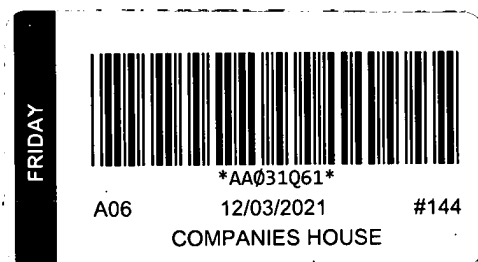


Registration number 03269801

CoinShares (UK) Limited

Audited financial statements for the year ended 31 December 2020



CoinShares (UK) Limited

Audited financial statements

For the financial year ended 31 December 2020

Contents

| | Page |
|---|--------------|
| Company Information | 3 |
| Directors' Report | 4-5 |
| Independent Auditor's Report | 6-8 |
| Statement of Comprehensive Income | 9 |
| Statement of Financial Position | 10 |
| Statement of Changes in Equity | 11 |
| Notes to the Financial Statements | 12-22 |
| The following pages do not form part of the audited financial statements: | |
| Appendix 1: Detailed administration expenses (unaudited) | 23 |

CoinShares (UK) Limited

Company Information

For the financial year ended 31 December 2020

| | |
|-----------------------------|---|
| The Company | CoinShares (UK) Limited |
| Registration number | 03269801 |
| Registered Office | Octagon Point 5 Cheapside St Paul's London EC2V 6AA |
| Directors | Daniel Masters Richard Nash Frank Spiteri (appointed 25 March 2020) |
| Company Secretary | Jeri-Lea Brown (resigned 30 June 2020) CoinShares Corporate Services (Jersey) Limited (appointed 30 June 2020) |
| Independent Auditors | MacIntyre Hudson LLP 6th Floor 2 London Wall Place London EC2Y 5AU |
| Bankers | Barclays 13 Library Place St Helier Jersey JE4 8NE |
| Tax Advisers | Gerald Edelman 73 Cornhill London EC3V 3QQ |

CoinShares (UK) Limited

Directors' Report

For the financial year ended 31 December 2020

The directors present their report and the financial statements of CoinShares (UK) Limited (the 'Company') for the year ended 31 December 2020.

Incorporation

The Company was incorporated on 28 October 1996 in England and Wales.

Principal activity

The principal activity of the Company is the provision of services to the wider CoinShares Group, including digital asset research, marketing and branding services, compliance and risk management services, product design and administrative support.

Results and dividends

The loss for the year, after taxation, amounted to £613,063 (2019: loss £153,243) as disclosed on page 8.

The directors do not recommend the payment of a dividend (2019: £nil).

Statement of Directors' responsibilities

The directors are responsible for preparing the Directors' Report and financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law, the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' Section 1A Small Entities. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company as at the end of that period, and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and 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 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors confirm the statements comply with these requirements.

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps he or she ought to have as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

CoinShares (UK) Limited

Directors' Report (continued)

For the financial year ended 31 December 2020

Directors and Company Secretary

The directors and company secretary who served during the year and up to the date of this report are listed on page 3.

Directors' interest in shares

The directors holding office at the end of the reporting period had no direct interests in the share capital of the Company at the beginning and at the end of the reporting period.

Going concern

The Company has net assets of £1,318,346 (2019: £731,409) at the end of the reporting period. The directors have prepared these financial statements on a going concern basis due to the ongoing financial support received from other Group entities, inclusive of its parent company, which has both been evidenced to date and which will continue to be provided for the foreseeable future, including at least 12 months from the date of the signing of these financial statements. The impact of Covid-19 has been considered as part of the events after the reporting date.

On 23 June 2016, a majority of United Kingdom ("UK") voters voted in favour of the UK's exit from the EU (commonly referred to as "Brexit") in a national referendum, and on 29 March 2017, the UK government triggered Article 50 of the Treaty of the European Union, which initiated the withdrawal procedure and set the UK on track to exit the EU. The UK left the EU on 31 January 2020, with a transitional period until 31 December 2020.

On 24 December 2020, the UK and the EU agreed a Trade and Security Agreement, which came into force from 1 January 2021. The potential impact of Brexit on the Company is expected to be low due to preparatory work undertaken by the CoinShares Group in advance of Brexit, and the fact that the entity does not undertake any business in the EU.

