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**CELSIUS NETWORK LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 28 FEBRUARY 2019**

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**CELSIUS NETWORK LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	A Mashinsky (appointed 9 February 2018) S D Leon (appointed 9 February 2018)
<b>Registered number</b>	11198050
<b>Registered office</b>	1 Bartholomew Lane London England EC2N 2AX
<b>Independent auditor</b>	Nyman Libson Paul Chartered Accountants & Statutory Auditors 124 Finchley Road London NW3 5JS

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**CELSIUS NETWORK LIMITED**

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**STRATEGIC REPORT  
FOR THE PERIOD ENDED 28 FEBRUARY 2019**

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**Introduction**

Celsius Network Limited ("the Company") was created to create a community centric organization that will always act in the best interest of its customers and depositors, providing two services:

1. The ability to deposit digital assets and earn yield on such assets
2. The ability to borrow or take a loan against such assets.

The Company has built a mobile application that provides these services and has onboarded over 80,000 users from over 150 countries, all of whom have downloaded the application. There is an intention to keep adding more utilities to the service and to continue to improve the community offering.

**Business review**

**Technology**

The Company uses a combination of centralized and decentralized technologies. The application supports 13 different blockchains such as BTC, ETH, XRP, LTC and others as well as Tokens such as USDT, CEL, PAX and others. There is a plan to add many more decentralized services to provide further transparency and resilience to our platform.

**Business model**

The Company's business model contrasts drastically with that of a bank or financial institution, by giving depositors 80% of the weekly net gains from their coins (where possible). This key product feature helps to engender a feeling of mutual trust between the Company and depositors.

**Customers**

The Company helps a diverse customer base to create income on their assets, in a world where banks and financial institutions have stopped paying out interest income and depositors often are at a disadvantage. The Company spends very little on advertising and instead focuses on scaling-up its community of users.

**Principal risks and uncertainties**

The Company is primarily exposed to credit risks related to its financial assets. In addition, the Company is exposed to risks from movements in exchange rates that affect the cash flows arising from financial assets and liabilities. Since the financing of the Company is done exclusively from equity, interest rate risk is limited. The Company manages these risks primarily through regular monitoring of ongoing operational and finance activities. The Company manages counterparty risk with its borrowers and may face losses and unrepairable damage should some of them fail or not return the aforementioned assets.

Additionally, the company is exposed to operational risk driven by potential hacking/infiltration. While there are robust controls in place to mitigate these risks, the risk of service interruption from external infiltration needs to be continuously monitored and measured.

The Company is part of the global FinTech industry and complies with all the relevant rules and regulations across the world. While the Company applies its best efforts in areas such as KYC and AML, there is no guarantee that the Company will identify all 'bad' users who may cause harm to its network (which may impede the Company's ability to operate in one or more jurisdiction). There is also the risk that future unknown regulations could impede the Company's ability to operate in a number of jurisdictions.

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**CELSIUS NETWORK LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE PERIOD ENDED 28 FEBRUARY 2019**

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**Financial key performance indicators**

The Company's main Financial KPIs are Revenue, Gross Profit (\$ and %), Operating Profit (\$ and %), Net Profit (\$ and %) and Net Assets.

This report was approved by the board on 7 May 2020 and signed on its behalf.

**A Mashinsky**

Director

**DIRECTORS' REPORT  
FOR THE PERIOD ENDED 28 FEBRUARY 2019**

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The directors present their report and the financial statements for the period ended 28 February 2019.

**Results and dividends**

The loss for the period, after taxation, amounted to \$1,492,877.

The Company raised funds from ordinary customers to build the product – it was a deliberate decision to avoid venture capital (VC) funding to ensure control stays with the Company and to ensure that it can continue to do what is in the best interests of the customers.

The directors do not propose the payment of a dividend.

**Directors**

The directors who served during the period were:

A Mashinsky (appointed 9 February 2018)

S D Leon (appointed 9 February 2018)

**Directors' responsibilities statement**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

**Future developments**

At present, the Company is accruing an average of over 2,500 new users each week. The Company's plan is to continue to serve the wider community and scale to over 100m users worldwide.

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**CELSIUS NETWORK LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE PERIOD ENDED 28 FEBRUARY 2019**

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**Post balance sheet events**

The Company's management continues to have faith in its business model and believes it will continue to be a going concern for the next 12 months. However, it must be acknowledged that there is an unfolding economic crisis due to the COVID-19 virus, which may have an impact on the Company's probability and ultimate viability. The management team will endeavour to mitigate these inherent risks (where possible) but remain cautious and cannot make any guarantees, in light of this unprecedented event and future unknown developments that may arise.

