are still being assessed, as these new standards may have a significant effect on the company's future financial statements. The company will assess the impact that the adoption of these and other Financial Reporting Standards will have in the financial statements of the company in the period of initial application.

1. Basis of preparation of financial statements (continued)

c) New standards, interpretations and amendments issued by IASB but not yet adopted by EU

- Improvements to IFRSs 2015-2017 (issued on 12/12/2017, effective from year beginning on 01/01/2019)
- IFRS 17 Insurance Contracts (issued on 18/05/2017, effective from the year beginning on 01/01/2021)
- IFRIC 23: Uncertainty over the Income Tax Treatments (issued on 07/07/2017, effective from year beginning on 01/01/2019)
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 07/02/2018, effective from the year beginning on 01/01/2019)
- Amendments to IAS 28: Long-term Interest in Associates and Joint Ventures (issued on 12/10/2017, effective from the year beginning on 01/01/2019)
- Amendments to References to the Conceptual Frameworks in IFRS Standards (issued on 29/03/2018, effective from the year beginning on 01/01/2020)

The company has not early adopted all these revisions to the requirements of IFRSs and the company's director is of the opinion that there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

d) New standards, interpretations and amendments issued by IASB but not adopted by EU

- IFRS 14 Regulatory Deferral Accounts (issued on 30/01/2014, effective from the year beginning 01/01/2016) – European Commission has decided not to endorse the standard
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between Investor and its Associate or Joint Venture (issued on 11/09/2014, effective from the year beginning 01/01/2016) – postponed indefinitely by European Commission

The directors will assess the impact that the adoption of these Financial Reporting Standards will have in the financial statements of the company in the period of initial application.

2. Consolidation

Subsidiary undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. All intercompany transactions between group companies are eliminated. Where necessary, accounting policies for subsidiaries are changed to ensure consistency with the policies adopted by the Group. The entities that have been consolidated are listed down in note 23.

3. Revenue recognition

Sales are recognised upon performance of services. Dividend income is recognised when the shareholder's right to receive payment is established. Interest income is recognised on a time proportion basis.

4. Foreign currencies

The company maintains its accounting records in Euro (€). Transactions denominated in other currencies are converted at the rate ruling on date of the transaction. Assets and liabilities expressed in other currencies are converted at the date ruling on the date of the statement of financial position. Any profit or loss on exchange arising is credited or charged to the statement of comprehensive income.

5. Property, plant and equipment

Tangible assets are stated at historical cost less depreciation. Depreciation is calculated on the straight line method to write off the cost of the assets to their residual values over their estimated useful life as follows:

	%
Computer hardware	25
Electronic software and equipment	12.50
Furniture and fittings	12.50

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

6. Financial assets

Long term investments are classified as financial assets. Investments in subsidiary undertakings are accounted for by the cost method of accounting. The results of subsidiary undertakings are reflected in these financial statements only to the extent of dividends receivable.

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Other long term investments are classified as available-for-sale investments. Available-for-sale investments are investments intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates. These investments are included under financial assets unless management has the express intention of holding the invesment for less than one year from the balance sheet date. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

7. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and the default or delinquency in payment are considered indicators that the debtors are impaired. When a debtor is uncollectible, it is written off against the profit and loss account. Subsequent recoveries of the amounts previously written off are credited in the income statement.

8. Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

9. Deferred taxation

Deferred income tax is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for the financial reporting purposes.

Deferred tax assets are recognised only to the extent that future taxable profit will be available such that realisation of the related tax benefit is probable.

10. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

11. Financial risk management

11.1 Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk) credit risk and liquidity risk. The financial risks relate to the following financial instruments: financial assets, debtors, cash and cash equivalents and trade and other creditors. The accounting policies with respect to these financial instruments are described above.

Risk management is carried out by a Board of Directors under policies approved at the AGM. The Board of Directors identifies and evaluates financials risks in close co-operation with the company's operating units. The Board provides principles for overall risk management.

The reports on the risk management are produced periodically to the key management personnel of the company.

(a) Market risk

(i) Foreign exchange risk

The company is not exposed to foreign exchange risk.

(ii) Price risk

The company is not exposed to market risk.

(iii) Cash flow and fair value interest rate risk

As the company has no significant interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.

The company's cash flow and fair value interest rate risk is periodically monitored by the Board of Directors. The cash flow and fair value risk policy is approved by the Board of Directors.

Trade and other receivables and trade and other payables are interest free and have settlement dates within one year.

11. Financial risk management (continued)

A sensitivity analysis is normally based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and change in some of the assumptions may be correlated – for example, change in exchange rates and change in market values. In the case of the company it provides for the worst scenario by providing for any necessary provisions on any investments not valued at fair values and which may be potentially impaired.

