

CRYPTOLOGY ASSET GROUP P.L.C**Block A, Apartment 12, Il-Piazzetta,
Tower Road, Sliema SLM 1605
MALTA****(the 'Company').**

**Minutes of the Annual General Meeting of the Company held on the 13th day of May 2020
at Block A, Apartment 12, Il-Piazzetta, Tower Road, Sliema, SLM 1605, Malta.**

1. Call to order.

A call to order was made at 11:00 hrs in the presence of all the directors & shareholders.

2. Opening of the meeting.

The Chairman of the Board of Directors, Mr. Jefim Gewiet, welcomed the participants of the Annual General Meeting (AGM) and declared the meeting open.

3. Nomination & Appointment of Chairman.

The Chairman of the Board of Directors, Mr. Jefim Gewiet acted as nominated Chairman of the Annual General Meeting.

Dr. Michael Calleja was appointed to keep the minutes on behalf of the Company.

4. Drawing up and approval of the voting list.

[Refer to Annex 4 – List of all shareholders as at the 23rd of April 2020– this being the Record Date].

One proxy nomination form was received from S. Stotz and S. Masek [Directors for and on behalf of SO Holding AG] nominating and appointing Mr. Jefim Gewiet to be the Company's representative for this Annual General Meeting.

In addition, the following executive management personnel were present at the AGM: Mr. Edwin Zammit [CFO].

N.B. [Refer to Annex 5 - Members Present & 'In absentia'].

5. Approval of the Agenda.

The Chairman declared that the agenda for the Annual General Meeting as proposed by the Board of Directors in the notice should guide the Annual General Meeting. It was unanimously resolved to approve the agenda in the form circulated in advance of the meeting and table thereat.

6. Determination as to whether the meeting has been duly convened.

In terms of the Company's Articles of Association (Clause 72), no business shall be transacted at a general meeting unless a quorum of members is present, in person or by proxy, at the time when the meeting proceeds to business. Save as herein otherwise provided a Member or Members, present in person or by proxy, entitled to attend and vote at the meeting and holding in aggregate not less than fifty-one percent (51%) of the paid-up voting share capital of the Company shall constitute a quorum.

- Apeiron Investment Group Ltd. are herein present and represented by Mr. Jefim Gewiet (Director, Legal and Judicial Representative) and hold in aggregate 49.41% of the Company's equity.
- SO Holding AG are herein present by proxy and hold in aggregate 9.11% of the Company's equity.

After noting that the formal 21 day notice-period of the meeting had been duly given to and consented to by all shareholders of the company and having also noted the other consents and waivers given by all shareholders of the Company, the meeting was called to order by the Chairman, who declared that the meeting was duly convened.

7. Presentation of two sets of audited accounts (audited & consolidated).

Both sets of audited accounts for financial year ended 31/12/2019 were presented to all members present by Mr Arthur Douglas Turner F.C.C.A., B.A. (Hons), F.I.A., A.M.I.T., A.C.I. (Arb) C.P.A. (representing the auditor Parker Randall Turner, Malta).

8. Receipt and approval of the Financial Statements (Annual Report) of the Company for the year ended 31st December 2019 and the Directors' Report for the year ending 31st December 2019 and the Auditors' Report for the year ending 31st December 2019.

The Chairman noted that the Report Financial Statements of the Company for the year ended 31st December 2019 together with the Directors' Report and Auditors' Report thereon had been circulated to all persons entitled to attend the meeting prior to the meeting together with, inter alia, the agenda. It was resolved that the said documents were duly circulated.

Mr Arthur Douglas Turner F.C.C.A., B.A. (Hons), F.I.A., A.M.I.T., A.C.I. (Arb) C.P.A. representing the Company's auditor Parker Randall Turner, Malta, gave a brief overview of both sets of accounts of the Company, including 'inter alia', the Directors' Report and auditors' Report for the financial year ending 31st December 2019.

Reference was made to the Detailed Income Statement where this was explained in considerable detail. It was recorded that the overall pre-tax net profit was that of EUR 2,090,100.

In the 'Statement of Comprehensive Income', it was also noted that the profit after tax was that of EUR 1,356,401. In terms of Taxation, this comprised both current taxation and differed taxation. To also note that the revaluation of equity investments increased by EUR 31,383,020.

In terms of financial reporting for Block.One, this was based on Level 3 techniques. The Auditors mentioned that CAG's investment in Block.One represents the largest investment conducted by CAG to date and that Northern Data shares represent the largest revaluation value of investments. The auditors mentioned that they reflected the fair value movement in said Statement of Comprehensive Income which as a composite score was that of EUR 36,805,744 for y/e 2019.

The Statement of Financial Position (page 6 of the Annual Report) was also explained in some detail. Mention was made of Block.One's valuation which was classified as EUR 29,000,000 (an increase of EUR 4 million on the previous year). The investment in CloudEO was recorded as being EUR 2 million and the investment in nextmarkets Trading Ltd as EUR 1,060,000. These figures were also represented in terms of note 13 of the Financial Statements dealing with AFS Investments.

'Other receivables' in terms of the Financial Position refer to a convertible loan of EUR 5,000,000. Total Assets for Y/E 2019 were recorded as EUR 86,058,959. There was also a EUR 3,217,500 increase on the share premium account.

Current liability also primarily represents the overdraft taken by the Company. Trade creditors and taxation also amount to EUR 2,548,000.

The Directors' Report was also read out in some detail. The auditors' made reference to the COVID-19 disruption, the fact that the company has a strong balance sheet and that other investment strategies have to be taken into consideration. Issues pertaining to Corporate Governance structures were also raised by the Auditors'. Moreover, the Advisory Committee minutes have to be recorded and risk management procedures must be in place. These policies and procedures would certainly aid in ensuring proper management of the entity.

In the Key Management letter, this basically expounded on the basis of valuation wherein mention was made of problems in relation to Block.One. The auditors lamented that they could not find sufficient information to conduct a proper valuation for the audit. In this connection, the value was impaired and requested the Board of Directors to assist in providing more help with investment evaluation and eventual justification.

From Cryptology Asset Group PLC's point of view, the auditors' mentioned that establishing an Investment Strategy proved difficult due to lack of information & data available. They also requested that the Advisory Committee should ensure that there are strategies for the short, medium & long-term.

A Risk Assessment of Investment models was also recommended – which also includes investment evaluations and a proper record-keeping procedure vis-à-vis decisions taken by the majority owner of the entity. This basis of internal evaluation should also be properly documented & be made available to the auditors on an 'ad hoc' basis.

Considering that the entity is now listed on the Dusseldorf Stock Exchange, elements of Good Governance should not be neglected. To a certain extent these were provided to the auditors but were not comprehensive enough. Future plans and strategies should also ideally be explained in further detail.

The Auditors also requested some clarifications re: management of funds e.g. what allocations are being left aside for prospective buffers. The aforementioned point should also be tied-in with the Investment Strategy. Inasmuch as having a strong balance sheet is important, the necessity to have robust treasury management systems is equally of paramount importance. The auditors also mentioned that the Company should also have procedures in place for the management of cash reserves.

The filing of the Annual Reports with the Malta Business Registry (MBR) and Inland Revenue Department (IRD) will also be conducted by the Auditors themselves.

There have been no questions or comments to the financial statements, it was unanimously resolved to approve the financial statements of the company, the Directors' report and the auditor's report for the financial year ending 31st December 2019.

9. Approval of Remuneration paid to the Board for the year 2021.

During the meeting it was unanimously resolved to approve the sum of EUR 60,000 gross and EUR 12,000 gross of tax for Mr. Jefim Gewiet and Dr. Joerg Werner respectively.

10. Determination of Auditor's Fees.

It was unanimously resolved to empower the Directors to negotiate and agree the auditor's fees directly with the auditors and that the auditors' fees shall be payable in accordance with the approved invoices. The fees were established at approximately EUR 10,000 for financial year 2020 (excluding professional & ancillary expenses).

11. Election and composition of the new Board of Directors & Chairman of the Board of Directors.

- It was unanimously resolved to re-appoint: Mr. Jefim Gewiet and Dr. Joerg Werner as Directors of the Company for the period until the end of the next Annual General Meeting.

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- It was also unanimously resolved to appoint Mr. Jefim Gewiet as Chairman to the Board of Directors.

12. Nomination and Appointment of Auditors.

In accordance with the proposal of the Board of Directors, it was unanimously resolved to appoint Parker Randall Turner as auditors of the Company for the period until the end of the next Annual General Meeting.

13. Any other matters arising.

The Director, Mr. Jefim Gewiet stated that insofar as Directors' emoluments were concerned, during the preceding Annual General Meeting only Dr. Werner's wage was approved. Apeiron Investment Group Ltd. thus proposed some clarification re: Mr. Gewiet's emoluments for current period 2020.

After due and careful consideration, the Shareholders unanimously approved to remunerate Mr. Gewiet the sum of EUR 60,000 (gross) for 2020.

No other considerations or matters were presented during the course of the meeting.

There being no further business to discuss, the Chairman declared the Meeting closed.



.....
Mr. Jefim Gewiet
Chairman & Company Director.



.....
Dr. Michael Calleja
At the minutes
Company Secretary

ANNEXES

Annex 1 – Proxy Nomination Form

Annex 2 – Agenda circulated to Members.

Annex 3 – Notice convening an Annual General Meeting.

Annex 4 – Full list of Shareholders and % of equity as at 23/04/2020.

Annex 5 – Members Present and ‘In Absentia’.

Annex 6.1 – Cryptology Asset Group P.L.C – Approved Annual Report 2019

Annex 6.2 – Cryptology Asset Group P.L.C. – Approved Consolidated Annual Report 2019.



PROXY FORM 2

Where a Member holds Shares for and on behalf of third parties, such Member is entitled to grant a proxy to each such third party or other persons designated by the third party, and the instrument appointing the proxies shall, in order to permit votes attaching to Shares to be cast differently than others, be in the following form or in a form as near thereto as circumstances permit:

Cryptology Asset Group p.l.c

I/We SO Holding AG
of Switzerland residing
at Poststrasse 4, 8808 Pfäeffikon SZ
being a member/members of the above-named company, hereby appoint:
a. Mr. Jefim Gewiet of _____ in respect of
249,000 shares out of _____ shares or
failing him/her _____ of _____ as
my/our proxy to vote for me/us on my/our behalf at the (annual or extraordinary, as the case
may be) general meeting of the company, to be held on the _____ day of
_____, and at any adjournment thereof.

Signed this 28th day of April 2020.


S. Stotz, Director


S. Masek, Director

This form is to be used in favour of/against* the resolution.

Unless otherwise instructed, the proxy will vote as he/she thinks fit.

* {strike out whichever is not desired}

b. _____ of _____ in respect of
_____ shares out of _____ shares or
failing him/her _____ of _____ as
my/our proxy to vote for me/us on my/our behalf at the (annual or extraordinary, as the case
may be) general meeting of the company, to be held on the _____ day of
_____, and at any adjournment thereof.

Signed this _____ day of _____

This form is to be used in favour of/against* the resolution. Unless otherwise instructed, the proxy will vote as he/she thinks fit.

* {strike out whichever is not desired}

Annual General Meeting (AGM) – AGENDA.
Wednesday 13th of May 2020.

1. Call to order.
2. Opening of the Meeting.
3. Nomination and Appointment of Chairman.
4. Drawing up and approval of the voting list.
5. Approval of the agenda.
6. Determination as to whether the Meeting has been duly convened.
7. Presentation of two sets of audited accounts (audited & consolidated).
8. Receipt and approval of both the Audited Financial Statements and the Audited Consolidated Financial Statements of Cryptology Asset Group plc. Annual Report) of the Company for the year ended 31st December 2019 and the Directors' Report for the year ending 31st December 2019 and the Auditors' Report for the year ending 31st December 2019.
9. Approval of Remuneration paid to the Board for the year 2021 (if any).
10. Determination of Auditor's fees.
11. Election and composition of the new Board of Directors and Chairman of the Board of Directors.
12. Appointment of Auditor/s.
13. Other matters arising.

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This agenda is dated the 23rd April 2020

BY ORDER OF THE BOARD.



Dr. Michael Calleja
Company Secretary

23.04.2020

23rd day of April 2020.

**Notice re: Annual General Meeting
(on the 13th day of May 2020).**

Dear Sir,

The Company's Second Annual General Meeting (AGM) will be held on **Wednesday, the 13th day of May 2020 @ 1100hrs** at the **Blk. A, Apt. 12, Il-Piazzetta, Tower Road, Sliema, SLM 1605, Malta.**

In light of the recent COVID-19 outbreak, the Board of Directors is cognizant of the fact that a 'force majeure' event is not catered for within the Company's Statutory Documents. In this connection,

- In the event that either you or your proxy will be attending the meeting, the Board will take all necessary measures to facilitate a conference call – whereby your presence via video conferencing will be marked & noted by the Company Secretary as being 'present' for the General Meeting.
- Should you wish to avail yourself of this option, you are cordially requested to email the company secretary on calleja@drwerner.com
- 'Joining instructions' to connect to the online conference call will be communicated to you personally at least 48 hrs prior to the commencement of the meeting.

Please feel free to revert back to us should you have further queries or clarifications.

BY ORDER OF THE BOARD



Dr. Michael Calleja
Company Secretary
Cryptology Asset Group PLC.

23rd April 2020.

Annual General Meeting (AGM) – Notice.

Notice is hereby given of the Company's second Annual General Meeting (AGM) of **Cryptology Asset Group PLC** to be held at **Blk A, Apt. 12, Il-Piazzetta, Tower Road, Sliema, SLM 1605, Malta** [or any other venue as will be decided by the Board of Directors at least 24 hrs prior to officially convening said AGM] on **Wednesday the 13th of May 2020 at 11:00am** for the purpose of considering and if thought fit, passing the resolutions set out in this notice:

Ordinary Business.

Appointment of Directors.

The term of office of the directors appointed pursuant to clause 112 of the Company's articles of association, currently in office shall expire at the forthcoming annual general meeting and current directors will be subject to re-election accordingly;

Extraordinary Resolutions.

- 1. that the financial statements of the Company for the financial year ended 31 December 2019 and the **directors'** and **auditors'** report thereon as set out in the Annual Report be and are hereby approved;*
- 2. that the reappointment of **Parker Randall Turner** as auditors of the Company for the next financial year 2020 be hereby approved and that the directors be and are hereby authorised to determine their remuneration (auditors' fee);*

3. that the Director/s fees (if any) for year 2021 be discussed and henceforth approved accordingly;

4. Any Other matters arising.

This notice is dated the **23rd of April 2020.**

BY ORDER OF THE BOARD,



Dr. Michael Calleja
Company Secretary

Guidance Notes & Ancillary Provisions.

A. Record Date

This notice has been mailed to the Members registered as at close of business on the **23rd April 2020**. Only such Members shall be entitled to attend and vote at the Annual General Meeting.

B. Participation and voting by Members

A shareholder may participate and vote at the meeting in any of the following ways:

- (a) by personally attending the meeting; or*
- (b) by submitting a proxy form to the company.*

i) Personal Attendance

A Member may participate at the meeting personally by physically attending the meeting on the appointed day and time at the venue where the meeting is held.

(See "Admission to Meeting").

ii) Participation by Proxy

In terms of Clause 96 of the Articles of Association, a Member may participate by proxy by completing and signing the proxy form dispatched to all Members together with this notice and sending same to the Office of the Company Secretary not less than **24 hours** before the time appointed for the meeting.

A proxy form may be sent to the Company either:

- (a) by mail to The Company Secretary; or*
- (b) by electronic means to: calleja@drwerner.com*

In case of proxies sent by email to the email address above set out, the email should have attached thereto **a copy of the Proxy Form** duly completed and signed by the shareholder or a duly authorised person on behalf of a corporate/institutional Member.

C. Completing the Proxy Form

A Member wishing to participate at the meeting by proxy is to complete all details required on the proxy form fully, clearly and accurately.

This includes:

(a) Indicating whether the Member wishes to appoint as proxy the Chairman of the meeting or another person. In the case that a Member wishes to appoint a person other than the Chairman of the meeting as proxy, the **full name, address and I.D. Card number** of the proxy are to be clearly and legibly inserted in the appropriate space;

(b) Indicating whether the Member wishes the proxy to vote as the appointed proxy wishes or whether the Member wishes to instruct the proxy how to vote. In either case a mark ought to be made in the appropriate box indicated in the proxy form. In the event that no indication is made it shall be deemed that the Member authorises the proxy to vote as the proxy wishes, unless the Member indicates how he/ she wishes the shares held to be voted by inserting the number of shares or another appropriate mark against the relevant resolutions, in which case the proxy shall be deemed authorised to vote only as indicated by the Member in the proxy form;

(c) Where a Member wishes to have his/her proxy vote in a particular manner then he/she should indicate his/ her voting preference appropriately against each resolution. ***The procedure for voting is established and governed in terms of Clause G of this Notice accordingly.***

If a cross or a mark is placed in any two of the three boxes for the same resolution, then the Member's vote on that particular resolution will be invalid.

Any resolution remaining unmarked on the ballot paper will be treated as authorizing the appointed proxy to vote as he/she wishes.

D. Participation and Voting

A Member wishing to participate simply by having their votes taken into account at the meeting should fill in the proxy form in favour of the Chairman of the meeting and then proceed to instruct the Chairman how to vote on each

resolution to be taken at the meeting by completing the '**FOR**', '**AGAINST**' or '**ABSTAIN**' boxes in the proxy form.

E. Admission to the Meeting

(a) In order to be admitted, a Member is to present his **Identity Card** and the **Admission Form** enclosed with this notice.

(b) In the case of shares held jointly by several persons, except in the case of shares held jointly by a married couple, the first named joint holder on the Register of Members shall be eligible to attend and vote at the Meeting.

(c) A single representative of a joint shareholding, who is not the first named on the Register, will only be eligible to attend and vote at the Meeting if a Form of Proxy has been duly executed in his favour by all other joint holders.

(d) In the case of shares held jointly by a married couple, both spouses, or either of them, may attend the Meeting. Provided that: i. irrespective of whether both spouses, or either of them, attend the Meeting, only one voting document will be issued and only one of them shall be entitled to vote; and ii. if they wish to appoint a proxy, the Form of Proxy must be signed and executed by both spouses.

(e) When a Member is a body corporate, association of persons, foundation or other collective entity, a representative thereof will only be eligible to attend and vote at the Meeting if the Form of Proxy has been duly executed in his favour by the competent organ of the entity which he represents.

(g) Admission to the Meeting will be commenced **30 minutes** before the advertised time.

(h) After the Meeting has proceeded to business, voting documents will continue to be issued until such time as the Meeting proceeds to vote on the first item of the Agenda whether by show of hands or by poll. Thereafter no further voting documents will be issued and admission to the Meeting shall be discontinued.

F. Draft Resolutions and Documents

The draft resolutions to be considered and voted upon at the meeting are included as an integral part of this notice. The full unabridged text of any documents submitted to the meeting shall, unless dispatched to shareholders, be available at the registered office of the Company and on cryptology-ag.com.

G. Procedure for Voting during the AGM.

A. Voting by show of hands.

- I. Chairman requests those voting in favour of the motion to raise a hand.
- II. Procedure is repeated for those voting against the motion.
- III. A count is taken in each case and the Chairman will determine the outcome.
- IV. The result is recorded in the Minutes by the Company Secretary.
- V. The counting of hands is necessary particularly when a specific resolution to pass requires a specific majority proportion of the members present.
- VI. A record is necessary to be kept in the Minutes and if decided by the Chairman, the names of the members voting will also be kept on record.

