

FCS ASSET MANAGEMENT LTD

Annual Report and Financial Statements

31 December 2020

CONTENTS

| | Pages |
|--|--------------|
| General information | 2 |
| Directors' report | 3 – 5 |
| Statement of profit or loss and other comprehensive income | 6 |
| Statement of financial position | 7 |
| Statement of changes in equity | 8 |
| Statement of cash flows | 9 |
| Notes to the financial statements | 10 – 38 |
| Independent auditors' report | |

FCS ASSET MANAGEMENT LTD

Annual Financial Statements for the year ended 31 December 2020

GENERAL INFORMATION

Registration

FCS Asset Management Ltd (the “Company”) was incorporated and registered in Malta on 28 October 2011, as a limited liability company under the Companies Act, Cap. 386 of the Laws of Malta. The Company’s registration number is C 54256.

Directors

Ms. Eliza Montebello (resigned on 6 March 2020)
Mr. Jaime Agurruza Fatosme
Mr. Daniel Alonso-Pulpon Nunez (resigned on 24 July 2020)
Mr. Matthew Camilleri (resigned on 31 March 2021)
Dr. Franklin Cachia (appointed on 7 April 2020 and resigned on 31 March 2021)
Mr. Neal Rossignaud (appointed on 1 April 2021)

Company secretary

Mr. Oscar Garcia Arroyo

Registered office

Beaumont Place, 40/2,
Main Street,
Balzan, BZN 1259,
Malta

Bankers

Bank of Valletta p.l.c.
58 Zachary Street
Valletta, VLT 1130
Malta

Banca March
Calle de Nunez de Balboa
70, Planta 2, 28006
Madrid

CBP Quilvest
BP 1106, L-1011 Luxembourg,
48, Rue Charles Mantel,
L-2134, Luxembourg

Auditors

Mazars Malta
32, Sovereign Building
Zaghfran Road,
Attard, ATD 9012
Malta

FCS ASSET MANAGEMENT LTD

Annual Financial Statements for the year ended 31 December 2020

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31 December 2020.

Principal activity

The Company's principal activity is the provision of fund management services as well as fund administration services, in terms of the Investment Services Act, 1994. The Company also generates revenue from the ancillary services of private client management, investment advice and financial consultancy.

The Company holds a Category 2 License and qualifies as an 'Undertakings for Collective Investments in Transferable Securities' Management Company' pursuant to Directive 2009/65/EC and as an 'Alternative Investment Fund Manager' pursuant to Directive 2011/61/EU. The Company is also recognized pursuant to Section 9A of the Investment Services Act, 1994 to provide fund administration services

Results and dividends

The results for the year are set out in the statement of profit and loss and other comprehensive income on page 6. There were no dividends declared during 2020 and 2019. The movements in reserves are set out on the Statement of Changes in Equity on page 8.

Review of the business

The Company generated a profit before tax for the year ended 31 December 2020 of EUR 45,927 (2019: EUR 54,674). The financial position of the Company, as disclosed in the Statement of Financial Position remains satisfactory; however, the directors expect the general level of operating activity will continue to improve in the foreseeable future.

Principle risks and uncertainties

There are a number of risks that could potentially impact the activities of the Company which include, but are not limited to the following: credit risk, liquidity risk, currency risk, compliance / legislative risk, money laundering risks, administrative risks, etc.

The Company's objective in managing such risks is the creation of shareholders' value. In order to manage and mitigate such risks, the Company employs a number of risk management and compliance tools in its day-to-day operations. These include:

- Policies and procedures designed to reduce administrative risks and money laundering risks;
- Detailed Risk Management Policies;
- A Compliance Monitoring Programme including testing to assess efficacy of adopted policies and procedures;
- Rigorous checking and approval processes for all transactions / decisions.

Financial key performance indicators

The Company measures the achievement of its objectives by assessing various Key Performance Indicators ("KPIs") that illustrate the financial reality of the Company and also help understand how the Company is performing. KPIs act as good tools for the Board to determine whether the strategic targets are being achieved.

Two of the most important performance indicators used by the Board are the Gross Profit Margin and Net Profit Margins. For this financial year the Gross Profit Margin was 69.07% (2019: 60.11%), whilst the Net Profit Margin was 1.8% (2019: 2.78%). The main reason for the increase in the Gross Profit Margin for the year was due to a decrease in the average % of direct costs involved in generating revenue during the year. The Net Profit Margin has remained in line with the previous years' performance.

DIRECTORS' REPORT (CONTINUED)

Financial key performance indicators (continued)

The current ratio is used to measure the Company's ability to meet its short term obligations, by measuring the Company's current assets to its current liabilities and expresses this in a ratio. This year's current ratio was 1.73 (2019: 1.25), showing that the Company has enough resources to meet its short-term obligations.

Finally, by measuring the level of earnings that the Company can generate from equity, the Return on Equity (ROE) ratio is used to determine the efficiency in generating profit and the ROE for this financial year was 5.64% (2019: 13.52%).

The Board does not currently refer to non-financial KPIs, however the assessment of non-financial performance and the associated risk management is overseen as part of the Board's risk assessment and management framework.

Financial Risk Management and exposure

Note 26 to the financial statements provides details in connection with the Company's financial risk management objectives and policies and the financial risks to which it is exposed.

Directors

During the year ended 31 December 2020, the directors were as listed on page 2.

In accordance with the Company's Memorandum and Articles of Association, the present directors remain in office.

Statement of Director's responsibilities

The Companies Act, Cap. 386 of the Laws of Malta requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that year.

The directors are responsible for ensuring that:

- appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates;
- the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the European Union;
- the financial statements are prepared on the basis that the Company must be presumed to be carrying on its business as a going concern; and
- account has been taken of income and charges relating to the accounting period, irrespective of the date of receipt or payment.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act, Cap. 386 of the Laws of Malta. They 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.

Compliance with Standard License Conditions

In accordance with Standard License Conditions ("SLCs") 5.25 of Part BII and SLC 6.34 of Part BIII of the Investment Services Rules for Investment Services License Holders which qualify as UCITS Management Companies and AIFMs respectively and Investment Services Rules for Recognised Persons issued by the MFSA, we report that during the reporting period, there were no breaches of SLCs or other regulatory requirements that were subject to an administrative penalty or other regulatory sanctions imposed by the MFSA.

FCS ASSET MANAGEMENT LTD
Annual Financial Statements for the year ended 31 December 2020

DIRECTORS' REPORT (CONTINUED)

Subsequent events

As indicated on page 2, Mr. Matthew Camilleri and Dr. Franklin Cachia resigned from their post as directors effective from 31 March 2021. Mr. Neal Rossignaud was also appointed as director of the Company effective from 1 April 2021.

Auditors

Mazars Malta, have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

The Directors' Report was approved by the Board of Directors and was signed on its behalf by:



MR. JAIME AGURRUZA FATOSME
DIRECTOR



MR. NEAL ROSSIGNAUD
DIRECTOR

29 April 2021

FCS ASSET MANAGEMENT LTD
Annual Financial Statements for the year ended 31 December 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2020

| | Notes | 2020 EUR | 2019 EUR |
|--|-------|------------------|-------------|
| Revenue | 4 | 1,326,650 | 1,943,677 |
| Direct costs | 5 | (410,313) | (775,423) |
| Gross profit | | 916,337 | 1,168,254 |
| Administrative expenses | 6 | (965,463) | (1,148,556) |
| Net impairment losses on financial assets | | (13,733) | (31,369) |
| Waiver of amounts payable | | 100,000 | 30,000 |
| Other income | | 10,276 | 44,677 |
| Operating profit | | 47,417 | 63,006 |
| Finance income | 8 | 721 | 23 |
| Finance costs | 9 | (2,211) | (8,355) |
| Provision for impairment on investment in subsidiary | | - | 12,500 |
| Write-off of investment in subsidiary | | - | (12,500) |
| Profit before tax | | 45,927 | 54,674 |
| Income tax expense | 10 | (21,995) | (561) |
| Profit for the year | | 23,932 | 54,113 |
| Total comprehensive for the year, net of tax: | | | |
| Other comprehensive income, net of tax | | - | - |
| Total comprehensive income for the year | | 23,932 | 54,113 |

The accounting policies and explanatory notes on pages 10 to 38 form an integral part of the financial statements.

