CoinShares Digital Securities Limited

Audited financial statements for the year ended 31 December 2023

Contents

Company Information

For the year ended 31 December 2023

The Company	CoinShares Digital Securities Limited
Registered Number	127061
Registered Office	2nd Floor 2 Hill Street St Helier Jersey JE2 4UA
Directors	Jeri-Lea Brown (resigned 4 March 2024) Michael Fox (appointed 4 March 2024) Stuart Pinnington Kirsty Lawrence Townsend Lansing Jr.
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
Bank	Barclays Bank PLC. 13 Library Place St Helier Jersey JE4 8NE
Custodian	Komainu Digital 3rd Floor 2 Hill Street St Helier Jersey JE2 4UA

The directors present their report and the financial statements of CoinShares Digital Securities Limited (the 'Company') for the year ended 31 December 2023.

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 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 issue 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. 2023 was a key period of growth for our physically-backed platform of ETPs, CoinShares Physical.

Business review and key performance indicators

EU Crypto-ETP Market

Over the course of 2023, European net investment into crypto ETPs was around $968mn, largely dominated by inflows into long Bitcoin ETPs, representing around 87% of all net inflows, followed by Solana at nearly 10%. The space continues to be dominated by a small number of players that continue to launch products designed to meet the demands of an evolving investor base which is likely to be further bolstered by the approval of spot bitcoin ETFs in the US garnering much attention, the incoming 2024 bitcoin halving and the establishment of a path forward in terms of regulation following the adoption of a regulatory roadmap at a meeting of G20 Finance Ministers and Central Bank Governors in October.

Company Digital Securities performance in 2023

The vast majority of the digital assets held by the Company comprise Bitcoin, Ethereum and Solana, with the remaining amounts represented by a range of other Digital Assets.

The closing 2023 Bitcoin price of USD 42,491 marked an increase over the course of 2023 of 157%, the best performing year for bitcoin since 2020, signalling a potential end to the 2022 “crypto winter”. Bitcoin dominance (measured alongside all digital assets in circulation) significantly increased over the year, from c.40% to c.50%, which is often seen as a sign of a recovering market.

After a successful “Merge” upgrade in 2022, Ethereum delivered another important upgrade in 2023, with the implementation in April of the long-awaited Shanghai update that would unlock validator withdrawals. However important and successful this milestone was, Ethereum’s on-chain activity remained muted, signalling that the continuous bearish sentiment from 2022 outweighed the positive developments seen on the network. This translated into an underperformance of Ethereum compared to Bitcoin, with an increase over the year of 93%, closing at USD 2,299.

Business review and key performance indicators (continued)

Solana has been one of the biggest winners of 2023. After a tumultuous 2022 where it lost more than 90% of its value, largely due to FTX's collapse, Solana was up nearly 1,000% over 2023, from around $10 early 2023 to more than $100 at the end of the year.

The above price movements and resultant positive trends have also had a comparable 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 £244,641,832, and rose 234% in the year to £817,137,433 through a combination of inflows and price appreciation.

New product launches in 2023

On 27 March 2023, the Company launched two new index ETPs, each of which provides exposure to an index of Digital Assets. CoinShares Physical Top 10 Crypto Market ETP and CoinShares Physical Smart Contract Platform ETP. These two products are listed on German's main market Xetra. These products have both had their management fees reduced to 0.0% per annum. The Directors expect the Company to continue issuing new Digital Securities in the future to meet evolving investor demands.

Changes in existing products in 2023

On 1 February 2023, the Company announced that a fee holiday had been agreed for the CoinShares Physical Ethereum product, reducing the management fees from 1.25% per annum to 0.0% per annum.

Digital Assets held

Digital assets

	2023 Number	**2022 Number**	**2023 £**	**2022 £**
By Currency				
Bitcoin	**14,564**	10,351	**485,633,124**	142,828,745
Ethereum	**84,787**	75,386	**153,022,594**	75,435,400
Litecoin	**77,146**	41,455	**4,475,987**	2,419,356
XRP	**33,606,739**	16,967,728	**16,425,068**	4,846,955
Polkadot	**615,669**	279,238	**4,105,730**	1,016,188
Tezos	**3,000,443**	2,355,697	**2,427,596**	1,419,274
Cardano	**23,871,818**	8,474,941	**11,281,487**	1,766,299
Solana	**1,499,969**	1,139,161	**121,089,990**	9,554,260
Chainlink	**304,300**	70,881	**3,663,215**	329,500
Uniswap	**226,135**	90,209	**1,341,196**	385,011
Cosmos	**201,835**	104,654	**1,725,697**	818,359
Matic	**6,073,837**	2,003,812	**4,766,272**	1,279,145
Algorand	**37,727,904**	17,355,131	**6,681,098**	2,543,340
Digital asset - COIN10	**Multiple**	Multiple	**346,970**	-
Digital asset - COINSMRT	**Multiple**	Multiple	**151,409**	-
			817,137,433	244,641,832

Refer to note 7 Digital assets for further details.

