

# CoinShares Digital Securities Limited

*Unaudited interim financial statements for the period ended 30 June 2024*

**CoinShares Digital Securities Limited**  
**Unaudited Interim Financial Statements**  
For the period ended 30 June 2024

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# CoinShares Digital Securities Limited

## Company Information

For the period ended 30 June 2024

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<b>The Company</b>	CoinShares Digital Securities Limited
<b>Registered Number</b>	127061
<b>Registered Office</b>	2nd Floor 2 Hill Street St Helier Jersey JE2 4UA
<b>Directors</b>	Jeri-Lea Brown (resigned 4 March 2024) Michael Fox (appointed 4 March 2024) Stuart Pinnington Kirsty Lawrence Townsend Lansing Jr.
<b>Company Secretary</b>	CoinShares Corporate Services (Jersey) Limited
<b>Independent Auditor</b>	Baker Tilly Channel Islands Limited PO Box 437 1st Floor, Kensington Chambers 46-50 Kensington Place St Helier Jersey JE4 OZE
<b>Bank</b>	Barclays Bank PLC. 13 Library Place, St Helier Jersey JE4 8NE
<b>Custodian</b>	Komainu Digital 3rd Floor 2 Hill Street St Helier Jersey JE2 4UA

# CoinShares Digital Securities Limited

## Directors' Report

For the period ended 30 June 2024

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The directors present their report and the financial statements of CoinShares Digital Securities Limited (the 'Company') for the period ended 30 June 2024.

### Incorporation

The Company is incorporated, domiciled and tax resident in Jersey, Channel Islands.

### Principal activity

The principal activity of the Company is to act as an issuer of exchange traded products ('ETPs'). These ETPs, collectively referred to as Digital Securities, are non-interest bearing, secured, undated, limited recourse debt securities that are fully secured by the holdings of the digital assets underlying each ETP. Digital Securities issued by the Company are listed on several stock exchanges and Multilateral Trading Facilities.

Digital Securities do not have a fixed maturity. A Digital Security holder can sell the product on the regulated market on which it is listed, or in accordance with (and subject to) the terms of the Prospectus, may redeem the securities directly with the Issuer in return for an amount of underlying digital assets equal to the aggregate Coin Entitlement of the Digital Securities (less relevant fees and costs) or, in certain limited circumstances, for an amount in US dollars equal to the net proceeds of sale of the aggregate Coin Entitlement (less relevant fees and costs).

The Company is a Special Purpose Vehicle whose sole business is the issuance of asset-backed securities. The Company has established a programme for the issue of Digital Securities whose return is linked to the performance of underlying Digital Assets.

### Business review and key performance indicators

#### *Crypto-ETP Market*

Despite the most recent Bitcoin halving event occurring on 19 April 2024, the market for crypto ETPs in H1 2024 has been dominated, on both sides of the Atlantic, by the launch of U.S. Spot Bitcoin ETFs and the ongoing bull market for crypto assets. The success in asset gathering of U.S. products surpassed nearly all expectations with net new flows into U.S. BTC ETFs reached nearly US\$10 billion in Q1.

Major market players launching crypto products and substantial U.S. investor interest have signalled a new phase in crypto ETPs worldwide, with greater competition and expanding choice. Responding to this new environment, we decided to lower fees on our CoinShares Physical Bitcoin product to 35 bps, reflecting the higher investor focus on fees.

Additionally, over the first half of 2024 we have seen a notable push towards the approval of Spot Ethereum ETPs in the United States, driven by the SEC's sudden turnaround on its stance towards Ethereum and potential other cryptocurrencies. The American regulator's shift in regulatory stance has fuelled optimism that the approval of spot ETPs for other blockchain assets may soon follow. This change in the regulatory landscape could unlock the door for a wider range of crypto-based investment vehicles to be made available to investors in the coming years and months.

Attention now turns to monetary policy in the U.S. With growing global uncertainty around the geopolitical role of the U.S. and the future of the U.S. dollar as a reserve currency the stage appears set for a potential acceleration in Bitcoin's price. There has also been mention in the U.S. about a strategic reserve function for Bitcoin. These market dynamics underscore Bitcoin's status as a macro-asset, one that is increasingly correlated with broader economic and political developments.

# CoinShares Digital Securities Limited

## Directors' Report

For the period ended 30 June 2024

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### **Business review and key performance indicators** (continued)

The first half of 2024 has presented a complex and evolving landscape for Bitcoin. While historical patterns provide some insights, current market dynamics and unique events continue to shape the future of this leading cryptocurrency. Investors should stay informed and vigilant, considering both macroeconomic factors and specific market events as they navigate the months ahead.

#### *Company Digital Securities performance in 2024*

Following the significant developments over the first half of 2024, CoinShares focused on exploring new product initiatives, engaging with our investors across Europe, and continuing our dialogue with regulators to expand our presence in new markets.

Flows in the products demonstrated considerable strength throughout the first half of 2024. In Q2 2024 the CoinShares Physical ETP platform recorded its third-best quarter in terms of net flows since its inception in 2021, with \$67 million of net inflow.

Strong flows and Digital Asset price performance have catalysed one of CoinShares Physical's strongest periods since inception, with management fees (inclusive of revenue generated from staking fees) of around £7.0 million (H1 2023: £1.0 million). A core driver for this performance being the introduction of staking capabilities on the CoinShares Physical Ethereum product, which has brought a material benefit to both CoinShares and noteholders alike.

Advantageous price movements and resultant positive trends have had beneficial impact on the remaining products of the Group which has driven a significant increase in the AUM represented by the Company's notes in issue. As at 1 January this figure stood at £817,137,433 and rose 46% in the period to £1,189,248,514 through a combination of inflows and price appreciation.

#### *New product launches in 2024*

The Company has not launched any further products in 2024. The Directors and the wider CoinShares Group will continue to assess the needs of the evolving market in order to design, build and launch products to meet such needs.

#### *Changes in existing products in 2024*

In early 2024 the Company announced a reduction in the management fees for the CoinShares Physical Bitcoin ETP product. From 1 February 2024 the fees were reduced from 0.98% per annum to 0.35% per annum.

Additionally, on 1 February 2024 the Company added a 1.25% per annum staking reward to the Ethereum ETP, also amending its name to CoinShares Physical Staked Ethereum. The management fee remains at 0.0% however staking rewards will now be earned by CoinShares Capital Markets (Jersey) Limited ('CSCMJL') as the Staking Agent.

# CoinShares Digital Securities Limited

## Directors' Report

For the period ended 30 June 2024

### Business review and key performance indicators (continued)

#### Digital Assets held

#### Digital assets

	30 June 2024 Number	31 December 2023 Number	30 June 2024 £	31 December 2023 £
<b>By Currency</b>				
Bitcoin	14,372	14,564	699,836,475	485,633,124
Ethereum	84,122	84,787	225,673,497	153,022,594
Litecoin	94,009	77,146	5,546,458	4,475,987
XRP	44,226,602	33,606,739	16,511,055	16,425,068
Polkadot	1,564,226	615,669	7,559,251	4,105,730
Tezos	4,113,860	3,000,443	2,528,564	2,427,596
Cardano	31,186,111	23,871,818	9,491,296	11,281,487
Solana	1,644,166	1,499,969	184,523,679	121,089,990
Chainlink	615,472	304,300	6,621,642	3,663,215
Uniswap	379,854	226,135	2,714,341	1,341,196
Cosmos	258,370	201,835	1,358,294	1,725,697
Matic	12,041,232	6,073,837	5,214,151	4,766,272
Algorand	64,544,045	37,727,904	7,149,942	6,681,098
Digital asset - COIN10			1,174,266	346,970
Digital asset - COINSMRT			1,447,925	151,409
Other			11,897,678	-
			<b>1,189,248,514</b>	<b>817,137,433</b>

Refer to note 7 Digital assets for further details.

