

CoinShares International Limited

Registration number: 102185

Annual Report

Audited consolidated financial statements for the year ended 31 December 2023

CoinShares International Limited

(company number: 102185)

Annual Report

Audited consolidated financial statements for the year ended 31 December 2023

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CoinShares International Limited

Company Information

Audited consolidated financial statements for the year ended 31 December 2023

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 Johan Lundburg Viktor Fritzén Christine Rankin
Company Secretary	CoinShares Corporate Services (Jersey) Limited
Independent Auditor	Baker Tilly Channel Islands Limited 2nd Floor, Lime Grove House Green Street St Helier Jersey JE2 4UB
Bankers	Silergate Bank (closed March 2023) 4250 Executive Square Suite 300 La Jolla CA 92037 Deltec Bank & Trust Limited Deltec House Lyford Cay PO Box N-3229 Nassau The Bahamas Flagstar Bank (formerly Signature Bank) (closed May 2023) 565 Fifth Avenue New York NY 10017 DBS Bank Ltd 12 Marina Boulevard Singapore 018982 Barclays Bank 13 Library Place Jersey JE4 8NE

CoinShares International Limited

Company Information (continued)

Audited consolidated financial statements for the year ended 31 December 2023

Bankers (continued)

Handelsbanken
Kungsträdgårdsgatan 2
106 70 Stockholm

Silicon Valley Bank, a division of First-Citizens Bank & Trust Company
3003 Tasman Dr
Santa Clara
CA 95054

Banque Populaire
76 Avenue France
75013 Paris
France

FlowBank S.A
Esplanade de Pont-Rouge 6
1211 Geneva 26
Switzerland

Customers Bank (from May 2023)
Rye Ridge Shopping Center
102 South Ridge Street
Rye Brook
New York
10573

Custodians

Komainu Digital
3rd Floor
2 Hill Street
St Helier
Jersey
JE2 4UA

Zodia Custody Limited
Thomas House
84 Eccleston Squares
London SW1V 1PX

Legal Advisor

Carey Olsen Jersey LLP
47 Esplanade
St Helier
Jersey
JE1 0BD

Brokers

Marex Prime Services Limited (formerly Cowen International Limited)
155 Bishopsgate
London EC2M 3TQ

Interactive Brokers LLC
110 Bishopsgate
London EC2N 4AY

Mangold Fondkommission AB
Engelbrektsplan 2
114 34 Stockholm

CoinShares International Limited

Company Information (continued)

Audited consolidated financial statements for the year ended 31 December 2023

Brokers (continued)

Marex Capital Markets Inc.
425 S Financial Place, Suite 1850
Chicago
IL 60605

BMO Capital Markets Ltd
100 Liverpool Street
London EC2M 2AT

LMAX Broker Ltd.
1A Nicholas Road
London W11 4AN

CoinShares International Limited

Directors' Report

Audited consolidated financial statements for the year ended 31 December 2023

The directors present their annual report and the consolidated financial statements (the 'financial statements') of CoinShares International Limited (the 'Company'), together with its subsidiaries listed in note 15(a) of the financial statements (collectively the 'Group'), for the year ended 31 December 2023.

Incorporation

The Company is incorporated and domiciled in Jersey. The Company is registered as a public company with the Jersey Financial Services Commission and listed on Nasdaq Stockholm.

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 £38,396,035 (2022: £2,934,267). The loss for the year, after taxation and excluding movements on digital assets recognised through other comprehensive income, amounted to £453,126,477 (2022: profit of £520,216,064).

Dividends of £nil (2022: £nil) were declared or payable in the year. A share buy-back program undertaken during the year resulted in the buyback of 1,597,706 shares (2022: 78,396) for consideration of £4,216,180 (2022: £228,383). The share buyback program was implemented for the purpose of reducing the capital of the Company.

Following the financial year end, the Company announced the adoption of a dividend policy under which approximately 20% to 40% of the annual total comprehensive income (adjusted for FX on consolidation through other comprehensive income) is to be distributed as a dividend annually. A dividend is therefore expected in the next financial period.

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 Group financial statements in accordance with UK-adopted International Financial Reporting Standards. 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-adopted International Financial Reporting 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CoinShares International Limited

Directors' Report (continued)

Audited consolidated financial statements for the year ended 31 December 2023

Directors

The directors who held office during the year and subsequently are set out on page 1.

Company Secretary

The Company Secretary who held office during the year and subsequently is set out on page 1.

Going concern

The Group had net assets of £239,245,005 (2022: £203,741,110) and total comprehensive income of £38,396,035 (2022: £2,934,267). 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 12 months from the date of issue of these financial statements.

The Group has an obligation to settle amounts due to investors for Exchange Traded Products ('ETP') 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 the going concern risk associated with these certificates to not be material. 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.

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.

Post balance sheet events

Events subsequent to the year end have been disclosed in note 17.

Independent auditor

In accordance with the Company's articles, a resolution proposing that Baker Tilly Channel Islands Limited be reappointed as auditor of the Group will be put at the Annual General Meeting on 31 May 2024.

The report was approved by the board on 29 April 2024 and signed on its behalf.

Jean-Marie Mognetti

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Jean-Marie Mognetti
Director

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"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements:

- give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the United Kingdom (IFRSs); and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991, as amended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the Consolidated 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit

of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter	Key observations communicated to those charged with governance
<p>Valuation of investments There is a risk that investments could be materially misstated and incorrectly disclosed in the consolidated financial statements.</p> <ul style="list-style-type: none"> Total value: £44,924,207 (2022: £45,011,850) As disclosed in note 9. 	<p>We understood and evaluated the valuation methodology applied with reference to the International Private Equity and Venture Capital Valuation guidelines (IPEV), and tested the techniques used by the Directors in determining the fair value of material unquoted investments. To test the value we undertook the following:</p> <ul style="list-style-type: none"> Assessed the appropriateness of the valuation methodology used and tested the inputs either through validation to appropriate third party sources, or where relevant, assessed the reasonableness of significant estimates and judgements used; Compared valuations of investments in funds to the most recent audited financial statements, where available; Compared valuations to recent transactions, where relevant; and Compared valuations to recent investments made in investee companies where there was a significant new investor. 	<p>No issues were identified that were required to be communicated to those charged with governance.</p>
<p>Existence and rights and obligations in respect of investments There is a risk that investments do not exist, or the group does not hold title to the investments.</p> <ul style="list-style-type: none"> Total value: £44,924,207 (2022: £45,011,850) As disclosed in note 9. 	<p>For each material investment held by the Group we have obtained third party confirmation of ownership.</p>	<p>No issues were identified that were required to be communicated to those charged with governance.</p>
<p>Digital assets: Existence, Rights and Obligations There is a risk that the Group does not own or control the digital assets which would result in a material misstatement in the consolidated financial statements.</p> <ul style="list-style-type: none"> Total value: £2,377,652,328 (2022: £869,034,495) As disclosed in note 8. 	<p>Our substantive procedures included performing the following:</p> <ul style="list-style-type: none"> Obtained confirmations from the custodian and centralised exchanges, where available; Performed on-chain testing where wallets were directly held; Performed a stocktake of digital assets held via decentralised wallets; and 	<p>No issues were identified that were required to be communicated to those charged with governance.</p>

	<ul style="list-style-type: none"> We understood and evaluated the procedures relating to the process of assessing the reliability of the custodian both at take on and throughout the relationship. 	
Digital assets – Valuation There is a risk that the value attached to the digital assets is materially misstated. <ul style="list-style-type: none"> Total value: £2,377,652,328 (2022: £869,034,495) As disclosed in note 8. 	We have obtained prices used in the valuation and compared to a third-party source to determine the reasonableness of the price and the level which has been applied.	No issues were identified that were required to be communicated to those charged with governance.
ETP liabilities: Completeness, Rights and Obligations There is a risk that the ETP liability is not fully recognised which would materially misstate the consolidated financial statements. <ul style="list-style-type: none"> Total value: £2,351,475,523 (2022: £986,707,490) As disclosed in note 9. 	We have obtained confirmations from the relevant third parties who issue the ETP liability certificates and compared this to the financial records to ensure the liabilities exist.	No issues were identified that were required to be communicated to those charged with governance.
ETP liability – Valuation There is a risk that the value attached to the ETP liability is materially misstated. <ul style="list-style-type: none"> Total value: £2,351,475,523 (2022: £986,707,490) As disclosed in note 9. 	The valuation of the certificates has been tested by: <ul style="list-style-type: none"> Recomputing the underlying digital asset allocation as per the prospectus; and Comparing prices used in the valuation of underlying digital assets to third party sources to determine reasonableness. 	No issues were identified that were required to be communicated to those charged with governance.

Our Application of Materiality

Materiality for the consolidated financial statements as a whole was set at £7,163,000 (2022: £6,112,000), determined with reference to a benchmark of net assets, of which it represents 3% (2022: 3%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the consolidated financial statements as a whole.

Performance materiality was set at 60% (2022: 60%) of materiality for the consolidated financial statements as a whole, which equates to £4,297,800 (2022: £3,667,200). We applied this percentage in our determination of performance materiality because we deem the digital asset activities undertaken by the Group to be high risk.

We reported to the Audit Committee any uncorrected omissions or misstatements exceeding £358,000 (2022: £305,600), in addition to those that warranted reporting on qualitative grounds.

Of the Group's 29 (2022: 19) reporting components, including the Company, we subjected 4 (2022: 4) to full scope audits. The work on all the components was performed by the Group audit team. The components within the scope of our audit accounted for 90% (2022: 94%) of the Group's net assets.

Conclusions relating to Going Concern

In auditing the consolidated financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Company's ability to continue as a going concern for a period of at least twelve months from when the consolidated 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 other information comprises the information included in the annual report other than the consolidated financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the consolidated 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. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the consolidated financial statements themselves. 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 the light of the 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 in relation to which the Companies (Jersey) Law 1991, as amended, requires us to report to you if, in our opinion:

- proper accounting records have not been kept;
- proper returns adequate for the audit have not been received from branches not visited by us;
- the consolidated financial statements are not in agreement with the accounting records and returns; or
- we have not obtained all information and explanation that, to the best of our knowledge and belief, was necessary for the audit.

Responsibilities of the Directors

As explained more fully in the Directors' responsibilities statement set out on page 4, the Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable

the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Enquiry of management to identify any instances of non-compliance with laws and regulations, including actual, suspected or alleged fraud;
- Reading minutes of meetings of the Board of Directors;
- Review of legal invoices;
- Review of management's significant estimates and judgements for evidence of bias;
- Review for undisclosed related party transactions;
- Obtained the revenue calculation and recalculated revenue for the year based on underlying support;
- Using analytical procedures to identify any unusual or unexpected relationships; and
- Undertaking journal testing, including an analysis of manual journal entries to assess whether there were large and/or unusual entries pointing to irregularities, including fraud.

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

This description forms part of our auditor's report.

Report on the examination of the ESEF report

Opinion

In addition to our audit of the annual report, we have also examined that the Board of Directors have prepared the annual report in a format that enables uniform electronic reporting (the ESEF report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for CoinShares International Limited for the year ended 31 December 2023.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We conducted our examination in accordance with International Standard on Assurance Engagements (UK) 3000 Assurance Engagements Other Than Audits Or Reviews of Historical Financial Information. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and fair representation of the ESEF report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control as the Board of Directors determines is necessary to enable the preparation of the ESEF report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the ESEF report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed. Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out in accordance with ISAE (UK) 3000 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 the ESEF report.

We apply ISQM (UK) 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, Or Other Assurance Or Related Services Engagements and accordingly we maintain a comprehensive system of quality management, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures selected using our judgement, that the ESEF report has been prepared in a format that enables uniform electronic reporting of the annual report.

The examination included:

- Consideration of those elements of internal control that are relevant to the preparation of the ESEF report by the Board of Directors;
- Evaluating that the ESEF report has been prepared in a valid format; and
- Reconciling the ESEF report with the audited annual report.

Auditor's report on the Board of Directors Report, Corporate Governance Report and Sustainability Report

Based on our audit of the consolidated financial statements as described above, it is our opinion that the information presented in the Board of Directors Report, Corporate Governance Report and Sustainability Report concerning the financial statements and the going concern assumption is consistent with the consolidated financial statements and complies with the applicable laws and regulations.

Other Matters which we are Required to Address

We were appointed by the Board of Directors on 26 August 2020 to audit the consolidated financial statements. Our total uninterrupted period of engagement covers 5 financial reporting periods.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group and we remain independent of the Group in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee in accordance with ISAs.

Use of this Report

This report is made solely to the Members of the Company, 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 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 its Members, as a body, for our audit work, for this report, or for the opinions we have formed.



Ewan Spraggon

For and on behalf of Baker Tilly Channel Islands Limited

Chartered Accountants

St Helier, Jersey

Date: 29 April 2024

CoinShares International Limited

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	Note	2023 £	2022 £
Revenue	4(a)	43,082,721	51,336,682
Cost of sales	6(a)	(7,251,466)	(8,667,090)
Gross profit		35,831,255	42,669,592
Administrative expenses	6(b)	(21,392,505)	(23,832,952)
Other operating income	4(b)	23,447,347	16,626,978
Gain/(loss) on digital assets	8	787,050,987	(1,226,595,255)
(Loss)/gain on certificate liability	9(f)	(1,470,485,132)	2,370,899,189
Other operating gains/(losses) through profit and loss	9	188,837,891	(629,754,694)
Operating (loss)/profit		(456,710,157)	550,012,858
Impairment reversals/(charges)	9(h),10(c)	60,160	(31,064,551)
Fair value gain/(loss) on investments through profit and loss	9(d)	11,365,752	(2,800,424)
Share of losses in joint ventures/associates	9(d,e)	(10,590,566)	(2,149,611)
Finance costs	6(c)	(6,902,019)	(6,330,425)
Finance income	6(c)	10,224,023	12,916,891
(Loss)/profit before tax		(452,552,807)	520,584,738
Tax expense	7	(573,670)	(368,674)
(Loss)/profit after tax		(453,126,477)	520,216,064
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(8,192,795)	19,281,832
		(8,192,795)	19,281,832
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Fair value gain/(loss) on digital assets	8	499,566,125	(539,108,506)
Fair value gain on financial assets through other comprehensive income		149,182	2,544,877
		499,715,307	(536,563,629)
Total other comprehensive income/(loss)		491,522,512	(517,281,797)
Total comprehensive income		38,396,035	2,934,267
Adjusted earnings per share			
Basic	21	0.57	0.04
Diluted	21	0.54	0.04

The notes on pages 20 to 79 are an integral part of these financial statements.