Events after the reporting date

The first half of 2020 has seen increased volatility in the financial markets principally driven by the Covid-19 worldwide pandemic. The cryptocurrency market was not immune to this volatility, after suffering a sharp decline in prices in March 2020 the market has subsequently bounced back and now trades well above the 2019 year-end close. This is considered to be a non-adjusting event. The Company has received assurance from its parent company that financial support will continue to be made available for the foreseeable future.

Independent Auditor

MacIntyre Hudson have indicated their willingness to continue in office.

The report was approved by the board on 26 January 2021 and signed on its behalf by:

Daniel Masters

.....
Daniel Masters
Director

CoinShares (UK) Limited

Independent auditor's report to the members of CoinShares (UK) Limited Report on the financial statements

Opinion

We have audited the financial statements of CoinShares (UK) Limited (the "Company") for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland including section 1A (collectively "FRS 102").

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with FRS 102; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the financial statements, other than the audited financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

CoinShares (UK) Limited

Independent auditor's report to the members of CoinShares (UK) Limited

Report on the financial statements (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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 applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities on pages 4-5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We performed analytical procedures on significant and material balances, notably revenue and salary related expenses and corroborated the information therein with underlying agreements.
- We undertook journal testing including an analysis of journals: by account, by posting date, round sum,
- sequential numbering and yearend journals in order to assess if there were unusual entries pointing to irregularities, including fraud.

CoinShares (UK) Limited

Independent auditor's report to the members of CoinShares (UK) Limited
Report on the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of this report

This report is made solely to the Members of the Company, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's Members, for our audit work, for this report, or for the opinions we have formed.



Geeta Morgan CTA MCSI (Senior Statutory Auditor)
For and on behalf of MacIntyre Hudson, Statutory Auditor(s).
6th Floor
2 London Wall Place
London
EC2Y 5AU

Date: 26 January 2021
MacIntyre Hudson is a limited liability partnership, registered in England and Wales (with registered office number OC312313).

CoinShares (UK) Limited**Statement of Comprehensive Income**

For the financial year ended 31 December 2020

| | | 2020 | 2019 |
|--|------|------------------|------------------|
| | Note | £ | £ |
| Revenue | 4 | 3,658,261 | 2,241,786 |
| Other Income | 5 | - | 66,000 |
| Fees Payable | | - | - |
| Gross profit | | 3,658,261 | 2,307,786 |
| Administrative expenses | 6 | (4,271,324) | (2,461,033) |
| Operating loss | | (613,063) | (153,247) |
| Interest receivable and similar income | | - | 4 |
| Loss before taxation | | (613,063) | (153,243) |
| Taxation on loss | 8 | - | - |
| Loss for the financial year | | (613,063) | (153,243) |
| Other comprehensive loss for the year | | - | - |
| Total comprehensive loss for the year | | (613,063) | (153,243) |

All items dealt with in arriving at loss for the financial periods relate to continuing operations

The above should be read in conjunction with the accompanying notes on pages 12 to 22 which form an integral part of these financial statements.

CoinShares (UK) Limited**Statement of Financial Position**

As at 31 December 2020

| | | 2020 | 2019 |
|-------------------------------|------|------------------|------------------|
| | Note | £ | £ |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 19,644 | 38,189 |
| Intangible assets | 10 | 8,191 | 6,870 |
| | | 27,835 | 45,059 |
| Current assets | | | |
| Trade and other receivables | 11 | 1,461,922 | 699,245 |
| Cash and cash equivalents | | 80,979 | 116,089 |
| | | 1,542,901 | 815,334 |
| Total assets | | 1,570,736 | 860,393 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 12 | (252,390) | (128,984) |
| Total liabilities | | (252,390) | (128,984) |
| NET ASSETS | | 1,318,346 | 731,409 |
| EQUITY | | | |
| Share capital | 14 | 4,317,525 | 3,117,525 |
| Retained earnings | | (2,999,179) | (2,386,116) |
| Total equity | | 1,318,346 | 731,409 |

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of the financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the Board of Directors of the Company and signed on its behalf by:

Daniel Masters

Daniel Masters

Director

Date: 26 January 2021

The above should be read in conjunction with the accompanying notes on pages 12 to 22 which form an integral part of these financial statements.