#### Future developments

The Directors and the wider CoinShares Group will continue to assess the needs of the evolving market in order to design, build and launch products to meet such needs. This will include (but is not limited to) consideration for products referencing digital assets already included within the CoinShares Digital Securities Prospectus, in addition to ongoing assessment of the management fees attached to existing products.

# CoinShares Digital Securities Limited

## Directors' Report

For the period ended 30 June 2024

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### Risks and uncertainties

The Digital Securities provide investors with exposure to Digital Assets or baskets of Digital Assets. Each Digital Security is a debt instrument whose redemption price is linked to the value of the relevant underlying Digital Asset/Digital Assets.

Each class of Digital Securities is issued under limited recourse arrangements whereby the holders have recourse only to the relevant Digital Assets and Basket of Digital Assets held to support the Digital Security and not to the Digital Assets and Basket of Digital Assets of any other class of Digital Security or the Company.

Any movements in the value of the Digital Assets and Basket of Digital Assets are wholly attributable to the holders of the Digital Securities, therefore Company has no residual exposure to movements in the value of the Digital Assets and Basket of Digital Assets.

The overall level of AUM will of course impact the level of Management Fee/Staking Reward retained by the Company/Group respectively, the Company does not retain any net gains or losses or net risk exposures, as the gains or losses on the liability represented by the Digital Securities are matched economically by corresponding losses or gains attributable to the Digital Assets and Basket of Digital Assets.

As a result, the principal risks and uncertainties to which the Company is exposed has not materially changed during the period ended 30 June 2024. There is an inherent risk from the point of view of investors as the values of Digital Assets and Basket of Digital Assets, and thus the value of the Digital Securities, may vary widely due to, amongst other things, changing supply and demand for Digital Assets, government and monetary policy or intervention, interest rate levels and global or regional political, economic or financial events.

The Company has exposure to country and currency risk as the Digital Securities are mainly priced in US Dollars. However, the Directors do not consider the Company to have a significant net exposure to country and currency risk as the gains or losses on the liability represented by the Digital Securities are matched economically by corresponding losses or gains attributable to the Digital Assets and Basket of Digital Assets.

The market price of Digital Securities is a function of supply and demand amongst investors wishing to buy and sell Digital Securities and the bid or offer spread that the market makers are willing to quote.

The following sets out a description of the principal risks inherent in the activities of the Company and to an investment in its products.

#### *Risk factors relating to Digital Securities*

**The value of a Digital Security can change quickly and could even drop to zero:** The price of Digital Assets is volatile and may be affected by a variety of factors. Should demand for a Digital Asset decrease or should it fail to achieve adoption among the Digital Asset community or should it suffer technological or coding failures or hacks, for example, then its value could drop sharply and permanently, which in turn would adversely affect the price of the relevant Digital Securities in the secondary market, as the Digital Securities are designed to track the price of the relevant Digital Asset.

**Valuation:** Digital Assets do not represent an underlying claim on income or profits, nor do they represent a liability that must be repaid. Their value is a function of the perspective of the participants within the market place (or specific, given, market place) and supply and demand. As a result, the value of Digital Assets may be more speculative and more volatile than traditional assets representing claims on income, or profits or debts.

# CoinShares Digital Securities Limited

## Directors' Report

For the period ended 30 June 2024

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### Risks and uncertainties (continued)

**Risks may differ between various Digital Assets and their underlying protocols:** The Company may offer Digital Securities that reference a wide variety of Digital Assets, and some of those individual Digital Assets may have risks that are not comparable to risks of other Digital Currencies.

**Liquidity risk in the market for Digital Assets:** Exchanges for Digital Assets are not only new, but most are also unregulated. As a result, there is a risk of delay or failure of liquidity in the markets for Digital Assets, market closures or liquidity failures can affect both the price and tradability of underlying Digital Assets and, by extension, the Digital Securities. In such an event, the price of Digital Assets may decline or be more volatile and price determination for a Digital Security may become more difficult. This may in turn reduce the ability of investors to trade the Digital Securities and/or adversely affect the price of the Digital Securities.

**Political risk in the market of Digital Assets:** The legal status of Digital Assets varies between different countries and is very much in transition. There exists a lack of regulatory consensus concerning the regulation of Digital Assets in Europe. Future regulatory or political developments could adversely affect markets for Digital Assets, their adoption and ultimately their value.

**Risk of loss of confidence in the Digital Asset protocols and their networks:** Digital Assets are dependent on investors, users and other members of the digital asset maintaining confidence in their underlying protocols. Should Digital Asset investors, miners or exchanges lose confidence in an underlying protocol, the liquidity and/or value of the associated Digital Asset may decrease, which in turn would affect the liquidity and/or value of the corresponding Digital Securities.

**Risk of loss of confidence in the Digital Asset exchanges and market infrastructure:** Digital Assets trade on a number of exchanges, many of which are unregulated. Disruptions to those exchanges, whether caused by hacks or fraud or operational issues, could materially impact the ability of digital currencies to trade, which in turn would impact their price.

**Risk of Liquidity in certain Proof of Stake Protocols:** The Issuer may stake coins that are subject to such liquidity restrictions. As a result, the Issuer may hold coins subject to such restrictions, which in turn may hinder the Issuer in satisfying redemption requests. The Issuer will agree with the Staking Agent to provide a necessary liquidity bridge to ensure it can continue to satisfy redemption obligations while its holdings are restricted, but there can be no guarantee that the Staking Agent can provide such alternative liquidity.



# CoinShares Digital Securities Limited

## Directors' Report

For the period ended 30 June 2024

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### Risks and uncertainties (continued)

#### *Risk factors relating to the Company*

**Operational risk:** Operational risk is the risk of direct or indirect loss arising from the Company's processes and infrastructure, and from external factors other than credit, markets and other price risk and liquidity issues such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

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 Company would be the inability to redeem a security through either systems failures or continuity planning issues. The risk is mitigated through the use of a business continuity plan which has been tested, and demonstrated that the traders can perform their work from anywhere.

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, who provide access to a cold storage vault. Komainu has a SOC 1 Type 2 report, the latest covering the period from 1 December 2022 to 30 November 2023, which was independently reviewed and authorised for issue on 28 April 2024. Komainu is also ISO27001 certified. In addition to limiting the exposure to fraud for the Company, cold storage of digital assets with Komainu also reduces the exposure to hacking of the exchanges.

The cyber risks are mitigated through the use of systems to prevent external attacks (such as, but not limited to, firewalls, detection of possible phishing emails, encryption using secure keys and strong physical security). Komainu, as custodian, is subject to periodic reviews.

The risk of theft of the Company's custodied coins is considered minimal owing to the strong control framework built around the storage and transfer of Digital Assets.

The Company consistently monitors its operational risk due to the reliance on third party service providers.

**Market Risk:** the risk of a loss of value on financial instruments arising from changes in the prevailing parameters of the market. Digital assets are an extremely volatile asset class, which can respond unexpectedly and adversely to events outside of the Company's control. This risk is mitigated by ensuring the value of the obligations to security holders is matched by the value of digital assets held.

**Interest rate risk:** Interest rate risk is the risk that the value of the Company will be impacted by fluctuations in the prevailing levels of market interest rates. The majority of the Company's financial assets and liabilities are non-interest bearing and as a result, the Company is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

**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 Company and the fair value of the liabilities of the Company towards security 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.

**Capital risk management:** The capital of the Company is nil. The Company's objective is to undertake the issuance and redemptions of Digital Securities and performing the associated obligations for the Group, in the interest of benefitting the shareholders of the ultimate parent company. This is achieved through frequent evaluation of the Company's products to ensure they meet investor demands.

# CoinShares Digital Securities Limited

## Directors' Report

For the period ended 30 June 2024

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### Risks and uncertainties (continued)

**Credit risk:** Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company. 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.