CoinShares International Limited

Consolidated Statement of Financial Position

As at 31 December 2023

		2023	2022
		£	£
ASSETS			
Non-current assets			
Property, plant and equipment	10(a)	3,065,552	1,935,862
Digital assets	8	1,331,614	111,978
Goodwill	10(c)	941,507	943,484
Other intangible assets	10(d)	9,716,511	11,048,448
Investments	9(d)	25,110,879	14,607,956
Investments in joint ventures and associates	9(d,e)	19,813,328	30,403,894
Trade and other receivables	9(a)	328,614	806,052
Other non-current assets	9(b)	2,211,742	1,968,199
		62,519,747	61,825,873
Current assets			
Cash and cash equivalents	9(c)	25,507,944	134,768,902
Trade and other receivables	9(a)	2,241,203	1,458,179
Digital assets	8	2,375,850,359	868,922,517
Other current assets	9(b)	266,093,775	177,565,926
		2,669,693,281	1,182,715,524
Total assets		2,732,213,028	1,244,541,397
LIABILITIES			
Current liabilities			
Certificate liability	9(f)	(2,351,475,523)	(986,707,490)
Amounts due to brokers	9(c)	(669,402)	-
Trade and other payables	9(g)	(5,612,218)	(3,969,783)
Other current liabilities	9(i)	(108,940,878)	(27,116,746)
Current lease liabilities	10(b)	(563,633)	(1,307,507)
Current tax liabilities	7	(156,970)	(235,814)
		(2,467,418,624)	(1,019,337,340)
Net current assets		202,274,657	163,378,184
Non-current liabilities			
Non-current lease liabilities	10(b)	(2,404,272)	(28,980)
Non-current loans	9(i)	(23,145,127)	(21,433,967)
		(25,549,399)	(21,462,947)
Total liabilities		(2,492,968,023)	(1,040,800,287)
Net assets		239,245,005	203,741,110

CoinShares International Limited

Consolidated Statement of Financial Position (continued)

As at 31 December 2023

		2023	2022
		£	£
EQUITY			
Share capital	11(a)	33,667	33,766
Share premium	11(a)	30,690,938	30,781,210
Other reserves	11(b)	454,110,087	22,136,272
Retained earnings		(245,589,687)	150,789,862
Total equity		239,245,005	203,741,110

The financial statements on pages 13 to 79 were approved and authorised for issue by the board of directors and signed on its behalf by:

Jean-Marie Mognetti

.....
Jean-Marie Mognetti
Director
Date: 29 April 2024

The notes on pages 20 to 79 are an integral part of these financial statements.

CoinShares International Limited

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Share capital £	Share premium £	Other reserves £	Retained earnings £	Total equity £
At 31 December 2021	33,766	30,781,210	(2,797,090,363)	2,966,288,540	200,013,153
Profit for the year	-	-	-	520,216,064	520,216,064
Other comprehensive loss for the year	-	-	(519,826,674)	2,544,877	(517,281,797)
Total comprehensive income	-	-	(519,826,674)	522,760,941	2,934,267
Share based payments	-	-	1,229,617	-	1,229,617
Share buybacks	-	-	(228,383)	-	(228,383)
Share options liquidated	-	-	(153,900)	(53,644)	(207,544)
Total transactions with owners recognised in equity	-	-	847,334	(53,644)	793,690
Transfer of revaluation reserve upon disposal of digital assets	-	-	3,338,205,975	(3,338,205,975)	-
Total other changes in equity	-	-	3,338,205,975	(3,338,205,975)	-
At 31 December 2022	33,766	30,781,210	22,136,272	150,789,862	203,741,110
Loss for the year	-	-	-	(453,126,477)	(453,126,477)
Other comprehensive income for the year	-	-	491,522,512	-	491,522,512
Total comprehensive income	-	-	491,522,512	(453,126,477)	38,396,035
Share based payments	-	-	1,324,818	-	1,324,818
Share cancellations	(99)	(90,272)	551,399	(461,028)	-
Share buybacks	-	-	(4,216,180)	-	(4,216,180)
Share options exercised/liquidated	-	-	(20,610)	19,832	(778)
Total transactions with owners recognised in equity	(99)	(90,272)	(2,360,573)	(441,196)	(2,892,140)
Transfer of revaluation reserve upon disposal of digital assets	-	-	(57,188,124)	57,188,124	-
Total other changes in equity	-	-	(57,188,124)	57,188,124	-
At 31 December 2023	33,667	30,690,938	454,110,087	(245,589,687)	239,245,005

The notes on pages 20 to 79 are an integral part of these financial statements.

CoinShares International Limited

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Note	2023 £	2022 £
Cash flows from operating activities			
(Loss)/profit after income tax expense		(453,126,477)	520,216,064
Adjustments for:			
- Depreciation of property, plant and equipment	10(a)	201,619	240,683
- Depreciation of right-of-use assets	10(a)	1,211,439	872,526
- Impairment of goodwill	10(c)	-	5,473,525
- Amortisation of other intangible assets	10(d)	1,789,875	1,769,632
- Share-based payment expense	20	1,324,818	1,229,617
- Finance and other income	6(c)	(10,224,023)	(12,916,891)
- Finance costs and other expenses	6(c)	6,902,019	6,330,425
- Income tax expense	7	573,670	368,674
- Other operating (gains)/losses through profit and loss	8	(188,837,891)	629,754,694
- Loss/(gain) on certificate liability	9(f)	1,470,485,132	(2,370,899,189)
- (Gain)/loss on digital assets	8	(787,050,987)	1,230,310,948
- (Gain)/loss on investments	9(d)	(11,365,752)	2,800,424
- Share of joint venture losses	9(d,e)	-	230,910
- Share of associate losses	9(d,e)	10,590,566	1,918,701
- Gain on foreign exchange		(3,156,213)	-
- Other operating income/gains	4(b)	(22,195,819)	-
- Trading expenses	6(a)	119,206	-
		17,241,182	17,700,743
Changes in working capital:			
- Trade receivables and other assets	9(a)	82,860,609	683,948,708
- Trade payables and other liabilities	9(g)	651,049	(502,361,951)
		100,752,840	199,287,500
Changes in operating activities:			
- Net (purchases)/sales of digital assets		(62,412,704)	381,400,078
- Net sales of ETP liabilities		(137,854,204)	(269,332,298)
Cash (used in)/generated from operations		(99,514,068)	311,355,280
Finance costs paid	6(c)	(6,614,612)	(6,329,290)
Income taxes paid	7	(650,644)	(3,457,543)
Net cash flow (used in)/generated from operating activities		(106,779,324)	301,568,447
Cash flows from investing activities			
Purchases of other intangible assets	10(d)	(845,056)	(703,461)
Disposals of other intangible assets	10(d)	(282,287)	6,828
Purchases of property, plant and equipment	10(a)	162,806	(327,508)
Disposals of property, plant and equipment	10(a)	-	196,187
Acquisition of investments in associates	9(d,e)	-	(20,266,689)
Acquisition of other investments through profit and loss	9(d)	(426,917)	(28,520)
Net disposals of listed equities		-	98,578
Finance income	6(c)	8,299,340	12,957,913
Net cash generated/(used in) from investing activities		6,907,886	(8,066,672)

CoinShares International Limited

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2023

	Note	2023 £	2022 £
Cash flows from financing activities			
(Repayment)/issue of long term loan	9(i)	(61,488)	21,573,387
Repayment of lease liabilities	10(b)	(588,487)	(1,065,080)
Cash payments for the interest portion of lease liabilities	10(b)	(77,866)	(14,217)
Share option liquidations	11(b)	(14,307)	(207,544)
Share buybacks	11(b)	(3,651,252)	(228,383)
Net cash (used in)/generated from financing activities		(4,393,400)	20,058,163
Net (decrease)/increase in cash and cash equivalents		(104,264,838)	313,559,937
Cash and cash equivalents			
At the beginning of the year		134,768,902	(162,955,669)
Effects of currency translation on cash and cash equivalents		(5,665,521)	(15,835,366)
At the end of the year	9(c)	24,838,542	134,768,902
Cash and cash equivalents comprise			
Cash at bank		6,660,753	26,567,599
Amounts due from brokers		16,270,974	98,128,995
Amounts due to brokers		(669,402)	-
Amounts due from exchanges		2,576,217	10,072,308
At the end of the year		24,838,542	134,768,902

The notes on pages 20 to 79 are an integral part of these financial statements.

CoinShares International Limited

Alternative Consolidated Statement of Comprehensive Income (Unaudited)

For the year ended 31 December 2023

The alternative presentation of the SOCI is designed to reflect the performance of the Group if gains and losses on digital assets are exclusively taken through profit and loss, rather than through other comprehensive income as required by UK-adopted IFRS accounting standards. No other adjustments have been made.

Due to the treatment of digital assets as intangible assets and the resultant impact on the Group's other comprehensive income, it is the opinion of management that total comprehensive income is the most representative measure of the Group's overall performance.

	2023 £	2022 £
Revenue	43,082,721	51,336,682
Cost of sales	(7,251,466)	(8,667,090)
Gross profit	35,831,255	42,669,592
Administrative expenses	(21,392,505)	(23,832,952)
Other operating income	23,447,347	16,626,978
Gain/(loss) on digital assets	1,286,617,112	(1,765,703,761)
(Loss)/gain on certificate liability	(1,470,485,132)	2,370,899,189
Other operating losses through profit and loss	188,837,891	(629,754,694)
Operating profit	42,855,968	10,904,352
Impairment charges	60,160	(31,064,551)
Fair value gain/(loss) on investments through profit and loss	11,365,752	(2,800,424)
Share of losses in joint ventures/associates	(10,590,566)	(2,149,611)
Finance costs	(6,902,019)	(6,330,425)
Finance income	10,224,023	12,916,891
Profit/(loss) before tax	47,013,318	(18,523,768)
Taxation	(573,670)	(368,674)
Profit/(loss) after tax	46,439,648	(18,892,442)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	(8,192,795)	19,281,832
	(8,192,795)	19,281,832
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Fair value gain on financial assets through other comprehensive income	149,182	2,544,877
	149,182	2,544,877
Total other comprehensive (loss)/income	(8,043,613)	21,826,709
Total comprehensive income	38,396,035	2,934,267
Earnings per share		
Basic	0.57	0.04
Diluted	0.54	0.04

The notes on pages 20 to 79 are an integral part of these financial statements.

CoinShares International Limited

Audited consolidated financial statements for the year ended 31 December 2023

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CoinShares International Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1 General information and material accounting policies

CoinShares International Limited (the 'Company') and its subsidiaries (together the 'Group') primarily operates in Jersey, Channel Islands (see note 15(ii) for other jurisdictions in which the Group operates). The principal activity of the Group is providing exposure to the digital asset ecosystem via a range of financial products and services, supported by its technology stack and team.

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.

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

The material accounting policies of the Group are disclosed below. Policies impacting upon specific areas of the accounts are included within the relevant section of the notes to the financial statements.

(a) Basis of preparation

These financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with UK-adopted International Financial Reporting Standards ('IFRS') and the Companies (Jersey) Law 1991.

The financial statements are presented in Pound Sterling, which is also the functional currency. Monetary amounts in these financial statements are rounded to the nearest pound, except when otherwise indicated.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group accounting policies.

The following material accounting policies have been applied:

(b) 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. Accordingly, these financial statements present the results of the Group headed by the Company.

(c) Going concern basis

The Group had net assets of £239,245,005 (2022: £203,741,110), an operating loss of £456,710,157 (2022: operating profit of £550,012,858), and total comprehensive income of £38,396,035 (2022: £2,934,267). 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 12 months from the date of issue of these financial statements.

The Group has an obligation to settle amounts due to investors for Exchange Traded Products ('ETP') 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 the going concern risk associated with these certificates to not be material. 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.

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

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

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

1 General information and material accounting policies (continued)

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote rights;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards).

CoinShares International Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 Significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the following events and transactions during the reporting period:

- The performance of the Group is closely related to the performance of the industry within which it operates, and specifically digital asset prices. As at the beginning of 2023, Bitcoin and Ethereum were valued at \$16.6k and \$1.2k, respectively. These prices were the result of fairly consistent decline over the course of 2022, exacerbated by a handful of events that had a detrimental impact on the industry, such as the failure of FTX exchange in November 2022. However, over the course of 2023 there has been a strong recovery, with prices for Bitcoin and Ethereum closing the year at \$42.2k and \$2.3k respectively. This recovery has had an impact on the Group's AUM held in respect of its XBTP and CoinShares Physical products which manifests as both an increase in digital asset holdings and certificate liability. This is the main driver behind the gross asset position of the Group rising 119% from £1.24 billion to £2.73 billion over the course of 2023.
- The increased value of the assets held has led to strong management fees in the year (which manifest within the Group's revenues) and an increase in staking rewards (which manifest within the Group's other operating income).
- Following certain exceptional losses incurred in 2022, there has been a focus internally on counterparty monitoring, cyber security and general governance in order to mitigate the risk of any trading losses. There have been no such events over the course of 2023. This, coupled with a focus on stable expenses, has resulted in a total comprehensive income figure far in excess of that generated in 2022.
- The recovery seen during 2023 has also had a positive impact on the Group's investments, with a number being the subject of transactions which have resulted in an uplift to their carrying values. This gain however has been offset by a decrease in value of associates due to loss making performance in the year and adjusted prior year results which were not recognised by the associates in question until mid 2023.

Numerical information - Statement of Comprehensive Income

3 Operating segment information

The Group comprises three core operating segments from which it earns both revenues/gains and incurs expenses, being:

- Asset Management
- Capital Markets
- Principal Investments

The identification of operating segments is performed by management and reviewed by the Chief Executive, who have identified that such information needs to be reported separately on an ongoing basis to inform decision making and assessment of performance. Each operating segment has its own segment head and identifiable team/resources.

The accounting policies of the operating segments differ from those adopted by the Group as per the notes, with fair value gains generated from digital assets classified as profit and loss movements rather than movements through other comprehensive income. This treatment is consistent with that of the Alternative Statement of Comprehensive Income.

Additionally, administrative expenses as per the Statement of Comprehensive Income are split within the operating segments note between cost of sales and administrative expenses. Furthermore a portion of administrative expenses relating to FX gains and losses have been allocated to the Capital Markets operating segment as a movement on financial instruments.

The Group does not monitor its assets and liabilities split by operating segment, but rather on a consolidated basis.

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.

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

3 Operating segments (continued)

The following is an analysis of the Group's revenue and results by reportable segment in the year ended 31 December 2023.

	Asset Management	Capital Markets	Principal Investments	Other	Total
	£	£	£	£	£
Revenue	42,954,234	128,487	-	-	43,082,721
Loss on financial instruments	(1,470,485,132)	191,849,844	-	-	(1,278,635,288)
Gain on digital assets	1,470,485,132	(186,498,607)	2,630,587	-	1,286,617,112
Investment gains	-	-	924,369	-	924,369
Finance income	-	10,130,726	93,297	-	10,224,023
Other operating income	-	23,402,537	44,810	-	23,447,347
Total revenue, gains & other income	42,954,234	39,012,987	3,693,063	-	85,660,284
Finance costs	-	(5,935,961)	(885,720)	(80,338)	(6,902,019)
Cost of sales	(4,767,743)	(2,248,514)	(235,210)	-	(7,251,467)
Adjusted gross profit/(loss)	38,186,491	30,828,512	2,572,133	(80,338)	71,506,798
Other admin expenses	(4,288,454)	(3,470,722)	-	(16,585,122)	(24,344,298)
Adjusted operating profit/(loss)	33,898,037	27,357,790	2,572,133	(16,665,460)	47,162,500
Income tax expense					(573,670)
Exchange differences on translation of foreign operations					(8,192,795)
Total comprehensive income					38,396,035

There is no geographical split of revenues, gains or other income required in assessing the operating segments of the Group. All operations undertaken by the Group which generate such items are ultimately based in Jersey. This analysis is already presented by means of the existing split provided within this note.

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

3 Operating segments (continued)

The following is an analysis of the Group's revenue and results by reportable segment in the year ended 31 December 2022.