Future developments

The Directors expect the present level of activity to be sustained for the foreseeable future and to continue issuing new Digital Securities to meet evolving investor demands.

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.

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.

Future outlook

It is the opinion of the Directors that 2024 is set to be a landmark year for digital assets, with the recent launch of spot-based Bitcoin ETFs in the US (potentially followed in the coming months by the approval of a US based spot Ethereum ETF), the implementation of MiCA in Europe (the EU's bespoke framework for the regulation of crypto-asset service providers and stablecoins), and the 2024 bitcoin halving event. Such events have the potential to drive continued interest in ETPs referencing digital assets, such as the ones issued by the Company.

The goal of the Company amidst such growth is to support the ongoing issuance of transparent and secure products within the space to benefit from the ongoing evolution of, and interest in, the digital asset industry.

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.

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.

From a commercial perspective the Company does not retain any net gains or losses or net risk exposures, as (with the exception of the impact of the Management Fee and Staking Reward) 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 year ended 31 December 2023. 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.

Risks and uncertainties (continued)

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.

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.

Risks and uncertainties (continued)

Risk factors relating to the Company

Collateral and proof of reserves: In order to ensure the Company possesses sufficient assets to cover redemptions of Digital Securities, the Company undertakes a proof of reserves assessment. Proof of reserves is an attestation service via LedgerLens, a real time reserves attestation solution provided by independent accounting firm, The Network Firm.

This innovative blockchain-enabled solution will offer real time attestation services for the Company's ETPs enabling investors to independently verify the backing of digital assets through easily accessible and instant attest reports.

The LedgerLens solution, provided by The Network Firm, enhances trust in asset-backed tokens and crypto-collateralized notes by offering high frequency reporting and insights into assets and liabilities, including historical positions.

This increased transparency facilitates compliance with both international and domestic regulatory requirements, further solidifying the Company's standing as a reliable leader in the digital asset investment sector.

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.

Risks and uncertainties (continued)

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.

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 CSJL through the issuance of fees as 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.

Sustainability and Corporate Responsibility (continued)

The disclosures are structured according to our key sustainability topics. The report has been written with reference to the Swedish Annual Accounts Act (1995:1554), and is presented in four sections, as follows:

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

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 financial statements as at 31 December 2023.

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

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

Corporate Governance (continued)

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.

Integration with CoinShares Group governance

During the year 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.

The 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.

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 loss after taxation for the year emounted to £98,335,044 (2022: profit of £127,804,522). This figure does not take into account all of the movements on the value of digitial assets to collateralise the ETPs in issue.

The total comprehensive income for the year, which includes gains/losses on digital assets amounted to £nil (2022: £nil).

The directors do not recommend the payment of a dividend for the year (2022: £nil).

Statement of Directors’ responsibilities

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

Company law requires the directors to prepare financial statements for each financial period. Under that law, the directors have elected to prepare the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union ('IFRS') which comprise Standards and Interpretations approved by the International Standards Board. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company as at the end of that period, and of the profit or loss of the Company for that period.

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

• select suitable accounting policies for the Company's financial statements and then apply them consistently;

• make judgements and estimates that are reasonable and prudent;

• state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

• prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Statement of Directors' responsibilities (continued)

So far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps he or she ought to have as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Directors and Company Secretary

The directors and company secretary who served during the year 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 certain directors 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 (2022: £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 the financial health of CSJL and its 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 at least 12 months from the date of this report.

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.

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 International Limited website.

Independent Auditor

Baker Tilly Channel Islands Limited has expressed its willingness to continue in office.

The report was approved by the board of directors on 30 April 2024 and signed on its behalf by:

....
CoinShares Corporate Services (Jersey) Limited
Company Secretary

Global Statement for the Financial Statements

I certify that, to the best of my knowledge, the 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

Townsend Lansing Jr.
Director

Date: 30 April 2024

bakertilly
CHANNEL ISLANDS

Independent auditor's report

To the Members of CoinShares Digital Securities Limited

Opinion

We have audited the financial statements of CoinShares Digital Securities Limited (the "Company") which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union (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 Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in 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 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 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	The Risk	How our audit addressed the matter
Digital assets – Existence, Rights and Obligations • Total value; £817,137,433 (2022: 244,641,832) • As disclosed in Note 7.	There is a risk that the financial statements may be materially misstated due to; • the digital assets not being owned by the company; and • the rights and the rewards not being appropriately transferred to the company.	Our audit procedures with respect to digital assets included but were not limited to: • Walkthroughs to gain an understanding of the Company's internal control for digital assets including additions and disposals. • Confirmations obtained from the custodian and exchanges with which the digital currency is held. • 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. • Test of detail on a sample of additions and disposals, which we agreed to appropriate supporting documents. We have no findings to report.

Our Application of Materiality

Materiality for the financial statements as a whole was set at £28,000 (2022: £31,000), determined with reference to a benchmark of total expenses, of which it represents 1.5% (2022: 1.5%).

