
ZODIA CUSTODY LIMITED

Registered number: 12418687

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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ZODIA CUSTODY LIMITED

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ZODIA CUSTODY LIMITED

COMPANY INFORMATION

Directors	Torry Bermtsen Maxime Benoit Pierre De Guillebon Alexandre Lucien Manson Pascal Georges Bouvier (appointed 3 August 2021) Margaret Joy Harwood Jones (appointed 3 August 2021) Jane Elizabeth Jeffrey (appointed 3 August 2021) Justin Chapman (appointed 20 August 2021)
Secretary and administrator	TMF Corporate Administration Services Limited (resigned 7 January 2022) Ryan Genis (appointed 7 January 2022)
Registered number	12418687
Registered office	Thomas House 84 Eccleston Square London United Kingdom SW1V 1PX
Independent auditor	Ernst & Young LLP 25 Churchill Place London E14 5EY

ZODIA CUSTODY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their annual report and audited financial statements for Zodia Custody Limited group (the "Group") and Zodia Custody Limited ("Company") for the year ended December 2021.

The company qualifies as a small company as set out in the Companies Act 2006. Although it chooses not to prepare its financial statements under the small companies' regime, there are certain simplifications available to it as a small company under section 414B of the Companies Act 2006. As such, the directors have decided not to prepare a Strategic Report.

Principal activities

The Company was incorporated on 22 January 2020 in England and Wales under the Companies Act 2006, with number 12418687.

The Company is a majority owned subsidiary of the Zodia Holdings Limited which ultimately is a wholly owned subsidiary of Standard Chartered plc.

The Company acts as a trusted custodian of digital assets and institutional level risk management standards with cutting edge innovation and technology required for the custody of digital assets. It is responsible for the safeguarding and administration of digital assets for institutions, and we help institutions navigate the digital asset space safely by mitigating operational and regulatory risks.

Operational update

The Company received its approval from the UK Financial Conduct Authority as a Custodian Wallet Provider under the Money Laundering, Terrorist Financing and Transfer of Funds (information on the payer) Regulations 2017 (as amended) on 15 July 2021.

The approval process took longer than anticipated and thus delayed go-live. The Company took on its first Assets under Custody in October 2021.

The Company incorporated a subsidiary, Zodia Custody (Ireland) Limited, in Ireland. This entity applied for registration with the Central Bank of Ireland ("CBI") in May 2021. It intends to serve our client base in Europe once approved. At the signing of these accounts approval was still outstanding.

Directors and Interests

The Directors who served during the year were:

Torry Bemtsen
Maxime Benoit Pierre De-Guillebon
Alexandre Lucien Manson
Jane Elizabeth Jeffrey (appointed 03/08/2021)
Margret Joy Harwood-Jones (appointed 03/08/2021)
Pascal Georges Bouvier (appointed 03/08/2021)
Justin Chapman (appointed 20/08/2021)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). Under company law the

ZODIA CUSTODY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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 group and the company and of the profit or loss of the group and the company for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs, is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- in respect of the group financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent company financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 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 appropriate to presume that the company and/ or the group will not continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the company and the group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and parent company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a directors' report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Directors' responsibility statement

The directors confirm, to the best of their knowledge:

- that the consolidated financial statements, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation taken as a whole;
- that the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- that they consider the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

Going concern

On 11 March 2020, the World Health Organisation characterised COVID-19 as a pandemic. The response to the new coronavirus from the various governments around the world have been changing on an almost daily basis. The Directors consider the Company has adequate resources to continue development and operationalisation of the business for the foreseeable future and therefore continue to adopt the going concern basis in preparing the Financial Statements.

ZODIA CUSTODY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Sanctions

The company has considered the current events in Ukraine and taken a number of measures to ensure we remove our sanctions exposure, these consist of:

- Daily screening of our clients including their Directors and shareholders
- Screening of each transaction's counterparties names and blockchain wallet addresses against sanctions lists
- Immediate updated of publications by government agencies onto our systems
- Adding Ukraine, Belarus and Russia to our list of block IP geolocations

We are continuing to regularly review our approach to ensure we are in line with the latest guidance from US OFAC and UK FCA/OFSI.