B. Voting by Ballot/Poll.

Voting by ballot (or poll) may become necessary when there are members who hold a number of proxies but have different voting-entitlements. Such an instance would call for correctness in carrying out the method diligently.

- I. In such a scenario, the Company Secretary would have pre-prepared a voting paper containing the salient but relevant details of the matter being voted on.
- II. Such voting document is distributed to each of the members present that are eligible to vote.
- III. Company Secretary will keep a written record showing: the name of the person to whom the voting document was distributed to and how many voting papers were distributed to each person. This becomes relevant since one same person may hold various proxies.

- IV. The voting document should request a voting member to insert a **“FOR”** or a **“AGAINST”** or an **‘ABSTAIN’**.
- V. Should there be any votes that are doubtful, the Chairman will be the person to determine and take a ruling.

H. Right to ask questions

Members (whether personally or by proxy) are reminded that they are entitled to ask questions which are pertinent and related to any item on the agenda of the meeting – and to have such questions answered by the directors or such person(s) as the directors may delegate for that purpose.

To ensure efficient proceedings at the meeting the directors invite Members to submit in writing any questions related to the resolutions to be sent to the Company Secretary either by mail to the Company Secretary or email on calleja@drwerner.com by not later than 24 hours before the meeting.

Whilst the directors shall endeavour to reply to all questions that may be raised at the meeting only questions that shall have been submitted to them as aforesaid shall be entitled to a reply, provided that any questions raised for the first time at the meeting and to which the directors are not able to provide an immediate reply, shall, subsequent to the meeting be answered by the directors by posting a reply on the Company's website.

PROXY FORM 1**Cryptology Asset Group p.l.c**

I/We _____ of _____
residing at _____
being a member/members of the above-named company, do hereby
nominate & appoint
_____ of _____ or failing him/her
_____ of _____ as my/our proxy to
vote for me/us on my/our behalf at the (annual or extraordinary, as the
case may be) general meeting of the company, to be held on
the _____ day of _____ and at any adjournment
thereof.

Signed this _____ day of _____, _____

***This form is to be used in favour of/against * the resolution. Unless
otherwise instructed, the proxy will vote as he/she thinks fit.***

*** {strike out whichever is not desired}**

PROXY FORM 2

Where a Member holds Shares for and on behalf of third parties, such Member is entitled to grant a proxy to each such third party or other persons designated by the third party, and the instrument appointing the proxies shall, in order to permit votes attaching to Shares to be cast differently than others, be in the following form or in a form as near thereto as circumstances permit:

Cryptology Asset Group p.l.c

I/We _____
of _____ residing
at _____
being a member/members of the above-named company, hereby appoint:
a. _____ of _____ in respect of
_____ shares out of _____ shares or
failing him/her _____ of _____ as
my/our proxy to vote for me/us on my/our behalf at the (annual or extraordinary, as the case
may be) general meeting of the company, to be held on the _____ day of
_____, and at any adjournment thereof.

Signed this _____ day of _____

This form is to be used in favour of/against* the resolution.

Unless otherwise instructed, the proxy will vote as he/she thinks fit.

* {strike out whichever is not desired)

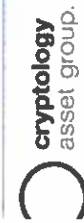
b. _____ of _____ in respect of
_____ shares out of _____ shares or
failing him/her _____ of _____ as
my/our proxy to vote for me/us on my/our behalf at the (annual or extraordinary, as the case
may be) general meeting of the company, to be held on the _____ day of
_____, and at any adjournment thereof.

Signed this _____ day of _____

This form is to be used in favour of/against* the resolution. Unless otherwise instructed, the proxy will vote as he/she thinks fit.

* {strike out whichever is not desired)

Annex 4 – Full list of Shareholders and % of equity as at 23/04/2020 (Record Date).



cryptology asset group									
Company Construction and Shareholding									
Latest Position as at 23rd April 2020									
Nominal Value (100)									
Name	MSE Account No.	Address	Country	Nationality	Status	Founder Series A Series B Total Shares	%	EU	UK
1 Acon Investment Group Ltd	10095506	48, Sella Mare street, Senna SLM 755	Malta	Maltese	Company	1,350,000	49.41%	49.41%	
2 Grey Study Capital GmbH	10095492	Hauptstrasse 98, Platz 9102	Germany	German	Company	450,000	16.47%	16.47%	
3 SO Holding AG	10095486	4, Poststrasse, Pfaffikon 8808	Switzerland	Swiss	Company	249,000	9.11%		9.11%
4 Galveston Digital Ventures Cayman LLC		Mackies Corporate Services Ltd, P O Box 309, Upland House South Church Street	Cayman Islands	Caymanian	Company	200,000	7.32%		7.32%
5 AH (St. Helen) Limited	10095816	5th Floor, 37, Esplanade St. Helen, Jersey, JE23DA	Jersey	British	Company	110,000	4.03%		4.03%
5 Adam Jason Leveson	10095697	9, Bukit Tunggal Road, Singapore City 309895	Singapore	Singaporean	Individual	95,550	3.50%		3.50%
7 Bradley James Wolters	10095642	Pudicote House, Pudicote Lane, Chipping Norton, Oxfordshire OX73HX	UK	British	Individual	37,000	1.35%		1.35%
9 Jens-Peter Stein	10095638	Sudenstrasse 26, Wollerau 8832	Switzerland	German	Individual	35,000	1.28%		1.28%
9 Wiesnau AS	10095575	c/o Kjøperberg Bogdalen 157, 4324 Sandnes, sandnes 1102	Norway	Norwegian	Company	17,000	0.62%		
9 Christian Hennrich Thum	10095590	32, Malven Court, Oaklaw Square, London SW73HY	UK	German	Individual	15,000	0.55%		0.55%
1 Andreas Michael Schell	10095670	Apt A1002, 50 Holland Street, London SE 16JU	UK	British	Individual	12,550	0.46%		0.46%
2 Coef SICAV II Alcatraz European East	10095557	11-13 Boulevard De La Fore, Luxembourg City L-1528	Luxembourg	Luxembourg	Company	10,000	0.37%		0.37%
3 Copacasa GmbH	10095601	Zum Denkmal 24, D-04288, Leipzig	Germany	German	Company	9,700	0.35%		0.35%
4 Golo Alexander Quandt	10095620	Reichenstrasse 225/APP 23, Mainz	Germany	German	Individual	8,200	0.30%		0.30%
5 Nimble Ventures LLC	10095646	251, Lila Falls Drive, Wilmington, New Castle, Delaware	USA	American	Company	7,000	0.25%		0.25%
5 Aunum Capital GmbH	10095522	Schweinfurderstrasse 11A, Tegernsee 83684	Germany	German	Company	6,700	0.23%		0.23%
7 N-Concerta LLC	10095530	251, Lila Falls Drive, Wilmington, New Castle, Delaware	USA	American	Company	6,300	0.23%		0.23%
5 Daniel Walter Franke	10095603	Unckmüller Strasse 25, Berlin 10025	Germany	German	Individual	4,000	0.15%		0.15%
3 Event Horizon Capital & Advisory GmbH	10095648	Bornstrasse 24, Frankfurt AM main 60313	Germany	German	Company	3,000	0.11%		0.11%
3 Stephen Edwards Rubens	10095646	9, Heath Close, Hampstead Way, London NW 11DS	UK	British	Individual	3,000	0.11%		0.11%
1 BF Holding GmbH	10095818	AM Eulenstr. 14, 93526, Kulmbach	Germany	German	Company	2,000	0.07%		0.07%
2 Andreas Billmeyer	10095654	10, Huson Close, London NW33JW	UK	German	Individual	2,000	0.07%		0.07%
3 IAM International Asset Management Gm	10095676	Oskar Von Miller Ring, 36 March 80333	Germany	German	Company	2,000	0.07%		0.07%
4 Marc Thomas Forster	10095689	1633, Ventura Boulevard, Encino CA91434	USA	Swiss	Individual	1,000	0.04%		0.04%
5 Fin Mable Othman	10095601	Wolferhof 14, Stenach 9323	Switzerland	Swiss	Individual	12,500	0.46%		0.46%
5 Sergey Radchenko		14 Pevets, 4045 Gerasimova	Cyprus	Cypriot	Individual	2,500	0.09%		0.09%
7 Michael Teatorf		129 Loring AU, Pelham, NY, 10803	USA	American	Individual	2,500	0.09%		0.09%
8 Sampath AG		Gagarin 75, 9405 Biberach	Germany	German	Company	2,500	0.09%		0.09%
9 Miron Anzlot		Gagarin 75, 9405 Biberach	Germany	German	Company	2,500	0.09%		0.09%
0 Moscow Ventures LLC		5416 Shore Place NW Washington DC 20016	USA	American	Company	2,500	0.09%		0.09%
1 Laurentius Herrer		2127 Linden Ave Venice CA 90291	USA	American	Individual	2,500	0.09%		0.09%
2 HCS GmbH		Böcklerstrasse 24, 60306 Frankfurt	Germany	German	Company	2,500	0.09%		0.09%
3 Hembach Dennis V GmbH		Stelzer-George, Ring 2, 81320, Munich	Germany	German	Company	2,500	0.09%		0.09%
4 Eversall UG		Dickensstrasse 41, 10178 Berlin	Germany	German	Company	2,500	0.09%		0.09%
5 Beckmann Capital GmbH		Nassau Street, 28, 65719, Hufham	Germany	German	Company	2,500	0.09%		0.09%

Members Present and 'In Absentia'¹

- 1 Apeiron Investment Group Ltd – PRESENT.
- 2 Grey Study Capital GmbH – *IN ABSENTIA*
- 3 SO Holding AG – PRESENT VIA PROXY.
- 4 Galaxy Digital Ventures Cayman LLC – *IN ABSENTIA.*
- 5 AH (St. Helier) Limited – *IN ABSENTIA.*
- 6 Adam Jason Levinson – *IN ABSENTIA.*
- 7 Bradley James Wickens – *IN ABSENTIA.*
- 8 Jens-Peter Stein – *IN ABSENTIA.*
- 9 Weintraub AS – *IN ABSENTIA.*
- 10 Christian Heinrich Thum – *IN ABSENTIA.*
- 11 Andreas Michael Schiff – *IN ABSENTIA.*
- 12 Coeli SICAV II Absolute European Equity Fund – *IN ABSENTIA.*
- 13 Cognisana GmbH – *IN ABSENTIA.*
- 14 Golo Alexander Quandt – *IN ABSENTIA.*
- 15 Nimble Ventures LLC – *IN ABSENTIA.*
- 16 Aurum Capital GmbH – *IN ABSENTIA.*
- 17 N-Concerta LLC – *IN ABSENTIA.*
- 18 Daniel Walter Funke – *IN ABSENTIA.*
- 19 Event Horizon Capital & Advisory GmbH – *IN ABSENTIA.*
- 20 Stephen Edwards Rubens – *IN ABSENTIA.*
- 21 BF Holding GmbH – *IN ABSENTIA.*
- 22 Andreas Billmeier – *IN ABSENTIA.*
- 23 IAM International Asset Management GmbH – *IN ABSENTIA.*
- 24 Marc Thomas Forster – *IN ABSENTIA.*
- 25 Fin Malte Orthmann – *IN ABSENTIA.*
- 26 Small & Mid Cap Investmentbank AG – *IN ABSENTIA*
- 27 Laurentius Harrer – *IN ABSENTIA*
- 28 Jake Weinstock – *IN ABSENTIA*



Dr. Michael Calleja
Company Secretary
13.05.2020.

¹ as per Record Date 23/04/2020

CRYPTOLOGY ASSET GROUP P.L.C

Company Registration No: C 84355

ANNUAL REPORT

For the year ended 31 December 2019



CRYPTOLOGY ASSET GROUP P.L.C

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CRYPTOLOGY ASSET GROUP P.L.C.

DIRECTORS' REPORT

The directors present their report for the year 31 December 2019.

Incorporation

Cryptology Asset Group p.l.c was incorporated and registered with the Malta Business Registry on 10 January 2018 and started trading forthwith.

Principal Activity

The Company's principal activity is to invest in crypto-assets and companies with blockchain-related business models and also provide strategic advice to these type of companies. During the year under review, it invested in companies with underlying crypto-assets. The Company also participated directly in trading of crypto-currencies and tokens. The directors do not foresee any changes in the Company's principal activity during the forthcoming year.

Investment Rationale

At the year end the Company held a portfolio of investments that continues to grow, including both quoted and unquoted investments. This contributed significantly to the performance of the Company's financial results for the year under review. The Company adheres to a clearly defined Investment policy which ensures transparency, consistency and a fair basis of valuing financial instruments. In this regard, for unquoted investments, in view of limited information available, the Company's measurement of fair value would be the price that the financial asset can be expected to sell in the ordinary course of business, as long as the price indicated is supported by sound financial judgement. To this end, the Company obtains sufficient information to measure fairly the value of its investments from observable and unobservable inputs under normal market conditions.

The Company's Advisory Board is composed of key personnel well trained and experienced in the field. The Advisory Board seeks to identify, evaluate and select ongoing viable projects that are likely to have significant positive impact on the Company's results.

The Company is uniquely positioned to invest further in its existing portfolios. It also looks at other innovative investment opportunities, which could include co-investing with other partners in viable projects such as crypto-asset management.

Business Development and Outlook

The Company has developed very positively since its foundation despite the very volatile market development in the crypto and blockchain sector. This is mainly due to the fact that the strong network ensured access to promising investments. In addition, strategic investments have developed significantly better than the overall sector.

The Company will expand its existing stake with suitable companies if management believes that these companies complement to the existing holdings in a meaningful way, and thereby the strategy of the Company is to continue to build a diversified portfolio of companies with blockchain-based business models.

CRYPTOLOGY ASSET GROUP P.L.C.

DIRECTORS' REPORT (Continued)

Business Development and Outlook (continued)

It is the Company's intention to be a key player in the industry by harnessing the experience to mitigate risks and avoid volatility scenarios mainly by seeking and harvesting new investment opportunities by investing in hi-tech companies. To this end, the Company, will continue to invest in key human resource talents to enhance its corporate governance and to assist it in the ventures which it intends to pursue. The Board of Directors seeks to consistently improve business results and sustain continuous growth in the market in which it operates, and in line with its investment strategies.

Principal risks and uncertainties

The Company's principal risks and uncertainties are further disclosed in Notes 21 and 22 and specific risk evaluation to Fair Value Measurement as denoted in Note 23 to the financial statements.

Events after the financial reporting date

The shares of Cryptology Asset Group p.l.c (ISIN MT0001770107) have been included in the general sub-prime open market of the Düsseldorf Stock Exchange as of May 5, 2020. Further disclosures in relation to subsequent events are set out in Note 24 to the financial statements.

Risks posed by COVID-19

At the start of 2020, the existence of a new coronavirus (COVID-19) was confirmed and has spread across a number of countries. COVID-19 has caused interruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The directors of the Company are monitoring the COVID-19 situation very closely and are planning for situational analysis to counteract the impact of COVID-19. The directors feel that the impact of COVID-19 on the Company's financial position will very much depend on how long the virus persists and will depend on the financial sustainability of the company. If this pandemic prolongs, the directors foresee a potential global recession with huge financial impact where results on operations will be affected, and future liquidity and capital resources may also become scarce. Such a scenario may impact on consumer confidence and the risk appetites of capital investors. Since the Company's investment approach is to invest in blockchain models, these are likely to gain ground as more confidence is triggered when trust in banks diminishes. Notwithstanding all this, the company shall be exploring avenues of adopting a remote-approach in carrying on with its activities, hence investing in new IT technologies.

The directors will be better placed to assess matters in the coming months, and will continue to monitor the situation to align the business risk model. The directors remain confident that by the end of 2020 things will settle down and will continue to invest in the business to ensure that they achieve their future projections.

Performance Review

Initially, the Company's objective was to invest in major investments in USA and Germany. During the past two years, it invested in companies that has yielded positive results. The trading in cryptocurrencies and tokens gave rise to the positive results during the year under review.

CRYPTOLOGY ASSET GROUP P.L.C.

DIRECTORS' REPORT (Continued)

Performance review (continued)

In addition to the operating profits generated during the year, the Company's positive contribution to Total Comprehensive Income mainly emanates from fair values changes on Available-for-Sale investments.

Results

The directors report a profit for the year after taxation of € 1,356,401 (2018: loss of € (1,598,922)) and total comprehensive income of € 36,805,744 (2018: € 6,990,603) on revenue of € 14,806,942 (2018: € 2,571,723). These profits will be added to profits brought forward of € 6,990,603, leaving accumulated profits of € 43,796,347 to be carried forward to next.

Dividends

The directors do not recommend the payment of a dividend.

Financial Reporting Framework

The directors have resolved to prepare the Company's financial statements for the year ended 31 December 2019 in accordance with the requirements of International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union.

Directors

The following have served as directors of the company during the year under review:

Mr. Jefim Gewiet: Managing Director
Dr. Jorg Werner: Non-Executive Director

In accordance with the Articles of Association, all the directors, except for the Managing Director, shall retire from office at least once every three years. For this reason, this year being the second year of his appointment, Dr. Jorg Werner will remain in office, unless the members in General Meeting decide otherwise.

Statement of directors' responsibilities

The Companies Act, 1995 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 financial performance of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- ensure that the financial statements have been drawn up in accordance with International Financial Reporting Standards, as adopted by the European Union;

CRYPTOLOGY ASSET GROUP P.L.C.

DIRECTORS' REPORT (Continued)

Statement of directors' responsibilities (continued)

- account for income and expenditure relating to the accounting period on an accruals basis;
- ensure that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal 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. 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, 1995.

They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

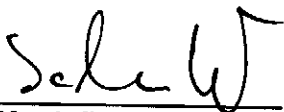
The directors confirm that, to the best of their knowledge:

- the financial statements give a true and fair view of the financial position of the company at 31 December 2019 and of its financial performance and its cashflows for the year then ended, in accordance with IFRSs as adopted by the EU on the basis explained in Note 1 to the financial statements; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Company together with additional information of the principal risks and uncertainties that the Company faces.

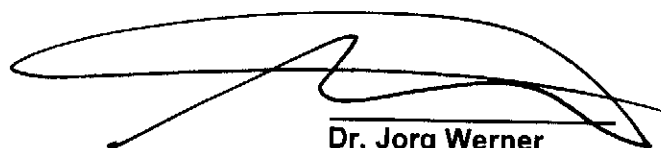
Auditors

Parker Randall Turner have intimated their willingness to continue in office as auditors of the company. A resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD



Mr. Jefim Gewiet
Managing Director



Dr. Jorg Werner
Director

Registered Office:
Block A, Apt 12, Il-Piazzetta
Tower Road,
Sliema,
Malta

13 May 2020

CRYPTOLOGY ASSET GROUP P.L.C.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 (52 wks) €	2018 (51 wks) €
REVENUE	3	14,806,942	2,571,723
Cost of investments		(12,280,582)	(2,848,553)
Realised loss on purchase of investment		-	(1,229,073)
Loss on fair value on held-for-trading investments		-	(244,702)
GROSS OPERATING PROFIT/ (LOSS)		<u>2,526,360</u>	<u>(1,750,605)</u>
Administrative expenses		(261,932)	(527,248)
Other income		59,983	888
PROFIT/ (LOSS) ON ORDINARY ACTIVITIES BEFORE FINANCE COSTS	5	<u>2,324,411</u>	<u>(2,276,965)</u>
Finance costs	4	(234,311)	(41,716)
PROFIT/ (LOSS) FOR THE YEAR/ PERIOD BEFORE TAXATION		<u>2,090,100</u>	<u>(2,318,681)</u>
Taxation	8	(733,699)	719,759
PROFIT/ (LOSS) FOR THE YEAR/ PERIOD AFTER TAXATION		<u>1,356,401</u>	<u>(1,598,922)</u>
OTHER COMPREHENSIVE INCOME			
Assets that will not be taken to profit or loss:			
Quoted available-for-sale investments: changes in fair value	13	31,383,020	-
Unquoted available-for-sale investments: changes in fair value	13	3,767,419	7,673,970
Foreign exchange translations on available-for-sale investments	13	298,904	915,555
		<u>35,449,343</u>	<u>8,589,525</u>
TOTAL COMPREHENSIVE INCOME		<u>€ 36,805,744</u>	<u>€ 6,990,603</u>

The notes form an integral part of these financial statements.