Credit risk from balances with custodians, banks, brokers and financial institutions is managed, monitored and controlled by the finance department in accordance with the Company policy. It is the Company's policy to only enter into transactions with reputable counterparties, as determined through appropriate due diligence.

The risk of losing Digital Assets in digital wallets due to fraud is reduced through digital assets being kept in cold storage with Komainu, providing a cold storage vault. The Company does not expect to incur material credit losses in respect of digital assets.

Credit risk arising from the ETP creation process is mitigated by the fact that Digital Securities are issued to counterparties only after the underlying Digital Assets have been received. Management Fees and Staking Rewards recognised by the Programme Manager and Staking Agent respectively are deducted from amounts held in relation to the ETPs, therefore not relying on counterparties.

**Liquidity risk:** Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. Liquidity issues could arise as a result of the redemption of securities. In this case, the Company 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 Company it is required holds the relevant digital asset at all times to be able to meet these redemptions.

Liquidity risk associated with the payment of suppliers is mitigated through the arrangement whereby expenses of the Company are settled by CoinShares (Jersey) Limited ('CSJL') through the issuance of fees, agreed in the Service Level Agreement dated 21 May 2021.

### Sustainability and Corporate Responsibility

Sustainability and corporate responsibility are embedded throughout the business of the CoinShares Group. Directors believe this benefits shareholders and employees of the Group, investors in CoinShares products and services offered as well as wider society.

More information on the Group's corporate social responsibility strategy can be found on the CoinShares website.

The Annual Sustainability Report aims to be transparent and relevant, to ensure that stakeholders can easily learn about the Group's sustainability efforts and gain an understanding of group performance and progress over time in relation to Environmental, Social and Governance ('ESG') initiatives.

The disclosures are structured according to our key sustainability topics. The report is presented in four sections, as follows:

1. Strategy and Current Position
2. Sustainability
3. Environmental Initiatives
4. Social Initiatives

# CoinShares Digital Securities Limited

## Directors' Report

For the period ended 30 June 2024

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### **Sustainability and Corporate Responsibility** (continued)

The Group Directors acknowledge that climate change and its impact on the global economy is of increasing interest and focus for stakeholders and that, where relevant, stakeholders will seek information from companies regarding how climate change is expected to impact the operations of the business and how climate change risk has been considered in the context of reported results.

In acknowledging the above, the Directors have considered the Company's exposure to climate change and determined that due to the nature of the Company and its operations there are no directly observed impacts of climate change on the business. As a result, the Directors concluded that there is no basis on which to provide extended information of analysis relating to climate change, including as part of the basis of accounting or individual accounting policies adopted by the Company.

The Directors have concluded specifically that climate change, including physical and transition risks, does not have a material impact on the recognition and separate measurement considerations of the assets and liabilities in these interim financial statements as at 30 June 2024.

The liabilities are valued using listed market prices at the period end. These observable inputs and market prices will reflect wider market sentiment, which inherently includes market perspectives relating to the impactor climate change. The Board recognises that government and societal responses to climate change risks are still developing and the future impact cannot be predicted.

Future valuations of assets and liabilities may therefore differ as the market responds to these changing impacts or assesses the impact of current requirements differently.

### **Corporate Governance**

#### *Board of Directors*

The Board meets regularly as required by the operations of the Company, but at least quarterly to review the overall business of the Company and to consider matters specifically reserved for its review.

#### *Share Capital and voting rights*

No person has a significant direct or indirect holding of securities in the Company. No person has any special rights of control over the Company's share capital. There are no restrictions on voting rights. The Company belongs to a group of companies, the ultimate holding entity of which is CoinShares International Limited, incorporated in Jersey, Channel Islands.

The Company's issued share capital consists of 1 fully-paid share of £0.01, which is held ultimately by CoinShares International Limited.

#### *Director remuneration*

The Directors of the Company who are employees within the CoinShares group do not receive separate remuneration in their capacity as Directors of the Company. The non-executive director receives separate remuneration for their role which is paid by CoinShares (Jersey) Limited as the Programme Manager however is recognised as an expense by the Company.

# CoinShares Digital Securities Limited

## Directors' Report

For the period ended 30 June 2024

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### Corporate Governance (continued)

#### *Integration with CoinShares Group governance*

During the period the Company did not have any direct employees or subsidiaries. The Company, being a special purpose company established for the purpose of issuing Digital Securities, has not undertaken any business, save for issuing and redeeming Digital Securities, entering into the required documents and performing the associated obligations, since its incorporation.

The Company does not intend to undertake any business other than issuing and redeeming Digital Securities and performing the associated obligations.

CoinShares International Limited is a Jersey, public limited liability company whose shares are listed for trading on Nasdaq Stockholm and the ultimate parent company of CoinShares Digital Securities Limited. The Corporate Governance framework for CoinShares International Limited is grounded in the Company's Articles of Association, Companies (Jersey) Law 1991, as amended, the Code, Nasdaq's Nordic Main Market Rulebook for Issuers of Shares and the Company's internal rules and guidelines. The internal rules and guidelines include primarily the Board's rules of procedure, the CEO's instructions, the instructions for financial reporting and internal control, and the finance manual.

In addition, CoinShares International Limited has a number of policy documents and manuals, including the Code of Conduct, the Corporate Governance Policy, the Insider Policy, and the Information and Communication Policy, as well as other internal rules and recommendations that include principals and provide guidance in the company's operations and for its employees. These governance documents are evaluated and adopted annually by the Board of Directors. The requirements arising from CoinShares International Limited's shares being listed for trading on Nasdaq Stockholm include the compulsory adoption of a corporate governance code. The guidelines of the Code are available on the Swedish Corporate Governance Board's website. As at the date of this Corporate Governance Report, the Company has complied with the Code.

#### *Internal Control*

The Group operates the Three Lines of Defence model, which is considered to be industry best practice and comprises the following:

**First Line of Defence:** The client-facing operations teams are responsible for maintaining a strict control environment over day-to-day operational matters. The first line has a comprehensive control framework, managed and maintained by them; the framework spans both organisation wide controls and department specific controls.

**Second Line of Defence:** The Group's Compliance Team has a number of key responsibilities including anti-money laundering, countering of terrorism financing, regular testing of the Group's control framework and liaising with the Group's various external regulatory bodies.

**Third Line of Defence:** The Group relies upon both the annual financial audit process in addition to more focused specialised external work, undertaken on particular parts of the business, for example, the work undertaken by The Network Firm, providing attestation reports on the assets held in support of the Group's ETPs.

# CoinShares Digital Securities Limited

## Directors' Report

For the period ended 30 June 2024

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### Corporate Governance (continued)

#### *Audit Committee*

The sole business of the Company relates to the issuing of asset-backed Digital Securities. Given the limited recourse nature of the Digital Securities issued by the Company, the Board of Directors have concluded that there is currently no need for the Company to have a separate audit committee in order for the Board to perform effective monitoring and oversight of the internal control and risk management systems of the Company in relation to the financial reporting process and the monitoring of the statutory audit and the independence of the statutory auditors.

#### *Service level agreements*

The Company and several of its service providers are subsidiaries of the CoinShares Group. Service Level Agreements ('SLAs') were signed by the companies from the CoinShares Group. The SLAs govern the relations between the entities as well as their respective obligations.

### Results and dividends

The total comprehensive income for the period amounted to £nil (period ended 30 June 2023: £nil) (year ended 31 December 2023: £nil).

The directors do not recommend the payment of a dividend for the period (period ended 30 June 2023: £nil) (year ended 31 December 2023: £nil).

### Directors and Company Secretary

The directors and company secretary who served during the period and up to the date of this report are listed on page 1.

### Directors' interest in shares

The directors holding office at the end of the reporting period had no direct interests in the share capital of the Company but did have an interest in the ultimate parent company, CoinShares International Limited ('CSIL').