FCS ASSET MANAGEMENT LTD
Annual Financial Statements for the year ended 31 December 2020

STATEMENT OF FINANCIAL POSITION
as at 31 December 2020

| | Notes | 2020 EUR | 2019 EUR |
|-------------------------------------|-------|----------------|------------------|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | 11 | 1,553 | 2,791 |
| Property and equipment | 12 | 26,282 | 25,935 |
| Right-of-use assets | 22 | - | 228,422 |
| Investment in subsidiaries | 13 | 12,000 | 12,000 |
| Financial assets | 14 | 3 | 60,993 |
| | | 39,838 | 330,141 |
| Current assets | | | |
| Trade and other receivables | 15 | 792,524 | 697,426 |
| Cash and cash equivalents | 16 | 118,334 | 319,277 |
| | | 910,858 | 1,016,703 |
| Total assets | | 950,696 | 1,346,844 |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 17 | 125,000 | 125,000 |
| Capital contribution reserve | 18 | 44,702 | 44,702 |
| Investor compensation scheme | 19 | 1,944 | 1,944 |
| Retained earnings | | 252,612 | 228,680 |
| Total equity | | 424,258 | 400,326 |
| Non-current liabilities | | | |
| Lease liabilities | 22 | - | 131,698 |
| Current liabilities | | | |
| Bank overdraft | 16 | - | 821 |
| Borrowings | 20 | 130,000 | - |
| Trade and other payables | 21 | 379,892 | 695,681 |
| Lease liabilities | 22 | - | 83,824 |
| Income tax payable | | 16,546 | 34,494 |
| | | 526,438 | 814,820 |
| Total liabilities | | 526,438 | 946,518 |
| Total equity and liabilities | | 950,696 | 1,346,844 |

The accounting policies and explanatory notes on pages 10 to 38 form an integral part of the financial statements.

The financial statements on pages 6 to 38 have been authorised for issue by the Board of Directors, and were signed on its behalf on 29 April 2021:

MR. JAIME AGURRUZA FATOSME
DIRECTOR

MR. NEAL ROSSIGNAUD
DIRECTOR

FCS ASSET MANAGEMENT LTD
Annual Financial Statements for the year ended 31 December 2020

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020

| | Share capital EUR | Capital contribution reserve EUR | Investor compensation scheme reserve EUR | Retained earnings EUR | Total EUR |
|--|-------------------------|---|---|-----------------------------|----------------|
| As at 1 January 2019 | 125,000 | 44,702 | - | 180,947 | 350,649 |
| <i>Changes in equity for 2019</i> | | | | | |
| Change in accounting policy (note 24) | - | - | - | (4,436) | (4,436) |
| Increase in investor compensation scheme reserve | - | - | 1,944 | (1,944) | - |
| Total comprehensive income for the year | - | - | - | 54,113 | 54,113 |
| As at 31 December 2019 | 125,000 | 44,702 | 1,944 | 228,680 | 400,326 |
| <i>Changes in equity for 2020</i> | | | | | |
| Total comprehensive income for the year | - | - | - | 23,932 | 23,932 |
| As at 31 December 2020 | 125,000 | 44,702 | 1,944 | 252,612 | 424,258 |

The accounting policies and explanatory notes on pages 10 to 38 form an integral part of the financial statements.

FCS ASSET MANAGEMENT LTD
Annual Financial Statements for the year ended 31 December 2020

STATEMENT OF CASH FLOWS
for the year ended 31 December 2020

| | Note | 2020 EUR | 2019 EUR |
|---|------|-------------|-------------|
| Cash flows from operating activities | | | |
| Profit before taxation | | 45,927 | 54,674 |
| Depreciation and amortisation | | 54,105 | 107,307 |
| Investment income | | (721) | (23) |
| Finance costs | | 2,211 | 8,355 |
| Provision for impairment | | - | (12,500) |
| Write-off of investment in subsidiary | | - | 12,500 |
| Re-assessment of right-of-use asset and lease liability | | 2,703 | - |
| Net impairment losses on financial assets | | 13,733 | 31,369 |
| Movement in working capital: | | | |
| Movement in trade and other receivables | | (57,516) | (263,976) |
| Movement in trade and other payables | | (272,800) | 494,025 |
| Cash (used in)/generated from operations | | (212,358) | 431,731 |
| Investment income | | 721 | 23 |
| Finance costs | | (176) | - |
| Tax paid | | (39,943) | (7,513) |
| <i>Net cash (used in)/generated from operating activities</i> | | (251,756) | 424,241 |
| Cash flow from investing activity | | | |
| Purchase of intangible fixed assets | | - | (1,255) |
| Purchase of property and equipment | | (4,733) | - |
| <i>Net cash used in investing activity</i> | | (4,733) | (1,255) |
| Cash flows from financing activities | | | |
| Movements in amounts due/from related parties | | (22,142) | (22,694) |
| Movement in loan due to director | | 130,000 | - |
| Rent paid | | (51,491) | (117,484) |
| <i>Net cash generated/(used in) from financing activities</i> | | 56,367 | (140,178) |
| Net movement in cash and cash equivalents | | (200,122) | 282,808 |
| Cash and cash equivalents at the beginning of the year | | 318,456 | 35,648 |
| Cash and cash equivalents at the end of the year | 16 | 118,334 | 318,456 |

The accounting policies and explanatory notes on pages 10 to 38 form an integral part of the financial statements.

FCS ASSET MANAGEMENT LTD

Annual Financial Statements for the year ended 31 December 2020

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

FCS Asset Management Ltd (the “Company”) was incorporated on 28 October 2011 as a limited liability company under the terms of the Companies Act, Cap. 386 of the Laws of Malta.

On 28 October 2011, further to an application made to the MFSA, FCS Asset Management Ltd was granted a Category 2 Licence, authorising to act as a Maltese Management Company and to provide any Investment Service, and to hold or control Clients’ Money or Customers’ Assets, but not to deal for their own account or underwrite.

On 10 March 2014, the Company has also been granted a recognised certificate by the Malta Financial Services Authority pursuant to Section 9A of the Investment Services Act, Cap 370 of the Laws of Malta to provide Fund Administration services.

On the 4 June 2014, the MFSA granted an extension to Company’s license so that it can provide Investment Advisory Services for Professional Clients and Eligible Counterparties. This license was then superseded when the Company qualified as an Alternative Investment Fund Manager pursuant to Directive 2011/61/EU in addition to its UCITS Management Company License.

Principal activities

The principal activities of the Company are to provide investment management services to professional investor funds and retail collective investment schemes, fund administration services and to carry out any activities as ancillary to the above as necessary. The following table provides an overview of the size and composition of the funds managed by the Company as at 31 December 2020. The table below shows the split between the total number of AIFs, Undertakings for the Collective Investment of Transferable Securities (“UCITS”) and other funds managed by the Company.

| | Number of sub- funds | AUM EUR | % of AUM |
|--------------|-------------------------------------|--------------------|---------------------|
| AIFs | 4 | 28,672,925 | 44.37 |
| UCITS | 4 | 16,127,155 | 24.96 |
| Other | 2 | 19,823,370 | 30.67 |
| Total | 10 | 64,623,450 | 100.00 |

2. BASIS OF PREPARATION

2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These financial statements have been prepared under the historical cost convention, except for certain financial instruments, which are stated at their fair values. These financial statements are in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and comply with the Companies Act, Cap. 386 of the Laws of Malta. The financial statements have also been prepared on a going concern basis.