CRYPTOLOGY ASSET GROUP P.L.C.

STATEMENT OF FINANCIAL POSITION

At 31 December 2019

ASSETS	Notes	2019 €	2018 €
Non-current assets			
Intangible assets	9	1,056,380	-
Property, plant and equipment	10	7,018	13,523
Investment in subsidiaries	12	240	480
Available-for-sale investments	13	79,933,526	36,473,830
Other receivables	15	5,000,000	-
		<u>85,997,164</u>	<u>36,487,833</u>
Other non-current assets			
Deferred tax asset	11	-	719,759
Current Assets			
Held-for-trading investments	14	-	188,233
Trade and other receivables	15	60,187	8,564
Cash and cash equivalents		1,608	198,137
		<u>61,795</u>	<u>394,934</u>
TOTAL ASSETS		<u>€ 86,058,959</u>	<u>€ 37,602,526</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	16 (a)	2,732,500	2,650,000
Share premium	16 (b)	23,862,113	20,644,612
Retained earnings	16 (c)	43,796,347	6,990,603
		<u>70,390,960</u>	<u>30,285,215</u>
Non-Current Liabilities			
Trade and other payables	17	13,119,936	6,732,078
Current Liabilities			
Interest-bearing loans and borrowings	18	2,209,797	-
Trade and other payables	18	338,266	585,233
		<u>2,548,063</u>	<u>585,233</u>
TOTAL EQUITY AND LIABILITIES		<u>€ 86,058,959</u>	<u>€ 37,602,526</u>

The notes form an integral part of the financial statements. These Financial Statements on pages 5 to 37 were approved by the directors on 13 May 2020 and signed on its behalf by:


Mr. Jefim Gewiet
 Managing Director


Dr. Jorg Werner
 Director

CRYPTOLOGY ASSET GROUP P.L.C.

STATEMENT OF CHANGES IN EQUITY

At 31 December 2019

	Share Capital €	Retained Earnings €	Share Premium €	Total €
FINANCIAL PERIOD ENDED FROM 10 JANUARY 2018 TO 31 DECEMBER 2018				
Issue of share capital	2,650,000	-	-	2,650,000
Increase in share premium			20,644,612	20,644,612
Profit for the period representing Total Comprehensive Income	-	6,990,603	-	6,990,603
At 31 December 2018	<u>2,650,000</u>	<u>6,990,603</u>	<u>20,644,612</u>	<u>30,285,215</u>
FINANCIAL YEAR ENDED 31 DECEMBER 2019				
Issue of share capital	82,500	-	-	82,500
Increase in share premium	-	-	3,217,501	3,217,501
Profit for the year representing Total Comprehensive Income	-	36,805,744	-	36,805,744
At 31 December 2019	<u>€ 2,732,500</u>	<u>€ 43,796,347</u>	<u>€ 23,862,113</u>	<u>€ 70,390,960</u>

The notes form an integral part of these financial statements.

CRYPTOLOGY ASSET GROUP P.L.C.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 €	2018 €
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from/ (used in) operations	19 (a)	2,108,238	(1,912,532)
Interest paid		(144,543)	(12,096)
Interest received		8,613	888
NET CASH GENERATED FROM/ (USED IN) OPERATING ACTIVITIES		1,972,308	(1,923,740)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		-	(20,028)
Purchase of intangible assets		(1,056,380)	-
Disposal/ purchase of investments in subsidiaries		240	(480)
Disposal of available-for-sale investments		10,000	-
Purchase of available-for-sale investments		(7,883,355)	(27,434,329)
Convertible loan advances		(5,000,000)	-
NET CASH FLOW (USED IN) INVESTING ACTIVITIES		(13,929,495)	(27,454,837)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of share capital		82,500	2,650,000
Issue of share premium		3,217,501	20,644,612
Exchangeable note	17	-	6,282,102
Loan advances from third party	17	6,250,860	-
NET CASH GENERATED FROM FINANCING ACTIVITIES		9,550,861	29,576,714
Net movement in Cash and Cash Equivalents		(2,406,326)	198,137
Cash and Cash Equivalents at the beginning of Year	19 (b)	198,137	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	19 (b)	€ (2,208,189)	€ 198,137

The notes form an integral part of these financial statements.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. BASIS FOR PREPARATION

1.1 Statement of Compliance

The financial statements of Cryptology Asset Group p.l.c have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union.

These financial statements have also been prepared in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta)

1.2 Basis of accounting

The financial statements are prepared under the historical cost. Assets and liabilities are measured at historical cost except for the following that are measured at fair value: financial assets measured at fair value through other comprehensive income (FVTOCI), and financial instruments classified at fair value through profit or loss (FVTPL).

These Financial Statements are prepared on a going concern basis. The Directors regard this as appropriate, after due consideration of the company's statement of financial position, capital adequacy and solvency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS

2.1.1 Standards and amendments to existing standards effective 1 January 2019

A number of new standards and amendments were endorsed by the EU but effective for periods starting after 1 January 2019. These standards and amendments include the following:

Standards:

- IFRS 16 Leases (issued on 13 January 2016) – effective 1 January 2019

Interpretations:

- IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017) – effective 1 January 2019;
- IFRIC 22 Foreign Currency Translations and Advance Consideration (issued on 8 December 2016) – effective 1 January 2019.

Amendments:

- Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017) and effective for periods starting on or after 1 January 2019;
- Amendments to IAS 28: Long-term interests in Associates and Joint Ventures (issued on 12 October 2017) – effective 1 January 2019.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

2.1 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS (continued)

2.1.1 Standards and amendments to existing standards effective 1 January 2019 (cont'd)

The directors have assessed the impact that the adoption of these new standards and interpretations and amendments to standards will have on the financial statements of the Company. The directors foresee that the adoption of new standards, amendments to existing standards, and interpretations that are effective for annual period on 1 January 2019, have no material impact on the financial statements of the Company.

2.1.2 New standards, interpretations and amendments not yet effective and have not been early adopted

There are no standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 PRINCIPAL ACCOUNTING POLICIES AND REPORTING PROCEDURES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.2.1 Non-derivative financial instruments

Non-derivative financial instruments comprise in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted when the effect of discounting is immaterial, or when the interest rate attached to the instrument exceeds the Company's incremental borrowing rate. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features or shared credit risk characteristics.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

2.2 PRINCIPAL ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

2.2.1 Non-derivative financial instruments (cont'd)

The percentage of the write down value is then based on recent historical counterparty default rates for each identified group.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit and loss, which are measured initially at fair value. They are subsequently measured as described below.

Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

2.2.2 Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds. Classification and subsequent measurement of debt instruments depend on:

- i. The Company's business model for managing the asset; and
- ii. The cash flow characteristics of the asset.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement criteria:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flow represent solely payments of principal and interest on specified dates. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.
- **Fair Value through Other Comprehensive Income (FVOCI):** Financial assets that are held for collecting of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI. Foreign exchange gains and losses on the instrument's amortised cost are also recognised in OCI. No impairment gains or losses are recognised since these are reflected in the movement in fair value through OCI. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is kept in OCI. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.
- **Fair Value through Profit or loss (FVTPL):** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

2.2 PRINCIPAL ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

2.2.3 Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

On initial recognition of an equity investment that is not held for trading, the company may irrecoverably elect to present changes in fair value in OCI. This election is made on a investment-by-investment basis and is irrecoverable. Other equity instruments are classified as measured at FVTPL. Gains and losses on such equity instruments are never reclassified to profit and loss and no impairment is recognized. Dividends are recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in OCI. Cumulative gains and losses recognized in OCI are kept within OCI on disposal of an investment.

Gains and losses on equity investments at FVTPL are included in the 'Trading profits' in line with the statement of profit or loss.

The company classifies its equity instruments as follows:

- i. Financial assets at fair value through profit or loss: This classification includes financial assets classified as held for trading. Financial assets at FVTPL are initially recognized and subsequently measured at fair value based on quoted bid prices in an active market.
- ii. Financial assets at fair value through OCI: Investment securities are classified as available-for-sale financial assets in view of the fact that these are intended to be held for an indefinite period of time, but which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or market prices. All investment securities are initially measured at fair value plus transaction costs, if any, that were directly attributable to their acquisition.

Those investments securities classified as available-for-sale financial assets are subsequently measured at fair value based on quoted bid prices in an active market, or by reference to a valuation technique if the market was not active. Shares held as investments are classified as 'Available for Sale Investments' and these are valued at acquisition cost excluding any other ancillary costs. All shareholding listings in each respective investee is below the 20% holding.

2.2.4 Convertible instruments

Convertible instruments, which give the holder the right to either demand repayment of the principle amount or to write off the debt and instead convert the balance into shares, are split up recognising both the liability and the equity components. The liability component is worked out on the basis of the present value of the payments at the market rate of interest. Once the liability component has been calculated, the equity component represents the difference between the cash paid and the liability component. This scenario applies when the market rate of interest will be higher than the coupon rate.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

2.2 PRINCIPAL ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

2.2.5 Investment in subsidiaries and equity-accounted investees

A subsidiary is an entity that is controlled by the Company. Control is the power to govern the financial & operating policies of an entity to obtain benefits from its activities. Investments in subsidiaries and equity-accounted investees are initially include in the Company's statement of financial position at cost and subsequently at cost less any impairment loss which may have arisen. Interest in equity-accounted investees are accounted for using the equity method at Group Level. These are initially recognized at cost, which includes transaction costs.

Subsequently the consolidated financial statements include the Group's share of profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence ceases. Dividends from the investments are recognised in profit or loss when its right to receive the dividend is established.

At the end of each reporting period, the Company reviews the carrying amount of its investments in subsidiaries and equity-accounted investees to determine whether there is any indication of impairment, and if such indication exists, the recoverable amount of the asset is estimated, and an impairment loss is accounted for as explained below.

2.2.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided for on the straight-line method at rates intended to write off the cost to its residual value over the expected useful life. The annual rates used are as follows:

	%
Computer and other office equipment	25
Computer software	25

Depreciation begins when the asset is available for use and continues until the asset is derecognised. Depreciation charge is recognised within 'cost of sales' and 'administrative expenses' in the statement of comprehensive income.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each financial reporting date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset 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 Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

2.2 PRINCIPAL ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

2.2.6 Property, plant and equipment (cont'd)

Property, plant and equipment that are temporarily idle and in course of construction are recognized in the carrying amount of property, plant and equipment at cost within 'Assets under construction'.

2.2.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit and loss in the year in which the expenditure is incurred.

The useful life of intangible assets is assessed to be either finite or infinite. The Company's intangible assets consist of crypto-currencies, which are held for the Company's own account. No amortisation is being provided to write of the cost to its residual value, since the assets do not have a definite useful life.

The cryptocurrencies were classified as intangible assets under IAS 38, 'Intangible Assets', because:

- it is a resource controlled by an entity (that is, the entity has the power to obtain the economic benefits that the asset will generate and to restrict the access of others to those benefits) as a result of past events and from which future economic benefits are expected to flow to the entity;
- it is identifiable, because it can be sold, exchanged or transferred individually;
- it is not cash or a non-monetary asset; and
- it has no physical form.

Where an indication of impairment exists, the carrying amount of the intangible asset is assessed and written down immediately to its recoverable amount.

For the purpose of assessing impairment, assets are grouped in the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset carrying amount exceeds its recoverable amount. The recoverable amount is the greater of its fair value less costs to sell and its value in use. To determine the value in use, management estimates expected future cashflows from each cash-generating unit and determines a suitable discounting rate in order to calculate the present value of those cash flows.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

2.2 PRINCIPAL ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

2.2.7 Intangible assets (cont'd)

Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management. Impairment losses are recognised immediately in the income statement. Impairment losses for cash-generating units are charged pro rata to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

An impairment loss that had been previously recognised is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been previously recognised.

2.2.8 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations resulting from a past event will probably lead to an outflow of economic resources from the company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are numerous similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the obligations' class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

A contingent liability is (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or (b) a present obligation that arises from past events but is not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognized but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognized. Contingent assets are disclosed when an inflow of economic benefits is probable.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

2.2 PRINCIPAL ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

2.2.9 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months.

2.2.10 Related Undertakings and Related Parties

The term 'related undertakings' refers to companies having common shareholders or common ultimate shareholders.

A party is related to an entity if, directly or indirectly through one or more intermediaries, the party controls or is under common control with the entity, or has an interest in the entity which can give significant influence on control over the entity.

2.2.11 Bank and Other Borrowings

Bank and other borrowings are recorded at the proceeds received. Finance charges are accounted for on an accrual basis and are shown with accruals to the extent that they are not settled in the period in which they arise.

2.2.12 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, its absence, the most advantageous market to which the Company has access at the date. The fair value of a liability reflects its non-performance risk.

Fair value conditions, including but not limited to liquidity in the market, at a specific date may and therefore differ significantly from the amounts which will actually be received on the maturity or settlement date. The best evidence of fair value of an instrument is a quoted price in an actively traded market for that instrument. The determination of what constitutes an active market is subjective and requires the collation of data and the exercise of judgement. A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Where it is concluded that an active market does not exist, a valuation technique is used. The latter gives consideration of transaction prices in inactive markets, however it makes use of other observable market data. The main assumptions and estimates which management considers when using valuation techniques are the likelihood and expected timing of future cash flows on the instrument and a risk premium. The valuation techniques used by the Company incorporate all factors that market participants would consider in setting a price and are consistent with accepted methodologies for pricing financial instruments.

The major application of fair value measurement is adopted for the valuation of Available-for-Sale Investments disclosed in the financial statements under Non-Current Assets.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

2.2 PRINCIPAL ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

2.2.12 Fair value measurement (cont'd)

In the absence of Level 1 and Level 2 inputs, the directors have applied Level 3 inputs to value these assets. Observable and unobservable inputs are used in this case, since there is little market activity for the asset at measurement date. The directors developed these inputs using the best information available in the circumstances, including the Company's own data, taking into consideration all information about market participants assumptions that is reasonable available.

A combination of valuation techniques were adopted taking into account the current replacement value of the asset and available, unaudited financial data of the underlying assets.

2.2.13 Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that the tax arises from a transaction or event which is recognised directly in equity, in which case it is recognised in equity. Current tax is based on the taxable profit for the year, as determined in accordance with tax laws, and measured using tax rates, which have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Differences relating to the investment in subsidiary to the extent that the Company's ability to control the timing of the reversal of temporary differences and it is probable that those temporary differences will not reverse in the foreseeable future.

Deferred tax assets for the carry-forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Deferred tax is measured 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 and tax laws that have been enacted or substantively enacted by the balance sheet date.

2.2.14 Revenue recognition

Revenue is measured at the fair value of consideration received or receivable for services rendered in the normal course of business, net of value added tax.

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the entity and these can be measured reliably. The company's revenue during the year under review relates to the sale of held-for-trading investments and the sale of cryptocurrencies.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

2.2 PRINCIPAL ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

2.2.14 Revenue recognition (cont'd)

Dividend income from investments is recognised when the right to receive payment is established.

Interest income and expense is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the instrument, or when appropriate, a shorter period to that instrument's carrying amount. When calculating the effective interest rate, the company estimates cash flows considering all contractual terms of the instrument but not future credit losses. The calculation includes payments or receipts that are an integral part of the effective interest rate, transaction costs and all other discounts or premiums.

Generally fee and commission income, is recognised as the related services are performed. Other fee and commission expenses are expensed as the services are rendered.

A contract with a customer that results in the recognised financial instrument in the company's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, the company first applies IFRS 9 to separate and measure the part of the contract that is within the scope of IFRS 9 and then applies IFRS 15 to the residual.

2.2.15 Administrative expenses

Operating expenses are recognised in the profit or loss and other statement of comprehensive income upon utilisation of the service or at the date of their origin.

2.2.16 Finance costs

Finance expenses comprise interest on borrowings, unwinding of the discount on provisions and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

(a) Borrowing costs

Borrowing costs include interest on bank overdrafts and borrowings and finance charges on finance leases. Borrowing costs and finance charges directly attributable to the acquisition, construction or production of assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale is capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of that borrowing. All other borrowing costs are recognised as an expense in the profit or loss in the period in which they are incurred.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

2.2 PRINCIPAL ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

2.2.17 Surplus and deficits

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential deficits arising up to the said date are accounted for even if they become apparent between the said date and the date on which the Financial Statements are approved.

2.2.18 Foreign currency translation

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Company operates. These Financial Statements are presented in Euro, which is the Company's functional and presentation currency. Assets and liabilities in foreign currencies are translated into Euro at the rate of exchange ruling at the balance sheet date. Transactions in foreign currency during the period are translated into Euro at the rate of exchange ruling on the date of the transaction. All profits and losses on exchange are dealt with through the profit and loss account.

2.2.19 Capital management policies and procedures

The Company's capital consists of its net assets, including working capital, presented by its retained funds. The company's capital management objectives are to ensure its ability to continue as a going concern, to maintain a positive working capital ratio, and to provide an adequate return to shareholders.

The Company uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to its primary stakeholders.

2.2.20 Significant judgement in applying accounting policies and estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable and reliable in the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The main assumptions and estimates are made in estimating the fair value of available-for-sale financial instruments not quoted in active markets. Management is required to make certain assumptions and estimates in arriving at an appropriate fair value, based on the application of valuation techniques that make use of available observable market data. A change in assumptions and estimates could affect the reported fair value of these financial instruments.

CRYPTOLOGY ASSET GROUP P.L.C.**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2019

3. REVENUE

	2019 (52 wks) €	2018 (51 wks) €
Revenue comprises the following:		
Sale of Held-For-Trading investments	284,486	2,571,723
Sale of cryptocurrencies and tokens	14,522,456	-
	<u>€ 14,806,942</u>	<u>€ 2,571,723</u>

4. FINANCE COSTS

	2019 (52 wks) €	2018 (51 wks) €
Bank interest and charges	176,923	18,254
Other interest on loans	38,259	12,083
Realised loss on exchange	19,129	29
Unrealized loss on exchange	-	11,350
	<u>€ 234,311</u>	<u>€ 41,716</u>

5. PROFIT/ (LOSS) FOR THE YEAR/ PERIOD BEFORE TAX

Profit before tax is stated after charging:

	2019 (52 wks) €	2018 (51 wks) €
Total remuneration payable to the external audits of the company		
- The audit of the financial statements	8,500	8,500
- Other non-assurance services	1,330	1,330
	<u>€ 9,830</u>	<u>€ 9,830</u>
Directors' emoluments		
- Non-executive director fees	18,000	18,000
- Director's salary as full-time employee recharged from subsidiary	-	60,000
	<u>€ 18,000</u>	<u>€ 78,000</u>
Compensation to other key management personnel is analysed as follows:		
- Remuneration as full-time employee recharged from subsidiary	€ 122,446	€ 87,168

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

6. EMPLOYEE COMPENSATION AND BENEFITS

	2019	2018
Amounts recharged from subsidiary, including directors' remuneration:		
Wages and salaries	€ 122,446	€ 147,167
Managerial and administration	1	2
Average number of employees – Full time equivalents:	1	2

7. EARNINGS PER SHARE

	2019	2018
Earnings per share	€ 0.50	€ (0.60)

The earnings per share have been calculated on the net profits of the company, as shown in statement of profit and loss, divided by the average number of shares in issue.