CoinShares (UK) Limited**Statement of Changes in Equity**

For the financial year ended 31 December 2020

| | Note | Share capital £ | Retained earnings £ | Total equity £ |
|-------------------------------|------|-----------------------|---------------------------|-------------------|
| At 1 January 2019 | | 1,417,525 | (2,232,873) | (815,348) |
| Loss for the year | | - | (153,243) | (153,243) |
| Shares issued during the year | 14 | 1,700,000 | - | 1,700,000 |
| At 31 December 2019 | | 3,117,525 | (2,386,116) | 731,409 |
| At 1 January 2020 | | 3,117,525 | (2,386,116) | 731,409 |
| Loss for the year | | - | (613,063) | (613,063) |
| Shares issued during the year | 14 | 1,200,000 | - | 1,200,000 |
| At 31 December 2020 | | 4,317,525 | (2,999,179) | 1,318,346 |

The above should be read in conjunction with the accompanying notes on pages 12 to 22 which form an integral part of these financial statements.

CoinShares (UK) Limited

Notes to the Financial Statements

For the financial year ended 31 December 2020

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 General information

CoinShares (UK) Limited (the 'Company') operates in the United Kingdom. The principal activity of the Company is the provision of services to the wider CoinShares Group, including digital asset research, marketing and branding services, compliance and risk management services, product design and administrative support. The Company is a private company limited by shares and is incorporated in the United Kingdom and registered in England and Wales. The address of its registered office is Octagon Point, 5 Cheapside, St Paul's, London, EC2V 6AA and its company registration number is 03269801.

2 Statement of compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland', Section 1A Small Entities ('FRS 102 1A') and the Companies Act 2006. There were no material departures from FRS 102 1A.

3 Significant accounting policies

3.1 Basis of preparation

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with FRS 102 1A and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3.5).

The following principal accounting policies have been applied:

3.2 Going concern basis

The Company has net assets of £1,318,346 (2019: £731,409) at the end of the reporting period. The directors have prepared these financial statements on a going concern basis due to the ongoing financial support received from other Group entities, inclusive of its parent company, which has both been evidenced to date and which will continue to be provided for the foreseeable future, including at least 12 months from the date of the signing of these financial statements. The impact of Covid-19 has been considered as part of the events after the reporting date.

On 23 June 2016, a majority of United Kingdom ("UK") voters voted in favour of the UK's exit from the EU (commonly referred to as "Brexit") in a national referendum, and on 29 March 2017, the UK government triggered Article 50 of the Treaty of the European Union, which initiated the withdrawal procedure and set the UK on track to exit the EU. The UK left the EU on 31 January 2020, with a transitional period until 31 December 2020.

On 24 December 2020, the UK and the EU agreed a Trade and Security Agreement, which came into force from 1 January 2021. The potential impact of Brexit on the Company is expected to be low due to preparatory work undertaken by the CoinShares Group in advance of Brexit, and the fact that the entity does not undertake any business in the EU.

CoinShares (UK) Limited

Notes to the Financial Statements (continued)

For the financial year ended 31 December 2020

3 Significant accounting policies (continued)

3.3 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions. The Company has taken advantage of the following exemptions in its individual financial statements:

- from disclosing share based payments arrangements, required under FRS 102 paragraphs 26.18b, 26.19 to 26.21 and 26.23, concerning its own equity instruments, as the Company financial statements are presented with the consolidated financial statements and the relevant disclosures are included therein.

3.4 Changes in accounting policies

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous financial year.

3.5 Foreign currency translation

Functional and presentation currency

The company's functional and presentation currency is the pound sterling (£). All values are rounded to the nearest pound, except when otherwise indicated.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

3.6 Judgements and sources of estimation uncertainty

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions in applying the Company's accounting policies to determine the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The following are considered to be sources of judgement and estimate:-

- (i) Useful economic life of tangible fixed assets: the annual depreciation charges of tangible fixed assets are sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates.
- (ii) Useful economic life of intangible assets: the annual amortisation charges of intangible assets are sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates.
- (iii) Recognition of revenue: revenue is accrued daily on tracker certificates in order to match the provision of services. This is in line with recognition of the associated services provided by the Company.

