

ANGLER GAMING PLC

Annual report and consolidated financial statements for the period 8 February to 31 December 2012

Company registration Number: C 55255

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Board of Directors and other Company Information

Directors

David Michael Gray
Michael Daniel Bennett
Sarah Borg

Company Secretary

Olga Finkel LL.D.
7A, The Podium,
St. Mark Street,
St. Julians,
Malta - EU

Independent Auditors

Joe Azzopardi CPA
144/9, Palazzo Marina,
Marina Street,
Pieta,
Malta - EU

and

Walter Rizzo & Associates
30, Id-Dwejra,
Triq Il-Gejza,
Swieqi,
Malta - EU

Company Number

C55255

Registered office

Office 1 / 3327,
Level G, Quantum House,
75 Abate Rigord Street,
Ta' Xbiex,
Malta - EU

Legal advisers

WH Partners
Level 5, Quantum House,
75 Abate Rigord Street,
Ta' Xbiex,
Malta - EU

Report of the Board of Directors

The Directors present their first annual report together with the audited financial statements of the consolidated entity, being Angler Gaming plc ('the Company') and its controlled entities ('the Group') cover the period from 8 February 2012, the date of incorporation, up to 31 December 2012.

Principal activities

The Company's principal activities include to invest and to hold shares, participations, investments, interests and debentures in related undertakings and to own manage and administer property of any kind belonging to it.

Review of the business

The Company, as parent company, and all of its subsidiary undertakings, is listed on the AktieTorget Stock Exchange, Danderydsgatan 10, 114 26 Stockholm, Sweden (stock symbol: ANGL).

In the period under review, Group incurred a loss of €741,980. On 31 December 2012 the total assets of the Group were €2,453,673 and the net liabilities were €319,830.

During this period, the Company set up two companies, namely, Starfish Media N.V. ("Starfish") and StarPay Limited ("Starpay"). Starfish holds a Curaçao gaming licence authorising it to provide internet gaming, services and products. Starfish is licenced by a sub-licence from Curaçao Interactive Licensing N.V. ('C.I.L'), a company registered in Curaçao, company registration number 125528, holding a master licence to provide online gambling services. The company has an agreement with C.I.L outlining the sublicensing which in turn is regulated by the licensing authority in Curaçao. Starfish has its own subsidiary company, Starpay which is a Maltese registered company, registration number C56562, that primarily carries out the business of processing of payments through gateways for and on behalf of its parent company.

It is valid to note that the online casino started operations in October 2012. The financial position, development and performance of the Company and the Group as presented in these financial statements are considered satisfactory and the Board of Directors expects sustained growth in the foreseeable future.

Future Developments

The Board of Directors main objective remains continuing to expand the business model. In the first quarter of the year 2013, Starfish will be launching their new online Casino - "Lucky 31" - offering to the world-wide market a product in English, German, French and Spanish; with other major languages on the site being rolled out later in the year. It continues to seek out and sign high-quality affiliates to deliver traffic with higher conversion rates. Current rankings on South American search engines will be maintained and improved to increase traffic and exposure.

Additionally, it is the Board of Directors' intention to develop the Group through realignment of the business to provide a more efficient and cost effective structure. The Board of Directors believes that the measures that are being put in place will stem the losses and should provide a platform for the Group to achieve profitability.

Report of the Board of Directors (continued)

Future Developments (continued)

Despite this, the Group is also vigilant to exploit any opportunities that arise from the international market in order to maximize profitability. Looking forward, the Group will continue to invest in the widening of its product offering and enhancement of its customer experience in key markets, as well as looking for opportunities for growth in new geographical markets where responsible gaming is promoted, regulatory and taxation regimes are fair, and reasonable returns are available.

Results and dividend

The consolidated and parent results for the year are set out on page 8. The Board of Directors does not recommend the payment of a dividend.

No dividend is being recommended as the company did not have any distributable reserves at the end of the reporting period.

Share capital

Share capital information of the Group and the Company is disclosed in Note 17 to the financial statements. Each share gives the right to one vote and shares shall rank pari passu for all intents and purposes of the law.