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 financial statements as a whole.

Performance materiality was set at 60% (2022: 60%) of materiality for the financial statements as a whole, which equates to £16,800 (2022: £18,600). We applied this percentage in our determination of performance materiality because we deem the digital asset activities undertaken by the entity to be high risk.

Conclusions relating to Going Concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work 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 Company 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 financial statements are not in agreement with the accounting records and returns; and
- 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' Report set out on page 2, the Directors are responsible for the preparation of 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless 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 Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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;
- 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.

Other Matters which we are Required to Address

We were appointed by board of directors on 03 December 2020 to audit the financial statements. Our total uninterrupted period of engagement is 4 years (audits of 5 financial reporting periods).

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company 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: 30 April 2024

CoinShares Digital Securities Limited

Statement of Comprehensive Income

For the year ended 31 December 2023

	Note	2023 £	2022 £
Revenue	4	**1,883,311**	2,101,877
Gross profit		**1,883,311**	2,101,877
Administration expenses	5	**(1,883,219)**	(2,094,339)
Fair value gain/(loss) on digital assets	7	**302,608,417**	(302,608,417)
Loss on digital asset receivables	9	**-**	(151,082)
(Loss)/gain on ETP liabilities	11	**(393,428,803)**	429,278,798
(Loss)/gain on digital asset payables	13	**(7,514,658)**	1,285,223
Loss on foreign exchange		**(92)**	(7,538)
Operating (loss)/profit		**(98,335,044)**	127,804,522
(Loss)/profit before taxation		**(98,335,044)**	127,804,522
Taxation on (loss)/profit	6	**-**	-
(Loss)/profit after taxation		**(98,335,044)**	127,804,522
Fair value gain/(loss) on digital assets	7	**98,335,044**	(127,804,522)
Other comprehensive income/(loss)		**98,335,044**	(127,804,522)
Total comprehensive income		**-**	-

All results are derived from continuing operations.

The above should be read in conjunction with the accompanying notes on pages 21 to 40 which form an integral part of these financial statements.

CoinShares Digital Securities Limited

Statement of Financial Position

As at 31 December 2023

	Note	2023 £	2022 £
ASSETS			
Current assets			
Digital assets	7	**817,137,433**	244,641,832
Trade and other receivables	8	**662,066**	676,922
Digital asset receivables	9	**44,606**	50,015
Cash and cash equivalents	10	**4,910**	4,940
Total assets		**817,849,015**	245,373,709
LIABILITIES			
Current liabilities			
ETP liabilities	11	**807,441,130**	244,043,894
Trade and other payables	12	**666,976**	681,862
Digital asset payables	13	**9,740,909**	647,953
Total liabilities		**817,849,015**	245,373,709
Net assets		**-**	-
EQUITY			
Share capital	14	**-**	-
Retained earnings		**-**	-
Total equity		**-**	-

The financial statements on pages 17 to 40 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: 30 April 2024

The above should be read in conjunction with the accompanying notes on pages 21 to 40 which form an integral part of these financial statements.

CoinShares Digital Securities Limited

Statement of Changes in Equity

For the year ended 31 December 2023

	Ordinary Shares £	Retained Earnings £	Total equity £
At 1 January 2022	**-**	**-**	**-**
Profit for the year	-	127,804,522	127,804,522
Other comprehensive loss	-	(127,804,522)	(127,804,522)
Total comprehensive income	**-**	**-**	**-**
At 31 December 2022	**-**	**-**	**-**
At 1 January 2023	**-**	**-**	**-**
Loss for the year	-	(98,335,044)	(98,335,044)
Other comprehensive income	-	98,335,044	98,335,044
Total comprehensive income	**-**	**-**	**-**
At 31 December 2023	**-**	**-**	**-**

The Company has issued 1 share valued at £0.01.

The above should be read in conjunction with the accompanying notes on pages 21 to 40 which form an integral part of these financial statements.

CoinShares Digital Securities Limited

Statement of Cash Flows

For the year ended 31 December 2023

	Note	2023 £	2022 £
Cash flows from operating activities			
(Loss)/profit for the year		**(98,335,044)**	127,804,522
Adjustments for:			
- Loss/(gain) on ETP liabilities	11	**393,428,803**	(429,278,798)
- Loss/(gain) on digital asset payables		**7,514,658**	(1,285,223)
- (Gain)/loss on digital assets		**(302,608,417)**	302,608,417
- Loss on digital asset receivables	9	**-**	151,082
		-	-
Change in working capital:			
- Trade and other payables		**(30)**	(30)
Net cash flow used in operating activities		**(30)**	(30)
Net decrease in cash and cash equivalents		**(30)**	(30)
At the beginning of the year		**4,940**	4,970
At the end of the year	10	**4,910**	4,940

The above should be read in conjunction with the accompanying notes on pages 21 to 40 which form an integral part of these financial statements.