CoinShares (UK) Limited

Notes to the Financial Statements (continued)

For the financial year ended 31 December 2020

3 Significant accounting policies (continued)

3.6 Judgements and sources of estimation uncertainty (continued)

(iv) Allocation of Group expenditure: the rates applied to the Company in determining the allocation of these recharges vary between categories of expenditure and those applied during the year are based on the directors' estimate of where time or resource was considered to be spent. The Company and Group entities have common directorships, and the recharge rates were determined by the directors based upon their judgement of the resource usage for the year.

3.7 Revenue recognition

Revenue is recognised by the Company in respect of the goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

The Company recognises revenue when (a) the amount of revenue can be measured reliably; (b) it is probable that the Company will receive the consideration due under the contract; (c) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and (d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Sale of services

The Company earns income from the provision of a variety of services to entities within the wider Group, including digital asset research, marketing and branding services, compliance and risk management services, product design and administrative support. Revenue is recognised in the accounting period in which the services are performed and completed, based on the terms of the contract.

3.8 Taxation

Current tax is recognised as the amount expected to be paid to or recovered from the tax authorities, using tax rates enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Current tax is recognised as income or expense in the Statement of Comprehensive Income, except to the extent that the tax arises from a transaction which is recognised directly in equity.

The charge for taxation is based on the tax adjusted profit/(loss). The standard rate is 19% (2018: 19%).

3.9 Employee benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

The Company may compensate employees for absence for various reasons including vacation, sickness, maternity and paternity. There is non-accumulating compensation of absence and this does not carry forward; it will lapse if the current period's entitlement if it is not used in full, therefore the Group does not recognise a liability or expense until the time of absence.

CoinShares (UK) Limited

Notes to the Financial Statements (continued)

For the financial year ended 31 December 2020

3 Significant accounting policies (continued)

3.9 Employee benefits (continued)

Annual bonus plan

The Company operates a bonus plan for employees. An expense is recognised in the profit and loss account when the Company has a legal or constructive obligation to make payments under the plan as a result of past events and reliable estimate of the obligation can be made.

3.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

3.11 Property, plant and equipment

Property, plant and equipment under the cost model is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged on the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

| | |
|-----------------------|-------------------|
| Fixtures and fittings | 33% Straight line |
| Computer equipment | 33% Straight line |

The assets' residual values, estimated useful lives and depreciation method are reviewed, and adjusted as appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income in the period of disposal.

3.12 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives.

Amortisation is provided on the following basis:

| | |
|------------|-------------------|
| Trademarks | 10% Straight line |
|------------|-------------------|

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

CoinShares (UK) Limited

Notes to the Financial Statements (continued)

For the financial year ended 31 December 2020

3 Significant accounting policies (continued)

3.13 Impairment of non-financial assets

Property, plant and equipment and intangible assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

If such an indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of value in use and fair value less costs of disposal. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of the recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately as a credit to the income statement.

3.14 Basic financial instruments

Basic financial assets

Short term basic financial assets are measured at the transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Basic financial liabilities

Short term basic financial liabilities are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

3.15 Operating leases: the company as lessee

Management exercises judgements in determining the classification of leases as finance or operating leases at inception of the lease. Management considers the likelihood of exercising break clauses or extension options in determining the lease term. Where the lease term constitutes substantially all of the economic life of the asset, or where the present value of minimum lease payments amount to substantially all of the fair value of the property, the lease is classified as a finance lease. All other leases are classified as operating leases.

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Operating lease payments (net of any incentives received by the lessor) are recognised in the Statement of Comprehensive Income as an expense on a straight-line basis over the period of the lease. Associated costs such as maintenance and insurance are expensed as incurred.