**Disclosure of information to auditor**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Auditor**

The auditor, Nyman Libson Paul, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 7 May 2020 and signed on its behalf.

**A Mashinsky**

Director

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CELSIUS NETWORK LIMITED

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**Opinion**

We have audited the financial statements of Celsius Network Limited (the 'Company') for the period ended 28 February 2019, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 February 2019 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

**Material uncertainty related to going concern**

We draw attention to note 2.2 in the financial statements, which indicates that while the directors consider that the company has adequate resources to continue in operational existence for the foreseeable future, there is uncertainty due to the impact of the COVID-19 virus which cannot yet be fully quantified. As stated in note 2.2, these events or conditions, along with the other matters as set forth in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CELSIUS NETWORK LIMITED (CONTINUED)

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We have nothing to report in this regard.

**Opinion 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 Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement on page 3, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CELSIUS NETWORK LIMITED (CONTINUED)

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**Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://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 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 for our audit work, for this report, or for the opinions we have formed.

Richard Lloyd (Senior Statutory Auditor)

for and on behalf of

**Nyman Libson Paul**

Chartered Accountants

Statutory Auditors

124 Finchley Road

London

NW3 5JS

7 May 2020

CELSIUS NETWORK LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 28 FEBRUARY 2019

	Note	2019 \$
Turnover	4	25,948,377
Cost of sales		(18,601,127)
<b>Gross profit</b>		<u>7,347,250</u>
Distribution costs		(1,097,024)
Administrative expenses		(6,167,104)
Other operating income		5,088
<b>Operating profit</b>		<u>88,210</u>
Interest payable and expenses	7	(369,276)
<b>(Loss)/profit before tax</b>		<u>(281,066)</u>
Tax on (loss)/profit	8	(1,211,811)
<b>(Loss)/profit for the financial period</b>		<u><u>(1,492,877)</u></u>
<b>Other comprehensive income for the period</b>		
Unrealised surplus on revaluation of intangible assets		8,702,712
Deferred tax		(1,653,515)
<b>Other comprehensive income for the period</b>		<u>7,049,197</u>
<b>Total comprehensive income for the period</b>		<u><u>5,556,320</u></u>

The notes on pages 12 to 25 form part of these financial statements.

**CELSIUS NETWORK LIMITED**  
**REGISTERED NUMBER: 11198050**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 28 FEBRUARY 2019**

	Note	2019 \$	2019 \$
<b>Fixed assets</b>			
Intangible assets	9		51,669,481
Investments	10		2,123,094
			<u>53,792,575</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	11	14,076,710	
Cash at bank and in hand	12	1,026,610	
		<u>15,103,320</u>	
Creditors: amounts falling due within one year	13	(60,474,248)	
<b>Net current (liabilities)/assets</b>			<u>(45,370,928)</u>
<b>Total assets less current liabilities</b>			<u>8,421,647</u>
<b>Provisions for liabilities</b>			
Deferred tax	15	(2,865,326)	
			<u>(2,865,326)</u>
<b>Net assets</b>			<u><u>5,556,321</u></u>
<b>Capital and reserves</b>			
Called up share capital	16		1
Revaluation reserve	17		7,049,197
Profit and loss account	17		(1,492,877)
			<u><u>5,556,321</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 7 May 2020.

**A Mashinsky**  
Director

**S D Leon**  
Director

The notes on pages 12 to 25 form part of these financial statements.

CELSIUS NETWORK LIMITED

**STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 28 FEBRUARY 2019**

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	\$	\$	\$	\$
<b>Comprehensive income for the period</b>				
Loss for the period	-	-	(1,492,877)	(1,492,877)
Surplus on revaluation of intangible assets	-	8,702,712	-	8,702,712
Deferred tax	-	(1,653,515)	-	(1,653,515)
<b>Total comprehensive income for the period</b>	-	7,049,197	(1,492,877)	5,556,320
Shares issued during the period	1	-	-	1
<b>At 28 February 2019</b>	<u>1</u>	<u>7,049,197</u>	<u>(1,492,877)</u>	<u>5,556,321</u>

The notes on pages 12 to 25 form part of these financial statements.