### Going concern

In preparing the financial statements the directors made an assessment of the Company's ability to continue as a going concern. In assessing whether the going concern assumption is appropriate the directors considered all available information about the future, which is at least, but is not limited to, twelve months from the date when the financial statements were authorised for issue.

When making the assessment the directors considered and disclosed all material uncertainties related to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern.

The Company has net assets of £nil (31 December 2023: £nil) at the end of the reporting period. All expenses of the Company are settled by CSJL through the issuance of fees to CSJL to cover the Company's expenses as agreed in the Service Level Agreement dated 21 May 2021. The directors have prepared these financial statements on a going concern basis due to CSJL's contractual obligation to cover the Company's expenses, and ongoing financial support received from other Group entities, inclusive of its parent company, which will continue to be provided for the foreseeable future.

There is continuing to be increased volatility seen in the price of digital assets. The directors do not consider the price movements to impact the going concern for the Company as the products are fully hedged.

# CoinShares Digital Securities Limited

## Directors' Report

For the period ended 30 June 2024

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### Corporate Governance Statement

The Company is wholly owned by CSIL, a Jersey, public limited liability company whose shares are listed for trading on Nasdaq Stockholm. The Corporate Governance framework for CoinShares International Limited is grounded in the Company's Articles of Association, Companies (Jersey) Law 1991, as amended, the Code, Nasdaq Rulebook for Issuers of Shares (the 'Main Market Rulebook'), and the Company's internal rules and guidelines. Further details regarding Corporate Governance applied to the Company can be found on the CoinShares Group website.

### Independent Auditor

The legal provisions applicable to the Company do not require a report from the statutory auditors on the interim financial statements, therefore these interim financial statements for the period ended 30 June 2024 have not been reviewed by the Company's auditor.

The report was approved by the board of directors on 29 August 2024 and signed on its behalf by:



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CoinShares Corporate Services (Jersey) Limited  
Company Secretary

## CoinShares Digital Securities Limited

### Global Statement for the Interim Financial Statements

For the period ended 30 June 2024

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#### Global Statement for the Interim Financial Statements

I certify that, to the best of my knowledge, the interim financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, financial position and performance of the Company and that the Director's report attached presents a true and fair view of the development of the business, the performance and the financial position of the Company and that it describes the main risks and uncertainties it faces.

*Townsend Lansing*

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**Townsend Lansing Jr.**  
**Director**

Date: 29 August 2024

## CoinShares Digital Securities Limited

### Statement of Comprehensive Income

For the period ended 30 June 2024

		1 January 2024 to 30 June 2024	1 January 2023 to 30 June 2023	1 January 2023 to 31 December 2023
	Note	£	£	£
<b>Revenue</b>	4	<b>1,649,291</b>	891,467	1,883,311
<b>Gross profit</b>		<b>1,649,291</b>	891,467	1,883,311
Administration expenses	5	(1,652,980)	(892,479)	(1,883,219)
Fair value gain on digital assets	7	-	144,735,163	302,608,417
Loss on digital asset receivables	9	-	(3,956)	-
Loss on ETP liabilities	11	(310,261,496)	(144,554,556)	(393,428,803)
Loss on digital asset payables	13	(3,697,900)	(176,651)	(7,514,658)
Gain/(loss) on foreign exchange		3,689	1,012	(92)
<b>Operating loss</b>		<b>(313,959,396)</b>	-	(98,335,044)
<b>Loss before taxation</b>		<b>(313,959,396)</b>	-	(98,335,044)
Taxation on profit	6	-	-	-
<b>Loss after taxation</b>		<b>(313,959,396)</b>	-	(98,335,044)
Fair value gain on digital assets	7	313,959,396	-	98,335,044
<b>Other comprehensive income</b>		<b>313,959,396</b>	-	98,335,044
<b>Total comprehensive income</b>		<b>-</b>	-	-

All items dealt with in arriving at the result for the periods ended 30 June 2024 and 30 June 2023 and the year ended 31 December 2023 relate to continuing operations.

*The above should be read in conjunction with the accompanying notes on pages 18 to 32 which form an integral part of these financial statements.*



# CoinShares Digital Securities Limited

## Statement of Financial Position

As at 30 June 2024

		As at 30 June 2024	As at 31 December 2023
	Note	£	£
<b>ASSETS</b>			
<b>Current assets</b>			
Digital assets	7	1,189,248,514	817,137,433
Trade and other receivables	8	2,033,389	662,066
Digital asset receivables	9	46,527	44,606
Cash and cash equivalents	10	10,861	4,910
<b>Total assets</b>		<b>1,191,339,291</b>	<b>817,849,015</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
ETP liabilities	11	1,160,250,078	807,441,130
Trade and other payables	12	2,044,251	666,976
Digital asset payables	13	29,044,962	9,740,909
<b>Total liabilities</b>		<b>1,191,339,291</b>	<b>817,849,015</b>
<b>Net assets</b>		<b>-</b>	<b>-</b>
<b>EQUITY</b>			
Share capital	14	-	-
Retained earnings		-	-
<b>Total equity</b>		<b>-</b>	<b>-</b>

The financial statements on pages 14 to 32 were approved and authorised for issue by the Board of Directors of the Company and signed on its behalf by:

*Kirsty Lawrence*

-----  
Kirsty Lawrence

Director

Date: 29 August 2024

*The above should be read in conjunction with the accompanying notes on pages 18 to 32 which form an integral part of these financial statements.*

# CoinShares Digital Securities Limited

## Statement of Changes in Equity

For the period ended 30 June 2024

	Ordinary Shares £	Retained Earnings £	Total equity £
<b>At 1 January 2023</b>	-	-	-
Profit for the period	-	-	-
Other comprehensive loss	-	-	-
<b>Total comprehensive income</b>	-	-	-
<b>At 30 June 2023</b>	-	-	-
<b>At 1 July 2023</b>	-	-	-
Loss for the period	-	(98,335,044)	(98,335,044)
Other comprehensive income	-	98,335,044	98,335,044
<b>Total comprehensive income</b>	-	-	-
<b>At 31 December 2023</b>	-	-	-
<b>At 1 January 2024</b>	-	-	-
Loss for the period	-	(313,959,396)	(313,959,396)
Other comprehensive income	-	313,959,396	313,959,396
<b>Total comprehensive income</b>	-	-	-
<b>At 30 June 2024</b>	-	-	-

The Company has issued 1 share valued at £0.01.

*The above should be read in conjunction with the accompanying notes on pages 18 to 32 which form an integral part of these financial statements.*

## CoinShares Digital Securities Limited

### Statement of Cash Flows

For the period ended 30 June 2024

		1 January 2024 to 30 June 2024	1 January 2023 to 30 June 2023	1 January 2023 to 31 December 2023
	Note	£	£	£
<b>Cash flows from operating activities</b>				
<b>Loss for the period</b>		<b>(313,959,396)</b>	-	(98,335,044)
Adjustments for:				
- Loss on ETP liabilities	11	310,261,496	144,554,556	393,428,803
- Loss on digital asset payables	13	3,697,900	176,651	7,514,658
- Gain on digital assets	7	-	(144,735,163)	(302,608,417)
- Loss on digital asset receivables	9	-	3,956	-
		-	-	-
Change in working capital:				
- Trade and other receivables	8	-	-	-
- Trade and other payables	12	5,951	(30)	(30)
Cash generated from/(used in) operations		5,951	(30)	(30)
Interest paid		-	-	-
Taxation paid		-	-	-
<b>Cash flow generated from/(used in) operating activities</b>		<b>5,951</b>	<b>(30)</b>	<b>(30)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,951</b>	<b>(30)</b>	<b>(30)</b>
<b>At the beginning of the period</b>		<b>4,910</b>	4,940	4,940
<b>At the end of the period</b>	10	<b>10,861</b>	4,910	4,910

The above should be read in conjunction with the accompanying notes on pages 18 to 32 which form an integral part of these financial statements.