Earnings per share for the year ended 31 December 2019 was calculated on the profit attributable to shareholders of the company of € 1,356,401 (2018: € (1,598,922)) divided by average number of shares for the period ended 31 December 2019 of 2,732,500 (2018: 2,650,000).

8. TAXATION

The tax effect at the applicable tax rate on the accounting result and the tax charge for the year are reconciled as follows:

	2019 (52 wks) €	2018 (51 wks) €
Profit/(loss) for the year/ period before taxation	2,090,100	(2,318,681)
Tax at the applicable rate of 35%	731,535	(811,538)
Tax effect on disallowed expenses	2,164	6,133
Tax effect on fair value adjustments	-	85,646
	€ 733,699	€ (719,759)
Comprising:		
Current taxation	13,940	-
Deferred taxation	719,759	(719,759)
	€ 733,699	€ (719,759)

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

9. INTANGIBLE ASSETS

	2019	2018
Crypto-currencies		
Additions during the year	€ 1,056,380	€ -

10. PLANT AND EQUIPMENT

	Computer and other office equipment €	Computer software €	Total €
COST			
At 1 January and 31 December 2019	1,303	18,725	20,028
DEPRECIATION			
At 1 January 2019	326	6,179	6,505
Charge for the year	326	6,179	6,505
At 31 December 2019	652	12,358	13,010
NET BOOK VALUE			
At 31 December 2019	€ 651	€ 6,367	€ 7,018
	Computer and other office equipment €	Computer software €	Total €
COST			
Additions during 2018	1,303	18,725	20,028
DEPRECIATION			
Charge for 2018	326	6,179	6,505
NET BOOK VALUE			
At 31 December 2018	€ 977	€ 12,546	€ 13,523

11. DEFERRED TAXATION

	At 1 January 2019 €	Recognised in profit or loss €	At 31 December 2019 €
Unutilised tax losses	€ 719,759	€ (719,759)	€ -

CRYPTOLOGY ASSET GROUP P.L.C

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

12. INVESTMENT IN SUBSIDIARIES

	2019 €	2018 €
Cost		
As at 1 January	480	-
Disposals/ additions during the year (note)	(240)	480
As at 31 December	<u>€ 240</u>	<u>€ 480</u>

As at 31 December 2019, the company held the following equity interest:

Subsidiary and its registered office	Number, class & nominal value of shares held	Percentage of issued shares held
Cryptology Advisory Limited Block A, Apt 12, Il-Piazzetta Tower Road Sliema SLM 1605, Malta	1,199 ordinary 'A' shares of €1 each, 20% paid-up	99.9%

The financial statements of Cryptology Advisory Limited prepared using the IFRSs as adopted by the EU and have been audited in accordance with International Standards on Auditing. A clean audit opinion has been issued in respect of these financial statements.

The share capital and reserves of Cryptology Advisory Limited at the balance sheet date stood as follows:

	2019 €	2018 €
Ordinary share capital	240	240
Retained earnings	149,432	34,632
	<u>€ 149,672</u>	<u>€ 34,872</u>

Note:

During the year under review the company disposed of its investments in subsidiary Apeiron 101 Ltd, previously known as Cryptology Investment Group Ltd. The investment was sold to a related undertaking at the nominal value of the shares.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

13. AVAILABLE-FOR-SALE INVESTMENTS

Quoted equity and other non-fixed income instruments measured at FVOCI:

	2019 €	2018 €
<i>AFS Investments:</i>		
Additions (at cost)	6,883,355	-
Fair Value Movements (Note a)	31,383,020	-
	<u>38,266,375</u>	<u>-</u>

Unquoted equity and other non-fixed income instruments measured at FVOCI:

	2019 €	2018 €
<i>AFS Investments:</i>		
Opening balance	29,741,752	-
Additions (at cost)	1,000,000	21,152,227
Disposals	(10,000)	-
Unrealized gain on exchange	298,904	915,555
Fair Value Movements (Note a)	3,767,419	7,673,970
	<u>34,798,075</u>	<u>29,741,752</u>
<i>Asset-Managed Investment (Note b):</i>		
Opening balance	6,732,078	-
Additions (at cost)	-	6,282,102
Unrealized gain on exchange	136,998	449,976
	<u>6,869,076</u>	<u>6,732,078</u>
Total Available-for-Sale investments at year end	<u>€ 79,933,526</u>	<u>€ 36,473,830</u>

Notes:

(a) Fair Value Movements

The fair value basis measurement of quoted investments has been determined on the basis of Level 1 inputs, being the quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date.

The fair value basis measurement of unquoted AFS Investments has been determined on the basis of Level 3 criteria. The investment group classification method has been used whereby assets were sub-divided between classifications of sub-groups and analysed on basis of observable and unobservable market data.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

13. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes:

(a) Fair Value Movements

The basis has been derived by analyzing the underlying assets in the investee companies through a combination of valuation techniques. In applying the valuation technique, management also adopted other criteria to factor market changes in the underlying assets and other sensitive market variations in the valuation.

The data sensitivity analysis was carried out from unaudited sources but was independently extracted from information provided by third parties and management representations. Other observable market information was obtained and the valuation technique models were compared to other observable market information as follows:

- i. Share prices of other share transfers effected subsequent to the Company's acquisition of shares, representing the price buyers in the market are willing to pay for the shares in investee companies;
- ii. Shareholders' reports prepared by Management confirming the price the Company is willing to offer for the investment. These represent price indicators to investors from valuation techniques performed by Management
- iii. Share buy-backs by the investee companies offering existing holders the option to sell the shares; and
- iv. Net Asset Value techniques on investee companies arriving at the share base.

On this basis, valuation techniques were carried out on the financials of the investee companies and data inputs were affected to consider future cashflows and other market available information. In determining the fair value, we analysed the underlying assets, and impairment tests were provided on the sub-classifications of assets to take into account the inherent variations and volatility of the balances.

In carrying out the above analysis we determined the Net Asset Value and compared to observable inputs disclosed above, including share prices for other share transfers effected. This could only be applied if the observable market data and share prices for similar investors investing in the same investee companies could be substantiated to underlying company valuations and future company potential.

The fair value movements included in the quoted AFS investments amounted to € 31,383,020. The fair value movements included in the unquoted AFS investments of € 3,767,419 is representative of fair value gains of € 4,456,975, after adjusting for fair value decreases of € 689,556 on investments. The net total increase of € 35,150,439 is reflected in Other Comprehensive Income. The Company shall be consistent in applying such valuation methods from one period to the next. Quantitative and qualitative information about unobservable inputs and assumptions are also used.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

13. AVAILABLE-FOR-SALE INVESTMENTS (continued)

(b) Asset-Managed Investment

The Asset-Managed Investment as disclosed in the AFS investments is represented by a corresponding exchangeable note included within non-current liabilities under Note 17 to the financial statements to the equivalent amount.

The fair value of the Asset-Managed Investment was calculated solely for the scope of determining a potential future unrealized gain, using the same valuation techniques applied for the other AFS investments held by the Company. The exchangeable note can be exercised within a period of five years against the Asset-Managed Investment. Upon the exercise of the exchangeable note, a gain may crystallize to the Company based on the fair value increases of the Asset-Managed Investment on the date of the transfer. At year end, should the exchangeable note had been executed, unrealized net gains of € 551,092 would have been materialized based on the fair value determination of the investment. Any decreases in the fair value of the Asset-Managed Investment will not impact negatively on the Company's financials.

14. HELD-FOR-TRADING INVESTMENTS

Financial assets designated at FVTPL consist of the following equity instruments:

	2019 €	2018 €
<i>Quoted equity investments</i>		
Opening balance	188,233	-
Additions	-	4,521,911
Disposals at carrying amount	(188,233)	(2,848,553)
Realised loss on purchase of investment	-	(1,229,073)
Decrease in fair value of investments	-	(244,702)
Unrealized loss on exchange	-	(11,350)
Total quoted held-for-trading investments	€ -	€ 188,233

15. TRADE AND OTHER RECEIVABLES

	2019 €	2018 €
<i>Amounts falling due after more than one year:</i>		
Convertible Note (note)	€ 5,000,000	€ -
<i>Amounts falling due within one year:</i>		
VAT recoverable	5,609	8,564
Prepayments and accrued income	54,578	-
	€ 60,187	€ 8,564

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

15. TRADE AND OTHER RECEIVABLES (continued)

The convertible note bears interest at the rate of 5 % per annum. The issuer grants each noteholder the right to convert each Note, in whole, but not in part, at any time during the Conversion period, with the final maturity date being set at 31 October 2024.

16. SHARE CAPITAL AND RESERVES

(a) Share Capital

	2019	2018
<u>Authorised</u>		
2,900,000 (2018: 2,650,000) Ordinary shares of € 1 each	€ 2,900,000	€ 2,650,000
<u>Issued, allotted and 100% paid up</u>		
2,650,000 Ordinary shares of € 1 each	2,650,000	2,650,000
Issue of shares	82,500	-
2,732,500 (2018: 2,650,000) Ordinary shares of € 1 each	€ 2,732,500	€ 2,650,000

(b) Share Premium

Share premium	€ 23,862,113	€ 20,644,612
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Share premium represents the excess paid by the shareholders over the nominal value of the shares, being € 1 per share.

(c) Retained earnings

Retained earnings represent the accumulated operating profits after taxation after adjusting for other comprehensive income, resulting in total retained earnings of € 43,796,347 at year end. This primarily comprises the profit attributable to equity holders.

17. NON-CURRENT LIABILITIES

	2019 €	2018 €
Loan advances from third party (note a)	6,250,860	-
Exchangeable Note (note b)	6,869,076	6,732,078
	€ 13,119,936	€ 6,732,078

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

17. NON-CURRENT LIABILITIES (continued)

Notes:

- (a) Loan advances from third party consist of a financial liability resulting from the purchase of AFS investments. The loan is payable upon resale of the shares, but for no longer than 15 March 2029, and bears interest at the rate of 0.65% per annum. The Company is also permitted to transfer back all shares which are not paid, until the final repayment date.
- (b) The Exchangeable note consists of an instrument which is exercisable against Asset-Managed Investments included within the AFS investments held by the Company, disclosed in Note 13 (b). This instrument is exercisable within a five-year period. There is no reason to believe that the note will be exercised within a period of twelve months from year end.

18. TRADE AND OTHER PAYABLES

	2019 €	2018 €
Bank overdraft (note a)	2,209,797	-
Amounts payable to subsidiary undertakings (note b)	249,496	574,475
Trade creditors	11,385	-
Taxation	13,940	-
Accruals	63,445	10,758
	<u>€ 2,548,063</u>	<u>€ 585,233</u>

Notes:

- (a) Bank overdraft represents a short-term facility provided for the purchase of AFS investments. It bears interest at the rate of 3.5% per annum, and is repayable by 30 June 2020. These are pledged over the said investments held by the Company.
- (b) Amounts payable to the subsidiary undertakings are unsecured, interest free and are repayable on demand.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

19. NOTES TO THE CASH FLOW STATEMENT

(a) Cash generated from/ (used in) operations

	2019 €	2018 €
Profit/ (loss) before taxation	2,090,100	(2,318,681)
Adjustment for:		
Depreciation	6,505	6,505
Interest receivable	(59,983)	(888)
Interest payable	175,016	12,096
Unrealized losses on exchange	-	11,350
Operating profit/ (loss) before working capital	2,211,638	(2,289,618)
(Decrease)/ increase in held-for-trading investments	188,233	(199,583)
(Increase) in trade and other receivables	(253)	(8,564)
(Decrease)/ increase in payables	(291,380)	585,233
Cash generated from/ (used in) operating activities	€ 2,108,238	€ (1,912,532)

(b) Cash and cash equivalents

Cash and cash equivalents consist of balance with banks. Cash and cash equivalents included in the statement of cashflows and the statement of financial position comprise the following amounts:

	2019 €	2018 €
Cash at bank	1,608	198,137
Bank overdraft	(2,209,797)	-
	€ (2,208,189)	€ 198,137

20. RELATED PARTY DISCLOSURES

(a) Balances

Amount due from and to subsidiary undertaking is disclosed in note 18 to the financial statements.

(b) Transactions

During the period under review, the Company carried out transactions, in its normal course of the business and on an arm's length basis, with the following related undertakings:

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

20. RELATED PARTY DISCLOSURES (continued)

Name of entity	Nature of relationship
Apeiron Investment Group Limited	Immediate Parent Company
Cryptology Advisory Limited	Subsidiary Undertaking
Apeiron 101 Ltd	Related Undertaking
Apeiron Advisory Limited	Related Undertaking
Pre Sight Capital Limited	Related Undertaking
Grey Study Capital GmbH	Related Undertaking

The following were the significant transactions carried out by the Company with related undertakings having:

	2019 €	2018 €
Transactions with immediate subsidiary companies:		
Recharge of administrative costs from subsidiaries	23,788	76,672
Recharge of wages from subsidiary	122,465	147,168
Other interest recharged from subsidiary	7,786	12,083
Transactions with immediate parent company:		
Recharge of administrative and other expenses from parent	-	6,725
Direct costs charged by parent	496,150	-
Transactions with related undertakings:		
Recharge of administrative costs from related undertakings	16,896	-
Direct costs charged by related undertakings	527,158	-
Balances with immediate subsidiary companies:		
Amounts payable to immediate subsidiary undertakings	249,496	574,475

(b) Immediate parent Company and Ultimate Beneficiary Owner

The majority shareholder of the company is Apeiron Investment Group Limited, holding 49.41% (2018: 49.96%) of total shareholding, with the remaining shareholding being held by various other members, with a percentage holding of less than 20% each. Apeiron Investment Group Limited is a company registered in Malta, with its registered address at Block A, Apt 12, Il-Piazzetta, Tower Road Sliema, SLM 1605, Malta.

The ultimate beneficial owner of Apeiron Investment Group Limited is Mr. Christian Berthold Angermayer, residing at The Penthouse 2901, Canaletto Tower, City Road, London, EC1V 1AF United Kingdom.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

21. FINANCIAL RISK MANAGEMENT

By their nature, the Company's activities are principally related to the use of financial instruments. The main activity of the Company is to invest in blockchain-model companies. During the year under review it also traded in crypto-currencies. It is established knowledge that the activities will potentially expose it to a variety of risks, including credit risk, liquidity risk, market risk and currency risk. The Company's risk management is coordinated by the managing Director and the Advisory Board and focuses on actively securing the Company's short to medium term cash flow by minimising exposure to financial risks. The Company's aim is to disclose possible relevant information to enable users of the Financial Statements to evaluate the nature, extent and precautions taken of risks arising from financial instruments to which the company is exposed at the end of the financial period.

21.1 Credit risk

This represents the risk of loss of principal or loss of interest to be earned from a borrower's failure in repaying debts or else failure to meet contractual obligations. The credit risk arises every time the company may want to use future cash flows through the payment of current obligation.

In this scenario, the credit risk may be either on the borrower, where an obligation to repay both the principal and the interest accrue in favour of the lender, or to the investor who has placed funds in securities or loaned money where a foreseeable repayment of debt and interest thereon is contemplated.

Credit risk may also be related to an investment's return where yields on bonds correspond to their supposed credit risk. The Company invested an amount of € 5 Million in a convertible note with a coupon rate of 5% per annum. The issuer grants the right to convert the Note within the period until Maturity on 31 October 2024. The directors are not anticipating that conversion will take place within 12 months from balance sheet date, and this is considered as a long-term investment. The Company is monitoring closely the operations of the underlying investment of the convertible note and its quoted prices on the market.

The Company's exposure to credit risk related to the carrying amount of the current financial assets, recognised at the end of the reporting period, as summarised below:

	Notes	2019 €	2018 €
Class of financial assets – carrying amounts:			
Held-for-trading investments	14	-	188,233
Trade and other receivables	15	60,187	8,564
Cash and cash equivalents	19	1,608	198,137
		<hr/> 61,795 <hr/>	<hr/> 394,934 <hr/>

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

21. FINANCIAL RISK MANAGEMENT (continued)

21.1 Credit risk (cont'd)

During the year under review, the Company, or any of its subsidiaries, held non-cash current assets that were not subject to any risk for liquidating them. All traded financial assets and accounts receivables were eventually liquidated in 2019, hence resulting in no provisions for losses during the reporting period.

Furthermore, the Company continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Company's policy is to deal with only creditworthy counterparties.

The Company considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The credit risk for Cash and Cash Equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Exposure to Credit risk on FVTOCI securities

The company assesses whether financial instruments have experienced a significance increase in credit risk since initial recognition. When determining whether the risk of default on a financial instrument has increased significantly, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the shareholder's historical experience and due diligence and KYC procedures affected on the investee companies. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default as at reporting date; with
- The remaining lifetime probability of default for this point in time that was estimated at the time of initial recognition of the exposure.

21.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. This is an important measure to take cognisance since any assets held by the company should be saleable when contemplating in generating immediate cash requirements.

In this scenario, the Company does take note of the fact that the market may be illiquid, hence the liquidity risk factor, or quite liquid, hence the financial asset held by the company will increase in value as there will be no potential capital loss in sight.

At 31 December 2019, the company's financial liabilities have contractual maturities which are summarised below:

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

21. FINANCIAL RISK MANAGEMENT (continued)

21.2 Liquidity risk (cont'd)

	Note	Current Due within one year €	Non-Current Due between two to five years €
Financial liabilities:			
Bank overdraft	18	2,209,797	-
Trade and other payables	18/17	74,830	13,119,936
Amounts due to subsidiary undertakings	18	249,496	-
		<u>€ 2,534,123</u>	<u>€ 13,119,936</u>

In relation to financial liabilities falling due within two to five years, these include the Exchangeable Note supported by AFS investments which are closely monitored for their valuation. On the expiration of the exchangeable note, the AFS investments will be transferred in compensation for the financial obligation, not resulting in liquidity risks to the Company. Further, there is also a loan to a third party, which was attained in order to purchase equity investments, and for which the Company has an option to repay back through the transfer of the same shares, thus having no impact on its liquidity risk.

The Company is also confident that it will be in a good position to honour its obligations with the bank, through the sale of some of its AFS investments or through leveraging with other bankers. Furthermore, the company has support of its related parties. In this respect, the Company or any of its subsidiaries, did not require immediate cash to execute its activity, hence the liquidity risk was minimal, if at all. Any new investment projects shall be financed in new cash-rounds through fresh capital from new and/or existing members.

21.3 Market risk

Market risk is the risk that the fair value cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk. It arises in all areas of the company's activities and is managed by a variety of different techniques as detailed below.