Reconciliation of net debt

	2023	2022
Non-cash analysis		
Cash flows from operating activities		
- Trade and other receivables	**14,856**	**(588,370)**
- Trade and other payables	**(14,856)**	**588,370**
- Net issuance of ETP liabilities	**171,586,010**	**218,112,690**
- Net purchase of digital assets	**(171,586,010)**	**(218,112,690)**

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 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 Company's accounting policies (see note 2.6).

The following principal accounting policies have been applied:

2.2 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 entity in the current or future reporting periods and on foreseeable future transactions.

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

2 Significant accounting policies (continued)

2.3 Going concern basis

The Company has net assets of £nil (2022: £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 the financial health of CSJL and its 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 at least 12 months from the date of this report.

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.

2.4 Changes in accounting policies

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous financial year.

2.5 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the reporting date.

Foreign exchange gains and losses arising from translation are included in the Statement of Comprehensive Income.

2.6 Judgements and sources of estimation uncertainty

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

The following are considered to be sources of judgement and estimate:

2 Significant accounting policies (continued)

2.6 Judgements and sources of estimation uncertainty (continued)

Critical judgements

Accounting treatment of digital assets: the classification of digital assets as intangible in the financial statements is a significant judgement, as there is currently no clear accounting standards dealing with digital assets. Digital assets do not meet the definition of a financial instrument as they do not constitute a contract that gives rise to another financial asset. Furthermore, the digital assets which are used to collateralise the Company's ETP liabilities do not meet the definition of inventory as the assets are held for hedging and are not held for sale in the ordinary course of business.

Digital assets are initially recognised at their fair value as listed on exchanges, and derecognised at the value derived in the same manner. Subsequent remeasurements are performed using the valuation as formula defined in the prospectus and final terms. The fair value hierarchy of Digital Assets and the measurement is disclosed under accounting policies 2.10 and 2.11 respectively. Fair value movements on digital assets are recorded in other comprehensive income. When the valuation is lower than the original cost of the asset, fair value movements are recognised through profit and loss. This is a critical judgement made by the directors but is representative of industry standards which are also applied within the CoinShares group.

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

Estimates

Management have not made any significant estimates in the process of applying the Company's accounting policies.

2.7 Revenue

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

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

Sale of services

The Company charges fees to CSJL to cover costs incurred as part of issuing exchange traded products.

Any management fees and staking rewards that are due from the Digital Securities are due to CSJL and CSCMJL as the programme manager and staking agent respectively, and therefore is not recognised as revenue in the Company.

2 Significant accounting policies (continued)

2.8 Expenses

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

2.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at all with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

2.10 Fair value hierarchy

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 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 entity can access at the measurement date.

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

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

Fair value for Digital assets was determined by reference to price quotations in an active market (classified as level 1 in the fair value hierarchy).

2.11 Intangible assets - digital assets

All Digital assets held by the Company are accounted for as an intangible asset under the revaluation model. All digital assets are treated as one class of asset.

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

For staked Digital Securities and Index Digital Securities, digital assets received as staking rewards are recognised at the point in which the Company is entitled to received the staking rewards. Staking rewards not yet received at the year end are recognised as receivables.

Securities are remeasured using reference indices as detailed in the prospectus. Given that the value of ETPs is measured by reference to the valuation of underlying digital assets, the same remeasurement basis is used for the valuation of digital assets and the ETPs.

Digital assets have been classified as Level 1 as per note 2.10.

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

2 Significant accounting policies (continued)

2.11 Intangible assets - digital assets (continued)

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

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

2.12 ETP liabilities

The Company is an issuer of ETPs. The ETPs are described as per the prospectuses, publicly available on coinshares.com.

The Company issues securities to holders which have been recognised as liabilties in the Statement of Financial Position. These liabilities have been classified as Level 1 as per note 2.10.

A liability for an ETP is recognised on the settlement date, being the date of the completion of the trade as per the prospectuses.

ETPs are valued using the coin entitlement calculation defined in the prospectuses. For staked Digital Securities, the coin entitlement is increased in line with the staking rewards attributable to holders. Movements in the value of the ETPs are recognised through profit and loss.

2.13 Financial instruments

Financial Assets

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

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

For financial assets, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition, using a lifetime expected loss allowance for all financial assets. To measure expected credit losses, financial assets have been grouped based on shared credit risk characteristics and the Company assesses at each year end whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

2 Significant accounting policies (continued)

2.13 Financial instruments (continued)

Financial Assets (continued)

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

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

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

Financial 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 Company 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 the profit and loss.

Financial liabilities

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

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

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

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

Financial liabilities (or part thereof) are derecognised when, and only when, the Company'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.

2.14 Taxation

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

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

2 Significant accounting policies (continued)

2.14 Taxation (continued)

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

2.15 Share capital

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

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.

Prior to 2023, the Directors deemed that the Company had a single operating segment on which to report revenues and expenses. Prior period comparatives for revenues and expenses split by operating segment have, therefore, not been disclosed in these financial statements.