	No. of Ordinary Shares	Total Shares EUR
Authorised		
Ordinary shares of EUR 0.01 each	42,214,957	422,150
Issued and fully paid up		
on 8 February 2012	4,660,000	46,600
on 17 April 2012	37,336,983	373,370
on 22 June 2012	217,974	2,180
Ordinary shares of EUR 0.01 each	42,214,957	422,150

No person may whether, directly or indirectly, and in any manner whatsoever, acquire or hold a beneficial interest in the Ordinary shares in excess of ten per cent (10%) of the total issued share capital of the Company having voting rights. This clause does not apply to shares held by:-

- An underwriter or sub-underwriter under the provisions of an underwriting or sub-underwriting agreement;
- Custodians in their custodian capacity provided such custodians can only exercise the voting rights attached to such shares under instructions given in writing or by electronic means by the beneficial owner/s.

The rules governing the appointment or election of directors are contained in Articles 51 to 56 of the Group's Article of Association. An extraordinary resolution approved by the shareholders in the general meeting is required to amend the Articles of Association.

The powers of Directors are outlined in Articles 69 to 74 of the Company's Articles of Association.

Report of the Board of Directors (continued)

Changes to the Memorandum & Articles of Association

Changes to the Memorandum and Articles of Association of the Company were made on two occasions, namely on 17 April 2012 and on 22 June 2012. Both cases involved the issue of shares, which shares were issued as Ordinary shares of EUR 0.01 each fully paid up under the same terms as other Ordinary shares in the Company.

Board of Directors

The Board of Directors of the Company who held office during the period under review were:

David Michael Gray (appointed on 23 March 2012) – Chairman
 Michael Daniel Bennett (appointed on 23 March 2012) – Chief Executive Officer
 Sarah Borg (appointed on 8 June 2012)
 Olga Finkel (appointed on 8 February 2012 and resigned on 23 March 2012)
 WH Pro Limited (appointed on 8 February 2012 and resigned on 23 March 2012)

The Articles of Association require Directors to retire after one year in office, but they are eligible for re-appointment.

Going Concern

At the time of approving the financial statements, the board of directors determined that there is reasonable expectation that the Group and the Company has adequate resources to continue operating for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the financial statements.

Events after the Reporting Period

There were no particular important events or transactions affecting the company that have occurred since the end of the accounting period, which, though properly excluded from the financial statements, are of such importance that they should have been disclosed in the notes to the financial statements.

Auditors

Joseph Azzopardi CPA and Walter Rizzo & Associates have expressed their willingness to continue in office and a resolution for their appointment will be proposed at the Annual General Meeting.

On behalf of the board



David Michael Gray
Chairman - Director

Michael Daniel Bennett
CEO – Director

Sarah Borg
Director

Registered office:

Office 1 / 3327, Level G, Quantum House, 75 Abate Rigord Street, Ta' Xbiex, Malta - EU

Date: 25 March 2013

Statement of Directors' Responsibilities

Angler Gaming plc has to abide by the Companies Act, 1995 (CAP 386 of the Laws of Malta) and the rules associated with a listing on AktieTorget. The Group/Company will also operate in compliance with the rules and regulations listed in the Articles of Association. These are available on the Company's website.

The directors are required by the Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the group and the parent at the end of each financial period and of its profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- Ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the European Union;
- Selecting and applying appropriate accounting policies;
- Making accounting estimates that are reasonable in the circumstances;
- Ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group/Company will continue in business as a going concern.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and the parent and to enable them to ensure that the financial statements comply with the Companies Act. The directors are also responsible for ensuring that an appropriate system of internal control is in operation to provide them with assurance that the assets of the group and the parent are being properly safeguarded and that fraud and other irregularities will be prevented or detected.

The financial statements of Angler Gaming plc for the period ended 31 December 2012 are included in the Annual Report and Statutory Financial Statements, which is published in hard copy printed form and available on the Company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Independent Auditors' Report to the Members of Angler Gaming plc.

