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CoinShares

2020 ANNUAL REPORT

CoinShares

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Board of Directors

Daniel Masters
Chairman of the Board of Directors

Jean-Marie Mognetti
Member of the Board & Chief Executive Officer

Carsten Køppen
Non-Executive Director

Johan Lundberg
Non-Executive Director

Executive Management

Jean-Marie Mognetti
Member of the Board & Chief Executive Officer

Meltem Demirors
Chief Strategy Officer

Frank Spiteri
Chief Revenue Officer

Richard Nash
Chief Operating Officer

Graeme Dickson
Group General Counsel

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MESSAGE FROM THE CEO

Dear Shareholders,

Looking back at 2020, the Covid-19 pandemic has presented extraordinary challenges, impacting our employees, our families, our local communities, and society at large. As a company, our top priority is always to protect the health and safety of our people and the communities we operate within. Although some of our offices were required to move to remote working in line with national and regional guidance, the CoinShares team continued to thrive as much of the world shifted to working from home. If anything, this situation has proved the resilience of our operating model and business continuity plans, while bringing our global team closer together.

In true CoinShares spirit, we have not let this pandemic slow us down, choosing instead to focus on new opportunities for our team. Our company went public on the 11th of March 2021 and we were privileged to share this special moment with Nasdaq, our team, our shareholders, friends and families. This journey to listing started in the early weeks of the pandemic in March 2020, with a phone call between the three founding partners who, as the world began to lock down, found themselves marooned on three different islands; one in Cyprus, one in New Zealand and myself in Jersey, the digital asset friendly island where we began our journey into all things “crypto” in 2013. The strength of our bonds and the dedication of our team meant that we were able to successfully put this listing in motion despite being in separate locations around the globe.

The CoinShares business over the course of 2020 is best summarized across four key themes:

> Profitable and growing amid global pandemic

The first quarter of 2020 started out strong, but March hit everyone in the industry, hard. As global markets experienced mass selloffs, Bitcoin was not immune to the pressure. The silver lining to this disruption was the opportunity it gave us to show our partners that even under pressure, our trading infrastructure was resilient and reliable, with no downtime or outages, and to show our noteholders of the Group’s ETPs that even in such volatile markets, we could still provide the necessary liquidity to facilitate trading of our products.

By summer, it became clear that the sentiment around Bitcoin was shifting dramatically. While Bitcoin may have been introduced to the world during the last financial crisis, it blossomed and came of age during this past year’s global economic crisis. With the unprecedented acceleration of quantitative easing raising concerns of a weaker dollar and justified fears of inflation, investors of all types continued to allocate capital to the digital asset ecosystem. Our weekly “Digital Asset Fund Flows Report” (https://coinshares.com/research/digital-asset-fundflows) confirmed this, with 2020 inflows into digital asset products reaching new highs of nearly $7B with global AUM reaching $45B, and Q1 2021 inflows to date hovering near $6B, with global AUM at $57B as of 30 March 2021.

> **Positively contributing to the digital asset sector**

Our team remains committed to the growth of the digital asset industry. In 2020, we added two full-time team members to our respected Research Team, who published over 500 pages of timely content and expanded our research portfolio to include investment strategy and portfolio construction. Over the summer, we published a widely read and cited research paper demonstrating that in a traditional 60/40 portfolio, a 4% allocation to Bitcoin was optimal (https://coinshares.com/research/a-little-bitcoin-goes-a-long-way). JP Morgan followed suit, but has arrived at a slightly different conclusion with a recommended 1% allocation. We believe ours is, of course, the better strategy.

We announced in 2020 that a real-time attestation service, built in collaboration with Armanino LLP, will provide trust and transparency in our assets under management and liability positions on our platform. To the best of our knowledge, we are the world's first investment house to introduce the ability for the noteholders of our products to review our net positions in real-time, and we encourage and expect our peers in the sector to follow our lead in providing this enhanced level of trust and transparency investors not only desire, but deserve.

Our team remains deeply involved in advocacy and education initiatives with partners such as the World Economic Forum, Imperial College London and the MIT Digital Currency Initiative, which funds Bitcoin core development, but also in new efforts like the DeFi Alliance or Blockstream's Liquid Network. We continue to look for opportunities to bring our credibility, capital, and capabilities to industry efforts like these.

> **Staying connected as a global team**

2020 was an unexpected year for everyone, but at CoinShares, the entire team has adapted and thrived in this new environment. We found innovative ways to stay connected across time zones and continents. The team developed a renewed sense of purpose and solidarity amidst the chaos of the global macro landscape.

Since the start of the pandemic, we have grown our team by nearly 40%, including strategic hires across key functions. Our team, while separated by screens, have in some ways actually felt a lot closer with the shift to remote work. In helping one another manage work and life commitments, we have had the opportunity to meet some adorable children, supportive spouses, and various four-legged friends!

> **Navigating the global regulatory landscape**

Regulation is always a central part of our business at CoinShares, with approximately 10% of our staff involved in legal and compliance activities. Our seven-year track record as a global, regulated digital investment house has become a core competitive advantage when engaging with global regulators. While we do not yet have consistent regulation of digital assets across the multiple jurisdictions in which we operate, we remain grateful to all of our regulators for their engagement, support and intellectual curiosity when it comes to digital assets. We continue to invest in technology that will improve our ability to manage and mitigate risk across our business lines. We remain committed to building solutions to solve key challenges around regulatory compliance. Our custodian joint venture with Nomura and Ledger, Komainu, is the perfect example of this approach.

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Moving into 2021

We are extremely excited to report that, moving into 2021, we have already managed to successfully build upon what was a transformative 2020. Our Q1 2021 results, which were released on 24 May 2021, evidence that the trends that were experienced in Q4 2020 have continued into the New Year. These trends are both external, being strong digital asset price trends and burgeoning interest in the space from existing and new market participants, and also internal, being the leveraging of our infrastructure effectively against the backdrop of an active market to generate increased levels of trading gains.

Additionally, the CoinShares team continues to expand to support our ongoing growth. We have had a number of new joiners across all business units and functions, bringing the total number of employees up to 50. Our joiners in Jersey, Channel Islands, are fortunate enough to have been able to return to the office and work alongside each other (albeit at a safe distance). Unfortunately in London we remain in somewhat of a holding pattern in respect of returning to the office, but there are signs on the horizon that we will all be working together physically soon enough, something that we are all looking forward to after such a long time apart.

Over the remainder of 2021, we intend to keep accelerating in our digital asset journey as we believe that the market is giving us some interesting indications that digital assets are in the early phases of a 12-24 month bull market cycle, itself part of a bigger, longer, multi decade super cycle. The previous bull market cycle, in 2017, was led first and foremost by retail investors. In 2021, the investor landscape is very different with a blend of financial services companies to catch up with the growth of the digital asset ecosystem and other corporates exploring digital asset exposure in response to monetary inflation.

We are experiencing a paradigm shift from pure speculation to tactical allocation. This trend is observable not only in the global media but on the blockchain itself, where its immutability comes in very handy. UTXO analysis allows the mapping of the maturation of coin supply. The key takeaway is that allocators are in an accumulation phase and they are holding their positions with a medium to long term view. This trend is also highlighted by the amount of coins left on exchange, a metric which is experiencing an accelerating downtrend.

As stated in my previous CEO statement accompanying the Group's preliminary results announcement, we anticipate two trends for 2021. First is the grand awakening from global investors and corporate treasurers to the role of digital assets in a portfolio. On this note I would again like to direct the reader towards our Research Team's paper on portfolio allocation. (https://coinshares.com/research/a-little-bitcoin-goes-a-long-way). Secondly, and more avant-garde, is a trend which will see high alpha generator bets at the edge of innovation (DeFi, NFTs, Web3.0, identity and prediction markets). We look forward to sharing our strategy and approach to these newer areas of growth in the quarters to come.

In closing, we at CoinShares remain convinced that the story of digital assets, and CoinShares' place in it, has just begun. We will continue to strive to bring trust and transparency to the digital asset class, and look forward to welcoming our new shareholders into the CoinShares family as we continue our legacy of launching innovative products and services in the digital asset ecosystem.

Jean-Marie Mognetti

CEO

FINANCIAL PERFORMANCE

Selected financial information derived from the audited consolidated financial statements of the Group is disclosed below. The full-form audited financial statements, including notes and as prepared under FRS102 are included within section 7 of the annual report.

Summary Statement of Comprehensive Income

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Revenue	**18,389,413**	**11,330,571**
Administrative expenses	(14,312,476)	(9,283,643)
Other operating income	607,035	529,302
Intercompany collateral (expenses)/income	(1,440,568,711)	(118,108,035)
Realised gain on digital assets/financial instruments	42,132,662	53,554,966
Operating profit	**(1,393,752,077)**	**(61,976,839)**
Realised gain/(loss) on investments	942,364	(405,266)
Net finance income	2,601,354	526,891
Taxation	(401,363)	(268,517)
Profit/(loss) after taxation	**(1,390,609,722)**	**(62,123,731)**
Other comprehensive income	1,409,028,696	71,037,973
Total comprehensive income for the year	**18,418,974**	**8,914,242**

- Revenue (representing management fees on the Group's ETPs) generated of £18.4 million, showing a year-on-year increase of approximately 62% (year ended 31 December 2019, £11.3 million), driven by both inflow on the Group's ETPs and digital asset price appreciation seen over the course of 2020;

- 79% of the management fees were generated from ETPs referencing Bitcoin, 20% from those referencing Ethereum, and with remainder from the Group's Litecoin and XRP products;

- Administrative expenses for the Group showed an increase of approximately 54% over the year, predominantly due to increased salary costs due to the growth in staff numbers seen over the period, combined with increased custody and trading expenses due to the increase in the Group's digital asset holdings and trading activities of the Capital Markets team;

- The significant intercompany collateral expense of £1,441 million represents the movement in the obligation owing to noteholders of the Group's ETPs, which increased significantly due to digital asset price appreciation over the period. This is off-set by movements on assets held to hedge the liability, which are predominantly digital asset holdings. As these assets are classified as intangible assets under FRS102, the movement in their fair value is recognised through other comprehensive income, hence the significant movement on this line.

- Total comprehensive income of the Group of £18.4 million, showing a year-on-year increase of over 100% (year ended 31 December 2019, £8.9 million).

Summary Balance Sheet

	As at 31 December 2020 £	As at 31 December 2019 £
Assets		
Investments	3,626,275	5,585,049
Other non-current assets	572,546	705,276
Total non-current assets	**4,198,821**	**6,290,325**
Digital assets	1,826,694,524	427,524,070
Trade and other receivables	128,791,733	66,415,830
Cash at bank	2,265,817	2,350,042
Total current assets	**1,957,752,074**	**496,289,942**
Total assets	**1,961,950,895**	**502,580,267**
Liabilities		
Current liabilities		
Trade payables and other liabilities	(1,792,935,550)	(419,340,004)
Amounts due to brokers	(112,120,817)	(37,630,992)
Current tax liabilities	(397,690)	(265,803)
Total current liabilities	**(1,905,454,057)**	**(457,236,799)**
Net assets	**56,496,838**	**45,343,468**

- Total assets held by the Group as at 31 December 2020 of approximately £1,962 million, showing an increase of approximately 290% over the year (as at 31 December 2019, £503 million);

- The growth in the balance sheet has been driven by significant digital asset price appreciation over the period, increasing both the digital asset holdings of the Group, and also the corresponding liability owing to the noteholders of the Group's ETPs. Much of this growth occurred over Q4 2020 alongside the price appreciation of Bitcoin from $10,785 to $29,001 over the three month period[1];

- Liabilities of the Group remain represented largely by amounts owing to noteholders of the Group's ETPs and amounts due to brokers and exchanges in respect of positions held by the Capital Markets team. The Group has no long-term liabilities;

- Net asset position of the Group has grew approximately 24% to £56.5 million as in the year ended 31 December 2020. The growth in the net asset position of the Group is driven by the performance over the period, offset by a reduction in assets following a restructuring undertaken in preparation for the Company's admission to trading on the Nasdaq First North Growth Market.

[1] https://coinmarketcap.com/currencies/bitcoin/historical-data/

EBITDA Calculation

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Management fees	**18,389,413**	**11,330,571**
Trading gains*	16,835,488	9,374,048
Total	**35,224,901**	**20,704,619**
Administrative expenses	(14,100,119)	(9,125,853)
Gain/(loss) on investments	942,364	(405,266)
EBITDA	**22,067,146**	**11,173,500**
EBITDA (%)	*63%*	*54%*
Reconciliation to total comprehensive income:		
Taxation	(401,363)	(268,517)
Depreciation/Amortisation	(212,356)	(157,788)
Interest expense	(1,191,408)	(404,201)
Currency translation differences	(1,889,367)	(1,427,740)
Unrealised gain/(loss) on investments	46,323	(1,011)
Total comprehensive income	**18,418,975**	**8,914,243**

- EBITDA for the Group of £22.1 million, showing a year-on-year increase of approximately 100% (year ended 31 December 2019, £11.2 million);

- EBITDA margin of 63% (year ended 31 December 2019, 54%). The improvement in this margin illustrates that the incremental increases in management fees does not have a linear impact on the cost base of the Group.

* Under FRS102, the unrealised gains on digital assets generated by the Group are recognised through other comprehensive income. The EBITDA calculation of the Group presents net trading gains, which is comprised of both realised and unrealised gains on digital assets, offset by the movement on the Group's intercompany collateral expense. This net figure is prepared by management and does not form part of the audited financial statements as FRS102 requires differing treatment of unrealised gains due to the classification of digital assets as intangible assets.

COINSHARES ASSET MANAGEMENT

2020 OVERVIEW

2020 was a transformative year for the CoinShares Asset Management business unit (formerly referred to as CoinShares Passive), with several significant additions made to the team in preparation for what proved to be a turbulent year for digital assets, from the significant value declines seen in March in the wake of the world's introduction to the Covid-19 pandemic, followed by a robust recovery and an even stronger performance in the latter half of the year.

The primary change to the team was that of leadership, with the appointment in Q1 of Frank Spiteri as Chief Revenue Officer of the CoinShares Group. The appointment of Mr. Spiteri strengthens the Group's position as a leading issuer of innovative, professional investment products as he brings over 23 years of experience in financial services, working exclusively with ETPs for nearly a decade, to the CoinShares Asset Management team.

Mr. Spiteri was not the only addition to the team, with a new Head of Product and Product Marketing Manager joining the business in late 2019, along with new Distribution and Investment Strategists joining in 2020. These experienced hires have been a welcome addition to CoinShares. The team has been strengthened to allow for continued scale in the distribution and development of products, both existing and prospective.

Another key highlight for 2020 was the implementation of Trust Explorer, a real-time assurance application powered by Armanino LLP; a blockchain enabled solution providing investors and stakeholders with on-demand attestation reports on the Group's digital asset holdings and corresponding noteholder liabilities. The combination of unparalleled and instantaneous transparency on the collateral hedge, as well as industry-standard reporting solidifies a new paradigm of trust and transparency for the digital assets and ETP industries, supporting CoinShares' mission to serve as a trusted partner expanding access to the digital asset ecosystem.

Over the course of 2020, the wider digital asset management market showed several developments, with an increased number of market participants in Europe offering similar products to those of CoinShares Asset Management (predominantly Bitcoin tracking ETPs). We saw cumulative flows (stripping out the price effect) into digital asset investment products rise from $1.35 billion at the start of 2020 to $8 billion by year end, with only 24 days of net outflows from a total of 250 trading days. The data suggests that, overall, investors are buying and holding digital asset backed products. This indicator demonstrates the long term appeal of digital assets like Bitcoin, that are slowly developing into a store of value.

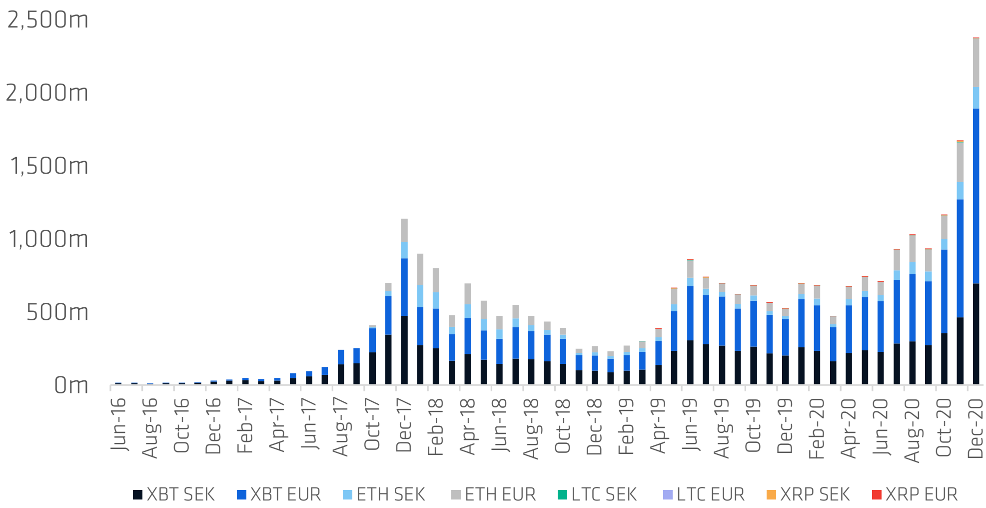
A significant regulatory development for the CoinShares Asset Management business during 2020 was the United Kingdom Financial Conduct Authority's (the "**FCA**") ban on the sale of derivative and exchange-traded notes referencing certain types of crypto-assets to retail investors in the United Kingdom ("**UK**"). At the time the ban (relating to the sale of new products) was announced, approximately 10% of the ETPs issued by XBT Provider AB (publ) (the "**Existing Note Program**") were held by UK investors. The decision from the FCA is not a reflection of the overall global regulatory trend for digital assets, as demonstrated by the regulatory developments in the European Commission's proposed Markets in Crypto-Assets regulation ("**MiCA**") for EU crypto-assets and associated service providers, which seeks to provide a consistent comprehensive and transparent regulatory regime for digital assets in the European Union ("**EU**"). The CoinShares Group continues to pro-actively engage with regulators and policymakers to provide transparency over its products and the wider business, with the aim of reducing uncertainty and demonstrating the partnership benefits between regulated financial products and digital assets.

