Registered number: 11148681

COPPER TECHNOLOGIES (UK) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

COPPER TECHNOLOGIES (UK) LIMITED
REGISTERED NUMBER: 11148681

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note		2021 £		2020 £
Fixed assets					
Intangible assets	4		3,817,780		676,461
Tangible assets	5		1,016,014		90,137
Investments in group subsidiaries	6		45,125		-
			4,878,919		766,598
Current assets					
Debtors: amounts falling due within one year	7	20,749,627		867,276	
Bank and cash balances		127,796,456		2,131,544	
		148,546,083		2,998,820	
Creditors: amounts falling due within one year	8	(123,527,340)		(237,105)	
Net current assets			25,018,743		2,761,715
Total assets less current liabilities			29,897,662		3,528,313
Net assets			29,897,662		3,528,313
Capital and reserves					
Called up share capital	9		1,891		1,467
Share premium account			43,751,337		7,113,257
Share based payment reserve	10		528,181		74,535
Profit and loss account			(14,383,747)		(3,660,946)
			29,897,662		3,528,313

The company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:
Dmitry Tokarev
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D Tokarev
Director
Date: 28 September 2022

The notes on pages 2 to 15 form part of these financial statements.

1. Accounting policies

1.1 General information

Copper Technologies (UK) Limited (the company) is a private company limited by shares incorporated in England and Wales. The address of its registered office is disclosed on the company information page.

The financial statements are prepared for the year ended 31 December 2021 (2020: year ended 31 December 2020).

The financial statements are prepared in sterling (£) and rounded to the nearest pound.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

1.2 Going concern

The financial statements have been prepared on the going concern basis.

The company has significant cash reserves following completion of funding rounds over 2022 for $196m.

The directors have prepared projected cash flow information in excess of 12 months from the date of their approval of these financial statements. These have been sensitised to model various growth scenarios which have differing assumptions on revenue growth and therefore differing cash requirements. Even in the case of moderate growth, these detailed projections and sensitivities demonstrate the company can remain cash positive and accordingly the directors believe the company has adequate resources to continue in operational existence for the period of at least 12 months from the date of the approval of these financial statements.

1.3 Foreign Currency

The company's functional and presentational currency is GBP.

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.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

1. Accounting policies (continued)

1.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Custody revenues accrue daily and charge a contracted percentage against the aggregate USD value of assets held under custody.

The aggregate value of assets under custody is calculated using valuation data supplied from publicly available real time sources.

Execution revenues are charged based on a contracted percentage against the notional amount traded. This percentage is calculated based on the cumulative trading volume over the one hundred days prior to the execution date.

Settlement revenues are charged based on a contracted percentage against the notional value of trades settled.

Setup and other one-off fees are charged in the period to which they relate.

1.5 Operating leases

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.6 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

1.7 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

1. Accounting policies (continued)

1.8 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

1.9 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

1.10 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the statement of comprehensive income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Development expenditure comprise capitalised development costs. These costs are amortised once the initial development of the product has been completed.

Amortisation is provided on the following bases:

Domain name	-	No amortisation
Software development	-	3 years on a straight line basis

1. Accounting policies (continued)

1.11 Tangible fixed assets

Tangible fixed assets under the cost model are 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 so as to allocate 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	- 3 years
Computer equipment	- 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

1.12 Company owned digital assets

Digital assets classified as intangible assets comprise cryptocurrencies purchased and owned by the company. They are measured at cost and reviewed for impairment at the reporting date. This impairment review is performed using publicly available market data.

1. Accounting policies (continued)

1.13 Client owned digital assets

The company has custodianship of digital assets that have been deposited by clients. These digital assets have not been recognised on the balance sheet, as it was ultimately determined that the company do not have the rights, control or entitlement to the economic benefits of the assets. FRS 102 2.15 states that 'an asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.'