We have audited the consolidated and stand-alone parent company financial statements of Angler Gaming plc (together the "financial statements"), which comprise the consolidated and parent company statements of financial position as at 31 December 2012, and the consolidated and parent company statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

As explained more comprehensively in the statement of directors' responsibilities for the financial statements on page 5, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements:

- give a true and fair view of the financial position of the group and the parent company as at 31 December 2012, and of their financial performance and their cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

Independent Auditors' Report to the Members of Angler Gaming plc (continued)

Report on Other Legal and Regulatory Requirements

We also have responsibilities under the Maltese Companies Act, 1995 to report to you if, in our opinion:

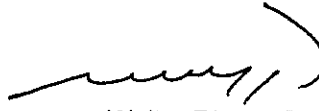
- The information given in the directors' report is not consistent with the financial statements.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting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

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



JOSEPH AZZOPARDI CPA
Certified Public Accountant

144/9, Palazzo Marina,
Marina Street,
Pieta
Malta



Walter Rizzo - Partner
WALTER RIZZO & ASSOCIATES
Certified Public Accountants

30, Id-Dwejra,
Triq il-Gejza,
Swieqi
Malta

Date: 25 March 2013

**Consolidated Statement of Comprehensive Income
for the period ended 31 December 2012**

	Note	Group 2012 EUR	Company 2012 EUR
Revenue	6	18,307	-
Direct costs		(2,501)	-
Direct wages costs	7	(204,610)	-
Gross loss		(188,804)	-
Administrative expenses		(323,419)	(145,519)
Marketing and sales expenses		(127,312)	(42,408)
Depreciation		(92,481)	-
Operating loss	8	(732,016)	(187,927)
Finance costs	9	(14,287)	(709)
Finance income	9	4,323	4,218
Loss before taxation		(741,980)	(184,418)
Taxation	10	-	-
Loss and total comprehensive income for the financial period		(741,980)	(184,418)
Basic and diluted earnings per share	11	(0.0217)	(0.0054)

The accounting policies and explanatory notes on pages 12 to 27 are an integral part of these financial statements.

**Consolidated Statement of Financial Position
at 31 December 2012**

	Note	Group 2012 EUR	Company 2012 EUR
Assets			
Non-current assets			
Investments in subsidiaries	12	-	797
Intangible assets	13	630,183	-
Property, plant and equipment	14	115,118	-
Total non-current assets		745,301	797
Current assets			
Trade and other receivables	15	29,483	688,931
Cash and cash equivalents	16	1,678,889	1,643,524
Total current assets		1,708,372	2,332,455
Total assets		2,453,673	2,333,252
Equity and liabilities			
Capital and reserves			
Paid up Capital	17	422,150	422,150
Non-refundable shareholder contribution	18	2,680,030	2,080,030
Retained earnings		(741,980)	(184,418)
		2,360,200	2,317,762
Current liabilities			
Trade and other payables	19	93,473	15,490
Taxation	10	-	-
Total liabilities		93,473	15,490
Total equity and liabilities		2,453,673	2,333,252

The financial statements on pages 8 to 27 were approved and signed by the Directors on 25 March 2013:


David Michael Gray
 Chairman - Director


Michael Daniel Bennett
 CEO - Director


Sarah Borg
 Director

**Consolidated Statement of changes in equity
for the period ended 31 December 2012**

	Share capital EUR	Retained earnings EUR	Group Total EUR
Cash Issue for shares	422,150	-	422,150
Loss and total comprehensive income for the financial period	-	(741,980)	(741,980)
Balance at 31 December 2012	422,150	(741,980)	(319,830)

The notes on pages 12 to 27 are an integral part of these financial statements.

**Statement of Cash Flows
for the period ended 31 December 2012**

	Group 2012 EUR	Company 2012 EUR
Cash flows from operating activities		
Loss before taxation	(741,980)	(184,418)
Reconciliation to cash generated from operation:		
Depreciation	92,481	-
Operating loss before working capital changes	(649,499)	(184,418)
Movement in trade debtors	(4,000)	-
Movement in other debtors	(25,483)	-
Movement in trade creditors	59,290	11,490
Movement in other creditors	34,183	4,000
Net cash generated from/used in operating activities	<u>(585,509)</u>	<u>(168,928)</u>
Cash flows from investing activities		
Cash Issue for shares	422,150	422,150
Shares in subsidiary	-	(797)
Intangible fixed assets	(702,857)	-
Tangible fixed assets	(134,925)	-
Net cash generated from investing activities	<u>(415,632)</u>	<u>421,353</u>
Cash flows from financing activities		
Non-refundable shareholder contribution	2,680,030	2,080,030
Intra-group finance	-	(688,931)
Net cash generated from financing activities	<u>2,680,030</u>	<u>1,391,099</u>
Net movement in cash and cash equivalents in the period	1,678,889	1,643,524
Cash and cash equivalents at end of period (Note 16)	<u>1,678,889</u>	<u>1,643,524</u>

The notes on pages 12 to 27 are an integral part of these financial statements.