#### Reconciliation of net debt

		1 January 2024 to 30 June 2024	1 January 2023 to 30 June 2023	1 January 2023 to 31 December 2023
	Note	£	£	£
<b>Non-cash analysis</b>				
<b>Cash flows from operating activities</b>				
- Trade and other receivables	8	(1,371,323)	(165,802)	14,856
- Trade and other payables	12	1,371,323	165,802	(14,856)
- Net issuance of ETP liabilities	11	58,151,685	23,603,877	171,586,010
- Net purchase of digital assets	7	(58,151,685)	(23,603,877)	(171,586,010)

# CoinShares Digital Securities Limited

## Notes to the Interim Financial Statements

For the period ended 30 June 2024

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### 1 General information

The Company operates in Jersey, Channel Islands. The principal activity of the Company is to act as an issuer of exchange traded products ('ETPs').

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 and its company registration number is 127061.

### 2 Significant accounting policies

#### 2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS'), which comprise Standards and Interpretations approved by the International Accounting Standards Board ('IASB') and the Companies (Jersey) Law 1991, as amended. There were no material departures from IFRS.

The interim financial statements do not include all of the information required in annual financial statements, and should be read in conjunction with the financial statements for the year ended 31 December 2023. The accounting policies adopted are consistent with those of the previous year.

### 3 Operating segments

The Company monitors its assets and liabilities according to four core operating segments, defined by the primary characteristics of ETPs. The Company deems that it has four reportable operating segments in respect of assets and liabilities, being:

- Digital Securities with a management fee;
- Staked Digital Securities;
- Index Digital Securities; and
- Central costs

This is the measure reported to the Board of Directors, being the Company's chief operating decision-maker, for the purposes of assessing performance and allocating resources.

## CoinShares Digital Securities Limited

### Notes to the Interim Financial Statements (continued)

For the period ended 30 June 2024

#### 3 Operating segments (continued)

The following is an analysis of the Company's revenues and expense by reportable segment in the period ended 30 June 2024.

30 June 2024

	Digital Securities with a Management Fee £	Staked Digital Securities £	Index Digital Securities £	Central Costs £	Total £
<b>Revenue</b>	379,429	911,201	41,314	317,347	<b>1,649,291</b>
<b>Gross profit</b>	379,429	911,201	41,314	317,347	<b>1,649,291</b>
Administration expenses	(379,429)	(911,201)	(41,314)	(321,036)	<b>(1,652,980)</b>
Loss on ETP liabilities	(206,655,774)	(103,321,758)	(283,964)	-	<b>(310,261,496)</b>
(Loss)/gain on digital asset payables	(756)	(3,698,955)	1,811	-	<b>(3,697,900)</b>
Gain on foreign exchange	-	-	-	3,689	<b>3,689</b>
<b>Operating loss</b>	<b>(206,656,530)</b>	<b>(107,020,713)</b>	<b>(282,153)</b>	<b>-</b>	<b>(313,959,396)</b>
<b>Loss before taxation</b>	<b>(206,656,530)</b>	<b>(107,020,713)</b>	<b>(282,153)</b>	<b>-</b>	<b>(313,959,396)</b>
Taxation on profit	-	-	-	-	-
<b>Loss after taxation</b>	<b>(206,656,530)</b>	<b>(107,020,713)</b>	<b>(282,153)</b>	<b>-</b>	<b>(313,959,396)</b>
Fair value gain on digital assets	206,656,530	107,020,713	282,153	-	<b>313,959,396</b>
<b>Other comprehensive income</b>	<b>206,656,530</b>	<b>107,020,713</b>	<b>282,153</b>	<b>-</b>	<b>313,959,396</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## CoinShares Digital Securities Limited

### Notes to the Interim Financial Statements (continued)

For the period ended 30 June 2024

#### 3 Operating segments (continued)

The following is an analysis of the Company's revenues and expense by reportable segment in the period ended 30 June 2023.

30 June 2023

	Digital Securities with a Management Fee £	Staked Digital Securities £	Index Digital Securities £	Central Costs £	Total £
<b>Revenue</b>	399,906	218,937	67,450	205,174	891,467
<b>Gross profit</b>	399,906	218,937	67,450	205,174	891,467
Administration expenses	(399,906)	(218,937)	(67,450)	(206,186)	(892,479)
Gain/(loss) on digital assets	140,734,139	4,010,824	(9,800)	-	144,735,163
Loss on digital asset receivables	-	(3,956)	-	-	(3,956)
(Loss)/gain on ETP liabilities	(140,699,780)	(3,864,576)	9,800	-	(144,554,556)
Loss on digital asset payables	(34,359)	(142,292)	-	-	(176,651)
Gain on foreign exchange	-	-	-	1,012	1,012
<b>Operating profit</b>	-	-	-	-	-
<b>Profit before taxation</b>	-	-	-	-	-
Taxation on profit	-	-	-	-	-
<b>Profit after taxation</b>	-	-	-	-	-
Fair value gain/(loss) on digital assets	-	-	-	-	-
<b>Other comprehensive income</b>	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-	-

## CoinShares Digital Securities Limited

### Notes to the Interim Financial Statements (continued)

For the period ended 30 June 2024

#### 3 Operating segments (continued)

The following is an analysis of the Company's assets and liabilities by reportable segment as at 30 June 2024.

##### 30 June 2024

	Digital Securities with a Management Fee	Staked Digital Securities	Index Digital Securities	Central Costs	Total
	£	£	£	£	£
Digital assets	731,229,971	455,396,352	2,622,191	-	1,189,248,514
Trade and other receivables	-	-	-	2,033,389	2,033,389
Digital asset receivables	-	46,527	-	-	46,527
Cash and cash equivalents	-	-	-	10,861	10,861
<b>Total assets</b>	<b>731,229,971</b>	<b>455,442,879</b>	<b>2,622,191</b>	<b>2,044,250</b>	<b>1,191,339,291</b>
ETP Liabilities	731,069,105	426,573,507	2,607,466	-	1,160,250,078
Trade and other payables	-	-	-	2,044,250	2,044,250
Digital asset payables	160,866	28,869,372	14,725	-	29,044,963
<b>Total liabilities</b>	<b>731,229,971</b>	<b>455,442,879</b>	<b>2,622,191</b>	<b>2,044,250</b>	<b>1,191,339,291</b>
<b>Net assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The following is an analysis of the Company's assets and liabilities by reportable segment as at 31 December 2023.

##### 31 December 2023

	Digital Securities with a Management Fee	Staked Digital Securities	Index Digital Securities	Central Costs	Total
	£	£	£	£	£
Digital assets	664,561,184	152,077,870	498,379	-	817,137,433
Trade and other receivables	-	-	-	662,066	662,066
Digital asset receivables	-	44,606	-	-	44,606
Cash and cash equivalents	-	-	-	4,910	4,910
<b>Total assets</b>	<b>664,561,184</b>	<b>152,122,476</b>	<b>498,379</b>	<b>666,976</b>	<b>817,849,015</b>
ETP Liabilities	664,275,905	142,666,846	498,379	-	807,441,130
Trade and other payables	-	-	-	666,976	666,976
Digital asset payables	285,279	9,455,630	-	-	9,740,909
<b>Total liabilities</b>	<b>664,561,184</b>	<b>152,122,476</b>	<b>498,379</b>	<b>666,976</b>	<b>817,849,015</b>
<b>Net assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## CoinShares Digital Securities Limited

### Notes to the Interim Financial Statements (continued)

For the period ended 30 June 2024

#### 4 Revenue

	1 January 2024 to 30 June 2024 £	1 January 2023 to 30 June 2023 £	1 January 2023 to 31 December 2023 £
Fee income	1,649,291	891,467	1,883,311
	<b>1,649,291</b>	<b>891,467</b>	<b>1,883,311</b>

The Company charges fees to the Programme Manager, CoinShares (Jersey) Limited ('CSJL'), to cover its expenses as agreed in the Service Level Agreement dated 21 May 2021. These costs consist primarily of professional expenses, custody fees and trading fees.