	Asset Management	Capital Markets	Principal Investments	Consumer Platform	Other	Total
	£	£	£	£	£	£
Revenue	50,090,889	309,109	-	936,684	-	51,336,682
Gain/(loss) on financial instruments	2,349,122,865	(630,235,617)	-	-	-	1,718,887,248
(Loss)/gain on digital assets	(2,349,122,865)	582,986,520	(3,283,109)	-	-	(1,769,419,454)
Investment losses	-	-	(1,795,713)	-	-	(1,795,713)
Finance income	-	12,916,891	-	-	-	12,916,891
Other operating income	-	16,464,651	162,327	-	-	16,626,978
Total revenue, gains & other income	50,090,889	(17,558,446)	(4,916,495)	936,684	-	28,552,632
Finance costs	(16,807)	(5,550,377)	(718,517)	(44,724)	-	(6,330,425)
Cost of sales	(4,596,313)	(2,975,042)	(281,377)	(814,358)	-	(8,667,090)
Adjusted gross profit/(loss)	45,477,769	(26,083,865)	(5,916,389)	77,602	-	13,555,117
Other admin expenses	(4,029,522)	(1,774,189)	-	(4,091,014)	(19,639,283)	(29,534,008)
Adjusted operating profit/(loss)	41,448,247	(27,858,054)	(5,916,389)	(4,013,412)	(19,639,283)	(15,978,891)
Income tax expense						(368,674)
Exchange differences on translation of foreign operations						19,281,832
Total comprehensive income						2,934,267

CoinShares International Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4 Revenue and other income

(a) Revenue

	Notes	2023 £	2022 £
Management fees	(i)	42,954,234	50,090,889
Consumer revenue	(ii)	-	936,684
General Partner's Share	(iii)	128,487	97,041
Other revenue		-	212,068
		43,082,721	51,336,682

(i) The majority of the Group's revenues arise from the management fees products issued by CoinShares XBT Provider AB (publ) ('XBTP') and CoinShares Digital Securities Limited ('CSDSL'), in addition to its revenue share of the Block Index received by CoinShares Capital Markets (UK) Limited ('CSCMUKL').

(ii) The Group's subsidiary, CoinShares France ('CSF'), operated a range of consumer based programs offering cryptocurrency trading technology and resources, however this was ceased in January 2023.

(iii) Income is derived from the General Partner's share for services provided to CoinShares Fund II LP ('CSF2LP') (for which CoinShares GP II Limited ('CSGP2L'), a subsidiary in the Group, acts as General Partner), which in accordance with the Limited Partnership Agreement is one quarter of two percent of the capital deployed per quarter.

Accounting policies

The Group earns revenue by issuing ETPs which synthetically track the performance of digital assets under various note programmes. The Group earns fee income, which may vary depending on the note programme, based on the market value of the ETP. The Group recognises the fee income as revenue because it arises on a daily basis over the period that the ETP is outstanding.

The XBTP note program fee revenue is recognised on a daily basis, denominated in fiat, by means of a reduction in the liability owing to the ETP holder. Due to the structure of the XBTP ETPs, and the way in which the Group elects to hedge the liability arising from the issuance of these ETPs, the revenue remains held as part of the overall hedging asset balance until such a time that notes are redeemed, at which point the cash is realised. There is no digital asset exposure risk attached to the revenue that remains held within the hedging assets between recognition and redemption.

The CSDSL management fee note program fee revenue is recognised on a daily basis, denominated in digital assets, by means of a reduction in the coin entitlement owing to the ETP holder. For the staking products with no fee, revenue arising from staking is also denominated in digital assets, with a portion of such proceeds owing to noteholders through increasing the coin entitlement. These revenues are converted on a regular basis into fiat in order to mitigate the risk of digital asset price fluctuations impacting upon revenues arising from CSDSL. There is no digital asset exposure risk attached to the revenue that remains held within the hedging assets between recognition and redemption.

The Group also earns revenue from the provision of investment management services. Revenue is recognised when the performance obligation has been satisfied by transferring the promised services to the customer on a straight line basis over the period during which the service is provided.

CoinShares International Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4 Revenue and Other Income (continued)

(b) Other operating income

	2023	2022
	£	£
Fee rebates	1,475,104	5,459,170
Staking rewards and DeFi	20,425,784	8,041,736
Airdrop income	77,024	3,131,456
Other operating income	1,469,435	(5,384)
	23,447,347	16,626,978

Accounting policies

Other operating income relates to income earned that is not revenue. Other operating income is recognised when it is probable that it will be received by the Group.

Digital assets received as a result of staking activities and airdrops are initially recognised within other operating income. Following initial recognition, such digital assets are valued in accordance with the Group's policy on digital assets, with unrealised gains being recognised in other comprehensive income, and losses recognised through profit and loss, unless such a loss is reversing a gain previously recognised through other comprehensive income.

5 Material profit or loss items

The Group has identified a number of items which it believes to be material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the performance of the Group.

	Notes	2023	2022
		£	£
Management fees	4(a)	42,954,234	50,090,889
Staking rewards and DeFi	4(b)	20,425,784	8,041,736
Fair value gain/(loss) on investments through profit and loss	9(d)	11,365,752	(2,800,424)
Share of losses in joint ventures/associates	9(e)	(10,590,566)	(2,149,611)
Goodwill impairment (<i>impairment charges</i>)	10(c)(i)	-	(5,473,525)
Provision for FTX balances (<i>impairment charges</i>)	9(g)	60,160	(25,492,017)
Terra/Luna de-pegging (<i>loss on digital assets</i>)		-	(18,360,079)

6 Other income and expense items

(a) Cost of sales

	2023	2022
	£	£
Trading expenses	1,494,707	3,350,468
Issuer fees	1,148,568	1,004,073
Custody fees	1,397,770	1,365,500
Direct salary costs	1,646,449	1,266,456
Amortisation of Block Index	1,563,972	1,680,593
	7,251,466	8,667,090

CoinShares International Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

6 Other income and expense items (continued)

(a) Cost of sales (continued)

Accounting policies

Cost of sales is considered to be the direct costs incurred by the Group in the process of earning revenue in addition to the ongoing straight-line amortisation charge against the Block Index intangible asset included within note 10(d). Any other costs incurred are recognised through administration expenses.

(b) Breakdown of administration expenses by nature

	2023	2022
	£	£
Salary costs	8,289,331	10,075,504
Bonus accrual	2,391,973	755,538
Professional fees	2,201,172	3,484,387
Marketing	2,582,142	2,437,449
Legal fees	765,124	560,228
IT expenses	1,928,391	1,198,150
Depreciation of right of use assets	1,211,439	872,526
Depreciation of owned assets	201,619	240,683
Entertainment expense	107,559	181,256
Travel expense	718,549	597,753
Fees payable to the Company's auditor for the Group's current year financial statements	397,500	336,150
Fees payable to the Company's auditor for the Group's prior year financial statements	3,500	23,500
Other expenses	594,206	3,069,828
	21,392,505	23,832,952

(c) Finance income and costs

	2023	2022
	£	£
Finance income from financial instruments measured at amortised cost:		
Interest from bank and broker deposits	8,289,352	1,615,666
Interest from other financial assets measured at amortised cost	1,934,671	11,301,225
	10,224,023	12,916,891
Finance costs on financial instruments measured at amortised cost:		
Interest on other borrowings	1,130,946	3,306,828
Interest on amounts owed to brokers	5,695,949	3,009,380
Interest on lease liabilities	75,124	14,217
	6,902,019	6,330,425

CoinShares International Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

7 Income tax expense

	2023	2022
	£	£
Corporation tax		
Current tax on results for the year	573,670	368,674
Taxation on ordinary activities	<u>573,670</u>	<u>368,674</u>

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

	2023	2022
	£	£
(Loss)/profit on ordinary activities before income tax expense	(452,552,807)	520,584,738
Tax calculated at Jersey tax rate of 0% (2022: 0%)	-	-
Effects of:		
Tax calculated at Jersey tax rate for regulated financial service companies of 10% (incurred by CoinShares (Jersey) Limited ('CSJL'))	48,596	(23,796)
Tax calculated at Swedish tax rate of 22% (incurred by XBTP)	17,670	3,417
Tax calculated at UK tax rate of 23.52% (2022: 19%) (incurred by CoinShares (UK) Limited ('CSUKL'), Elwood Asset Management Services Limited ('EASML') and CSCMUKL)	504,904	484,609
Tax calculated at French tax rate of 26.5% (incurred by CSF)	1,896	(95,556)
Tax calculated at US tax rates (incurred by CoinShares Co. and CoinShares GP I LP)	604	-
Total tax charge for the year	<u>573,670</u>	<u>368,674</u>

Taxation for other jurisdictions is calculated at the various rates and laws substantively enacted on as at the reporting date.

Apart from the UK, there have been no changes in tax rates from the prior year. In the UK, the applicable tax rate was amended from 19% to 25% on 1 April 2023. Given that this is over 2 financial years for the Group, a blended tax rate has been calculated using the number of days falling in each tax year.

The current tax liability at the year end is £156,970 (2022: £235,814).

Accounting policies

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. Entities within the Group pay tax at various rates throughout the jurisdictions, as described above.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit and loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

CoinShares International Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

7 Income tax expense (continued)

Accounting policies (continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Current and deferred tax are recognised in profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Numerical information - Statement of Financial Position

8 Digital assets

			2023 £	2022 £
Non-current digital assets			1,331,614	111,978
Current digital assets			2,375,850,359	868,922,517
			2,377,181,973	869,034,495
	2023 Units	2022 Units	2023 £	2022 £
By Currency				
Bitcoin	41,065	28,308	1,372,851,942	387,768,139
Ethereum	451,575	451,734	816,970,454	447,248,857
Other digital assets			187,359,577	34,017,499
			2,377,181,973	869,034,495
			2023 £	2022 £
By Venue				
Custodian			1,678,952,130	772,807,015
Custody Platform			590,266,296	74,704,515
Exchange			103,937,400	20,368,749
Local Cold Storage			4,026,147	1,154,216
			2,377,181,973	869,034,495

CoinShares International Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

8 Digital assets (continued)

Measurement of digital assets

Digital assets that are freely tradeable are measured at fair value and have been classified as Level 1 in accordance with the IFRS fair value hierarchy. Price movements are recognised at fair value through profit and loss or through other comprehensive income, as outlined below within the digital asset accounting policies section of this note. A reconciliation of movements in digital assets is also shown below.

Purpose of holdings

The majority of the digital assets are held in respect of hedging the certificate liability arising from the issuance of ETPs by XBTP and as collateral for the issuance of ETPs issued by CSDSL. However, a portion of digital assets held by the Group do not form part of its hedging/collateral obligations. Of the £2,377,181,973 (2022: £869,034,495) of assets held, £31,122,973 (2022: £2,251,032) do not form part of the hedge.

Location of assets

The majority of the Group's digital assets are held with regulated digital asset custodians or staked through certain providers. In the case of the latter, the private keys for these holdings are retained by the Group which mitigates counterparty risk. In order to mitigate the potential for increased counterparty risk arising from assets held on exchange, the Group relies on a range of monitoring procedures which are detailed in note 13(b).

As at 31 December 2023, the balance of £103,937,400 (2022: £20,368,749) was held at 14 locations. The level of overall current assets held on exchange (represented by both digital assets and also cash balances) as at 31 December 2023 was 4% (2022: 2%).

Reconciliation of Digital Assets

	2023 £	2022 £
Opening position	869,034,495	2,764,318,368
Net purchases/(sales) of digital assets	272,306,887	(358,800,843)
Fair value gains/(losses) on digital assets through profit and loss	787,050,987	(1,226,595,255)
Fair value gains/(losses) on digital assets through OCI	499,566,125	(539,108,506)
Translation of holdings in USD denominated subsidiaries	(50,776,521)	229,220,731
Closing position	2,377,181,973	869,034,495

The Group has classed digital assets under the fair value hierarchy as follows.

	2023 £	2022 £
Level 1 digital assets	2,375,850,359	868,777,452
Level 2 digital assets	1,331,614	257,043
	2,377,181,973	869,034,495

There have been no transfers of digital assets between fair value hierarchy levels.

Accounting policies

Digital assets are accounted for as intangible assets under the revaluation model. After initial recognition, an intangible asset shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses.

CoinShares International Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

8 Digital assets (continued)

Accounting policies (continued)

Under IFRS, most intangible assets other than goodwill are presumed to have a finite life. However, in the case of the majority of digital assets held by the Group, 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 by reference to the market. As such digital assets are not amortised.

The overarching accounting policy that is adopted in respect of valuing the Group's digital assets is as follows:

- Digital assets which are freely tradeable and for which there is an active market are valued using unadjusted quoted prices, or an average of unadjusted quoted prices, taken from active markets. As such, these digital assets are classified as Level 1 in the fair value hierarchy;
- Digital assets that are subject to lock-up and not freely tradeable are valued using quoted prices discounted for a lack of liquidity. As such these digital assets have been classified as Level 2 in the fair value hierarchy. At the point when such digital assets become freely tradeable, they are reclassified as Level 1 in the fair value hierarchy and accounted for in line with other digital assets;
- In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset'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 asset;
- Increases in the fair value of digital assets are recognised in other comprehensive income, unless the increase reverses a revaluation loss previously recognised in profit and loss, in which case such an amount is recognised in profit
- A decrease in the carrying value of a digital asset as a result of a revaluation loss is recognised in other comprehensive income to the extent that it reverses gains previously recognised in other comprehensive income. If a revaluation loss exceeds the accumulated gains recognised in equity in respect of digital assets, the excess is recognised in profit and loss; and
- Digital assets are derecognised when the Group has transferred substantially all the risks and rewards of ownership on disposal. On disposal of digital assets, any cumulative gain previously recognised in other comprehensive income and accumulated in the revaluation reserve, is transferred to retained earnings.

The Group holds digital assets for different purposes, namely (i) to collateralise the exchange traded products issued by its wholly owned subsidiary CSDSL, (ii) to hedge the liability arising from the issuance of exchange traded products by its wholly owned subsidiary XBTP, and (iii) as investments.

Within CSDSL the digital assets are held in order to collateralise a number of exchange traded products. The exchange traded products are re-measured using reference indices as defined in the relevant prospectus for such products. The digital assets are valued using the same methodology, relying on an unadjusted index price. This prevents an accounting mismatch between the valuation of the digital assets and the certificates held.

Within CoinShares Capital Markets (Jersey) Limited ('CSCMJL'), Bitcoin and Ethereum are valued by the Company based on the average price of the three most liquid exchanges as defined in the XBTP prospectus at the date of valuation. The valuation takes place daily at 08:00-12:00 (UTC) for Bitcoin, where the value is calculated as the unweighted average price between the bitcoin exchanges of the weighted average price for the period of each underlying exchange (separately). For Ethereum the valuation takes place daily at 16:00 (UTC). Although these valuations are ultimately derived from a number of sources, the sources themselves are unadjusted and would each represent a Level 1 classification within the fair value hierarchy. As such, these holdings have been classified as Level 1. Should the average price of the three exchanges utilised show a material difference to any of the prices from an individual exchange, the classification of these assets as Level 1 would be reassessed.

CoinShares International Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

8 Digital assets (continued)

Accounting policies (continued)

CSCMJL also holds perpetual and futures contracts both referencing and settled in digital assets. The gains or losses arising from these contracts are classified as digital assets due to both the nature of settlement and liquidity profile of such gains and losses operating in the same manner of digital assets held on exchange. Due this classification, such gain/loss is remeasured using the average price on the three most liquid exchanges. These contracts are held for the same purpose as the majority of the companies digital assets, being the hedging the Company's liability to certificate holders of the products issued by XBTP. As such, the value of the contracts is adjusted to reflect their valuation on the same basis and at the same time as the certificate liability.

All other digital asset holdings within CSCMJL and held by other Group entities are valued by the Company based on an unadjusted price derived from a global cryptocurrency market data provider.

On consolidation, no adjustments are made to these valuation approaches to create an alignment at the Group level. The directors consider that the assets held by each subsidiary are sufficiently different (and are therefore separate classes) insofar as they are being held for different purposes, and in the case of those held to hedge/collateralise exchange traded products, have a corresponding liability. This approach ensures the prevention of an accounting mismatch between the valuation of the digital assets and certificates held.