Notes to the financial statements

1 General information

Country of incorporation

Angler Gaming plc was incorporated in Malta on 8 February 2012 as a public limited liability company in accordance with the provisions of the Companies Law of Malta, 1995. The registered office of the company is Office 1 / 3327, Level G, Quantum House, 75 Abate Rigord Street, Ta' Xbiex, Malta - EU.

The Company, as parent company, and all of its subsidiary undertakings, is listed on:

*AktieTorget Stock Exchange, Danderydsgatan 10, 114 26 Stockholm, Sweden
(stock symbol: ANGL).*

These financial statements were approved for issue by the Board of Directors on 25 March 2013.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

Basis of preparation and statement of compliance

The financial statements are prepared under the historical cost convention and are in accordance with:-

- International Financial Reporting Standards (IFRSs) as adopted by the EU;
- Companies Act, 1995 (CAP 386 of the Laws of Malta) and
- with the requirements of the AktieTorget Connection Agreement.

Changes in accounting policies and disclosures

These financial statements have been drawn up in accordance with IFRSs as adopted by the EU. The change from IFRSs issued by the International Accounting Standards Board to IFRSs as adopted by the EU did not result in any changes to the company's accounting policies.

The company adopted the relevant IFRS and IFRIC interpretations as of 1 January 2011.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

Basis of consolidation

(i) Subsidiaries

The Group financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 31 December 2012. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through more than half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. All subsidiaries have a reporting date of 31 December.

(ii) Transactions eliminated on consolidation

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Revenue recognition

Revenues earned by the Group are recognised on the following bases:

(i) Casino Revenue

Casino gaming revenue represents stakes played by players less payouts to players and commissions payable to the intermediary.

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'euro currency' (€), which is the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment comprise mainly computer equipment. This is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The Company and the Group do not have title to other property, plant and equipment.

Intangible assets – computer software

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Depreciation on computer equipment

Depreciation is calculated to write off the cost of fixed assets on a straight line basis over the expected useful lives of the assets concerned having regard to their residual value. The annual rates used for this purpose, which are applied consistently, are:

	Useful life	%
Computer equipment	36 months	33.33

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

Intangible assets amortisation

Amortisation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful life as follows:

	Useful life	%
Software	72 months	16.67

Employee benefits

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

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount, being the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

Notes to the financial statements (continued)**2 Summary of significant accounting policies (continued)*****Share capital***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

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

Non-refundable shareholder contribution

The previous shareholding company contributed a non-refundable financial amount before the company was listed on AktieTorget Stock Market. This amount is free from any security, obligation, or repayment.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

Provisions

Provisions are recognised when the Company has a present or constructive obligation as a result of past events, it is more likely that not an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Cash and cash equivalents

Cash and cash equivalents include cash and deposits held at call banks.

Earnings per share

The group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding at the end of the period.

Notes to the financial statements (continued)**3 Financial risk management*****Financial risk factors***

The company's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the company's financial performance. The Board provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. The company did not make use of derivative financial instruments to hedge certain risk exposures during the current financial period.

The risk management policies employed by the Company to manage these risks are discussed below:

Market Risk***(i) Foreign exchange risk***

The company's operating revenues, operating expenditure and financing are mainly denominated in euro. Accordingly, the company's exposure to foreign exchange risk is not significant and a sensitivity analysis for foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary.

(ii) Cash flow and fair value interest rate risk

As the company has no significant interest-bearing assets and liabilities, the Company's income and operating cash flows are not dependent of changes in market interest rates.

Based on the above, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

Notes to the financial statements (continued)**3 Financial risk management (continued)*****Credit risk***

Credit risk is managed on group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered.

Credit risk arises from cash and cash equivalents, deposits with banks, as well as credit exposures, including outstanding receivables and committed transactions. The maximum exposure to credit risk at the end of the reporting period in respect of the mentioned financial assets is equivalent to their carrying amount. The company does not hold any collateral as security in this respect. The company banks only with financial institutions with high quality standing or rating.