2020 ETP PERFORMANCE

The overall flows for the Existing Note Program were near neutral for 2020, with strong inflows from new investors being offset against outflows from UK retail investors and long-standing investors choosing to realize profits as the price of underlying assets reached record highs. This is one drawback of having the most mature product in the market.

Despite relatively neutral flow, the level of assets under management represented by the Existing Note Program showed significant growth over the year due to the performance of the digital assets referenced.

GRAPH 1 – **Existing Note Program AUM (USD)**



The 31 December 2020 closing AUM of the Group reached in excess of $2.3 billion, having started the year at approximately $0.5 billion.

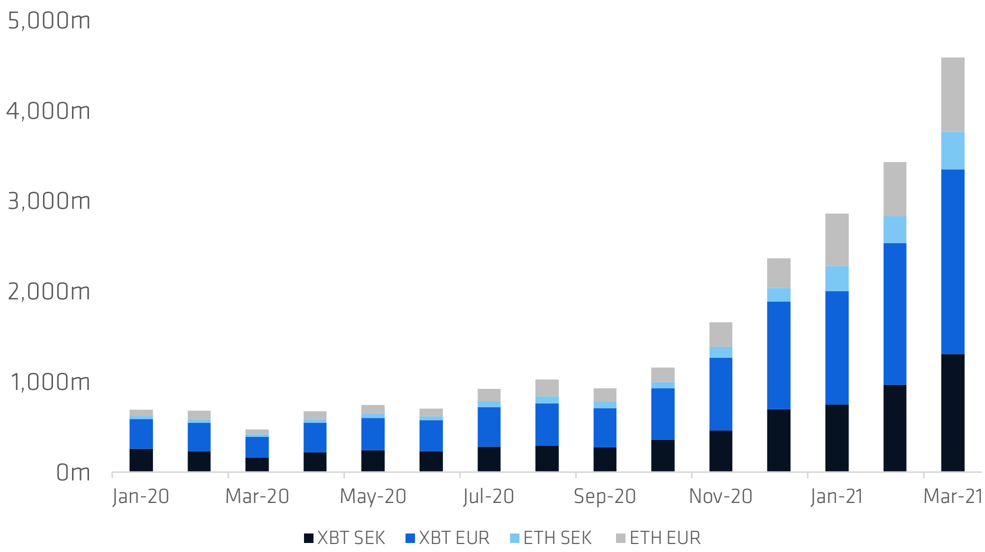
The AUM growth has a direct impact upon the Group's management fees (which are reported in £), evidenced in the preliminary annual results for the Group. Approximately 38% (£7.1 million) of the total 2020 management fees (£18.4 million) were generated in the final quarter of the year.

POST YEAR END

Moving into 2021, the price appreciation of digital assets experienced in Q4 2020 continued, with Bitcoin and Ethereum reaching all-time highs shortly after year end. These increases have been accompanied by more retail and institutional interest in the space, supporting even further growth as we entered Q2.

Again (as with Q4 2020), despite the flows on the Existing Note Program being largely neutral, the impact of these price movements on the Group's AUM and resultant management fees has been significant, as can be seen in the Group's Q1 2021 results.

GRAPH 2 – **Existing Note Program AUM (USD)**



The graph above illustrates the AUM growth both throughout 2020 and the post-year end to the end of Q1 2021 (excluding ETPs referencing XRP and LTC which expired post year end). As at 28 May 2021 the Existing Note Program AUM amounted to $3.6 billion, representing an increase of 50% since year end 2020.

From an operational perspective, the ETPs referencing Litecoin and XRP, within the Existing Note Program, expired on 31 March 2021 and 9 April 2021, respectively, and the election was made by management not to renew these ETPs. The Group still provides investors with exposure to these assets following the launch of CoinShares Physical in Q1 2021.

COINSHARES PHYSICAL

Against the backdrop of competition entering the market, the CoinShares Asset Management team developed a strategy to combat this with the launch of ETPs issued by CoinShares Digital Securities Limited (the "**New Note Program**") in January 2021, offering a best-in-class, competitively priced suite of products.

The CoinShares Asset Management team launched the New Note Program on 19 January 2021 with a new suite of ETPs from a Jersey based issuer, providing investors with a range of new features, including physical redemption and lower fees.

The first product launched under the New Note Program, CoinShares Physical Bitcoin (BITC) listed on SIX Swiss Exchange on 19 January 2021 with $200 million in assets at launch. This was shortly following by the launch of CoinShares Physical Ethereum (ETHE) on 23 February, CoinShares Physical Litecoin (LITE) on 6 April and CoinShares Physical XRP (XRPL) on 13 April. A management fee of 0.98% is generated on the underlying AUM of the New Note Program and as at 28 May 2021, AUM represented by the Group's New Note Program amounted to a total of $420 million.

STRATEGIC COLLABORATION – 3IQ

In addition to the New and Existing Note Programs, on 1 April 2021 the Group announced a strategic collaboration with 3iQ Corp ("3iQ") commencing with the launch of the 3iQ CoinShares Bitcoin ETF and followed shortly after by the launch of the 3iQ CoinShares Ether ETF (the "3iQ ETFs"). The 3iQ ETFs are offered in all provinces and territories of Canada through their listing on the Toronto Stock Exchange.

CoinShares and 3iQ share similar objectives – to make digital assets more inclusive by facilitating access to investors through a variety of trusted, regulatory compliant investment vehicles that are available in global markets. The 3iQ ETFs will allow 3iQ to leverage the global brand that CoinShares has built over the past seven years allowing them to extend their outreach, while increasing CoinShares' brand recognition in the North American asset management market, which is a strategic growth market for CoinShares in 2021.

2021 OUTLOOK

The CoinShares Asset Management team remains confident about the remainder of 2021. The technological backbone of the Group which supports both CoinShares Asset Management and CoinShares Capital Markets is positioned extremely well to support continued growth through 2021 and beyond, as more investors look for cost-effective vehicles to access this exciting new asset class. We look forward to actively exploring new ways to pursue CoinShares' mission of making digital assets more accessible to all, through the launch of new products via CoinShares Asset Management and through partnerships with firms like 3iQ.

COINSHARES CAPITAL MARKETS

OVERVIEW OF 2020

Despite the external shock of COVID-19, 2020 presented significant opportunities for CoinShares Capital Markets. With Bitcoin losing approximately half of its value over the course of a day on 12 March 2020, and the price falling to as low as $4,000, many were left questioning the role of digital assets as part of a diversified portfolio. Fortunes reversed when, amidst a backdrop of continued quantitative easing and stimulus at levels never seen before from global central banks, Bitcoin, quickly recovered and ended the year with a total market capitalization of approximately $540 billion (a figure which has of course increased significantly since).

The disruption in March 2020 provided CoinShares Capital Markets with the opportunity to demonstrate the resilience of the Group's trading infrastructure, with no downtime, and its ability to capitalize on the market volatility through delta neutral algorithmic trading strategies, allowing the Capital Markets team to generate gains while assuming minimal directional risk.

Furthermore, all of our lending counterparties were able to meet their margin obligations, a testament to the quality of the counterparties we choose to work with.

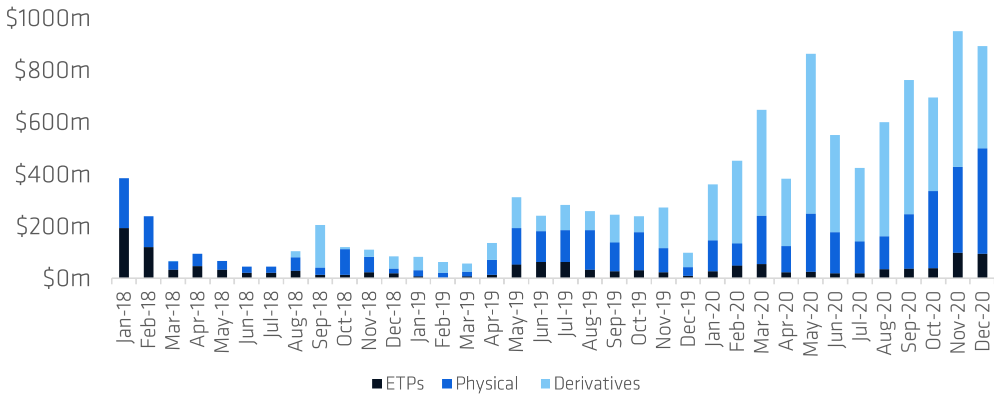
Over the remainder of 2020, the increasing popularity of digital assets has also seen a significant increase in options trading, with open interest in Bitcoin options reaching over $6.9 billion as at 31 December 2020 from approximately $0.4 billion at the beginning of the year. The digital asset industry continues to enjoy increasing levels of institutional investment and participation, as exemplified by corporate treasury department purchases and the growth of open interest in Bitcoin futures trading on the Chicago Mercantile Exchange. CoinShares Capital Markets is well positioned to benefit from these evolving growth trends, utilizing the balance sheet of the Group to generate sustainable gains from increased market activity and liquidity.

The progress made throughout 2020 would not have been possible without the Capital Markets team, which has grown by over 50% since the financial year end with a number of new hires.

2020 PERFORMANCE

The total notional volume traded by CoinShares Capital Markets in 2020 was approximately $7.85 billion (2019: $2.27 billion), with $2.81 billion traded in the fourth quarter alone. The historical trading volumes of CoinShares Capital Markets are outlined below, clearly evidencing the increased levels of activity over time.

GRAPH 3 – **CSCM Trading Volumes (USD)**



- *Trading in respect of ETPs represents the total USD volume of creations and redemptions of notes issued under the Existing Note Program.*
- *Physical trading represents the acquisition and disposal of digital assets in respect of both the note program hedging activities and the wider activities of CoinShares Capital Markets.*
- *Derivative trading represents the opening and closing of futures positions to facilitate the statistical arbitrage activities of CoinShares Capital Markets.*

The level of activity executed by the Capital Markets team is a further demonstration of the function's risk management capabilities and technical expertise, particularly in periods of market stress and heightened activity resulting in increased trading gains for the Group.

Q4 2020 was the highest ever performing quarter for CoinShares Capital Markets, with trading gains of £5.2 million, representing approximately 30% of the £16.8 million in total trading gains generated in the entirety of 2020. The breakdown of trading gains by activity is provided below for 2019 and 2020 comparatively.

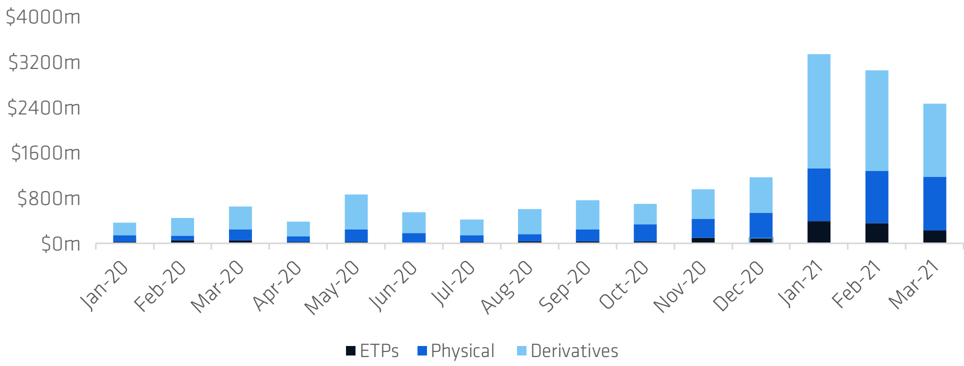
	2020		**2019**	
	Trading Gains £	**% of Total Gains**	**Trading Gains £**	**% of Total Gains**
Liquidity Provision	**4,151,087**	**25%**	2,265,541	24%
Proprietary Trading	**7,606,748**	**45%**	5,394,728	58%
Fixed Income	**3,792,762**	**23%**	931,091	10%
Other	**1,284,891**	**7%**	781,677	8%
	16,835,488	**100%**	9,373,037	100%

Trading gains generated by the Capital Markets team, due to the accounting treatment of digital assets as intangible assets under FRS102, are not immediately identifiable from the statutory accounts of the Group. The adjusted EBITDA calculation for the Group, which identifies these gains and reconciles adjusted EBITDA back to the Group's total comprehensive income figure, is included within the financial summary section of this annual report.

POST YEAR END

As previously mentioned within the CoinShares Asset Management section of this report, the level of activity in the digital asset space experienced in Q4 2020 continued into 2021. This activity benefited the Capital Markets team, resulting in a significant increase in trading, with Q1 volumes being in excess of $8.8 billion, as can be seen in the graph below.

GRAPH 4 – **CSCM Trading Volumes (USD)**



This growth in volume has also had a positive impact on the gains of the Capital Markets team. High levels of activity on the Group's ETPs have led to increased liquidity provisioning gains, and volatility in the market has allowed for successful execution of the team's trading strategies. The resultant gains made thus far in 2021, which are disclosed within the Group's Q1 2021 results, have exceeded £22.7 million. A figure which exceeds 2020 gains in their entirety.

2021 OUTLOOK

While CoinShares Capital Markets has performed well over the course of 2020, it is the belief of management that the evolving digital assets market coupled with increased levels of interest from a wider range of market participants has set the stage for an interesting year ahead. The evolution of the space gives rise to additional opportunities, CoinShares Capital Markets is therefore looking to explore a wide range of potential products and strategies over the remainder of 2021 to further bolster the performance of this business unit. It also recognizes the importance of developing strategies that can result in gains during periods of relative inactivity in the markets, such as expanding upon its existing fixed income offerings.

Part of this evolution, of course, includes the developing regulatory landscape impacting upon digital assets. Regulatory changes can be both a benefit and a hazard. For those in the space that are proactive and have the appropriate levels of regulatory and compliance infrastructure, it can be a benefit. CoinShares Capital Markets as a business unit and CoinShares as a Group, with approximately 10% of our staff involved in legal and compliance activities, are of the belief that we fall firmly into this category.

Increased levels of, and clarity surrounding, regulation (which is ultimately designed to protect investors) is the sign of a maturing market that is likely to invite more institutional interest, a trend we have already seen in the latter half of 2020. It will also serve as a catalyst to identify bad actors. CoinShares Capital Markets is therefore positioned to attract a wider client base while potentially facing less competition, supported by its long and consistent track record, existing infrastructure, and its in-depth knowledge of the digital asset space.

CORPORATE GOVERNANCE

The requirements arising from the Company's listing on the Nasdaq First North Growth Market do not include compulsory adoption of a corporate governance code. However, in setting up and maintaining our corporate governance structure, we are guided by the statutory requirements of Jersey, the UK Corporate Governance and Stewardship Codes, the Swedish Corporate Governance Code and international best practices. As the Company continues to grow, the requirement for the adoption of a corporate governance code will be monitored. This will provide a formal, measurable framework around the various procedures already in place and allow management to identify the need for augmentation, if required, in order to align with the code to be adopted.

CoinShares' governance is reflected in the Company's Articles of Association, the Terms of Reference for the Board and PDMRs, and through the establishment of formal Committees (as set out below) within the organisation and certain other internal policies and procedures.

FORMAL COMMITTEES

Due to the various jurisdictions within which the Group operates, and the variety of activities undertaken across the Group, both geographically and across business units, it is essential that information is disseminated within the organisation in a timely and consistent manner. To facilitate this, the following committees were established, which hold regular minuted meetings to encourage internal information flow.

> Risk and Compliance Committee (the "RCC")

Established in 2019, the role of the RCC is as follows:

- Advise on the Group's risk profile and risk appetite now and in its future strategy, taking account of the overall degree of risk aversion, significant exposures or risk types and the Group's capacity to manage and control risks as it continues to grow;
- Proactively assist in devising new products and services;
- Ensure legal and regulatory obligations regarding existing Group products and services are complied with, especially in the context of a changing regulatory environment;
- Oversee the effectiveness of the risk management procedures, regulatory compliance and principal risks and uncertainties relating to the Group, and the steps taken to mitigate them; and
- Participation in relevant industry working groups and the lobbying of legislators and relevant national / supranational bodies, to help shape the regulation of the industry

Members of the RCC include the Head of Finance, Group General Counsel, Chief Technology Officer, Heads of Compliance and Regulatory Affairs, Head of Operations and Chief Operating Officer. The Directors of the Company are entitled to attend and participate in the meetings of the RCC and often one of them does so.