3.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

CoinShares (UK) Limited

Notes to the Financial Statements (continued)

For the financial year ended 31 December 2020

4 Revenue

| | 2020 £ | 2019 £ |
|---------|------------------|------------------|
| Revenue | 3,658,261 | 2,241,786 |
| | 3,658,261 | 2,241,786 |

The Company generates income from a variety of services provided to CoinShares Capital Markets (Jersey) Limited ('CSCMJL', formerly GABI Trading Limited) a group company under common control, at 20% of net management fees (2019: 20% from July 2019, 20% from parent company CoinShares (Holdings) Limited ('CSHL') to June 2019).

Fees receivable from CSCMJL for the year are £3,658,261 (2019: £1,429,676) and from CSHL are £nil (2019: £812,110).

5 Other Income

| | 2020 £ | 2019 £ |
|---------------|-----------|---------------|
| Rental income | - | 66,000 |
| | - | 66,000 |

The Company earned rental income from subleasing part of the office space to Globacap Limited. The agreement expired on 31 December 2019 and was not renewed.

6 Administration expenses by nature

Included within administration expenses of £4,271,324 (see page 23) are the following amounts:

| | 2020 £ | 2019 £ |
|---|------------------|------------------|
| Fees payable for the audit of the Company's annual accounts | 7,000 | 10,000 |
| Depreciation of tangible assets | 29,759 | 26,767 |
| Amortisation on intangible assets | 785 | 422 |
| Salaries | 3,111,743 | 1,268,378 |
| Operating lease expenses | 554,421 | 544,370 |
| Office expenses | 5,252 | (13,524) |
| Realised loss on foreign exchange | 4,674 | 1,500 |
| Unrealised (gain)/loss on foreign exchange | (7,808) | 6,567 |
| | 3,705,826 | 1,844,480 |

CoinShares (UK) Limited

Notes to the Financial Statements (continued)

For the financial year ended 31 December 2020

7 Staff and directors

Staff costs during the year were as follows:

| | 2020 £ | 2019 £ |
|--------------------------|------------------|------------------|
| Wages and salaries | 1,564,500 | 917,422 |
| National insurance costs | 324,187 | 128,430 |
| Other pension costs | 15,057 | 9,190 |
| Other benefits | 52,898 | - |
| | 1,956,642 | 1,055,042 |

The average number of employees of the Company during the year was:

| | 2020 | 2019 |
|-----------|-----------|-----------|
| Directors | 3 | 2 |
| Staff | 15 | 13 |
| | 18 | 15 |

Remuneration in respect of directors was as follows:

| | 2020 £ | 2019 £ |
|---------------------|------------------|----------------|
| Remuneration | 1,153,131 | 213,336 |
| Other pension costs | 1,970 | - |
| | 1,155,101 | 213,336 |

8 Taxation

Factors affecting tax charge for the year

The tax assessed for the year is the same as the standard rate of corporation tax in the UK of 19% (2019: 19%).

| | £ | £ |
|---|----------------|---------|
| Loss on ordinary activities before tax | 613,063 | 153,243 |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%) | - | - |
| Effects of: | | |
| Adjustments | - | - |
| Total tax charge for the year | - | - |

CoinShares (UK) Limited

Notes to the Financial Statements (continued)

For the financial year ended 31 December 2020

9 Property, plant and equipment

| | Computer Equipment £ | Furniture & Fittings £ | Total £ |
|---------------------------------|----------------------------|------------------------------|------------|
| Cost | | | |
| At 1 January 2020 | 36,757 | 45,574 | 82,331 |
| Additions | 15,412 | 546 | 15,958 |
| Disposals | (4,744) | - | (4,744) |
| At 31 December 2020 | 47,425 | 46,120 | 93,545 |
| Accumulated depreciation | | | |
| At 1 January 2020 | 19,772 | 24,370 | 44,142 |
| Charge for the year | 14,496 | 15,263 | 29,759 |
| At 31 December 2020 | 34,268 | 39,633 | 73,901 |
| Net book value | | | |
| At 31 December 2020 | 13,157 | 6,487 | 19,644 |
| At 31 December 2019 | 16,985 | 21,204 | 38,189 |