This approach also reflects the prices that represent the most advantageous market available to sell each class of asset. The CSDSL digital assets are restricted to only being tradeable for a defined financial instrument (the ETP liability), the fair values of which are defined by the CSDSL prospectus. The XBTP assets are tradeable on any exchange, therefore the average price of three exchanges (as defined in the prospectus) represents management's best estimate of the most advantageous market price.

Critical judgement - accounting treatment of digital assets

In the absence of any specific accounting standard dealing with digital assets, the directors have exercised critical judgement in classifying the Group's digital assets, comprising principally of crypto-currency, as intangible assets. IFRS contains no explicit definition of the terms 'cash' or 'currency' but it is currently accepted practice under IFRS that crypto-currency should not be considered as such, this is on the basis that it lacks some of the common properties of cash and currency. Digital assets do not meet the definition of a financial instrument because there is no right to receive cash (or another financial asset), and classification as inventory is not appropriate because the Group's digital assets are not held for sale in the ordinary course of business. The Group holds digital assets for the purpose of hedging and the directors have determined that the assets meet the definition of an intangible asset under IAS 38 'Intangible Assets'.

9 Financial assets and liabilities

The table below sets out the financial assets and liabilities held by the Group.

	Notes	2023 £	2022 £
Current financial assets			
Cash and cash equivalents	9(c)	25,507,944	134,768,902
Trade and other receivables	9(a)	2,241,203	1,458,179
Other current assets	9(b)	266,093,775	177,565,926
		293,842,922	313,793,007

CoinShares International Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

9 Financial assets and liabilities (continued)

	Notes	2023 £	2022 £
Non-current financial assets			
Trade and other receivables	9(a)	328,614	806,052
Other non-current assets	9(b)	2,211,742	1,968,199
		2,540,356	2,774,251
Current financial liabilities			
Amounts due to brokers	9(c)	(669,402)	-
Trade and other payables	9(g)	(5,612,218)	(3,969,783)
Other current liabilities	9(i)	(108,940,878)	(27,116,746)
		(115,222,498)	(31,086,529)
Non-current financial liabilities			
Non-current loans	9(i)	(23,145,127)	(21,433,967)
		(23,145,127)	(21,433,967)

Movements in financial assets and financial liabilities

The financial assets and liabilities held by the Group are subject to price movements which result in operating gains or losses. These movements are predominantly in relation to the digital asset ETPs issued by third parties and held by the Group as part of the XBTP hedging assets (note 9(b)).

The table below sets out the other operating gains/(losses) through profit and loss arising from these movements.

	2023 £	2022 £
Gain/(loss) on digital asset ETPs	135,959,647	(660,389,251)
Gain on digital asset payables/receivables	35,568,047	22,022,880
Gain on derivatives	17,180,194	8,866,308
Gain/(loss) on other operating activities	130,003	(254,630)
	188,837,891	(629,754,694)

Accounting policies

Certain of the Group's ETPs, and other derivative contracts, are settled in digital assets and therefore do not meet the definition of a financial instrument set out in IFRS 9. In all other respects they operate in the same way as an equivalent contract settled in cash. The Group has determined that the accounting policies for these contracts are the same as they would be for an equivalent contract settled in cash and meeting the definition of a financial instrument. These contracts are referred to as 'financial instruments' in the financial statements and are analysed as such in the financial instruments note.

Financial assets

The accounting policy for non-current asset investments where the Group does not have control or significant influence, which are financial assets accounted for under IFRS 9.

CoinShares International Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

9 Financial assets and liabilities (continued)

Accounting policies (continued)

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not measured at fair value through profit or loss, transaction costs. Trade receivables are initially measured at the transaction price.

Subsequent measurement

Subsequently the Group's financial assets are classified into several categories:

- Financial assets measured at amortised cost;
- Financial assets measured at fair value through profit or loss; and
- Financial assets measured at fair value through other comprehensive income.

Financial assets at amortised cost and effective interest model

The effective interest method is a method of calculating the amortised cost of a debt instrument and allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Financial assets at fair value through profit or loss

Financial assets classified as current assets are measured at fair value through profit or loss. The fair value basis is measured using the fair value hierarchy.

Financial assets at fair value through Other Comprehensive Income

Certain balances which are classified as investments held by the Group represent carried interest receivables on funds. Due to the lack of clarity around the timing of ultimate receipt of these amounts, these investments are revalued through other comprehensive income until such a time when the receivable is realised.

Impairment of financial assets measured at amortised cost

An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both.

The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes and takes into account the time value of money.

The measurement of impairment losses depends on whether the financial asset is 'performing', 'underperforming' or 'non-performing' based on the Group's assessment of increases in the credit risk of the financial asset since its initial recognition and any events that have occurred before the year-end which have a detrimental impact on cash flows. The financial asset moves from 'performing' to 'underperforming' when the increase in credit risk since initial recognition becomes significant.

CoinShares International Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

9 Financial assets and liabilities (continued)

Accounting policies (continued)

In assessing whether credit risk has increased significantly, the Group compares the risk of default at the year-end with the risk of a default when the financial asset was originally recognised using reasonable and supportable past and forward-looking information that is available without undue cost. The risk of a default occurring takes into consideration default events that are possible within 12 months of the year-end ('the 12-month expected credit losses') for 'performing' financial assets, and all possible default events over the expected life of those debtors ('the lifetime expected credit losses') for 'underperforming' financial assets.

Impairment losses and any subsequent reversals of impairment losses are adjusted against the carrying amount of the financial asset and are recognised in profit and loss.

For trade receivables, expected credit losses are measured by applying a simplified method using a provision matrix. The expected loss rate comprises the risk of a default occurring and the expected cash flows on a default based on the ageing of the debtor. The risk of a default occurring always takes into consideration all possible default events over the expected life of those debtors. Different provision rates and periods are used based on groupings of historic credit loss experience by product type, customer type and location.

Derecognition of financial assets

Financial assets, or a part thereof, are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Group transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

When there is no reasonable expectation of recovering a financial asset it is derecognised. The gain or loss on derecognition is recognised in profit and loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deduction of all its liabilities.

Financial liabilities are initially recognised at fair value, which is normally equivalent to transaction price, less transaction costs.

Subsequent measurement

Subsequently the Group's financial liabilities are classified into two categories:

- Financial liabilities measured at amortised cost; and
- Financial liabilities measured at fair value through profit or loss ('FVTPL').

Financial liabilities at amortised cost

Financial liabilities that are not (i) held for trading, or (ii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial liabilities at amortised cost held by the Group include loans payable with contractual cashflows and lease liabilities.

CoinShares International Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

9 Financial assets and liabilities (continued)

Accounting policies (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities not held at amortised cost and whose business objectives are not achieved through trading or contractual cashflows are measured at fair value through profit or loss.

Financial liabilities at fair value through profit or loss held by the Group include amounts due to the holders of Group issued ETPs.

Liabilities arising in connection with ETPs issued by the Group referencing the performance of digital assets are measured at fair value through profit or loss. Their fair value is a function of the unadjusted quoted price of the digital asset underlying the ETP, less any accumulated management fees, measured as described in note 2.19.

The fair value basis is consistent with the measurement of the underlying digital assets which are considered Level 1 under the fair value hierarchy.

Derecognition of financial liabilities

Financial liabilities (or part thereof) are derecognised when, and only when, the Group's obligations are discharged, cancelled, or they expire. Any difference between the carrying amount of a financial liability (or part thereof) that is derecognised and the consideration paid is recognised in profit or loss.

(a) Trade receivables

	Notes	2023 £	2022 £
Current			
Accounts receivable		1,323,766	390,349
Amounts owed by related parties	(i)	33,875	32,450
Deposits paid		118,944	124,667
Prepayments		591,433	473,964
VAT receivable		173,185	436,749
Total current		2,241,203	1,458,179
Non-current			
Deposits paid		305,335	52,969
Deferred tax		23,279	753,083
Total non-current		328,614	806,052
Total trade receivables		2,569,817	2,264,231

(i) Amounts owed by related parties are unsecured, interest free, have no fixed date of repayment and are repayable on demand. See note 19 for related party transaction disclosures.

Expected credit losses

Credit risk is considered as part of the risk disclosures in note 13(b). Management has undertaken a review of the credit loss and calculated that the risk of credit loss to be minimal. When calculating the value of this, the amount was considered insignificant to the Group.

Management regularly review this position to ensure that this is reasonable for the Group.

CoinShares International Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

9 Financial assets and liabilities (continued)

(b) Other assets

	Notes	2023 £	2022 £
Current			
Digital asset ETPs and funds	(i)	211,384,245	96,788,146
Other assets	(ii), (iv)	54,709,530	80,777,780
Total current		266,093,775	177,565,926
Non-current			
Loans receivable	(iii)	1,469,196	1,968,199
Other assets	(iv)	742,546	-
Total non-current		2,211,742	1,968,199
Total other assets		268,305,517	179,534,125

(i) Digital asset ETPs and funds held as at year end totalled £211,384,245 (2022: £96,788,146). These holdings are used to provide exposure to digital assets and are held as a part of the Group's collateral management obligations.

The table below shows a reconciliation between the opening and closing position of the Group's digital asset ETPs and funds holdings.

	2023 £
Opening position	96,788,146
Net additions and transfers	87,584,384
Net disposals and transfers	(99,519,032)
Net movement	(11,934,648)
Realised gain	41,353,275
Unrealised gain	94,606,372
Net gain	135,959,647
Exchange differences	(9,428,900)
Closing position	211,384,245

(ii) The majority of current other assets represent digital asset lending balances to small number of counterparties totalling £49,146,747.

Credit risk in relation to these lending balances is considered as part of the risk disclosures in note 13(b). No provision for expected credit losses has been applied to these lending amounts.

(iii) This balance predominantly comprises a convertible loan note issued to Finrate AG ('Finrate') on 14 October 2021 for a principal amount of CHF750,000 in October 2021 for a term of 24 months (£595,181).

(iv) The Group held a 16% shareholding in SBG 1320 LLC ('SBG'). During the year SBG underwent some restructuring which has resulted in SBG receiving cash payments which will ultimately be paid onto its shareholders. These payments have been recognised in current and non-current assets according to the time in which it is expected to be received. £589,182 has been recognised as a current asset, and £742,546 as a non-current asset.

CoinShares International Limited

Notes to the Consolidated Financial Statements

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9 Financial assets and liabilities (continued)

(c) Cash and cash equivalents

	2023	2022
	£	£
Cash at bank	6,660,753	26,567,599
Amounts due from brokers	(i) 16,270,974	98,128,995
Amounts due from exchanges	2,576,217	10,072,308
	25,507,944	134,768,902
Amounts due to brokers	(ii) (669,402)	-
Total cash and cash equivalents	24,838,542	134,768,902

	2023	2022
	£	£
(i) Due from brokers		
Interactive Brokers	11,952,502	22,839,202
Marex Capital	4,305,194	71,546,706
Marex Prime	-	3,729,405
Mangold	13,278	13,682
	16,270,974	98,128,995

	2023	2022
	£	£
(ii) Due to brokers		
Marex Prime Services	(669,402)	-
	(669,402)	-

Amounts due from/to brokers and amounts due from exchanges represent cash held by/payable to brokers and exchanges and are classified as cash and cash equivalents. Amounts payable from/to brokers accrue interest. The Company has the right and ability to settle its obligations with brokers on a net basis.

Accounting policies

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 from inception.

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 brokerage firms, arising due to the ongoing trading activities of the Group, and are classified as cash equivalents.

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.

Other cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

9 Financial assets and liabilities (continued)

(d) Investments in third parties

	Investments in Joint Ventures And Associates £	Investments in Listed Equities £	Other Investments Through P&L £	Other Investments Through OCI £	Total £
At 31 December 2022	30,403,894	236	9,327,835	5,279,885	45,011,850
Additions	-	-	480,638	-	480,638
Disposals	-	-	(1,493,024)	-	(1,493,024)
Fair value gain through profit and loss	-	375	11,250,135	-	11,250,510
Fair value gain through other comprehensive income	-	-	-	149,182	149,182
Share of associate and joint venture losses	(7,678,357)	-	-	-	(7,678,357)
Exchange differences through profit and loss	(2,912,209)	-	115,617	-	(2,796,592)
At 31 December 2023	19,813,328	611	19,681,201	5,429,067	44,924,207
	31 December 2022 £	Additions/ (Disposals) £	Investment Gain/(Loss) £	Transfers between levels £	31 December 2023 £
Level 1 Investments	236	-	375	-	611
Level 2 Investments	5,279,885	-	149,182	-	5,429,067
Level 3 Investments	9,327,835	(1,012,386)	11,365,752	-	19,681,201
Total investments held at fair value	14,607,956	(1,012,386)	11,515,309	-	25,110,879
Associates	30,403,894	-	(10,590,566)	-	19,813,328
Total investments valued using the equity method	30,403,894	-	(10,590,566)	-	19,813,328
Total investments	45,011,850	(1,012,386)	924,743	-	44,924,207

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

9 Financial assets and liabilities (continued)

(d) Investments in third parties (continued)

For the balance of £19,681,201 which represents investments classified as Level 3 within the fair value hierarchy, the following table summarises the quantitative information about the significant inputs used.

Description	Fair value £	Unobservable inputs	Input amount	Input range	Relationship between unobservable inputs and fair value
Unlisted equities not held at cost	19,681,201	Discount factor on price of recent investment	0%	-20% to 0%	Decreasing all inputs to the lowest points of the given ranges would decrease fair value as at 31 December 2023 by £3,936,240 Increasing all inputs to the highest point of the given ranges would result in no change to the fair value as at 31 December 2023

CoinShares International Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

9 Financial assets and liabilities (continued)

(d) Investments in third parties (continued)

Accounting policies

In the financial statements of the Group, investments in listed equities and other investments are held at fair value through profit or loss except where the directors have made an irrevocable claim to designate fair value movements through other comprehensive income.

Simple Agreements for Future Tokens/Equity

Such agreements outline the delivery of digital assets (referred to as Tokens ('SAFTs'), equity ('SAFEs') or a combination thereof ('SAFTEs')) to the Group either on a specified date or following the occurrence of a defined event. These agreements are initially recognised at fair value as of the date they are entered. SAFTs are classified as digital asset receivables and are subsequently measured at fair value as described in note 8. SAFEs are classified as financial assets through profit and loss, and further detail on the Group's fair value accounting policy can be found in note 22. In cases where the Group holds SAFEs with hybrid elements, these are evaluated separately based on their risks and characteristics.

These agreements are monitored on an ongoing basis. In the event that the ultimate delivery of the tokens/equity is called into question, or the likely value of the holding is deemed to be lower than initial cost, the receivable will be impaired with such charge being taken through profit and loss.

Key accounting estimate and assumption

Valuation of investments

The fair value of financial instruments, including investments, that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(e) Investments in associates

The Company's investments in associates which form part of the Group as at 31 December 2023 are as follows:

Name	Investee relationship	Ownership	Jurisdiction	Date of Initial Investment
Gold Token SA	Associate	22.54%	Switzerland	08/08/2018
FlowB Holding Switzerland SA	Associate	26.75%	Switzerland	02/10/2021

The entities listed above have share capital consisting solely of ordinary shares, which are held directly by the Group. The jurisdiction is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

The Group held a 22.54% position in Gold Token SA ('GTSA') throughout the year and continues to value it under the equity method. As a result, the Group recognised a loss on associates of £216,967 (2022: £143,249) in relation to GTSA's performance during the year and the carrying value as at 31 December 2023 is £58,031 (2022: £274,998).