> Operational Management Committee (the "OMC")

Established in 2018, the role of the OMC is as follows:

- Ensure that proposed business projects are aligned with the Group's operational strategy;
- Assist with resolving strategic level issues and risks;
- Review and assess changes to the business which may have a significant impact on implementation timeliness and budgets;
- Assess the progress of operational projects and report on such to senior management and the Board of Directors; and
- Discuss and provide guidance on operational challenges facing the business.

Members of the OMC include the Company Secretary, Head of Finance, Group General Counsel, Chief Technology Officer, Heads of Compliance and Regulatory Affairs, Head of Operations and Chief Operating Officer.

The Company will monitor the requirement for the establishment of formal remuneration, audit and nomination committees, Should such committees be introduced, they will be chaired and led by the Non-Executive contingent of the Board.

BITCOIN IN 2020

As years go, for Bitcoin and the world at large, 2020 was more eventful than most. Leading into it, 2019 had been a volatility roller coaster for Bitcoin, starting just north of $4,000, topping at almost $14,000 before ending around $7,000 for an annual return of approximately 75%. But while the first 6 months of 2019 had been eventful and fast-paced, the remainder of the year had been, in Bitcoin terms, relatively calm and uneventful.

In an event that now seems almost relegated to the historical scrap yards, Bitcoin's year of 2020 actually kicked off with a boom, both figuratively and literally. On 3 January 2020, American forces assassinated the leader of the al Quds branch of the Iranian Revolutionary Guard, Major General Qasem Soleimani—widely considered the second most powerful man in Iran—on Iraqi soil. The strike sent shockwaves across the geopolitical landscape as it represented a significant escalation of the 2019-2021 Persian Gulf Crisis. The price of Bitcoin immediately shot up, ending a 6-month downturn, and kicking off a 6-week rally which took the price from $7,000 into five figure territory. The move was widely interpreted as Bitcoin's geopolitical graduation, with investors starting in earnest to treat it as a safe haven asset.

The rally, however, proved short lived. As is common in Bitcoin markets, the positive price action attracted momentum traders hungry for leverage. Into the second half of February, demand for leverage had grown significantly, forward curves were steep and futures for delivery in March implied a 30% annualised return. With momentum slowing in the spot markets and borrowing costs rising, the first batches of traders started unwinding long positions, and the spread between spot and futures began to close.

As spot prices weakened further at the end of February and beginning of March, the market saw its first rounds of margin calls, striking out over-leveraged long positions. This trend continued for about two weeks, and unknowingly led into the event which has in hindsight been named the Great Deleveraging.

Moving further into March, Bitcoin became caught up in a global flight to cash, spurred on by the rapidly escalating COVID crisis. Global financial markets experienced large selloffs in more or less every single sector as investors fled to the perceived safety of the US Dollar. The selloffs rapidly spread to Bitcoin and the wider digital asset market and promptly caused what is arguably the largest liquidation cascade in the history of Bitcoin.

In less than 48hrs, the price of Bitcoin fell by 50%, from $8,000 to $4,000—its largest two-day percentage drop since 2011. The drop, however, proved short-lived.

Unlike other financial markets which required anything from circuit breakers to regulators stepping in to dampen the carnage, Bitcoin markets entirely self-corrected, found their natural bottom, and promptly recovered. Barely a week after bottoming below $4,000, the price climbed back above the $7,000-mark, sending a clear signal that this was a short-term dislocation caused by external events, not an internal structural problem.

In the immediate aftermath of the initial COVID panic, from Bitcoin's point of view, one would be hard pressed to write a more favourable script of global events. Predictably, the world's central banks responded to the crisis with a program of money printing unlike anything ever seen in the modern world. Balance sheets were expanded to sizes that were considered unthinkable just a few months prior.

This seems to have shaken many investors deeply and, within weeks, some of the most famous and well-respected investors in the world started voicing their support for Bitcoin as a hedge against perceived monetary mismanagement by central banks.

Meanwhile, the Bitcoin protocol was about to undergo one of its rather peculiar, rare and momentous events—a halving. Expected in early May, the protocol would hit a block-height of 630,000, and with that, for only the third time in its history, the Bitcoin issuance rate would be cut in half, bringing its annual inflation down to the order of gold.

Having already suffered a serious blow to their income from events over Q1, miners were arguably a bit on edge about this event due to the impact it would have on their revenues. As is customary, the halving also drew its fair share of fear, uncertainty and doubt, with many media outlets publishing wild and unrealistic predictions of Bitcoin's demise as a result of this completely predictable event. In the end though, it was a bit of a non-event. Block 630,000 came and went. Miners readjusted to their new reality. Some operations were temporarily impacted, but the network chugged on like clockwork.

Price-wise, after a relatively swift recovery back to yearly highs just north of $10,000, things entered a bit of a lull between the end of May and the beginning of August. What did not suffer any slowdowns, however, was the now seemingly steady flow of positive media attention. Eventually, the price lull came to an abrupt end in late July, seemingly without any clear catalyst. By 2 August the price had reached $12,000—its highest level in more than a year.

What followed was probably the biggest news bombshell of the year. On 14 August, MicroStrategy CEO Michael Saylor announced that the company had bought 21,454 Bitcoin, worth more than $250m at the time. While the price didn't immediately react favourably to this news, what came next was an outright flood of positive news and endorsements. Bitcoin now had public supporters not only among the largest and most respected investors in the world, but also among popular financial TV anchors and even members of the United States Senate.

Throughout September and October MicroStrategy announced further purchases of Bitcoin for their treasury and they were soon joined by Square. JP Morgan released a research report stating that Bitcoin could compete with gold as a store of value and investment giant Fidelity published their highly bullish Bitcoin Investment Thesis.

At this point the price started moving again. Following the endorsement of Fidelity, Bitcoin prices began to climb and by 24 November had reached levels only a few hundred Dollars shy of its 2017 all-time-high. This resistance took about three weeks to break, and under the now relentless choir of endorsements coming from well-respected investors, funds and institutions, the price finally broke through and ended the year just shy of $30,000—more than 50% above its previous peak and more than 220% up from its 2020 starting price. Another stellar and volatile year on the Bitcoin roller coaster.

Moving into 2021, the level of endorsement seen in Q4 2020 has continued, attracting additional entrants into the Bitcoin markets of both a retail and institutional nature. The first few months of 2021 have therefore seen further price increases with resistance points broken one after another, before reaching an all-time high of over $63,000. While the price has subsequently corrected to around $37,000 as at the date of this report, the platform seems to now be in place to support further gains over the remainder of 2021, with support and interest in the space at its own all-time high.

REGULATORY & COMPLIANCE DEVELOPMENTS OVER 2020

The global regulatory landscape for digital assets saw significant developments in 2020, with further important potential developments on the horizon, in the EU and US in particular. The global digital asset regulatory landscape remains, however, fragmented, as different jurisdictions take different approaches. For example, some jurisdictions are seeking to retrofit digital assets into existing regulatory frameworks (which to a degree, is the US approach), whilst other jurisdictions seek to create a brand new, bespoke approach (for example, the EU and their proposed Markets in Crypto-Assets regulation ("**MiCA**")).

CoinShares takes steps to ensure it remains at the forefront of regulatory developments, through active involvement in consultations with regulators and industry participants, to share knowledge and endeavour to assist in the creation of appropriate and balanced regulatory frameworks ensuring investor protection whilst encouraging innovation.

2020 will likely be regarded as a watershed year for digital assets, with two important developments that we would like to highlight:

(i) MiCA

MiCA, first made public by the EU Commission in September 2020, is an attempt to bring uniform and consistent regulation of digital assets across the EU Member States not currently subject to existing EU legislation / regulation; this forms part of a wider EU Digital Finance Strategy. Understandably, the draft details published to date emphasize the investor protection rationale, also the bedrock of the existing regulatory frameworks of the traditional finance industry, as the driving force behind this proposed regulation. There are eight categories of crypto-asset services which will trigger a licensing requirement for Crypto-Assets Service Providers ("**CASPs**")[1], roughly reflecting the existing investment services and activities under MiFID II.

Once authorised, CASPs will be obliged to follow a range of new regulatory requirements, including formal obligations to act fairly towards clients, the maintenance of certain minimum capital amounts, requirements regarding governance, the safeguarding of client assets, maintaining complaints handling procedures and certain provisions concerning outsourcing.

[1] CASPs can be further subdivided into (i) CASPs that provide crypto-asset trading platforms; and (ii) CASPs involved in the placing of cryptoassets.

For CoinShares the EU is the largest market and MiCA's mere existence legitimises the message that digital assets markets in the EU are established. The full details of MiCA will be clarified over the next two years as the proposal is reviewed and amended by the EU Council and the European Parliament. It is expected that MiCA will enter into force by 2024. The commission's MiCA proposal includes a bespoke market abuse regime for digital assets admitted to trading on trading platforms by CASPs. The Commission felt that to bring digital assets into the scope of the existing Market Abuse Regulation itself would be disproportionate.

(ii) US Office of the Comptroller of the Currency ("**OCC**")

In the second half of 2020, the OCC issued interpretive letters and guidance, providing clarification that US banks can be custodians of digital assets, including stablecoins, and engage in stablecoin activity. Again, this was another signal of acceptance and legitimisation of digital assets, especially for institutional investors, looking for regulated custodial service providers.

However, not every country was moving in the direction of regulating digital assets. In October 2020 the UK Financial Conduct Authority ("**FCA**") banned the sale and marketing of products referencing certain digital assets to UK retail investors (Policy Statement 20/10: Prohibiting the Sale to Retail Clients of Investment Products that Reference Crypto-assets). This ban commenced on 6th January 2021 and impacts the ability of UK retail investors to access ETPs referencing digital assets, including those of the Group.

CoinShares was extensively involved in the FCA consultation and had several meetings with the FCA over the course of their process. CoinShares and many other industry participants put forward several arguments as to why such a ban would be ill-advised and would not benefit retail investors. We noted that the FCA ban on unleveraged ETPs would not result in the proposed savings and benefits; rather, it will drive UK retail investors to unregulated digital asset exchanges, which, as the FCA itself admits, have far fewer protections than the regulated ETPs offered by CoinShares and other providers. The UK remains the only major Western jurisdiction to ban ETPs on digital assets in the belief that they have "no intrinsic value".

We believe that the FCA ban sets it squarely against the recent, far more positive developments in the digital asset industry described above.

Meanwhile, the UK currently has three consultations underway which may change the current regime impacting companies involved with digital assets. These include:

- Crypto-asset Promotions - The Government is consulting on a proposal to bring certain unregulated digital assets into the scope of financial promotions regulations, to enhance consumer protection. CoinShares formally responded in writing to this Consultation;
- Regulatory Framework for Approval of Financial Promotions Consultation - In this consultation the UK Government is proposing to establish a regulatory 'gateway', which a firm must pass through before it is able to approve the financial promotions of unauthorised firms; and
- UK Regulatory Approach to Crypto-assets and Stablecoins: Consultation and Call

for Evidence (released 7th January 2021) - Being the UK Government's first step in the consultative process on the broader regulatory approach to crypto-assets and stablecoins. This Consultation seeks views on how the UK can ensure its regulatory framework is equipped to harness the benefits of new technologies, supporting innovation and competition, while mitigating risks to consumers and stability. Additionally, it includes a call for evidence on investment and wholesale uses of crypto-assets, and the broader use of Distributed Ledger Technology in financial markets.

It is expected that the results of the first two consultations will be published during the first half of 2021, and the third consultation in the second half of 2021.

With this level of consultation an interesting, high level question is being raised. Given the size and sophistication of the EU marketplace, how will the UK choose to respond to MiCA?

Acknowledging this issue, the Consultation had the following to say on the issue:

> *"HMT [Her Majesty's Treasury] and UK authorities are closely monitoring developments in this space, including the European Commission's Market in Crypto-Assets (MiCA) proposed regulation, which introduces a bespoke regulatory regime and applies it to a wide set of issuers and service providers. Other international approaches include outright bans or amendments to existing legislation (e.g. securities legislation) to bring tokens, and the service providers around them (e.g. exchanges, wallets), into scope."*

In 2021 we expect to see an interesting competitive dynamic play out. On one side there are those who wish to take an activist approach to ban or restrict investment in digital assets in the interests of investor protection. On the other side are those seeking 21st Century appropriate and balanced regulation that does not stifle innovation and provides a welcoming environment for fintech, blockchain and digital asset companies.

AUDITED FINANCIAL STATEMENTS

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COMPANY INFORMATION

The Company	CoinShares International Limited
Jurisdiction	Jersey
Registered Number	102185
Registered Office	2nd Floor 2 Hill Street St Helier Jersey JE2 4UA
Directors	Daniel Masters Jean-Marie Mognetti Carsten Køppen (appointed 1 December 2020) Johan Lundburg (appointed 1 December 2020) Russell Newton (resigned 1 December 2020)
Company Secretary	Jeri-Lea Brown (resigned 30 June 2020) CoinShares Corporate Services (Jersey) Limited (appointed 30 June 2020)
Independent Auditor	Baker Tilly Channel Islands Limited PO Box 437 1st Floor, Kensington Chambers 46/50 Kensington Place St Helier Jersey JE4 0ZE

DIRECTORS' REPORT

The directors present their report and the consolidated financial statements of CoinShares International Limited (the 'Company'), together with its subsidiaries listed in note 12 to the financial statements (collectively the 'Group'), for the year ended 31 December 2020.

Incorporation

The Company is incorporated and domiciled in Jersey.

Principal activity

The principal activity of the Group is to engage in creating financial products associated with digital assets and blockchain technology.

Results and dividends

The total comprehensive income for the year amounted to £18,418,975 (2019: £8,914,242) as per page 29.

The loss for the year, after taxation and excluding gains on digital assets recognised through other comprehensive income, amounted to £1,390,609,721 (2019: loss of £62,123,731) as per page 29.

The directors do not recommend the payment of a dividend (2019: £nil) however distributed a subsidiary of the Company, GABI Ventures Limited ('GVL'), valued at £5,382,901 at the time of disposal, to shareholders during the year. Further details on the disposal are included in note 12 to the financial statements.

Statement of directors' responsibilities

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

The Companies (Jersey) Law 1991 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 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 Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company, and which enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors

The directors who held office during the year and subsequently are set out on page 25.

Company Secretary

The Company Secretary appointed for the year and subsequently is set out on page 25.

Going concern

The Group had net assets of £56,496,838 (2019: £45,343,468), an operating loss of £1,393,752,076 (2019: loss of£61,976,839), and total comprehensive income of £18,418,975 (2019: £8,914,242). The directors have prepared these financial statements on a going concern basis on the understanding that they have satisfied themselves that sufficient working capital will be available for the foreseeable future.

The Group has an obligation to settle amounts due to investors for certificates that reference the performance of specific digital assets issued. As the Group holds hedging assets in excess of this liability, the directors consider that they will be able to convert digital assets to fiat currency so as to settle the obligations in the event that certificates are redeemed and so deem a going concern risk to not be material.

The Group holds the majority of its digital assets with third party exchanges and custodians, some of which are pooled with other assets in "hot" wallets. As such, a counterparty risk exists in relation to the availability of these assets, which may impact the ability to convert these assets into fiat currency in order to meet its collateral liability to certificate holders as and when its obligations fall due.

However, the directors do not deem this uncertainty to be material as a significant proportion of digital assets (over 85% at 31 December 2020 (2019: over 80%)) are held in cold storage, with private key segmentation, at any point in time. In addition, delays in the settlement of the certificates may be imposed or certain modifications be made in the occurrence of market illiquidity or other disruptions. Full details on these are available on the Group's website coinshares.com/etps/xbt-provider.

Furthermore, the directors deem the cyber security of the Group to be sufficient to mitigate cyber risk and the risk of theft of digital assets that could potentially leave the Group unhedged and exposed in its obligation to certificate holders.

Accordingly, the directors have prepared the financial statements on a going concern basis.

Change of company name

The Company changed its name from Global Advisors (Holdings) Limited to CoinShares International Limited effective 8 June 2020.

Change in status

On 16 November 2020 the Company changed its registration with the Jersey Financial Services Commission to a public company from a private company.

Post balance sheet events

On 11 March 2021, the Company completed an initial public offering, raising net funds of £12.8 million, and was admitted to trading on Nasdaq First North Growth Market, under the stock ticker CS.

Independent auditor

Baker Tilly Channel Islands Limited was appointed as auditor of the Group on 28 August 2020 and has indicated its willingness to continue in office.

The report was approved by the board on 28 May 2021 and signed on its behalf.

