



FSM HOLDINGS LIMITED

DIRECTORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2018

FSM HOLDINGS LIMITED

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2018

Contents

	Page
Report of the directors	1
Statement of directors' responsibilities	2
Consolidated statement of comprehensive income	3
Consolidated statement of financial position	4 to 5
Consolidated statement of changes in equity	6
Consolidated statement of cash flows	7 to 8
Notes to the consolidated financial statements	9 to 24
Independent auditor's report	25 to 27

FSM HOLDINGS LIMITED

REPORT OF THE DIRECTORS
for the year ended 31 DECEMBER 2018

Accounts

The directors present the annual report and audited consolidated financial statements for the year ended 31 December 2018.

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 €249,626 (2017: profit of €447,928) and the company registered a profit for the year of €80,980 (2017: profit of €445,219). The results for the year are shown in the statement of comprehensive income on page 3.

Dividends

An interim dividend of €345,000 (2017: €50,000) has been paid during the year.

Events after the reporting date

In 2019, the company has signed Draft Terms of Merger with the related company Hipo Holdings Limited, the latter entity will be dissolved in 2019. As a consequence of the amalgamation, the company will increase its authorised and issued share capital by 49,150 shares of €1 each.

On 6 March 2019, the company issued 1,250 shares of €200 each (nominal value of €1 and premium of €199) by conversion of the shareholder's loan into new ordinary shares.

Directors

The directors of the company are:

Centric Holdings S.A.
Kenneth Micallef

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 Micallef
Director

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



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

24 April 2019

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING
for the year ended 31 DECEMBER 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:

- ensuring 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.

FSM HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 DECEMBER 2018

		Group		Company	
		2018	2017	2018	2017
	Notes	€	€	€	€
Turnover	4	1,813,580	1,104,384	-	-
Other income		32,747	123,428	32,747	123,428
Administrative expenses	5	(1,516,241)	(656,343)	(13,594)	(4,671)
Operating profit		330,086	571,469	19,153	118,757
Investment income	7	-	-	139,366	501,538
Interest payable	8	-	(2)	-	-
Interest receivable	9	68	55	-	-
Profit before taxation		330,154	571,522	158,519	620,295
Taxation charge	10	(80,528)	(123,594)	(77,539)	(175,076)
Profit for the year - total comprehensive income		249,626	447,928	80,980	445,219

The accounting notes on pages 9 to 24 form part of the financial statements.

Audit report pages 25 to 27.

FSM HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION at 31 DECEMBER 2018

		Group		Company	
		2018	2017	2018	2017
	Notes	€	€	€	€
ASSETS					
Non-current assets					
Property, plant and equipment	12	374,393	341,687	-	-
Financial assets	13	-	-	590,377	407,549
Current taxation		-	-	924	925
		<u>374,393</u>	<u>341,687</u>	<u>591,301</u>	<u>408,474</u>
Current assets					
Trade and other receivables	14	475,063	522,100	601,929	791,315
Cash and cash equivalents	19	<u>876,559</u>	<u>575,131</u>	<u>-</u>	<u>46</u>
Total current assets		<u>1,351,622</u>	<u>1,097,231</u>	<u>601,929</u>	<u>791,361</u>
Total assets		<u>1,726,015</u>	<u>1,438,918</u>	<u>1,193,230</u>	<u>1,199,835</u>

The equity and liabilities section is continued on page 5.

The notes on pages 9 to 24 form part of the financial statements.

Audit report pages 25 to 27.

FSM HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION at 31 DECEMBER 2018
(continued)

		Group		Company	
		2018	2017	2018	2017
Notes		€	€	€	€
EQUITY AND LIABILITIES					
Capital and reserves					
Called up issued share capital	15	4,000	4,000	4,000	4,000
Share premium	16	336,693	336,693	336,693	336,693
Other reserves		121	121	-	-
Retained earnings		534,303	629,677	504,042	768,062
		<u>875,117</u>	<u>970,491</u>	<u>844,735</u>	<u>1,108,755</u>
Current liabilities					
Trade and other payables	17	566,906	137,887	348,495	91,080
Deferred taxation	18	78,020	76,287	-	-
Taxation		205,972	254,253	-	-
		<u>850,898</u>	<u>468,427</u>	<u>348,495</u>	<u>91,080</u>
Total equity and liabilities		<u>1,726,015</u>	<u>1,438,918</u>	<u>1,193,230</u>	<u>1,199,835</u>

The financial statements were approved by the Board of Directors on 24 April 2019 and signed on its behalf by:


Kenneth Micallef
Director


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

The accounting notes on pages 9 to 24 form part of the financial statements.