The Group held a 26.75% position in FlowB Holding Switzerland SA ('FlowBank') throughout the year. Following the recognition of FlowBank's performance for the year under the equity method, the Group recognised a loss on associates of £10,373,599 (2022: £1,775,453) and the carrying value as at 31 December 2023 stands at £19,755,297 (2022: £30,128,895).

The following tables provide unaudited summarised financial information for FlowBank, which is considered material to the group. The information disclosed reflects the amounts presented in the financials statements of the associate and not the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when applying the equity method, including fair value adjustments and modifications for differences in accounting policy.

CoinShares International Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

9 Financial assets and liabilities (continued)

(e) Investments in associates (continued)

FlowBank's unaudited statement of comprehensive income:

	2023	2022
	£	£
Revenue	3,917,708	835,604
Loss after tax	<u>(26,489,600)</u>	<u>(10,455,626)</u>
Total comprehensive loss	(26,489,600)	(10,455,626)
Our share of total comprehensive loss	<u>(7,461,390)</u>	<u>(1,786,409)</u>

FlowBank's unaudited statement of financial position:

	2023	2022
	£	£
Current assets	577,858,629	139,648,308
Non-current assets	19,315,839	7,309,289
Total assets	<u>597,174,468</u>	<u>146,957,597</u>
Current liabilities	<u>(582,782,137)</u>	<u>(122,727,107)</u>
Total liabilities	(582,782,137)	(122,727,107)
Net assets	<u>14,392,331</u>	<u>24,230,490</u>
Reconciliation of FlowBank's carrying value:	2023	2022
	£	£
Opening net assets	<u>24,230,490</u>	<u>24,783,303</u>
Loss for the period	<u>(26,489,600)</u>	<u>(10,455,626)</u>
Capital contributions	12,604,438	8,584,414
Exchange differences	4,047,003	1,318,399
Closing net assets	<u>14,392,331</u>	<u>24,230,490</u>
Our share of FlowBank's net assets (26.75%)	4,074,469	6,859,652
Deemed goodwill	15,680,828	23,269,931
Carrying amount of interest in associate	<u>19,755,297</u>	<u>30,129,583</u>

Accounting policies

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

CoinShares International Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

9 Financial assets and liabilities (continued)

(e) Investments in associates (continued)

In the Group consolidated financial statements the results and assets and liabilities of associates or joint ventures are incorporated using the equity method of accounting, unless the investee is held indirectly through a venture capitalist organisation in which case the investment is measured at fair value through profit or loss.

Under the equity method, an investment in an associate or a joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture accounted for under the equity method. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

(f) Certificate liability

Certificate type	2023	2022	2023	2022
	Number	Number	£	£
Bitcoin Tracker One	3,468,999	3,623,578	537,280,975	212,792,525
Bitcoin Tracker Euro	432,477	459,701	666,988,025	266,534,307
Ether Tracker One	15,309,343	16,649,235	255,254,209	146,946,227
Ether Tracker Euro	2,487,963	2,774,973	413,056,557	242,649,103
CoinShares Physical Bitcoin	9,339,130	4,948,800	301,998,264	66,880,637
CoinShares Physical Ethereum	1,718,953	1,212,286	91,269,305	35,727,952
CoinShares Physical Litecoin	401,500	212,500	4,470,073	2,416,053
CoinShares Physical XRP	874,300	434,800	16,404,468	4,840,826
CoinShares Physical Staked Polkadot	557,500	257,500	4,084,656	980,519
CoinShares Physical Staked Tezos	564,000	453,000	2,415,298	1,402,567
CoinShares Physical Staked Solana	3,652,100	758,100	31,071,177	650,566
CoinShares Physical Chainlink	3,111,000	715,000	3,652,266	329,077
CoinShares Physical Uniswap	2,310,000	910,000	1,336,096	384,530
CoinShares Physical Staked Cardano	22,705,000	8,265,000	11,272,945	1,764,189
CoinShares Physical Staked Cosmos	374,500	193,000	1,724,979	774,317
CoinShares Physical Staked Polygon	568,500	195,000	4,758,310	1,277,325
CoinShares Physical Staked Algorand	2,161,000	245,000	3,939,541	356,770
CoinShares Physical Top 10 Crypto Market	25,000	-	346,970	-
CoinShares Physical Smart Contract Platform	10,000	-	151,409	-
			2,351,475,523	986,707,490

CoinShares International Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

9 Financial assets and liabilities (continued)

(f) Certificate liability (continued)

The certificates are held at fair value through profit or loss. The fair value of the certificates are calculated with reference to market prices as defined in the relevant prospectus.

Reconciliation of certificates

	£
At 31 December 2022	986,707,490
Movement on certificate liability	1,470,485,132
Management fee	(41,557,412)
Movement from net issuance/redemption	(64,159,687)
At 31 December 2023	<u>2,351,475,523</u>

Critical judgements

Accounting treatment of ETPs

Certain of the Group's ETPs are settled in digital assets and therefore do not meet the definition of a financial instrument set out in IFRS 9. In all other respects they operate in the same way as an equivalent contract settled in cash. The Group has determined that the accounting policies for these contracts are the same as they would be for an equivalent contract settled in cash and meeting the definition of a financial instrument.

(g) Trade and other payables

	2023	2022
	£	£
Accounts payable	1,004,360	1,081,702
Accrued liabilities	4,607,858	2,888,081
Total trade payables	<u>5,612,218</u>	<u>3,969,783</u>

(h) Impairment reversals/(charges)

On 11 November 2022, the world's third largest cryptocurrency exchange, FTX Trading Ltd. ('FTX'), filed for Chapter 11 bankruptcy protection in the United States. The Group held digital assets and US Dollars with FTX amounting to a total exposure of £25,492,017 million. As a result of significant uncertainty surrounding the recoverability of these assets, an impairment loss was recognised in respect of the Group's exposure. Further details of the Group's claim over these assets is included in note 17.

In 2023 £60,160 of this impairment loss was reversed in relation to the replacement of certain tokens that had been held at FTX under the terms of a token delivery agreement.

CoinShares International Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

9 Financial assets and liabilities (continued)

(i) Other current liabilities and loans

	Notes	2023 £	2022 £
Reyl loan	(i)	23,145,127	22,152,484
Kingdom Trust		-	9,572,412
Solana seed	(ii)	92,117,829	9,588,974
OTC Trades	(iii)	7,761,682	4,307,428
Algorand Foundation	(iv)	2,734,526	2,039,791
STX loan		-	357,467
FlowBank SA		-	273,312
Other borrowings		54,306	258,845
Amounts due to exchange	(v)	5,335,392	-
Fund liabilities to external investors	(vi)	937,143	-
		132,086,005	48,550,713
Payable within one year		108,940,878	27,116,746
Payable in more than one year		23,145,127	21,433,967

(i) The Group has a loan balance to Reyl & Cie Ltd ('Reyl Bank') in the sum of CHF 24,740,000 (£23,097,200) (2022: CHF 24,740,000 (£22,115,017)) plus accrued interest of CHF 51,336 (£47,927) (2022: CHF 45,337 (£37,467)). The loan bears interest at a rate equal to the interest base rate SARON 1 to 3 months, that cannot fall below 0% per annum, plus a credit margin of 2.25% and internal costs of the Bank for making the liquidity available to the Group during the entire loan duration with a minimum of 0.20% per annum. The ultimate maturity date of the loan is 10 March 2027.

The Group holds assets with Reyl Bank in the form of authorised unissued ETP certificates that amounted to a market value as at 31 December 2023 of £285,696,472 (2022: £124,585,188), a portion of which will stay with Reyl Bank until the loan balance has been fully settled. Custodial fees of 0.08% on the average value of the portfolio during the period are charged by Reyl Bank on a quarterly basis on the ETP certificates provided.

(ii) The balance represents the value of 10,000,000 certificates in CoinShares Physical Staked Solana which are held by the Group on behalf of a third party who contributed 1,000,000 SOL of seed capital to the product. This amount is hedged in full by physical solana within CSDSL.

(iii) The balance represents the sterling equivalent value of OTC liabilities in the course of settlement at the balance sheet date. This balance is hedged by digital assets held.

(iv) The balance represents the value of 1,500,000 certificates in CoinShares Physical Staked Algorand which are held by the Group on behalf of a third party, who contributed 15,000,000 ALGO of seed capital to the product. This balance is hedged by digital assets held.

(v) Amounts due to exchanges balances due to exchanges as at year end that are settled in digital assets.

(vi) Fund liabilities due to external investors arise from investments made by third parties into the Group's Bitcoin and Ethereum Integrated Strategies Funds ('BIS' and 'EIS' respectively) which currently are consolidated within the Group until such a time as they garner sufficient inflow to trigger deconsolidation.

CoinShares International Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

10 Non-financial assets and liabilities

(a) Property, plant and equipment

	Right-of-use property assets £	Furniture and Fittings £	Office Equipment £	Total £
Cost				
At 31 December 2022	2,919,836	645,753	551,146	4,116,735
Additions	3,008,294	47,328	61,658	3,117,280
Disposals	(2,906,691)	(1,143)	(57,013)	(2,964,847)
Exchange differences	(13,145)	-	(5,715)	(18,860)
At 31 December 2023	3,008,294	691,938	550,076	4,250,308
Accumulated depreciation				
At 31 December 2022	1,388,614	496,858	295,401	2,180,873
Charge for the year	1,211,439	75,293	126,326	1,413,058
Disposals	(2,328,814)	(1,143)	(70,789)	(2,400,746)
Exchange differences	(6,119)	-	(2,310)	(8,429)
At 31 December 2023	265,120	571,008	348,628	1,184,756
Net book value				
At 31 December 2023	2,743,174	120,930	201,448	3,065,552
At 31 December 2022	1,531,222	148,895	255,745	1,935,862

Accounting policies

Assets are initially recognised at cost and subsequently measured at cost, net of depreciation and any impairment losses. Cost includes the original purchase price plus costs directly attributable to bringing the asset to its working condition for its intended use.

Subsequent expenditure relating to an item of 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 profit and loss as incurred.

A right-of-use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the Group.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. Right-of-use assets are depreciated straight line over the following useful economic periods:

All right-of-use assets for the periods reported relate to property rights obtained as part of lease arrangements (see note 10(b)).

CoinShares International Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

10 Non-financial assets and liabilities

(a) Property, plant and equipment (continued)

Accounting policies (continued)

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
Right-of-use property	shorter period of the remaining lease term and the useful economic life

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 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 profit and loss in the period of disposal.

The right-of-use asset is adjusted for any re-measurement of the lease liability and lease modifications, as set out in the lease accounting policy.

Key accounting estimate

Useful life of property, plant and equipment

The Group has property, plant and equipment assets that are depreciated over their useful lives. The useful life has been estimated based on expected use of the asset.

(b) Leases

Lease commitments for short-term leases at 31 December were as follows:

	2023	2022
	£	£
Serviced office lease	190,737	41,320
	190,737	41,320

The group entered into a short-term lease contract for an office in Paris on 5 July 2023 for one year commencing from November 2023. This agreement has replaced the financing lease arrangements in place for offices in Paris discussed below. The total expense relating to short-term leases for the year was £166,734 (2022: £81,108).

The maturity of gross contractual undiscounted cash flows due on the Group's lease liabilities is set out below based on the period between 31 December 2023 and the lease maturity date.

	Less than 1 year	1 to 5 years	Over 5 years	Total at 31 December 2023
	£	£	£	£
Jersey property leases	201,835	911,664	-	1,113,499
London property leases	504,796	1,729,335	-	2,234,131
	706,631	2,640,999	-	3,347,630

CoinShares International Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

10 Non-financial assets and liabilities

(b) Leases (continued)

The Group leased the second and third floors of a property for its operations in Jersey, and two properties for its operations both in London and Paris during the period. The movement in right-of-use assets obtained as a result of lease arrangements and their associated depreciation charges are disclosed in note 10(a).

The lease for the second floor of the property in Jersey commenced on 1 January 2019 and was voluntarily concluded on 1 June 2023. The lease for the third floor commenced on 1 December 2017 and was also terminated on 1 June 2023, the contractual lease end date. The Group has agreed to continue to rent the same office space under a new lease which commenced on 2 June 2023. The new lease has a term of six years and break clause options at the end of year 2 and 4; the Directors have no intention of exercising either option at the transition date. Accounting for both leases is therefore on the basis of future cash flows on rental payments up to the contractual lease end date of 1 June 2029.

On 4 September 2023 the Group ended an agreement with Brevan Howard Asset Management LLP for the underlease of 82 Baker Street, London, W1U 6TE. The Group entered into a new lease at 3 Lombard Street, London EC3V 9AQ on 2 August 2023. The lease term is five years, commencing on 2 August 2023 and with an end date of 1 August 2028.

The Group leased two offices in Paris during the year, 11 rue Paul Lelong, from the point of acquisition of CSF in 2021 and 25 rue du 4 Septembre from 1 August 2022. with a contractual end dates of 4 April 2023 and 31 August 2023 respectively. Both leases were terminated during the period and CSF has since entered into a short-term lease which is discussed above.

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

10 Non-financial assets and liabilities (continued)

(b) Leases (continued)

Reconciliation of lease liabilities

	Jersey property leases £	London property leases £	Paris property leases £	Total £
At 31 December 2022	101,062	882,770	352,655	1,336,487
Additions	1,061,901	1,946,393	-	3,008,294
Disposals	(92,374)	(262,751)	(348,200)	(703,325)
Repayments	(122,016)	(622,203)	-	(744,219)
Interest expense	30,934	44,189	2,743	77,866
Exchange differences	-	-	(7,198)	(7,198)
At 31 December 2023	979,507	1,988,398	-	2,967,905

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

10 Non-financial assets and liabilities (continued)

(b) Leases (continued)

The Group has an operating lease arrangement in which it acts as a lessor in relation to office space sub-leased to a related party. The lease agreement includes a 2 month break clause option which is exercisable by either party.

Maturity analysis of operating lease payments:

	2023	2022
	£	£
Within one year	22,000	22,000
	22,000	22,000

During the year, the Group received lease income on operating leases amounting to:

	2023	2022
	£	£
Operating lease rental income	132,000	132,000
	132,000	132,000

Accounting policies

The Group as lessee

On commencement of a contract (or part of a contract) which gives the right to use an asset for a period of time in exchange for consideration, the group recognises a right-of-use asset and a lease liability unless the lease qualifies as a 'short-term' lease or a 'low-value' lease.

Short-term leases

Where the lease term is twelve months or less and the lease does not contain an option to purchase the leased asset, lease payments are recognised as an expense on a straight-line basis over the lease term.

Leases of low-value assets

Where the underlying asset in a lease is 'low-value', lease payments are recognised as an expense on a straight-line basis over the lease term. Low-value leases are deemed to be leases under £50,000.

Initial measurement of the lease liability

The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the incremental borrowing rate because the interest rate implicit in the lease cannot be readily determined.

The lease term is the non-cancellable period of the lease plus extension periods that are reasonably certain to exercise and termination periods that are reasonably certain not to exercise.

Lease payments include fixed payments, less any lease incentives receivable, variable lease payments dependent on an index or a rate and any residual value guarantees. Variable lease payments are initially measured using the index or rate when the leased asset is available for use.

Subsequent measurement of the lease liability

The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments. Interest on the lease liability is recognised in profit or loss.

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

10 Non-financial assets and liabilities (continued)

(b) Leases (continued)

Accounting policies (continued)

Re-measurement of the lease liability

The lease liability is adjusted for changes arising from the original terms and conditions of the lease that change the lease term, the assessment of options to purchase the leased asset, the amount expected to be payable under a residual value guarantee and/or changes in lease payments due to a change in an index or rate. The adjustment to the lease liability is recognised when the change takes effect and is adjusted against the right-of-use asset, unless the carrying amount of the right-of-use asset is reduced to nil, when any further adjustment is recognised in profit or loss.

