Validator ApS under tvangsopløsning

Dampfærgevej 27, 5., 2100 København Ø

Company reg. no. 39 44 90 56

Annual report

1 January - 31 December 2021

The annual report was submitted and approved by the general meeting on the 12 October 2022.

Martin Dyring-Andersen
Chairman of the meeting

Contents

Notes:
- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's statement

The executive board has today presented the annual report of Validator ApS under tvangsopløsning for the financial year 1 January to 31 December 2021.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position at 31 December 2021 and of the company's results of its activities in the financial year 1 January to 31 December 2021.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

We recommend that the annual report be approved at the Annual General Meeting.

Copenhagen, 12 October 2022

Executive board

Martin Dyring-Andersen
Director

Henrik Aasted Sørensen
Director

Independent auditor's report

To the Shareholder of Validator ApS under tvangsopløsning

Auditor's report on the Financial Statements

Opinion

We have audited the financial statements of Validator ApS under tvangsopløsning for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity, notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is 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 in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor’s Responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 and the additional requirements applicable in Denmark 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 the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management’s use of the going concern basis of accounting in preparing the financial statements 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 contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance 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.

Statement on the Management’s review

Management is responsible for the Management’s review.

Our opinion on the financial statements does not cover the Management’s review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management’s review and, in doing so, consider whether the Management’s review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management’s review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management’s review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management’s review.

Report on other legal and regulatory requirements

Non-compliance with the Danish Bookkeeping Act

In our opinion, the Company has not complied with the Danish Bookkeeping Act requirements that bookkeeping procedures must be planned and performed in accordance with good bookkeeping practice and in consideration of the nature and size of the entity.

The Company's Management may incur liability for non-compliance with the Danish Bookkeeping Act.

Non-compliance with Danish tax legislation

The Company has not filed its tax return for the 2021 fiscal year within the deadline for submission, thus breaching Danish tax legislation, and Management may incur liability in this respect.

Non-compliance with the provisions of the Danish Financial Statements Act regarding submission of annual reports

The Company has not observed the deadline for submission of the annual report for 2021. Management may incur liability in this respect.

Copenhagen, 12 October 2022

EY Godkendt Revisionspartnerselskab
Company reg. no. 30 70 02 28

Anders Duedahl-Olesen
State Authorised Public Accountant
mne24732

Company information

The company	Validator ApS under tvangsopløsning Dampfærgevej 27, 5. 2100 København Ø	
	Company reg. no.	39 44 90 56
	Established:	1 April 2018
	Domicile:	Copenhagen
	Financial year:	1 January - 31 December
Executive board	Martin Dyring-Andersen, Director Henrik Aasted Sørensen, Director	
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 2000 Frederiksberg	
Parent company	Block Finance A/S	

Management´s review

The principal activities of the company

Like previous years, the activities are to participate in the operation of next generation distributed ledger technology by providing essential IT infrastructure and services.

Development in activities and financial matters

The gross profit for the year totals DKK 2.934.704 against DKK 610.960 last year. Income or loss from ordinary activities after tax totals DKK 2.153.414 against DKK 320.425 last year. Management considers the net profit for the year satisfactory.

As prior years, a significant portion of the companys crypto assets are held on blockchains in the Cosmos ecosystem.

The Cosmos technology stack has been in active development since 2017 and is used in a growing number of projects due to very desirable scalability and security properties. While buildout and adoption of these blockchains continue to grow, support in popular crypto accounting services such as CoinTracking is still lacking.

The company saw a significant and positive increase in activities and transactions related to crypto assets during the year.

A majority of these were on Cosmos blockchains, which necessitated the development of in-house software to extract blockchain data and provide transaction-level visibility for accounting and tax calculation purposes.

This work was ongoing in 2021/2022, but was unfortunately not concluded in time to hand in the Annual Statement before the deadline.

While the development was ongoing, the management continued to have access to current reports of crypto asset balances and could thus continuously assess the overall health of the company.

The management is pleased to note that this development effort has now concluded and this no longer an area of concern.

Events occurring after the end of the financial year

No events have occurred after the end of the financial year that may have a significant influence on the assessment of the annual report.

Income statement 1 January - 31 December

All amounts in DKK.

Note		2021	2020
	Gross profit	**2.934.704**	**610.960**
	Depreciation, amortisation, and impairment	-166.317	-172.621
	Other operating expenses	-9.332	0
	Operating profit	**2.759.055**	**438.339**
	Other financial income from group companies	29.522	0
	Other financial expenses	-1.211	-95
	Pre-tax net profit or loss	**2.787.366**	**438.244**
2	Tax on net profit or loss for the year	-633.952	-117.819
	Net profit or loss for the year	**2.153.414**	**320.425**
	Proposed appropriation of net profit:		
	Transferred to retained earnings	2.153.414	320.425
	Total allocations and transfers	**2.153.414**	**320.425**

Balance sheet at 31 December

All amounts in DKK.

Note	Assets	2021	2020
	Non-current assets		
3	Completed development projects	20.130	165.062
	Total intangible assets	20.130	165.062
4	Other fixtures and fittings, tools and equipment	905	22.290
	Total property, plant, and equipment	905	22.290
	Total non-current assets	**21.035**	**187.352**
	Current assets		
	Crypto assets	209.207	0
	Total inventories	209.207	0
	Receivables from group companies	3.235.940	352.809
	Total receivables	3.235.940	352.809
	Cash and cash equivalents	66.555	154.705
	Total current assets	**3.511.702**	**507.514**
	Total assets	**3.532.737**	**694.866**

Balance sheet at 31 December

All amounts in DKK.