10 Intangible assets

| | Trademarks £ | Total £ |
|---------------------------------|-----------------|------------|
| Cost | | |
| At 1 January 2020 | 7,292 | 7,292 |
| Additions | 2,106 | 2,106 |
| At 31 December 2020 | 9,398 | 9,398 |
| Accumulated amortisation | | |
| At 1 January 2020 | 422 | 422 |
| Charge for the year | 785 | 785 |
| At 31 December 2020 | 1,207 | 1,207 |
| Net book value | | |
| At 31 December 2020 | 8,191 | 8,191 |
| At 31 December 2019 | 6,870 | 6,870 |

CoinShares (UK) Limited

Notes to the Financial Statements (continued)

For the financial year ended 31 December 2020

11 Trade and other receivables

| | 2020 £ | 2019 £ |
|------------------------------------|------------------|----------------|
| Deposit | 103,760 | 103,760 |
| Prepayments | 167,721 | 207,540 |
| Amounts owed by group undertakings | 1,105,937 | 235,953 |
| VAT Receivable | 36,403 | 108,947 |
| Deferred rent | 44,309 | 29,167 |
| Accounts receivable | 3,792 | 13,878 |
| | 1,461,922 | 699,245 |

Amounts owed by group undertakings is the balance receivable from the parent company CSHL (see note 15). The balance is unsecured, interest free and repayable on demand.

The deferred rent has arisen through the apportionment of rent payable by the Company over the period of the lease.

12 Trade and other payables

| | 2020 £ | 2019 £ |
|----------------|----------------|----------------|
| Trade payables | 53,479 | 83,062 |
| Accruals | 198,911 | 45,922 |
| | 252,390 | 128,984 |

13 Commitments

Operating leasing commitments - where the Company is a lessee

As at 31 December 2020 the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2020 £ | 2019 £ |
|--|----------------|----------------|
| Not later than one year | 132,927 | 155,640 |
| Later than one year and not later than two years | - | - |
| Later than two years and not later than five years | - | - |
| | 132,927 | 155,640 |

Future minimum payments on the current leases total £132,927 (2018: £155,640).

CoinShares (UK) Limited**Notes to the Financial Statements (continued)**

For the financial year ended 31 December 2020

14 Share capital**Shares classified as equity**

| | Allotted, called-up and fully paid | | | |
|----------------------------|------------------------------------|------------------|------------------|------------------|
| | 2020 Number | 2020 £ | 2019 Number | 2019 £ |
| Ordinary shares of £1 each | 4,317,525 | 4,317,525 | 3,117,525 | 3,117,525 |
| | 4,317,525 | 4,317,525 | 3,117,525 | 3,117,525 |

The Company is authorised to issue 1 ordinary share, it confers on the holder the right to receive dividends at the Company's discretion. At the Company's discretion there is a return of assets, ordinary shares confer on the holders thereof the rights in respect of the assets of the Company available for distribution among the Shareholders. Ordinary shares issued and allotted are accounted for as equity.

On 11 March 2019 the Company entered into a capitalisation agreement with its parent company CSHL to convert £1,700,000 of outstanding loans into £1 ordinary shares. On 29 May 2020, the Company entered into a capitalisation agreement with its parent company CSHL to convert £1,200,000 of outstanding loans into £1 ordinary shares.

| | 2020 Number | 2020 £ | 2019 Number | 2019 £ |
|-----------------|------------------|------------------|------------------|------------------|
| Opening balance | 3,117,525 | 3,117,525 | 1,417,525 | 1,417,525 |
| Shares issued | 1,200,000 | 1,200,000 | 1,700,000 | 1,700,000 |
| Closing balance | 4,317,525 | 4,317,525 | 3,117,525 | 3,117,525 |

CoinShares (UK) Limited

Notes to the Financial Statements (continued)