The financial statements of the Company are presented in its functional currency, the Euro.

FCS ASSET MANAGEMENT LTD
Annual Financial Statements for the year ended 31 December 2020

2. BASIS OF PREPARATION (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment. The Company's property and equipment consist of computer equipment and furniture, as well as other property held in Spain.

Property and equipment are initially measured at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Property and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in the profit or loss in the period of derecognition.

Depreciation

Depreciation commences when the depreciable assets are available for use and is charged to profit or loss so as to write off the cost, less any estimated residual value, over their estimated useful lives, using the straight-line method, on the following basis:

| | | |
|--------------------|---|--|
| Computer equipment | - | 25% per annum |
| Furniture | - | 25% per annum |
| Other property | - | By equal annual instalments over the remaining term of the lease |

The depreciation method applied, the residual value and the useful life are reviewed, and adjusted if appropriate, at each financial position date.

Intangible assets

Intangible assets include website development that has a definite useful life and is measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are recognised only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost can be measured reliably. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset.

Amortisation is calculated to write down the carrying amount of the intangible asset using the straight-line method over its expected useful life. Amortisation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) or the date that the asset is derecognised.

Amortisation method, useful life, and residual value

The amortisation of computer software is based on a useful life of 4 years and is charged to profit or loss.

The amortisation method applied, the residual value and the useful life are reviewed on a regular basis and when necessary, revised with the effect of any changes in estimate being accounted for prospectively.

2. BASIS OF PREPARATION (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Intangible assets (continued)

Derecognition of intangible assets

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains and losses arising from derecognition represent the difference between the net proceeds (if any) and the carrying amount and are included in profit or loss in the period of derecognition.

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

Financial assets and financial liabilities are offset, and the net amount presented in the balance sheet when the company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset, and the transfer qualifies for derecognition.

Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled, or expires.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

(i) Trade and other receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds trade receivables with the objective to collect the contractual cash flows and therefore measure them subsequently at amortised cost using the effective interest method. Details about the Company's impairment policies and the calculation of the loss allowance are provided in note 26.

(ii) Trade and other payables

These amounts represent liabilities for services provided to the Company prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless the payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(iii) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest method. Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability that has been transferred to another party and the consideration paid is recognised in profit or loss as other income or finance costs.

FCS ASSET MANAGEMENT LTD

Annual Financial Statements for the year ended 31 December 2020

2. BASIS OF PREPARATION (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

- (iv) Shares issued by the company

Ordinary shares issued by the company are classified as equity instruments.

Investment in subsidiaries

A subsidiary is an entity that is controlled by the company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Investments are accounted for on the basis of direct equity interest and are stated at cost less any accumulated impairment losses. Income from the investment is recognised only to the extent of the distributions received by the company from post-acquisition profits. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment.

Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- Those to be measured at amortised cost

The classification depends on the entity's business mode for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity investments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

The Company classifies the following financial assets at fair value through profit or loss (FVPL):

- Debt investments that do not qualify for measurement at either amortised cost or FVOCI
- Equity investments that are held for trading, and
- Equity investments for which the entity has not elected to recognise fair value gains and losses through OCI

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

2. BASIS OF PREPARATION (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

The Company assess, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The impairment provisions of IFRS 9 resulted in a provision for expected credit losses on trade receivables, accrued income, and other receivables of EUR 53,963 (2019: EUR 40,230), however, the impact on amounts due from related parties was not considered to be material.

As cash at bank balances are demand deposits, a 1-day probability of default has been applied, based on the respective external ratings of the counterparty banks. Currently the Company holds its cash at bank balances with reputable and investment grade rated banking institutions (31 December: BBB by Fitch and A3 by Moody's). The estimated 12 month expected credit losses in terms of IFRS 9 were not considered to be material.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of value added tax and discounts, where applicable. The following specific recognition criteria must also be met before revenue is recognised:

- (i) Investment management services, performance fees and fund administration services

Revenue from the provision of services is recognised in the period in which the services are rendered, by reference to the completion of the specific transaction assessed on the basis of the actual services provided as a proportion of the total services to be provided.

FCS ASSET MANAGEMENT LTD

Annual Financial Statements for the year ended 31 December 2020

2. BASIS OF PREPARATION (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

(ii) Interest income

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the assets' net carrying amount.

Cost and expenses

Expenses are generally recognised when the services are used, or the expenses arise. These are incurred in the direction and general administration of the day-to-day operation of the Company.

Employee benefits

The Company contributes towards the state pension in accordance with local legislation. The only obligation of the Company is to make the required contributions. Costs are expensed in the period in which they are incurred.

Taxation

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

The charge for current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non-assessable or disallowed and it further excludes items that are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the financial position date.

Deferred tax is accounted for using the statement of financial position liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets, including deferred tax assets for the carry forward of unused tax losses and unused tax credits, are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither accounting profit nor taxable profit.

The carrying amount of deferred tax assets is reviewed at each financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the financial position date.

Deferred tax assets and liabilities are offset when the company has a legally enforceable right to settle its current tax assets and liabilities on a net basis.

2. BASIS OF PREPARATION (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Currency translation

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

Transactions in foreign currencies are initially recorded at the functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Leases

At the inception of a contract, the company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in IFRS 16.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability include fixed payments, variable lease payments that depend on an index or a rate and lease payments in an optional renewal period that the company is reasonably certain to exercise an extension option

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, or if the company changes its assessment of whether it will exercise an extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

FCS ASSET MANAGEMENT LTD

Annual Financial Statements for the year ended 31 December 2020

2. BASIS OF PREPARATION (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases of property are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Related parties

Related parties are defined as related if one party empowers another to exercise the control or significant influence over the other party in making financial and operating decisions.

Related parties to the Company are defined as shareholders, employees, members of the management board, their close relatives, and companies that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the company except if it is impossible for one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank and in hand. Bank overdrafts that are repayable on demand and form part of an integral party of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows and are presented in current liabilities in the statement of financial position.

2.3 INITIAL APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2020:

- Amendments to References to the Conceptual Framework in IFRS Standards – *effective 1 January 2020*

The revised *Conceptual Framework* includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance—in particular the definition of an asset and a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The application of these amendments did not have a material effect on the company's financial statements.

FCS ASSET MANAGEMENT LTD

Annual Financial Statements for the year ended 31 December 2020

2. BASIS OF PREPARATION (CONTINUED)

2.3 INITIAL APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

- Amendments to IAS 1 and IAS 8 Definition of Material - *effective 1 January 2020*

In October 2018, the IASB issued amendments to IAS 1 Financial Statement Presentation and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to clarify the definition of 'material' in the context of applying IFRS. As the concept of what is and is not material is crucial in preparing financial statements in accordance with IFRS, a change in the definition may fundamentally affect how preparers make judgments in preparing financial statements.

These amendments are a component of the IASB's 'Disclosure Initiative' project, which is intended to simplify financial statements and increase their usability.

The new definition changes the "bar" at which the definition is applied. The previous definition used the term "could" in the context of whether users are potentially affected, which has been interpreted broadly. The revised definition adjusts this to use the terminology "could reasonably be expected", which adds the element of reasonability, rather than any potential effect on users.

The revised definition also narrows the definition of those who may be affected from the previous term of "users" to "primary users", which further narrows the view of what may be material in a given circumstance.

Finally, the revised definition adds the concept that obscuring information may also be relevant in determining whether an element is material to primary users. For example, disclosure of a significant subsequent event would generally receive more prominence in the order in which it is presented in financial statements than insignificant disclosures.