(b) Credit risk

Credit risk arises from cash and cash equivalents, trade receivables and amounts due from group undertakings. The company's exposures to credit risk as at the end of the reporting periods are analysed as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	€	€	€	€
Loans and receivables category:				
Trade and other receivables (note 13)	235,237	251,238	505,887	54,383
Cash and cash equivalents (note 18)	575,131	280,731	46	87
	810,368	531,969	505,933	54,470

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The company banks only with reputable financial institutions with high quality standing or rating. Consequently, the director is of the view that the company was not exposed to significant credit risk as at the financial year end, particularly since a significant portion of the receivables are due from related parties.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash flow for operations. The company manages its' risk to shortage of funds by monitoring forecast and actual cash flows.

11.2 Capital management

The directors of the company monitor on an ongoing basis the equity, debt and overall capital position of the company as a whole.

11.3 Fair value estimation

Cash and cash equivalents, debtors and trade and other creditors mainly have short times to maturity. For this reason, their carrying amounts at the reporting date approximate the fair values.

1. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

2. Turnover

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Analysed as follows:				
Marketing services	1,104,384	791,404	-	-

3. Expenditure

Sales and promotion expenses

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Depreciation for the year	72,001	68,538	-	-
Leasing of equipment	130,445	88,534	-	-
Marketing services	52,574	79,500	-	-
Other sales and promotion	76,960	54,204		
Technical support	99,737	61,341	-	-
Wages and salaries	103,842	87,339	-	-
	535,559	439,456	-	-

Administrative expenses

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Audit fee	2,710	2,680	1,180	1,180
Consultancy fees	81,915	56,447	-	-
Exchange difference	2,703	(40,850)	-	-
Other administrative expenses	33,456	19,009	3,491	3,673
	120,784	37,286	4,671	4,853
	656,343	476,742	4,671	4,853

4. Staff cost and employees information

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Wages and salaries	103,842	87,339	-	-

During the year under review, the group employed on average 10 employees (2016: 10 employees).

5. Investment income

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Dividend from group undertakings	-	-	501,538	540,000
Impairment provision on amount due from related parties	-	-	-	322,793
Impairment provision on investment	-	295,879	-	84,999
Loan receivable written off	-	-	-	-
Unrealised fair value loss on investment	-	255,644	-	-
	-	551,523	501,538	947,792

6. Interest payable

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Bank interest payable	2	2	-	-

7. Interest receivable

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Bank interest receivable	55	32	-	-
Loan interest receivable	-	22,367	-	-
	55	22,399	-	-

8. Taxation

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Current tax expense	98,374	142,449	175,076	188,538
Deferred tax expense	25,220	51,067	-	-
	123,594	193,516	175,076	188,538

The tax on the profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Profit before tax	571,522	1,050,582	620,295	1,104,939
Tax on profit at applicable rates	200,268	367,704	217,103	386,729
Tax effect of:				
Expenses not deductible for tax purpose	1,173	1,265	1,173	1,236
Flat rate foreign tax credit	-	(3,635)	-	-
Income not subject to tax	(46,321)	(56,700)	(43,200)	(56,700)
Prior year tax adjustment	-	(13,431)	-	-
Temporary difference not provided for	(31,526)	(101,687)	-	(142,727)
Tax charge	123,594	193,516	175,076	188,538

9. Dividends per share

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Dividends paid on ordinary shares	50,000	70,000	50,000	70,000
Dividends per share	12.50	17.50	12.50	17.50

10. Property, plant and equipment - Group

	Computer hardware	Equipment software	Furniture and fittings	Machinery and equipment	Total
	€	€	€	€	€
Cost					
At 1 January 2016	1,914	24,000	12,690	474,486	513,090
Additions	311	3,700	13,450	66,604	84,065
Disposal	-	-	(4,360)	-	(4,360)
At 31 December 2016	2,225	27,700	21,780	541,090	592,795
Depreciation					
At 1 January 2016	924	6,000	2,624	130,940	140,488
Charge for year	556	3,462	2,725	62,079	68,822
Released on disposal	-	-	(284)	-	(284)
At 31 December 2016	1,480	9,462	5,065	193,019	209,026
Cost					
At 1 January 2017	2,225	27,700	21,780	541,090	592,795
Additions	1,411	2,775	3,305	38,239	45,730
Disposal	-	-	-	(21,081)	(21,081)
At 31 December 2017	3,636	30,475	25,085	558,248	617,444
Depreciation					
At 1 January 2017	1,480	9,462	5,065	193,019	209,026
Charge for year	832	3,809	3,135	64,225	72,001
Released on disposal	-	-	-	(5,270)	(5,270)
At 31 December 2017	2,312	13,271	8,200	251,974	275,757
Net book value					
At 31 December 2017	1,324	17,204	16,885	306,274	341,687
At 31 December 2016	745	18,238	16,715	348,071	383,769