The objective of the Company is to manage and control market risk exposures in order to optimise return on risk while maintaining a market profile consistent with the Company's strategy. The major risk here is the movement of equity prices, particularly in this sector of business. The risk is mitigated by the fact, that management makes a selection of investments built from experience and by determining the market risk commensurate with the return on them. Whilst it is Management's responsibility and commitment to focus on such unpredictability of the markets, these are minimized as much as possible. The selected investment portfolio of the company, with its strong performance and its strong demand, gives the Company confidence of a stable position that is expected to reap even higher results in the foreseeable future.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

21. FINANCIAL RISK MANAGEMENT (continued)

21.3 Market risk (cont'd)

The Company has also recently participated in US hedge funds in order to ensure its portfolio is rebalanced. The Company's Advisory Board is being structured to take these considerations into account and with the sole aim to decide when, where and how to purchase and/or sell financial assets.

21.3.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in market interest rates. The company's exposure to interest rate risk is limited to the variable interest rate of interest-bearing loans and borrowings. Cash and cash equivalents issued at variable rates expose the Company to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on.

Based on this analysis, 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 is to be immaterial, in view of the Company's limited exposure to bank and borrowings. Through strong business relations with the bank, together with the strong and profitable investments that are being hypothecated, the Company managed to negotiate a favourable interest rate. Such scenario is expected to continue in the coming months.

21.3.2 Currency risk

Exchange-rate risk arises from the change in price of one currency in relation to another and, the fair value or a future cash-flow transaction emanating from the sale or purchase of a financial instrument where exchange rate fluctuations may occur. Since one of its major investments lies across national border and this is predominantly in US Dollars, the Company recognises that this might create an unpredictable gain or loss. At the reporting date the exchange rate has moved in favour of the Company.

The Company intends to mitigate currency risk by investing predominantly in Euro and in US Dollars, both of which are stable currencies. Further, after year end, the Company has also embarked to invest in hedge funds to mitigate the exposure to risk arising from transactions denominated in US Dollars. The investments held that are denominated in US Dollars are expected to accrue higher returns than the currency risks that may arise.

21.3.4 Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

21. FINANCIAL RISK MANAGEMENT (continued)

21.3.4 Other price risk (cont'd)

The Company is exposed to equity price risks arising from the holding of equity instruments classified either as available for sale or at fair value through profit or loss. The carrying amounts of financial instruments at the reporting date which could potentially subject the Company to equity price risk are disclosed in notes 13 and 14 to the financial statements. The Company counteracts the price risk by adopting an investment strategy of investing in start-up companies with a potential for growth and consequent increase in their market prices.

COVID-19 could potentially impact global stock markets. However, the Company foresees that its portfolio is already catering for this through its investment strategy in the composition of the investee entities that are already proving solid financial fundamentals. The major drivers are expected to continue to perform strongly in the future and to increase in value due to their decentralized operations in blockchain models, social media, as well as having the largest data centre in the world. Such factors are the current driving-force of these companies which are working in a decentralized manner under the present situation.

21.3.5 Other risks

In view of the inherent volatility of the assets invested in by the Company, the management will take safeguards not to inflate unnecessarily and incorrectly the valuations thereof. Coupled with this approach, there is also risk on fair value computation risk in view of the fact that investees may either not be prompt in providing information or the financial information provided does not carry an independent assurance verification. Consequently, the Management takes responsibility in adopting proper tools and prudent measures in valuing its financial assets.

22. CAPITAL RISK MANAGEMENT

The company's capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return to shareholders.

The Company's equity, as disclosed in the statement of financial position, constitutes its capital. The Company's capital structure is monitored by the Directors with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Company's activities, the capital level as at the end of the reporting period is deemed adequate by the Company.

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's accounting policy for determining the fair value of financial instruments is described in notes 2.2.1, 2.2.2, 2.2.3 and 2.2.12 to the financial statements. For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair values measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices unadjusted in active markets for identical assets or liabilities that the entity can access at the measurement date.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

23. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, whether directly or indirectly. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3 inputs are observable inputs for the asset or liability. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs that have a significant effect on the instruments' valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or adjustments are required to reflect differences between the instruments.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines when transfers are deemed to have occurred between Levels in the hierarchy at the end of each reporting period.

Basis of valuing financial assets and liabilities measured at fair value

Assets	Level 1 €	Level 2 €	Level 3 €	Total €
Available-for sale investments	38,266,375	-	34,798,075	73,064,450

The instruments classified within Level 3 comprise the AFS investments. In this respect, it has to be ascertained whether the financial asset is active or not in the market, hence obtaining financial information from the respective investees. Whilst acknowledging that valuations only provide an estimate of true value, yet the Company ensures to be closest to accuracy by selecting the best practices in a valuation technique. As contemplated in IFRS 13, the fair value measurement shall assume that a transaction takes place at that date, considered from the perspective of a market participant that holds the financial asset. Therefore, our valuation of 'Fair Value' is the price that a financial asset can be sold at in an orderly transaction in a market on that date under market conditions, irrespective as to whether the price is observable on an Exchange or using a valuation approach.

During the year under review, the Company held shares that are not easily observable in arriving at fair value. Such shares are not traded in the open market whilst the financial information available from the investee lacks detail. However, the Company holds information where shares are being traded much higher than the original cost. The Company is unable to carry out an exhaustive search to identify the market price but intends to rest on the latest financing-rounds in the investee at a discounted price for prudence sake, together with other observable inputs.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

23. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

For reasons explained above, the Company has no option but to apply level 3 by making its utmost in maximising the use of relevant observable inputs. In applying level 3, the Company always asks:

- Is there an identical item held by another party as an asset?
- If in the affirmative, the Company will use the market value of the market-participant that holds the identical item;
- The Company, always obtains financial information directly from the investee to compare the Net Asset Value against the market value of the market-participant.

IFRS 13 does not preclude the Company from using our own collected data.

24. SUBSEQUENT EVENTS

The shares of Cryptology Asset Group p.l.c (ISIN MT0001770107) have been included in the general sub-prime open market of the Düsseldorf Stock Exchange as of May 5, 2020. The listing on the prime open market of the Düsseldorf Stock Exchange is being undertaken, against the background of using the capital structure as a source of financing in the future as part of the growth strategy. The Small & Mid Cap Investmentbank AG was mandated as a capital market partner, which accompanied the transactions and submitted the application for listing.

CRYPTOLOGY ASSET GROUP P.L.C.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Cryptology Asset Group p.l.c - Report on the Audit of the Financial Statements.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cryptology Asset Group p.l.c, set out on pages 5 to 37, which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements show a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and cash flow for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly 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 Auditors' 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.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period, and include a description of the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matter, together with our response by way of the audit procedures we performed to address that matter during our audit, and key observations arising with respect to such risks of material misstatement.

CRYPTOLOGY ASSET GROUP P.L.C.

INDEPENDENT AUDITORS' REPORT

Key Audit Matters (continued)

Fair Value Measurement of Available-for-Sale Investments (AFS):

Available-for-sale Investments – changes in fair value reflected in Other Comprehensive Income

Reference is made to Accounting policy 2.2.12 to the financial statements and Notes 13 and 23 for further disclosure. The company's policy for investing in financial instruments is dependent on the experience of the founders, who together with other influential investors, have set aside sufficient funds to finance new projects and innovative products.

Included within the Company's AFS investments of € 79,933,526, there are investments of € 34,798,075 which were invested in securities in jurisdictions that do not require extensive financial reporting. The Company could not value the said AFS investments on the basis of Level 1 and Level 2 inputs since these investments are not quoted on a listed market. Consequently, the valuation of the said securities is determined by using appropriate observable and unobservable market data, and other inputs extracted from determinable sources, which gives rise to an element of risk in determining the fair value. The Level 3 inputs resulted in net fair value gains of € 3,767,419, reflected in OCI. We have considered that this basis of valuation is a Key Audit Matter mainly as a result of the following:

- unaudited financial information of the investee undertakings;
- observable inputs limited to selective investors; and
- inherent volatility of the underlying assets of the investee undertakings.

Due to the extent of such inherent estimation uncertainty underlying the valuation of the investments, the amounts recognised in the OCI may result to be different than amounts determinable should Level 1 and Level 2 inputs have been applied. These differences may be material.

How our audit addressed the Key Audit Matter

We have evaluated the appropriateness of the methodologies used in estimating the valuation arising on the AFS investments as part of our substantive procedures as follows:

- We analysed the underlying assets of the investee companies through a combination of valuation techniques. In applying the valuation techniques, data inputs and financials of the investee companies were analysed in a manner to factor the market changes in the underlying assets and other sensitive market variations in the valuation. Impairment tests were carried out on the sub-classification of assets to take into account the inherent volatility of the balances.
- We determined the net asset value, following impairment tests carried out, and compared to other observable inputs, including share prices for other share transfers effected subsequent to the Company's acquisition of the shares. The share price is representative of the price that the financial asset can be sold at in an orderly transaction in a market on that date under normal market conditions, irrespective as to whether the price is observable on a listed marker or using a valuation technique.

CRYPTOLOGY ASSET GROUP P.L.C.

INDEPENDENT AUDITORS' REPORT

Key Audit Matters (continued)

- Consequent to the above, in verifying the fair value, we relied on the share prices sought in latest financing-rounds in the investee at a discounted price, together with other observable inputs. However, this could only be applied and accepted, if the share prices for similar investors investing in the same investee companies could be substantiated to underlying company valuations and future company potential.

Other Information

The directors are responsible for the other information. The other information comprises the information disclosed in the directors' report.

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 Art. 177 of the 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 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.

Responsibilities of the Management and Those Charged with Governance for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU, and in accordance with the Companies' Act, 1995. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

The directors are also responsible for overseeing the financial reporting process.

CRYPTOLOGY ASSET GROUP P.L.C.

INDEPENDENT AUDITORS' REPORT

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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.
- 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.

CRYPTOLOGY ASSET GROUP P.L.C.

INDEPENDENT AUDITORS' REPORT

Report on Other Legal and Regulatory Requirements


Matters on which we are required to report by exception by the Act

Pursuant to articles 179(10) and 179(11) of the Companies Act, 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.

The principal authorised to sign on behalf of Parker Randall Turner on the audit resulting in this independent auditors' report is Mr. Arthur Douglas Turner.



Mr. Arthur Douglas Turner – Partner
On behalf of Parker Randall Turner

"Parker Randall Turner"
13, Curate Fenech Street
Birzebbugia BBG 2032
Malta

14 May 2020

CRYPTOLOGY ASSET GROUP P.L.C.**Schedule I****DETAILED INCOME STATEMENT**

For the year ended 31 December 2019

		2019 (52 wks) €	2018 (51 wks) €
	Pages		
REVENUE		14,806,942	2,571,723
Cost of investments	44	(12,280,582)	(4,077,626)
Loss in fair value of held-for-trading investments		-	(244,702)
GROSS OPERATING PROFIT/ (LOSS)		<u>2,526,360</u>	<u>(1,750,605)</u>
EXPENDITURE			
Administrative expenses	45	(261,932)	(527,248)
Other income	44	59,983	888
PROFIT/ (LOSS) FOR THE YEAR ON ORDINARY ACTIVITIES BEFORE FINANCE COSTS		<u>2,324,411</u>	<u>(2,276,965)</u>
Finance costs	45	(234,311)	(41,716)
PROFIT/ (LOSS) FOR THE YEAR ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>€ 2,090,100</u>	<u>€ (2,318,681)</u>

CRYPTOLOGY ASSET GROUP P.L.C.**Schedule II****DETAILED INCOME STATEMENT**

For the year ended 31 December 2019

	2019 (52 wks) €	2018 (51 wks) €
COST OF INVESTMENTS		
Opening investments	188,233	-
Purchases of tokens/ investments	12,092,349	3,036,786
Realised loss on purchase of investment	-	1,229,073
	<hr/>	<hr/>
	12,280,582	4,265,859
Less: Closing investments	-	(188,233)
	<hr/>	<hr/>
- to page 43	€ 12,280,582	€ 4,077,626
	<hr/>	<hr/>
OTHER INCOME		
Bank interest receivable	2	48
Other interest receivable	59,981	840
	<hr/>	<hr/>
- to page 43	€ 59,983	€ 888
	<hr/>	<hr/>

CRYPTOLOGY ASSET GROUP P.L.C.**Schedule III****DETAILED INCOME STATEMENT**

For the year ended 31 December 2019

	2019 (52 wks) €	2018 (51 wks) €
ADMINISTRATIVE EXPENSES		
Audit fee	8,500	8,500
Consultancy fees	-	11,075
Depreciation	6,505	6,505
Director's remuneration	-	60,000
Director's fees	18,000	18,000
General office expenses	981	291
IT expenses	1,549	289
Legal fees	9,712	78,290
Licences and permits	2,375	3,070
Motor vehicle running expenses	17,976	988
Professional fees	61,335	237,994
Recruitment fees	-	6,493
Repairs and maintenance	3,723	184
Registration fees	2,431	1,745
Rent	4,446	1,590
Seminars and conferences	675	610
Stationery, printing and postages	1,026	4,335
Telecommunication costs	252	121
Wages and salaries	122,446	87,168
- to page 43	€ 261,932	€ 527,248
FINANCE COSTS		
Bank charges	40,166	18,241
Bank interest	136,757	13
Other interest on loans	38,259	12,083
Realised loss on exchange	19,129	29
Unrealized loss on exchange	-	11,350
- to page 43	€ 234,311	€ 41,716

CRYPTOLOGY ASSET GROUP P.L.C

Company Registration No: C 84355

CONSOLIDATED ANNUAL REPORT

For the year ended 31 December 2019



CRYPTOLOGY ASSET GROUP P.L.C

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CRYPTOLOGY ASSET GROUP P.L.C.

DIRECTORS' REPORT

The directors present their consolidated annual report for the year ended 31 December 2019.

Incorporation

Cryptology Asset Group p.l.c was incorporated and registered with the Malta Business Registry on 10 January 2018 and started trading forthwith.

Principal Activity of the Parent Company

The principal activity of the parent company is to invest in crypto-assets and companies with blockchain-related business models and also provide strategic advice to these type of companies. During the year under review, it invested in companies with underlying crypto-assets. The Company also participated directly in trading of crypto-currencies and tokens. The directors do not foresee any changes in the Company's principal activity during the forthcoming year.

The Subsidiary

Cryptology Advisory Limited is a fully owned subsidiary of the Company which provides consultancy services specifically related to the use of blockchain technology.

Investment Rationale

At the year end the Group held a portfolio of investments that continues to grow, including both quoted and unquoted investments. This contributed significantly to the performance of the Group's financial results for the year under review. The Group adheres to a clearly defined Investment policy which ensures transparency, consistency and a fair basis of valuing financial instruments. In this regard, for unquoted investments, in view of limited information available, the Group's measurement of fair value would be the price that the financial asset can be expected to sell in the ordinary course of business, as long as the price indicated is supported by sound financial judgement. To this end, the Group obtains sufficient information to measure fairly the value of its investments from observable and unobservable inputs under normal market conditions.

The Group's Advisory Board is composed of key personnel well trained and experienced in the field. The Advisory Board seeks to identify, evaluate and select ongoing viable projects that are likely to have significant positive impact on the Group's results.

The Group is uniquely positioned to invest further in its existing portfolios. It also looks at other innovative investment opportunities, which could include co-investing with other partners in viable projects such as crypto-asset management.

Business Development and Outlook

The Group has developed very positively since its foundation despite the very volatile market development in the crypto and blockchain sector. This is mainly due to the fact that the strong network ensured access to promising investments. In addition, strategic investments have developed significantly better than the overall sector.

CRYPTOLOGY ASSET GROUP P.L.C.

DIRECTORS' REPORT (Continued)

Business Development and Outlook (continued)

The Group will expand its existing stake with suitable companies if management believes that these companies complement to the existing holdings in a meaningful way, and thereby the strategy of the Group is to continue to build a diversified portfolio of companies.

It is the Group's intention to be a key player in the industry by harnessing the experience to mitigate risks and avoid volatility scenarios mainly by seeking and harvesting new investment opportunities by investing in hi-tech companies. To this end, the Group, will continue to invest in key human resource talents to enhance its corporate governance and to assist in the ventures which it intends to pursue. The Board of Directors seeks to consistently improve business results and sustain continuous growth in the market in which it operates, and in line with its investment strategies.

Principal risks and uncertainties

The Group's principal risks and uncertainties are further disclosed in Notes 21 and 22 and specific risk evaluation to Fair Value Measurement as denoted in Note 23 to the financial statements.

Events after the financial reporting date

The shares of Cryptology Asset Group p.l.c (ISIN MT0001770107) have been included in the general sub-prime open market of the Düsseldorf Stock Exchange as of May 5, 2020. Further disclosures in relation to subsequent events are set out in Note 24 to the financial statements.

Risks posed by COVID-19

At the start of 2020, the existence of a new coronavirus (COVID-19) was confirmed and has spread across a number of countries. COVID-19 has caused interruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The directors are monitoring the COVID-19 situation very closely and are planning for situational analysis to counteract the impact of COVID-19. The directors feel that the impact of COVID-19 on the Group's financial position will very much depend on how long the virus persists and will depend on the financial sustainability of the company. If this pandemic prolongs, the directors foresee a potential global recession with huge financial impact where results on operations will be affected, and future liquidity and capital resources may also become scarce. Such a scenario may impact on consumer confidence and the risk appetites of capital investors. Since the Group's investment approach is to invest in blockchain models, these are likely to gain ground as more confidence is triggered when trust in banks diminishes. Notwithstanding all this, the Group shall be exploring avenues of adopting a remote-approach in carrying on with its activities, and investing in new IT technologies.

The directors will be better placed to assess matters in the coming months, and will continue to monitor the situation to align the business risk model. The directors remain confident that by the end of 2020 things will settle down and will continue to invest in the business to ensure that they achieve their future objectives.

CRYPTOLOGY ASSET GROUP P.L.C.

DIRECTORS' REPORT (Continued)

Performance Review

Initially, the Group's objective was to invest in major investments in USA and Germany. During the past two years, it invested in companies that has yielded positive results. The trading in cryptocurrencies and tokens gave rise to the positive results during the year under review. In addition to the operating profits generated during the year, the Group's positive contribution to Total Comprehensive Income mainly emanates from fair values changes on Available-for-Sale investments.

Results

The directors report a Group profit for the year after taxation of € 1,471,201 (2018: (1,569,221)) and total Group comprehensive income of € 36,920,544 (2018: € 7,020,304) on Group revenue of € 15,001,942 (2018: € 2,648,098). The Group profits will be added to profits brought forward of € 7,020,304, leaving accumulated profits of € 43,940,848 to be carried forward.

Dividends

The directors do not recommend the payment of a dividend.

Financial Reporting Framework

The directors have resolved to prepare the Group's financial statements for the year ended 31 December 2019 in accordance with the requirements of International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union.

Directors

The following have served as directors of the company during the year under review:

Mr. Jefim Gewiet: Managing Director
Dr. Jorg Werner: Non-Executive Director

In accordance with the Articles of Association, all the directors, except for the Managing Director, shall retire from office at least once every three years. For this reason, this year being the second year of his appointment, Dr. Jorg Werner will remain in office, unless the members in General Meeting decide otherwise.

Statement of directors' responsibilities

The Companies Act, 1995 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 financial performance of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;

CRYPTOLOGY ASSET GROUP P.L.C.