The application of these amendments did not have a material effect on the company's financial statements.

- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform- *effective 1 January 2020*

The IASB has issued amendments to IFRS 9, IAS 39 and IFRS 7 that provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

The amendment requires disclosure of the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process.

The application of these amendments did not have a material effect on the company's financial statements.

FCS ASSET MANAGEMENT LTD

Annual Financial Statements for the year ended 31 December 2020

2. BASIS OF PREPARATION (CONTINUED)

2.3 INITIAL APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

- Amendments to IFRS 3 Business Combinations – *effective 1 January 2020*

In October 2018, the International Accounting Standards Board (IASB or Board) issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business.

The amendments: clarify the minimum requirements for a business; remove the assessment of whether market participants are capable of replacing any missing elements; add guidance to help entities assess whether an acquired process is substantive; narrow the definitions of a business and of outputs; and introduce an optional fair value concentration test. The Board also added examples to illustrate the application of the guidance in IFRS 3 on the definition of a business.

The application of these amendments did not have a material effect on the company's financial statements.

- Amendment to IFRS 16 Leases COVID-19 - Related Rent Concessions (issued on 28 May 2020) – *effective 1 June 2020*

The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession.

The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021; and
- no other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose:

- that fact, if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and
- the amount recognised in profit or loss for the reporting period arising from application of the practical expedient.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

The amendment is effective for annual reporting periods beginning on or after 1 June 2020 with earlier application being permitted in order to allow application of the relief as soon as possible.

The application of these amendments did not have a material effect on the company's financial statements.

FCS ASSET MANAGEMENT LTD

Annual Financial Statements for the year ended 31 December 2020

2. BASIS OF PREPARATION (CONTINUED)

2.3 INITIAL APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Standards, interpretations, and amendments to published standards as adopted by the EU in issue but not yet effective for financial periods beginning on 1 January 2020:

There are no standards, interpretations, and amendments to published standards as adopted by the EU that are not yet effective for financial periods beginning on 1 January 2020 that will have a material impact on the financial statements of the company.

Standards, interpretations, and amendments issued by the International Accounting Standards Board (IASB) but not yet adopted by the European Union:

- IFRS 17 - Insurance Contracts
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date
- Amendments to
 - IFRS 3 Business Combinations;
 - IAS 16 Property, Plant and Equipment;
 - IAS 37 Provisions, Contingent Liabilities and Contingent Assets
 - Annual Improvements 2018-2020
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

The Directors are assessing 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.

3. JUDGMENT IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of affecting the reported amount of assets and liabilities within the next financial year are discussed below.

Leases

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an option. Extension options are only included if the lease term is reasonably certain to be extended.

As at 31 December 2020, potential cash outflows of EUR 28,800 (undiscounted) have not been included in the lease liability because it is not reasonably certain that the lease will be extended.

The lease term is reassessed if an option is actually exercised, or the company becomes obliged to exercise it. The assessment or reasonable certainty is only revised if a significant event or significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

FCS ASSET MANAGEMENT LTD
Annual Financial Statements for the year ended 31 December 2020

**3. JUDGMENT IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION
 UNCERTAINTY (CONTINUED)**

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 26.

4. REVENUE

| | 2020 | 2019 |
|---|------------------|-----------|
| | EUR | EUR |
| Management and performance fees (i) | 670,169 | 961,474 |
| Administration fees (ii) | 55,023 | 76,715 |
| Professional services and disbursements (iii) | 601,458 | 905,488 |
| | 1,326,650 | 1,943,677 |

(i) *Management and performance fees*

The managed funds pay the Company a monthly management fee calculated at rate between 0.04% and 3% (2019: 0.04% and 3%) per annum of the net asset value of the fund.

The Company is also entitled to receive a performance fee on the appreciation of the net asset value of the fund and is charged annually. No performance fees were received during 2020 (2019: EUR 28,525).

(ii) *Administration fee*

Two funds administered by the Company pay a monthly administration fee subject of 0.02% and 0.06% (2019: 0.02% and 0.08%) of the Net Asset Value of the fund per annum, subject to minimum fees of between EUR 1,250 and EUR 3,000 (2019: EUR 1,250 and EUR 3,000) per month.

(iii) *Professional services and disbursements*

Revenue from professional services is mainly generated from advisory and support services provided to related parties.

FCS ASSET MANAGEMENT LTD
Annual Financial Statements for the year ended 31 December 2020

5. DIRECT COSTS

| | 2020 EUR | 2019 EUR |
|-------------------------|----------------|----------------|
| Introducer fees (i) | 197,801 | 463,159 |
| Administration fees (i) | 36,376 | 169,215 |
| Other direct costs | 176,136 | 143,049 |
| | 410,313 | 775,423 |

(i) *Direct costs*

The Company has appointed third party service providers to provide marketing, research, administrative and advisory services to the Company. Such services entitle them to introducers fees and advisory fees. Fees paid by the Company during the year ended 31 December 2020 amounted to EUR 410,313 (2019: EUR 775,423). Introducer fees paid to directors and other related parties during the year ended 31 December 2020 amounted to EUR 14,611 (2019: EUR 25,771). Introducer fees paid to an employee during the year ended 31 December 2020 amounted to EUR 10,000.

6. ADMINISTRATIVE EXPENSES

The profit before tax is stated after charging:

| | 2020 EUR | 2019 EUR |
|--|----------------|------------------|
| Accounting fees | 27,480 | 38,195 |
| Audit fee | 10,000 | 10,000 |
| Bad debts written-off | - | 94,542 |
| Computer related expenses | 114,132 | 119,304 |
| Depreciation and amortisation | 54,105 | 107,307 |
| Directors remuneration (note 7) | 50,473 | 145,005 |
| Insurance | 18,593 | 16,932 |
| Legal and professional fees | 195,764 | 143,517 |
| Re-assessment of right-of-use assets and lease liabilities | 2,703 | - |
| Rent | 7,800 | - |
| Salaries and wages (note 7) | 421,917 | 401,416 |
| VAT expense absorbed | 24,824 | 14,001 |
| Other expenses | 37,672 | 58,337 |
| | 965,463 | 1,148,556 |

FCS ASSET MANAGEMENT LTD
Annual Financial Statements for the year ended 31 December 2020

7. STAFF COSTS

| | 2020 EUR | 2019 EUR |
|----------------------------------|-------------|-------------|
| Total staff costs | | |
| Directors' remuneration | 50,473 | 145,005 |
| Salaries | 358,924 | 316,172 |
| Other staff benefits | 10,474 | 11,344 |
| National insurance contributions | 52,519 | 73,900 |
| | 472,390 | 546,421 |
| | 472,390 | 546,421 |

The average number of persons employed by the Company during the year was 9 (2019: 12).

| | 2020 Number | 2019 Number |
|--------------------------|----------------|----------------|
| Key management personnel | 2 | 4 |
| Administration | 7 | 8 |
| | 9 | 12 |
| | 9 | 12 |

Given that the Company operates branches in Luxembourg and Spain, the staff costs have been split accordingly:

| | 2020 EUR | 2019 EUR |
|------------|-------------|-------------|
| Malta | 311,615 | 373,997 |
| Spain | 112,312 | 136,845 |
| Luxembourg | 48,463 | 35,579 |
| | 472,390 | 546,421 |
| | 472,390 | 546,421 |

| | 2020 EUR | 2019 EUR |
|---------------------------------------|-------------|-------------|
| Staff costs reported under FSS | | |
| Directors' remuneration | 34,147 | 116,496 |
| Salaries | 262,602 | 239,575 |
| National insurance contributions | 14,866 | 17,926 |
| | 311,615 | 373,997 |
| | 311,615 | 373,997 |