Audit report pages 25 to 27.

FSM HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 DECEMBER 2018

	Share Capital	Share premium	Other reserves	Retained earnings	Total
	€	€	€	€	€
Group					
At 1 January 2017	4,000	336,693	-	290,591	631,284
Comprehensive income					
Profit for the year	-	-	-	447,928	447,928
Transfer from retained earning	-	-	121	(121)	-
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
Comprehensive income					
Profit for the year	-	-	-	249,626	249,626
Transfer from retained earning	-	-	-	-	-
Net liabilities transferred from acquisition of subsidiary	-	-	-	-	-
Transaction with owners					
Dividend paid	-	-	-	(345,000)	(345,000)
At 31 December 2018	4,000	336,693	121	534,303	875,117
Company					
At 1 January 2017	4,000	336,693	-	372,843	713,536
Comprehensive income					
Profit for the year	-	-	-	445,219	445,219
Dividend paid	-	-	-	(50,000)	(50,000)
At 31 December 2017	4,000	336,693	-	768,062	1,108,755
Comprehensive income					
Profit for the year	-	-	-	80,980	80,980
Transaction with owners					
Dividend paid	-	-	-	(345,000)	(345,000)
At 31 December 2018	4,000	336,693	-	504,042	844,735

FSM HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 DECEMBER 2018

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Cash flows from operating activities				
Operating profit	330,086	571,469	19,153	118,757
Adjustment for:				
Depreciation	86,606	72,001	-	-
Exchange difference	-	-	-	-
(Gain)/loss on disposal of property, plant and equipment	-	(14,189)	-	-
Operating profit before working capital changes	416,692	629,281	19,153	118,757
Movement in working capital				
Inventories	-	5,988	-	-
Trade and other receivables	47,037	(108,861)	189,387	(395,724)
Trade and other payables	429,019	(60,665)	257,416	928
Cash generated from/(used in) operating activities	892,748	465,743	465,956	(276,039)
Interest paid	-	(2)	-	-
Dividend paid	(345,000)	(50,000)	(345,000)	(50,000)
Taxation paid	(127,078)	(46,944)	(77,540)	(175,539)
Net liabilities transferred from acquisition of subsidiary	-	(58,721)	-	-
Interest received	68	55	-	-
Net cash generated from/(used in) operating activities	420,738	310,131	43,416	(501,578)

FSM HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 DECEMBER 2018
(continued)

	Note	Group		Company	
		2018	2017	2018	2017
		€	€	€	€
Net cash generated from/(used in) operating activities		420,738	310,131	43,416	(501,578)
Cash flow from investing activities					
Dividend received from group undertakings		-	-	221,538	501,538
Loan interest received		-	-	-	-
Investment in subsidiary		-	(1)	(265,000)	(1)
Purchases of plant, property and equipment		(119,310)	(45,730)	-	-
Repayment of loan receivable		-	-	-	-
Sale of available for sale investment		-	-	-	-
Sales of plant, property and equipment		-	30,000	-	-
Net cash (used in)/generated from investing activities		(119,310)	(15,731)	(43,462)	501,537
Net increase/(decrease) in cash and cash equivalents		301,428	294,400	(46)	(41)
Cash and cash equivalents at beginning of year		575,131	280,731	46	87
Cash and cash equivalents at end of year	19	876,559	575,131	-	46

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. Consolidated financial statements have not been prepared since these are exempt by virtue of section 174 of the Companies Act, 1995.

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 3 - Critical accounting estimates and judgements).

2. Accounting policies**2.1 Changes in accounting policies***a) New standards, interpretations and amendments effective from 1 January 2018*

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:

- 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)
- 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)

The applications of these new standards and amendments has had no impact on the disclosures or amounts recognized in the company's financial statements.

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:

- IFRS 16 Leases (issued on 13/01/2016, effective from the year beginning 01/01/2019)
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12/10/2017, effective for the year beginning on 01/01/2019)
- IFRIC 23: Uncertainty over the Income Tax Treatments (issued on 07/07/2017, effective from year beginning on 01/01/2019)

The effects of these standards are still being assessed, but the directors do not expect the significant effect on the company's future financial statements.