Jean-Marie Mognetti

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Jean-Marie Mognetti

CEO

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COINSHARES INTERNATIONAL LIMITED

Opinion

We have audited the consolidated financial statements of CoinShares International Limited (the "Company" and, together with its subsidiaries, the "Group") for the year ended 31 December 2020, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable Jersey law and Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102").

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with FRS 102; and
- have been prepared in accordance with the Companies (Jersey) Law 1991, as amended.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable Jersey 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 Jersey, 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's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the audited 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 performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

In light of our knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion whether:

- proper accounting records have not been kept;
- proper returns adequate for the audit have not been received from branches not visited by us; and
- the Group's accounts are not in agreement with its accounting records and returns.

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities on page 26, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Directors are responsible for assessing the Group'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 to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

1. We performed analytical procedures on significant and material balances and corroborated the information therein with underlying agreements;
2. We undertook journal testing including a review of consolidation journals and an analysis of journals to assess if there were unusual entries pointing to irregularities, including fraud; and
3. We confirmed bank and broker balances against counterparties' confirmations and reviewed the associated controls for these balances.

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

Use of this report

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991, as amended. 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.

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Dickson E. Wasake

For and on behalf of Baker Tilly Channel Islands Limited

Chartered Accountants

St Helier, Jersey

Date: 28 May 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Revenue	4	**18,389,413**	11,330,571
Gross profit		**18,389,413**	11,330,571
Administrative expenses	6	**(14,312,475)**	(9,283,643)
Gain on financial instruments	20	**42,132,662**	53,554,966
Intercompany collateral expense	5	**(1,440,568,711)**	(118,108,035)
Other operating income	4	**607,035**	529,302
Operating loss		**(1,393,752,076)**	(61,976,839)
Gain on investments	12	**1,473,783**	42,058
Share of joint ventures losses	12	**(531,419)**	(447,324)
Loss before interest and taxation		**(1,392,809,712)**	(62,382,105)
Finance income	8	**3,792,762**	931,091
Finance expense	8	**(1,191,408)**	(404,200)
Loss before taxation		**(1,390,208,358)**	(61,855,214)
Taxation	9	**(401,363)**	(268,517)
Loss after taxation		**(1,390,609,721)**	(62,123,731)
Other comprehensive income			
Currency translation loss	17	**(1,889,367)**	(1,427,740)
Fair value gain on digital assets	5, 17	**1,410,871,740**	72,466,724
Fair value gain on investments	12, 17	**46,323**	-
Share of joint ventures other comprehensive losses		**-**	(1,011)
Total other comprehensive income		**1,409,028,696**	71,037,973
Total comprehensive income		**18,418,975**	8,914,242
Total comprehensive income attributable to			
Owners of the parent		**16,749,711**	7,948,386
Non-controlling interests		**1,669,264**	965,856
		18,418,975	8,914,242

The notes on pages 38 to 80 are an integral part of these financial statements.

Earnings per share			
Calculated using loss after taxation			
Basic	18	**(21.68)**	(1.81)
Diluted	18	**(21.68)**	(1.81)
Calculated using total comprehensive income			
Basic	18	**0.29**	0.14
Diluted	18	**0.29**	0.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2020

		GROUP		COMPANY	
	Notes	**2020 £**	**2019 £**	**2020 £**	**2019 £**
ASSETS					
Non-current assets					
Property, plant and equipment	10	**223,131**	375,728	**132,302**	251,619
Intangible assets	11	**20,100**	6,870	**-**	-
Investments	12	**3,626,275**	5,585,049	**59,831,918**	11,338,710
Other assets	14	**329,315**	322,678	**52,969**	52,969
		4,198,821	6,290,325	**60,017,189**	11,643,298
Current assets					
Trade receivables and other assets	14	**62,273,918**	27,010,628	**2,322,734**	37,911,780
Digital assets	11	**1,826,694,524**	427,524,070	**-**	-
Cash at bank	13	**2,265,817**	2,350,042	**16,121**	6,396
Amounts due from brokers	13	**66,517,815**	39,405,202	**189,247**	300,067
		1,957,752,074	496,289,942	**2,528,102**	38,218,243
Total Assets		**1,961,950,895**	502,580,267	**62,545,291**	49,861,541
LIABILITIES					
Current liabilities					
Trade payables and other liabilities	15	**(1,792,935,550)**	(419,340,004)	**(5,559,871)**	(2,894,212)
Amounts due to brokers	13	**(112,120,817)**	(37,630,992)	**-**	-
Current tax liabilities	9	**(397,690)**	(265,803)	**-**	-
Total liabilities		**(1,905,454,057)**	(457,236,799)	**(5,559,871)**	(2,894,212)
Net current assets		**52,298,017**	39,053,143	**(3,031,769)**	35,324,031
Net assets		**56,496,838**	45,343,468	**56,985,420**	46,967,329
EQUITY					
Share capital	16	**31,278**	2,214,801	**31,278**	2,214,801
Share premium	16	**2,387,070**	110,610	**2,387,070**	110,610
Other reserves	17	**1,209,878,105**	168,812,966	**13,261,781**	868,965
Retained earnings		**(1,155,799,615)**	(125,794,909)	**41,305,291**	43,772,953
Equity attributable to the owners of the parent		**56,496,838**	44,728,358	**56,985,420**	46,967,329
Non-controlling interests		**-**	615,110	**-**	-
Total equity		**56,496,838**	45,343,468	**56,985,420**	46,967,329

The financial statements on pages 38 to 80 were approved by the board of directors and signed on its behalf by:

Jean-Marie Mognetti

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Jean-Marie Mognetti
Director
Date: 28 May 2021

The notes on pages 35 to 76 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £	Share premium £	Other reserves £	Retained earnings £	Total equity £	Attributable to the parent £	Non-controlling interest £
At 1 January 2019		**2,214,236**	**110,610**	**104,322,050**	**(68,003,063)**	**38,643,833**	**37,725,503**	**918,330**
Loss for the year		-	-	-	(62,123,731)	(62,123,731)	(103,097,980)	40,974,249
Other comprehensive income for the year		-	-	64,490,916	6,547,057	71,037,973	111,046,366	(40,008,393)
Total comprehensive income		**-**	**-**	**64,490,916**	**(55,576,674)**	**8,914,242**	**7,948,386**	**965,856**
Shares issued	16	827	-	-	-	827	827	-
Shares redeemed	16	(262)	-	-	-	(262)	(262)	-
Total transactions with owners recognised in equity		**565**	**-**	**-**	**-**	**565**	**565**	**-**
Acquisition of non-controlling interest		-	-	-	(2,215,172)	(2,215,172)	(946,096)	(1,269,076)
Total changes in ownership interests in subsidiaries that do not result in a loss of control		**-**	**-**	**-**	**(2,215,172)**	**(2,215,172)**	**(946,096)**	**(1,269,076)**
At 31 December 2019		**2,214,801**	**110,610**	**168,812,966**	**(125,794,909)**	**45,343,468**	**44,728,358**	**615,110**
Loss for the year		-	-	-	(1,390,609,721)	(1,390,609,721)	(1,263,118,021)	(127,491,700)
Other comprehensive income for the year		-	-	1,040,756,693	368,272,003	1,409,028,696	1,279,867,732	129,160,964
Total comprehensive income		**-**	**-**	**1,040,756,693**	**(1,022,337,718)**	**18,418,975**	**16,749,711**	**1,669,264**
Shares issued	16	2,750	2,276,460	-	-	2,279,210	2,279,210	-
Shares redeemed	16	(2,186,273)	-	-	287	(2,185,986)	(2,185,986)	-
Share based payments	17	-	-	308,446	-	308,446	308,446	-
Distribution to owners	12	-	-	-	(5,382,901)	(5,382,901)	(5,382,901)	-
Total transactions with owners recognised in equity		**(2,183,523)**	**2,276,460**	**308,446**	**(5,382,614)**	**(4,981,231)**	**(4,981,231)**	**-**
Acquisition of non-controlling interest	23	-	-	-	(2,284,374)	(2,284,374)	-	(2,284,374)
Total changes in ownership interests in subsidiaries that do not result in a loss of control		**-**	**-**	**-**	**(2,284,374)**	**(2,284,374)**	**-**	**(2,284,374)**
At 31 December 2020		**31,278**	**2,387,070**	**1,209,878,105**	**(1,155,799,615)**	**56,496,838**	**56,496,838**	**-**

The notes on pages 38 to 80 are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £	Share premium £	Other reserves £	Retained earnings £	Total equity £
At 1 January 2019		**2,214,236**	**110,610**	**34,813,202**	**1,629,038**	**38,767,086**
Loss for the year		-	-	-	(1,337,420)	**(1,337,420)**
Other comprehensive income for the year		-	-	(33,944,237)	43,481,335	**9,537,098**
Total comprehensive income		**-**	**-**	**(33,944,237)**	**42,143,915**	**8,199,678**
Shares issued	16	827	-	-	-	**827**
Shares redeemed	16	(262)	-	-	-	**(262)**
Total transactions with owners recognised in equity		**565**	**-**	**-**	**-**	**565**
At 31 December 2019		**2,214,801**	**110,610**	**868,965**	**43,772,953**	**46,967,329**
Profit for the year		-	-		2,917,555	**2,917,555**
Other comprehensive income for the year		-	-	12,084,370	(2,603)	**12,081,767**
Total comprehensive income		**-**	**-**	**12,084,370**	**2,914,952**	**14,999,322**
Shares issued	16	2,750	2,276,460	-	-	**2,279,210**
Shares redeemed	16	(2,186,273)	-	-	287	**(2,185,986)**
Share based payments	17	-	-	308,446	-	**308,446**
Distribution to owners	12	-	-	-	(5,382,901)	**(5,382,901)**
Total transactions with owners recognised in equity		**(2,183,523)**	**2,276,460**	**308,446**	**(5,382,614)**	**(4,981,231)**
At 31 December 2020		**31,278**	**2,387,070**	**13,261,781**	**41,305,291**	**56,985,420**

The notes on pages 38 to 80 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (1/2)

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Cash flows from operating activities			
Loss after taxation		**(1,390,609,721)**	(62,123,731)
Adjustments for:			
- Depreciation	10	**209,758**	154,536
- Amortisation of goodwill		**623**	944
- Amortisation of intangibles	11	**1,975**	422
- Share based payments	17	**308,446**	-
- Net finance income	8	**(2,601,354)**	(526,891)
- Taxation expense	9	**401,363**	268,517
- Gain on financial instruments settled through digital assets	5	**(16,490,352)**	(53,554,966)
- Gain on other financial instruments	5	**(25,642,310)**	-
- Gain on investments	12	**(1,473,783)**	(42,058)
- Loss on joint ventures	12	**531,419**	447,324
		(1,435,363,936)	(115,375,903)
Changes in working capital:			
- Trade and other receivables		**(12,845,111)**	(18,919,327)
- Trade and other payables		**1,465,692,367**	208,057,757
Cash provided by operations		**17,483,320**	73,762,527
Interest paid	8	**(1,191,403)**	(404,200)
Taxation paid	9	**(269,327)**	(44,228)
Net cash flow provided by operating activities		**16,022,590**	73,314,099
Cash flows from investing activities			
Net purchase of digital assets	11	**(65,115,973)**	(100,435,116)
Additions to intangible assets	11	**(15,205)**	(7,292)
Additions to property, plant and equipment	10	**(65,160)**	(320,748)
Disposals of property, plant and equipment	10	**7,915**	3,799
Acquisition of subsidiaries		**-**	(24,254)
Disposal of subsidiaries	12	**(84)**	-
Purchase of joint ventures	12	**(412,154)**	(540,503)
Purchase of investments	12	**(3,651,548)**	(1,464,006)
Disposal of investments	12	**677,043**	2,171,435
Net disposal of listed equities	12	**881,505**	-
Finance income	8	**3,792,762**	926,571
Net cash used in investing activities		**(63,900,899)**	(99,690,114)

CONSOLIDATED STATEMENT OF CASH FLOWS (2/2)

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Cash flows from financing activities			
Issue of shares	16	**-**	565
Redemption of shares	16	**(2,185,986)**	-
Acquisition of non-controlling interest		**-**	(2,215,172)
Net cash used in financing activities		**(2,185,986)**	(2,214,607)
Net decrease in cash and cash equivalents		**(50,064,295)**	(28,590,622)
Cash and cash equivalents			
At the beginning of the year		**4,124,252**	32,896,992
Effects of currency translation on cash and cash equivalents		**2,602,858**	(182,118)
At the end of the year	13	**(43,337,185)**	4,124,252
Cash and cash equivalents comprise			
Cash at bank		**2,265,817**	2,350,042
Amounts due from brokers		**66,517,815**	39,405,202
Amounts due to brokers		**(112,120,817)**	(37,630,992)
At the end of the year		**(43,337,185)**	4,124,252
Non-cash analysis			
Cash flows from investing activities			
Acquisition of subsidiaries	12, 24	**(2,279,210)**	-
Disposal of subsidiaries *	12	**(69,714)**	-
Disposal of investments *	12	**5,452,615**	-
Cash flows from financing activities			
Issue of shares	16, 24	**2,279,210**	-
Distribution to owners *	12	**(5,382,901)**	-
		-	-

* These entries relate to the disposal of GVL and distribution to owners which includes the disposal of group investments.

The Company is a qualifying entity for the purposes of FRS 102 and has elected to take the exemption under FRS 102, para 1.12(b) not to present the Company statement of cash flows.

The notes on pages 35 to 76 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

1. General information

CoinShares International Limited (the 'Company') and its subsidiaries (together the 'Group') operates in Jersey, Channel Islands. The principal activity of the Group is to engage in creating financial products associated with digital assets and blockchain technology.

The Company is a public company limited by shares and is incorporated and domiciled in Jersey. The address of its registered office is 2nd Floor, 2 Hill Street, St Helier, Jersey JE2 4UA.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated 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 United Kingdom and the Republic of Ireland and the Companies (Jersey) Law 1991.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group and Company accounting policies, see note 2.6.

The following principal accounting policies have been applied:

2.2 Going concern basis

The Group had net assets of £56,496,838 (2019: £45,343,468), an operating loss of £1,393,752,076 (2019: loss of £61,976,839), and total comprehensive income of £18,418,975 (2019: £8,914,242). The directors have prepared these financial statements on a going concern basis on the understanding that they have satisfied themselves that sufficient working capital will be available for the foreseeable future.

The Group has an obligation to settle amounts due to investors for certificates that reference the performance of specific digital assets issued. As the Group holds hedging assets in excess of this liability, the directors consider that they will be able to convert digital assets to fiat currency so as to settle the obligations in the event that certificates are redeemed and so deem a going concern risk to not be material.

The Group holds the majority of its digital assets with third party exchanges and custodians, some of which are pooled with other assets in “hot” wallets. As such, a counterparty risk exists in relation to the availability of these assets, which may impact the ability to convert these assets into fiat currency in order to meet its collateral liability to certificate holders as and when its obligations fall due.

However, the directors do not deem this uncertainty to be material as a significant proportion of digital assets (over 85% at 31 December 2020 (2019: over 80%)) are held in cold storage, with private key segmentation, at any point in time. In addition, delays in the settlement of the certificates may be imposed or certain modifications be made in the occurrence of market illiquidity or other disruptions. Full details on these are available on the Group’s website coinshares.com/etps/xbt-provider.

Furthermore, the directors deem the cyber security of the Group to be sufficient to mitigate cyber risk and the risk of theft of digital assets that could potentially leave the Group unhedged and exposed in its obligation to certificate holders.

Accordingly, the directors have prepared the financial statements on a going concern basis.

2.3 Separate financial statements

Under Article 105(11) of the Companies (Jersey) Law 1991, the directors of a holding company need not prepare separate financial statements. The directors have elected to prepare separate financial statements as if the Company was UK-incorporated, because the Company prepares its financial statements in accordance with FRS 102. Accordingly, the Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its separate statement of comprehensive income and related notes that form a part of the Company’s separate financial statements. The Company qualifies as a small entity under FRS 102.

2.4 Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings together with the Group’s share of the results of associates and joint ventures made up to 31 December.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity, it accounts for that entity as a subsidiary.

Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group’s accounting policies when preparing the consolidated financial statements.

A joint venture is an entity, being neither a subsidiary nor an associate, in which the Group has an interest and where the entity operates in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity. The results of joint ventures are accounted for using the equity method of accounting.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Group holds a long-term interest and where the Group has significant influence. The Group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate. The results of associates are accounted for using the equity method of accounting.

Any subsidiary undertakings or associates sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.

Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated statement of comprehensive income. The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings. The gain or loss also includes amounts included in other comprehensive income that are required to be reclassified to profit and loss but excludes those amounts that are not required to be reclassified.

Where control of a subsidiary is achieved in stages, the initial acquisition that gave the Group control is accounted for as a business combination. Thereafter where the Group increases its controlling interest in the subsidiary the transaction is treated as a transaction between equity holders. Any difference between the fair value of the consideration paid and the carrying amount of the non-controlling interest acquired is recognised directly in equity. No changes are made to the carrying value of assets, liabilities or provisions for contingent liabilities.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the Group's interest in the entity.

2.5 Foreign currency translation

Functional and presentation currency

The Group's financial statements are presented in pound sterling, which is the functional currency. All values are rounded to the nearest pound, except when otherwise indicated.