8. FINANCE INCOME

| | 2020 EUR | 2019 EUR |
|-----------------|-------------|-------------|
| Interest income | 721 | 23 |
| | 721 | 23 |
| | 721 | 23 |

FCS ASSET MANAGEMENT LTD
Annual Financial Statements for the year ended 31 December 2020

9. FINANCE COSTS

| | 2020 EUR | 2019 EUR |
|---|--------------|--------------|
| Finance charges payable for lease liabilities | 2,035 | 8,355 |
| Bank interest paid | 176 | - |
| | <u>2,211</u> | <u>8,355</u> |

10. INCOME TAX EXPENSE

| | 2020 EUR | 2019 EUR |
|-------------|-----------------|--------------|
| Current tax | <u>(21,995)</u> | <u>(561)</u> |

The tax on the Company's profit before tax is equal to the theoretical tax expense that would arise using the applicable tax rate in Malta of 35%. The tax charge is comprised of the following:

| | 2020 EUR | 2019 EUR |
|--|-----------------|-----------------|
| Profit before tax | <u>45,927</u> | <u>54,674</u> |
| Tax at the applicable rate of 35% | <u>(16,074)</u> | <u>(19,136)</u> |
| <i>Tax effect of:</i> | | |
| Deferred tax not recognised in the current year | (5,193) | (4,196) |
| Over-provision of prior periods tax charge | - | 7,683 |
| Over-provision of prior year tax charge due to eventual claiming of group tax losses | - | 15,357 |
| Non-allowable expenses | (456) | - |
| Non-temporary differences | (271) | (271) |
| Other differences | (1) | 2 |
| Tax charge | <u>(21,995)</u> | <u>(561)</u> |

At 31 December 2020, the Company has unrecognised deferred tax assets amounting to EUR 19,759 (2019: EUR 14,566) arising from temporary differences on non-current assets and provisions for expected credit losses on trade receivables.

FCS ASSET MANAGEMENT LTD
Annual Financial Statements for the year ended 31 December 2020

11. INTANGIBLE ASSETS

| | Website EUR |
|---------------------------------|------------------------|
| Cost | |
| At 1 January 2019 | 3,700 |
| Additions | 1,255 |
| | <hr/> |
| At 31 December 2019 | 4,955 |
| Additions | - |
| | <hr/> |
| At 31 December 2020 | 4,955 |
| | <hr/> <hr/> |
| Accumulated amortisation | |
| At 1 January 2019 | 925 |
| Charge for the year | 1,239 |
| | <hr/> |
| At 31 December 2019 | 2,164 |
| Charge for the year | 1,238 |
| | <hr/> |
| At 31 December 2020 | 3,402 |
| | <hr/> <hr/> |
| Carrying amount | |
| At 31 December 2020 | 1,553 |
| | <hr/> <hr/> |
| At 31 December 2019 | 2,791 |
| | <hr/> <hr/> |

FCS ASSET MANAGEMENT LTD
Annual Financial Statements for the year ended 31 December 2020

12. PROPERTY AND EQUIPMENT

| | Computer equipment EUR | Furniture & fittings EUR | Other property EUR | Total EUR |
|---|------------------------------|--------------------------------|--------------------------|---------------|
| Cost | | | | |
| At 1 January 2019 and 31 December 2019 | 21,306 | 7,212 | 24,000 | 52,518 |
| Additions | 4,733 | - | - | 4,733 |
| At 31 December 2020 | 26,039 | 7,212 | 24,000 | 57,251 |
| Accumulated depreciation | | | | |
| At 1 January 2019 | 14,720 | 7,212 | 1,549 | 23,481 |
| Charge for the year | 2,328 | - | 774 | 3,102 |
| At 31 December 2019 | 17,048 | 7,212 | 2,323 | 26,583 |
| Charge for the year | 3,611 | - | 775 | 4,386 |
| At 31 December 2020 | 20,659 | 7,212 | 3,098 | 30,969 |
| Carrying amount | | | | |
| At 31 December 2020 | 5,380 | - | 20,902 | 26,282 |
| At 31 December 2019 | 4,258 | - | 21,677 | 25,935 |

13. INVESTMENT IN SUBSIDIARIES

| | EUR |
|---|---------------|
| Cost | |
| At 1 January 2019 | 24,500 |
| Disposal | (12,500) |
| At 31 December 2019 and 31 December 2020 | 12,000 |
| Impairment | |
| At 1 January 2019 | 12,500 |
| Reversal of impairment on disposal | (12,500) |
| At 31 December 2019 and 31 December 2020 | - |
| Carrying amount | |
| At 31 December 2020 | 12,000 |
| At 31 December 2019 | 12,000 |

FCS ASSET MANAGEMENT LTD
Annual Financial Statements for the year ended 31 December 2020

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

| | Shareholding % | | Country of Incorporation |
|--------------------------|----------------|------|--------------------------|
| | 2020 | 2019 | |
| FCS General Partner SARL | 100% | 100% | Luxembourg |

14. FINANCIAL ASSETS

The Company holds the following financial assets:

| Financial assets at fair value through profit or loss (FVPL) | 2020 EUR | 2019 EUR |
|---|---------------------|---------------------|
| As at 1 January | 60,993 | 60,993 |
| Disposals | (60,990) | - |
| As at 31 December | 3 | 60,993 |

The Company's exposure to various risks associated with the financial assets is discussed in note 26. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

15. TRADE AND OTHER RECEIVABLES

| | 2020 EUR | 2019 EUR |
|--|---------------------|---------------------|
| Trade receivables | 17,991 | 152,495 |
| Trade receivables from related parties | 482,772 | 460,756 |
| Accrued income | 137,864 | 7,764 |
| Prepayments | 13,936 | 19,882 |
| Amounts due from parent | 41,436 | 31,294 |
| Amounts due from related parties | 30,000 | - |
| Other taxation | - | 15,749 |
| Other receivables | 68,525 | 9,486 |
| | 792,524 | 697,426 |

Trade receivables are non-interest bearing and normally on 30-60 day terms. These are stated net of provision for expected credit losses of EUR 48,406 (2019: EUR 40,152). Accrued income and other receivables are stated net of provision for expected credit losses of EUR 5,557 (2019: EUR 78).

Amounts due from directors, parent company and other related parties are unsecured, interest free and repayable on demand.

FCS ASSET MANAGEMENT LTD
Annual Financial Statements for the year ended 31 December 2020

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December, the ageing analysis of trade receivables and receivables from related parties is as follows:

| | Total EUR | Current EUR | 30-90 days EUR | 90-180 days EUR | 180+ days EUR |
|-----------------------|----------------------|------------------------|-------------------------------|--------------------------------|------------------------------|
| 2020 | | | | | |
| Gross carrying amount | 549,169 | 37,130 | 52,728 | 33,019 | 426,292 |
| Loss allowance | (48,406) | (267) | (2,507) | (948) | (44,684) |
| | 500,763 | 36,863 | 50,221 | 32,071 | 381,608 |
| 2019 | | | | | |
| Gross carrying amount | 653,403 | 265,077 | 84,355 | 41,274 | 262,697 |
| Loss allowance | (40,152) | (5,316) | (2,252) | (4,548) | (28,036) |
| | 613,251 | 259,761 | 82,103 | 36,726 | 234,661 |

16. CASH AND CASH EQUIVALENTS

| | 2020 EUR | 2019 EUR |
|----------------|---------------------|---------------------|
| Cash at banks | 118,298 | 319,240 |
| Cash on hand | 36 | 37 |
| | 118,334 | 319,277 |
| Bank overdraft | - | (821) |
| | 118,334 | 318,456 |

The Company has pledged balances amounting to EUR15,000 (2019: EUR9,000) on which not material losses are expected to arise. Cash at bank also include blocked funds amounting to EUR6,000 (2019: EUR6,000) as security against overdraft/credit facilities.

