

Notes to Consolidated Financial Statements as of 30th June 2022

Note

1	Statement of Compliance
<p><i>The financial statements of Cryptology Asset Group plc have been prepared in accordance with the requirements of IFRS as issued by the IASB and as adopted by the EU.</i></p> <p><i>Assets and liabilities are measured at historical cost except for the financial assets where these were measured at fair value through other comprehensive income (FVTOCI) and those at fair value through profit or loss (FVTPL).</i></p> <p><i>The Consolidated Financial Statements have also been prepared in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta).</i></p>	
2	Significant Accounting Policies
<p><i>The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all the financial periods presented, unless otherwise stated.</i></p> <p><i>Equity Instruments. The company elects, on an investment-by-investment, to recognize an equity investment that is not held for trading. Other equity instruments are classified as measured at FVTPL.</i></p> <p><i>Total gains or losses recognized in OCI are kept within OCI on disposal of an investment.</i></p> <p><i>Equity instruments are classified either as 'held-for-trading' or 'available-for-sale' assets since the latter would be intended to be held for an indefinite period.</i></p>	
3	Revenue
<p><i>Comprising the following:</i></p>	
<p><i>Sale of cryptocurrencies and tokens</i></p>	<p><i>115,166</i></p>
<p><i>Sale of held-for-trading investments</i></p>	<p><i>2,206,318</i></p>
<p><i>Profit on sale of AFS investments</i></p>	<p><i>5,079,000</i></p>
<p><i>FV Measurement – unrealised</i></p>	<p><i>(1,293,786)</i></p>
4	Finance Costs
<p><i>Interest on loans & bank borrowings & charges</i></p>	
<p><i>127,488</i></p>	

5 *Gross Income*

Gross income is arrived at after deducting the cost of the sold equity investments that were held for sale.

6 *Compensation Benefits of Employees and Directors*

Included under 'Admin Expenses' are the following:

<i>Salaries paid for the period</i>	<i>281,651</i>
<i>Director's remuneration</i>	<i>30,000</i>
<i>Director's fees</i>	<i>6,000</i>

7 *Earnings per Share*

Earnings per share at the reporting date is €0.08 calculated on Operating Net Profit after tax

8 *Taxation*

No tax is chargeable up till the time of reporting on the Holding Company in view of the ' participation exemption holding' tax rule

9 *Intangible Assets*

Intangible assets, comprising crypto-assets, have been re-classified under ' HFT investments' in view that such assets are now being held for on-going trading (vide Note 14 below)

10 *Plant and Equipment*

	<i>Computer-Equipment</i>	<i>Computer Software</i>
<i>Cost as at 1 Jan 22</i>	<i>4,772</i>	<i>46,420</i>
<i>Additions</i>	<i>5,091</i>	<i>0</i>
<i>Accum. Depreciation & Amort</i>	<i>(3,980)</i>	<i>(46,420)</i>

11 *Deferred Taxation*

The deferred tax of €1,190,076 may be fully recognized by 31st December 2022. This amount relates to unutilized tax losses which will be balanced-off in future periods.

This represents shares held in Cryptology Advisory Limited of 1,199 Ordinary 'A' shares at €1 each, 20% paid-up. The percentage holding of the issued shares is 99.9% and is grouped under 'AFS investments'.

The registered office of Cryptology Advisory Limited is at 'Beatrice,' 66/67, Amery Street Sliema, SLM1707, Malta.

The financial statements of Cryptology Advisory Limited have been consistently prepared using IFRS as adopted by EU and have been in line with previous years' audit methodology in accordance with International Standards on Auditing.

As of 30th June 2022, Cryptology Advisory Limited registered an 'unrealised' loss of €1,252,105 caused primarily by the revaluation of all crypto-assets which performed negatively on the crypto-markets. at end of the reporting period.

Quoted Equity measured at FVOCI

Amount as at 1st Jan 22	€155,109,413
Net Additions and disposals	470,436
Fair value movement	(102,684,435)
	<u>€45,895,414</u>

Convertible Loan is measured at its original cost as per Note 15

Unquoted Equity measured at FVOCI

Amount as at 1st Jan 22	252,352,917
Net Additions and disposals	(17,182,098)
Fair value movement	<u>13,058,291</u>
	<u>€248,229,110</u>

Total Available for Sale investments €294,124,524

14

Investments held for trading

An amount of €837,818 were held by the subsidiary company – Cryptology Advisory Limited – in crypto-assets for on-going trading.

15

Trade & Other Receivables

Amount falling due for payment in less than 12-months may be converted to equity investments until 30th April 2025.