3 Operating segments (continued)

The following is an analysis of the Company's revenues and expense by reportable segment for the year ended 31 December 2023. Any management fees and staking rewards that are due from the Digital Securities are due to CSJL and CSCMJL as the programme manager and staking agent respectively, and therefore is not recognised as revenue in the Company.

2023

	Digital Securities with a Management Fee £	Staked Digital Securities £	Index Digital Securities £	Central Costs £	Total £
Revenue	839,249	507,625	129,064	407,373	**1,883,311**
Gross profit	839,249	507,625	129,064	407,373	**1,883,311**
Administration expenses	(839,249)	(507,625)	(129,064)	(407,281)	**(1,883,219)**
Gain on digital assets	220,349,758	82,258,659	-	-	**302,608,417**
Loss on ETP liabilities	(291,710,705)	(101,486,227)	(231,871)	-	**(393,428,803)**
Loss on digital asset payables	(74,641)	(7,440,017)	-	-	**(7,514,658)**
Loss on foreign exchange	-	-	-	(92)	**(92)**
Operating loss	(71,435,588)	(26,667,585)	(231,871)	-	**(98,335,044)**
Loss before taxation	(71,435,588)	(26,667,585)	(231,871)	-	**(98,335,044)**
Taxation on loss	-	-	-	-	**-**
Loss after taxation	(71,435,588)	(26,667,585)	(231,871)	-	**(98,335,044)**
Fair value gain on digital assets	71,435,588	26,667,585	231,871	-	**98,335,044**
Other comprehensive income	71,435,588	26,667,585	231,871	-	**98,335,044**
Total comprehensive income	-	-	-	-	**-**

3 Operating segments (continued)

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

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**
Total assets	**664,561,184**	**152,122,476**	**498,379**	**666,976**	**817,849,015**
ETP Liabilities	664,275,904	142,666,847	498,379	-	**807,441,130**
Trade and other payables	-	-	-	666,976	**666,976**
Digital asset payables	285,280	9,455,629	-	-	**9,740,909**
Total liabilities	**664,561,184**	**152,122,476**	**498,379**	**666,976**	**817,849,015**
Net assets	-	-	-	-	-

The following is an analysis of the Company's assets and liabilities by reportable segment as at 31 December 2022.

2022

	Digital Securities with a Management Fee £	Staked Digital Securities £	Central Costs £	Total £
Digital assets	226,244,967	18,396,865	-	**244,641,832**
Trade and other receivables	-	-	676,922	**676,922**
Digital asset receivables	-	50,015	-	**50,015**
Cash and cash equivalents	-	-	4,940	**4,940**
Total assets	**226,244,967**	**18,446,880**	**681,862**	**245,373,709**
ETP Liabilities	226,140,396	17,903,498	-	**244,043,894**
Trade and other payables	-	-	681,862	**681,862**
Digital asset payables	104,571	543,382	-	**647,953**
Total liabilities	**226,244,967**	**18,446,880**	**681,862**	**245,373,709**
Net assets	-	-	-	-

Prior to 2023, the Directors did not deem Index Digital Securities to be an operating segment on which to report assets and liabilities. Prior period comparatives for the Index Digital Securities operating segment have, therefore, not been disclosed in these financial statements.

4 Revenue

	2023 £	2022 £
Fee income	**1,883,311**	2,101,877
	1,883,311	2,101,877

The Company charges fees to the Programme Manager, 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 CSCMJL as programme manager and staking agent respectively.

5 Administration expenses by nature

Included within administration expenses of £1,883,219 (2022: £2,094,339) (see page 41) are the following amounts:

	2023 £	2022 £
Audit fees	**58,000**	37,250
Director's fees	**15,000**	15,000
	73,000	52,250

6 Taxation

The Company is subject to tax at the rate of 0% (2022: 0%).

7 Digital assets

	2023 Number	2022 Number	2023 £	2022 £
By Currency				
Bitcoin	**14,564**	10,351	**485,633,124**	142,828,745
Ethereum	**84,787**	75,386	**153,022,594**	75,435,400
Litecoin	**77,146**	41,455	**4,475,987**	2,419,356
XRP	**33,606,739**	16,967,728	**16,425,068**	4,846,955
Polkadot	**615,669**	279,238	**4,105,730**	1,016,188
Tezos	**3,000,443**	2,355,697	**2,427,596**	1,419,274
Cardano	**23,871,818**	8,474,941	**11,281,487**	1,766,299
Solana	**1,499,969**	1,139,161	**121,089,990**	9,554,260
Chainlink	**304,300**	70,881	**3,663,215**	329,500
Uniswap	**226,135**	90,209	**1,341,196**	385,011
Cosmos	**201,835**	104,654	**1,725,697**	818,359
Matic	**6,073,837**	2,003,812	**4,766,272**	1,279,145
Algorand	**37,727,904**	17,355,131	**6,681,098**	2,543,340
Digital asset - COIN10*			**346,970**	-
Digital asset - COINSMRT*			**151,409**	-
			817,137,433	244,641,832