DIRECTORS' REPORT (Continued)

Statement of directors' responsibilities (continued)

- ensure that the financial statements have been drawn up in accordance with International Financial Reporting Standards, as adopted by the European Union;
- account for income and expenditure relating to the accounting period on an accruals basis;
- ensure that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal 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. 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, 1995. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

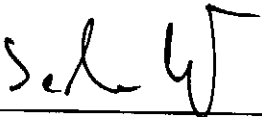
The directors confirm that, to the best of their knowledge:

- the financial statements give a true and fair view of the financial position of the Group at 31 December 2019 and of its financial performance and its cashflows for the year then ended, in accordance with IFRSs as adopted by the EU on the basis explained in Note 1 to the financial statements; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Group together with additional information of the principal risks and uncertainties that the Group faces.

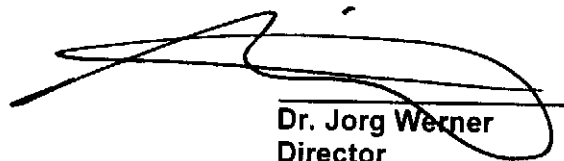
Auditors

Parker Randall Turner have intimated their willingness to continue in office as auditors of the Group. A resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD



Mr. Jefim Gewiet
Managing Director



Dr. Jorg Werner
Director

Registered Office:
Block A, Apt 12, Il-Piazzetta
Tower Road,
Sliema, Malta

13 May 2020

CRYPTOLOGY ASSET GROUP P.L.C.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	Group 2019 €	Group 2018 €	Holding 2019 €	Holding 2018 €
REVENUE	3	15,001,942	2,648,098	14,806,942	2,571,723
Cost of investments		(12,280,582)	(2,848,553)	(12,280,582)	(2,848,553)
Realised loss on purchase of investment		-	(1,229,073)	-	(1,229,073)
Loss on fair value on HFT investments		-	(244,702)	-	(244,702)
GROSS OPERATING PROFIT/ (LOSS)		2,721,360	(1,674,230)	2,526,360	(1,750,605)
Administrative expenses		(279,650)	(553,515)	(261,932)	(527,248)
Other income		59,990	890	59,983	888
PROFIT/ (LOSS) BEFORE FINANCE COSTS	5	2,501,700	(2,226,855)	2,324,411	(2,276,965)
Finance costs	4	(234,622)	(42,982)	(234,311)	(41,716)
PROFIT/ (LOSS) FOR THE YEAR BEFORE TAXATION		2,267,078	(2,269,837)	2,090,100	(2,318,681)
Taxation	8	(795,877)	700,616	(733,699)	719,759
PROFIT/ (LOSS) FOR THE YEAR AFTER TAXATION		1,471,201	(1,569,221)	1,356,401	(1,598,922)
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified to profit or loss:					
Changes in fair value:					
Quoted AFS investments		31,383,020	-	31,383,020	-
Unquoted AFS investments		3,767,419	7,673,970	3,767,419	7,673,970
Foreign exchange translations on AFS investments		298,904	915,555	298,904	915,555
		35,449,343	8,589,525	35,449,343	8,589,525
TOTAL COMPREHENSIVE INCOME		€ 36,920,544	€ 7,020,304	€ 36,805,744	€ 6,990,603

The notes form an integral part of these financial statements.


CRYPTOLOGY ASSET GROUP P.L.C.

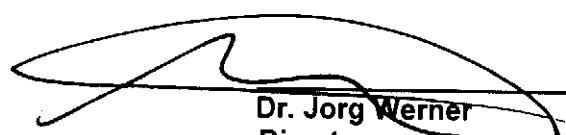
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

		Group 2019 €	Group 2018 €	Holding 2019 €	Holding 2018 €
ASSETS	Notes				
Non-current assets					
Intangible assets	9	1,056,380	-	1,056,380	-
Plant & equipment	10	8,816	15,544	7,018	13,523
Investment in subsidiaries	11	-	-	240	480
AFS investments	13	79,933,526	36,473,830	79,933,526	36,473,830
Other receivables	15	5,000,000	-	5,000,000	-
Deferred tax asset	12	-	719,759	-	719,759
		<u>85,998,772</u>	<u>37,209,133</u>	<u>85,997,164</u>	<u>37,207,592</u>
Current Assets					
HFT investments	14	-	188,233	-	188,233
Trade & other receivables	15	61,508	90,954	60,187	8,564
Cash and cash equivalents		4,057	212,689	1,608	198,137
		<u>65,565</u>	<u>491,876</u>	<u>61,795</u>	<u>394,934</u>
TOTAL ASSETS		<u>€ 86,064,337</u>	<u>€ 37,701,009</u>	<u>€ 86,058,959</u>	<u>€ 37,602,526</u>
EQUITY AND LIABILITIES					
Equity					
Share capital	16 (a)	2,732,500	2,650,000	2,732,500	2,650,000
Share premium	16 (b)	23,862,113	20,644,612	23,862,113	20,644,612
Retained earnings	16 (c)	43,940,848	7,020,304	43,796,347	6,990,603
		<u>70,535,461</u>	<u>30,314,916</u>	<u>70,390,960</u>	<u>30,285,215</u>
Non-Current Liabilities					
Trade & other payables	17	13,119,936	6,732,078	13,119,936	6,732,078
Current Liabilities					
Interest-bearing loans and borrowings	18	2,209,797	-	2,209,797	-
Trade and other payables	18	199,143	654,015	338,266	585,233
		<u>2,408,940</u>	<u>654,015</u>	<u>2,548,063</u>	<u>585,233</u>
TOTAL EQUITY AND LIABILITIES		<u>€ 86,064,337</u>	<u>€ 37,701,009</u>	<u>€ 86,058,959</u>	<u>€ 37,602,526</u>

The notes on pages 5 to 39 form an integral part of the financial statements. These Financial Statements were approved by the directors on 13 May 2020 and signed on its behalf by:


Mr. Jefim Gewiet
 Managing Director


Dr. Jorg Werner
 Director

CRYPTOLOGY ASSET GROUP P.L.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

At 31 December 2019

	Share capital €	Retained Earnings €	Share Premium €	Total €
The Group				
FINANCIAL PERIOD ENDED 31 DECEMBER 2018				
Issue of share capital	2,650,000	-	-	2,650,000
Increase in share premium			20,644,612	20,644,612
Profit for the period representing Total Comprehensive Income	-	7,020,304	-	7,020,304
At 31 December 2018	<u>2,650,000</u>	<u>7,020,304</u>	<u>20,644,612</u>	<u>30,314,916</u>
FINANCIAL YEAR ENDED 31 DECEMBER 2019				
Issue of share capital	82,500	-	-	82,500
Increase in share premium			3,217,501	3,217,501
Profit for the period representing Total Comprehensive Income	-	36,920,544	-	36,920,544
At 31 December 2019	<u>€ 2,732,500</u>	<u>€ 43,940,848</u>	<u>€ 23,862,113</u>	<u>€ 70,535,461</u>
Holding Company				
FINANCIAL PERIOD ENDED 31 DECEMBER 2018				
Issue of share capital	2,650,000	-	-	2,650,000
Increase in share premium			20,644,612	20,644,612
Profit for the period representing Total Comprehensive Income	-	6,990,603	-	6,990,603
At 31 December 2018	<u>2,650,000</u>	<u>6,990,603</u>	<u>20,644,612</u>	<u>30,285,215</u>
FINANCIAL YEAR ENDED 31 DECEMBER 2019				
Issue of share capital	82,500	-	-	82,500
Increase in share premium	-	-	3,217,501	3,217,501
Profit for the year representing Total Comprehensive Income	-	36,805,744	-	36,805,744
At 31 December 2019	<u>€ 2,732,500</u>	<u>€ 43,796,347</u>	<u>€ 23,862,113</u>	<u>€ 70,390,960</u>

The notes form an integral part of these financial statements.

CRYPTOLOGY ASSET GROUP P.L.C.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	Group 2019 €	Group 2018 €	Holding 2019 €	Holding 2018 €
OPERATING ACTIVITIES					
Cash generated from/ used in in operations	19 (a)	2,697,330	(1,894,938)	2,108,238	(1,912,532)
Interest paid		(144,904)	(12,925)	(144,543)	(12,096)
Interest received		8,620	890	8,613	888
NET CASH GENERATED FROM/ USED IN OPERATING ACTIVITIES		2,561,046	(1,906,973)	1,972,308	(1,923,740)
INVESTING ACTIVITIES					
Purchase of plant and equipment	19 (b)	(601)	(22,723)	-	(20,028)
Purchase of intangible assets	19 (b)	(1,056,380)	-	(1,056,380)	-
Disposal/ purchase of investments in subsidiaries		-	-	240	(480)
Disposal of AFS investments		10,000	-	10,000	-
Purchase of available-for-sale investments		(7,883,355)	(27,434,329)	(7,883,355)	(27,434,329)
Convertible loan advances		(5,000,000)	-	(5,000,000)	-
NET CASH FLOW USED IN INVESTING ACTIVITIES		(13,930,336)	(27,457,052)	(13,929,495)	(27,454,837)
FINANCING ACTIVITIES					
Issue of share capital		82,500	2,650,000	82,500	2,650,000
Issue of share premium		3,217,501	20,644,612	3,217,501	20,644,612
Repayment to related parties		(600,000)	-	-	-
Exchangeable note		-	6,282,102	-	6,282,102
Loan advances from third party		6,250,860	-	6,250,860	-
NET CASH GENERATED FROM FINANCING ACTIVITIES		8,950,861	29,576,714	9,550,861	29,576,714
Net movement in Cash and Cash Equivalents		(2,418,429)	212,689	(2,406,326)	198,137
Cash and Cash Equivalents at the beginning of Year	19 (c)	212,689	-	198,137	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	19 (c)	€ (2,205,740)	€ 212,689	€ (2,208,189)	€ 198,137

The notes form an integral part of these financial statements.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. BASIS FOR PREPARATION

1.1 Statement of Compliance

The consolidated financial statements of Cryptology Asset Group p.l.c have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union.

These financial statements have also been prepared in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta)

1.2 Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of the Company and its subsidiary undertakings drawn up to 31 December each year. Subsidiary undertakings are those companies over which the Group has control, either by way of majority shareholding, through contractual agreements with the other vote holders of the investee or rights arising from other contractual agreements, giving it the power to govern financial and operating policies of the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control of the subsidiary, and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2019

1.2 Consolidation (continued)

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The parent company of the Group wholly owns one subsidiary, which is set out in Note 11. No associated undertakings were held at year end.

1.3 Basis of accounting

The financial statements are prepared under the historical cost. Assets and liabilities are measured at historical cost except for the following that are measured at fair value: financial assets measured at fair value through other comprehensive income (FVTOCI), and financial instruments classified at fair value through profit or loss (FVTPL).

These Financial Statements are prepared on a going concern basis. The Directors regard this as appropriate, after due consideration of the Group's statement of financial position, capital adequacy and solvency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 STANDARDS, AMENDMENTS AND INTERPRETATION TO EXISTING STANDARDS

2.1.1 Standards and amendments to existing standards effective 1 January 2019

A number of new standards and amendments were endorsed by the EU but effective for periods starting after 1 January 2019. These standards and amendments include the following:

Standards:

- IFRS 16 Leases (issued on 13 January 2016) – effective 1 January 2019

Interpretations:

- IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017) – effective 1 January 2019;
- IFRIC 22 Foreign Currency Translations and Advance Consideration (issued on 8 December 2016) – effective 1 January 2019.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

2.1 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS (continued)

2.1.1 Standards and amendments to existing standards effective 1 January 2019 (cont'd)

Amendments:

- Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017) and effective for periods starting on or after 1 January 2019;
- Amendments to IAS 28: Long-term interests in Associates and Joint Ventures (issued on 12 October 2017) – effective 1 January 2019.

The directors have assessed the impact that the adoption of these new standards and interpretations and amendments to standards will have on the financial statements of the Group. The directors foresee that the adoption of new standards, amendments to existing standards, and interpretations that are effective for annual period on 1 January 2019, have no material impact on the financial statements of the Company.

2.1.2 New standards, interpretations and amendments not yet effective and have not been early adopted

There are no standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 PRINCIPAL ACCOUNTING POLICIES AND REPORTING PROCEDURES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.2.1 Non-derivative financial instruments

Non-derivative financial instruments comprise in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted when the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

2.2 PRINCIPAL ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

2.2.1 Non-derivative financial instruments (continued)

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features or shared credit risk characteristics. The percentage of the write down value is then based on recent historical counterparty default rates for each identified group.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit and loss, which are measured initially at fair value. They are subsequently measured as described below.

Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

2.2.2 Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds. Classification and subsequent measurement of debt instruments depend on:

- i. The Group's business model for managing the asset; and
- ii. The cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement criteria:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flow represent solely payments of principal and interest on specified dates. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.
- **Fair Value through Other Comprehensive Income (FVOCI):** Financial assets that are held for collecting of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI. Foreign exchange gains and losses on the instrument's amortised cost which also recognised in OCI. No impairment gains or losses are recognised since these are reflected in the movement in fair value through OCI. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is kept in OCI. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.
- **Fair Value through Profit or loss (FVTPL):** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

2.2 PRINCIPAL ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

2.2.2 Debt instruments (continued)

Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

2.2.3 Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

On initial recognition of an equity investment that is not held for trading, the Group may irrecoverably elect to present changes in fair value in OCI. This election is made on an investment-by-investment basis and is irrecoverable. Other equity instruments are classified as measured at FVTPL.

Gains and losses on such equity instruments are never reclassified to profit and loss and no impairment is recognized. Dividends are recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in OCI. Cumulative gains and losses recognized in OCI are kept within OCI on disposal of an investment.

Gains and losses on equity investments at FVTPL are included in the 'Trading profits' in line with the statement of profit or loss.

The Group classifies its equity instruments as follows:

- i. Financial assets at fair value through profit or loss: This classification includes financial assets classified as held for trading. Financial assets at FVTPL are initially recognized and subsequently measured at fair value based on quoted bid prices in an active market.
- ii. Financial assets at fair value through OCI: Investment securities are classified as available-for-sale financial assets in view of the fact that these are intended to be held for an indefinite period of time, but which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or market prices. All investment securities are initially measured at fair value plus transaction costs, if any, that were directly attributable to their acquisition.

Those investments securities classified as available-for-sale financial assets are subsequently measured at fair value based on quoted bid prices in an active market, or by reference to a valuation technique if the market was not active. Shares held as investments are classified as 'Available for Sale Investments' and these are valued at acquisition cost excluding any other ancillary costs. All shareholding listings in each respective investee is below the 20% holding.

2.2.4 Convertible instruments

Convertible instruments, which give the holder the right to either demand repayment of the principle amount or to write off the debt and instead convert the balance into shares, are split up recognising both the liability and the equity components.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

2.2 PRINCIPAL ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

2.2.4 Convertible instruments (continued)

The liability component is worked out on the basis of the present value of the payments at the market rate of interest. Once the liability component has been calculated, the equity component represents the difference between the cash paid and the liability component. This scenario applies when the market rate of interest will be higher than the coupon rate.

2.2.5 Investment in subsidiaries and equity-accounted investees

A subsidiary is an entity that is controlled by the Group. Control is the power to govern the financial & operating policies of an entity to obtain benefits from its activities. Investments in subsidiaries and equity-accounted investees are initially include in the Group's statement of financial position at cost and subsequently at cost less any impairment loss which may have arisen. Interest in equity-accounted investees are accounted for using the equity method at Group Level. These are initially recognized at cost, which includes transaction costs. Subsequently the consolidated financial statements include the Group's share of profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence ceases. Dividends from the investments are recognised in profit or loss when its right to receive the dividend is established.

At the end of each reporting period, the Group reviews the carrying amount of its investments in subsidiaries and equity-accounted investees to determine whether there is any indication of impairment, and if such indication exists, the recoverable amount of the asset is estimated, and an impairment loss is accounted for as explained below.

2.2.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided for on the straight-line method at rates intended to write off the cost to its residual value over the expected useful life. The annual rates used are as follows:

	%
Computer and other office equipment	25
Computer software	25

Depreciation begins when the asset is available for use and continues until the asset is derecognised. Depreciation charge is recognised within 'cost of sales' and 'administrative expenses' in the statement of comprehensive income.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each financial reporting date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

2.2 PRINCIPAL ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

2.2.6 Property, plant and equipment (continued)

Subsequent costs are included in the carrying amount of the asset 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. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred. Property, plant and equipment that are temporarily idle and in course of construction are recognized in the carrying amount of property, plant and equipment at cost within 'Assets under construction'.

2.2.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit and loss in the year in which the expenditure is incurred.

The useful life of intangible assets is assessed to be either finite or infinite. The Group's intangible assets consist of crypto-currencies, which are held for the Group's own account. No amortisation is being provided to write off the cost to its residual value, since the assets do not have a definite useful life.

The cryptocurrencies were classified as intangible assets under IAS 38, 'Intangible Assets', because:

- it is a resource controlled by an entity (that is, the entity has the power to obtain the economic benefits that the asset will generate and to restrict the access of others to those benefits) as a result of past events and from which future economic benefits are expected to flow to the entity;
- it is identifiable, because it can be sold, exchanged or transferred individually;
- it is not cash or a non-monetary asset; and
- it has no physical form.

Where an indication of impairment exists, the carrying amount of the intangible asset is assessed and written down immediately to its recoverable amount.

For the purpose of assessing impairment, assets are grouped in the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset carrying amount exceeds its recoverable amount.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) For the year ended 31 December 2019

2.2 PRINCIPAL ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

2.2.7 Intangible assets (continued)

The recoverable amount is the greater of its fair value less costs to sell and its value in use. To determine the value in use, management estimates expected future cashflows from each cash-generating unit and determines a suitable discounting rate in order to calculate the present value of those cash flows.

Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management. Impairment losses are recognised immediately in the income statement. Impairment losses for cash-generating units are charged pro rata to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

An impairment loss that had been previously recognised is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been previously recognised.

2.2.8 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations resulting from a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts.

Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are numerous similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the obligations' class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

A contingent liability is (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or (b) a present obligation that arises from past events but is not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognized but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

2.2 PRINCIPAL ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

2.2.8 Provisions, contingent liabilities and contingent assets (continued)

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognized. Contingent assets are disclosed when an inflow of economic benefits is probable.

2.2.9 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months.

2.2.10 Related Undertakings and Related Parties

The term 'related undertakings' refers to companies having common shareholders or common ultimate shareholders.

A party is related to an entity if, directly or indirectly through one or more intermediaries, the party controls or is under common control with the entity, or has an interest in the entity which can give significant influence on control over the entity.

2.2.11 Bank and Other Borrowings

Bank and other borrowings are recorded at the proceeds received. Finance charges are accounted for on an accrual basis and are shown with accruals to the extent that they are not settled in the period in which they arise.

2.2.12 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, its absence, the most advantageous market to which the Group has access at the date. The fair value of a liability reflects its non-performance risk.

Fair value conditions, including but not limited to liquidity in the market, at a specific date may and therefore differ significantly from the amounts which will actually be received on the maturity or settlement date. The best evidence of fair value of an instrument is a quoted price in an actively traded market for that instrument. The determination of what constitutes an active market is subjective and requires the collation of data and the exercise of judgement. A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Where it is concluded that an active market does not exist, a valuation technique is used.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

2.2 PRINCIPAL ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

2.2.12 Fair value measurement (continued)

The latter gives consideration of transaction prices in inactive markets, however it makes use of other observable market data. The main assumptions and estimates which management considers when using valuation techniques are the likelihood and expected timing of future cash flows on the instrument and a risk premium. The valuation techniques used by the Group incorporate all factors that market participants would consider in setting a price and are consistent with accepted methodologies for pricing financial instruments.