2. Accounting policies (continued)**2.1 Changes in accounting policies (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)
- 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)
- Amendments to IFRS 3: Business Combinations (issued on 22/10/2018, effective from the year beginning on 01/01/2020)
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31/10/2018, 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 directors 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

2.2 Revenue recognition

Revenue is recognised from gaming activities derived through casinos and coin operated gaming machines. Revenue from the provision of services is recognised in the accounting period in which services are rendered, based on the fact that the amount of revenue can be measured reliably, and the company receives consideration. Gross gaming revenue is recognised as total wagers made by players minus total wins received.

2.3 Foreign currencies

The financial statements of the company are presented in its functional currency, the Euro (EUR), being the currency of the primary economic environment in which the company operates.

2.4. Taxation

The charge for current tax is based on the taxable income for the year. The taxable result for the year differs from the result as reported in the statement of comprehensive income because it excludes items which are not assessable or disallowed and it further excludes items that are taxable and deductible in other years. It is calculated using tax rates that have been enacted or substantially enacted by the statement of financial position date.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2018
(continued)

2. Accounting policies (continued)

2.4 Taxation (continued)

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 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 benefits is probable. The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

2.5 Share capital and dividends

Financial instruments issued by the company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The company's ordinary shares are classified as equity instruments.

Dividend distribution to the company's shareholders is recognised as liability in the company's financial statements in the year in which the dividends are approved by the company's shareholders.

2.6 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.

On disposal of a tangible asset, the difference between the net disposal proceeds and the carrying amount of the asset, is charged or credited to the profit and loss account.

2.7 Financial assets

The company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The company has not classified any of its financial assets as held to maturity.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2018
(continued)

2. Accounting policies (continued)**2.7 Financial assets (continued)**

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and - for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

2.8 Financial liabilities

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

Loans and borrowings - Subsequent to initial recognition, borrowings are measured at amortised cost using the effective interest method unless the cost of discounting is immaterial.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2018
(continued)

2. Accounting policies (continued)

2.9 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.

2.10 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.

2.11 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 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.

2.12 Cash and cash equivalents

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

2.13 Financial risk management

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: 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 the director under policies approved at the AGM. The director identifies and evaluates financial risks in close co-operation with the company's operating units. The director 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) Price risk

The Company has no significant exposure to the market risk, with respect to its operating income, as the company has entered a 10-year Bareboat charter with one of its owners. The revenue is based on internal financing costs and depreciation on asset value, the remaining contract period is seven years.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2018
(continued)

2. Accounting policies (continued)**2.13 Financial risk management (continued)***(ii) Cash flow and fair value interest rate risk*

The interest on the new financing is composed of a floating rate of EURIBOR plus a margin of 9.27% per annum (7.75% from October 2019). However, an increase in interest will increase the bareboat revenue, with the same amount, hence an interest increase does not have any effect on the company's earnings.

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

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

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 making full provisions for all investments held and hence profits or losses cannot be subjected to a sensitivity analysis that could shed any light on the effect of potential changes in market price.

(iii) Foreign exchange risk

Foreign exchange risk arises because the company has operations located in various parts of the world whose functional currency is not the same as the functional currency in which the company is operating. Foreign exchange risk also arises when the company enters into transactions denominated in a currency other than their functional currency.

Certain assets of the company comprise amounts denominated in foreign currencies. Similarly, the company has financial liabilities denominated in foreign currency. In general, the company seeks to maintain the financial assets and financial liabilities in each of the foreign currencies at a reasonably comparable level, thereby providing a natural hedge against foreign exchange risk.

(b) Credit risk

The company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the company is exposed to credit risk are:

- Cash and cash equivalents;
- Loans and receivables.

The company seeks to manage this risk by placing cash with quality financial institutions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2018
(continued)

2. Accounting policies (continued)

2.13 Financial risk management (continued)

(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.

The company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations.

The company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts.

All of the company's current financial liabilities at 31 December 2018 are due within 3 months from year-end since they are trade and other payables.

2.14 Capital management

The company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations.

The company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts.

2.15 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.

3. 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).

FSM HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2018
(continued)

4. Turnover

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Analysed as follows:				
Gross Gaming Revenue	1,813,580	1,104,384	-	-

5. Expenditure

Sales and promotion expenses

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Depreciation for the year	86,606	72,001	-	-
Leasing of equipment	125,691	130,445	-	-
Marketing services	133,435	52,574	-	-
Other sales and promotion	590,575	76,960	-	-
Technical support	108,546	99,737	-	-
Wages and salaries	266,584	103,842	-	-
	<u>1,311,437</u>	<u>535,559</u>	<u>-</u>	<u>-</u>

Administrative expenses

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Audit fee	25,190	2,710	3,540	1,180
Consultancy fees	86,970	81,915	-	-
Exchange difference	(2,095)	2,703	-	-
Other administrative expenses	94,739	33,456	10,054	3,491
	<u>204,804</u>	<u>120,784</u>	<u>13,594</u>	<u>4,671</u>
	<u>1,516,241</u>	<u>656,343</u>	<u>13,594</u>	<u>4,671</u>

FSM HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2018
(continued)

6. Staff cost and employees information

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Wages and salaries	266,584	103,842	-	-

During the year under review, the group employed on average 35 employees (2017: 23 employees).