11. Financial assets

	Company	
	Shares in group undertakings	
	2017	2016
	€	€
Cost		
At 1 January	407,548	1
Addition	1	322,548
Provision for impairment losses	-	84,999
At 31 December	407,549	407,548

The group undertakings as at 31 December 2017 are shown below:

Group undertakings

Name and registered office	Class of shares	% holding
Playseas Limited (C44977) Bella Vista Court B, Flat 14 Bella Vista Street, San Gwann SGN 2698	Ordinary shares	100%
Hipo Limited (C63357) Bella Vista Court B, Flat 14 Bella Vista Street, San Gwann SGN 2698	Ordinary shares	100%

Indirect subsidiaries included in these consolidated financial statements are disclosed in the Note 21.

12. Inventories

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Spare parts for equipment	-	5,988	-	-

13. Trade and other receivables

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Trade receivables	104,726	56,985	-	-
Amount due from the subsidiary	-	134,923	505,285	233,591
Amount due from related parties	49,923	-	-	-
Other receivables	286,863	162,000	285,428	162,000
Prepayments and accrued income	79,105	57,996	602	-
VAT recoverable	1,483	1,334	-	-
	522,100	413,238	791,315	395,591

The amounts owed by related parties are unsecured, interest-free and have no fixed date of repayment. These amounts are shown net of a provision for impairment losses amounting to €Nil (2016: 134,923) in the group financials.

14. Share capital

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Authorised:				
3,999 'A' ordinary shares of €1 each	3,999	3,999	3,999	3,999
1 'B' ordinary share of €1 each	1	1	1	1
	4,000	4,000	4,000	4,000
Issued and fully paid up:				
3,999 'A' ordinary shares of €1 each	3,999	3,999	3,999	3,999
1 'B' ordinary share of €1 each	1	1	1	1
	4,000	4,000	4,000	4,000

The holders of ordinary “A” shares shall have the right (i) to receive notice of and to attend all General Meetings of the Company and (ii) to vote on all Ordinary and Extraordinary Resolutions of the Company. The holders of ordinary “B” shares shall have the right to receive notice of and to attend all General Meetings of the Company, but shall not have the right to vote on any resolutions.

The holders of ordinary “A” shares shall have the right to receive dividends and to participate in the profits of the Company. The holders of ordinary “B” shares shall not have the right to receive any dividend or to participate in the profits of the Company.

15. Share premium

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
At beginning of the year	336,693	-	336,693	-
Issue of shares	-	336,693	-	336,693
At end of the year	336,693	336,693	336,693	336,693

During 2016 the company issued 1,500 ordinary ‘A’ shares at a nominal value of EUR 1 each and at a premium of €224.45 per share, to the company Centric Holdings S.A., the parent company of FSM Holding Limited.

16. Trade and other payables

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Due within one year				
Trade payables	46,584	98,624	2,208	2,230
Accruals	38,870	14,928	3,872	2,922
Amounts owed to related parties	52,423	85,000	85,000	85,000
Other payables	10	-	-	-
	137,887	198,552	91,080	90,152

The amounts due to related parties are unsecured, interest-free and have no fixed date of repayment.

17. Deferred taxation

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
At beginning of year	51,067	-	-	-
Debited to income statement	25,220	51,067	-	-
At end of year	76,287	51,067	-	-

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 35% (2016: 35%). The year end deferred tax balance is made up as follows:

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Net book value on tangible assets	76,704	51,065	-	-
Unrealised exchange differences	(417)	2	-	-
	76,287	51,067	-	-

18. Cash and cash equivalents

For the purpose of the cash flow statement, the year end cash and cash equivalents comprise the following:

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Cash at bank	528,625	236,625	46	87
Cash in hand	46,506	44,106	-	-
	575,131	280,731	46	87

19. Related party transactions

Transactions entered into with other group undertakings, and with companies with common beneficial shareholders, are considered to be related party transactions. Transactions with related parties during the year consisted of the following:

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Due from subsidiary (note 13)	-	134,923	505,285	233,591
Due to related parties (note 16)	52,423	85,000	85,000	85,000

20. Statutory information

FSM Holdings Limited is a limited liability company and is incorporated in Malta.

The parent and ultimate parent company of FSM Holdings Limited is Centric Holdings S.A., a listed company registered in Greece, with its registered address at 20 Makrigianni St., 183 44, Athens, Greece. Copies of consolidated financial statements can be obtained from it's registered office.

In the opinion of the directors, there is no ultimate controlling party of the group.