Adjustments to the lease payments arising from a change in the lease term or the assessment of its option to purchase the leased asset are discounted using a revised discount rate. The revised discount rate is calculated as the incremental borrowing rate at the date of the reassessment because the interest rate implicit in the lease cannot be readily determined.

Lease modifications

A lease modification is a change that was not part of the original terms and conditions of the lease and is accounted for as a separate lease if it increases the scope of the lease by adding the right to use one or more additional assets with a commensurate adjustment to the payments under the lease.

For a lease modification not accounted for as a separate lease, the lease liability is adjusted for the revised lease payments, discounted using a revised discount rate.

Where the lease modification decreases the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease. Any difference between the adjustment to the lease liability and the adjustment to the right-of-use asset is recognised in profit or loss.

For all other lease modifications, the adjustment to the lease liability is recognised as an adjustment to the right-of-use asset.

The Group as lessor

Leases are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Critical judgement

Measurement of IFRS 16 lease liabilities and right-of-use assets

The directors have exercised a number of judgements in order to measure lease liabilities and right-of-use assets under IFRS 16, including the determination of the lease term and discount rate. The carrying value of the lease liabilities and right-of-use assets at the reporting date are shown on the face of the Statement of Financial Position within notes 10(a) and 10(b) respectively.

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

10 Non-financial assets and liabilities (continued)

(c) Goodwill

	£
Cost	
At 31 December 2022	6,417,009
Exchange differences	(1,977)
At 31 December 2023	6,415,032
Accumulated impairment losses	
At 31 December 2022	5,473,525
Loss for the year	-
At 31 December 2023	5,473,525
Net book value	
At 31 December 2023	941,507
At 31 December 2022	943,484

Goodwill impairment charges and reversal of impairment charges are recognised in administrative expenses in the statement of comprehensive income.

The carrying value of goodwill has been allocated to Cash Generating Units ('CGUs') as follows:

	2023	2022
	£	£
CoinShares AM - AMF regulatory status	903,573	903,573
CoinShares Co - broker/dealer license	37,934	39,911
	941,507	943,484

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. Goodwill is impaired if the recoverable amount falls below the carrying amount of the CGU in question.

The recoverable amount for a CGU is defined as the higher of fair value less costs of disposal or value in use.

For CoinShares Asset Management ('CSAM'), the goodwill amount of £903,573 relates to the value of the regulatory licenses held by the Group's French entities. No impairment charge has been made during the year due to the retention of the license and the estimated cost to replace.

For CoinShares Co, the recoverable amount is considered to be reasonable due to the value in use of relevant broker/dealer licenses being justifiable, and should the license be relinquished the costs involved in replacing this would be in excess of this amount.

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

10 Non-financial assets and liabilities (continued)

(c) Goodwill (continued)

Accounting policies

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(d) Other intangible assets

	Fee Generating Contracts £	Software £	Website Domains and Trademarks £	Total £
Cost				
At 31 December 2022	12,180,776	880,298	209,769	13,270,843
Additions	-	1,185,665	9,398	1,195,063
Disposals	-	(85,225)	(206,265)	(291,490)
Exchange differences	-	(6,676)	-	(6,676)
At 31 December 2023	12,180,776	1,974,062	12,902	14,167,740
Accumulated amortisation				
At 31 December 2022	2,125,727	86,184	10,484	2,222,395
Charge for the year	1,563,972	221,850	1,743	1,787,565
Additions	-	12,325	109	12,434
Disposals	-	(35,279)	(10,015)	(45,294)
Exchange differences	230,115	244,014	-	474,129
At 31 December 2023	3,919,814	529,094	2,321	4,451,229
Net book value				
At 31 December 2023	8,260,962	1,444,968	10,581	9,716,511

Accounting policies

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Expenditure on the research phase of projects to develop new customised software is recognised as an expense as incurred.

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

10 Non-financial assets and liabilities (continued)

(d) Other intangible assets (continued)

Accounting policies (continued)

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet all of the following recognition requirements:

- the development costs can be measured reliably;
- the project is technically and commercially feasible;
- the Group intends to and has sufficient resources to complete the project;
- the Group has the ability to use or sell the software; and
- the software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs.

Separately acquired intangible assets have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation of the depreciable amount is allocated systematically on the basis of the consumption of economic benefits over their estimated useful lives.

Amortisation is provided on the following basis:

Fee generating contracts	10 years
Software	3-5 years
Website domain names and 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.

Any capitalised internally developed software that is not yet complete is not amortised but is subject to impairment testing.

Amortisation has been included within administrative expenses.

Subsequent expenditures on the maintenance of these assets are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other gains or losses.

Impairment of non-financial assets

Goodwill impairment is covered in the goodwill accounting policy. All other 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 profit and loss.

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

10 Non-financial assets and liabilities (continued)

(d) Other intangible assets (continued)

Accounting policies (continued)

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 profit and loss.

Key accounting estimate

Useful life of intangible assets

The Group has intangible assets that are amortised over their useful lives. The useful life has been estimated based on expected obsolescence of the assets that are amortised.

11 Equity

(a) Share capital and premium

	Allotted, called-up and fully paid			
	2023 Number	2022 Number	2023 £	2022 £
Shares classified as equity				
Ordinary shares of £0.000495 each	68,013,771	68,213,821	33,667	33,766
	68,013,771	68,213,821	33,667	33,766
			2023	2022
			£	£
Share premium			30,690,938	30,781,210
			30,690,938	30,781,210

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. The Company is authorised to issue 200,000,000 shares.

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

Movements in share capital

	Share Capital		Share Premium	
	Number	£	£	£
As at 31 December 2022	68,213,821	33,766	30,781,210	
Share cancellation - 11 January 2023	(78,396)	(39)	(35,376)	
Share cancellation - 31 August 2023	(121,654)	(60)	(54,896)	
As at 31 December 2023	68,013,771	33,667	30,690,938	

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

11 Equity (continued)

The Group purchased 1,597,706 (2022: 78,396) shares on the public market for a total consideration of £4,216,180 (2022: £228,383) for the purposes outlined at the Group's last AGM. The shares are held in the Treasury Share Reserve, included within other reserves (note 11(b)), until they are cancelled or sold back to the market.

Accounting policies

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

During the year, the Company undertook a purchase of its own shares already in issue. The consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the owners as treasury shares until the shares are cancelled or reissued.

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

11 Equity (continued)

(b) Other reserves

Included within other reserves in the Group are the following:

	Revaluation Reserve £	Foreign Exchange Translation Reserve £	Share Option Reserve £	Treasury Share Reserve £	Total £
At 31 December 2022	-	19,331,359	3,033,296	(228,383)	22,136,272
Exchange differences on translation of foreign operations	499,715,307	(8,192,795)	-	-	491,522,512
Share based payments	-	-	1,324,818	-	1,324,818
Share buybacks	-	-	-	(4,216,180)	(4,216,180)
Share cancellations	-	-	-	551,399	551,399
Share options exercised	-	-	(5,863)	13,530	7,667
Share option liquidations	-	-	(28,277)	-	(28,277)
Transfers to retained earnings	(57,188,124)	-	-	-	(57,188,124)
At 31 December 2023	442,527,183	11,138,564	4,323,974	(3,879,634)	454,110,087

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

11 Equity (continued)

(b) Reserves (continued)

The nature and purpose of each reserve in equity is described as follows:

Share premium

The share premium account represents the premium paid on the issue of ordinary shares in excess of their nominal value.

Retained earnings

The retained earnings reserve contains the Group's cumulative profit or loss, net of distributions to owners. Net cumulative gains on financial instruments and investments held at fair value through other comprehensive income are shown in retained earnings.

Revaluation reserve

Net cumulative gains on digital assets held at fair value through other comprehensive income are shown in the revaluation reserve. When digital assets are disposed of, the gains associated with those assets in the revaluation reserve are transferred to retained earnings.

Foreign exchange translation reserve

Foreign exchange gains and losses on translation of the results and net assets of the Group's foreign operations accumulate in the foreign exchange translation reserve. On disposal of foreign operations, the cumulative translation gains and losses in respect of those operations are recycled through profit or loss.

Share option reserve

The share option reserve represents the cost of the Group's cumulative unexercised share options. Once options are exercised, the cumulative expense in relation to those options is transferred to retained earnings.

Treasury share reserve

The treasury share reserve represents the considerations paid by the Group to repurchase its own shares until such a time that the shares are cancelled or sold back to the market.

Risk

12 Critical estimates, judgements and errors

The preparation of the Group financial statements requires management to make judgements, estimates and assumptions in applying 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 significantly from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

(a) Critical Judgements

Accounting treatment of digital assets - note 8

Accounting treatment of ETPs - note 9(f)

Measurement of IFRS 16 lease liabilities and right-of-use assets - note 10(b)

(b) Key accounting estimates and assumptions

Valuation of investments - note 9(d)

Useful life of property, plant and equipment - note 10(a)

Useful life of intangible assets - note 10(d)

Share based payment costs - note 20

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

13 Financial risk management objectives and policies and capital management

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, primarily experienced within its subsidiary CSCMJL. 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. Currency risk in CSCMJL represents the most significant area of risk for the Group as a whole. However, given the functional and presentational currency of the Group is Pound Sterling, additional foreign currency movements arise on consolidation and with equity accounting of its foreign operations (as defined under IAS21) which result in movements through other comprehensive income.

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 Group has entered into a loan arrangement with a variable interest rate based on the base rate SARON 1 to 3 months. The directors have determined that as there is one loan, that this risk of the interest rate moving against the Group is acceptable. The loan renews for periods of 12 months at a time, so if the risk were determined to be too great, the Group could exit the arrangement, using other assets to pay the loan if necessary.

The majority of the Group's other 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.

The directors have considered the impact of movements in the SARON 1 to 3 months interest base rate. A 5% increase/decrease in the base rate would increase/decrease the Group's annual interest cost in relation to the Reyl Loan to approximately £980,427 (CHF 1,078,046)/£887,053 (CHF 975,375) (2023 actual £885,720 (CHF 988,074)) and does not create any going concern issues.

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, any exposure to changes in prices on the digital assets held is matched by the changes in value of the obligations to security holders. The Group does hold some strategic digital asset balances for its own account over and above the amounts required to hedge its obligations. Movement in digital asset prices is illustrated in the sensitivity analysis presented in note 13(e).

Reports are circulated every ten minutes showing the net digital asset exposure. In addition, the net exposure is constantly monitored, being the number of digital assets held versus the number of currencies required to cover the exposure towards certificate holders.

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

13 Financial risk management objectives and policies and capital management (continued)

(a) Market risk (continued)

iv) Risk of access to banking services

The banking landscape and availability of banking partners for participants within the digital asset industry is ever-evolving, as has been evidenced by events following the financial year end. The Group has a variety of banking partners and is continually seeking additional, suitable partners to further mitigate the risk of over-reliance on a single or limited number of counterparties.

The operations of the Group are reliant on the availability of efficient payment rails, particularly in the requirement to perform the hedging activities associated with the Group's XBTP ETPs. No issues have arisen to date arising from banking capabilities that have proven to have a significant operational impact on the Group, and the continued expansion of our banking relationships is designed to ensure that this remains the case as we continue to grow.

(b) Credit risk

Credit risk is the risk that an issuer, counterparty or exchange will be unable or unwilling to meet a commitment, obligation under a financial instrument or contract that it has entered into with the Group, leading to a financial loss, or lack of liquidity and restriction of access to the Group's assets. The Group is exposed to credit risk due to the range of counterparties with which it is required to interact.

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.

Digital assets and exchanges

Digital asset activity has an inherent credit risk due to the nature of the industry, which is non-regulated, extremely volatile, has low barriers to entry and is vulnerable to bad actors. The Group has implemented a range of controls, policies and procedures around the trading and holding of digital assets on exchange, and ultimately the Group now holds a significant amount of digital assets with digital asset custodians 70% (2022: 85%). Additional measures undertaken by the Group include enhanced on-boarding, compliance and risk reviews and/or utilising exchanges which are audited and report sufficient liquid positions (LMAX and Coinbase). This is designed to ensure only reputable, long-standing and mature exchanges are used.

Financial instruments and cash deposits

Credit risk from balances with banks, brokers and financial institutions is managed, monitored and controlled by the finance department in accordance with Group policy. Transactions that involve surplus cash inflows and outflows are only with approved counterparties and brokers within credit limits that have been agreed between the parties. The credit limits are reviewed by the compliance team and agreed upon by the Board of Directors on an annual basis. The limits are set to minimise the concentration of risks and therefore mitigate financial loss. Furthermore, regular risk reviews are performed over the use of the banks and brokers to manage credit risk.

Transactions that expose the Group to the risk that the counterparty will not deliver the asset (purchase) or cash (sale) after the Group has fulfilled its responsibilities, is managed through brokers which have been approved by the Group as acceptable counterparties.

The Group also has receivables as a result of loans. The Company only enters into loans with reputable counterparties and in the case of digital asset loans these are all callable on demand. The Company therefore does not expect to incur material losses with these loans.

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

13 Financial risk management objectives and policies and capital management (continued)

(b) Credit risk (continued)

The Group undertakes transactions with counterparties that may expose it to the risk that the counterparty will not deliver from their side, for example in the cases of sales (cash), purchases (assets) or equivalent loans. The Group mitigates this by reviewing counterparties before transactions occur, and determining their acceptability, with the use of collateral where deemed necessary. In the event that such a transaction is ongoing, such assessments are regularly performed in order to safeguard assets and mitigate any risks arising in relation to recoverability.

Included in other assets disclosed in note 9(b) are shares in ETPs, valued at £211,384,245 (2022: £96,788,146) used to provide exposure to digital assets and are held as a part of the Group's collateral management obligations. These ETPs are fully collateralised and management maintains regular communications with their operators. The ETPs are regulated and audited.

(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 £	On demand £	Less than 3 months £	More than 3 months £
Current assets				
Trade and other receivables	2,241,203	-	2,241,203	-
Cash and cash equivalents	25,507,944	25,507,944	-	-
Digital assets*	2,375,850,359	2,375,850,359	-	-
Other assets	266,093,775	266,093,775	-	-
Total current assets	2,669,693,281	2,667,452,078	2,241,203	-
	Carrying amount as at 31 December £	On demand £	Less than 3 months £	More than 3 months £
Current liabilities				
Accounts payable	1,004,360	1,004,360	-	-
Accrued liabilities	4,607,858	-	4,607,858	-
Certificate liability	2,351,475,523	2,351,475,523	-	-
Current tax liability	156,970	-	-	156,970
Lease liabilities	563,633	-	-	563,633
Amounts due to brokers	669,402	669,402	-	-
Other liabilities	108,940,878	-	108,940,878	-
Total current liabilities	2,467,418,624	2,353,149,285	113,548,736	720,603
Net current assets/(liabilities)	202,274,657	314,302,793	(111,307,533)	(720,603)

* As disclosed in note 8 digital assets are not financial instruments however there is an active market and they are readily realisable on demand.

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

13 Financial risk management objectives and policies and capital management (continued)

(c) Liquidity risk (continued)

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 the 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 define 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 the 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 pay the noteholders.

Liquidity would 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 Zodia (2022: Komainu and Zodia) 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 Zodia (2022: Komainu and Zodia).

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

For the securities held by CSDSL, liquidity issues could arise as a result of the redemption of securities, however only if these were to be redeemed in cash rather than in digital asset. The prospectus defines when this could occur, but is the exception rather than the rule. In this case, the Group would be required to have sufficient liquidity to finance the redemption of the securities. The prospectus and final terms for each security define the formula at which the securities can be redeemed based on a coin entitlement.