17. SHARE CAPITAL

| | 2020 EUR | 2019 EUR |
|---|---------------------|---------------------|
| Authorised | | |
| 250,000 ordinary shares of EUR1.00 each | 250,000 | 250,000 |
| Issued and fully paid | | |
| 125,000 ordinary shares of EUR1.00 each | 125,000 | 125,000 |

FCS ASSET MANAGEMENT LTD
Annual Financial Statements for the year ended 31 December 2020

18. CAPITAL CONTRIBUTION RESERVE

In the year ending 31 December 2018, a resolution was passed whereby it was agreed between the Company and its parent to make a gratuitous donation of EUR 44,702. Such a contribution has contributed towards the financial resource requirement of the Company.

The balance comprises of a shareholders' balance which is gratuitous, unsecured and interest-free.

19. INVESTOR COMPENSATION SCHEME RESERVE

In terms of the Investment Services Act, Category 2 licence holders are required to participate in and contribute towards an investor compensation scheme. The total contribution of the scheme in any one year shall be divided into a fixed and variable contribution.

Fixed contribution

During the year under review, the Company made a contribution of EUR 2,912 (2019: EUR 2,912), towards the scheme. This amount is included in other operating expenses.

Variable contribution

The variable contribution is calculated by applying the higher of EUR 699 or an amount of 0.1% of the total revenue of the licence holder on an annual basis. If the investor compensation scheme reserve is more than the variable contribution, then no transfer to the investor compensation scheme reserve will be made. This implies that when a variable contribution is higher than the investment scheme reserve, the licence holder shall be required to make a variable contribution for the difference to ensure that the higher amount is always on reserve.

20. BORROWINGS

| | 2020 | 2019 |
|----------------------|----------------|------|
| | EUR | EUR |
| Loan due to director | 130,000 | - |

During the year, the Company entered into a credit loan facility agreement with a director whereby the lender granted the Company a maximum amount of EUR 150,000. The Company is committed to repay the amounts borrowed in full as soon as the financial position of the Company improves and generates the necessary liquidity, but the entity does not have an unconditional right to defer payment for more than 12 months. The facility is granted for a maximum period of 5 years, unless agreed otherwise by both parties.

21. TRADE AND OTHER PAYABLES

| | 2020 | 2019 |
|--------------------------------------|----------------|---------|
| | EUR | EUR |
| Trade payables | 225,236 | 89,900 |
| Amounts due to shareholder | 1 | 1 |
| Amounts due to other related parties | - | 42,990 |
| Accruals and other payables | 98,391 | 512,701 |
| Wages payable | 22,333 | 27,012 |
| Other taxation | 33,931 | 23,077 |
| | 379,892 | 695,681 |

FCS ASSET MANAGEMENT LTD
Annual Financial Statements for the year ended 31 December 2020

21. TRADE AND OTHER PAYABLES (CONTINUED)

Trade payables are non-interest bearing and are normally on 30-day term.

Amounts due to shareholder and related parties are unsecured, interest free and repayable on demand.

22. LEASES

This note provides the information for leases when the Company is a lessee.

(i) *Amounts recognised in the statement of financial position*

| | 2020 | 2019 |
|---------------------------|-------------|---------|
| | EUR | EUR |
| Right-of-use asset | | |
| Property | - | 228,422 |
| | <hr/> | <hr/> |
| Lease liabilities | | |
| Current | - | 83,824 |
| Non-current | - | 131,698 |
| | <hr/> | <hr/> |
| | - | 215,522 |
| | <hr/> | <hr/> |

(ii) *Amounts recognised in the statement of comprehensive income*

| | 2020 | 2019 |
|--|-----------------|-----------|
| | EUR | EUR |
| Depreciation charge of right-of-use asset | (48,481) | (102,966) |
| Interest expense (included in finance costs) | (2,035) | (8,355) |
| Expense related to short-term leases (included in administration expenses) | (7,800) | - |
| Re-assessment of right-of-use-asset and lease liabilities on modification to lease (included in administration expenses) | (2,703) | - |
| | <hr/> | <hr/> |
| | (61,019) | (111,321) |
| | <hr/> | <hr/> |

Whereas the total amount being reflected in the statement of profit or loss and other comprehensive income is equal to EUR 61,019 (2019: EUR 111,321), the total cash outflows for leases in 2020 were EUR 51,491 (2019:EUR 117,484).

23. COMMITMENTS AND CONTINGENCIES

Operating lease commitments - Company as lessee

The Company is currently leasing offices in Malta under an operating lease. Such a property is being leased for a definite period of 12 months with the option to extend for a further 2 years. As at 31 December 2020, the directors are of the opinion that the option to extend will not be triggered.

FCS ASSET MANAGEMENT LTD
Annual Financial Statements for the year ended 31 December 2020

24. RELATED PARTY DISCLOSURES

General

FCS Asset Management Ltd is a subsidiary of FCS Group Ltd a company registered in Malta, with registered address at Beaumont Place, 40/2, Main Street, Balzan, BZN 1259, Malta. FCS Group Ltd owns 100% of voting capital of the Company.

As at 31 December 2020, the ultimate beneficial owners of FCS Asset Management Ltd are Mr. Jaime Agurruza Fatosme, Mr Carlos Javier Agurruza, Ms Elena Agurruza Fatosme, Ms Anne Angeline Fatosme Perouelle, Mr Alberto Agurruza Fatosme, Mr Juan Arce Garcia, Oscar Garcia Arroyo and FCS AT Gestion SICAV RAIF.

Related party transactions

Related party transactions were made on terms equivalent to those that prevail in arms' length transactions.

During the course of the year, the Company entered into transactions with related parties as set out below:

| | 2020 | | | 2019 | | |
|---|------------------------|------------------|-----------|------------------------|------------------|-----------|
| | Related party activity | Total activity | % | Related party activity | Total activity | % |
| | EUR | EUR | | EUR | EUR | |
| Revenue: | | | | | | |
| <i>Related party transactions with:</i> | | | | | | |
| Other related parties | 776,893 | | | 1,096,760 | | |
| | <u>776,893</u> | <u>1,326,650</u> | <u>59</u> | <u>1,096,760</u> | <u>1,943,677</u> | <u>56</u> |
| Administrative expenses: | | | | | | |
| <i>Related party transactions with:</i> | | | | | | |
| Key management personnel | 540,473 | | | 145,005 | | |
| | <u>540,473</u> | <u>965,463</u> | <u>56</u> | <u>145,005</u> | <u>1,148,556</u> | <u>13</u> |
| Direct costs: | | | | | | |
| <i>Related party transactions with:</i> | | | | | | |
| Key management personnel | - | | | 3,000 | | |
| Other related parties | 14,611 | | | 22,771 | | |
| | <u>14,611</u> | <u>410,313</u> | <u>4</u> | <u>25,771</u> | <u>775,423</u> | <u>3</u> |

"Other related parties" consist of related parties other than parent companies, activities with joint control or significant influence over the company, subsidiaries, associates and joint venture in which the company is a venture and key management personnel or its parent.

The amounts due from/to director, shareholder and other related parties are disclosed in notes 15 and 21. The terms and conditions in respect of related party balances do not specify the nature of the consideration to be provided in settlement. No guarantees have been given or received. These amounts are unsecured, interest-free and have no fixed date of repayment. Loans due to the director are disclosed in note 20.