To form this conclusion, the IASB framework has been reviewed and the following criteria has been assessed:

a) Are there legal or regulatory frameworks applicable to the intermediary holder and depositor client (within the jurisdiction of the reporting entity) and does the framework specify the owner of the crypto-asset?

b) Do the terms of the contractual arrangement between the depositor client and the intermediary holder indicate whether the client depositor will pass title, interest, or legal ownership of the crypto-asset to the intermediary holder?

c) Does the intermediary holder have the right (explicit or implicit under contract terms, law or regulation) to sell, transfer, loan, encumber or pledge the deposited crypto-assets for its own purposes without depositor client consent or notice or both?

d) What are the rights of depositor clients in the event of bankruptcy, liquidation, or dissolution of the custodian? Would the deposited crypto-assets be isolated from creditors? If not, do the clients have a preferential claim in such circumstances?

e) Can the depositor client transfer the crypto-assets to another exchange or to its own wallet?

f) Does the depositor client have the ability to withdraw the deposited crypto-asset at any time and for any reason? If not, what contingencies are associated with the rights to receive the deposited crypto-asset? Are there technological or other factors that would prevent timely withdrawal notwithstanding contractual, legal or regulatory rights?

g) Are there side agreements affecting the rights and obligations of the depositor client and the custodian?

h) Are there "off-chain" transactions recorded outside of the underlying blockchain that should be considered?

i) Do depositor clients bear the risk of loss if the deposited crypto-asset is not retrievable due to in case of loss of the private keys by the third party, either due to operational breach or cybersecurity attack, theft or fraud? To the extent restitution rights apply, it would be an indicator that the intermediary holder ought to recognise a corresponding liability due to the depositor client on their balance sheet.

j) Could the depositor client be impeded by the custodian in any way from receiving all economic benefits of controlling crypto-assets, including price appreciation?

k) Is the crypto-asset held in a multi-signature wallet and if so, what are the signatures required to execute a transaction?

l) Who holds the key to the multi-signature wallet and how is ownership evidenced through any applicable arrangements?

m) Are the depositor clients' crypto-assets held separately or are they commingled with those of other depositor clients?

1. Accounting policies (continued)

m) Which party is entitled to the benefit in the case of a hard fork?

There is not one factor that can be singularly determinative of who has economic control of the crypto-assets according to the IASB framework.

Further to this the IASB framework references a separate 2019 technical publication by PWC regarding the indicators of segregation of assets. This framework was also reviewed & assessed as follows:

a) Whether the rights and obligations of the entity and its depositor clients are set out in a contract or white paper (if any); whether the rights and obligations are contractually enforceable; and whether external legal opinions are available as evidence. Enforceability is assessed in the context of specific laws and regulations addressing crypto-assets, to the extent that such laws and regulations exist, and in the context of other laws and regulations where they do not.

b) Whether there is a reconciliation between the crypto-assets held by the entity on behalf of the depositor clients and the individual holdings of each depositor client, as reflected in their account statement. Similarly, whether there is a reconciliation between the transactions in crypto-assets carried out in the market and the orders executed on behalf of the individual depositor clients, to assess whether each transaction could be attributed to the relevant depositor client. Also, how frequently such reconciliation is performed.

c) Traceability to a dedicated blockchain address (not all transactions can be individually traced to a dedicated blockchain address). If the crypto-asset is traceable to a dedicated blockchain address of the depositor client, this is more likely to indicate segregation.

d) Whether the crypto-assets are held in an account/wallet of the entity or at a third party, and whether the third party keeps a record of crypto-assets held on behalf of depositor clients. If the crypto-asset is held in an account/wallet at a third party, this is more likely to indicate segregation.

e) Whether the entity holds depositor clients' crypto-assets in hot or cold wallets. An entity might allow depositor clients to hold some amounts in a hot wallet for frequent trading, and some other amounts from the same depositor client in a cold wallet for safe-keeping. Whether the depositor client or the entity holds and is able to use the private key to the wallet might also be relevant. If the crypto-assets are held in cold wallets, and the private key is held and can only be used by the depositor client, this is more likely to indicate segregation.