Risk management

The risk management objectives of the Company are to:

- Implement a robust risk management framework commensurate with Zodia's size, operations and opportunities
- Independently overseeing and challenging the implementation of the risk management framework
- Curtailing business if Zodia Custody's risk profile is not in line with approved risk appetite, specifically with respect to:
 - Potential or existing clients
 - Potential or existing partners / Virtual Asset Service Providers ("VASPs")
 - Potential new or existing digital assets under custody
- Ensuring operational controls effectively manage residual risk to an acceptable level

Results and dividends

The results of the Company are set out from pages 8 to 25. The Directors do not recommend the payment of a dividend.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report and Financial Statements confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that ought to have been taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent Auditors

Ernst & Young LLP were appointed as the Company's independent auditors on 6 June 2021.

A resolution to re-appoint Ernst & Young as independent auditors will be put forward.

Post balance sheet events

The Company invested \$499,999 in its subsidiary Zodia Custody (Ireland) Limited on 19 January 2022.

By order of the board


Maxime De Guillebon
Director

Date: 15th July 2022

ZODIA CUSTODY LIMITED

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Opinion

We have audited the financial statements of Zodia Custody Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the consolidated Statement of comprehensive income, the consolidated Statement of financial position, the company Statement of financial position, the consolidated Statement of changes in equity, the company Statement of changes in equity, the consolidated Statement of cash flows and the related Notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

In our opinion

- ▶ the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- ▶ the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- ▶ the parent company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards as applied in accordance with section 408 of the Companies Act 2006; and
- ▶ the financial statements 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 group 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 directors' 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 group and parent company's ability to continue as a going concern for a period of twelve months to 14 July 2023 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

ZODIA CUSTODY LIMITED

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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 group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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
- 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 directors' responsibilities statement set out on page 2, 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 is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent 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

ZODIA CUSTODY LIMITED

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

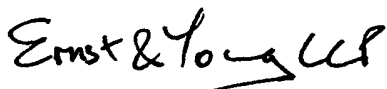
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the Companies Act 2006, the reporting framework and applicable laws and regulations.
- We understood how Zodia Custody Limited is complying with those frameworks by making enquiries of Management, and those responsible for legal and compliance matters. We also performed a review of regulatory correspondences and review of Board Committee meetings held.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by obtaining an understanding of the company's policies and procedures on fraud risks.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiries of executive management and review of correspondence with regulators.

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

Use of our report

This report is made solely to the company's members, as a body, 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Amarjit Singh (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
15 July 2022

ZODIA CUSTODY LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

		Year ended 31 December 2021 \$'000	Year ended 31 December 2020 \$'000
	Note		
Revenue		10	-
Cost of sales		-	-
Gross profit		10	-
Administrative expenses		(12,264)	(727)
Loss before tax		(12,254)	(727)
Tax on loss	6	-	-
Loss for the year		(12,254)	(727)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Currency translation differences		(33)	21
Total comprehensive loss for the year		(12,287)	(706)

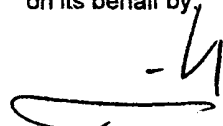
The notes on pages 14 to 25 form part of these financial statements

ZODIA CUSTODY LIMITED

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2021**

		31 December 2021 \$'000	31 December 2020 \$'000
Non-current assets	Note		
Tangible fixed assets	7	261	-
Intangible assets	8	3,540	-
		<u>3,801</u>	<u>-</u>
Current assets			
Trade and other receivables	9	893	12
Cash and cash equivalents	10	9,276	2,952
		<u>10,169</u>	<u>2,964</u>
Total current assets		<u>10,169</u>	<u>2,964</u>
Total assets		<u>13,970</u>	<u>2,964</u>
Liabilities			
Trade and other creditors	11	4,806	670
Equity			
Share capital	12	15,907	3,000
Share premium	13	6,250	-
Translation reserve	14	(12)	21
Retained earnings	14	(12,981)	(727)
Total equity		<u>9,164</u>	<u>2,294</u>
Total equity and liabilities		<u>13,970</u>	<u>2,964</u>

The financial statements were approved and authorised for issue by the Directors on 15th July 2022 and signed on its behalf by:



