

CoinShares Digital Securities Limited

Unaudited interim financial statements for the period ended 30 June 2023

CoinShares Digital Securities Limited

Unaudited Interim Financial Statements

For the period ended 30 June 2023

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CoinShares Digital Securities Limited

Company Information

For the period ended 30 June 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 Stuart Pinnington Kirsty Lawrence Townsend Lansing Jr.
Company Secretary	CoinShares Corporate Services (Jersey) Limited
Bank	Barclays Bank PLC. 13 Library Place, St Helier Jersey JE4 8NE

CoinShares Digital Securities Limited

Directors' Report

For the period ended 30 June 2023

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

Results and dividends

The total comprehensive income for the period amounted to £nil (period ended 30 June 2022: £nil) (year ended 31 December 2022: £nil).

The directors do not recommend the payment of a dividend for the period (period ended 30 June 2022: £nil) (year ended 31 December 2022: £nil).

Directors and Company Secretary

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

Directors' interest in shares

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

Going concern

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

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

The Company has net assets of £nil (31 December 2022: £nil) at the end of the reporting period. All expenses of the Company are settled by CoinShares (Jersey) Limited ('CSJL') through the issuance of fees to CSJL to cover the Company's expenses as agreed in the Service Level Agreement dated 21 May 2021. The directors have prepared these financial statements on a going concern basis due to CSJL's contractual obligation to cover the Company's expenses, and ongoing financial support received from other Group entities, inclusive of its parent company, which will continue to be provided for the foreseeable future.

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

Significant events

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.

CoinShares Digital Securities Limited

Directors' Report

For the period ended 30 June 2023

Risks and uncertainties

Coronavirus disease (COVID-19)

The Directors continue to actively monitor the advice and developments regarding COVID-19. The CoinShares Group has implemented and will continue to implement measures to ensure the ongoing safety and well-being of our employees while maintaining normal business operations.

Impact of Russian-Ukraine event

On 24 February 2022 Russia initiated military actions in Ukraine (the 'Crisis'), resulting in the implementation of sanctions and other government actions. These, along with the Crisis itself, have had an impact on financial and commodities markets. Directors closely monitor and assess the impact on the Company's portfolio operations and valuation.

Other financial risks

The market value of Digital Assets is not tied to any particular company, government, or tangible asset. Instead, the valuation of these assets relies on future expectations regarding the network's value, transaction volume, and overall asset usage. Consequently, a substantial portion of the value in Digital Assets is speculative, which can result in heightened volatility. Investors may encounter significant gains or losses based on the valuation of Digital Assets.

Given the speculative nature of investing in Digital Assets, their prices are prone to fluctuation for various reasons, and such fluctuations may be unpredictable. The volatile nature of these assets means that their prices can experience fluctuations without any discernible pattern or foreseeable cause. Therefore, investors should be prepared for potential price swings and the associated financial risks when engaging in Digital Asset investments.

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.

Market risk	<p>Interest rate risk: Interest rate risk is the risk that the value of the Company will be impacted by fluctuations in the prevailing levels of market interest rates. The majority of the Company's financial assets and liabilities are either non-interest bearing, or at a fixed interest rate and as a result, the Company is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.</p> <p>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.</p> <p>Capital risk management: The capital of the Company is represented by the net assets attributable to ordinary shareholders. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Company. This is achieved through frequent evaluation of the Company's products to ensure they meet investor demands</p>
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CoinShares Digital Securities Limited

Directors' Report

For the period ended 30 June 2023

Risks and uncertainties (continued)

Credit risk	<p>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.</p> <p>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.</p> <p>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.</p>
Liquidity risk	<p>Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities, in particular towards security holders. 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.</p> <p>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.</p>
Operational risk	<p>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.</p> <p>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.</p> <p>The risk of hacking, and losing digital assets in digital wallets due to fraud is reduced through the majority of the digital assets being kept in cold storage with Komainu, who have a SOC 1 Type 2 report. The latest SOC 1 Type 2 Report, covering the period 1 December 2021 to 30 November 2022, was independently reviewed by PricewaterhouseCoopers CI LLP and authorised for issue of 31 March 2023. In addition to limiting the exposure to fraud for the Company, cold storage of digital assets with Komainu also reduces the Company's exposure to hacking.</p> <p>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.</p>

CoinShares Digital Securities Limited

Directors' Report

For the period ended 30 June 2023

Risks and uncertainties (continued)

Climate risk	<p>Climate change risks pose significant threats to many businesses, including those engaged in the issuance of ring-fenced Digital Securities listed on stock exchanges. The Company's primary activity revolves around issuing multiple series of Digital Securities, which are susceptible to wide fluctuations in value. Various factors beyond the Company's control, such as global or regional political conditions, economic fluctuations, financial instability, regulatory changes, judicial events, and climate risk, can influence the market price of the underlying Digital Assets.</p> <p>The directors of the Company hold the opinion that climate risk is already incorporated into the pricing of the underlying Digital Assets. They do not view climate risk as a distinct and separate significant risk to the Company itself. This stance is based on the understanding that any fluctuations in the value of the underlying digital assets, which the Company holds at fair value through profit or loss, will be shouldered by the holders of the Digital Securities. In other words, the Company believes that the risk associated with climate change is ultimately borne by the investors in the Digital Securities.</p>
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Refer to note 15 'Risk management' for further details.