FCS ASSET MANAGEMENT LTD
Annual Financial Statements for the year ended 31 December 2020

25. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

At 31 December 2020 and 2019 the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair values due to the short-term maturities of these assets and liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value: grouped into levels 1 to 3:

At 31 December 2020

| | Level 1 EUR | Level 2 EUR | Level 3 EUR | Total EUR |
|---------------------------------|------------------------|------------------------|------------------------|----------------------|
| <i>Financial assets at FVPL</i> | | | | |
| Equity investments | - | - | 3 | 3 |

At 31 December 2019

| | Level 1 EUR | Level 2 EUR | Level 3 EUR | Total EUR |
|---------------------------------|------------------------|------------------------|------------------------|----------------------|
| <i>Financial assets at FVPL</i> | | | | |
| Equity investments | - | - | 60,993 | 60,993 |

26. FINANCIAL RISK MANAGEMENT

At the end of the year, the Company's main financial assets on the statement of financial position comprised of trade and other receivables, cash at bank and financial assets at fair value through profit or loss; while the main financial liabilities consisted of trade and other payables. At year end, there were no assets and liabilities which were not recognised in the statement of financial position.

Credit and counterparty risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash at banks and receivables. The Company controls its credit risk through strict monitoring procedures and regular coordination with its customers, with the result that the Company's exposure credit risk is not significant.

Credit risk arises from cash and cash equivalents, contractual cash flows of investments carried at fair value through profit or loss (FVPL), as well as credit exposures to customers, including outstanding receivables.

Cash at bank is placed with reliable financial institutions. At 31 December 2020 and 2019 cash at bank is placed with reliable financial institutions as follows:

| Bank | 2020 | 2019 | Rating agency | Rating |
|-------------------------|-------------|-------------|----------------------|---------------|
| Bank of Valletta p.l.c. | 27% | 23% | Fitch | BBB |
| Banca March | 5% | 41% | Moody's | A3 |
| CBP Quilvest | 68% | 36% | Fitch | BBB |

FCS ASSET MANAGEMENT LTD
Annual Financial Statements for the year ended 31 December 2020

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit and counterparty risk (continued)

Impairment of financial assets

The Company's trade receivables are the Company's only financial asset that are subject to the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Company applies the IFRS 9 simplified approach to measurement expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped on the geographical location and the days past due. The expected loss rates are based on the corresponding historical credit losses experienced in the past. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 December 2020 was determined as follows for trade receivables, accrued income, and other receivables:

| | Up to 60 days past due | | | | | Total |
|-----------------------|------------------------|-------------------|----------------|--------------|------------|------------|
| | Malta EUR | Luxembourg EUR | Ireland EUR | Spain EUR | USA EUR | EUR |
| Expected credit loss | 0.82% | 0% | 0.82% | 1.55% | 0% | |
| Gross carrying amount | 14,111 | 204,612 | 23,421 | 10,628 | 3,900 | |
| Loss allowance | 116 | - | 192 | 164 | - | 472 |

| | Over 60 days past due | | | | | Total |
|-----------------------|-----------------------|-------------------|----------------|--------------|----------------|---------------|
| | Malta EUR | Luxembourg EUR | Ireland EUR | Spain EUR | England EUR | EUR |
| Expected credit loss | 10.82% | 10.00% | 10.82% | 11.55% | 10.59% | |
| Gross carrying amount | 20,485 | 145,476 | 142,250 | - | 201,466 | |
| Loss allowance | 2,217 | 14,548 | 15,391 | - | 21,335 | 53,491 |

The Net impairment losses on financial assets recognised in the statement of profit and loss and other comprehensive income amounted to EUR 13,733.

On that basis, the loss allowance as at 31 December 2019 was determined as follows for trade receivables and accrued income:

| | Up to 60 days past due | | | | | Total |
|-----------------------|------------------------|-------------------|----------------|--------------|----------------|--------------|
| | Malta EUR | Luxembourg EUR | Ireland EUR | Spain EUR | England EUR | EUR |
| Expected credit loss | 1.55% | 0% | 1.55% | 2.92% | 0.91% | |
| Gross carrying amount | 57,466 | 66,212 | 60,693 | 150,651 | 10,504 | |
| Loss allowance | 891 | - | 941 | 4,399 | 95 | 6,326 |

FCS ASSET MANAGEMENT LTD
Annual Financial Statements for the year ended 31 December 2020

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit and counterparty risk (continued)

| | Over 60 days past due | | | | | |
|-----------------------|-----------------------|-------------------|----------------|--------------|----------------|---------------|
| | Malta EUR | Luxembourg EUR | Ireland EUR | Spain EUR | England EUR | Total EUR |
| Expected credit loss | 11.55% | 10.00% | 11.55% | 12.92% | 10.91% | |
| Gross carrying amount | 16,525 | 82,761 | 16,580 | - | 199,854 | |
| Loss allowance | 1,909 | 8,276 | 1,915 | - | 21,804 | 33,904 |

The Net impairment losses on financial assets recognised in the statement of profit and loss and other comprehensive income amounted to EUR 31,369.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Company.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Capital risk management

FCS Asset Management Ltd manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the equity balance.

The capital structure of the Company consists of equity attributable to equity holders, comprising issued share capital and retained earnings as disclosed in the statement of changes in equity.

The Company's objectives when managing capital are:

- To comply with the financial resources' requirements in terms of the Investment Services Act, Cap. 370 of the Laws of Malta;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;

In order to maintain or adjust the capital structure, the Company may issue new shares or capitalise contributions received from its shareholders. No changes were made in the objectives, policies and processes in 2020 and 2019.

The Company is required to hold a minimum regulatory capital in compliance with the rules issued by the MFSA and this minimum capital requirement must be maintained at all times during the year. The Company monitors its capital level on a regular basis. Any transactions that may potentially affect the Company's capital position will immediately be reported to the directors and shareholders for resolution, prior to notification to the MFSA.

FCS ASSET MANAGEMENT LTD
Annual Financial Statements for the year ended 31 December 2020

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management (continued)

Own funds

As at 31st December 2020, the Company's total own funds amounts to EUR 420,761 (2019: EUR 395,951), made up as follows:

| | 2020 | 2019 |
|--|----------------|---------|
| | EUR | EUR |
| Common equity tier one capital | | |
| Paid up ordinary share capital | 125,000 | 125,000 |
| Retained earnings calculated in line with Own Funds requirements | 252,612 | 228,680 |
| Other reserves | 44,702 | 44,702 |
| Intangible assets | (1,553) | (2,791) |
| Total tier one capital | 420,761 | 395,951 |
| Total own funds | 420,761 | 395,951 |

Balance sheet reconciliation

The Company is also required to provide information on the reconciliation between balance sheet items used to calculate own funds and regulatory own funds. The table below shows an extract of the Company's financial statements for the year ended 31 December 2020 and 2019 and the components that are adjusted for in the own funds' calculation.

| Capital Base Reconciliation | 2020 | 2019 |
|--|----------------|----------|
| | EUR | EUR |
| Shareholders' equity according to the Company's IFRS statement of financial position | 424,258 | 400,326 |
| Non-controlling interest | - | - |
| Anticipated dividend | - | - |
| Deconsolidation of insurance companies | - | - |
| Associated companies consolidated according to purchase method | - | - |
| Value changes in own financial liabilities | - | - |
| Additional value adjustments | | |
| Investor compensation scheme | (1,944) | (1,944) |
| Intangible assets | (1,553) | (2,791) |
| Net provisions for reported IRB credit exposures | - | - |
| Common equity tier 1 (CET1) capital | 420,761 | 395,591 |
| Tier 1 capital contributions | - | - |
| Shares deducted from Tier 1 capital | - | - |
| Total Tier 1 (T1) capital | 420,761 | 395,591 |
| Tier 2 instruments | - | - |
| Net provisions for reported IRB credit exposures | - | - |
| Shares deducted from Tier 2 capital | - | - |
| Total Tier 2 (T2) capital | - | - |
| Total regulatory capital base | 420,761 | 395,591 |

FCS ASSET MANAGEMENT LTD
Annual Financial Statements for the year ended 31 December 2020

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objectives to manage its liquidity profile are:

- to ensure that adequate funding is available at all times;
- to meet commitments as they arise without incurring unnecessary costs;
- to be able to access funding when needed at the least possible cost; and
- to maintain an adequate time spread of refinancing maturities.