Maxime Benoit Pierre de Guillebon
Director

Date: 15th July 2022

ZODIA CUSTODY LIMITED

**COMPANY STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2021**

		31 December 2021 \$'000	31 December 2020 \$'000
Non-current assets	Note		
Tangible fixed assets	7	257	-
Intangible assets	8	3,540	-
		<u>3,797</u>	<u>-</u>
Current assets			
Trade and other receivables	9	926	12
Cash and cash equivalents	10	9,276	2,952
		<u>10,202</u>	<u>2,964</u>
Total current assets		<u>10,202</u>	<u>2,964</u>
Total assets		<u>13,999</u>	<u>2,964</u>
Liabilities			
Trade and other creditors	11	4,687	670
Equity			
Share capital	12	15,907	3,000
Share premium	13	6,250	-
Translation reserve	14	(12)	21
Retained earnings	14	(12,833)	(727)
Total equity		<u>9,312</u>	<u>2,294</u>
Total equity and liabilities		<u>13,999</u>	<u>2,964</u>

The company does not prepare a Strategic Report as it has taken advantage of the exemption for small companies under Companies Act 2006 Section 414B

The financial statements were approved and authorised for issue by the Directors on 15th July 2022 and signed on its behalf by:


Maxime Benoit Pierre de Guillebon
Director

Date: 15th July 2022

ZODIA CUSTODY LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Share capital \$'000	Share premium \$'000	Translation reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 January 2021	3,000	-	21	(727)	2,294
Issue of shares	12,907	6,250	-	-	19,157
Total comprehensive income for the year	-	-	(33)	(12,254)	(12,287)
Balance at 31 December 2021	15,907	6,250	(12)	(12,981)	9,164

ZODIA CUSTODY LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Share capital \$'000	Share premium \$'000	Translation reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 January 2021	3,000	-	21	(727)	2,294
Issue of shares	12,907	6,250	-	-	19,157
Total comprehensive income for the year	-	-	(33)	(12,106)	(12,139)
Balance at 31 December 2021	15,907	6,250	(12)	(12,833)	9,312

ZODIA CUSTODY LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

		Year ended 31 December 2021 \$'000	Year ended 31 December 2020 \$'000
Cash flows from operating activities	Note		
Cash used in operating activities	16	(9,009)	(48)
Cash flows from investing activities			
Purchase of property, plant, and equipment	7	(284)	-
Capitalised research and development expenditure	8	(3,540)	-
Net cash used in investing activities		(3,824)	-
Cash flows from financing activities			
Proceeds from issue of share capital		19,157	3,000
Net cash flows from financing activities		19,157	3,000
Net increase in cash and cash equivalents		6,324	2,952
Cash and cash equivalents at the beginning of the year		<u>2,952</u>	<u>-</u>
Cash and cash equivalents at the end of the year		<u>9,276</u>	<u>2,952</u>

ZODIA CUSTODY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. General information

Zodia Custody Limited is a private Group limited by shares, incorporated in England. Its registered office is located at Thomas House, 84 Eccleston Square, London, SW1V 1PX.

The principal activity of the Group is as a trusted custodian of digital assets and institutional level risk management standards with cutting edge innovation and technology required for the custody of digital assets.

Zodia Holdings Limited, the Group's majority parent company, is a private company limited by shares, incorporated and domiciled in England. Its registered office and place of business are Thomas House, 84 Eccleston Square, London, United Kingdom, SW1V 1PX. The ultimate holding company is Standard Chartered PLC registered in England and Wales.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with IFRS as adopted by the United Kingdom. They have been prepared on the assumption the Group operates as a going concern.

The accounts are rounded to the nearest thousand dollars (\$'000).

2.2 Basis of consolidation

The Group's financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2021. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

2.3 Going concern

On 11 March 2020, the World Health Organisation characterised COVID-19 as a pandemic. The response to the new coronavirus from the various governments around the world have been changing on an almost daily basis. The Directors consider the Company has adequate resources to continue development and operationalisation of the business for the foreseeable future and therefore continue to adopt the going concern basis in preparing the Financial Statements.

2.4 Revenue

Revenue is recognised as the services are provided. Revenue is billed according to the terms set out in the contract with the customer.

2.5 New accounting standards and interpretations

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Company.