Securities holders can request redemption of their securities which will be settled two business days following a valid redemption notice. The Group ensures that it holds the relevant digital asset at all times to be able to meet these redemptions.

(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 and related products.

For the purpose of the Group's capital management, capital includes issued share capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

13 Financial risk management objectives and policies and capital management (continued)

(d) Capital risk management (continued)

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Group has minimal debt and has a policy of keeping the gearing ratio as low as possible.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.

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 positions held as at 31 December 2023, inclusive of any unrealised gains/losses and margins held.

	Contract amount (DA)	Margin held £	Unrealised gain/(loss) £	Impact on other current liabilities £
Perpetual Contracts				
BTC exposure	(420)	4,150,258	(1,367,201)	(1,367,201)
ETH exposure	(3)	1,791	(2,367)	(2,367)
Futures Contracts				
BTC exposure	239	2,662,175	(424,110)	(424,110)
ETH exposure	191	115,123	(8,770)	(8,770)
		6,929,347	(1,802,448)	(1,802,448)

In order to maintain the above positions, equity is held with the exchanges. The funding and settlement of Perpetual Contracts can only be done in digital currency, there is no fiat currency settlement.

(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.

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

13 Financial risk management objectives and policies and capital management (continued)

(e) Operational risk (continued)

The risk of hacking, and losing Bitcoin/Ethereum and other 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 Zodia (2022: Komainu and Zodia), providing a cold storage vault. Komainu has a SOC 1 Type 2 report, the latest covering the period from 1 December 2021 to 30 November 2022, which was independently reviewed by PricewaterhouseCoopers CI LLP and authorised for issue on 31 March 2023. Zodia currently has a SOC 1 Type 1 report and a SOC 1 Type 2 report for the period 1 January 2022 to 31 December 2022. A SOC 1 Type 2 report for the period 1 January 2023 to 31 December 2023 is in progress and expected to be completed in Q1 2024. Both Komainu and Zodia are also ISO27001 certified. In addition to limiting the exposure to fraud for the Group, cold storage of digital assets with Komainu and Zodia 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 2023 £	Price change -50% £	Price change 100% £
Assets			
Bitcoin	1,372,851,942	736,326,309	2,645,903,207
Ethereum	816,970,454	438,545,077	1,573,821,207
Other digital assets	187,359,577	93,679,789	374,719,154
Other assets	355,031,055	221,984,167	621,124,830
Total assets	2,732,213,028	1,490,535,343	5,215,568,398
Liabilities			
Certificate liability	(2,351,475,523)	(1,175,737,762)	(4,702,951,046)
Other liabilities	(141,492,500)	(88,914,161)	(246,649,177)
Total liabilities	(2,492,968,023)	(1,264,651,923)	(4,949,600,223)
Net assets	239,245,005	225,883,420	265,968,175

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 £225.9 million (2022: £166.5 million) and does not create any going concern issues.

Group Structure

14 Business combinations

The Group acquired Larks Leaf Asset Management (Jersey) Limited ('LLAMJL') for a consideration of £82,909 on 27 February 2023 with the intention of assuming and expanding upon its fund operations. LLAMJL held no assets or liabilities at the acquisition date.

After applying the optional concentration test under IFRS 3 the Directors found that LLAMJL is not a business because substantially all of the fair value of gross assets acquired can be allocated to the funds launched as a result of the acquisition and their respective strategies, the acquisition therefore does not constitute a business combination.

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

14 Business combinations (continued)

Accounting policies

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree, or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

15 Interests in other entities

(a) Investments in subsidiaries

The Company's direct subsidiaries which make up the Group as at 31 December 2023 are as follows:

Name	Defined as	Investee Relationship	CSIL's Ownership %	Jurisdiction	Date of Acquisition
CoinShares (UK)	CSUKL	Subsidiary	100%	UK	19/04/2017
CoinShares XBT Provider AB (publ)	XBTP	Subsidiary	100%	Sweden	25/09/2017
CoinShares GP II	CSGP2L	Subsidiary	100%	Jersey	09/02/2018
CoinShares Corporate Services (Jersey) Limited	CSCSJL	Subsidiary	100%	Jersey	25/06/2018
CoinShares Co	CSCo	Subsidiary	100%	USA	01/07/2018
CoinShares Employment Services (Jersey) Limited	CSESJL	Subsidiary	100%	Jersey	09/08/2018
CoinShares Digital Securities Limited	CSDSL	Subsidiary	100%	Jersey	30/06/2020
CoinShares (Jersey) Limited	CSJL	Subsidiary	100%	Jersey	26/09/2018
GABI Trading Limited	GTLA	Subsidiary	100%	Hong Kong	12/02/2019
CoinShares Capital Markets (Jersey) Limited	CSCMJL	Subsidiary	100%	Jersey	30/06/2019
CoinShares Capital Markets (UK) Limited	CSCMUK L	Subsidiary	100%	UK	30/06/2019
CoinShares Capital, LLC	CS Cap	Subsidiary	100%	USA	18/09/2019
CoinShares GP I LLC	CSGPI	Subsidiary	100%	USA	20/03/2020
CoinShares France	CSF	Subsidiary	100%	France	17/12/2021
CoinShares Asset Management	CSAM	Subsidiary	100%	France	04/07/2022
Larks Leaf Asset Management (Jersey) Limited	LLAMJL	Subsidiary	100%	Jersey	27/02/2023
CoinShares Bitcoin Integrated Strategies Master Fund Limited	BIS Master	Subsidiary	100%	Jersey	27/02/2023
CoinShares Bitcoin Integrated Strategies Feeder Fund Limited	BIS Feeder	Subsidiary	100%	Jersey	27/02/2023
CoinShares Ethereum Integrated Strategies Master Fund Limited	EIS Master	Subsidiary	100%	Jersey	06/04/2023
CoinShares Ethereum Integrated Strategies Feeder Fund Limited	EIS Feeder	Subsidiary	100%	Jersey	06/04/2023
CoinShares Relative Value Opportunities Master Fund Limited	RVO Master	Subsidiary	100%	Jersey	06/04/2023

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

15 Interests in other entities (continued)

(a) Investments in subsidiaries (continued)

Name	Defined as	Investee Relationship	CSIL's Ownership %	Jurisdiction	Date of Acquisition
CoinShares Relative Value Opportunities Feeder Fund Limited	RVO Feeder	Subsidiary	100%	Jersey	06/04/2023
CoinShares Switzerland AG	CSSAG	Subsidiary	100%	Switzerland	24/05/2023
CoinShares Bitcoin US Feeder Fund, LP	BIS US Feeder	Subsidiary	100%	USA	05/06/2023
CoinShares Ethereum US Feeder Fund, LP	EIS US Feeder	Subsidiary	100%	USA	05/06/2023
CoinShares Relative Value Opportunities US Feeder Fund, LP	RVO US Feeder	Subsidiary	100%	USA	27/07/2023
CoinShares Bitcoin GP Limited	CS BGPL	Subsidiary	100%	Jersey	29/11/2023
CoinShares Ethereum GP Limited	CS EGPL	Subsidiary	100%	Jersey	29/11/2023
CoinShares Relative Value Opportunities GP Limited	CS RVOGPL	Subsidiary	100%	Jersey	29/11/2023

CoinShares (Holdings) Limited was dissolved on 10 January 2023.

CoinShares Technologies Limited (formerly GABI Capital Limited) was dissolved on 11 January 2023.

Elwood Asset Management Services Limited and Elwood Asset Management LLP were dissolved on 28 March 2023.

Larks Leaf Data Analytics (UK) Limited was dissolved on 31 October 2023.

As at 31 December 2023, CoinShares (UK) Limited and Larks Leaf Asset Management (Jersey) Limited were in the process of being dissolved, the former having a final dissolution date of 19 March 2024.

On 10 April 2024 XBT Provider AB (publ) changed its name to CoinShares XBT Provider AB (publ).

Contingent items

16 Commitments

(a) 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 2023, CSCMJL recorded a net equity position of £200.4 million (US\$255.1 million) (2022: £155.6 million (US\$188.3 million)).

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

16 Commitments (continued)

(a) Guarantee (continued)

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.

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.

(b) Offsetting financial assets and financial liabilities

	2023	2022
	£	£
DGLD	2,129,715	-
Grayscale Ethereum Trust	-	1,046,208
Assets due to third parties	(2,129,715)	(1,046,208)
	<u>-</u>	<u>-</u>

The Group holds 1,313 DGLD (2022: nil) on behalf of MKS. The Group previously held certificates in the Greyscale Ethereum Trust on behalf of Aventus Protocol Foundation however these were sold on 14 July 2023.

The Group does not receive any economic benefit for holding these assets and the risks associated with holding these assets remain with the third party. The directors of the Group have elected to offset these transactions as they judge the inclusion in the statement of financial position would misrepresent the position of the Group.

17 Events occurring after the reporting period

On 12 January 2024, the Group announced it had exercised the option to acquire Valkyrie Funds LLC, and that the acquisition was pending the completion of satisfactory due diligence, the finalisation of necessary legal agreements and final board approval.

On Thursday 11 January 2024 SEC approval was received from the issuance of Valkyrie's spot Bitcoin ETF, The Valkyrie Bitcoin Fund (BRRR), which commenced trading on Thursday 11 January at 09:30 am ET on Nasdaq as part of the first cohort of issuers for such products in the US.

The offerings of Valkyrie Funds LLC provide exposure to the emerging digital asset class through its spot Bitcoin ETF \$BRRR and other products such as \$WGMI, the highest-performing non-leveraged ETF in 2023 across all sectors and \$BTFX, a 2x leveraged bitcoin futures ETF.

Subsequently, on 12 March 2024, the Group announced the completion of the acquisition of Valkyrie Funds LLC and the sponsor rights to the Valkyrie Bitcoin Fund, a physically backed Bitcoin ETF. As at 29 April 2024, the products affiliated with Valkyrie represent (excluding a seed amount from CoinShares of \$320.9 million (£256.7 million)) a combined \$332.5 million (£266.0 million) of assets under management. The accounting for the transaction is being finalised and will be reflected in the Group's financial statements for the period ending 31 March 2024.

On 20 March 2024, the Group issued new share options to employees as part of an employee incentive plan. A total of 115,000 options were issued at an exercise price of SEK 50.4 and a vesting date of 20 March 2027.

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

17 Events occurring after the reporting period (continued)

On 10 April 2024, the Company announced it has resolved to declare and pay in four equal instalments an annual dividend in relation to the strong financial performance for year ending 31 December 2023 amounting to approximately £9,250,492. The first tranche has an Ex-dividend date of 29 April 2024, a record date of 30 April 2024, and a payment date of 3 May 2024.

In the period since the financial year end there has been a series of further share buy-backs undertaken by the Company. As at the date of signing a total of 90,205 shares have been bought back at an average purchase price of SEK 39.37 in the period since 31 December 2023. This equates to total consideration of SEK 3,552,194 (£261,383).

On 11 January 2024, share options granted relating to a total of 10,446 shares with an exercise price of £1.43 per share were cancelled pursuant to a deed of cancellation, for total consideration of £11,227.

On 25 January 2024 the Group announced a reduction in the management fees for its CoinShares Physical Bitcoin product. This move, effective from 1 February 2024, significantly decreased the management fee from 0.98% p.a. to 0.35% p.a.

On 1 February 2024 the Group announced that it had implemented a 1.25% p.a. staking reward in its flagship Physical Ethereum ETP, effective 1 February 2024, the latest move in a longer-term strategic drive to lower costs for European investors looking to enter the digital asset market.

On 17 April 2024, 3iQ (a company in which the Group held 1,137,784 shares as at 31 December 2023 with a total carrying value of £4,396,991) was acquired by a third party. The acquisition resulted in the disposal of approximately 80% of the Group's holding, generating cash consideration of approximately £4.0 million. The Group has retained a residual holding of 268,914 shares.

On 11 November 2022 and 14 November 2022, FTX Trading Ltd. and 101 affiliated entities (collectively, 'FTX') each filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the 'Bankruptcy Filing'). As a result of the Bankruptcy Filing, FTX halted withdrawals on 11 November 2022.

On 6 February 2024, the Group received a notice of acceptance regarding a claim made to FTX in respect of assets held on the exchange at the time of its bankruptcy in 2022. These assets were fully written off by the Group in 2022.

The claim is for US Dollars \$28,119,093, and a range of digital assets with a value as at the date of bankruptcy of \$3,269,019, bringing the total claim value on this basis to \$31,388,112.

The Group's management has determined that the FTX claim represents a contingent asset based on information received subsequent to 31 December 2023. Whilst a future inflow of assets is ultimately expected, the value, process, and timing of future distributions from the bankruptcy filing is materially uncertain and has yet to be determined by a range of factors outside the control of the Group. Therefore, no asset has been recognised on the balance sheet of the Group at (or subsequent to) the financial year end, despite the claim having been successfully submitted.

On 19 March 2024 CoinShares (UK) Limited was formally dissolved.

On 10 April 2024 XBT Provider AB (publ) changed its name to CoinShares XBT Provider AB (publ).

In period following the financial year end, digital asset prices have shown strong price increases. As at 29 April 2024 Bitcoin stands at £44,809, and Ethereum at £2,532, having increased 48% and 39% respectively since 31 December 2023.

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

Further details

18 Cash flow information

(a) Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

- acquisition and disposal of right of use assets - note 10(a)
- options issued to employees under the equity settled share option plan for no consideration - note 20(a)

(b) Net debt reconciliation

This table sets out the analysis of net debt movements during the periods.

	2023	2022
	£	£
Cash and cash equivalents - note 9(c)	24,838,542	134,768,902
Borrowings - note 9(i)	(23,145,127)	(22,152,484)
Lease liabilities - note 10(b)	(2,967,905)	(1,336,487)
Net debt	(1,274,490)	111,279,931

	Cash and cash equivalents	Borrowings	Lease liabilities	Total
	£	£	£	£
At 31 December 2021	(162,955,669)	-	(311,513)	(163,267,182)
Financing cashflows	313,559,937	(21,573,387)	1,065,080	293,051,630
New leases	-	-	(2,077,445)	(2,077,445)
Exchange differences	(15,835,366)	(545,885)	(12,609)	(16,393,860)
<i>Other charges</i>				
Interest expense	-	(460,399)	(14,217)	(474,616)
Interest payments presented as operating cashflows	-	427,187	14,217	441,404
At 31 December 2022	134,768,902	(22,152,484)	(1,336,487)	111,279,931
Financing cashflows	(104,264,838)	61,488	666,353	(103,536,997)
New leases	-	-	(3,008,294)	(3,008,294)
Terminated leases	-	-	703,325	703,325
Exchange differences	(5,665,522)	(1,046,561)	7,198	(6,704,885)
<i>Other charges</i>				
Interest expense	-	(885,719)	(77,866)	(963,585)
Interest payments presented as operating cashflows	-	878,149	77,866	956,015
At 31 December 2023	24,838,542	(23,145,127)	(2,967,905)	(1,274,490)

The table above does not include the Group's digital asset holdings that do not form part of the collateral/hedge work undertaken for CSDL and XBTP. These assets represent liquid assets of the Group as at 31 December 2023 of £31,122,973 (2022: £2,251,032).

19 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.

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

19 Related party transactions (continued)

(a) Subsidiaries

Interests in subsidiaries are set out in note 15(a).