The Company closely monitors its cash flows to be able to finance its operations and capital expenditures and pay its obligations as and when they fall due. The following tables sets out the contractual maturities (representing the contractual undiscounted cash-flows) of financial liabilities:

At 31 December 2020

| | Up to 1 month EUR | Up to 1 year EUR | On demand EUR |
|----------------------------|----------------------|---------------------|------------------|
| Trade payables | 13,727 | 211,509 | - |
| Loan due to director | - | - | 130,000 |
| Amounts due to shareholder | - | - | 1 |
| Accruals | 98,391 | - | - |
| Wages payable | 22,333 | - | - |
| Other taxation | 7,735 | 26,196 | - |
| Income tax payable | - | 16,546 | - |
| | 142,186 | 254,251 | 130,001 |

At 31 December 2019

| | Up to 1 month EUR | Up to 1 year EUR | On demand EUR |
|--------------------------------|----------------------|---------------------|------------------|
| Trade payables | 31,498 | 58,402 | - |
| Amounts due to related parties | - | - | 42,991 |
| Accruals | 26,090 | 486,611 | - |
| Wages payable | - | 27,012 | - |
| Other taxation | 23,077 | - | - |
| Bank overdraft | 821 | - | - |
| Income tax payable | - | 34,494 | - |
| | 81,486 | 606,519 | 42,991 |

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates is insignificant since revenue or expenses are denominated in the same currency as the Company's presentation currency).

FCS ASSET MANAGEMENT LTD

Annual Financial Statements for the year ended 31 December 2020

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Price risk

The Company is exposed to price risk from its holdings of investments classified in its statement of financial position as fair value through profit or loss.

The carrying amounts of financial instruments at the end of the reporting period which could potentially subject the company to price risk are disclosed in the notes to the financial statements.

The directors are of the opinion that the Company does not have a material exposure to price risk.

27. NON-FINANCIAL RISKS

In addition to the Financial Risks which the Company faces, the Company also faces non-Financial Risks. The primary risks are as follows:

Compliance risk

This is the risk arising from uncertainty due to legal actions or uncertainty in the applicability or interpretation of contracts, laws or regulations. The compliance risk refers to the risk of not complying with the regulations to which the Company is subject as set out by the Malta Financial Services Authority. In order to mitigate the above-mentioned risks, the Company has taken out a Professional Indemnity Insurance and continuously reviews processes ensuring they are in line with the compliance procedures approved by the board.

Operation risk

This is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events.

Business continuity, fraud (internal and external), administrative errors and Information Technology failure and regulatory action have been identified as the key elements of operational risk to which the Company is exposed. Not all of these risks can be effectively eliminated; however, the board of directors believes that these risks are adequately controlled by key personnel and a rigorous control framework has been set.

Remuneration policy

The Company's remuneration for the Directors is such that directors are paid a fixed remuneration (salary-based) for their services and are not entitled with any variable remuneration. Remuneration paid to directors is disclosed in note 7.

Other risks

In the opinion of the directors as reported in the Annual Financial Return of the Company for the year ended 31 December 2020, the Company is not exposed to operational risk, settlement risk, credit valuation adjustment risk or large exposure risk.

28. CONSOLIDATED FINANCIAL STATEMENTS

The Company is presenting separate financial statements and is exempt from preparing consolidated financial statements required by IFRS 10, Consolidated Financial Statement, under paragraph 4 of the same standard and under article 173 of the Companies Act, 1995.

FCS ASSET MANAGEMENT LTD
Annual Financial Statements for the year ended 31 December 2020

28. SUBSEQUENT EVENTS

As indicated on page 2, Mr. Matthew Camilleri and Dr. Franklin Cachia resigned from their post as directors effective from 31 March 2021. Mr. Neal Rossignaud was also appointed as director of the Company effective from 1 April 2021.

Independent auditor's report

To the Shareholders of FCS Asset Management Ltd

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of FCS Asset Management Ltd (the Company), set out on pages 6 to 38, which comprise the statement of financial position as at 31 December, 2020 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, (or give a true and fair view of) the financial position of the Company as at 31 December 2020, and of its financial performance and its 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 (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. Our opinion on the financial statements does not cover this information. 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 (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 (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 (continued)

To the Shareholders of FCS Asset Management Ltd (continued)

Responsibilities of the Directors

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with EU IFRS's, 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.

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 judgement 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 the directors.
- Conclude on the appropriateness of the directors' 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.

Independent auditor's report (continued)

To the Shareholders of FCS Asset Management Ltd (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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.

We communicate with the directors regarding, 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 (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.

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

Use of Audit Report

This report is made solely to the company's members as a body in accordance with the requirements of the Companies Act (Cap 386 of the laws of Malta). Our audit work has been undertaken so that we might state to the company's members those matters that we are required to state to them in an auditor's report and for no other purpose. To the full extent permitted by law we do not assume responsibility to anyone other than the company's members as a body for our audit work, for this report or for the opinions we have formed



This copy of the audit report has been signed by Ernestino Riolo (Partner) for and on behalf of

Mazars Malta

Certified Public Accountants

Attard,
Malta

29 April 2021

The following schedules that follow do not form part of the financial statements.

FCS ASSET MANAGEMENT LTD

Schedule I – Income Statement

| | 2020 EUR | 2019 EUR |
|--|------------------|-------------|
| Revenue | 1,326,650 | 1,943,677 |
| Direct costs | (410,313) | (775,423) |
| Gross profit | 916,337 | 1,168,254 |
| Administrative expenses | (965,463) | (1,148,556) |
| Net impairment losses on financial assets | (13,733) | (31,369) |
| Waiver of amounts payable | 100,000 | 30,000 |
| Other income | 10,276 | 44,677 |
| Operating profit | 47,417 | 63,006 |
| Finance income | 721 | 23 |
| Finance costs | (2,211) | (8,355) |
| Provision for impairment on investment in subsidiary | - | 12,500 |
| Write-off of investment in subsidiary | - | (12,500) |
| Profit before tax | 45,927 | 54,674 |

FCS ASSET MANAGEMENT LTD

Schedule II – Administrative Expenses

| | 2020 EUR | 2019 EUR |
|---|----------------------------|------------------------------|
| Accounting fees | 27,480 | 38,195 |
| Audit fee | 10,000 | 10,000 |
| Bad debts written-off | - | 94,542 |
| Bank charges | 3,132 | 1,896 |
| Cleaning expenses | 3,177 | 5,810 |
| Computer related expenses | 114,132 | 119,304 |
| Depreciation and amortisation | 54,105 | 107,307 |
| Directors remuneration | 50,473 | 145,005 |
| Entertainment | 1,665 | 1,750 |
| Exchange differences | (41) | 2,269 |
| General expenses | 15,622 | 18,658 |
| Insurance | 18,593 | 16,932 |
| Legal and professional fees | 195,764 | 143,517 |
| Printing and postage | 2,445 | 6,261 |
| Re-assessment of right-of-use asset and lease liability | 2,703 | - |
| Rent | 7,800 | - |
| Repairs and maintenance | 219 | 638 |
| Salaries and wages | 421,917 | 401,416 |
| Telecommunications expenses | 5,531 | 8,811 |
| Travel expenses | 4,728 | 5,434 |
| Water and electricity | 1,194 | 6,810 |
| VAT expense absorbed | 24,824 | 14,001 |
| | <hr/> 965,463 <hr/> | <hr/> 1,148,556 <hr/> |