CELSIUS NETWORK LIMITED

STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 28 FEBRUARY 2019

	2019 \$
<b>Cash flows from operating activities</b>	
(Loss)/profit for the financial period	(1,492,877)
<b>Adjustments for:</b>	
Interest paid	369,276
Taxation charge	1,211,811
Net increase in traded cryptocurrencies	(42,966,769)
Net increase in loans and advances	(12,960,424)
Net increase in amounts owed by group undertakings	(1,082,061)
Net increase in debtors	(34,225)
Net increase in customer deposits	36,553,912
Net increase in loan collateral	18,131,750
Increase in creditors	5,788,586
<b>Net cash generated from operating activities</b>	<b>3,518,979</b>
<b>Cash flows from investing activities</b>	
Purchase of listed investments	(1,057,471)
Purchase of other investments	(1,065,623)
<b>Net cash from investing activities</b>	<b>(2,123,094)</b>
<b>Cash flows from financing activities</b>	
Issue of ordinary shares	1
Interest paid	(369,276)
<b>Net cash used in financing activities</b>	<b>(369,275)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,026,610</b>
<b>Cash and cash equivalents at the end of period</b>	<b>1,026,610</b>
<b>Cash and cash equivalents at the end of period comprise:</b>	
Cash at bank and in hand	1,026,610
	<b>1,026,610</b>

The notes on pages 12 to 25 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 28 FEBRUARY 2019**

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**1. General information**

Celsius Network Limited is a private company limited by shares and is incorporated in England and Wales. The registered office of the company is 1 Bartholomew Lane, London, England, EC2N 2AX. The address of its principal place of business is 43 W 23rd Street, 2nd Floor, New York, NY 10010.

The company was incorporated and commenced to trade on 9 February 2018.

**2. 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 Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

**2.2 Going concern**

The company meets its day to day working capital requirements through the utilisation of its own funds and cryptocurrencies from depositors.

Existing funding facilities, forecasts and projections indicate that the company has adequate resources to continue with some level of activity from a minimal to full levels.

Although the potential effects of the COVID-19 virus can be modelled, it is very difficult to determine the assumptions that will prove to be most appropriate and therefore there is an element of doubt existing that cannot be quantified.

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements, but with the proviso that a material uncertainty exists over the company's future.

**2.3 Foreign currency translation**

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional and presentational currency of the Company is United States Dollars (USD).

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction or valuation date where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions as well as from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 28 FEBRUARY 2019

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2. Accounting policies (continued)

2.4 Revenue

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the company's activities.

The company recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow into the entity; and specific criteria have been met for each of the company's activities.

Revenues generated by the Company mainly consist of (i) CEL token sales, (ii) exchange lending, (iii) interest receivable from institutional loans, (iv) interest receivable from retail loans, and (v) discretionary trading of cryptocurrencies. Below is a detailed explanation of all the Company's sources of revenue:

**CEL Token Sales**

For the Company's initial sale of CEL tokens, in which multiple purchasers made payments using cryptocurrency, revenue is recognised at the fair value of the relevant cryptocurrency at the transaction date and is recognised over the period to which the tokens were activated in May 2019. The cryptocurrency holdings received as payment for CEL tokens were subsequently converted to USD in Q4 2018. As such, any associated gains or losses generated upon sale of the cryptocurrency to USD are also recognised in the Statement of Comprehensive Income.

**Exchange Lending**

The Company lends both fiat and cryptocurrencies to centralized and decentralized exchanges for durations ranging from two days to thirty days. These exchanges are marketplaces where their users are the ultimate borrowers of the assets we are lending and the exchanges manage the collateral and settlement of all lending transactions. Revenue is reported by the exchanges on a daily basis.

**Institutional Lending**

The Company lends both fiat and cryptocurrencies to institutional borrowers that generally qualify as ECP's (eligible contract participant) if they have greater than \$10 million in gross assets (or \$5 million in gross assets if they are hedging). These institutional loans are generally open term so are short in duration and the overall portfolio is collateralized 0.5 to 1. Revenue is derived from interest income which is invoiced monthly to all institutional counterparties.

**Retail Lending**

The Company lends both fiat and US dollar stablecoins to individual borrowers from within the United States (eligible in 35 states only) and internationally. Duration ranges from 6 months to 2 years, and loan-to-value ratios ranges from 25% to 50% for our standard loans. Revenue comes from interest income that is invoiced monthly, as well as from collateral liquidations (2% of principal) in the case of defaults.

**Discretionary Trading**

The Company allocates a portion of the portfolio to put on hedged and unhedged positions to monetize on price discrepancies among exchanges, and speculative trades on the price movements of cryptocurrencies.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 28 FEBRUARY 2019

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**2. Accounting policies (continued)**

**2.5 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 is 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.

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.