If online gaming players are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the player, taking into account the financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by its players.

Liquidity risk

The company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally trade and other payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Company's obligation.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly. In general the company seeks to maintain its financial assets and financial liabilities in each of the foreign currencies at a reasonably comparable level, thereby providing a natural hedge against foreign exchange risk.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

4 Fair value estimation

The fair value of financial instruments traded in active markets, such as publicly traded financial assets at fair value through profit or loss and available-for-sale financial assets is based on quoted market prices as at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. The appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods, such as estimated discounted cash flows and makes assumptions that are based on market conditions existing at the end of the reporting period.

The carrying value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.

5 Critical accounting estimates and judgments

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 Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions are not expected to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

6 Revenue

	Group	Company
	2012	2012
	EUR	EUR
Casino revenue	<u>18,307</u>	-

The online casino started operations in October 2012.

Notes to the financial statements (continued)

7 Employee Benefit Expense

	Group 2012 EUR	Company 2012 EUR
Wages and salaries	252,019	-
Malta Social Security costs	8,572	-
Employee Medical Insurances	6,325	-
Other employee related expenses	19,319	-
Capitalised labour costs (Note 13)	(81,625)	-
	<hr/> 204,610 <hr/>	-

The average number of employees employed by the Group during the period was:

	2012	2012
Management and administration	4	-
Software development and customer support	5	-
	<hr/> 9 <hr/>	-

8 Operating loss

	Group 2012 EUR	Company 2012 EUR
Operating loss for the financial period is stated after charging/(crediting):		
Directors' remuneration and other emoluments		
to the directors of the parent company	67,377	67,377
to the directors of the subsidiaries	67,677	-
Fees payable to the group's auditors as follows:		
for the annual statutory audit	5,000	4,000
for other assurance services	4,000	-
	<hr/>	<hr/>

Notes to the financial statements (continued)

9 Finance Costs/Income

	Group	Company
	2012	2012
	EUR	EUR
Finance costs/income arising as follows:		
Interest paid to banks	(13)	-
Bank charges	(1,366)	(170)
Realised gains and losses on exchange differences	(12,908)	(539)
	<hr/>	<hr/>
	(14,287)	(709)
Interest received on banks	4,323	4,218
	<hr/>	<hr/>
	(9,964)	3,509

10 Income Tax

No provision for statutory domestic income tax has been made in view that the Group has no chargeable income.

Starfish Media N.V. enjoys incentives available under E-zone legislation in Curaçao that offers tax advantages to e-commerce companies and trading companies with an e-strategy that locate their activities in Curaçao but direct the trading or services towards companies or persons located outside Curaçao.

Profits derived by E-zone companies from sales of goods or services to companies or individuals located in Curaçao may not exceed 25% of the total annual turnover. In general, E-zone companies are taxed at a rate of 2%. However, for profits derived from sales of goods or services to companies or individuals located in Curaçao, up to a maximum of 25% of total turnover, the standard corporate income tax rate of 34.5% applies.

Tax losses may be carried forward to offset taxable profits in the following 10 years.

The parent company and a subsidiary, Starpay Limited are tax resident in Malta and no provision for Malta Income Tax has been made in their individual financial statements in view that there was no chargeable income.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the company's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Notes to the financial statements (continued)

11 Earnings per share

The basic earnings per share for the group has been calculated on the losses attributable to shareholders as recognised in the consolidated statement of comprehensive income divided by the weighted average number of ordinary shares outstanding during the period. The weighted average number of ordinary shares outstanding during the period amounted to 34,246,522.

There is no difference between the basic and diluted earnings per share.

12 Investments in subsidiaries

In the separate financial statements shares in subsidiary undertakings are accounted for at cost.

	Group 2012 EUR	Company 2012 EUR
Cost and net book value		
Addition	-	797
At 31 December 2012	<u>-</u>	<u>797</u>

The group financial statements consolidate the results and position of the following subsidiary undertakings which all have same year ends with that of the holding company:

	Country of Incorporation	Class of Shares held	Proportion of ownership interest 2012
StarFish Media N.V.	Curaçao	Ordinary	100%
StarPay Limited	Malta	Ordinary	100%

The registered office of:-

StarFish Media N.V. is Emancipatie Boulevard 29, Curaçao.

