

COPPER TECHNOLOGIES (UK) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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COPPER TECHNOLOGIES (UK) LIMITED
REGISTERED NUMBER: 11148681

BALANCE SHEET
AS AT 31 DECEMBER 2020

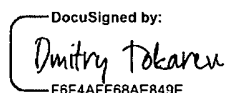
	Note	2020 £	2019 £
Fixed assets			
Intangible assets	3	326,308	389,959
Tangible assets	4	90,137	5,351
Digital assets	5	350,153	67,124
		<u>766,598</u>	<u>462,434</u>
Current assets			
Debtors: amounts falling due within one year	6	867,276	36,316
Cash at bank and in hand		2,131,545	4,028,399
		<u>2,998,821</u>	<u>4,064,715</u>
Creditors: amounts falling due within one year	7	(237,106)	(597,309)
Net current assets		<u>2,761,715</u>	<u>3,467,406</u>
Total assets less current liabilities		<u>3,528,313</u>	<u>3,929,840</u>
Net assets		<u><u>3,528,313</u></u>	<u><u>3,929,840</u></u>
Capital and reserves			
Called up share capital	8	1,467	1,348
Share premium account		7,113,257	5,111,874
Share based payment reserve		74,535	-
Profit and loss account		(3,660,946)	(1,183,382)
		<u>3,528,313</u>	<u>3,929,840</u>

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 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:

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D Tokarev
Director
Date: 05 April 2022

The notes on pages 2 to 13 form part of these financial statements.

COPPER TECHNOLOGIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 (2019: year ended 31 December 2019).

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 a funding round during June 2021 initially for \$50m which then had a \$25m extension which is convertible.

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.

COPPER TECHNOLOGIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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.

COPPER TECHNOLOGIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

COPPER TECHNOLOGIES (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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 non-current 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.

COPPER TECHNOLOGIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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?

COPPER TECHNOLOGIES (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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.

COPPER TECHNOLOGIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies (continued)

1.14 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 directors, during the year was 19 (2019: 6).

COPPER TECHNOLOGIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

3. Intangible assets

	Domain name £	Software development £	Total £
Cost			
At 1 January 2020	11,168	440,144	451,312
Additions	6,250	76,813	83,063
At 31 December 2020	17,418	516,957	534,375
Amortisation			
At 1 January 2020	-	61,353	61,353
Charge for the year on owned assets	-	146,714	146,714
At 31 December 2020	-	208,067	208,067
Net book value			
At 31 December 2020	17,418	308,890	326,308
At 31 December 2019	11,168	378,791	389,959

4. Tangible fixed assets

	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation			
At 1 January 2020	-	7,264	7,264
Additions	55,000	41,005	96,005
At 31 December 2020	55,000	48,269	103,269
Depreciation			
At 1 January 2020	-	1,913	1,913
Charge for the year on owned assets	3,056	8,163	11,219
At 31 December 2020	3,056	10,076	13,132
Net book value			
At 31 December 2020	51,944	38,193	90,137
At 31 December 2019	-	5,351	5,351

COPPER TECHNOLOGIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

5. Digital assets

	Crypto currency £
At 1 January 2020	67,124
Additions	<u>283,029</u>
Net book value	
At 31 December 2020	<u>350,153</u>
At 31 December 2019	<u>67,124</u>

6. Debtors

	2020 £	2019 £
Trade debtors	230,367	22,078
Other debtors	255,277	10,470
Prepayments and accrued income	83,173	3,768
Tax recoverable	298,459	-
	<u>867,276</u>	<u>36,316</u>

7. Creditors: Amounts falling due within one year

	2020 £	2019 £
Bank overdrafts	1	-
Other loans	-	62,544
Trade creditors	99,485	366,468
Other taxation and social security	61,273	121,531
Other creditors	28,771	16,677
Accruals and deferred income	47,576	30,089
	<u>237,106</u>	<u>597,309</u>

COPPER TECHNOLOGIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

8. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
35,401 (2019 - 23,641) Series A shares of £0.01 each	354	237
111,250 (2019 - 111,111) Ordinary shares of £0.01 each	1,113	1,111
	<hr/>	<hr/>
	1,467	1,348
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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 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.

COPPER TECHNOLOGIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

9. 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) 2020	Number 2020
Outstanding at the beginning of the year	-	-
Granted during the year	0.21	3,317
Outstanding at the end of the year	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.

	2020 Black Scholes
Option pricing model used	
Weighted average share price (pounds)	162.9
Exercise price (pence)	6
Weighted average contractual life (years)	3
Expected volatility	60%
Risk-free interest rate	0.43%
	2020 £
Share based payment expense	74,535

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.

COPPER TECHNOLOGIES (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

10. 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 £60,934 (2020: £17,777). Contributions totalling £8,525 (2019: £26,658) were payable to the fund at the balance sheet date and are included in creditors.

11. Post balance sheet events

During June 2021, the company completed a series B funding round which initially raised \$50m, and subsequently had a \$25m extension which is convertible injected by new and existing shareholders.

12. Controlling party

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

13. Auditor's information

The auditor's report on the financial statements for the year ended 31 December 2020 was unqualified.

The audit report was signed on 05 April 2022 by Steven Leith (senior statutory auditor) on behalf of Cooper Parry Group Limited.