21. Consolidated entities

These financial statements contain the consolidated results of the following companies:

FSM Holdings Limited (C 46654)
Bella Vista Court B, Flat 14, Bella Vista Street,
San Gwann Malta

Playseas Limited (C 44977)
Bella Vista Court B, Flat 14, Bella Vista Street,
San Gwann Malta

Playseas Cruises Limited (C 63357)
Bella Vista Court B, Flat 14, Bella Vista Street,
San Gwann Malta

Playseas Single Member Private Company – 100% subsidiary of Playseas Limited
Leoforos Irakiou number 385,
Municipality of N. Iraklio, Greece

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of FSM Holdings Limited

Report on the Audit of the Financial Statements

We have audited the consolidated and stand-alone financial statements of FSM Holdings Limited (the «Company») with its subsidiary (the «Group») set out on pages 3 to 22, which comprise the consolidated and stand-alone statements of financial position as at 31 December 2017, the consolidated and stand-alone statements of comprehensive income, the consolidated and stand-alone statements of changes in equity, and the consolidated and stand-alone statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (EU IFRSs) and have been prepared in accordance with the requirements of the Companies Act, 1995 (Cap. 386).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the directors' report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Directors' Report, we also considered whether the Directors' Report includes the disclosures required by Article 177 of the Maltese Companies Act, 1995 (Cap. 386). Based on the work we have performed, in our opinion:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act, 1995 (Cap.386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report. We have nothing to report in this regards.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of FSM Holdings Limited
(continued)

Responsibilities of the Directors

As explained more fully in the Statements of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with EU IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of FSM Holdings Limited
(continued)

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

Report on Other Legal and Regulatory Requirements

Under the Maltese Companies Act, 1995 (Cap. 386) we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- The information given in the directors' report is not consistent with the financial statements.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

BDO Malta
Certified Public Accountants
Registered Audit Firm

Tower Gate Place, Tal-Qroqq Street
Msida MSD 1703
Malta

27 April 2018

DETAILED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 DECEMBER 2017

		Group		Company	
		2017	2016	2017	2016
	Schedule	€	€	€	€
Turnover					
Marketing services		1,104,384	791,404	-	-
Other income		123,428	162,000	123,428	162,000
		1,227,812	953,404	123,428	162,000
Expenditure					
Sales and promotion	I	(535,559)	(439,456)	-	-
Administrative	II	(120,784)	(37,286)	(4,671)	(4,853)
Operating profit		571,469	476,662	118,757	157,147
Investment income	III	-	551,523	501,538	947,792
Interest payable	IV	(2)	(2)	-	-
Interest receivable	V	55	22,399	-	-
Operating profit for the year		571,522	1,050,582	620,295	1,104,939

I Sales and promotion expenses

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Advertising	197	954	-	-
Computer consumables	-	72	-	-
Depreciation for the year	72,001	68,538	-	-
Insurance	4,107	4,834	-	-
Leasing of equipment	130,445	88,534	-	-
Licenses of equipment	1,000	-	-	-
(Gain)/loss on disposal of fixed	(14,189)	51	-	-
Marketing services	52,574	79,500	-	-
Repairs and maintenance	17,577	22,878	-	-
Technical support	99,737	61,341	-	-
Transport cost	13,895	12,164	-	-
Travel and accomodation	17,411	12,426	-	-
Staff expenses	1,575	784	-	-
Wages and salaries	103,842	87,339	-	-
Warehouse rental	-	41	-	-
Other cost of sales	35,387	-	-	-
	535,559	439,456	-	-

II Administrative expenses

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Accountancy fee	3,550	3,550	-	-
Audit fee	2,710	2,680	1,180	1,180
Bank charges	1,801	1,906	41	93
Consultancy fees	81,915	56,447	-	-
Realised exchange difference	1,507	(232,147)	-	-
Unrealised exchange difference	1,196	191,297	-	-
Fines and penalties	-	66	-	33
Internet expenses	68	-	-	-
Legal and professional fees	18,139	11,599	2,978	3,035
Other administrative expenses	7,324	-	-	-
Postage and courier	81	489	-	17
Printing and stationery	309	360	59	82
Registration fee	280	280	140	140
Rent	545	548	273	273
Warranty and subscriptions	1,359	211	-	-
	120,784	37,286	4,671	4,853

III Investment income / (loss)

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Dividend from group undertakings	-	-	501,538	540,000
Impairment provision on amount due from related parties	-	-	-	322,793
Impairment provision on investment	-	295,879	-	84,999
Unrealised fair value loss on investment	-	255,644	-	-
	-	551,523	501,538	947,792

IV Interest payable

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Bank interest payable	2	2	-	-

V Interest receivable

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Bank interest receivable	55	32	-	-
Loan interest receivable	-	22,367	-	-
	55	22,399	-	-