StarPay Limited is 'DSLRL Notaries', Suite 725, Ftieh Street,
B'kara Bypass, B'kara. Malta – EU.

Notes to the financial statements (continued)

13 Intangible assets

	Software EUR
Gross carrying amount	
Additions, separately acquired	600,000
Amelioration, internally developed	21,232
Amelioration, own labour capitalised	81,625
At 31 December 2012	<u>702,857</u>
Amortisation and impairment	
Amortisation	(72,674)
Impairment losses	-
At 31 December 2012	<u>(72,674)</u>
Carrying amount at 31 December 2012	<u>630,183</u>

14 Property, plant and equipment

Details of property, plant and equipment and their carrying amount are as follows:

	Computer Equipment EUR
Gross carrying amount	
Additions	134,925
At 31 December 2012	<u>134,925</u>
Depreciation and impairment	
Depreciation	(19,807)
At 31 December 2012	<u>(19,807)</u>
Carrying amount at 31 December 2012	<u>115,118</u>

Computer technical equipment relates to server, switches and IT storage devices.

Notes to the financial statements (continued)

15 Trade and other receivables

	Group	Company
	2012	2012
	EUR	EUR
Trade receivables	4,000	-
Receivable from Payment Processors	22,483	-
Office rent deposit recoverable	3,000	-
Intra-group amount due from Starfish Media N.V.	-	653,950
Intra-group amount due from StarPay Limited	-	34,981
	<hr/>	<hr/>
At 31 December 2012	29,483	688,931

Intra-group balances are unsecured, bear no interest and have no fixed date of repayment. No expense has been recognised in these financial statements for bad or doubtful debts in respect of amounts due from the related parties.

16 Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	Group	Company
	2012	2012
	EUR	EUR
Term deposit - maturing on 29 October 2014	-	502,217
Bank balances	1,678,889	1,141,307
	<hr/>	<hr/>
Total cash at bank	1,678,889	1,643,524

17 Share capital

	No. of Ordinary Shares	Total Shares EUR
Authorised		
Ordinary shares of EUR 0.01 each	42,214,957	422,150
	<hr/>	<hr/>
Issued and fully paid up		
on 8 February 2012	4,660,000	46,600
on 17 April 2012	37,336,983	373,370
on 22 June 2012	217,974	2,180
	<hr/>	<hr/>
Ordinary shares of EUR 0.01 each	42,214,957	422,150

Notes to the financial statements (continued)

18 Non-refundable shareholder contribution

	Group	Company
	2012	2012
	EUR	EUR
Cash funding	2,080,030	2,080,030
Software	600,000	-
	<u>2,680,030</u>	<u>2,080,030</u>

Non-refundable financial assistance where there is no obligation for repayment arising through a shareholder cash contribution made by Betsson AB as the sole holder of shares in Angler Gaming plc in 2012, prior to Betsson's AB distribution of its shares in Angler Gaming plc to Betsson's AB shareholders in July 2012.

19 Trade and other payables

	Group	Company
	2012	2012
	EUR	EUR
Trade payables	59,290	11,490
Accruals	34,183	4,000
	<u>93,473</u>	<u>15,490</u>

Included in group trade payables is the amount of €10,525 (company: €5,403) that is payable to related parties.

Notes to the financial statements (continued)

20 Related party transactions

The holding company is the parent company of the undertakings described in Note 12. Transactions between the holding company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Company

Transactions between the parent company and other group entities during the period ended 31 December 2012 comprise mainly of loans advanced for working capital requirements. Agreements are on terms customary in the industry and negotiated on an arm's length basis. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received.

	Company 2012 EUR
Intra-group amount due from Starfish Media N.V.	653,950
Intra-group amount due from StarPay Limited	34,981
	<hr/>
At 31 December 2012	688,931

Intra-group balances are unsecured, bear no interest and have no fixed date of repayment. Outstanding balances are usually settled in cash. No expense has been recognised in the period for bad or doubtful debts in respect of amounts due by related parties.