1.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

1. Accounting policies (continued)

1.15 Financial instruments

The company only enters into basic financial instrument transactions, with the exception of Digital assets, see note 1.12 above, that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

2. Employees

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
Employees	55	19

3. Other operating costs

	2021 £	2020 £
Fees	9,022	-
Legal settlements	574,698	-
	583,720	-

4. Intangible assets

	Domain name £	Company owned digital assets £	Software development £	Goodwill £	Total £
Cost					
At 1 January 2021	17,418	350,153	516,957	-	884,528
Additions	30,000	2,980,075	258,171	21,987	3,290,233
At 31 December 2021	47,418	3,330,228	775,128	21,987	4,174,761
Amortisation					
At 1 January 2021	-	-	208,067	-	208,067
Charge for the year on owned assets	-	-	146,715	2,199	148,914
At 31 December 2021	-	-	354,782	2,199	356,981
Net book value					
At 31 December 2021	47,418	3,330,228	420,346	19,788	3,817,780
At 31 December 2020	17,418	350,153	308,890	-	676,461

5. Tangible fixed assets

	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation			
At 1 January 2021	55,000	48,269	103,269
Additions	494,210	533,349	1,027,559
At 31 December 2021	549,210	581,618	1,130,828
Depreciation			
At 1 January 2021	3,056	10,076	13,132
Charge for the year on owned assets	23,213	78,469	101,682
At 31 December 2021	26,269	88,545	114,814
Net book value			
At 31 December 2021	522,941	493,073	1,016,014
At 31 December 2020	51,944	38,193	90,137

6. Investment in group subsidiaries

	Investments in subsidiary companies £
Cost	
At 1 January 2021	350,001
Additions	45,125
At 31 December 2021	395,126
Impairment	
At 1 January 2021	350,001
At 31 December 2021	350,001
Net book value	
At 31 December 2021	45,125
At 31 December 2020	-

7. Debtors

	2021 £	2020 £
Trade debtors	5,200,128	230,367
Amounts owed by group undertakings	609,378	-
Other debtors	8,575,400	255,277
Prepayments and accrued income	6,364,721	83,173
Tax recoverable	-	298,459
	20,749,627	867,276

Other debtors is compromised of VAT recoverable, rent deposits, client loans, cash in transit and other immaterial balances.

8. Creditors: Amounts falling due within one year

	2021 £	2020 £
Other loans	115,138,230	-
Trade creditors	5,345,973	99,485
Other taxation and social security	299,615	61,273
Other creditors	283,014	28,771
Accruals and deferred income	2,460,508	47,576
	123,527,340	237,105

During the year, a loan agreement was signed with investors for the sum of $25,000,000 which was deemed to be a financial instrument. The loan terms stipulate no fixed or floating charge over the property and operations of Copper Technologies (UK) Limited. No interest is charged. Within the terms of the loan is an embedded derivative, being a conversion option based on a future financing round which crystallised in June 2022. The loan has been treated as a single non-basic financial instrument and is recognised at fair value through profit or loss, based on the post year end conversion value of the loan. At the date of signing the accounts, the loan has been fully converted to equity.

'Further, within 'Other loans' is also $127,300,000 of cash received from existing investors in advance of future legal completion of a funding round. This has been treated as a loan at the year end date as it demands repayment if the legal completion of the expected funding event did not complete in a short timeframe. This event was completed during February 2022, and as such at that date was accounted for as a subscription for shares.

9. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
35,461,000 (2020:35,400,000) Series A shares of £0.00001 each	355	354
108,124,000 (2020:111,300,000) Ordinary shares of £0.00001 each	1,081	1,113
45,242,000 (2020: Nil) Series B shares of £0.00001 each	452	-
292,188 (2020: Nil) Growth shares shares of £0.00001 each	3	-
	1,891	1,467

During the year the company issued 576,331 ordinary shares, as follows:

On the 11th January 2021 36 ordinary shares of £0.01 were issued, each at an average price of £169.2;

On the 28th April 2021 295 ordinary shares of £0.01 were issued, each at an average price of £0.01;

On the 10th November 2021 576,000 ordinary shares of £0.00001 were issued, each at an average price of £0.00001;

During the year the company issued 41,210 series B shares of £0.01 were issued each at an average price of £0.00002 between the 25th June 2021 to 29th June 2021.

During the year the company issued 292,188 growth shares of £0.00001 were issued each at an average price of £0.00001 on the 27th October 2021.

During the year there was a share change. On the 12th October 2021 4,042 ordinary shares of £0.01 were changed to 4,042 series B shares of £0.01.