7. Investment income

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Dividend from group undertakings	-	-	221,538	501,538
Impairment provision on investment	-	-	(82,172)	-
	-	-	139,366	501,538

8. Interest payable

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Bank interest payable	-	2	-	-

9. Interest receivable

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Bank interest receivable	68	55	-	-

FSM HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2018
(continued)

10. Taxation

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Current tax expense	78,795	98,374	77,539	175,076
Deferred tax expense	1,733	25,220	-	-
	<u>80,528</u>	<u>123,594</u>	<u>77,539</u>	<u>175,076</u>

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

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Profit before tax	330,154	571,522	158,519	620,295
Tax on profit at applicable rates	117,138	200,268	55,482	217,103
Tax effect of:				
Expenses not deductible for tax purpose	4,758	1,173	4,758	1,173
Income not subject to tax	(11,461)	(46,321)	(11,461)	(43,200)
Temporary difference not provided for	(29,907)	(31,526)	28,760	-
Tax charge	<u>80,528</u>	<u>123,594</u>	<u>77,539</u>	<u>175,076</u>

11. Dividends per share

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Dividends paid on ordinary shares	345,000	50,000	345,000	50,000
Dividends per share	<u>86.27</u>	<u>12.50</u>	<u>86.27</u>	<u>12.50</u>

FSM HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2018
(continued)

12. Property, plant and equipment - Group

	Computer hardware	Equipment software	Furniture and fittings	Machinery and equipment	Total
	€	€	€	€	€
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
Cost					
At 1 January 2018	3,636	30,475	25,085	558,248	617,444
Additions		3,500	28,927	86,883	119,310
At 31 December 2018	3,636	33,975	54,012	645,131	736,754
Depreciation					
At 1 January 2018	2,312	13,271	8,200	251,974	275,757
Charge for year	541	4,247	7,339	74,477	86,604
At 31 December 2018	2,853	17,518	15,539	326,451	362,361
Net book value					
At 31 December 2018	783	16,457	38,473	318,680	374,393
At 31 December 2017	1,324	17,204	16,885	306,274	341,687

FSM HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2018
(continued)

13. Financial assets

	Company	
	Shares in group undertakings	
	2018	2017
	€	€
Cost		
At 1 January	407,549	407,548
Addition	265,000	1
Provision for impairment losses	(82,172)	-
At 31 December	590,377	407,549

The group undertakings as at 31 December 2018 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%
Palyseas Cruises (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 22.

FSM HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2018
(continued)

14. Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Trade receivables	118,521	104,726	-	-
Amount due from the subsidiary	-	-	410,340	505,285
Amount due from related parties	49,923	49,923	-	-
Other receivables	190,479	286,863	188,607	285,428
Prepayments and accrued income	109,557	79,105	2,982	602
VAT recoverable	6,583	1,483	-	-
	<u>475,063</u>	<u>522,100</u>	<u>601,929</u>	<u>791,315</u>

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 (2017: €Nil) in the group financials.

15. Share capital

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
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
	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>
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
	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>

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.

FSM HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2018
(continued)

16. Share premium

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
At beginning and at end of year	366,693	336,693	336,693	336,693

17. Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Due within one year				
Trade payables	102,304	46,584	4,794	2,208
Accruals	157,186	38,870	8,701	3,872
Amounts owed to related parties	307,406	52,423	335,000	85,000
Other payables	10	10	-	-
	566,906	137,887	348,495	91,080

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

FSM HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2018
(continued)

18. Deferred taxation

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
At beginning of year	76,287	51,067	-	-
Debited to income statement	1,733	25,220	-	-
At end of year	78,020	76,287	-	-

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 35% (2017: 35%). The year end deferred tax balance is made up as follows:

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Net book value on tangible assets	77,905	76,704	-	-
Unrealised exchange differences	115	(417)	-	-
	78,020	76,287	-	-

19. Cash and cash equivalents

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

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Cash at bank and on vessels	827,453	528,625	-	46
Cash in hand	49,106	46,506	-	-
	876,559	575,131	-	46

FSM HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2018
(continued)

20. 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	
	2018	2017	2018	2017
	€	€	€	€
Due from subsidiary (note 14)	-	-	410,340	505,285
Due to related parties (note 17)	307,406	52,423	335,000	85,000

21. 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 its registered office.