Transactions and balances

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

At each period end foreign currency monetary items are translated using 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 the 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 the profit and loss account.

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Translation

The trading results of Group undertakings are translated into pound sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of opening net assets and from the translation of the profits and losses at average rates are recognised in other comprehensive income and allocated to non-controlling interests as appropriate.

2.6 Judgements and sources of estimation uncertainty

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

Critical Judgements

Accounting treatment of digital assets: the classification of digital assets as intangible in the financial statements is a significant judgement, based on the lack of clear accounting standards dealing with digital assets. This is because digital assets do not meet the definition of a financial instrument as they do not constitute a contract that gives rise to another financial asset. Furthermore, the digital assets which are used to collateralise the Group's liability do not meet the definition of inventory as the assets are held for hedging and are not held for sale in the ordinary course of business.

Digital assets are initially recognised at the value of the proceeds paid, and derecognised at the value of the proceeds received. Subsequent remeasurements are performed using the valuation formula defined in the prospectus and final terms.

Fair value movements on digital assets are recorded in other comprehensive income. When the valuation is lower than the original cost of the asset, fair value movements are recognised through profit and loss.

Key accounting estimates and assumptions

i. Useful economic life of property, plant and equipment: the annual depreciation charges of property, plant and equipment are sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates.

ii. Useful economic life of goodwill: the annual amortisation charge of goodwill is sensitive to changes in the estimated useful economic lives and residual values of the investments. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates.

iii. Impairment of debtors: the Group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, the directors consider factors including the current credit rating of the debtor, the age profile of the debtor and historical experience.

iv. Revaluation of investments: investments in joint ventures are revalued at the year end using the equity method. Investments that form part of an investment portfolio are held at fair value through profit and loss.

2.7 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered, net of discounts and value added taxes.

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

Sale of services

The Group sells investment management and advisory services. Revenue is recognised in the accounting period in which the services are rendered if the revenue can be measured reliably, based on the terms of the contract.

2.8 Expenses

All expenses of the Group are recognised on an accruals basis.

2.9 Employee benefits

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

Short term benefits

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

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

Annual bonus plan

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

Employee incentive share plan

Equity-settled arrangements are measured at fair value at the date of the grant. The fair value is expensed as the vesting conditions are met over the period. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that are expected to vest.

Where equity-settled arrangements are modified, and are of some benefit to the employee, the incremental fair value is recognised over the period from the date of modification to date of vesting. Where a modification is not beneficial to the employee there is no change to the charge for share-based payments. Settlements and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in the profit and loss account.

The Group has no cash-settled arrangements.

2.10 Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in the profit and loss as incurred.

Depreciation is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

Furniture and fittings	3 years
Office equipment	3 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each year end. The effects of any revision are recognised in the profit and loss when the changes arise.

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

2.11 Intangible assets - digital assets

Digital assets are accounted for as an intangible asset under the revaluation model.

Under FRS102, intangible assets are presumed to have a finite life. However, in the case of digital assets, the residual value is equal to the carrying value, because (i) there is an active market, (ii) it is probable that the market will exist and (iii) the residual value can be determined in reference to the market.

All purchases and sales of digital assets are recognised at the trade date, as the settlement of digital assets is done instantly, after the trade has taken place.

Digital assets are remeasured using the average price on the three most liquid exchanges, as defined in the prospectus.

Fair value hierarchy

Level 1 – The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3 – Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The directors' assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement and it considers factors specific to the investment.

Digital assets are valued by the Group based on the average price on the three most liquid exchanges, as defined in the prospectus. As such digital assets have been classified as Level 2.

If the digital asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income. However, the increase shall be recognised in the profit and loss to the extent that it reverses previously recognised revaluation losses in the profit and loss.

The decrease in the carrying value of a digital asset as a result of a revaluation shall be recognised in other comprehensive income to the extent that it reverses previously recognised gains in other comprehensive income. If a revaluation loss exceeds the accumulated gains recognised in equity in respect of digital assets, the excess shall be recognised in the profit and loss.

Digital assets are derecognised when the Group has transferred substantially all risks and rewards of ownership on disposal. Gains or losses realised on disposal of the digital assets are presented in the statement of changes in equity as a transfer from the revaluation reserve to retained earnings.

2.12 Other intangible assets

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

Amortisation is provided on the following basis:

Website	10 years
Trademarks	10 years

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

2.13 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

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

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

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

2.14 Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its expected useful life which is estimated to be ten years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the profit and loss. No reversals of impairment are recognised.

2.15 Investments

Initial recognition

Investments that form part of an investment portfolio are held at fair value through profit and loss (refer to note 2.6 on judgement exercised by directors).

Investments in joint ventures are held at fair value through other comprehensive income in the Company only statement of financial position and revalued using the equity method upon consolidation.

Investments in subsidiaries are held at fair value through other comprehensive income in the Company only statement of financial position.

Equity Method

Under the equity method, an investment in a joint venture is initially recognised at cost. The carrying amount of the investment is increased or decreased to recognise changes in the Group's share of the profit or loss of the investee after the date of acquisition. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of comprehensive income reflects the Group's share of the results from joint ventures. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income.

Investments in joint ventures are assessed at each year end and tested for impairment when there is an indication that the recoverable amount has fallen below the carrying value of the investment. Impairment losses are recognised within 'Share of joint venture profit/(loss)' in the consolidated statement of comprehensive income.

Fair value

The directors perform an internal valuation exercise on all investments held at fair value using methodologies deemed appropriate. Factors considered in valuing individual investments include future cash flows, comparable companies, recent financings and anticipated exits.

Investment valuations are subject to several key judgements and reflect both local and external economic factors. In selecting the investment valuation criteria, the directors evaluated the key drivers relevant to each investment in conjunction with local partners, supported, wherever practicable, by local market data.

Due to the inherent uncertainty and judgement with such valuation techniques, these estimated fair values do not necessarily represent the amounts that will ultimately be realised.

2.16 Cash and cash equivalents

Cash at bank

Cash at bank consists of balances with banks and are classified as basic financial assets with a maturity of three months or less.

Cash deposits with financial institutions are repayable without penalty on notice of not more than 24 hours.

Amounts due from/to brokers

Amounts due from/to brokers represent cash receivable from/payable to Interactive Brokers, Cowen and Mangold in relation to the certificate liability transactions, and are classified as basic financial assets/liabilities.

2.17 Amounts due from/to exchanges

Amounts due from/to exchanges represents cash receivables from/payable to exchanges in relation to digital assets transactions and are classified as basic financial assets/ liabilities.

2.18 Operating leases: the Group as a lessee

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

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

2.19 Financial instruments

The Group has elected to apply the recognition and measurement provisions of IFRS 9 Financial Instruments Recognition and Measurement (as adopted for use in the EU) and the disclosure requirements of FRS 102.

Financial Assets

Basic financial assets including trade receivables are non interest-bearing and are recognised initially at fair value (transaction price), and subsequently amortised using the effective interest rate method, less provision for impairment.

Loans to related corporations are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

The Group assesses at each year end whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit and loss.

These assets are presented as current assets except for those that are expected to be realised later than 12 months after the year end, which are presented as non-current assets.

Financial liabilities

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the year which are unpaid. They are classified as current liabilities if payment is due within one year (or in the normal operating cycle of the business, if longer). Otherwise, they are presented as non-current liabilities.

Trade payables are non interest-bearing and are recognised initially at fair value (transaction price) and subsequently measured at amortised cost using the effective interest method.

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the year end, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at their fair values (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit and loss over the period of the borrowings using the effective interest method.

Complex Financial Instruments

The Group issues certificates designed to reflect the change in value of Bitcoin, Ether, Litecoin and XRP. They are valued on the basis of the average Bitcoin exchange rate on three stock exchanges and relevant exchange rates in US$ and EUR against SEK. Bitcoin, Ether and other exchange rates are assessed on the year end date.

The buying and selling of certificates is reported on the transaction day. Assets and liabilities are valued at fair value in the statement of financial position with movements in the Statements of Comprehensive Income. Assets include receivables regarding loaned Bitcoin, Ether, Litecoin and XRP. Liabilities include certificate liabilities.

Investments in complex financial instruments that are either publicly traded or whose fair values can be measured reliably are subsequently measured at fair value. Changes in fair value are recognised in the statement of comprehensive income. The fair value basis is consistent with the measurement of digital assets (level 2), being the underlying assets of the investments.

Other complex financial instruments are subsequently valued at amortised cost using the effective interest method.

2.20 Taxation

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

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

The taxation charge is based on the profit for the year as adjusted for tax purposes. The Company pays tax at 0%, the standard Jersey tax rate.

2.21 Share capital

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

2.22 Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

3. Operating segments

The Group comprises one core operating segment from which it earns both revenues and incurs expenses, being the issuance of its suite of exchange traded products ('ETPs'). The management fees generated by ETPs are disclosed separately in respect of the digital assets they reference. All management fees arise on certificates issued in Sweden.

The accounting policies of the operating segment are the same as those adopted by the Group as described in note 2.

Segment operating profit represents the profit generated by the operating segment which comprises management fees less the administrative costs of the Group directly attributable to the issuance and hedging activities relating to the ETPs. The intercompany collateral expense, gain on financial instruments settled through digital assets and fair value gains on digital assets recognised through other comprehensive income are all allocated to this operating segment as they arise due to fluctuations in the exchange traded product prices, the Group's hedging activites for the liabilities arising thereon, and price fluctuations of the Group's digital asset holdings.

This is the measure reported to the Group's Chief Executive, being the Group's chief operating decision maker, for the assessment of segment performance.

The following is an analysis of the Group's revenue and results by reportable segment in 2020.

	Exchange Traded Products £	Other £	Total £
Management fee - Bitcoin ETPs	14,468,420	-	**14,468,420**
Management fee - Ethereum ETPs	3,817,695	-	**3,817,695**
Management fee - Other ETPs	68,734	-	**68,734**
Other revenue	-	34,564	**34,564**
Total revenue	18,354,849	34,564	**18,389,413**
Administrative expenses	(10,259,154)	(4,053,321)	**(14,312,475)**
Gain on financial instruments	41,621,323	511,339	**42,132,662**
Intercompany collateral expense	(1,440,568,711)	-	**(1,440,568,711)**
Other operating income	-	607,035	**607,035**
Operating loss	(1,390,851,693)	(2,900,383)	**(1,393,752,076)**
Fair value gain on digital assets through OCI*	1,410,871,740		
Adjusted operating profit*	**20,020,047**		

* Operating profit for the operating segment is shown inclusive of fair value gains on digital assets, as this is the measure by which the Group's Chief Executive measures segment performance.

These amounts are recognised through other comprehensive income in accordance with the accounting policies of the Group.

The following is an analysis of the Group's assets and liabilities by reportable segment as at 31 December 2020.

	Exchange Traded Products £	Other £	Total £
Assets			
Digital assets - Bitcoin	1,478,410,988	-	**1,478,410,988**
Digital assets - Ethereum	341,387,801	-	**341,387,801**
Digital assets - Other	6,549,499	346,236	**6,895,735**
Trade receivables and other assets	35,268,245	27,005,673	**62,273,918**
Amounts due from brokers	65,664,132	853,683	**66,517,815**
Other assets	-	6,464,638	**6,464,638**
Total assets	1,927,280,665	34,670,230	**1,961,950,895**
Liabilities			
Certificate liability - Bitcoin	(1,397,550,378)	-	**(1,397,550,378)**
Certificate liability - Ethereum	(353,742,184)	-	**(353,742,184)**
Certificate liability - Other	(6,271,989)	-	**(6,271,989)**
Trade payables and other liabilities	(31,814,911)	(3,556,088)	**(35,370,999)**
Amounts due to brokers	(112,120,817)	-	**(112,120,817)**
Other liabilities	(397,690)	-	**(397,690)**
Total liabilities	(1,901,897,969)	(3,556,088)	**(1,905,454,057)**
Net assets	**25,382,696**	**31,114,142**	**56,496,838**

The following is an analysis of the Group's revenue and results by reportable segment in 2019.

	Exchange Traded Products £	Other £	Total £
Management fee - Bitcoin ETPs	9,080,582	-	**9,080,582**
Management fee - Ethereum ETPs	2,057,392	-	**2,057,392**
Management fee - Other ETPs	29,394	-	**29,394**
Other revenue	-	163,203	**163,203**
Total revenue	11,167,368	163,203	**11,330,571**
Administrative expenses	(6,312,838)	(2,970,805)	**(9,283,643)**
Gain on financial instruments	53,554,966	-	**53,554,966**
Intercompany collateral expense	(118,108,035)	-	**(118,108,035)**
Other operating income	-	529,302	**529,302**
Operating loss	(59,698,539)	(2,278,300)	**(61,976,839)**
Fair value gain on digital assets through OCI*	72,466,724		
Adjusted operating profit*	**12,768,185**		

* Operating profit for the operating segment is shown inclusive of fair value gains on digital assets, as this is the measure by which the Group's Chief Executive measures segment performance.

These amounts are recognised through other comprehensive income in accordance with the accounting policies of the Group.

The following is an analysis of the Group's assets and liabilities by reportable segment as at 31 December 2019.

	Exchange Traded Products £	Other £	Total £
Assets			
Digital assets - Bitcoin	365,547,287	-	**365,547,287**
Digital assets - Ethereum	59,959,507	-	**59,959,507**
Digital assets - Other	1,221,226	796,050	**2,017,276**
Trade receivables and other assets	1,513,436	25,497,192	**27,010,628**
Amounts due from brokers	37,532,254	1,872,948	**39,405,202**
Other assets	-	8,640,367	**8,640,367**
Total assets	465,773,710	36,806,557	**502,580,267**
Liabilities			
Certificate liability - Bitcoin	(341,101,374)	-	**(341,101,374)**
Certificate liability - Ethereum	(53,132,154)	-	**(53,132,154)**
Certificate liability - Other	(1,276,954)	-	**(1,276,954)**
Trade payables and other liabilities	(22,844,183)	(985,339)	**(23,829,522)**
Amounts due to brokers	(37,630,992)	-	**(37,630,992)**
Other liabilities	(265,803)	-	**(265,803)**
Total liabilities	(456,251,460)	(985,339)	**(457,236,799)**
Net assets	**9,522,250**	**35,821,218**	**45,343,468**

4. Revenue

	2020 £	2019 £
Management fees	**18,354,849**	11,167,368
General Partner's Share	**34,564**	163,203
	18,389,413	11,330,571
Other income	**607,035**	529,302
	18,996,448	11,859,873

The Group generates the majority of income from management fees arising on tracker certificates issued by XBT Provider AB (publ) ('XBTP').

The Group also earns income through the General Partner's share from CoinShares Fund II LP (for which its subsidiary, CoinShares GP II Limited ('CSGP2L'), acts as General Partner), which in accordance with the Limited Partnership Agreement is one quarter of two percent of the capital deployed per quarter. In 2019, the General Partner's share was earned from CoinShares Fund I LP (for which its subsidiary, CoinShares General Partner Limited ('CSGPL'), acts as General Partner), which in accordance with clause 11.5 of the Limited Partnership Agreement is one twelfth of three per cent of the Partnership's net asset value per month.

5. Net gain on digital assets and related financial instruments

	2020 £	2019 £
Intercompany collateral expense	**(1,440,568,711)**	(118,108,035)
Fair value gain on digital assets	**1,410,871,740**	72,466,724
Gain on financial instruments settled through digital assets	**16,490,352**	53,554,966
Gain on other financial instruments	**25,642,310**	-
	12,435,691	7,913,655

The intercompany collateral expense represents the fair value movement in the intercompany collateral obligation of the tracker certificates issued by XBTP and is recognised through profit and loss.

Fair value gain on digital assets represent the fair value movement in digital assets, held principally as collateral for the Group's financial obligations and is recognised through other comprehensive income.

Gain on financial instruments settled through digital assets represents the proceeds received from financial instruments that are settled in the underlying digital asset and is recognised through profit and loss. See note 20 for further details.

Gain on other financial instruments represents the proceeds received from financial instruments settled in cash and is recognised through profit and loss.

6. Administration expenses

Included within administration expenses of £14,312,475 (2019: £9,283,643), (see page 54) are the following:

	2020 £	2019 £
Amortisation of goodwill	**623**	944
Amortisation of intangible assets	**1,975**	422
Depreciation of tangible fixed assets	**209,758**	154,536
Loss/(gain) on foreign exchange	**94,765**	(561,389)
Rent charged under operating leases	**1,049,075**	1,223,139
Wages and salaries	**6,702,605**	3,893,415
Fees payable to the Company's auditor for the audit of the Group's financial statements	**150,000**	125,630

7. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	**2,780,557**	937,126
	2,780,557	937,126

8. Net finance income

	2020 £	2019 £
Interest income	**3,792,762**	931,091
Interest expense	**(1,191,408)**	(404,200)
Net interest income	**2,601,354**	526,891

The Group earns interest income on fixed income lending activities undertaken by CoinShares Capital Markets (Jersey) Limited ('CSCMJL'), in addition to interest through bank deposits.