7 Digital assets (continued)

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

	2023 Number	2022 Number	2023 £	2022 £
COIN10				
Bitcoin	**3**	-	**112,213**	-
Ethereum	**62**	-	**111,791**	-
Litecoin	**89**	-	**5,186**	-
XRP	**62,692**	-	**30,640**	-
Tron	**100,649**	-	**8,471**	-
Cardano	**42,292**	-	**19,987**	-
Polkadot	**1,642**	-	**10,950**	-
Chainlink	**636**	-	**7,660**	-
Solana	**389**	-	**31,402**	-
Matic	**11,048**	-	**8,669**	-
			346,970	-
COINSMRT				
Ethereum	**20**	-	**36,278**	-
Tron	**107,623**	-	**9,058**	-
Stellar Lumens	**36,572**	-	**3,747**	-
Cardano	**45,220**	-	**21,370**	-
Near Protocol	**1,331**	-	**3,883**	-
Chainlink	**680**	-	**8,183**	-
Matic	**11,813**	-	**9,270**	-
Solana	**416**	-	**33,578**	-
Avalanche	**462**	-	**14,333**	-
Polkadot	**1,756**	-	**11,708**	-
			151,409	-
			498,379	-

	2023 £	2022 £
Reconciliation of Digital Assets		
Opening balance	**244,641,832**	456,981,360
Additions to digital assets	**305,277,023**	296,699,302
Net staking rewards	**2,298,178**	2,269,586
Disposals of digital assets	**(134,196,245)**	(79,167,212)
Management fees paid to CSJL	**(1,826,816)**	(1,728,265)
Fair value gain/(loss) through profit and loss	**302,608,417**	(302,608,417)
Fair value profit/(loss) through other comprehensive income	**98,335,044**	(127,804,522)
Digital assets closing balance	**817,137,433**	244,641,832

On 1 February 2023, the Company announced that a fee holiday had been agreed for the CoinShares Physical Ethereum product, reducing the management fees from 1.25% per annum to 0% per annum.

On 27 March 2023, the Company launched two new index ETPs, CoinShares Physical Top 10 Crypto Market ETP ('COIN10') and CoinShares Physical Smart Contract Platform ETP ('COINSMRT'). These two products are listed on German's main market Xetra. These products have both had their management fees reduced to 0.0% per annum.

8 Trade and other receivables

	2023 £	2022 £
Amounts owed by Group undertakings	**660,295**	665,022
Prepayments and sundry debtors	**1,771**	11,900
	662,066	676,922

Amounts owed by Group undertakings relate to the outstanding fee income from CSJL as per note 4.

Expected credit losses

Management has undertaken a review of the credit loss and calculated that the risk of credit loss to be clearly trivial.

9 Digital asset receivables

	2023 Number	2022 Number	2023 £	2022 £
Amounts owed by Group undertakings				
CSCMJL - Solana (i)	**-**	1,280	**-**	10,736
Amounts owed by third parties				
Staking rewards - Algorand (ii)	**251,890**	272,231	**44,606**	39,279
			44,606	50,015

(i) Amounts owed by Group undertakings relate to staked products where the reward payable to the noteholder is greater than the reward being received.

(ii) Staking rewards in respect of the CoinShares Physical Staked Algorand product are received quarterly. At the year-end, the Company had an outstanding receivable of £44,606 (2021: £39,279) in respect of accrued staking rewards.

Reconciliation of digital asset receivables	2023 £	2022 £
Opening balance	**50,015**	-
Additions	**44,606**	240,660
Disposals	**(50,015)**	(39,563)
Loss on digital asset receivables	**-**	(151,082)
Digital assets receivables closing balance	**44,606**	50,015

10 Cash and cash equivalents

	2023 £	2022 £
Cash at bank	**4,910**	4,940
	4,910	4,940

11 ETP liabilities

	2023 Number	2022 Number	2023 £	2022 £
Securities type				
CoinShares Physical Bitcoin	**14,839,130**	10,448,800	**485,390,408**	142,773,000
CoinShares Physical Ethereum	**2,853,953**	2,527,286	**153,022,594**	75,396,910
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 Cardano	**22,705,000**	8,265,000	**11,272,945**	1,764,189
CoinShares Physical Staked Solana	**13,652,100**	10,928,100	**111,799,509**	9,183,556
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 Cosmos	**374,500**	193,000	**1,724,979**	774,317
CoinShares Physical Staked Matic	**568,500**	195,000	**4,758,310**	1,277,325
CoinShares Physical Staked Algorand	**3,661,000**	1,745,000	**6,611,149**	2,521,025
CoinShares Physical Top 10 Crypto Market	**25,000**	-	**346,970**	-
CoinShares Physical Smart Contract Platform	**10,000**	-	**151,409**	-
	66,507,483	37,284,986	**807,441,130**	244,043,894