The major application of fair value measurement is adopted for the valuation of Available-for-Sale Investments disclosed in the financial statements under Non-Current Assets. In the absence of Level 1 and Level 2 inputs, the directors have applied Level 3 inputs to value these assets. Observable and unobservable inputs are used in this case, since there is little market activity for the asset at measurement date. The directors developed these inputs using the best information available in the circumstances, including the Group's own data, taking into consideration all information about market participants assumptions that is reasonable available. A combination of valuation techniques were adopted taking into account the current replacement value of the asset and available, unaudited financial data of the underlying assets.

2.2.13 Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that the tax arises from a transaction or event which is recognised directly in equity, in which case it is recognised in equity. Current tax is based on the taxable profit for the year, as determined in accordance with tax laws, and measured using tax rates, which have been enacted or substantively enacted by the balance sheet date.

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

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to the investment in subsidiary to the extent that the Group's ability to control the timing of the reversal of temporary differences and it is probable that those temporary differences will not reverse in the foreseeable future.

Deferred tax assets for the carry-forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Deferred tax is measured 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 and tax laws that have been enacted or substantively enacted by the balance sheet date.

2.2.14 Revenue recognition

Revenue is measured at the fair value of consideration received or receivable for services rendered in the normal course of business, net of value added tax.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

2.2 PRINCIPAL ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

2.2.14 Revenue Recognition (continued)

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the entity and these can be measured reliably. The Group's revenue during the year under review relates to the sale of held-for-trading investments, the sale of cryptocurrencies, and advisory services.

Dividend income from investments is recognised when the right to receive payment is established.

Interest income and expense is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the instrument, or when appropriate, a shorter period to that instrument's carrying amount. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the instrument but not future credit losses. The calculation includes payments or receipts that are an integral part of the effective interest rate, transaction costs and all other discounts or premiums.

Generally fee and commission income, is recognised as the related services are performed. Other fee and commission expenses are expensed as the services are rendered. A contract with a customer that results in the recognised financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

2.2.15 Administrative expenses

Operating expenses are recognised in the profit or loss and other statement of comprehensive income upon utilisation of the service or at the date of their origin.

2.2.16 Finance costs

Finance expenses comprise interest on borrowings, unwinding of the discount on provisions and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

(a) Borrowing costs

Borrowing costs include interest on bank overdrafts and borrowings and finance charges on finance leases. Borrowing costs and finance charges directly attributable to the acquisition, construction or production of assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale is capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of that borrowing. All other borrowing costs are recognised as an expense in the profit or loss in the period in which they are incurred.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

2.2 PRINCIPAL ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

2.2.17 Surplus and deficits

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential deficits arising up to the said date are accounted for even if they become apparent between the said date and the date on which the Financial Statements are approved.

2.2.18 Foreign currency translation

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Group operates. These Financial Statements are presented in Euro, which is the Group's functional and presentation currency. Assets and liabilities in foreign currencies are translated into Euro at the rate of exchange ruling at the balance sheet date. Transactions in foreign currency during the period are translated into Euro at the rate of exchange ruling on the date of the transaction. All profits and losses on exchange are dealt with through the profit and loss account.

2.2.19 Capital management policies and procedures

The Group's capital consists of its net assets, including working capital, presented by its retained funds. The Group's capital management objectives are to ensure its ability to continue as a going concern, to maintain a positive working capital ratio, and to provide an adequate return to shareholders. The Group uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to its primary stakeholders.

2.2.20 Significant judgement in applying accounting policies and estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable and reliable in the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The main assumptions and estimates are made in estimating the fair value of available-for-sale financial instruments not quoted in active markets. Management is required to make certain assumptions and estimates in arriving at an appropriate fair value, based on the application of valuation techniques that make use of available observable market data. A change in assumptions and estimates could affect the reported fair value of these financial instruments.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

3. REVENUE

	Group 2019 €	Group 2018 €	Holding 2019 €	Holding 2018 €
Revenue comprises the following:				
Sale of Held-For-Trading investments	284,486	2,571,723	284,486	2,571,723
Sale of cryptocurrencies and tokens	14,522,456	-	14,522,456	-
Advisory services	195,000	76,375	-	-
	<u>€ 15,001,942</u>	<u>€ 2,648,098</u>	<u>€ 14,806,942</u>	<u>€ 2,571,723</u>

4. FINANCE COSTS

	Group 2019 €	Group 2018 €	Holding 2019 €	Holding 2018 €
Bank interest and charges	177,234	18,686	176,923	18,254
Other interest on loans	38,259	12,917	38,259	12,083
Realised loss on exchange	19,129	29	19,129	29
Unrealized loss on exchange	-	11,350	-	11,350
	<u>€ 234,622</u>	<u>€ 42,982</u>	<u>€ 234,311</u>	<u>€ 41,716</u>

5. PROFIT/ (LOSS) FOR THE YEAR BEFORE TAX

	Group 2019 €	Group 2018 €	Holding 2019 €	Holding 2018 €
Profit/ (loss) for the year before tax is stated after charging:				
Total remuneration payable to the external auditors:				
- The audit of the financial statements	12,950	12,950	8,500	8,500
- Other non-assurance services	1,735	1,735	1,330	1,330
	<u>€ 14,685</u>	<u>€ 14,685</u>	<u>€ 9,830</u>	<u>€ 9,830</u>
Directors' emoluments:				
- Non-executive director	18,000	18,000	18,000	18,000
- Director's salary as full-time employee	-	60,000	-	60,000
	<u>€ 18,000</u>	<u>€ 78,000</u>	<u>€ 18,000</u>	<u>€ 78,000</u>

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) For the year ended 31 December 2019

5. PROFIT/ (LOSS) FOR THE YEAR BEFORE TAX (continued)

Compensation to other key management personnel is analysed as follows:

	Group 2019	Group 2018	Holding 2019	Holding 2018
- Remuneration as full-time employee	€ 126,568	€ 89,339	€ 122,446	€ 87,168

6. EMPLOYEE COMPENSATION AND BENEFITS

	Group 2019	Group 2018	Holding 2019	Holding 2018
Salaries, including directors' remuneration:				
Wages and salaries	€ 126,568	€ 149,339	€ 122,446	€ 147,167
Managerial and administration	1	2	1	2
Average number of employees – Full time equivalents:	1	2	1	2

7. EARNINGS PER SHARE

	Group 2019	Group 2018	Holding 2019	Holding 2018
Earnings per share	€ 0.54	€ (0.59)	€ 0.50	€ (0.60)

The earnings per share have been calculated on the net profit/ (loss) of the Group, as shown in statement of profit and loss, divided by the average number of shares in issue.

Earnings per share of the Group was calculated on the profit/ (loss) attributable to shareholders of the Group of € 1,471,201 (2018: € (1,569,221)), divided by average number of shares for the year ended 31 December 2019 of 2,732,500 (2018: 2,650,000).

Earnings per share of the Holding Company was calculated on the profit/ (loss) attributable to shareholders of the Company of € 1,356,401 (2018: € (1,598,922)), divided by average number of shares for the year ended 31 December 2019 of 2,732,500 (2018: 2,650,000).

8. TAXATION

The tax effect at the applicable tax rate on the accounting result and the tax charge for the year are reconciled as follows:

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

8. TAXATION (continued)

	Group 2019 €	Group 2018 €	Holding 2019 €	Holding 2018 €
Profit/ (loss) before taxation	2,267,078	(2,269,837)	2,090,100	(2,318,681)
Tax at the applicable rate of 35%	793,477	(794,443)	731,535	(811,538)
Tax effect on disallowed expenses	2,400	8,181	2,164	6,133
Tax effect on fair value adjustments	-	85,646	-	85,646
	<u>€ 795,877</u>	<u>€ (700,616)</u>	<u>€ 733,669</u>	<u>€ (719,759)</u>
Comprising:				
Deferred taxation	719,759	(719,759)	719,759	(719,759)
Current taxation	76,118	19,143	13,940	-
	<u>€ 795,877</u>	<u>€ (700,616)</u>	<u>€ 733,669</u>	<u>€ (719,759)</u>

9. INTANGIBLE ASSETS

	Group 2019	Group 2018	Holding 2019	Holding 2018
Crypto-currencies:				
Additions during the year	€ 1,056,380	€ -	€ 1,056,380	€ -

10. PLANT AND EQUIPMENT - Group

	Computer and other office equipment €	Computer software €	Total €
Cost			
At 1 January 2019	1,303	21,420	22,723
Additions	601	-	601
	<u>1,904</u>	<u>21,420</u>	<u>23,324</u>
Depreciation			
At 1 January 2019	326	6,853	7,179
Charge for the year	476	6,853	7,329
	<u>802</u>	<u>13,706</u>	<u>14,508</u>
Net Book Value			
At 31 December 2019	€ 1,102	€ 7,714	€ 8,816

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

10. PROPERTY, PLANT AND EQUIPMENT - Group (continued)

	Computer and other office equipment €	Computer software €	Total €
Cost			
Additions during 2018	1,303	21,420	22,723
Depreciation			
Charge for 2018	326	6,853	7,179
Net Book Value			
At 31 December 2018	€ 977	€ 14,567	€ 15,544

PROPERTY, PLANT AND EQUIPMENT - Holding

	Computer and other office equipment €	Computer software €	Total €
COST			
At 1 January and 31 December 2019	1,303	18,725	20,028
DEPRECIATION			
At 1 January 2019	326	6,179	6,505
Charge for the year	326	6,179	6,505
At 31 December 2019	652	12,358	13,010
NET BOOK VALUE			
At 31 December 2019	€ 651	€ 6,367	€ 7,018

	Computer and other office equipment €	Computer software €	Total €
COST			
Additions during 2018	1,303	18,725	20,028
DEPRECIATION			
Charge for 2018	326	6,179	6,505
NET BOOK VALUE			
At 31 December 2018	€ 977	€ 12,546	€ 13,523

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

11. INVESTMENT IN SUBSIDIARIES – Holding Company

	2019 €	2018 €
Cost		
As at 1 January	480	-
(Disposals) / additions during the year	(240)	480
As at 31 December	<u>€ 240</u>	<u>€ 480</u>

As at 31 December 2019, the Group held the following equity interest:

Subsidiary and its registered office	Number, class & nominal value of shares held	Percentage of issued shares held
Cryptology Advisory Limited Block A, Apt 12, Il-Piazzetta Tower Road, Sliema SLM 1605, Malta	1,199 ordinary 'A' shares of €1 each, 20% paid-up	99.9%

The financial statements of Cryptology Advisory Limited prepared using the IFRSs as adopted by the EU and have been audited in accordance with International Standards on Auditing. A clean audit opinion has been issued in respect of these financial statements.

The share capital and reserves of Cryptology Advisory Limited at the balance sheet date stood as follows:

	2019 €	2018 €
Ordinary share capital	240	240
Retained earnings	149,432	34,632
	<u>€ 149,672</u>	<u>€ 34,872</u>

Note:

During the year under review the company disposed of its investments in subsidiary Apeiron 101 Ltd, previously known as Cryptology Investment Group Ltd. The investment was sold to a related undertaking at the nominal value of the shares.

12. DEFERRED TAXATION

	At 1 January 2019	Recognised in profit or loss	At 31 December 2019
Unutilised tax losses	<u>€ 719,759</u>	<u>€ (719,759)</u>	<u>€ -</u>

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

13. AVAILABLE-FOR-SALE INVESTMENTS

Quoted equity and other non-fixed income instruments measured at FVOCI:

	Group 2019 €	Group 2018 €	Holding 2019 €	Holding 2018 €
<i>AFS Investments:</i>				
Additions (at cost)	6,883,355	-	6,883,355	-
Fair Value Movements (Note a)	31,383,020	-	31,383,020	-
	<u>38,266,375</u>	<u>-</u>	<u>38,266,375</u>	<u>-</u>

Unquoted equity and other non-fixed income instruments measured at FVOCI:

	Group 2019 €	Group 2018 €	Holding 2019 €	Holding 2018 €
<i>AFS Investments:</i>				
Opening balance	29,741,752	-	29,741,752	-
Additions (at cost)	1,000,000	21,152,227	1,000,000	21,152,227
Disposals	(10,000)	-	(10,000)	-
Unrealized gain on exchange	298,904	915,555	298,904	915,555
Fair Value Movements (Note a)	3,767,419	7,673,970	3,767,419	7,673,970
	<u>34,798,075</u>	<u>29,741,752</u>	<u>34,798,075</u>	<u>29,741,752</u>
<i>Asset-Managed Investment (Note b):</i>				
Opening balance	6,732,078	-	6,732,078	-
Additions (at cost)	-	6,282,102	-	6,282,102
Unrealized gain on exchange	136,998	449,976	136,998	449,976
	<u>6,869,076</u>	<u>6,732,078</u>	<u>6,869,076</u>	<u>6,732,078</u>
Total Available-for-Sale investments	<u>€ 79,933,526</u>	<u>€ 36,473,830</u>	<u>€ 79,933,526</u>	<u>€ 36,473,830</u>

Notes:

(a) Fair Value Movements

The fair value basis measurement of quoted investments has been determined on the basis of Level 1 inputs, being the quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date.

The fair value basis measurement of AFS Investments has been determined on the basis of Level 3 criteria. The investment group classification method has been used whereby assets were sub-divided between classifications of sub-groups and analysed on basis of observable and unobservable market data.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year 31 December 2019

13. AVAILABLE-FOR-SALE INVESTMENTS (continued)

(a) Fair Value Movements (continued)

The basis has been derived by analyzing the underlying assets in the investee companies through a combination of valuation techniques. In applying the valuation technique, management also adopted other criteria to factor market changes in the underlying assets and other sensitive market variations in the valuation.

The data sensitivity analysis was carried out from unaudited sources but was independently extracted from information provided by third parties and management representations. Other observable market information was obtained and the valuation technique models were compared to other observable market information as follows:

- i. Share prices of other share transfers effected subsequent to the Group's acquisition of shares, representing the price buyers in the market are willing to pay for the shares in investee companies;
- ii. Shareholders' reports prepared by Management confirming the price the investee company is willing to offer for the investment. These represent price indicators to investors from valuation techniques performed by Management;
- iii. Share buy-backs by the investee companies offering existing holders the option to sell the shares; and
- iv. Net Asset Value techniques on investee companies arriving at the share base.

On this basis, valuation techniques were carried out on the financials of the investee companies and data inputs were affected to consider future cashflows and other market available information. In determining the fair value, we analysed the underlying assets, and impairment tests were provided on the sub-classifications of assets to take into account the inherent variations and volatility of the balances.

In carrying out the above analysis we determined the Net Asset Value and compared to observable inputs disclosed above, including share prices for other share transfers effected. This could only be applied if the observable market data and share prices for similar investors investing in the same investee companies could be substantiated to underlying company valuations and future company potential.

The fair value movements included in the quoted AFS investments amounted to € 31,383,020. The fair value movements included in the unquoted AFS investments of € 3,767,419 is representative of fair value gains of € 4,456,975, after adjusting for fair value decreases of € 689,556 on investments. The net total increase of € 35,150,439 is reflected in Other Comprehensive Income.

The Group shall be consistent in applying such valuation methods from one period to the next. Quantitative and qualitative information about unobservable inputs and assumptions are also used.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

(b) Asset-Managed Investment

The Asset-Managed Investment as disclosed in the AFS investments is represented by a corresponding exchangeable note included within non-current liabilities under Note 17 to the financial statements to the equivalent amount.

The fair value of the Asset-Managed Investment was calculated solely for the scope of determining a potential future unrealized gain, using the same valuation techniques applied for the other AFS investments held by the Group. The exchangeable note can be exercised within a period of five years against the Asset-Managed Investment. Upon the exercise of the exchangeable note, a gain may crystallize to the Group based on the fair value increases of the Asset-Managed Investment on the date of the transfer. At year end, should the exchangeable note had been executed, unrealized net gains of € 551,092 would have been materialized based on the fair value determination of the investment. Any decreases in the fair value of the Asset-Managed Investment will not impact negatively on the Group's financials.

14. HELD-FOR-TRADING INVESTMENTS

Financial assets designated at FVTPL consist of the following equity instruments:

	Group 2019 €	Group 2018 €	Holding 2019 €	Holding 2018 €
<i>Quoted equity investments</i>				
Opening balance	188,233	-	188,233	-
Additions	-	4,521,911	-	4,521,911
Disposals at carrying amount	(188,233)	(2,848,553)	(188,233)	(2,848,553)
Realised loss on purchase of investment	-	(1,229,073)	-	(1,229,073)
Decrease in fair value of investments	-	(244,702)	-	(244,702)
Unrealized loss on exchange	-	(11,350)	-	(11,350)
Total quoted held-for-trading investments	€ -	€ 188,233	€ -	€ 188,233

15. TRADE AND OTHER RECEIVABLES

	Group 2019 €	Group 2018 €	Holding 2019 €	Holding 2018 €
<i>Amounts falling due after more than one year:</i>				
Convertible Note (note)	€ 5,000,000	€ -	€ 5,000,000	€ -
<i>Amounts falling due within one year:</i>				
Amounts due from related parties	531	-	-	-
VAT recoverable	5,899	13,816	5,609	8,564
Prepayments and accrued income	55,078	77,138	54,578	-
	€ 61,508	€ 90,954	€ 60,187	€ 8,564

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

15. TRADE AND OTHER RECEIVABLES (continued)

The convertible note bears interest at the rate of 5 % per annum. The issuer grants each noteholder the right to convert each Note, in whole, but not in part, at any time during the Conversion period, with the final maturity date being set at 31 October 2024.

16. SHARE CAPITAL AND RESERVES – Holding Company

(a) Share Capital

	2019	2018
<u>Authorised</u>		
2,900,000 (2018: 2,650,000) Ordinary shares of € 1 each	€ 2,900,000	€ 2,650,000
<u>Issued, allotted and 100% paid up</u>		
2,650,000 Ordinary shares of € 1 each	2,650,000	2,650,000
Issue of shares	82,500	-
2,732,500 (2018: 2,650,000) Ordinary shares of € 1 each	€ 2,732,500	€ 2,650,000

(b) Share Premium

Share premium	€ 23,862,113	€ 20,644,612
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Share premium represents the excess paid by the shareholders over the nominal value of the shares, being € 1 per share.

(c) Retained earnings

Retained earnings represent the accumulated operating profits after taxation after adjusting for other comprehensive income, resulting in total retained earnings of € 43,796,347 at year end. This primarily comprises the profit attributable to equity holders.

17. NON-CURRENT LIABILITIES

	Group 2019 €	Group 2018 €	Holding 2019 €	Holding 2018 €
Loan advances from third party (note a)	6,250,860	-	6,250,860	-
Exchangeable note (note b)	6,869,076	6,732,078	6,869,076	6,732,078
	€ 13,119,936	€ 6,732,078	€ 13,119,936	€ 6,732,078

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

17. NON-CURRENT LIABILITIES (continued)

Notes:

- (a) Loan advances from third party consist of a financial liability resulting from the purchase of AFS investments. The loan is payable upon resale of the shares, but for no longer than 15 March 2029, and bears interest at the rate of 0.65% per annum. The Company is also permitted to transfer back all shares which are not paid, until the final repayment date.
- (b) The exchangeable note consists of an instrument which is exercisable against Asset-Managed Investments included within the AFS investments held by the Group as disclosed in Note 13 (b). This instrument is exercisable within a five-year period. There is no reason to believe that the note will be exercised within a period of twelve months from year end.