Revenue on products is recognised in CSJL and CoinShares Capital Markets (Jersey) Limited ('CSCMJL') as programme manager and staking agent respectively.

#### 5 Administration expenses by nature

Included within administration expenses of £1,652,980 (period ended 30 June 2023: £892,479, year ended 31 December 2023: £1,883,219) are the following amounts:

	1 January 2024 to 30 June 2024 £	1 January 2023 to 30 June 2023 £	1 January 2023 to 31 December 2023 £
Audit fees	27,250	37,250	58,000
Directors fees	7,417	7,500	15,000
	<b>34,667</b>	<b>44,750</b>	<b>73,000</b>

#### 6 Taxation

The Company is subject to tax at the rate of 0% (2023: 0%).

#### 7 Digital assets

	30 June 2024 Number	31 December 2023 Number	30 June 2024 £	31 December 2023 £
<b>By Currency</b>				
Bitcoin	14,372	14,564	699,836,475	485,633,124
Ethereum	84,122	84,787	225,673,497	153,022,594
Litecoin	94,009	77,146	5,546,458	4,475,987
XRP	44,226,602	33,606,739	16,511,055	16,425,068
Polkadot	1,564,226	615,669	7,559,251	4,105,730
Tezos	4,113,860	3,000,443	2,528,564	2,427,596
Cardano	31,186,111	23,871,818	9,491,296	11,281,487
Solana	1,644,166	1,499,969	184,523,679	121,089,990
Chainlink	615,472	304,300	6,621,642	3,663,215
Uniswap	379,854	226,135	2,714,341	1,341,196
Cosmos	258,370	201,835	1,358,294	1,725,697
Matic	12,041,232	6,073,837	5,214,151	4,766,272
Algorand	64,544,045	37,727,904	7,149,942	6,681,098
Digital asset - COIN10			1,174,266	346,970
Digital asset - COINSMRT			1,447,925	151,409
Other			11,897,678	-
			<b>1,189,248,514</b>	<b>817,137,433</b>



## CoinShares Digital Securities Limited

### Notes to the Interim Financial Statements (continued)

For the period ended 30 June 2024

#### 7 Digital assets (continued)

Other Digital Assets comprise assets provided by CSMJL to satisfy redemptions in CoinShares Physical Products during asset unstaking periods.

Index products comprise a number of underlying Digital Assets in each product. As at period end the balance of the index ETP products comprised the following:

	30 June 2024 Number	31 December 2023 Number	30 June 2024 £	31 December 2023 £
<b>COIN10</b>				
Bitcoin	8	3	390,805	112,213
Ethereum	169	62	452,766	111,791
Litecoin	-	89	-	5,186
Avalanche	1,228	-	27,213	-
XRP	150,994	62,692	56,370	30,640
Tron	216,927	100,649	21,452	8,471
Cardano	103,594	42,292	31,528	19,987
Polkadot	4,106	1,642	19,842	10,950
Chainlink	1,712	636	18,423	7,660
Solana	1,276	389	143,231	31,402
Matic	29,181	11,048	12,636	8,669
			<b>1,174,266</b>	<b>346,970</b>
<b>COINSMRT</b>				
Ethereum	210	20	562,978	36,278
Tron	659,317	107,623	65,201	9,058
Stellar Lumens	230,855	36,572	16,508	3,747
Cardano	314,733	45,220	95,787	21,370
Near Protocol	8,811	1,331	35,194	3,883
Chainlink	5,212	680	56,076	8,183
Matic	88,700	11,813	38,409	9,270
Solana	3,875	416	434,940	33,578
Avalanche	3,732	462	82,736	14,333
Polkadot	12,436	1,756	60,096	11,708
			<b>1,447,925</b>	<b>151,409</b>
			<b>2,622,191</b>	<b>498,379</b>
			<b>30 June 2024 £</b>	<b>31 December 2023 £</b>
<b>Reconciliation of Digital Assets</b>				
Digital assets as at 1 January			817,137,433	244,641,832
Additions to digital assets			203,903,443	305,277,023
Net staking rewards			7,498,792	2,298,178
Disposals of digital assets			(151,153,457)	(134,196,245)
Management fees paid to CSJL			(2,097,093)	(1,826,816)
Fair value gain through profit and loss			-	302,608,417
Fair value gain through other comprehensive income			313,959,396	98,335,044
<b>Digital assets closing balance</b>			<b>1,189,248,514</b>	<b>817,137,433</b>

## CoinShares Digital Securities Limited

### Notes to the Interim Financial Statements (continued)

For the period ended 30 June 2024

#### 7 Digital assets (continued)

On 25 January 2024 the Company announced a reduction in the management fees for the CoinShares Physical Bitcoin ETP product. From 1 February 2024 the fees were reduced from 0.98% per annum to 0.35% per annum.

On 1 February 2024 the Company added a 1.25% per annum staking reward to the Ethereum ETP, also amending its name to CoinShares Physical Staked Ethereum. The management fee remains at 0.0% however staking rewards will now be earned by CSCMJL.

Twinstake act as a staking validator for the Company. During 2023, a reduced validator fee was negotiated with Twinstake and as part of this arrangement the Company receives a monthly rebate in Digital Assets. In January 2024, 878 SOL were received from Twinstake for 2023 rebates.

#### 8 Trade and other receivables

	30 June 2024 £	31 December 2023 £
Amounts owed by Group undertakings	1,965,629	660,295
Prepayments and sundry debtors	67,760	1,771
	<b>2,033,389</b>	<b>662,066</b>

Fee income of £1,649,291 (year ended 31 December 2023: £1,883,311) was earned from CSJL, as programme manager, to cover the Company's expenses as per the Service Level Agreement, of which £639,472 (31 December 2023: £660,295) was outstanding at period end.

#### 9 Digital asset receivables

	30 June 2024 Number	31 December 2023 Number	30 June 2024 £	31 December 2023 £
<b>Amounts owed by third parties</b>				
Staking rewards - Algorand	420,005	251,890	46,527	44,606
			<b>46,527</b>	<b>44,606</b>

Staking rewards in respect of the CoinShares Physical Staked Algorand product are received quarterly. At the period-end, the Company had an outstanding receivable of £46,527 (2023: £44,606) in respect of accrued staking rewards.

	30 June 2024 £	31 December 2023 £
<b>Reconciliation of digital asset receivables</b>		
Digital asset receivables as at 1 January	44,606	50,015
Increase in digital asset receivables	46,527	44,606
Settlement of digital asset receivables	(44,606)	(50,015)
Loss on digital asset receivables	-	-
	<b>46,527</b>	<b>44,606</b>

## CoinShares Digital Securities Limited

### Notes to the Interim Financial Statements (continued)

For the period ended 30 June 2024

#### 10 Cash and cash equivalents

	30 June 2024 £	31 December 2023 £
Cash at bank	10,861	4,910
	<b>10,861</b>	<b>4,910</b>

#### 11 ETP liabilities

Securities type	30 June 2024 Number	31 December 2023 Number	30 June 2024 £	31 December 2023 £
CoinShares Physical Bitcoin	14,666,321	14,839,130	699,713,732	485,390,408
CoinShares Physical Staked Ethereum	2,807,477	2,853,953	225,404,094	153,022,594
CoinShares Physical Litecoin	493,000	401,500	5,539,631	4,470,073
CoinShares Physical XRP	1,159,300	874,300	16,490,886	16,404,468
CoinShares Physical Staked Polkadot	1,387,500	557,500	7,547,730	4,084,656
CoinShares Physical Staked Tezos	764,000	564,000	2,522,287	2,415,298
CoinShares Physical Staked Cardano	29,375,000	22,705,000	9,485,351	11,272,945
CoinShares Physical Staked Solana	14,644,100	13,652,100	167,971,013	111,799,509
CoinShares Physical Chainlink	6,351,000	3,111,000	6,613,594	3,652,266
CoinShares Physical Uniswap	3,920,000	2,310,000	2,711,262	1,336,096
CoinShares Physical Staked Cosmos	464,500	374,500	1,347,835	1,724,979
CoinShares Physical Staked Matic	1,113,500	568,500	5,206,456	4,758,310
CoinShares Physical Staked Algorand	6,206,000	3,661,000	7,088,741	6,611,149
CoinShares Physical Top 10 Crypto Market	65,000	25,000	1,169,396	346,970
CoinShares Physical Smart Contract	85,000	10,000	1,438,070	151,409
	<b>83,501,698</b>	<b>66,507,483</b>	<b>1,160,250,078</b>	<b>807,441,130</b>