During the year there was a share split. On the 12th October 2021 there was a share split as follows:

107,548 ordinary shares of £0.01 were split to 107,548,000 shares of £0.00001;

35,461 series A shares of £0.01 were split to 35,461,000 shares of £0.00001;

45,252 series B shares of £0.01 were split to 45,252,000 shares of £0.00001.

Series A
The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption. The share class has preference over growth shares and ordinary shares for dividends and capital distributions. The shares can be converted to ordinary shares at a 1:1 ratio.

Ordinary
The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

Series B
The shares have attached to them full voting rights. The share class has preference over Series A, growth shares and ordinary shares for dividends and capital distributions.

Growth shares
The shares have no voting rights attached to them. There are dividend and capital distribution rights attached to the shares.

10. Share based payments

Copper Technologies (UK) Ltd operates an equity-settled share based remuneration scheme for employees. The share options issues can only be exercised on an exit event. Details of the options issued are shown below:

	Weighted average exercise price (pence) 2021	Number 2021	Weighted average exercise price (pence) 2020	Number 2020
Outstanding at the beginning of the year	0.21	3,317		-
Granted during the year	0.31	9,794,969	0.21	3,317
Exercised during the year	0.06	(398,333)		-
Expired during the year	0.08	(775,136)		-
Outstanding at the end of the year	0.22	8,624,817	0.21	3,317

The following information is relevant in the determination of the fair value of options granted during the current year under the equity-settled share based remuneration scheme operated by Copper Technologies (UK) Ltd. The company has adopted a share option scheme which is compliant with HMRC's Enterprise Management Incentive schemes rules. Equity-settled share-based payments are measured at fair value at the date of the grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line bases over the vesting period, based on the estimate of shares that will eventually vest. The fair value is measured to recent equity transactions and has been adjusted, based on management's best estimate, for the effect of exercise restrictions, lack of rights and behavioural considerations.

	2021	**2020**
Option pricing model used	Black Scholes	Black Scholes
Weighted average share price (pounds)	0.20	162.9
Exercise price (pence)	0.22	6
Weighted average contractual life (years)	3	3
Expected volatility	60%	60%
Risk-free interest rate	0.43%	0.43%

	2021 £	**2020 £**
Share based payment expense	528,181	74,535

10. Share based payments (continued)

The Black Scholes option pricing model was used to value the share based payment awards as it was considered that this would result in a materially accurate estimate of the fair value of options granted.

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last three years of comparable publicly quoted companies and adjusted for differentiating factors.

The company did not enter into any share based payment transactions with parties other than employees during the current or any prior periods.

A share split occured during the year, more information can be found in note 9.

11. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £197,365 (2020: £60,934). Contributions totalling £182,585 (2020: £8,525) were payable to the fund at the balance sheet date and are included in creditors.

12. Related party transactions

There was an amount due to the company of £70,000 (2020: £70,000) from key management personnel. There has been no interest accrued on this during the year (2020: £Nil).

13. Post balance sheet events

During 2022, the company had various funding raises, with a convertible loan note of $15m issued to existing shareholders and completing a series C funding round which initially raised $181m from new and existing shareholders. The convertible loan note (note 7) was crystallised at this point and converted into a further 3,747,109 shares.

In May 2022, Copper's wholly owned subsidiary, Copper Technologies (Switzerland) AG was accepted as a member of the Swiss Financial Services Standards Association (VQF), a Self-Regulatory Organisation (SRO) recognised and overseen by the Federal Financial Market Supervisory Authority (FINMA). The VQF supervises its members pursuant to the Federal Act of 10 October 1997 on the combating of money laundering and the prevention of the financing of terrorism in the financial sector.

On 22 June 2022 Copper novated clients receiving services that fall within the UK registration regime to Copper Technologies (Switzerland) AG and on 29 June 2022, withdrew its application for registration with the FCA under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017.

14. Controlling party

The company is controlled by the director, Dmitry Tokarev, by virtue of his majority shareholding in the company.

15. Auditor's information

The auditor's report on the financial statements for the year ended 31 December 2021 was unqualified.

The audit report was signed on 28 September 2022 by Steven Leith (senior statutory auditor) on behalf of Cooper Parry Group Limited.