	£	£
Reconciliation of ETP liabilities		
Opening balance	**244,043,894**	456,835,433
Creations of ETPs	**305,284,459**	296,631,728
Redemptions of ETPs	**(134,196,313)**	(78,909,345)
Net movement on staking rewards	**572,910**	287,617
Net movement on management fee	**(1,692,623)**	(1,533,830)
Fair value loss/(gain)	**393,428,803**	(429,267,709)
ETP liabilities closing balance	**807,441,130**	244,043,894

	2023 £	2022 £
(Loss)/gain on ETPs to CSCMJL and Third Parties	**(209,778,522)**	287,229,082
(Lloss)/gain on other ETP liabilities	**(183,650,281)**	142,038,627
	(393,428,803)	429,267,709
Other gain on ETPs	**-**	11,089
Total gain/(loss) on ETP liabilities	**(393,428,803)**	429,278,798

12 Trade and other payables

	2023 £	2022 £
Trade payables	**114,763**	46,809
Amounts payable to parent company	**-**	311,766
Accrued liabilities	**552,213**	323,287
	666,976	681,862

Amounts owed to the ultimate parent company, CSIL, typically 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

	2023 Number	2022 Number	2023 £	2022 £
Amounts payable to Group undertakings				
CSJL - Bitcoin	**7**	4	**242,717**	55,745
CSJL - Ethereum	**-**	38	**-**	38,490
CSJL - Litecoin	**102**	57	**5,914**	3,303
CSJL - XRP	**42,149**	21,455	**20,600**	6,129
CSJL - Solana	**1,321**	741	**106,640**	6,211
CSJL - Chainlink	**910**	91	**10,949**	423
CSJL - Uniswap	**860**	113	**5,100**	481
CSCMJL - Polkadot	**3,160**	9,801	**21,073**	35,669
CSCMJL - Tezos	**15,200**	27,730	**12,298**	16,707
CSCMJL - Cardano	**18,076**	10,126	**8,542**	2,110
CSCMJL - Cosmos	**84**	5,632	**718**	44,042
CSCMJL - Solana	**2,314**	-	**186,773**	-
CSCMJL - Matic	**10,146**	2,851	**7,962**	1,820
CSCMJL - Algorand	**205,117**	287,905	**36,324**	41,540
			665,610	252,670
Amounts payable to third parties				
Third parties - Solana	**111,449**	44,739	**8,997,068**	375,229
Third parties - Algorand	**441,767**	138,987	**78,231**	20,054
			9,075,299	395,283
			9,740,909	**647,953**

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, or assets provided by CSCMJL to test future digital asset products. 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.

	2023 £	2022 £
Reconciliation of digital asset payables		
Opening balance	**647,953**	145,927
Additions	**4,618,278**	3,652,255
Disposals	**(3,039,980)**	(1,865,006)
Loss/(gain) on digital asset payables	**7,514,658**	(1,285,223)
Digital asset payables closing balance	**9,740,909**	647,953

14 Share capital

Shares classified as equity

	Allotted, called-up and unpaid			
	2023 Number	**2022 Number**	**2023 £**	**2022 £**
Ordinary shares of £0.01 each	**1**	1	**-**	-
	1	1	**-**	-

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 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.

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.

15 Risk Management (continued)

a) Market risk (continued)

	Carrying amount as at 31 December 2023 £	Price change -50% £	Price change 100% £
Assets			
Bitcoin	485,633,124	242,816,562	971,266,248
Ethereum	153,022,594	76,511,297	306,045,188
Litecoin	4,475,987	2,237,994	8,951,974
XRP	16,425,068	8,212,534	32,850,136
Polkadot	4,105,730	2,052,865	8,211,460
Tezos	2,427,596	1,213,798	4,855,192
Cardano	11,281,487	5,640,744	22,562,974
Solana	121,089,990	60,544,995	242,179,980
Chainlink	3,663,215	1,831,608	7,326,430
Uniswap	1,341,196	670,598	2,682,392
Cosmos	1,725,697	862,849	3,451,394
Matic	4,766,272	2,383,136	9,532,544
Algorand	6,681,098	3,340,549	13,362,196
Digital asset - COIN10*	346,970	173,485	693,940
Digital asset - COINSMRT*	151,409	75,705	302,818
Other assets	711,582	689,279	756,188
Total assets	817,849,015	409,257,996	1,635,031,054
Liabilities			
ETP liability	807,441,130	403,720,565	1,614,882,260
Digital assets payable	9,740,909	4,870,455	19,481,818
Other liabilities	666,976	666,976	666,976
Total liabilities	817,849,015	409,257,996	1,635,031,054
Net assets	-	-	-

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.

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 Asecurities, 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.

15 Risk Management (continued)

b) Credit risk (continued)

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.

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
CoinShares (UK) Limited	CSUKL	Subsidiary	100%	UK	19/04/2017
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 (Asia)	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 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

16 Related party transactions (continued)

Name	Defined as	Investee Relationship	CSIL's Ownership %	Jurisdiction	Date of Acquisition
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 ('CSHL') was dissolved on 10 January 2023.