	30 June 2024 £	31 December 2023 £
<b>Reconciliation of ETP liabilities</b>		
ETP liabilities as at 1 January	807,441,130	244,043,894
Creations of ETPs	192,007,130	305,284,459
Redemptions of ETPs	(151,153,494)	(134,196,313)
Net movement on staking rewards	2,781,516	572,910
Net movement on management fee	(1,087,700)	(1,692,623)
Fair value loss	310,261,496	393,428,803
<b>ETP liabilities closing balance</b>	<b>1,160,250,078</b>	<b>807,441,130</b>

	30 June 2024 £	31 December 2023 £
Loss/(gain) on ETPs to CSCMJL and Third Parties	145,029,041	(209,778,522)
Loss/(gain) on other ETP liabilities	165,232,455	(183,650,281)
<b>Total loss/(gain) on ETP liabilities</b>	<b>310,261,496</b>	<b>(393,428,803)</b>

## CoinShares Digital Securities Limited

### Notes to the Interim Financial Statements (continued)

For the period ended 30 June 2024

#### 12 Trade and other payables

	30 June 2024 £	31 December 2023 £
Trade payables	3,504	114,763
Amounts payable to Group undertakings	1,326,157	-
Amounts payable to parent company	247,248	-
Accrued liabilities	467,342	552,213
	<b>2,044,251</b>	<b>666,976</b>

Amounts owed to the ultimate parent company, CSIL, of £247,248 (31 December 2023: £nil) consist of expenses settled on behalf of the Company. These amounts are repayable on demand, bear interest at 0% and are unsecured.

#### 13 Digital asset payables

	30 June 2024 Number	31 December 2023 Number	30 June 2024 £	31 December 2023 £
<b>Amounts payable to Group undertakings</b>				
CSJL - Bitcoin	3	7	122,742	242,717
CSJL - Litecoin	116	102	6,827	5,914
CSJL - XRP	54,024	42,149	20,169	20,600
CSJL - Solana	1,390	1,321	155,966	106,640
CSJL - Chainlink	748	910	8,048	10,949
CSJL - Uniswap	431	860	3,079	5,100
CSCMJL - Ethereum	4,535	-	12,167,081	-
CSCMJL - Polkadot	2,384	3,160	11,521	21,073
CSCMJL - Tezos	10,213	15,200	6,277	12,298
CSCMJL - Cardano	19,534	18,076	5,945	8,542
CSCMJL - Cosmos	1,989	84	10,459	718
CSCMJL - Solana	2,023	2,314	227,032	186,773
CSCMJL - Matic	17,771	10,146	7,695	7,962
CSCMJL - Algorand	377,910	205,117	41,863	36,324
CSCMJL - COIN10			4,870	-
CSCMJL - COINSMRT			9,855	-
			<b>12,809,429</b>	<b>665,610</b>
<b>Amounts payable to third parties</b>				
Third parties - Solana	144,077	111,449	16,169,668	8,997,068
Third parties - Algorand	594,576	441,767	65,865	78,231
			<b>16,235,533</b>	<b>9,075,299</b>
			<b>29,044,962</b>	<b>9,740,909</b>

## CoinShares Digital Securities Limited

### Notes to the Interim Financial Statements (continued)

For the period ended 30 June 2024

#### 13 Digital asset payables (continued)

Amounts owed to Group undertakings relate to either digital assets which are due to be paid to CSJL for the management fee or CSCMJL for the staking rewards as per the prospectus, assets provided by CSCMJL to test future digital asset products or assets provided by CSCMJL to satisfy redemptions in CoinShares Physical Products during asset unstaking periods. These amounts are denominated in the relevant digital asset.

Amounts owed to third parties relate to fees where seed capital has been provided for products. These amounts are denominated in the relevant digital asset.

	<b>30 June 2024</b>	<b>31 December 2023</b>
	£	£
<b>Reconciliation of digital asset payables</b>		
Digital asset payables as at 1 January	<b>9,740,909</b>	647,953
Increase in digital asset payables	<b>21,819,960</b>	4,618,278
Settlement of digital asset payables	<b>(6,213,807)</b>	(3,039,980)
Loss on digital asset payables	<b>3,697,900</b>	7,514,658
	<b>29,044,962</b>	9,740,909

#### 14 Share capital

##### Shares classified as equity

	<b>Allotted, called-up and unpaid</b>			
	<b>30 June 2024</b>	<b>31 December 2023</b>	<b>30 June 2024</b>	<b>31 December 2023</b>
	Number	Number	£	£
Ordinary shares of £0.01 each	1	1	-	-
	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>

The Company is authorised to issue 10,000 ordinary shares of £0.01 each, they confer on the holder the right to 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. Ordinary shares issued and allotted are accounted for as equity.

#### 15 Risk management

The Company issues securities which are 100% physically backed and therefore has a liability towards security holders linked to digital assets, as well as the specific operational risks to holding digital assets. The following sets out a description of the principal risks inherent in the activities of the Company along with the action taken to manage these risks.

##### a) Market risk

###### i) Interest rate risk

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

## CoinShares Digital Securities Limited

### Notes to the Interim Financial Statements (continued)

For the period ended 30 June 2024

#### 15 Risk management (continued)

##### a) Market risk (continued)

###### ii) 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 Company and the fair value of the liabilities of the Company towards security 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.

###### iii) Currency risk

GBP is the functional currency of the Company. From time to time the Company may incur operational expenses which are billed in foreign currencies, such as USD and EUR. All expenses of the Company are settled by CSJL through the issuance of fees, the Company therefore has limited exposure to currency risk.

	Carrying amount as at 30 June 2024 £	Price change -50% £	Price change 100% £
<b>Assets</b>			
Bitcoin	699,836,475	349,918,237	1,399,672,950
Ethereum	225,673,497	112,836,749	451,346,994
Litecoin	5,546,458	2,773,229	11,092,916
XRP	16,511,055	8,255,527	33,022,109
Polkadot	7,559,251	3,779,626	15,118,502
Tezos	2,528,564	1,264,282	5,057,128
Cardano	9,491,296	4,745,648	18,982,592
Solana	184,523,679	92,261,840	369,047,358
Chainlink	6,621,642	3,310,821	13,243,284
Uniswap	2,714,341	1,357,171	5,428,682
Cosmos	1,358,294	679,147	2,716,588
Matic	5,214,151	2,607,075	10,428,302
Algorand	7,149,942	3,574,971	14,299,885
Digital asset - COIN10	1,174,266	587,133	2,348,532
Digital asset - COINSMRT	1,447,925	723,963	2,895,850
Other digital assets	11,897,678	5,948,839	23,795,356
Digital asset receivables	46,527	23,263	93,053
Other assets	2,044,250	2,044,250	2,044,250
<b>Total assets</b>	<b>1,191,339,291</b>	<b>596,691,771</b>	<b>2,380,634,331</b>
<b>Liabilities</b>			
ETP liability	1,160,250,078	580,125,039	2,320,500,156
Digital assets payable	29,044,962	14,522,481	58,089,924
Other liabilities	2,044,251	2,044,251	2,044,251
<b>Total liabilities</b>	<b>1,191,339,291</b>	<b>596,691,771</b>	<b>2,380,634,331</b>
<b>Net assets</b>	<b>-</b>	<b>-</b>	<b>-</b>

The above analysis shows the impact of both a fifty percent decline and a one hundred percent increase in digital assets prices. A change in price does not impact the NAV.