**2.6 Borrowing costs**

All borrowing costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 28 FEBRUARY 2019

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**2. Accounting policies (continued)**

**2.7 Intangible assets**

Intangible assets are recognised at their cost of acquisition less accumulated amortisation and any impairment.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level.

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Comprehensive Income when the asset is derecognised.

**Traded cryptocurrencies**

The Company considers that traded cryptocurrencies are an intangible asset with an indefinite useful life as the Company considers that they do not have an expiry date nor have a foreseeable limit to the period of which they will be exchanged with a willing counterparty for cash or goods and services.

After initial recognition, cryptocurrencies are held at fair value at the reporting date. Gains or losses on revaluation are recognised through other comprehensive income and accumulated in the revaluation reserve.

**Treasury cryptocurrencies**

The Company considers that treasury cryptocurrencies are an intangible asset with an indefinite useful life as the Company considers that they do not have an expiry date nor have a foreseeable limit to the period of which they will be exchanged with a willing counterparty for cash or goods and services. Treasury cryptocurrencies relate to CEL tokens held by the company and can be issued at the company's discretion. No costs were capitalised in respect of treasury tokens in line with the company's policy on research and development.

After initial recognition, treasury cryptocurrencies are held at fair value at the reporting date. Gains or losses on revaluation are recognised through other comprehensive income and accumulated in the revaluation reserve.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 28 FEBRUARY 2019**

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**2. Accounting policies (continued)**

**2.8 Current and deferred taxation**

Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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 taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

**2.9 Valuation of investments**

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

Other investments which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment. The impairment loss is calculated as the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date.

**2.10 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.

Loans issued in cryptocurrencies are marked to market at the reporting date with any corresponding gain or loss recognised in the Statement of Comprehensive Income.

**2.11 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 balances held by cryptocurrency exchanges are recognised within intangible assets until paid to the Company.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 28 FEBRUARY 2019

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**2. Accounting policies (continued)**

**2.12 Creditors**

Short term creditors are measured at transaction price.

Other financial liabilities, such as customer deposits or loan collateral, 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.

Financial liabilities payable in cryptocurrencies are marked to market at the reporting date with any corresponding gain or loss recognised in the Statement of Comprehensive Income.

**2.13 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

**2.14 Financial instruments**

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from other third parties, loans to related parties and investments in non-puttable ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 28 FEBRUARY 2019

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3. **Judgments in applying accounting policies and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. It also requires management to exercise judgment in applying the company's accounting policies. As such, the nature of estimation means that actual outcomes could differ from those estimates.

The following are the company's key sources of estimation uncertainty:

**Valuation of treasury and traded cryptocurrencies**

Cryptocurrencies held within intangible assets are carried at fair value with changes being recognised through other comprehensive income.

Loans receivable, customer deposits and loan collateral based upon cryptocurrencies are also carried at the recoverable or payable amount if such a balance were to be settled at the reporting date with changes being recognised through the Statement of Comprehensive Income.

Fair values are based on the closing valuation at the reporting date provided by readily available market information for each cryptocurrency.

**Impairment of debtors**

The company makes an estimate of the recoverable value of trade and loans receivable. When assessing impairment, management considers factors including the current credit rating of the debtor, the ageing profile and historical experience.

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**4. Turnover**

An analysis of turnover by class of business is as follows:

	2019 \$
CEL Token Sales	25,219,787
Exchange lending	402,115
Retail lending	200,940
Institutional lending	125,535
	<u>25,948,377</u>

Analysis of turnover by country of destination:

	2019 \$
United Kingdom	778,655
Rest of Europe	2,296,326
Rest of the world	22,873,396
	<u>25,948,377</u>

**5. Other operating income**

	2019 \$
Other operating income	5,088
	<u>5,088</u>

**6. Employees**

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

	2019 No.
Directors	<u>2</u>

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7. Interest payable and similar expenses

	2019 \$
Interest paid on customer deposits	369,276
	<u>369,276</u>

8. Taxation

	2019 \$
<b>Deferred tax</b>	
On unrealised movements on cryptocurrency debtors and creditors	1,211,811
<b>Total deferred tax</b>	<u>1,211,811</u>
<b>Taxation on profit on ordinary activities</b>	<u>1,211,811</u>

**Factors affecting tax charge for the period**

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	2019 \$
(Loss)/profit on ordinary activities before tax	<u>(281,066)</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	(53,403)
<b>Effects of:</b>	
Expenses not deductible for tax purposes	248,546
Non-taxable income	(967)
Unrelieved tax losses carried forward	1,017,635
<b>Total tax charge for the period</b>	<u>1,211,811</u>

**Factors that may affect future tax charges**

There were no factors that may affect future tax charges.