Directors, Company Secretary and other key management

The total compensation to those classified as key management, being those having authority and responsibility for planning, directing and controlling the activities of the Group, including the executive and non-executive directors and like officers is as follows:

	Group 2012 EUR	Company 2012 EUR
Directors' remuneration and other emoluments		
• to the directors of the parent company	67,377	67,377
• to the directors of the subsidiaries for company management and administration services	67,677	-
• to the directors of the subsidiaries for Gaming licence	8,684	-
Company Secretary remuneration and other emoluments	<hr/> 35,819	<hr/> 35,819

Notes to the financial statements (continued)

21 Commitments

The Company is committed to carry out various actions within the framework of its planned development efforts. While it is not practicable to precisely quantify the potential liabilities under these various actions, the company is satisfied that it has made reasonable provision in the financial statements for the likely outcomes of these actions where material.

22 Ultimate Controlling Party

There is no ultimate controlling party. No individual has an ultimate controlling interest in the Company.

Supplementary attachments

The following pages do not form part of the statutory financial statements

Detailed Consolidated Statement of Comprehensive Income

	Group	Company
	2012	2012
	EUR	EUR
Casino revenue	18,307	-
Total Revenue	18,307	-
Direct Costs		
Payment processing fees	(1,936)	-
Other direct costs related to income	(565)	-
Total Direct Costs	(2,501)	-
Direct Wages Costs		
Wages and Salaries	(252,019)	-
Employee Medical Insurances	(6,325)	-
Malta Social Security costs	(8,572)	-
Recruitment Expenses	(9,298)	-
Other personnel expenses	(10,021)	-
Capitalised	81,625	-
Total Direct Wages Costs	(204,610)	-
Administrative Expenses		
Incorporation expenses	(4,839)	-
Management expenses	(54,880)	-
Director fees	(67,377)	(67,377)
Company Secretary fees	(743)	(743)
Registered Agent fees	(250)	-
Registered Offices fees	(413)	(413)
Annual statutory audit	(5,000)	(4,000)
Other assurance services	(4,000)	-
Professional fees	(92,827)	(72,823)
Legal fees	(499)	-
Consultancy Fees	(1,060)	-
Memberships and contributions	(69)	-
Total Administrative Expense	(231,957)	(145,356)
Marketing and Sales Expenses		
Courses, seminars and presentations	(3,137)	-
Marketing expenses	(25,093)	-
Web services	(421)	(421)
Promotions	(40,332)	-
Affiliate expenses	(1,929)	-
Jackpot expenses	(2,500)	-
Listing expenses	(41,021)	(41,022)
Representation and entertainment expenses	(2,757)	(724)
Other travel expenses	(8,622)	(241)
Commissions	(1,500)	-
Total Marketing and Sales Expense	(127,312)	(42,408)

Detailed Consolidated Statement of Comprehensive Income

	Group	Company
	2012	2012
	EUR	EUR
Office Expenses		
MFSA fees and penalties	(283)	-
Donations	(50)	-
Office rent	(22,250)	-
Office insurances	(162)	-
Office utilities	(947)	-
Office telephone, fax and internet	(2,025)	-
Office stationary expenses	(865)	-
Office maintenance and repairs	(45)	-
Office ICT expenses and Maintenance	(1,982)	-
Office consumption and cleaning	(2,126)	-
Courier and postage expenses	(1,084)	-
Other office expenses	(1,785)	-
Other administrative expenses	(1,380)	(98)
Tota Office Expenses	(34,984)	(98)
ICT & Hosting Expenses		
Hosting Expenses	(2,495)	(65)
ICT Expenses	(3,808)	-
Total ICT & Hosting Expenses	(6,303)	(65)
Depreciation/amortisation		
Depreciation - equipments	(19,807)	-
Amortisation - software	(72,674)	-
	(92,481)	-
Licence Expenses		
Gaming licence fees	(8,684)	-
Software licence fees	(41,491)	-
Total Licence Expenses	(50,175)	-
Non-operating Income/(Expenses)		
Financial Income		
Interest received on banks	4,323	4,218
Financial Expenses		
Bank Charges	(1,366)	(170)
Interest paid on banks	(13)	-
Realized gain and losses on exchange differences		
Realized gain and losses on exchange differences	(12,908)	(539)
Total Non-operating Income/(Expenses)	(9,964)	3,509
Total Expenses	(760,287)	(184,418)
Loss for the period	(741,980)	(184,418)