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

22. 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 Irakliou number 385,
Municipality of N. Iraklio, Greece

23. Events after the reporting date

In 2019, the company has signed Draft Terms of Merger with the related company Hipo Holdings Limited, the latter entity will be dissolved in 2019. As a consequence of the amalgamation, the company will increase its authorised and issued share capital by 49,150 shares of €1 each.

On 6 March 2019, the company issued 1,250 shares of €200 each (nominal value of €1 and premium of €199) by conversion of the shareholder's loan into new ordinary shares.

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 24, which comprise the consolidated and stand-alone statements of financial position as at 31 December 2018, 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 2018, 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 regard.



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

Triq It Torri
Msida MSD 1824
Malta

24 April 2019

This report has been signed
for and on behalf of
BDO MALTA
by Sam Spiridonov (Partner)

FSM HOLDINGS LIMITED

DETAILED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 DECEMBER 2018

		Group		Company	
		2018	2017	2018	2017
Schedule		€	€	€	€
Turnover					
Marketing services		1,813,580	1,104,384	-	-
Other income		32,747	123,428	32,747	123,428
		<u>1,846,327</u>	<u>1,227,812</u>	<u>32,747</u>	<u>123,428</u>
Expenditure					
Sales and promotion	I	(1,311,437)	(535,559)	-	-
Administrative	II	(204,804)	(120,784)	(13,594)	(4,671)
Operating profit		<u>330,086</u>	<u>571,469</u>	<u>19,153</u>	<u>118,757</u>
Investment income	III	-	-	139,366	501,538
Interest payable	IV	-	(2)	-	-
Interest receivable	V	68	55	-	-
Operating profit for the year		<u><u>330,154</u></u>	<u><u>571,522</u></u>	<u><u>158,519</u></u>	<u><u>620,295</u></u>

FSM HOLDINGS LIMITED

ACCOUNTING SCHEDULES
for the year ended 31 DECEMBER 2018

I Sales and promotion expenses

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Advertising	38,064	197	-	-
Creative services	1,930	-	-	-
Depreciation for the year	86,606	72,001	-	-
Insurance	18,567	4,107	-	-
Leasing of equipment	125,691	130,445	-	-
Licenses of equipment	47,934	1,000	-	-
(Gain)/loss on disposal of fixed	-	(14,189)	-	-
Marketing services	133,435	52,574	-	-
Repairs and maintenance	23,238	17,577	-	-
Technical support	108,546	99,737	-	-
Transport cost	26,604	13,895	-	-
Travel and accomodation	48,764	17,411	-	-
Staff expenses	7,934	1,575	-	-
Wages and salaries	266,584	103,842	-	-
Other cost of sales	377,540	35,387	-	-
	<u>1,311,437</u>	<u>535,559</u>	<u>-</u>	<u>-</u>

II Administrative expenses

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Accountancy fee	34,207	3,550	4,248	-
Audit fee	25,190	2,710	3,540	1,180
Bank charges	4,612	1,801	46	41
Consultancy fees	86,970	81,915	-	-
Realised exchange difference	1,723	1,507	-	-
Unrealised exchange difference	(3,818)	1,196	-	-
Fines and penalties	2,802	-	20	-
Internet expenses	22	68	-	-
Legal and professional fees	33,181	18,139	5,268	2,978
Other administrative expenses	16,088	7,324	-	-
Postage and courier	329	81	29	-
Printing and stationery	1,081	309	-	59
Registration fee	630	280	140	140
Rent	912	545	303	273
Warranty and subscriptions	875	1,359	-	-
	<u>204,804</u>	<u>120,784</u>	<u>13,594</u>	<u>4,671</u>

FSM HOLDINGS LIMITED

ACCOUNTING SCHEDULES
for the year ended 31 DECEMBER 2018
(continued)

III Investment income / (loss)

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Dividend from group undertakings	-	-	221,538	501,538
Impairment provision on investment	-	-	(82,172)	-
	-	-	139,366	501,538

IV Interest payable

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Bank interest payable	-	2	-	-

V Interest receivable

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Bank interest receivable	68	55	-	-