The Group pays interest on amounts owed to brokers and borrowings for use in trading.

9. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on results for the year	**401,363**	268,517
Taxation on ordinary activities	**401,363**	268,517

The Group is subject to various corporation taxes as noted below. The Company is subject to tax at the rate of 0%.

	2020 £	2019 £
Profit/(loss) on ordinary activities before tax	**2,917,555**	(1,337,420)
Tax calculated at Jersey tax rate of 0% (2019: 0%) for the Company	**-**	-
Effects of:		
Tax calculated at Jersey tax rate for regulated financial service companies of 10% (incurred by CoinShares (Jersey) Limited ('CSJL'))	**191,374**	259,986
Tax calculated at Swedish tax rate of 22% (incurred by XBTP)	**2,730**	2,589
Tax calculated at UK tax rate of 19% (incurred by CoinShares Capital Markets (UK) Limited ('CSCMUK'))	**207,259**	5,942
Total tax charge for the year	**401,363**	268,517
Current tax liability	**397,690**	265,803

10. Property, plant and equipment

GROUP	Furniture & Fittings £	Office Equipment £	Total £
Cost			
At 1 January 2020	434,727	161,177	**595,904**
Additions	23,465	41,695	**65,160**
Disposals	-	(8,581)	**(8,581)**
Effects of currency translation	-	(1,023)	**(1,023)**
At 31 December 2020	458,192	193,268	**651,460**
Accumulated depreciation			
At 1 January 2020	157,582	62,594	**220,176**
Charge for the year	148,294	61,464	**209,758**
Disposals	-	(666)	**(666)**
Effects of currency translation	-	(939)	**(939)**
At 31 December 2020	305,876	122,453	**428,329**
Net book value			
At 31 December 2020	**152,316**	**70,815**	**223,131**
At 31 December 2019	277,145	98,583	375,728

COMPANY	Furniture & Fittings £	Office Equipment £	Total £
Cost			
At 1 January 2020	349,285	15,412	**364,697**
Additions	3,455	-	**3,455**
At 31 December 2020	352,740	15,412	**368,152**
Accumulated depreciation			
At 1 January 2020	107,331	5,747	**113,078**
Charge for the year	117,577	5,195	**122,772**
At 31 December 2020	224,908	10,942	**235,850**
Net book value			
At 31 December 2020	**127,832**	**4,470**	**132,302**
At 31 December 2019	241,954	9,665	251,619

11. Intangible assets

	2020 £	2019 £
Digital assets	**1,826,694,524**	427,524,070
Other intangible assets	**20,100**	6,870
	1,826,714,624	427,530,940

Digital assets	**2020 Units**	**2019 Units**	**2020 £**	**2019 £**
By Currency				
Bitcoin	**69,676**	67,205	**1,478,410,988**	365,547,287
Ethereum	**624,933**	603,575	**341,387,801**	59,959,507
Litecoin	**36,126**	17,177	**3,354,468**	547,145
XRP	**19,745,027**	4,651,930	**3,195,031**	674,081
Other digital assets			**346,236**	796,050
			1,826,694,524	427,524,070

	2020 £	2019 £
Reconciliation of Digital Assets		
Digital assets opening balance	**427,524,070**	217,520,651
Net purchases	**65,115,973**	100,435,116
Fair value gain on digital assets	**1,410,871,740**	72,466,724
Gain on financial instruments settled through digital assets (See note 20)	**16,490,352**	53,554,966
Effect of currency translation	**(93,307,611)**	(16,453,387)
Digital assets closing balance	**1,826,694,524**	427,524,070

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Other intangible assets

GROUP	Website Domains £	Trademarks £	Total £
Cost			
At 1 January 2020	-	7,292	**7,292**
Additions	13,099	2,106	**15,205**
At 31 December 2020	13,099	9,398	**22,497**
Accumulated amortisation			
At 1 January 2020	-	422	**422**
Charge for the year	1,190	785	**1,975**
At 31 December 2020	1,190	1,207	**2,397**
Net book value			
At 31 December 2020	**11,909**	**8,191**	**20,100**
At 31 December 2019	-	6,870	6,870

The Company does not hold any intangible assets (2019: £nil).

12. Investments

GROUP	Investments in Subsidiaries £	Investments in Joint Ventures £	Investments in Listed Equities £	Other Investments £	Total £
At 1 January 2020	-	635,705	-	4,949,344	**5,585,049**
Additions	-	412,154	78,180,466	3,651,548	**82,244,168**
Disposals	-	-	(79,061,971)	(6,129,658)	**(85,191,629)**
Fair value gain through profit and loss	-	-	881,505	592,278	**1,473,783**
Fair value gain through other comprehensive income	-	-	-	46,323	**46,323**
Share of joint ventures losses	-	(531,419)	-	-	**(531,419)**
At 31 December 2020	**-**	**516,440**	**-**	**3,109,835**	**3,626,275**

COMPANY	Investments in Subsidiaries £	Investments in Joint Ventures £	Investments in Listed Equities £	Other Investments £	Total £
At 1 January 2020	10,689,169	191,907	-	457,634	**11,338,710**
Additions	39,681,686	-	78,180,466	3,029,640	**120,891,792**
Disposals	(5,870,189)	-	(79,061,971)	(457,634)	**(85,389,794)**
Fair value gain through profit and loss	219,845	(191,907)	881,505	-	**909,443**
Fair value gain through other comprehensive income	12,081,767	-	-	-	**12,081,767**
At 31 December 2020	**56,802,278**	**-**	**-**	**3,029,640**	**59,831,918**

The carrying value of Glint Limited, the Group's only associate, is £nil (2019: £nil).

The Company's direct subsidiaries, associates and investments as at 31 December 2020 are as follows.

Name	Defined as	Investee Relationship	CSIL's Ownership %	Jurisdiction	Date of Acquisition
CoinShares (Holdings) Limited	CSHL	Subsidiary	100% (2019: 90%)	Jersey	25/04/2017
Glint Limited	N/A	Associate	40%	Jersey	30/09/2017
Komainu Holdings Limited	KHL	Joint Venture	19%	Jersey	23/08/2018
SBG 1320 LLC	N/A	Investment	8% (2019: nil)	USA	22/12/2020
3iQ Corp	N/A	Investment	9% (2019: nil)	Canada	31/12/2020

The Company's indirect subsidiaries, associates and investments as at 31 December 2020 are as follows, with ownership shown on a look-through basis.

Name	Defined as	Investee Relationship	CSIL's Ownership %	Jurisdiction	Date of Acquisition
CoinShares (Jersey) Limited	CSJL	Subsidiary	100% (2019: 90%)	Jersey	20/01/2009
XBT Provider AB (publ)	XBTP	Subsidiary	100% (2019: 90%)	Sweden	13/06/2016
CoinShares (UK) Limited	CSUK	Subsidiary	100% (2019: 90%)	UK	19/01/2017
GABI Capital Limited	GCL	Subsidiary	100% (2019: 90%)	Jersey	25/04/2017
CoinShares Capital Markets (Jersey) Limited	CSCMJL	Subsidiary	100% (2019: 90%)	Jersey	14/06/2017
CoinShares GP II Limited	CSGP2L	Subsidiary	100% (2019: 90%)	Jersey	09/02/2018
CoinShares Corporate Services (Jersey) Limited	CSCSJL	Subsidiary	100% (2019: 90%)	Jersey	25/06/2018
CoinShares Co	CSCo	Subsidiary	100% (2019: 90%)	USA	01/07/2018
Gold Token SA	GTSA	Joint Venture	50%	Switzerland	31/07/2018
CoinShares Digital Securities Limited	CSDSL	Subsidiary	100%	Jersey	09/08/2018
CoinShares Employment Services (Jersey) Limited	CSESJL	Subsidiary	100% (2019: 90%)	Jersey	09/08/2018
CoinShares Capital Markets (UK) Limited	CSCMUK	Subsidiary	100% (2019: 90%)	UK	29/10/2018
CoinShares Capital, LLC	CSCap	Subsidiary	100% (2019: 90%)	USA	18/09/2019
GABI Trading Limited (Asia)	GTLA	Subsidiary	100% (2019: 90%)	Hong Kong	12/02/2019
CoinShares GP I LLC	CSGPI	Subsidiary	100% (2019: nil)	USA	20/03/2020

The following companies changed their names during the year:

New name:	Old name:
CoinShares Digital Securities Limited	Global Advisors Corporate Services Limited
CoinShares Capital Markets (Jersey) Limited	GABI Trading Limited
CoinShares Capital Markets (UK) Limited	GABI Systems Limited

The following entities were wound up during the year.

- Global Advisors Employment Services Limited
- CoinShares General Partner Limited
- CoinShares GP III Limited
- GABI Holdings Limited

The Company disposed of its holdings in the following entities during the year:

- Gradbase Limited
- Aventures Holdings Limited
- GABI Ventures Limited (and all investments held by GABI Ventures Limited)
- XBT Partner AB (including subsidiary XBT Inhouse AB)
- Global Advisors Corporate Services Limited (transferred to CSHL)

GVL was distributed to the shareholders of the Company on 2 November 2020. The fair value of GVL was £5,382,901 at the time of distribution.

XBT Partner AB, and its subsidiary XBT Inhouse AB, were disposed of in December 2020. The fair value and consideration received for XBT Partner AB, including its subsidiary, was £487,286 at the time of disposal.

The Group restructured during the year; the 10% non-controlling interest in CSHL was purchased on 20 November 2020 for a consideration of £2,279,210. The Company settled the consideration due through the issuance of 5,555,556 ordinary shares. See note 16 for further details.

13. Cash and cash equivalents

	GROUP		COMPANY	
	2020 £	**2019 £**	**2020 £**	**2019 £**
Cash at bank	**2,265,817**	2,350,042	**16,121**	6,396
Amounts due from broker	**66,517,815**	39,405,202	**189,247**	300,067
	68,783,632	41,755,244	**205,368**	306,463
Amounts due to broker	**(112,120,817)**	(37,630,992)	**-**	-
Total cash and cash equivalents	**(43,337,185)**	4,124,252	**205,368**	306,463

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14. Trade receivables and other assets

	GROUP		COMPANY	
	2020 £	**2019 £**	**2020 £**	**2019 £**
Current				
Accounts receivable	**819,708**	1,008,151	**799,392**	91,876
Amounts due from exchanges	**4,577,042**	1,513,436	**-**	-
Amounts owed by related parties (i)	**1,105,765**	368,140	**1,290,549**	5,056,554
Convertible loan note	**-**	-	**-**	32,734,513
Deposits paid	**103,925**	132,110	**-**	-
Letter of credit (ii)	**166,498**	171,576	**-**	-
Other assets (iii)	**55,005,651**	23,150,847	**207,467**	-
Prepayments	**457,231**	541,829	**25,326**	28,837
VAT receivable	**38,098**	124,539	**-**	-
Total current	**62,273,918**	27,010,628	**2,322,734**	37,911,780
Non-current				
Deposits paid	**53,152**	53,158	**52,969**	52,969
Interest receivable	**11,163**	4,520	**-**	-
Promissory note receivable (iv)	**265,000**	265,000	**-**	-
Total non-current	**329,315**	322,678	**52,969**	52,969
Total receivables and other assets	**62,603,233**	27,333,306	**2,375,703**	37,964,749

(i) Amounts owed by related parties are unsecured, interest free, have no fixed date of repayment and are repayable on demand, apart from a fixed term loan of CHF100,000 (£82,014) to GTSA that is repayable on 28 February 2021 is also interest free. See note 23 for related party transaction disclosures.

(ii) The letter of credit with Silicon Valley Bank is in relation to a lease held by the Group. It will remain in force until 31 May 2024, unless notice is given 90 days before each anniversary of the letter being established.

(iii) Included in other assets is a loan amount issued by CSCMJL, being a loan to Genesis Capital in the sum of US$31,500,000 (£23,053,616) (2019: US$27,000,000 (£20,362,912)) plus accrued interest of US$312,842 (£228,956)(2019: US$143,137 (£107,951)). The loan has been drawn in tranches and bears interest at rates between 8-9%, the loan is secured against collateral of 1,792 Bitcoin, 26,066 Ethereum and 43,550 Bitcoin Cash tokens and has no specified repayment date.

Also included in other assets are 5,458,023 shares, valued at £30,691,203, held by the Group in the Grayscale Ethereum Trust. These shares give exposure to the price movement of Ethereum and are held as a part of the Group's collateral management obligations.

In 2019 CSCMJL also had a loan issued to Tagomi in the sum of US$3,500,000 (£2,639,637). The loan and interest was repaid in full in 2020.

(iv) A promissory note was in issue during the year, in lieu of settlement of a share issue in a subsidiary for a principal amount of £265,000 and accrues interest at 2.5% per annum. See note 23 for related party transaction disclosures.

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15. Trade payables and other liabilities

	GROUP		COMPANY	
	2020 £	**2019 £**	**2020 £**	**2019 £**
Current				
Amounts due to exchanges	**31,814,911**	22,844,183	**-**	-
Amounts owed to related parties (i)	**458,857**	-	**5,516,456**	2,844,576
Accounts payable	**192,846**	215,150	**21,213**	12,136
Accrued liabilities	**1,176,060**	437,366	**22,202**	37,500
Certificate liability (ii)	**1,757,564,551**	395,510,482	**-**	-
Loans payable	**1,728,325**	332,823	**-**	-
Total payables and other liabilities	**1,792,935,550**	419,340,004	**5,559,871**	2,894,212

(i) Amounts owed to related parties are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

(ii) Certificate liability

	2020 Number	**2020 £**	**2019 Number**	**2019 £**
Certificate type				
Bitcoin Tracker One	**4,980,253**	**512,939,706**	6,022,357	153,563,677
Bitcoin Tracker Euro	**858,163**	**884,610,672**	740,446	187,537,697
Ether Tracker One	**21,051,566**	**110,466,885**	19,955,342	17,156,952
Ether Tracker Euro	**4,628,960**	**243,275,299**	4,221,325	35,975,202
Litecoin Tracker One	**512,980**	**2,320,161**	205,932	316,833
Litecoin Tracker Euro	**20,923**	**947,247**	13,761	210,887
XRP Tracker One	**2,687,609**	**2,045,635**	771,356	541,020
XRP Tracker Euro	**126,110**	**958,946**	29,686	208,214
	34,866,564	**1,757,564,551**	31,960,205	395,510,482

Certificate owners have the right to request early redemption of certificates twice a year. The early redemption fee amounts to two percent. This is included in the certificate's terms and conditions to allow the redemption to occur should there be low liquidity.

In accordance with FRS 102, the certificates are held at fair value. The fair value of the certificates is based on the definition in the prospectus which is based on the average prices on three different digital asset exchanges.

16. Share Capital

	Allotted, called-up and fully paid			
	2020 Number	2020 £	2019 Number	2019 £
Shares classified as equity				
Ordinary shares of £0.01 each	**-**	**-**	2,825,070	28,250
Liquidation shares of £0.01 each	**-**	**-**	218,598,563	2,185,986
Redeemable shares of £0.01 each	**-**	**-**	56,501	565
Ordinary shares of £0.000495 each	**63,187,460**	**31,278**	-	-
	63,187,460	**31,278**	221,480,134	2,214,801

	Ordinary shares £	Liquidation shares £	Redeemable shares £	Total £
Movements in share capital				
At 1 January 2020	28,250	2,185,986	565	**2,214,801**
Conversion of shares between classes	565	-	(565)	**-**
Issue of new shares	2,750	-	-	**2,750**
Redemption of shares	(287)	(2,185,986)	-	**(2,186,273)**
At 31 December 2020	**31,278**	**-**	**-**	**31,278**

	Share Premium £
Movements in share premium	
At 1 January 2020	**110,610**
Issue of new shares	**2,276,460**
At 31 December 2020	**2,387,070**

All share premium balances relate to the issue of ordinary shares.

Ordinary shares issued and allotted are accounted for as equity. These shares confer on the holders the right to vote and receive dividends at the Company's discretion. If, at the Company's discretion, there is a return of assets, ordinary shares confer on the holders thereof the rights in respect of the assets of the Company available for distribution among the Shareholders.

Redeemable shares issued and allotted have no voting rights and are accounted for as equity. These shares confer on the holders the right to receive dividends at the Company's discretion. At the Company's discretion there may be a return of amounts paid up on such shares, but no further payment. On winding-up, the holders rank pari passu with ordinary shares for repayment of the subscription amount.

Liquidation shares issued and allotted have no voting rights and are accounted for as equity. At the Company's discretion there may be a return of amounts paid up on such shares, but no further payment. On winding-up, the holders have priority before all other classes of share to receive repayment of capital.

On 30 March 2020 all 56,501 redeemable shares were converted to 56,501 ordinary shares, resulting in a new total of 2,881,571 ordinary shares.

On 15 October 2020 all 2,881,571 shares were split into two new ordinary share categories. Each existing ordinary share of £0.01 was split into one ordinary share of £0.0099 and one ordinary V share of £0.0001. This had no impact on the value of shares in the Company.

On 2 November 2020 all 2,881,571 ordinary V shares were redeemed by the Company following the distribution of GVL to the Company's shareholders.