ZODIA CUSTODY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2.5 New accounting standards and interpretations (continued)

The Directors anticipate that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current period have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

2.6 Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in USD (\$), which is also the functional currency of the parent company.

Transactions and balances

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.

Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the USD are translated into USD upon consolidation. The functional currencies of entities within the Group have remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into USD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into USD at the closing rate. Income and expenses have been translated into USD at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

2.7 Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and any recognised impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and assets in the course of construction, over their estimated useful lives, using the straight-line method, on the following basis:

Computer equipment - 3 to 5 years

Furniture and fittings - 3 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss. Management re-assess the useful lives and residual values of property, plant and equipment on an annual basis.

ZODIA CUSTODY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2.8 Intangible assets – research and development

Management regularly reviews the expenditure incurred on research and development activities. Where the expenditure relates to controlled assets which are technically and commercially feasible and which will create future economic benefit, these costs are capitalised. The resulting intangible asset is then amortised over its useful life, determined by management for each such asset or class of assets.

Product Development - 15 years

2.9 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid.

2.10 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. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.11 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 reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.12 Debtors

Short term debtors are measured at 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.

2.13 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

ZODIA CUSTODY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2.14 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below.

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Fair value through profit or loss

All of the Company's financial assets are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Impairment of financial assets

The Company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial liabilities

Fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

2.15 Investments in subsidiaries

Investment in subsidiary undertakings are stated at cost less impairment and dividends. Impairment arises if net asset value of a subsidiary undertaking is less than its carrying amount. Subsidiaries are all entities which the Company controls. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee.

ZODIA CUSTODY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2.16 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the Group's consolidated financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets and liabilities.

Estimation uncertainty

Useful lives and residual values of depreciable assets

Management reviews its estimate of the useful lives and residual values of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software, IT equipment, and research and development assets.

3. Auditors' remuneration

	2021 \$'000	2020 \$'000
Fees payable to the Company's auditor and its associates for the audit of the Parent Company's and the group's consolidated financial statements	71	10
Fees payable to the company's auditor and its associates for the audit of the company's subsidiaries	19	-
Fees payable to the company's auditor for non audit services	80	
	<u>170</u>	<u>10</u>

The Company has taken the advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of the parent company.

4. Employees

Expenses recognised for employee benefits are analysed below:

	2021 \$'000	2020 \$'000
Wages, salaries	5,404	237
Social security costs	568	29
Pensions – defined contribution plans	298	16
	<u>6,270</u>	<u>282</u>

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

	2021 No.	2020 No.
Average no. of employees	25	11

ZODIA CUSTODY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

5. Key management remuneration

Key management is made up of the two directors of the Company. Their remuneration is outlined below (amounts relate to part of the year):

	31 December 2021	31 December 2020
	\$	\$
Remuneration	518	98
Pension contributions	14	1
	<u>532</u>	<u>99</u>

6. Tax income (expense)

The major components of tax income and the reconciliation of the expected tax income based on the domestic effective tax rate of Zodia Custody Ltd at 19% (2020: 19%) and the reported tax income in profit or loss is as follows:

	Period ended 31 December 2021 \$'000
Current tax:	-
Current tax on profits for the year	-
Total current tax	-
Tax per income statement	<u>-</u>

a) Factors Affecting Total Tax Charge for the Current Period

	Period ended 31 December 2021 \$'000
The charge for the year can be reconciled to the profit per the income statement as follows:	
Loss for the period - continuing activities	(12,105)
Tax on loss at standard UK tax rate of 19.00%	(2,300)
Effects of:	
Expenses not deductible	8
Unrecognised deferred tax on losses	2,292
Total tax charge for the year	<u>-</u>
Unrecognised deferred tax	
Fixed assets	6
Losses	3,195
	<u>3,201</u>

ZODIA CUSTODY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

b) Factors Affecting Future Tax Charges

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). The Government made a number of budget announcements on 3 March 2021. These include confirming that the rate of corporation tax will increase to 25% from 1 April 2023. This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

The company has unused tax losses of \$12,840,670. No deferred tax asset has been recognised due to current uncertainty regarding the timing of elimination of the losses.