Note	Equity and liabilities	2021	2020
	Equity		
	Share capital	50.000	50.000
	Retained earnings	2.566.935	413.521
	Total equity	**2.616.935**	**463.521**
	Liabilities other than provisions		
	Bank loans	37.969	0
	Trade payables	68.324	55.547
	Payables to group companies	154.051	36.473
	Income tax payable to group companies	633.952	117.819
	Other payables	21.506	21.506
	Total short term liabilities other than provisions	915.802	231.345
	Total liabilities other than provisions	**915.802**	**231.345**
	Total equity and liabilities	**3.532.737**	**694.866**
5	**Charges and security**		
6	**Contingencies**		

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Retained earnings	Total
Equity 1 January 2021	50.000	413.521	463.521
Retained earnings for the year	0	2.153.414	2.153.414
	50.000	**2.566.935**	**2.616.935**

Notes

All amounts in DKK.

1. Staff costs

The company has no employees.

		2021	2020
2.	**Tax on net profit or loss for the year**		
	Tax on net profit or loss for the year	633.952	117.819
	Adjustment of deferred tax for the year	0	0
		633.952	**117.819**

		31/12 2021	31/12 2020
3.	**Completed development projects**		
	Cost 1 January 2021	434.797	434.797
	Cost 31 December 2021	**434.797**	**434.797**
	Amortisation and writedown 1 January 2021	-269.735	-124.803
	Amortisation and depreciation for the year	-144.932	-144.932
	Amortisation and writedown 31 December 2021	**-414.667**	**-269.735**
	Carrying amount, 31 December 2021	**20.130**	**165.062**
4.	**Other fixtures and fittings, tools and equipment**		
	Cost 1 January 2021	83.065	83.065
	Cost 31 December 2021	**83.065**	**83.065**
	Depreciation and writedown 1 January 2021	-60.775	-33.086
	Amortisation and depreciation for the year	-21.385	-27.689
	Depreciation and writedown 31 December 2021	**-82.160**	**-60.775**
	Carrying amount, 31 December 2021	**905**	**22.290**

Notes

All amounts in DKK.

5. Charges and security

The company has not provided any security or other collateral in assets at 31 December 2021.

6. Contingencies

Joint taxation

With VRTY Capital ApS, company reg. no 29 92 86 06 as administration company, the company is subject to the Danish scheme of joint taxation and unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for the total corporation tax.

The jointly taxed enterprises' total known net liability to the Danish tax authorities emerges from the financial statements of the administration company.

Any subsequent adjustments of corporate taxes or withholding tax, etc., may result in changes in the company's liabilities.

Accounting policies

The annual report for Validator ApS under tvangsopløsning has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Income statement

Gross profit

Gross profit comprises the revenue, other operating income and external costs.

Income is recognised based on tokens recieved from the validation services provided, when tokens are exchanged to FIAT currencies at fair value.

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets.

Other external costs comprise costs incurred for distribution, sales, advertising, administration, etc.

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Other operating costs

Other operating costs comprise items of secondary nature as regards the principal activities of the enterprise, including losses on the disposal of intangible and tangible assets.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses and transactions in foreign currency.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

Statement of financial position

Intangible assets

Development projects

Development costs and internally generated rights are recognised in the income statement as costs in the acquisition year.

Development projects are measured at cost less accrued amortisation. Given that it is impossible to make a reliable estimate of the useful life, the amortisation period is set at 3 years.

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Other fixtures and fittings, tools and equipment	3 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Cryptocurrencies

Inventories including cryptocurrencies are measured at cost based on the FIFO method. If the net realisation value, i.e. the market price, of inventories is lower than the cost price, it shall be written down for impairment to this lower value.

Cost includes acquisition cost plus any related purchase costs.

The net realisation value is calculated as a selling price, i.e. the market price less costs incurred to effectuate sales. The net realisation value is determined with due consideration to negotiability and developments in the expected selling price.

Sale of cryptocurrencies is recognised as other operating income whereas the accompanying ’cost of sales’ is recognised under other operating charges.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as ”Income tax receivable” or “Income tax payable”.

According to the rules of joint taxation, Validator ApS under tvangsopløsning is unlimitedly, jointly, and severally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

Financial liabilities other than provisions related to borrowings are recognised at the received proceeds less transaction costs incurred. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value when using the effective interest rate. The difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

Martin Dyring-Andersen

Som Direktør
PID: 9208-2002-2-650891511795
Dato for underskrift: 12-10-2022
Underskrevet med NemID

NEM ID

Henrik Aasted Sørensen

Som Direktør
PID: 9208-2002-2-746717288508
Dato for underskrift: 12-10-2022
Underskrevet med NemID

NEM ID

Anders Duedahl-Olesen

Som Revisor
RID: 1267520507476
Dato for underskrift: 12-10-2022
Underskrevet med NemID

NEM ID

Martin Dyring-Andersen

Som Dirigent
PID: 9208-2002-2-650891511795
Dato for underskrift: 12-10-2022
Underskrevet med NemID

NEM ID