On 10 November 2020 all 215,598,563 liquidation shares were redeemed by the Company for cash.

On 16 November 2020 all ordinary shares of £0.0099 were split into 57,631,420 ordinary shares of £0.000495. Each ordinary share of £0.0099 became 20 ordinary shares of £0.000495.

On 20 November 2020 5,556,040 additional shares were issued as consideration for the purchase of the non-controlling interest in CSHL. The value of these shares was deemed to be £2,279,210, generating additional share premium of£2,276,460.

17. Reserves

The retained earnings account shows the cumulative profit and loss recognised in the statement of comprehensive income.

	Revaluation Reserve £	Currency Translation £	Share Option Reserve £	Total £
At 1 January 2020	168,468,008	344,958	-	**168,812,966**
Currency translation	-	(1,889,367)	-	**(1,889,367)**
Fair value gains on digital assets	1,410,871,740	-	-	**1,410,871,740**
Share based payments	-	-	308,446	**308,446**
Transfers to retained earnings	(368,108,698)	(163,305)	-	**(368,272,003)**
Unrealised gain on investments	46,323	-	-	**46,323**
At 31 December 2020	**1,211,277,373**	**(1,707,714)**	**308,446**	**1,209,878,105**

Other reserves primarily consist of cumulative currency translation movements in foreign subsidiaries and unrealised gains on digital assets and group undertakings.

Share option reserve

An employee incentive share plan was enacted during the year.

The establishment of the Company employee incentive share plan was approved by the board on 16 October 2020. The employee incentive share plan is designed to provide long-term incentives for employees and managers to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance criteria are met. Participation in the plan is at the board's discretion, and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

	Performance Based Options Number	**Time Based Options Number**	**Total Number**
At 1 January 2020	-	-	**-**
Granted	1,944,600	1,011,320	**2,955,920**
At 31 December 2020	**1,944,600**	**1,011,320**	**2,955,920**
Exercisable	-	-	-

The fair value of the options issued during the year at the grant date was calculated using the Black-Scholes methodology. The method takes into account the exercise price, the term of the option, the share price at the grant date, the expected volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option and the correlations and volatilities of peer group companies.

£308,446 (2019: £nil) of salary costs included within administration expenses relate to share based payments and £nil (2019: £nil) is outstanding at the year end.

18. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	2020 £	2019 £
Earnings		
Earnings for the purposes of basic earnings per share being net loss attributable to owners of the Company	**(1,263,118,021)**	(103,097,980)
Earnings for the purposes of diluted earnings per share	**(1,263,118,021)**	(103,097,980)

	2020 £	2019 £
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**58,255,576**	57,066,440
Weighted effect of dilutive potential ordinary shares: Share options	**-**	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**58,255,576**	57,066,440

	2020 £	2019 £
Basic earnings per share	**(21.68)**	(1.81)
Diluted earnings per share	**(21.68)**	(1.81)

As more fully disclosed in note 17, share options have been issued during the year, which could have a dilutive effect. As the Group has made a loss in the current year, the share options are antidilutive and therefore have not been included in the calculation of diluted earnings per share.

The directors have also chosen to present the earnings per share calculated using the Group's total comprehensive income in the place of the net loss attributable to the owners of the Company. It is the opinion of the directors that this is more representative of the Group's financial performance due to the inclusion of the fair value gains on digital assets recognised through other comprehensive income.

	2020 £	2019 £
Adjusted earnings		
Earnings for the purposes of basic earnings per share being total comprehensive income attributable to owners of the Company	**16,749,711**	7,948,386
Earnings for the purposes of diluted earnings per share	**16,749,711**	7,948,386

	2020 £	2019 £
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**58,255,576**	57,066,440
Weighted effect of dilutive potential ordinary shares: Share options	**299,642**	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**58,555,218**	57,066,440

	2020 £	2019 £
Adjusted basic earnings per share	**0.29**	0.14
Adjusted diluted earnings per share	**0.29**	0.14

The denominators for the purposes of calculating both basic and diluted earnings per share have been adjusted to reflect the issue of ordinary shares during the year.

19. Commitments

Operating lease commitments - where the Group is a lessee

The future minimum lease payables under non-cancellable operating leases contracted for at the year end but not recognised as liabilities, are as follows:

	2020 £	2019 £
Not later than one year	**555,590**	978,215
Later than one year and not later than five years	**788,224**	839,827
Later than five years	**-**	-
	1,343,815	1,818,043

20. Financial Instruments

The table below sets out the classifications of the carrying amounts of the Group's financial assets and financial liabilities. Investments classed as financial instruments are disclosed separately in note 12.

	2020 £	2019 £
Financial assets measured at amortised cost		
Accounts receivable	**819,708**	1,008,151
Amounts due from brokers	**66,517,815**	39,405,202
Amounts due from exchanges	**4,577,042**	1,513,436
Amounts owed by related parties	**1,105,765**	368,140
Cash at bank	**2,265,817**	2,350,042
Deposits paid	**157,077**	185,268
Interest receivable	**11,163**	4,520
Letter of credit	**166,498**	171,576
Loans receivable	**23,282,573**	23,110,500
Promissory note receivable	**265,000**	265,000
	99,168,458	68,381,835

	2020 £	2019 £
Financial assets measured at fair value		
Grayscale Ethereum Trust	**30,691,203**	-
	30,691,203	-

	2020 £	2019 £
Financial liabilities measured at amortised cost		
Accounts payable	**192,846**	215,150
Amounts due to brokers	**112,120,817**	37,630,992
Amounts due to exchanges	**31,814,911**	22,844,183
Amounts owed to related parties	**458,857**	-
Loans payable	**1,728,325**	332,823
	146,315,756	61,023,148

	2020 £	2019 £
Financial liabilities measured at fair value		
Certificate liability	**1,757,564,551**	395,510,482
	1,757,564,551	395,510,482

The table below sets out the individual components of the Group's realised gain on financial instruments.

	2020 £	2019 £
Realised gain on financial instruments		
(Loss)/gain on perpetual contracts settled through digital assets (i)	**(22,684,413)**	22,748,374
Gain on other financial instruments settled through digital assets (i)	**39,174,765**	30,806,592
Total gain on financial instruments settled through digital assets	**16,490,352**	53,554,966
Gain on other financial instruments (ii)	**25,642,310**	-
Total gain on financial instruments	**42,132,662**	53,554,966

(i) Gain on financial instruments through perpetual and other contracts are settled in the underlying digital asset in which the contract is denominated.

(ii) Gain on other financial instruments are cash settled and do not impact the Group's digital asset balance.

Financial instruments settled through digital assets

The Group has entered into perpetual and futures contracts with digital asset exchanges. These contracts offer synthetic exposure to digital assets while reducing working capital requirements.

A perpetual futures contract is a derivative product that is similar to a traditional futures contract, but has a few differing specifications:

1) There is no expiry or settlement; and

2) Perpetual contracts mimic a spot market and hence trade close to the underlying digital asset price. This is in contrast to a traditional futures contract which usually trades at a different price due to the time basis or time until maturity of the contract. The primary mechanism to tether the perpetual futures contract to the spot price is an interest funding mechanism.

The following table shows the exposure at the year end for financial instruments settled through digital assets, taking into account the underlying digital asset price and number of contracts held at the year end.

	2020 Number	2020 £	2019 Number	2019 £
Perpetual Contracts				
ETH exposure	-	-	18,186	1,806,586
XRP exposure	-	-	693,217	100,449
Futures Contracts				
BTC exposure	**(1,755)**	**(37,241,583)**	42	(226,819)
ETH exposure	**(8,864)**	**(4,841,966)**	-	-
	(10,619)	**(42,083,549)**	711,362	1,680,216

21. Financial Risks

The Group invests in a portfolio of digital assets and derivatives on a non-directional risk basis to generate a return, which matches its financial obligations to certificate holders. In pursuing its investment objective, the Group invests in digital assets and has a liability exposure towards certificate holders linked to digital assets, as well as the specific operational risks to trading and holding digital assets.

The following sets out a description of the principal risks inherent in the activities of the Group along with the action taken to manage these risks.

a) Market risk

i) Currency risk

The Group seeks to mitigate currency risk and within its subsidiary, CSCMJL, automatically converts amounts received in EUR and SEK from the sale of certificates by investors to US$. US$ is the functional currency of CSCMJL which automatically converts US$ to EUR and SEK as required to facilitate the redemption of notes. From time to time CSCMJL may hold small currency balances in currencies other than US$ to facilitate operational expenses and occasionally holds EUR on a temporary basis for the purchase of digital assets. On the basis of the above information, the Group believes currency risk is not material.

ii) Interest rate risk

Interest rate risk is the risk that the value of the Group will be impacted by fluctuations in the prevailing levels of market interest rates.

The majority of the Group's financial assets and liabilities are either non-interest bearing, or at a fixed interest rate and as a result, the Group is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

iii) Digital asset price risk

Digital assets are an extremely volatile asset class. Digital asset price risk arises from the uncertainty about future prices of the digital assets, impacting both the fair value of the digital assets held by the Group and the fair value of the liabilities of the Group towards certificate holders.

To mitigate its exposure to changes in prices of digital assets, the CSCMJL's automatic trading system is designed so that the exposure to changes in prices on the digital assets held is matched by the changes in value of the obligations towards certificate holders.

Reports are circulated every thirty minutes to the team members showing the net digital assets exposure. In addition, the traders are constantly monitoring the net exposure, being the number of digital assets held versus the number of currencies required to cover the exposure towards certificate holders.

b) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. Whilst there is an inherent credit risk in the digital asset market place due to the nature of digital assets, it is the Group's policy to only enter into transactions with reputable counterparties. Therefore the Group does not expect to incur material credit losses in respect of digital assets.

Certain transactions that the Group may enter into exposes it to the risk that the counterparty will not deliver the asset (purchase) or cash (sale) after the Group has fulfilled its responsibilities. The Group only transacts with brokers which have been approved by the Group as acceptable counterparties.

The carrying amount of the financial assets best represents the maximum exposure to credit risk. The carrying amount is £99,168,458 (2019: £68,381,835).

Credit risk is actively managed by transferring the cash positions to low credit risk counterparties, such as Silvergate Bank and Interactive Brokers LLC.

Silvergate Capital Corporation is a registered bank holding company for Silvergate Bank, headquartered in La Jolla, California. Silvergate Bank is a commercial bank that opened in 1988, has been profitable for 22 consecutive years, and has focused its strategy on creating the banking platform for innovators, especially in the digital asset industry, and developing product and service solutions addressing the needs of entrepreneurs. As of 30 September 2020, Silvergate had total assets of US$2.62 billion, total deposits of US$1.97 billion, and total stockholders' equity of US$283.8 million.

Interactive Brokers LLC's credit rating is BBB+ with a positive outlook.

It was necessary for operational reasons to keep a balance with the some exchanges, in order to purchase digital assets, as required to match the asset/liability exposure. When digital assets are sold on other exchanges, the proceeds held at these exchanges are wired to Silvergate Bank to mitigate the credit exposure with brokers.

Bitstamp is regulated by the CSSF, the Luxembourg regulator, and holds a payment institution license.

The Group also has receivables as a result of loans (see note 14). In the case of loans, the Group has been provided with collateral such as digital assets against the loan, meaning that should the counterparty be unable to meet its commitment, the Group has assets which it would then have available to use. The Group therefore does not expect to incur material losses with these loans.

c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities, in particular towards certificate holders.

The following maturity analysis shows that liquidity risks are dealt with through matching the maturity of the assets and liabilities.

	Carrying amount as at 31 December 2020 £	On demand £	Less than 3 months £
Current assets			
Accounts receivable	1,128,229	-	-
Amounts due from brokers	66,517,815	66,517,815	-
Amounts due from exchanges	4,577,042	4,577,042	-
Amounts owed by related parties	1,105,765	1,105,765	-
Cash at bank	2,265,817	2,265,817	-
Digital assets*	1,826,694,524	1,826,694,524	-
Other assets	55,005,651	200,164	-
Total current assets	1,957,294,843	1,901,361,127	-

	Carrying amount as at 31 December 2020 £	On demand £	Less than 3 months £
Current liabilities			
Accounts payable	192,846	192,846	-
Amounts due to brokers	112,120,817	112,120,817	-
Amounts due to exchanges	31,814,911	31,814,911	-
Certificate liability	1,757,564,551	1,757,564,551	-
Current tax liability	397,690	-	-
Loans payable	1,728,325	1,728,325	-
Total current liabilities	1,903,819,140	1,903,421,450	-
Net current assets/(liabilities)	**53,475,703**	**(2,060,323)**	-

* As disclosed in note 2 digital assets are not financial instruments however there is an active market and they are readily realisable on demand.

Pursuant to contractual agreements between certificate holders and the Group, the Group is providing hedging services to certificate holders by buying digital assets to match the liabilities of Group.

Liquidity issues could arise as a result of the redemption of certificates. In this case, the Group would be required to have sufficient liquidity to finance the redemption of the certificates. The prospectus and final terms for each series of notes issued by XBTP defined the formula at which the certificates can be redeemed based on an average of the price of the reference digital assets on three different exchanges to provide the contractual exposure defined in the final terms.

The terms and conditions of the certificates include provisions under which upon the occurrence of certain market disruptions, delays in the settlement of the certificates may be incurred or certain modifications be made. Each certificate holder may exercise the holder put option and have their certificates redeemed on the tenth business day following the end of the calendar month after the month of the exercise of the notice, in case the calculation agent determines that an asset disruption event has occurred, the certificates' redemption will be postponed until the asset disruption event ceases. These contractual provisions would also act as liquidity risk mitigating factor for the Group.

In first instance, the cash held at brokers, and then the cash at bank would be used, while the proceeds from the sale of the digital assets would be transferred to Interactive Brokers LLC to pay the noteholders.

Liquidity would be thereafter be generated by trading the digital assets already held at the exchanges. The float of digital assets held at the exchanges is monitored in real time by the trading team to make sure that the float is sufficient to deal with possible redemption requests. When the trading team believes that more digital assets are required, digital assets held in cold storage with Komainu and Coinbase Custody (2019: Coinbase Custody only) are transferred within 48 hours to the exchanges. Conversely, when the amount of digital assets held at exchange is in excess of the liquidity requirements, then digital assets are transferred to cold storage with Komainu and Coinbase Custody (2019: Coinbase Custody only).

The liquidity risk is further mitigated by only holding the most liquid digital assets, Bitcoin, Ethereum, Litecoin and XRP, for the purpose of hedging the notes.

d) Capital risk management

The capital of the Group is represented by the net assets attributable to ordinary shareholders. The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Group This is achieved through actively managing the Group's Bitcoin, Ethereum, Litecoin, XRP and related products.

e) Operational risk

These are risks relating to losses as a result of operational matters such as having inappropriate or insufficient routines, human error, systems failures and legal risks.

The main operational risk for the Group would be the inability to provide the contractual hedge through either systems failures or continuity planning issues. The risk is mitigated through the use of a highly secure algorithmic trading platform hosted in the cloud to mitigate the risk of human error. The business continuity plan was tested, and demonstrated that the traders can perform their work from anywhere.

The Group has controls designed to monitor transactions, and flag any possible inconsistencies in trading, acting as further mitigating factors for human error.

The risk of hacking, and losing digital assets in digital wallets due to fraud is reduced through the majority of the digital assets being kept in cold storage with Komainu and Coinbase Custody (2019: Coinbase Custody only), providing a cold storage vault. In addition to limiting the exposure to fraud for the Group, it also reduces the exposure to hacking of the exchanges. The exchanges are constantly monitored and the Group has built a net asset buffer which reduces operational risk.

The cyber risks are mitigated through the use of systems to prevent external attacks (firewalls, detection of possible phishing emails, encryption using secure keys and strong physical security for example).

	Carrying amount as at 31 December 2020 £	**Price change -50% £**	**Price change 100% £**
Assets			
Bitcoin	1,478,410,988	757,826,203	2,919,580,558
Ethereum	341,387,801	173,114,883	677,933,636
Litecoin	3,354,468	1,677,257	6,708,890
XRP	3,195,031	1,597,516	6,390,062
Other digital assets	346,236	346,236	346,236
Other assets	135,256,371	119,550,849	166,667,416
Total assets	1,961,950,895	1,054,112,944	3,777,626,798
Assets			
Certificate liability	1,757,564,551	851,603,442	3,569,486,769
Other liabilities	147,889,506	147,889,506	147,889,506
Total liabilities	1,905,454,057	999,492,948	3,717,376,275
Net assets	**56,496,838**	**54,619,996**	**60,250,523**

The above analysis shows the impact of both a fifty percent decline and a one hundred percent increase in digital assets prices. A 50% decline in digital asset prices would reduce the Group's net asset position to £54.6 million and does not create any going concern issues.

22. Guarantee

The Group has issued a guarantee in respect of tracker certificates issued by XBTP.

The obligations arising on XBTP from the certificates are managed by CSCMJL, which hedges the exposure of these liabilities.