7. Property, plant and equipment

Group

	Computer equipment \$'000	Fixtures and fittings \$'000	Total \$'000
Cost			
As at 31 December 2020	-	-	-
Acquisitions	281	3	284
As at 31 December 2021	281	3	284
Depreciation			
As at 31 December 2020	-	-	-
Charge for the year	23	-	23
As at 31 December 2021	23	-	23
Net book value			
As at 31 December 2021	258	3	261
As at 31 December 2020	-	-	-

Depreciation is charged within administration expenses in the Statement of Comprehensive Income.

Company

	Computer equipment \$'000	Fixtures and fittings \$'000	Total \$'000
Cost			
As at 31 December 2020	-	-	-
Acquisitions	277	3	280
As at 31 December 2021	277	3	280
Depreciation			
As at 31 December 2020	-	-	-
Charge for the year	23	-	23
As at 31 December 2021	23	-	23
Net book value			
As at 31 December 2021	254	3	257
As at 31 December 2020	-	-	-

Depreciation is charged within administration expenses in the Statement of Comprehensive Income.

ZODIA CUSTODY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

8. Intangible assets

Group and Company

	Product Development \$'000
Cost	
As at 31 December 2020	-
Additions	3,540
As at 31 December 2021	3,540
Amortisation	
As at 31 December 2020	-
Charge for the year	-
As at 31 December 2021	-
Net book value	
As at 31 December 2021	3,540
As at 31 December 2020	-

The capitalised development expenditure relates to costs incurred with technology vendors for the development of new products and technologies for the business.

9. Trade and other receivables

Trade and other receivables consist of the following:

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	\$'000	\$'000	\$'000	\$'000
Sundry receivables	40	-	40	-
Other taxation and social security	162	7	162	7
Amounts due from group undertakings	246	-	279	-
Prepayments	445	5	445	5
Total trade and other receivables	893	12	926	12

All amounts are short-term.

Amounts owed from group undertakings are repayable on demand and do not carry an interest charge.

10. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	\$'000	\$'000	\$'000	\$'000
Cash at bank and in hand				
USD	9,215	2,643	9,215	2,643
GBP	26	301	26	301
EUR	35	8	35	8
	9,276	2,952	9,276	2,952

ZODIA CUSTODY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

11. Trade and other payables

Trade and other payables consist of the following:

	Group 31 December 2021 \$'000	31 December 2020	Company 31 December 2021 \$'000	31 December 2020 \$'000
Current:				
- Trade payables	1,893	37	1,819	37
- Accruals and deferred income	1,594	10	1,575	10
- Other taxation and social security	1,282	457	1,256	457
- Corporation tax	-	-	-	-
- Amounts owed to group undertakings	37	167	37	167
	4,806	671	4,687	671

All amounts are short-term. The carrying values of trade payables are considered to be a reasonable approximation of fair value.

Amounts owed to group undertakings are repayable on demand and do not carry an interest charge.

12. Share capital

As at 31 December 2020, there was a single class of ordinary shares, consisting only of fully paid ordinary shares with a nominal (par) value of \$1 per share. There are no restrictions on dividends and the repayment of capital.

New articles were adopted on 20th August 2021. There are now two classes of ordinary shares, voting ordinary shares and non voting ordinary shares. There is no restriction on dividends and the repayment of capital.

	2021	2020
Authorised, allotted, called up and fully paid:		
- 1,020,307 Ordinary Non-Voting Shares of \$1 each	1,020	-
- 14,886,435 Ordinary Voting Shares of \$1 each	14,887	3,000
Shares issued and fully paid	15,907	3,000

On 21 May 2021 3,000,000 US \$1.00 Ordinary Voting Shares were issued at par.

On 6 August 2021 500,000 US \$1.00 Ordinary Voting Shares were issued at par.

On 17 August 2021 6,000,000 US \$1.00 Ordinary Voting Shares were issued at par.

On 18 August 2021 1,657,000 US \$1.00 Ordinary Voting Shares were issued at par.

On 20 August 2021 1,020,307 US \$1.00 Ordinary Non-Voting Shares were issued at a subscription price of \$4.5721.

On 20 August 2021 729,435 US \$1.00 Ordinary Voting Shares were issued at a subscription price of \$4.5721.