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NOTES TO THE FINANCIAL STATEMENTS  
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9. Intangible assets

	Treasury crypto currencies \$	Traded crypto currencies \$	Total \$
<b>Cost</b>			
Additions	-	134,191,029	134,191,029
Disposals	-	(91,224,260)	(91,224,260)
Revaluation surplus	6,668,649	2,034,063	8,702,712
At 28 February 2019	6,668,649	45,000,832	51,669,481
<b>Net book value</b>			
At 28 February 2019	6,668,649	45,000,832	51,669,481

10. Fixed asset investments

	Listed investments \$	Other fixed asset investments \$	Total \$
<b>Cost or valuation</b>			
Additions	1,057,471	1,065,623	2,123,094
At 28 February 2019	1,057,471	1,065,623	2,123,094

11. Debtors

	2019 \$
Trade debtors	34,225
Loans receivable	12,960,424
Amounts owed by group undertakings	1,082,061
	<u>14,076,710</u>



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12. Cash and cash equivalents

	2019 \$
Cash at bank and in hand	1,026,610
	<u>1,026,610</u>

13. Creditors: Amounts falling due within one year

	2019 \$
Trade creditors	1,600
Customer deposits	36,553,912
Loan collateral	18,131,750
Accruals and deferred income	5,786,986
	<u>60,474,248</u>

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14. Financial instruments

	2019 \$
<b>Financial assets</b>	
Financial assets measured at fair value through profit or loss	7,337,064
Financial assets that are debt instruments measured at amortised cost	8,862,740
	<u>16,199,804</u>
<b>Financial liabilities</b>	
Financial liabilities measured at fair value through profit or loss	53,162,982
Financial liabilities measured at amortised cost	1,524,280
	<u>54,687,262</u>

Financial assets measured at fair value through profit or loss comprise fixed asset investments and cryptocurrency loans receivable.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, fiat loans receivable and amounts owed by group undertakings.

Other financial liabilities measured at fair value through profit or loss comprise customer deposits and cryptocurrency loan collateral.

Financial liabilities measured at amortised cost comprise trade creditors and fiat loan collateral.

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NOTES TO THE FINANCIAL STATEMENTS  
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15. Deferred taxation

	2019 \$
Charged to profit or loss	(1,211,811)
Charged to other comprehensive income	(1,653,515)
<b>At end of year</b>	<u><u>(2,865,326)</u></u>

The deferred taxation balance is made up as follows:

	2019 \$
On revaluation of intangible assets	(1,653,515)
On unrealised movements on cryptocurrency debtors and creditors	(1,211,811)
	<u><u>(2,865,326)</u></u>

16. Share capital

	2019 \$
<b>Allotted, called up and fully paid</b>	
1 Ordinary share of £1.00	<u><u>1</u></u>

On 9 February 2018, 1 Ordinary share of £1 each was issued for cash at par.

17. Reserves

**Revaluation reserve**

At the reporting date, the revaluation reserve comprised \$8,702,712 relating to the unrealised surplus on revaluation of intangible assets. Deferred tax in respect of these gains amounts to \$1,653,515.

**Profit and loss account**

At the reporting date, the profit and loss account included \$6,377,955 relating to the unrealised movements of cryptocurrency debtors and creditors. Deferred tax in respect of these movements amounts to \$1,211,811. Accordingly, there are non-distributable reserves of \$5,166,144 included in the profit and loss account carried forward.

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**CELSIUS NETWORK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**18. Capital commitments**

At the reporting date, the company had capital commitments for the purchase of cryptocurrencies to be acquired in 2020 as follows:

	2019 \$
Contracted for but not provided in these financial statements	1,761,476
	<u>1,761,476</u>

**19. Transactions with directors**

During the period, the company provided a loan of \$1,836,000 to one of the directors. This loan was unsecured and repayable on demand. This loan was repaid in full before the reporting date.

Interest was charged on the loan at an annual rate of 6% and interest paid in the period was \$33,541.

**20. Related party transactions**

The company is a wholly owned subsidiary within a group and accordingly has taken advantage of the exemptions provided by "Financial Reporting Standard 102" not to disclose transactions with the other group entities including its parent and fellow subsidiary undertakings.

**21. Controlling party**

The ultimate parent company is Celsius Network Inc., incorporated in Delaware, USA, which is controlled by A. Mashinsky by virtue of his shareholding.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.