CoinShares Technologies Limited ('CSTL') (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.

CSIL is the Company's ultimate parent company. CSIL has settled costs of £216,644 (2022: £311,766), and at year end, there is an outstanding payable of £nil (2022: £311,766).

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 £1,318,878 (2022: £1,534,948) and has been charged fees of £1,883,311 (2022: £2,101,877). As at the year end, the Company has an outstanding receivable of £660,295 (2022: £655,022). The Company also holds the management fee in digital assets on behalf of CSJL before it gets paid. At the year end, the Company holds digitals 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 year end, the Company also has receivables and payables with CSCMJL as detailed in notes 9 and 13.

	2023 Digital assets	2023 Securities issued	2023 £
Seeded by CSCMJL			
Bitcoin	**5,500**	**5,500,000**	**183,392,145**
Ethereum	**34,216**	**1,135,000**	**61,753,289**
Algorand	**86,472**	**-**	**15,313**
			245,160,747

	2022 Digital assets	2022 Securities issued	2022 £
Seeded by CSCMJL			
Bitcoin	5,500	5,500,000	75,892,363
Ethereum	39,643	1,315,000	39,668,958
Solana	17,394	170,000	145,886
			115,707,207

16 Related party transactions (continued)

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 year, KJL charged custody fees of £589,198 (2022: £529,137), of which £75,788 (2022: £31,127) remains outstanding at the year end. Custody fees of £118,949 have been accrued at year-end.

During the year, Director's charged fees of £15,000 (2022: £15,000), of which £nil (2022: £nil) remains outstanding at year end. Director's fees of £1,250 (2022: £1,250) have been accrued at year-end.

17 Events after the reporting date

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 the year, 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.

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

Appendix 1: Detailed administration expenses for the year ended 31 December 2023

	2023	2022
	£	£
Administration expenses		
Audit and accountancy fees	**58,000**	37,250
Custody fees	**589,198**	529,137
Director's salaries	**15,000**	15,000
General expenses	**29,779**	44,539
Legal fees	**163,946**	116,626
Marketing expenses	**113,574**	12,626
Professional fees	**401,850**	822,607
Trading expenses	**511,872**	516,554
	1,883,219	2,094,339

Title	2023-12-31-CoinShares-Digital-Securities-Limited - Final -...
File name	2023-12-31-CoinSh..._Audit_Report.pdf
Document ID	00ab86fadb520eed7580398f172ae26ef4884b4d
Audit trail date format	DD / MM / YYYY
Status	Signed

Document history

SENT	**30 / 04 / 2024** 09:27:15 UTC+1	Sent for signature to Jeri-Lea Brown (jbrown@coinshares.com), Townsend Lansing (tlansing@coinshares.com), Kirsty Lawrence (klawrence@coinshares.com) and Ewan Spraggon (ewan.spraggon@bakertilly.je) from sbrownoakesoconnor@coinshares.com IP: 212.9.28.248
VIEWED	**30 / 04 / 2024** 09:33:56 UTC+1	Viewed by Jeri-Lea Brown (jbrown@coinshares.com) IP: 212.9.28.248
SIGNED	**30 / 04 / 2024** 09:34:06 UTC+1	Signed by Jeri-Lea Brown (jbrown@coinshares.com) IP: 212.9.28.248
VIEWED	**30 / 04 / 2024** 09:38:20 UTC+1	Viewed by Townsend Lansing (tlansing@coinshares.com) IP: 79.173.183.54

Dropbox Sign

Audit trail

Title	2023-12-31-CoinShares-Digital-Securities-Limited - Final -...
File name	2023-12-31-CoinSh..._Audit_Report.pdf
Document ID	00ab86fadb520eed7580398f172ae26ef4884b4d
Audit trail date format	DD / MM / YYYY
Status	Signed

Document history

SIGNED	**30 / 04 / 2024** 09:38:35 UTC+1	Signed by Townsend Lansing (tlansing@coinshares.com) IP: 79.173.183.54
VIEWED	**30 / 04 / 2024** 09:39:28 UTC+1	Viewed by Kirsty Lawrence (klawrence@coinshares.com) IP: 212.9.28.248
SIGNED	**30 / 04 / 2024** 09:39:38 UTC+1	Signed by Kirsty Lawrence (klawrence@coinshares.com) IP: 212.9.28.248
VIEWED	**30 / 04 / 2024** 09:44:01 UTC+1	Viewed by Ewan Spraggon (ewan.spraggon@bakertilly.je) IP: 87.244.110.152
SIGNED	**30 / 04 / 2024** 09:44:50 UTC+1	Signed by Ewan Spraggon (ewan.spraggon@bakertilly.je) IP: 87.244.110.152
COMPLETED	**30 / 04 / 2024** 09:44:50 UTC+1	The document has been completed.