(b) Transactions with key management personnel

	2023	2022
	£	£
Short-term employee benefits	316,474	2,484,350
Share-based payments	310,225	261,380
	626,699	2,745,730

Mr Daniel Masters is the Group's Chairman and a shareholder of the Group. During the year, the Group undertook trades on his behalf of 13.91 BTC, 134.10 ETH, 42,773.29 AVT, 258,552.22 USDC, 24,918.07 XTZ and 20,070.60 XRP equating to £746,079. (2022: 31.27 BTC, 29.91 ETH, 22,153.12 AVT, 508,864.31 USDT and 2,000,000.00 USDC, equating to £3,110,834). As at the year end the Group held nil assets (2022: 206,486.33 AVT (US\$237,459, £196,237) and US\$69,606 (£57,523)) owed to Mr Masters. The Group also holds a receivable from Mr Masters and one other person jointly of US\$37,183 (£29,826) (2022: US\$37,183 (£30,728)) in relation to an investment that was transferred using the Group as a broker. Mr Masters also has a holding in CSF2LP. During the year, Mr Masters transferred \$122,000 of his holding to another Limited Partner. As at the end of the year, Mr Masters's holding in CSF2LP is valued at £5,588,734.

Mr Jean-Marie Mognetti is the Group's Chief Executive Officer and a shareholder of the Group. During the period the Group undertook trades on his behalf of £nil (2022: 30,000 AVT). As at the year end the Group held a balance of 30,000 AVT (£17,909) (2022: 30,000 AVT (£28,511)) owed to Mr Mognetti. Mr Mognetti is also a director of Tactiques D'Avant-Garde (Jersey) Limited ('TAG'). During the year the Group undertook trades on behalf of TAG of 6.50 BTC, equating to £150,546 (2022: £nil). As at 31 December 2023, £nil (2022: £nil) was outstanding from TAG to the Group.

Mr Richard Nash is a person discharging managerial responsibility and a shareholder of the Group. During the year, the Group undertook trades on his behalf of £nil (2022: £nil). As at the year end, the Group held 0.3 BTC (2022: 0.3 BTC) on his behalf.

Mr Johan Lundberg is a non-executive director of the Group. During the year the Group undertook trades on his behalf of 75,000 USDC and 105,000 USDT, equating to £144,243 (2022: nil). As at the year end the Group held nil assets (2022: nil) owed to Mr Lundberg.

(c) Transactions with other related parties

On 10 January 2022, CoinShares entered into a service agreement with FlowBank, an associate of the Group. The arrangement ceased during 2022. £nil (2022: £18,000) has been charged during this year of which £7,200 (2022: £7,200) remains outstanding at year end.

As part of a commercial relationship under which the Group facilitates trading activities for FlowBank SA ('FlowBank SA') as a client, gains of £56,469 (2022: £58,529) were generated in respect of trading related fees. This relationship ended in Q3 2023. Additionally, bank charges and FX trading commissions of £14,711 (2022: £2,535) were paid to FlowBank SA in respect of banking services provided to CoinShares as a client of FlowBank SA. As at year end the Group held a cash receivable balance of £nil (2022: £1,123,191) and was holding assets on behalf of FlowBank SA with a value of £nil (2022: £273,312).

CSGP2L is the General Partner to CS2LP. The Group has recognised carried interest as at the year end of £5,429,067 (2022: £5,279,885) which is held as an investment. The Group also settled expenditure on behalf of CS2LP of £2,433 (2022: £7,019) of which £nil (2022: £1,477) is outstanding at the year end.

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

19 Related party transactions (continued)

(c) Transactions with other related parties (continued)

The Group has an investment in Komainu Holdings Limited ('KHL') of which Mr Jean-Marie Mognetti is a director and shareholder. The Group has settled expenditure on behalf of KHL in the year of £6,718 (2022: £19,727) of which £nil (2022: £9,967) remains outstanding at year end. The Group has a recharge agreement with KHL which allows for use of office facilities. £132,000 (2022: £165,460) has been charged for the year of which £11,000 (2022: £11,000) is outstanding at the year end. Previously outstanding expenses of £9,907 have been written off as 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 £792,885 (2022: £1,208,854) of which £119,051 (2022: £67,495) was outstanding at the year end. The Group also settled transactions on behalf of KJL which has fees retained that are required to be returned to KJL. Fees of £10,804 have been returned, of which £61 is outstanding at the year end. The Group has a service agreement with KJL which allows for support regarding staking and operations. £5,000 (2022: £11,000) has been charged for the year. The full amount invoiced of £16,000 has been written off at the year end leaving a balance of £nil (2022: £11,000) outstanding at the year end. An additional amount has also been charged in relation to a staff cost of £7,000 (2022: £nil) of which £7,000 (2022: £nil) is outstanding at year end.

GTSA is an associate of the Group. The Group has settled expenditure on behalf of GTSA in the year of £248 (2022: £nil) of which £nil (2022: £nil) remains outstanding at year end.

3iQ Corp ('3iQ') is an investee company of the Group where Ms Meltem Demirors, an employee of the Group, holds a board seat. During the year, the Group received a management fee rebate from 3iQ of £453,552 (2022: £5,459,170) of which £nil (2022: £194,703) is receivable at the year end. All 3iQ CoinShares Bitcoin certificates were redeemed by the Group during Q1 2023.

CSGP2L, a subsidiary of the Group, acts as General Partner of CS2LP. In this capacity, it receives quarterly an amount of one quarter of two percent of the net asset value of CSF2LP. During the year £128,487 (2022 £97,041) has accrued for this fee, of which £32,029 (2022 £36,604) was outstanding at the year end.

On 10 January 2023 the Group agreed to enter into block transactions with two shareholders to acquire 196,654 ordinary shares in the capital of the Company, at a price per share equal to SEK 24 resulting in total consideration of SEK 4,719,696 (£372,856). Of these, 75,000 shares were acquired from a person discharging managerial responsibility, and 121,654 shares were acquired from an entity affiliated with the Group. The transaction was completed on 13 January 2023.

On 28 February 2023 the Group agreed to enter into a block transaction with a shareholder, who is also a person discharging managerial responsibility, to acquire 50,000 ordinary shares in the capital of the Company, at a price per share equal to SEK 33 resulting in total consideration of SEK 1,650,000 (£130,984). The transaction was completed on 10 March 2023.

On 26 May 2023 the Group agreed to enter into a block transaction with a shareholder, who is also a Director, to acquire 358,783 ordinary shares in the capital of the Company, at a price per share equal to SEK 30 resulting in total consideration of SEK 10,804,500 (£796,492). The transaction was completed on 14 June 2023.

20 Share-based payments

(a) Equity-settled share option plan

The establishment of the 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.

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

20 Share-based payments (continued)

(a) Equity-settled share option plan (continued)

Performance based options:

The performance based options in issue by the Group vest when indicators of Group performance meet criteria defined in the options certificate. External indicators include growing firmwide AUM, increasing the number of ETP certificates in issue and the customer count. Internal metrics such as measures of team performance are also used to track if the vesting criteria are being met.

The options have an exercisable period of 10 years from the date of the grant of the option.

Time based options:

There are two separate options in issue. Some of the time based options in issue by the Group have a vesting period of between 2-3 years from the issue date and expire 10 years from the vesting date. Other options issued in March 2021 vest in 8 equal tranches, on a quarterly basis, over a two year period.

(b) Share option liquidation scheme

Share options were repurchased from employees during the year under a scheme operated to allow the voluntary early liquidation of share options. 10,446 (2022: 171,000) options were liquidated during the period for a total consideration of £8,613 (2022: £207,544) (note 11(a)).

(c) Performance Based Options

	2023	Weighted average exercise price £	2022	Weighted average exercise price £
	Number of share options		Number of share options	
Opening	1,773,600	1.43	1,944,600	1.43
Forfeited	(623,605)	1.43	-	-
Liquidated	-	-	(171,000)	1.43
Closing	1,149,995	1.43	1,773,600	1.43
Exercisable at closing	1,149,995		1,773,600	

(d) Time Based Options

	2023	Weighted average exercise price £	2022	Weighted average exercise price £
	Number of share options		Number of share options	
Opening	2,202,857	4.33	1,546,977	1.43
Granted	448,000	1.68	690,402	6.73
Forfeited	(96,983)	1.83	(34,522)	6.35
Exercised	(5,479)	1.43	-	-
Liquidated	(10,446)	1.43	-	-
Closing	2,537,949	3.89	2,202,857	4.33
Exercisable at closing	1,129,445		160,552	

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

20 Share-based payments (continued)

(d) Time Based Options (continued)

5,479 time based options (2022: nil options) were exercised during the year for an aggregate settlement of £7,817.

448,000 time based share options were granted on 20 March 2023. The fair value of the options granted is £656,821.

10,446 time based share options were liquidated during the period, for a total consideration of £8,613.

The options outstanding at 31 December 2023 had a weighted average exercise price of £2.63 (2022: £4.33) and a weighted average remaining contractual life of 0.5 years (2022: 1.0 years).

Grant date	Exercise price	Exercise price
	SEK	GBP
March 2023	31.00	2.44

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.

The total share-based payment expenses for the year are £1,324,818 (2022: £1,229,617). All amounts are equity settled and there are no liabilities in relation to share-based payment transactions outstanding at the reporting date (2022: £nil).

Accounting policies

Equity-settled arrangements are measured at fair value at the date of the grant.

The fair value of share options under the employee incentive plan are estimated using the fair value at the grant date. The fair value of share options is calculated using the Black-Scholes method. The Strike Price was set at 31.00 based upon the value of the shares on the issue date, the risk free rate selected was 3.25%. The vesting condition is 3 years and 70% of options are assumed to vest. At the time of awarding these options, the Group did not have a dividend policy so this was not incorporated into the valuation.

The fair value determined at grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

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 profit and loss.

Arrangements are considered to be forfeited where the conditions of the grant are no longer deemed to be met. This arises where an employee is no longer employed by the Group and where share options are either not yet vested or have not been exercised before the date of them leaving the Group, or in the case of performance options, where the conditions set out have not been met. Forfeitures are treated as an acceleration of vesting and the unvested amount is recognised immediately in profit and loss.

The Group operated a scheme to allow the voluntary early liquidation of share options. Liquidations are treated as an acceleration of vesting and the unvested amount is recognised immediately in profit and loss.

The Group has no cash-settled share-based payment arrangements.

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

20 Share-based payments (continued)

Key accounting estimate

Share based payment costs

The fair value of share options under the employee incentive plan are estimated using the fair value at the grant date. The fair value of share options is calculated using the Black-Scholes method and incorporates a number of key estimations and assumptions.

21 Earnings per share

As more fully disclosed in note 20, share options were issued during previous years, which have had a dilutive effect. The Group made a loss in the prior year, therefore the share options are antidilutive and 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 total comprehensive income in the place of loss after income tax expense. 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.

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

	2023	2022
	£	£
Earnings		
Earnings for the purposes of basic earnings per share being net (loss)/profit attributable to owners of the Company	(453,126,477)	520,216,064
Earnings for the purposes of diluted earnings per share	(453,126,477)	520,216,064
	2023	2022
	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	67,287,929	68,184,833
Weighted effect of dilutive potential ordinary shares: Share options	3,977,029	3,955,200
Weighted average number of ordinary shares for the purposes of diluted earnings per share	71,264,958	72,140,033
	2023	2022
	£	£
Basic earnings per share	(6.74)	7.63
Diluted earnings per share	(6.74)	7.21
	2023	2022
	£	£
Adjusted earnings		
Earnings for the purposes of basic earnings per share being total comprehensive income attributable to owners of the Company	38,396,035	2,934,267
Earnings for the purposes of diluted earnings per share	38,396,035	2,934,267
	2023	2022
	£	£
Adjusted basic earnings per share	0.57	0.04
Adjusted diluted earnings per share	0.54	0.04

The Group's adjusted earnings per share, calculated using total comprehensive income, represents the financial period's contribution to distributable reserves of the Group.

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

22 Summary of other accounting policies

These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Fair value measurement

The Group measures financial instruments such as ETPs, and non-financial assets such as digital assets, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability accessible by the Group.

The fair value hierarchy under IFRS is set out as follows:

Level 1 – The unadjusted quoted price in an active market for identical assets or liabilities that the Group 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.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

On a quarterly basis, the board of directors analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies.

Investment valuations are subject to several key judgements and reflect both local and external economic factors. In selecting the investment valuation criteria, the directors evaluate the key drivers relevant to each investment in conjunction with local partners, supported, wherever practicable, by local market data. As such, fair value measurements for investment valuations have been classified as Level 2 or Level 3 depending on the information available.

Level 1 and 2 valuations and inputs

The finance department performs monthly valuations of the Group's investments that are classified as Level 1 and 2 within the fair value hierarchy, utilising market data (investments in listed equities) and observable inputs (CoinShares Fund II LP – carried interest and investments held at cost or price of recent investment that may subsequently be reclassified to Level 3). Discussions of valuation processes and results are held between the Chief Financial Officer, Audit and Risk Committee and the Board once every quarter, in line with the Group's reporting periods.

Level 3 valuations and inputs

The finance department performs quarterly valuations of the Group's investments that are classified as Level 3, within the fair value hierarchy, utilising a range of observable and unobservable inputs. Discussions of valuation processes and results are held between the Chief Financial Officer, Audit and Risk Committee and the Board once every quarter, in line with the Group's reporting periods.

The main Level 3 inputs used by the Group are derived and evaluated as follows:

- price of recent investment;
- earnings multiples, estimated based on market information for similar types of companies;
- AuM multiples, estimated based on market information for similar types of companies; and
- percentage ownership of net asset value of the investee company.

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

22 Summary of other accounting policies (continued)

(a) Fair value measurement (continued)

Fair value policies and disclosures on specific balances are summarised in the following notes:

Digital assets	Note 8
Investments	Note 9
Financial instruments	Note 9

For all other assets and liabilities measured at fair value, the directors perform an internal valuation exercise to determine fair value using methodologies disclosed in the Group Investment Valuation Policy.

(b) Foreign currency translation

Transactions and balances

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

At each reporting date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency of the relevant Group entity at the closing exchange rate. Non-monetary assets and liabilities denominated in a foreign currency, and measured at historical cost, are initially translated into the functional currency of the relevant Group entity at the date of the transaction, and are not subsequently re-translated. Non-monetary assets and liabilities denominated in a foreign currency, and measured at fair value, are measured using the exchange rate at each date the fair value is determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss.

Foreign exchange gains and losses from the translation of assets and liabilities measured at fair value are recognised as part of the fair value gain or loss.

Translation

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's overseas subsidiaries are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of an overseas subsidiary all of the exchange differences accumulated in a foreign currency translation reserve in respect of that subsidiary attributable to the owners of the Group are reclassified to profit or loss.

(c) Retirement benefits

The Group operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to profit or loss in the year they are payable. The assets of the scheme are held separately from those of the Group in an independently administered fund.

CoinShares International Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

22 Summary of other accounting policies (continued)

(d) 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 and parental leave. There is non-accumulating compensation of absence and this does not carry forward; it will lapse if the current period's entitlement 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 profit and loss when the Group has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

(e) Adoption of new and revised Standards

New and amended IFRS Standards that are effective for the current year

The Company has applied the below amendments to IFRS Standards and Interpretations issued by the IASB that are effective for annual periods beginning from 1 January 2023:

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates - amendments to IAS 8
- International Tax Reform - Pillar Two Model Rules - amendments to IAS 12
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - amendments to IAS 12
- Disclosure of Accounting Policies - amendments to IAS 1 and IFRS Practice Statement 2

The adoption of these amendments has not had any material impact on the disclosures or on the amounts reported in these financial statements.

New and revised IFRS Standards in issue but not yet effective

Certain amendments to accounting standards have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the group. These amendments are not expected to have a material impact on the reported profit or loss, net assets or total equity of the Group in the current or future reporting periods and on foreseeable future transactions.