18. TRADE AND OTHER PAYABLES

	Group 2019 €	Group 2018 €	Holding 2019 €	Holding 2018 €
Bank overdraft (note a)	2,209,797	-	2,209,797	-
Amounts payable to subsidiary undertakings (note b)	-	-	249,496	574,475
Loan advances from related undertakings (note c)	-	600,000	-	-
Trade creditors	11,385	-	11,385	-
Wages payable	18,432	3,825	-	-
Taxation	95,261	19,143	13,940	-
Accruals	74,065	31,047	63,445	10,758
	<u>€ 2,408,940</u>	<u>€ 654,015</u>	<u>€ 2,548,063</u>	<u>€ 585,233</u>

Notes:

- (a) Bank overdraft represents a short-term facility provided for the purchase of AFS investments. It bears interest at the rate of 3.5% per annum, and is repayable by 30 June 2020. These are pledged over the said investments held by the Company.
- (b) Amounts payable to the subsidiary undertakings are unsecured, interest free and are repayable on demand.
- (c) Loan advances from related undertakings are unsecured and repayable on demand. These bear interest at the rate of 5% per annum.

CRYPTOLOGY ASSET GROUP P.L.C.**NOTES TO CONSOLIDATED THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2019

19. NOTES TO THE CASH FLOW STATEMENT

(a) Cash used in operations	Group 2019 €	Group 2018 €	Holding 2019 €	Holding 2018 €
Profit/ (loss) before taxation	2,267,078	(2,269,837)	2,090,100	(2,318,681)
Adjustment for:				
Depreciation	7,329	7,179	6,505	6,505
Interest receivable	(59,990)	(890)	(59,983)	(888)
Interest paid	175,327	12,925	175,016	12,096
Unrealized losses on exchange	-	11,350	-	11,350
Operating profit/ (loss)	2,289,744	(2,239,273)	2,211,638	(2,289,618)
Decrease/ (increase) in held-for-trading investments	188,233	(199,583)	188,233	(199,583)
Decrease/ (increase) in receivables	29,446	(90,954)	(253)	(8,564)
Increase/ (decrease) in payables	89,907	634,872	(291,380)	585,233
Cash generated from/ (used in) operating activities	€ 2,697,330	€ (1,894,938)	€ 2,108,238	€ (1,912,532)

(b) Plant and equipment

During the year under review the Group purchased plant and equipment amounting to € 601 as disclosed in note 10 to the financial statements. These purchases were paid for in cash.

(c) Cash and cash equivalents

Cash and cash equivalents consist of balance with banks. Cash and cash equivalents included in the statement of cashflows and the statement of financial position comprise the following amounts:

	Group 2019 €	Group 2018 €	Holding 2019 €	Holding 2018 €
Cash at bank	4,057	212,689	1,608	198,137
Bank overdraft	(2,209,797)	-	(2,209,797)	-
	€ (2,205,740)	€ 212,689	€ (2,208,189)	€ 198,137

20. RELATED PARTY DISCLOSURES**(a) Balances**

Amount due from and to related undertakings are disclosed in note 18 to the financial statements.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

20. RELATED PARTY DISCLOSURES (continued)

(b) Transactions

During the year under review, the Group carried out transactions, in its normal course of the business and on an arm's length basis, with the following related undertakings:

Name of entity	Nature of relationship
Apeiron Investment Group Limited	Immediate Parent Company
Apeiron 101 Ltd	Related Undertaking
Apeiron Advisory Limited	Related Undertaking
Pre Sight Capital Limited	Related Undertaking
Grey Study Capital GmbH	Related Undertaking

The following was the only transaction carried out by the Group with related undertakings having significant control:

	2019 €	2018 €
Transactions with immediate parent undertaking of the Group:		
Recharge of administrative costs from parent	-	6,725
Direct costs charged by parent	496,150	-
Transactions with related undertakings:		
Recharge of administrative costs from related undertakings	16,896	-
Direct costs charged by related undertakings	527,158	-

(b) Immediate parent Company and Ultimate Beneficiary Owner

The majority shareholder of the company is Apeiron Investment Group Limited, holding 49.41% (2018: 49.96%) of total shareholding, with the remaining shareholding being held by various other members, with a percentage holding of less than 20% each. Apeiron Investment Group Limited is a company registered in Malta, with its registered address at Block A, Apt 12, Il-Piazzetta, Tower Road Sliema, SLM 1605, Malta.

The ultimate beneficial owner of Apeiron Investment Group Limited is Mr. Christian Berthold Angermayer, residing at The Penthouse 2901, Canaletto Tower, City Road, London, EC1V 1AF United Kingdom.

21. FINANCIAL RISK MANAGEMENT

By their nature, the Group's activities are principally related to the use of financial instruments. The main activity of the Group is to invest in blockchain-model companies. During the year under review it also traded in crypto-currencies. It is established knowledge that the activities will potentially expose it to a variety of risks, including credit risk, liquidity risk, market risk and currency risk.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

21. FINANCIAL RISK MANAGEMENT (continued)

The Group's risk management is coordinated by the managing Director and the Advisory Board and focuses on actively securing the Group's short to medium term cash flow by minimising exposure to financial risks. The Group's aim is to disclose possible relevant information to enable users of the Financial Statements to evaluate the nature, extent and precautions taken of risks arising from financial instruments to which the Group is exposed at the end of the financial year.

21.1 Credit risk

This represents the risk of loss of principal or loss of interest to be earned from a borrower's failure in repaying debts or else failure to meet contractual obligations. The credit risk arises every time the Group may want to use future cash flows through the payment of current obligation. In this scenario, the credit risk may be either on the borrower, where an obligation to repay both the principal and the interest accrue in favour of the lender, or to the investor who has placed funds in securities or loaned money where a foreseeable repayment of debt and interest thereon is contemplated.

Credit risk may also be related to an investment's return where yields on bonds correspond to their supposed credit risk. The Group invested an amount of € 5 Million in a convertible note with a coupon rate of 5% per annum. The issuer grants the right to convert the Note within the period until Maturity on 31 October 2024. The directors are not anticipating that conversion will take place within 12 months from balance sheet date, and this is considered as a long-term investment. The Group is monitoring closely the operations of the underlying investment of the convertible note and its quoted prices on the market.

The Group's exposure to credit risk related to the carrying amount of the current financial assets, recognised at the end of the reporting period, as summarised below:

	Notes	2019 €	2018 €
Class of financial assets – carrying amounts:			
Held-for-trading investments	14	-	188,233
Trade and other receivables	15	55,609	77,138
Cash and cash equivalents	19	4,057	212,689
		<hr/> 59,666	<hr/> 478,060

During the year under review, the Group, or any of its subsidiaries, held non-cash current assets that were not subject to any risk for liquidating them. All traded financial assets and accounts receivables were eventually liquidated in 2019, hence resulting in no provisions for losses during the reporting period.

Furthermore, the Group continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal with only creditworthy counterparties.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) For the year ended 31 December 2019

21. FINANCIAL RISK MANAGEMENT (continued)

21.1 Credit risk (continued)

The Group considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The credit risk for Cash and Cash Equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The Group considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The credit risk for Cash and Cash Equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Exposure to Credit risk on FVTOCI securities

The Group assesses whether financial instruments have experienced a significance increase in credit risk since initial recognition. When determining whether the risk of default on a financial instrument has increased significantly, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the shareholder's historical experience and due diligence and KYC procedures affected on the investee companies. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default as at reporting date; with
- The remaining lifetime probability of default for this point in time that was estimated at the time of initial recognition of the exposure.

21.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

This is an important measure to take cognisance since any assets held by the Group should be saleable when contemplating in generating immediate cash requirements.

In this scenario, the Group does take note of the fact that the market may be illiquid, hence the liquidity risk factor, or quite liquid, hence the financial asset held by the Group will increase in value as there will be no potential capital loss in sight.

At 31 December 2019, the Group's financial liabilities have contractual maturities which are summarised below:

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

21. FINANCIAL RISK MANAGEMENT (continued)

21.2 Liquidity risk (continued)

	Note	Current Due within one year €	Non-Current Due between two to five years €
Financial liabilities:			
Bank overdraft	18	2,209,797	-
Trade and other payables	17/18	103,882	13,119,936
		<u>€ 2,313,679</u>	<u>€ 13,119,936</u>

In relation to financial liabilities falling due within two to five years, these include the Exchangeable Note supported by AFS investments which are closely monitored for their valuation. On the expiration of the exchangeable note, the AFS investments will be transferred in compensation for the financial obligation, not resulting in liquidity risks to the Group. Further, there is also a loan to a third party, which was attained in order to purchase equity investments, and for which the Group has an option to repay back through the transfer of the same shares, thus having no impact on its liquidity risk.

The Group is also confident that it will be in a good position to honour its obligations with the bank, through the sale of some of its AFS investments or through leveraging with other bankers. Furthermore, the Group has support of its related parties. In this respect, the Group did not require immediate cash to execute its activity, hence the liquidity risk was minimal, if at all. Any new investment projects shall be financed in new cash-rounds through fresh capital from new and/or existing members.

21.3 Market risk

Market risk is the risk that the fair value cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk. It arises in all areas of the Group's activities and is managed by a variety of different techniques as detailed below.

The objective of the Group is to manage and control market risk exposures in order to optimise return on risk while maintaining a market profile consistent with the Group's strategy. The major risk here is the movement of equity prices, particularly in this sector of business. The risk is mitigated by the fact, that management make a selection of investments built from experience and by determining the market risk commensurate with the return on them. Whilst it is Management's responsibility and commitment to focus on such unpredictability of the markets, these are minimized as much as possible.

The selected investment portfolio of the Group, with its strong performance and its strong demand, gives the Group confidence of a stable position that is expected to reap even higher results in the foreseeable future.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

21.3 Market risk (continued)

The Group has also recently participated in US hedge funds in order to ensure its portfolio is rebalanced. The Group's Advisory Board is being structured to take these considerations into account and with the sole aim to decide when, where and how to purchase and/or sell financial assets.

21.3.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk is limited to the variable interest rate of interest-bearing loans and borrowings. Cash and cash equivalents issued at variable rates expose the Group to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on.

Based on this analysis, 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 is to be immaterial, in view of the Group's limited exposure to bank and borrowings. Through strong business relations with the bank, together with the strong and profitable investments that are being hypothecated, the Group managed to negotiate a favourable interest rate. Such scenario is expected to continue in the coming months.

21.3.2 Currency risk

Exchange-rate risk arises from the change in price of one currency in relation to another and the fair value or a future cash-flow transaction emanating from the sale or purchase of a financial instrument where exchange rate fluctuations may occur. Since one of its major investments lies across national border and this is predominantly in US Dollars, the Group recognises that this might create an unpredictable gain or loss. At the reporting rate the exchange date has moved in favour of the Group.

The Group intends to mitigate currency risk by investing predominantly in Euro and in US Dollars, both of which are stable currencies. Further, after year end, the Group has also embarked to invest in hedge funds to mitigate the exposure to risk arising from transactions denominated in US Dollars. The investments held that are denominated in US Dollars are expected to accrue higher returns than the currency risks that may arise.

21.3.4 Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group is exposed to equity price risks arising from the holding of equity instruments classified either as available for sale or at fair value through profit or loss. The carrying amounts of financial instruments at the reporting date which could potentially subject the Group to equity price risk are disclosed in notes 13 and 14 to the financial statements.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

21. FINANCIAL RISK MANAGEMENT (continued)

The Group counteracts the price risk by adopting an investment strategy of investing in start-up companies with a potential for growth and consequent increase in their market prices.

COVID-19 could potentially impact global stock markets. However, the Company foresees that its portfolio is already catering for this through its investment strategy in the composition of the investee entities that are already proving solid financial fundamentals. The major drivers are expected to continue to perform strongly in the future and to increase in value due to their decentralized operations in blockchain models, social media, as well as having the largest data centre in the world. Such factors are the current driving-force of these companies which are working in a decentralized manner under the present situation.

21.3.5 Other risks

In view of the inherent volatility of the assets invested in by the Group, the management will take safeguards not to inflate unnecessarily and incorrectly the valuations thereof. Coupled with this approach, there is also risk on fair value computation risk in view of the fact that investees may either not be prompt in providing information or the financial information provided does not carry an independent assurance verification. Consequently, the Management takes responsibility in adopting proper tools in valuing its financial assets.

22. CAPITAL RISK MANAGEMENT

The Group's capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return to shareholders.

The Group's equity, as disclosed in the statement of financial position, constitutes its capital. The Group's capital structure is monitored by the Directors with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of its activities, the capital level as at the end of the reporting period is deemed adequate by the Group.

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's accounting policy for determining the fair value of financial instruments is described in notes 2.2.1, 2.2.2, 2.2.3 and 2.2.12 to the financial statements. For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair values measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices unadjusted in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, whether directly or indirectly. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

23. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

- Level 3 inputs are observable inputs for the asset or liability. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs that have a significant effect on the instruments' valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or adjustments are required to reflect differences between the instruments.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines when transfers are deemed to have occurred between Levels in the hierarchy at the end of each reporting period.

Basis of valuing financial assets and liabilities measured at fair value:

Assets	Level 1 €	Level 2 €	Level 3 €	Total €
Available-for sale investments	38,266,375	-	34,798,075	73,064,450

The instruments classified within Level 3 comprise the AFS investments. In this respect, it has to be ascertained whether the financial asset is active or not in the market, hence obtaining financial information from the respective investees. Whilst acknowledging that valuations only provide an estimate of true value, yet the Group ensures to be closest to accuracy by selecting the best practices in a valuation technique. As contemplated in IFRS 13, the fair value measurement shall assume that a transaction takes place at that date, considered from the perspective of a market participant that holds the financial asset. Therefore, our valuation of 'Fair Value' is the price that a financial asset can be sold at in an orderly transaction in a market on that date under market conditions, irrespective as to whether the price is observable on an Exchange or using a valuation approach.

During the year under review, the Group held shares that are not easily observable in arriving at fair value. Such shares are not traded in the open market whilst the financial information available from the investee lacks detail. However, the Group holds information where shares are being traded much higher than the original cost. The Group is unable to carry out an exhaustive search to identify the market price but intends to rest on the latest financing-rounds in the investee at a discounted price for prudence sake, together with other observable inputs.

For reasons explained above, the Group has no option but to apply level 3 by making its utmost in maximising the use of relevant observable inputs. In applying level 3, the Group always asks:

- Is there an identical item held by another party as an asset?
- If in the affirmative, the Group will use the market value of the market-participant that holds the identical item;
- The Group, always obtains financial information directly from the investee to compare the Net Asset Value against the market value of the market-participant.

CRYPTOLOGY ASSET GROUP P.L.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

23. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

IFRS 13 does not preclude the Group from using our own collected data.

24. SUBSEQUENT EVENTS

The shares of Cryptology Asset Group p.l.c (ISIN MT0001770107) have been included in the general sub-prime open market of the Düsseldorf Stock Exchange as of May 5, 2020. The listing on the prime open market of the Düsseldorf Stock Exchange is being undertaken, against the background of using the capital structure as a source of financing in the future as part of the growth strategy. The Small & Mid Cap Investmentbank AG was mandated as a capital market partner, which accompanied the transactions and submitted the application for listing.

CRYPTOLOGY ASSET GROUP P.L.C.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Cryptology Asset Group p.l.c - Report on the Audit of the Consolidated Financial Statements.

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Cryptology Asset Group p.l.c, set out on pages 5 to 39, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements show a true and fair view of the financial position of the Group as at 31 December 2019 and of its financial performance and cash flow for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group 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.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period, and include a description of the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matter, together with our response by way of the audit procedures we performed to address that matter during our audit, and key observations arising with respect to such risks of material misstatement.

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Key Audit Matters (continued)

Fair Value Measurement of Available-for-Sale Investments:

Available-for-sale Investments – changes in fair value reflected in Other Comprehensive Income

Reference is made to Accounting policy 2.2.12 to the financial statements and Notes 13 and 23 for further disclosure. The Group's policy for investing in financial instruments is dependent on the experience of the founders, who together with other influential investors, have set aside sufficient funds to finance new projects and innovative products.

Included within the Group's AFS investments of € 79,933,526, there are investments of € 34,798,075 which were invested in securities in jurisdictions that do not require extensive financial reporting. The Group could not value the said AFS investments on the basis of Level 1 and Level 2 inputs since these investments are not quoted on a listed market. Consequently, the valuation of the said securities is determined by using appropriate observable and unobservable market data, and other inputs extracted from determinable sources, which gives rise to an element of risk in determining the fair value. The Level 3 inputs resulted in net fair value gains of € 3,767,419, reflected in OCI. We have considered that this basis of valuation is a Key Audit Matter mainly as a result of the following:

- unaudited financial information of the investee undertakings;
- observable inputs limited to selective investors; and
- inherent volatility of the underlying assets of the investee undertakings.

Due to the extent of such inherent estimation uncertainty underlying the valuation of the investments, the amounts recognised in the OCI may result to be different than amounts determinable should Level 1 and Level 2 inputs have been applied. These differences may be material.

How our audit addressed the Key Audit Matter

We have evaluated the appropriateness of the methodologies used in estimating the valuation arising on the AFS investments as part of our substantive procedures as follows:

- We analysed the underlying assets of the investee companies through a combination of valuation techniques. In applying the valuation techniques, data inputs and financials of the investee companies were analysed in a manner to factor the market changes in the underlying assets and other sensitive market variations in the valuation. Impairment tests were carried out on the sub-classification of assets to take into account the inherent volatility of the balances.
- We determined the net asset value, following impairment tests carried out, and compared to other observable inputs, including share prices for other share transfers effected subsequent to the Group's acquisition of the shares. The share price is representative of the price that the financial asset can be sold at in an orderly transaction in a market on that date under normal market conditions, irrespective as to whether the price is observable on a listed market or using a valuation technique.

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Key Audit Matters (continued)

- Consequent to the above, in verifying the fair value, we relied on the share prices sought in latest financing-rounds in the investee at a discounted price, together with other observable inputs. However, this could only be applied and accepted, if the share prices for similar investors investing in the same investee companies could be substantiated to underlying company valuations and future company potential.

Other Information

The directors are responsible for the other information. The other information comprises the information disclosed in the directors' report.

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 Art. 177 of the 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 Companies Act (Cap.386).

In addition, in light of the knowledge and understanding of the Group 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.

Responsibilities of the Management and Those Charged with Governance for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU, and in accordance with the Companies' Act, 1995. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, the directors are responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The directors are also responsible for overseeing the financial reporting process.

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INDEPENDENT AUDITORS' REPORT

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group'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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or the business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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INDEPENDENT AUDITORS' REPORT

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

Matters on which we are required to report by exception by the Act

Pursuant to articles 179(10) and 179(11) of the Companies Act, 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.

The principal authorised to sign on behalf of Parker Randall Turner on the audit resulting in this independent auditors' report is Mr. Arthur Douglas Turner.



Mr. Arthur Douglas Turner – Partner
On behalf of Parker Randall Turner

"Parker Randall Turner"
13, Curate Fenech Street
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Malta

14 May 2020