For the financial year ended 31 December 2020

15 Related party transactions

The Group consists of the Company and the following investments held by the immediate parent company, CSHL:

| Name | Defined as | Investee Relationship | CSHL's Ownership % | Jurisdiction | Date of Acquisition/ Incorporation |
|---|------------|-----------------------|--------------------|--------------|------------------------------------|
| XBT Provider AB (publ) | XBTP | Subsidiary | 100% | Sweden | 25/09/2017 |
| CoinShares GP II Limited | CSGP2L | Subsidiary | 100% | Jersey | 09/02/2018 |
| CoinShares Corporate Services (Jersey) Limited | CSCSJL | Subsidiary | 100% | Jersey | 25/06/2018 |
| CoinShares Co | CSCo | Subsidiary | 100% | US | 01/07/2018 |
| CoinShares Capital, LLC | CS Cap | Subsidiary | 100% | US | 18/09/2019 |
| CoinShares Employment Services (Jersey) Limited | CSESJL | Subsidiary | 100% | Jersey | 09/08/2018 |
| CoinShares (Jersey) Limited | CSJL | Subsidiary | 100% | Jersey | 26/09/2018 |
| GABI Capital Limited | GCL | Subsidiary | 100% | Jersey | 30/06/2019 |
| Gold Token SA | GTSA | Joint Venture | 50% | Switzerland | 08/08/2018 |
| CoinShares Capital Markets (Jersey) Limited | CSCMJL | Subsidiary | 100% | Jersey | 30/06/2019 |
| CoinShares Capital Markets (UK) Limited | CSCMUKL | Subsidiary | 100% | UK | 30/06/2019 |
| CoinShares GP I LLC | N/A | Subsidiary | 100% | US | 20/03/2020 |
| CoinShares Digital Securities Limited | CSDSL | Subsidiary | 100% | Jersey | 30/06/2020 |

The Group also includes CSIL, the ultimate parent company, and its interests as listed below:

| Name | Defined as | Investee Relationship | CSIL's Ownership % | Jurisdiction | Date of Acquisition/ Incorporation |
|-------------------------------|------------|-----------------------|--------------------|--------------|------------------------------------|
| CoinShares (Holdings) Limited | CSHL | Subsidiary | 100% | Jersey | 25/04/2017 |
| Glint Limited | N/A | Associate | 40% | Jersey | 30/09/2017 |
| Komainu Holdings Limited | KHL | Associate | 20% | Jersey | 04/06/2019 |

The Company is exempt from disclosing related party transactions as they are with other companies that are wholly owned within the Group.

16 Events after the reporting date

The first half of 2020 has seen increased volatility in the financial markets principally driven by the Covid-19 worldwide pandemic. The cryptocurrency market was not immune to this volatility, after suffering a sharp decline in prices in March 2020 the market has subsequently bounced back and now trades well above the 2019 year-end close. This is considered to be a non-adjusting event. The Company has received assurance from its parent company that financial support will continue to be made available for the foreseeable future.

17 Controlling party

The Company's immediate parent company is CoinShares (Holdings) Limited ('CSHL'), a company incorporated in Jersey, Channel Islands at 2nd Floor, 2 Hill Street, St Helier, Jersey, JE2 4UA. In the opinion of the directors the ultimate controlling party of the Company is CoinShares International Limited ('CSIL', formerly Global Advisors (Holdings) Limited).

CoinShares (UK) Limited

**Appendix 1: Detailed administration expenses for the year ended 31 December 2020
(unaudited)**

| | 2020 £ | 2019 £ |
|--|------------------|------------------|
| Administration expenses | | |
| Accountancy fees | 8,289 | 12,064 |
| Audit fees | 7,000 | 10,000 |
| Consultants and contractors | - | 25,824 |
| Depreciation | 29,759 | 26,767 |
| Amortisation | 785 | 422 |
| Directors' remuneration | 1,155,101 | 213,336 |
| Entertainment | 2,317 | 20,779 |
| General business expenses | 24,300 | 28,298 |
| HR related | 40,190 | 35,621 |
| Legal fees | 146,123 | 55,606 |
| Marketing | 291,084 | 521,690 |
| Market Data | 38,705 | 33,765 |
| Office expenses | 5,252 | (13,524) |
| Professional fees | 4,200 | 1,352 |
| Realised loss on foreign exchange | 4,674 | 1,500 |
| Regulatory expenses | 2,284 | 58,627 |
| Rent | 557,573 | 278,226 |
| Staff salaries | 1,956,642 | 1,055,042 |
| Travel and hotel accommodation | 4,854 | 89,028 |
| Unrealised loss/(gain) on foreign exchange | (7,808) | 6,567 |
| Impairment of investments | - | 43 |
| | 4,271,324 | 2,461,033 |