## CoinShares Digital Securities Limited

### Notes to the Interim Financial Statements (continued)

For the period ended 30 June 2024

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#### 15 Risk management (continued)

##### b) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company. 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.

Credit risk from balances with custodians, banks, brokers and financial institutions is managed, monitored and controlled by the finance department in accordance with the Company policy. It is the Company's policy to only enter into transactions with reputable counterparties, as determined through appropriate due diligence. The Company's primary banking relationship is with Barclays Bank PLC, which holds a credit rating of 'A' with Fitch Ratings.

In order for customers to purchase Digital Securities, Digital Assets are required to be deposited with the Company prior to the issuance of the Digital Securities. The risk of losing Digital Assets in digital wallets due to fraud is reduced through digital assets being kept in cold storage with Komainu, who provide a cold storage vault. The Company does not expect to incur material credit losses in respect of digital assets.

Credit risk arising from the ETP creation process is mitigated by the fact that Digital Securities are issued to counterparties only after the underlying Digital Assets have been received. Management Fees and Staking Rewards recognised by the Programme Manager and Staking Agent respectively are deducted from amounts held in relation to the ETPs, therefore not relying on counterparties.

##### c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities, in particular towards security holders. Digital assets and ETP liabilities are not financial instruments however there is an active market and they are readily realisable on demand.

Liquidity issues could arise as a result of the redemption of securities. In this case, the Company 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 Company ensures that it holds the relevant digital asset at all times to be able to meet these redemptions. The Directors believe that the risk is adequately mitigated and therefore no sensitivity analysis is required.

Liquidity risk associated with the payment of suppliers is mitigated through the arrangement whereby expenses of the Company are settled by CSJL through the issuance of fees as agreed in the Service Level Agreement dated 21 May 2021.

##### d) Capital risk management

The capital of the Company is nil. The Company's objective is to undertake the issuance and redemptions of Digital Securities and performing the associated obligations for the Group, in the interest of benefitting the shareholders of the ultimate parent company. This is achieved through frequent evaluation of the Company's products to ensure they meet investor demands.

##### 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 Company would be the inability to redeem a security through either systems failures or continuity planning issues. The risk is mitigated through the use of a business continuity plan which has been tested, and demonstrated that the traders can perform their work from anywhere.

## CoinShares Digital Securities Limited

### Notes to the Interim Financial Statements (continued)

For the period ended 30 June 2024

#### 15 Risk 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, who provide access to a cold storage vault. Komainu has a SOC 1 Type 2 report, the latest covering the period from 1 December 2022 to 30 November 2023, which was independently reviewed and authorised for issue on 28 April 2024. Komainu is also ISO27001 certified. In addition to limiting the exposure to fraud for the Company, cold storage of digital assets with Komainu also reduces the exposure to hacking of the exchanges.

The cyber risks are mitigated through the use of systems to prevent external attacks (such as, but not limited to, firewalls, detection of possible phishing emails, encryption using secure keys and strong physical security). Komainu, as custodian, are subject to periodic reviews. The risk of theft of the Company's custodied coins is considered minimal owing to the strong control framework built around the storage and transfer of Digital Assets.

#### 16 Related party transactions

The Group consists of the Company and the following entities held by the ultimate parent company, CSIL:

Name	Defined as	Investee Relationship	CSIL's Ownership %	Jurisdiction	Date of Acquisition
XBT Provider AB (publ)	XBTP	Subsidiary	100%	Sweden	25/09/2017
CoinShares GP II Limited	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
Gold Token SA	GTSA	Associate	23%	Switzerland	08/08/2018
CoinShares Employment Services (Jersey) Limited	CSESJL	Subsidiary	100%	Jersey	09/08/2018
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	CSCMUKL	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
FlowB Holding Switzerland SA	Flowbank	Associate	28%	Switzerland	02/10/2021
CoinShares France	CSF	Subsidiary	100%	France	17/12/2021
CoinShares Asset Management	CSAM	Subsidiary	100%	France	17/12/2021
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 Digital Securities Limited

### Notes to the Interim Financial Statements (continued)

For the period ended 30 June 2024

#### 16 Related party transactions (continued)

Name	Defined as	Investee Relationship	CSIL's Ownership %	Jurisdiction	Date of Acquisition
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 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
Valkyrie Funds LLC	VF LLC	Subsidiary	100%	USA	12/03/2024

CSIL is the Company's ultimate parent company. CSIL has settled costs of £250,457 (period ended 30 June 2023: £147,067, year ended 31 December 2023: £216,644), and at year end, there is an outstanding payable of £247,248 (31 December 2023: £nil).

CSJL is the programme manager for the programme and is also a subsidiary of CSIL. CSJL pays for the costs of the Company through a fee. CSJL has settled expenditure directly of £555,682 (period ended 30 June 2023: £720,214, year ended 31 December 2023: £1,318,878) and has been charged fees of £1,649,291 (period ended 30 June 2023: £891,467, year ended 31 December 2023: £1,883,311). As at the period end, the Company has an outstanding receivable of £639,472 (31 December 2023: £660,295). The Company also holds the management fee in digital assets on behalf of CSJL before it gets paid. At the period end, the Company holds digital assets as payables to CSJL as detailed in note 13.

CSCMJL is the provider and staking agent for the programme and earns staking rewards through staked products. CSCMJL is also a subsidiary of CSIL. CSCMJL has seeded digital assets to the Company as detailed in the following tables. The Company also holds the staking rewards in digital assets on behalf of CSCMJL before it gets paid. At the period end, the Company also has receivables and payables with CSCMJL as detailed in notes 9 and 13.

## CoinShares Digital Securities Limited

### Notes to the Interim Financial Statements (continued)

For the period ended 30 June 2024

#### 16 Related party transactions (continued)

	30 June 2024	30 June 2024	30 June 2024
	Digital assets	Securities issued	£
<b>Seeded by CSCMJL</b>			
Bitcoin	5,500	5,500,000	267,825,283
Ethereum	34,567	1,135,000	92,731,719
Algorand	66,179	-	7,331
			<b>360,564,333</b>
	31 December 2023	31 December 2023	31 December 2023
	Digital assets	Securities issued	£
<b>Seeded by CSCMJL</b>			
Bitcoin	5,500	5,500,000	183,392,145
Ethereum	34,216	1,135,000	61,753,289
Algorand	86,472	-	15,313
			<b>245,160,747</b>

Komainu Holdings Limited is an investment of CSIL, and is the parent company to Komainu (Jersey) Limited ('KJL'). KJL provides custody services to the Company. During the period, KJL charged custody fees of £948,386 (period ended 30 June 2023: £220,610, year ended 31 December 2023: £589,198), of which £167,008 (31 December 2023: £75,788) remains outstanding at the period end.

During the period, Directors charged fees of £7,417 (period ended 30 June 2023: £7,500, year ended 31 December 2023: £15,000), of which £nil (2023: £nil) remains outstanding at the period end.

#### 17 Events after the reporting date

The directors of the Company considered events subsequent to the reporting date through to the date the financial statements were approved and determined that there were no such events requiring recognition or disclosure in the financial statements.

#### 18 Ultimate controlling party

The Company's parent company is CSIL, a company incorporated in Jersey, Channel Islands at 2nd Floor, 2 Hill Street, St Helier, Jersey, JE2 4UA. CSIL is considered to be the ultimate controlling party.






Audited annual financial statements for the ultimate controlling party are available at the Company's website:

[www.coinshares.com/investor-relations](http://www.coinshares.com/investor-relations)

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