CSCMJL has procured a hedge to cover the obligations of XBTP to the certificate holders by having an identical exposure in digital assets under the terms of the collateral management agreement. At 31 December 2020, CSCMJL recorded a net equity position of £50.6 million (US$69.2 million) (2019: £36.4 million (US$46.4 million)).

The guarantee could be called in the case of extreme events, such as an operational error, hacking or fraud impacting the hedging provided by CSCMJL which results in CSCMJL's net equity being insufficient to settle XBTP's obligations. In the opinion of the directors, there are sufficient controls and processes in place to mitigate such a risk by; (i) holding a float of digital assets at the exchanges which is monitored by the trading team to ensure there is a sufficient balance to deal with any redemption requests, (ii) using controls designed to monitor unusual transactions to mitigate factors for human error, (iii) CSCMJL's automatic trading system is designed so that exposure to changes in prices of digital assets are matched by changes in value of the obligations towards XBTP, (iv) limiting exposure to currency risk by using US$ as the functional currency and hedging foreign currency exposures by regularly monitoring all foreign currency denominated assets and liabilities, (v) storing the majority of digital assets offline with an institutional custody service and (vi) using a secure algorithmic trading platform hosted on the cloud. Certain aspects of the cyber security of CSCMJL were reviewed by Baker Tilly Channel Islands Limited.

As a result of the controls and processes in place, the directors consider that the risk of the guarantee being called on is very remote, and accordingly there is no provision or liability recorded within these financial statements.

23. Related Party Transactions

The investments within the Group are listed in note 12.

CoinShares General Partner Limited was the General Partner to CoinShares Fund I LP ('CS1LP') and CoinShares Fund I (Feeder) LP ('CS1 Feeder'). The Group has settled expenditure of £15,114 (2019: £63,998) and £9,223 (£30,065) for CS1LP and CS1 Feeder respectively. The funds repaid amounts of the loans during the year. The Group has written off loans of £500 and £13,934 for CS1LP and CS1 Feeder respectively in respect of expenses settled previously. The Group earned £13,468 (US$17,133) in carried interest upon the closure of CS1LP.

CoinShares GP II Limited is the General Partner to CoinShares Fund II LP ('CS2LP') and CoinShares Fund II (Feeder) LP ('CS2 Feeder'). The Group has settled expenditure of £7,769 (2019: £85,169) and £nil (2019: £5,065) for CS2LP and CS2 Feeder respectively. The Group has written off loans of £13,934 for CS2 Feeder respectively in respect of expenses settled previously and now has outstanding amounts of £4,133 (2019: £85,169) and £nil (2019: £5,065) for CS2LP and CS2 Feeder respectively at year end. The carried interest recognised as at the year end is £46,323 (2019: £nil) held as an investment.

Ms Meltem Demirors is a director of a subsidiary within the Group. On 26 April 2019 an additional 657,985 shares were issued to Meltem Demirors for £265,000 resulting in a share premium of £264,934. A promissory note was in issue in lieu of settlement during year for a principal amount of £265,000 and accrues interest at 2.5% per annum. As at year end £276,163 (2019: £269,520) was outstanding. This loan has been repaid in full subsequent to the year end.

The Group has a joint venture investment in GTSA. The Group has provided a fixed term loan of CHF100,000 that is repayable on 28 February 2021 and is interest free. As at the end of the year, the full CHF100,000 is outstanding. An amount of £81,000 (2019: £71,248) has been recognised as a receivable at the year end for this amount.

The Group has a joint venture investment in Komainu Holdings Limited ('KHL') of which Mr Jean-Marie Mognetti is a director. The Group has settled expenditure on behalf of KHL of £26,004 (2019: £56,540) of which £33,896 (2019:£7,892) remains outstanding at year end. The Group has a recharge agreement with KHL which allows for use of office facilities and staff. £212,760 (2019: £88,650) has been charged for this of which £301,410 (2019: £88,650) is outstanding at the year end. Komainu (Jersey) Limited ('KJL'), a wholly owned subsidiary of KHL provides custodial services to the Group. During the year, the Group paid fees to KJL of £933,736 (US$1,206,891) (2019: £nil) of which £196,382 (US$268,333) (2019: £nil) was outstanding at the year end. The Group has settled expenditure on behalf of KHL of £3,120 (2019: £nil) of which £3,120 (2019: £nil) remains outstanding at year end.

On 20 November 2020, the Company increased its level of ownership in CSHL from 90% to 100%, resulting in CSHL becoming a wholly-owned subsidiary of the Company. In consideration for the acquisition, minority shareholders in CSHL were granted shares in the Company. Minority shareholders included the Group CSO, Ms Meltem Demirors, and the Group CRO, Mr Frank Spiteri, who were granted 2,778,020 and 585,060 Ordinary Shares in the Company, respectively, in exchange for their holdings in CSHL.

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

24. Increase in controlling interest in subsidiary

On 20 November 2020 the Company purchased the remaining 10% of CSHL, a subsidiary of the Company, for a consideration of £2,279,210. The consideration was settled through the issuance of share capital to the previous shareholders of CSHL.

	CSHL £	Total £
Share capital issued	2,279,210	2,279,210
Total consideration paid	**2,279,210**	**2,279,210**
Cash consideration	-	-
Cash and cash equivalents acquired	-	-
Net cash and cash equivalents acquired	**-**	**-**

The Company has remained the ultimate controlling party of CSHL throughout the year and this purchase, therefore no cash or cash equivalents were brought into the Group through the acquisition.

The Group's controlled, but not owned, assets represented by non-controlling interests have been reduced through the acquisition. The impact to the Group of no longer controlling assets that were owned by non-controlling interests is disclosed in the statement of changes in equity and reduced the net asset value of the group by £2,284,374.

25. Post balance sheet events

On 11 March 2021, the Company completed an initial public offering, raising net funds of £12.8 million, and was admitted to trading on Nasdaq First North Growth Market, under the stock ticker CS.

Digital asset prices have increased significantly since the year end, with both Bitcoin and Ethereum prices achieving new all time highs. This has resulted in significant increases to both the value of the digital assets held by the Group, and also the certificate liability included within trade and other payables.

Following the year end the Group has launched, via its wholly-owned subsidiary, the CoinShares Physical suite of products, referencing Bitcoin, Ethereum, XRP and Litecoin. These products, which are physically backed ETPs listed on SIX Swiss Exchange, have seen inflows of approximately £58 million, with this amount impacting both the assets and liabilities held by the Group.

Over the course of January and early February 2021, Komainu Holdings Limited, a JV of the Group, completed a Series A fundraising round, raising a total of £18.5 million. As a result of the external fundraise, the Group's holding in Komainu reduced from 19.0% to 14.3% of its issued share capital.

Supplementary Statement for the year ended 31 December 2020 (unaudited).

	2020 £	**2019 £**
Administration expenses		
Amortisation of goodwill	**623**	944
Amortisation of intangible assets	**1,975**	422
Auditor's remuneration	**150,000**	125,630
Audit and accountancy fees	**157,013**	94,568
Bad debt write off	**57,951**	197,759
Consultants and contractors	**-**	19,403
Depreciation	**209,758**	154,536
Directors' salaries and national insurance	**2,780,557**	937,126
Entertainment	**30,771**	44,015
General expenses	**1,060,061**	1,037,630
HR related	**156,703**	139,432
IT Expenses	**368,665**	324,326
Legal fees	**777,477**	251,128
Long term consultants	**160,750**	189,510
Marketing	**576,120**	649,754
Office expenses	**61,391**	117,553
Professional fees	**467,847**	175,776
Project costs	**(5,112)**	224,151
Rent charged under operating leases	**1,049,075**	1,223,139
Loss/(gain) on foreign exchange	**94,765**	(561,389)
Staff salaries	**3,922,048**	2,956,289
Trading expenses	**2,182,058**	734,671
Travel and hotel accommodation	**51,979**	247,270
	14,312,475	9,283,643

SHAREHOLDERS

The Shares

The shares of CoinShares International Limited were listed on the Nasdaq First North Growth Market, NASDAQ, Stockholm, on 11 March 2021.
Exchange: FN STOCKHOLM
Currency: SEK
Trade name: CS
ISIN: JE00BLD8Y945

The Ownership Structure

As of 31 December 2020, the total number of ordinary shares outstanding was 63,187,460 and the number of unique shareholders with a holding of 5% or more in the Company was five (5). The Company has in issue one class of share each with equal voting rights.

The combined shareholding of the ten largest shareholders as at 31 December 2020 was 89.77 percent of the shares outstanding and of the votes.

The table is reproduced from CoinShares International Limited's share register as per 31 December 2020.

SHAREHOLDERS AS AT 31 DECEMBER 2020

Shareholders	Shares	Ownership
Daniel Masters	14,684,680	23.24%
Mognetti Partners Limited	11,473,580	18.16%
Russell Newton	8,000,000	12.66%
AH (St Helier) Limited	5,484,580	8.68%
ALCC Holdings, LLC	5,484,540	8.68%
Paul Davidson	3,000,000	4.75%
Meltem Demirors	2,778,020	4.40%
Vitruvius Limited	2,600,000	4.11%
Horseferry Trading Pte Ltd	1,792,100	2.84%
Ryan Radloff	1,425,120	2.25%
Sum 10 largest owners	**56,722,620**	**89.77%**
Sum other	**6,464,840**	**10.23%**
Total number of shares	**63,187,460**	**100%**
Number of shares options in issue	**2,955,920**	**4.47%**
Total diluted share capital	**66,143,380**	**100%**

Following admission to trading on the Nasdaq First North Growth Market, and completion of an initial public offering, the Company's issued share capital increased to 66,551,863 ordinary shares. In accordance with the Nasdaq First North Growth Market Rulebook, a breakdown of significant shareholders is available on the Company's website: www.coinshares.com.

2021 ANNUAL GENERAL MEETING

NOTICE OF THE ANNUAL GENERAL MEETING OF COINSHARES INTERNATIONAL LIMITED

Shareholders of CoinShares International Limited are hereby invited to attend the Annual General Meeting 2021.

PLACE:	CoinShares Head Office
ADDRESS:	2nd Floor, 2 Hill Street, St Helier, Jersey, JE2 4UA
TIME:	Monday, 28 June 2021 at 11:00 BST

Due to the risk of the spread of COVID-19 and the authorities' regulations/advice on avoiding gatherings, the Board of Directors has decided that the annual general meeting ("**AGM**") will be held without physical presence, with shareholders exercising their voting rights via posting voting only. Information on the resolutions passed at the AGM will be disclosed on Monday, 28 June 2021, as soon as the outcome of the postal voting has been confirmed.

RIGHT TO PARTICIPATE AND NOTIFICATION

Shareholders who wish to participate in the AGM must:

1. be recorded in the share register kept by Euroclear Sweden AB on the record date, Thursday, 17 June 2021; and
2. give notice of their intention to participate no later than Tuesday, 22 June 2021, by submitting their postal votes in accordance with the instructions below, so that the postal voting form is received by the Euroclear Sweden AB no later than 22 June 2021.

SHARES REGISTERED WITH NOMINEES

For shareholders who have their shares registered through a bank or other nominee, the following applies in order to be entitled to participate in the meeting. In addition to giving notice of participation by submitting its postal vote, such shareholder must re-register its shares in its own name so that the shareholder is registered in the share register kept by Euroclear Sweden AB as of the record date Thursday, 17 June 2021. Such re-registration may be temporary (so-called voting rights registration). Shareholders who wish to register their shares in their own names must, in accordance with the respective nominee's routines, request that the nominee make such registration.

POSTAL VOTING

Shareholders may exercise their voting rights by voting in advance, so-called postal voting, to facilitate the execution of general meetings in companies and other associations. A digital form must be used for the postal vote. The postal voting form is available on the Company's website, https://coinshares.com/investor-relations. Please note that a separate notice shall not be made, as the completed and signed postal voting form is considered notice of participation at the meeting.

The completed form must be received by Euroclear Sweden AB, by post to CoinShares c/o Euroclear Sweden AB, P.O. Box 191, 101 23 Stockholm or via email to Generalmeetingservice@euroclear.com no later than Tuesday, 22 June 2021. If the shareholder submits its postal vote by proxy, a power of attorney must be attached to the postal voting form (see below). If the shareholder is a legal person, a registration certificate or other authorization document must be attached to the form.

Shareholders may not provide special instructions or conditions to the postal vote. If so, the entire postal vote is invalid. Further instructions and conditions can be found in the postal voting form.

Shareholders may in the postal voting form request that one or more of the items on the proposed agenda below be deferred to a continued general meeting, which may not be carried out solely through postal voting. Such continued general meeting shall take place if the extraordinary general meeting so resolves or if shareholders representing at least one-tenth of all shares in the Company so requests.

POWERS OF ATTORNEY

Shareholders wishing to submit their postal votes by proxy must issue a written and dated power of attorney signed by the shareholder. Proxy forms are available on the Company's website, https://coinshares.com/investor-relations. If postal voting is made by proxy, a power of attorney must be attached to the postal voting form. If the shareholder is a legal person, a registration certificate or other authorization document must be attached to the form.

The power of attorney is valid for a maximum of one year from the date of issuance, unless a longer period of validity is specified in the power of attorney. Such longer period may, however, not exceed five years from the date of issuance.

PROPOSED AGENDA

1. Opening of the AGM
2. Election of the Chair of the AGM
3. Approval of the Agenda
4. Confirmation of whether the Meeting has been duly convened
5. Resolution to adopt the income statement, balance sheet, consolidated income statement and consolidated balance sheet
6. Election of the Board Directors
7. Election of the auditor
8. Determination of remuneration for the auditor
9. Decisions regarding the Nomination Committee
10. Closing of the AGM

PROPOSED RESOLUTIONS

Item 5 – Resolution to adopt the income statement, balance sheet, consolidated income statement and consolidated balance sheet
It is proposed that the income statement, balance sheet, consolidated income statement and consolidated balance sheet be adopted by the Company.

Items 6, 7 and 8 – Election of Directors and Auditors, and fees to the Auditors
The Board consists of four members with no deputies. It is proposed to re-elect board members Jean-Marie Mognetti, Carsten Køppen and Johan Lundberg and to re-elect Daniel Masters as the Board Chairman.

It is proposed to re-elect Baker Tilly Channel Islands Limited as the Company's auditors.

It is proposed that the remuneration to the auditor shall be set at the discretion of the Board of Directors.

Item 9 – Decisions regarding the Nomination Committee
It is proposed that no formal nomination committee be appointed for 2021. Such decision to be revisited at the 2022 AGM.

OTHER

Number of Shares and Votes in the Company
As of the date of this notice, the total number of shares in the Company is 66,551,863, representing a total of 66,551,863 votes. The Company does not hold any of its own shares.

AVAILABLE DOCUMENTS

The form of proxy, financial statements, auditors' report and the complete proposal for decisions and other documents required under Companies (Jersey) Law 1991, as amended, will be published on coinshares.com and will be available at the Company's offices in Jersey from 31 May 2021 and sent to shareholders who so request and state their address.

DISCLAIMER

FORWARD LOOKING STATEMENTS

The report contains certain forward-looking statements and opinions. Forward looking statements are statements that do not relate to historical facts and events, and such statements and opinions pertaining to the future that, for example, contain wordings such as “believes”, “estimates”, “anticipates”. “expects”. “assumes”, “forecasts”, “intends”. “could”, “will”, “should”, “would”, “according to estimates”, “is of the opinion”, “may”, “plans”, “potential”, “predicts”, “projects”, “to the knowledge of” or similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements and opinions in the report concerning future financial returns, plans and expectations with respect to the business and management of the Company, future growth and profitability, and the general economic and regulatory environment, and other matters affecting the Company.

Forward-looking statements are based on current estimates and assumptions made according to the best of the Company’s knowledge. Such forward-looking statements are subject to risks, uncertainties, and other factors that could cause the actual results, including the Company’s cash flow, financial position and operating profit, to differ from the information presented in such statements, to fail to meet expectations expressly or implicitly assumed or described in those statements or to turn out to be less favourable than the results expressly or implicitly assumed or described in those statements. Accordingly. prospective investors should not place undue reliance on the forward-looking statements contained herein, and are strongly advised to read the entire report. The Company cannot give any assurance regarding the future accuracy of the opinions set forth herein or as to the actual occurrence of any predicted developments.

In light of the risks, uncertainties and assumptions associated with forward-looking statements, it is possible that the future events mentioned in the report may not occur. Moreover, the forward-looking estimates and forecasts derived from third party studies referred to in the report may prove to be inaccurate. Actual results, performance or events may differ materially from those presented in such statements due to, without limitation: changes in general economic conditions, in particular economic conditions in the markets in which the Company operates, changes affecting interest rate levels, changes affecting currency exchange rate, changes in levels of competition and changes in laws and regulations.

C O N T A C T

COMPANY
CoinShares International Limited
2 Hill Street
St Helier
Jersey, JE2 4UA
Channel Islands

Website: **coinshares.com**
Email: **enquiries@coinshares.com**

CERTIFIED ADVISOR
Mangold Fondkommission AB
Box 55691
SE-102 15 Stockholm
Sweden

Website: **mangold.se**
Email: **ca@mangold.se**