The total value comprises:

<i>Payments made for the purchase of AFS investments not yet materialized</i>	<i>€1,728,253</i>
<i>Short-term loans</i>	<i>€ 200,000</i>
<i>Accrued income and prepayments</i>	<i>€ 506,340</i>
<i>Convertible bonds</i>	<i>€1,100,000</i>

16

Equity

a) Share Capital

Issued, allotted and 100% paid-up as of 1 January 2022 *57,217,500 shares*

Issued, allotted and 100% paid-up as of 30th June 2022 *57,217,500 shares*

Nominal value of shares *€0.05 each*

Total share capital as of 30th June 2022 *€ 2,860,875*

*b) Total Treasury Stock held as of
30th June 2022 June 2021*

Nil

c) Capital reserves

represent the excess paid by shareholders over the nominal value of the shares at €0.05 each.

d) Retained Earnings.

Being accumulated earnings of operating profits after tax, if applicable, and after adjusting for 'other comprehensive income'

17 *Non-Current Liabilities – Other
Payables*

There were no other long-term liabilities as at end of the reporting period

18 *Current Liabilities – Trade and
Other Payables*

<i>Short-term loan from third party</i>	<i>600,000</i>
<i>Taxation owed by the subsidiary company</i>	<i>53,054</i>
<i>Accruals</i>	<i>108,682</i>
<i>Trade creditors</i>	<i>8,719</i>

19 *Deferred Payment*

There were no deferred payments due as at the reporting date

20 *Bank Overdraft and Loans*

The company holds one overdraft facility. This is repayable by end of 2023 and may be extended beyond. The facility is pledged by quoted security held by the Company.

A bank loan of €2 million, that was available as of 1st January 2022 was fully repaid by the reporting period.

21 Retained Earnings

As per Note 16[@] above, these represent the accumulated operating profits after taxation and after adjusting for Other Comprehensive Income. The profit is attributable to equity holders.

22 Fair Value of Financial Instruments

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3. This is based on the degree to which the inputs to the fair value measurements are observable and the significance of such inputs to the fair value measurement in its entirety.

Level 1 inputs refer to quoted prices unadjusted in active markets. This can easily be retrieved at the measurement date from investment public markets.

Level 2 inputs are inputs that are observable for the asset or liability, whether directly or indirectly. This would include securities using quoted market prices in active markets for similar securities or for identical securities in markets that are considered less active or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3 inputs are those for which the valuation technique includes inputs not based on observable data and the unobservable inputs that may have significant effect on the securities' valuation.

Basis of valuing financial assets measured at fair value:

Available for sale investments – Level 1	€ 45,895,414
Level 3	€248,229,110
Held for trading investments Level 1	€ 837,818

Instruments classified under Level 3 are based on the obtaining of financial information from the respective investees. The Company will always ascertain whether the financial asset is active or not in the market.

Valuations under Level 3 only provide an estimate of true value, and the Company ensures to be closest to accuracy by selecting the best practices in a valuation technique. During the period under review, the Company did not hold information on its investments that could be easily observable in arriving at fair value. Since such shares are not traded in the open market and financial information may lack details, hence the Company was unable to carry out exhaustive search to identify the market price, the Company rested on the latest financing-rounds in the investee at a further discounted price for prudence's sake.

Based on the above, the Company applied level 3 by making its utmost in maximising the use of relevant observable inputs.

Our financials are based on IFRS 13 for fair value measurements. 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 valuation approach. IFRS 13 does not preclude CAG from using its own collected data where it always obtains financial information directly from the investee to compare the NAV against market value of the market-participant.

23 Subsequent Events

The Company passed a resolution during an Extraordinary General Meeting held on 30th May 2022 where it approved the repurchase of own shares not exceeding 10% of the issued share capital and the share price shall be at any price but not to exceed €15 per share. The repurchase exercise started in July 2022.

In 2021 the Company had purchased AFS investments against a capital creditor. In January 2022, the contractual parties agreed to cancel the agreement and such investment did not materialize.. The asset and liability in the period up till 30th June 2022 reflect such cancellation of investment.

24 Capital Commitments

During the first 6 months of 2022, the Company redeemed part of its investments in funds amounting to US\$1,392,009.

Another tranche amounting to circa US\$589,000, depending on the performance of the fund up till the time of redemption, is expected to be liquidated in October 2022,

A capital commitment to purchase further equity to the value of US\$1.5 million and the purchase of convertible bonds of approximately €1.3 million is expected to materialize by the end of December 2022.