ZODIA CUSTODY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

13. Share premium

Share premium represents the excess of consideration received on issuance of shares over the nominal value.

14. Other components of equity

Translation reserve

The translation reserve is composed of movements relating to the translation of subsidiaries' net assets in to USD at each reporting date.

Retained earnings

Retained earnings represents the cumulative net profits and losses of the Company.

15. Interests in subsidiaries

Composition of the Group

Set out below are the details of the subsidiaries held directly by the Group:

Name of the subsidiary	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the Group at period-end	
			2021	2020
Zodia Custody Ireland Limited	Republic of Ireland (incorporated 2021)	Custody of digital assets	100%	0%

The registered office of Zodia Custody Ireland Limited is 3rd Floor, Kilmore House, Park Lane, Spencer Dock, Dublin, D01 XN99

Interests in unconsolidated structured entities

The Group has no interests in unconsolidated structured entities.

16. Cash flow from operating activities

	31 December 2021	31 December 2020
	\$	\$
Loss before tax	(12,254)	(727)
Adjustments		
Depreciation	23	-
Unrealised currency translation losses/(gains)	(33)	21
(Increase) / Decrease in Trade and other receivables	(881)	(12)
Increase / (Decrease) in Trade and other payables	4,136	670
Net Cash Provided by Operating Activities	(9,009)	(48)

17. Related party transactions

The Group's related parties include its key management, post-employment benefit plans for the Group's employees and others. These have all been outlined above.

Unless otherwise stated, none of the transactions incorporates special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

ZODIA CUSTODY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

18. Pensions

The Company is a member of a defined contribution pension scheme, the assets of which are held separately from those of the Company in independently administered funds. The pension charge represents contributions payable by the Company to the fund and amounted to \$298,524 (2020: \$15,882).

At the year end, \$28,351 of contributions were payable to the fund (2020: \$nil).

19. Financial assets and liabilities

Categories of financial assets and financial liabilities

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	\$'000	\$'000	\$'000	\$'000
Sundry debtors	40	-	40	-
Amounts due from group undertakings	246	-	279	-
Total Financial Assets at amortised cost	286	-	319	-

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	\$'000	\$'000	\$'000	\$'000
Current:				
Trade payables	1,893	37	1,819	37
Accruals	1,594	10	1,575	10
Amounts owed to group undertakings	37	167	37	167
Total Financial Liabilities at amortised cost	3,524	214	3,431	214

A description of the Group's financial instrument risks, including risk management objectives and policies is given in Note 20.

20. Financial instruments risk

Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in Note 19. The main types of risks are market risk, credit risk, and liquidity risk.

The highest inherent risks that the Group is exposed to are Financial Crime & Compliance, Information & Cyber Security and Operational and Technology Risk. Additionally, the Group manages Reputational & Sustainability risks and other Cryptoasset product/process risks. Zodia Custody manages these risks through a rigorous process that involves careful assessment of clients, virtual asset service providers, supported crypto assets and third parties to ensure that all activities remain commensurate with Zodia's risk appetite, both from a qualitative and quantitative perspective. To further this objective, additional ongoing monitoring is conducted by the First Line of Defense and independently challenged by the Second Line of Defense to monitor the effectiveness of controls and the resulting level of residual risk. Regular reporting of control testing, the risk profile and ongoing monitoring/events/issues is provided and overseen by the Executive Risk Committee and Board Audit & Risk Committee which serve as points of escalation.

ZODIA CUSTODY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

21. Ultimate controlling party

The Company is an immediate subsidiary undertaking of Zodia Holdings Limited, a company incorporated in England. The smallest group in which the results of the Company are consolidated is that headed by Standard Chartered Bank, a company incorporated in England with limited liability by Royal Charter. The ultimate holding company is Standard Chartered PLC registered in England and Wales.

The largest group in which the results of the Company are consolidated is that headed by Standard Chartered PLC. The consolidated Financial Statements of this company are available to the public and may be obtained from the Company Secretary at 1 Basinghall Avenue, London EC2V 5DD.

22. Event after reporting period

On 19 January 2022, Zodia Custody Limited subscribed for 499,999 voting ordinary shares at USD\$1 per share in the capital of Zodia Custody Ireland Limited.