Independent Auditor

The legal provisions applicable to the Company do not require a report from the statutory auditors on the interim financial statements, therefore these interim financial statements for the period ended 30 June 2023 have not been reviewed by the Company's auditor.

The report was approved by the board of directors on 18 August 2023 and signed on its behalf by:



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CoinShares Corporate Services (Jersey) Limited
Company Secretary

CoinShares Digital Securities Limited

Global Statement for the Interim Financial Statements

For the period ended 30 June 2023

Global Statement for the Interim Financial Statements

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

Townsend Lansing

Townsend Lansing Jr.
Director

Date: 18 August 2023

CoinShares Digital Securities

Statement of Comprehensive Income

For the period ended 30 June 2023

		1 January 2023 to 30 June 2023	1 January 2022 to 30 June 2022	1 January 2022 to 31 December 2022
	Note	£	£	£
Revenue	4	891,467	1,102,816	2,101,877
Gross profit		891,467	1,102,816	2,101,877
Administration expenses	5	(892,479)	(1,101,229)	(2,094,313)
Fair value gain/(loss) on digital assets	7	144,735,163	(250,195,695)	(302,608,417)
Loss on digital asset receivables	9	(3,956)	(47,604)	(151,082)
(Loss)/gain on ETP liabilities	11	(144,554,556)	377,759,640	429,278,798
(Loss)/gain on digital asset payables	13	(176,651)	288,181	1,285,223
Gain/(loss) on foreign exchange		1,012	(1,587)	(7,564)
Operating profit		-	127,804,522	127,804,522
Profit before taxation		-	127,804,522	127,804,522
Taxation on profit	6	-	-	-
Profit after taxation		-	127,804,522	127,804,522
Fair value loss on digital assets	7	-	(127,804,522)	(127,804,522)
Other comprehensive loss		-	(127,804,522)	(127,804,522)
Total comprehensive income		-	-	-

All items dealt with in arriving at the result for the periods ended 30 June 2023 and 30 June 2022 and the year ended 31 December 2022 relate to continuing operations.

The above should be read in conjunction with the accompanying notes on pages 11 to 22 which form an integral part of these financial statements.

CoinShares Digital Securities Limited

Statement of Financial Position

As at 30 June 2023

		As at 30 June 2023	As at 31 December 2022
	Note	£	£
ASSETS			
Current assets			
Digital assets	7	412,980,872	244,641,832
Trade and other receivables	8	851,573	676,922
Digital asset receivables	9	1,887	50,015
Cash and cash equivalents	10	4,910	4,940
Total assets		413,839,242	245,373,709
LIABILITIES			
Current liabilities			
ETP liabilities	11	411,544,548	244,043,894
Trade and other payables	12	856,483	681,862
Digital asset payables	13	1,438,211	647,953
Total liabilities		413,839,242	245,373,709
Net assets		-	-
EQUITY			
Share capital	14	-	-
Retained earnings		-	-
Total equity		-	-

The financial statements on pages 7 to 22 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: 18 August 2023

The above should be read in conjunction with the accompanying notes on pages 11 to 22 which form an integral part of these financial statements.

CoinShares Digital Securities Limited

Statement of Changes in Equity

For the period ended 30 June 2023

	Ordinary Shares £	Retained Earnings £	Total equity £
At 1 January 2022	-	-	-
Profit for the period	-	127,804,522	127,804,522
Other comprehensive loss	-	(127,804,522)	(127,804,522)
Total comprehensive income	-	-	-
At 30 June 2022	-	-	-
At 1 July 2022	-	-	-
Profit for the period	-	-	-
Other comprehensive loss	-	-	-
Total comprehensive income	-	-	-
At 31 December 2022	-	-	-
At 1 January 2023	-	-	-
Profit for the period	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
At 30 June 2023	-	-	-

The Company has issued 1 share valued at £0.01.

The above should be read in conjunction with the accompanying notes on pages 11 to 22 which form an integral part of these financial statements.

CoinShares Digital Securities Limited

Statement of Cash Flows

For the period ended 30 June 2023

		1 January 2023 to 30 June 2023	1 January 2022 to 30 June 2022	1 January 2022 to 31 December 2022
	Note	£	£	£
Cash flows from operating activities				
Profit for the period		-	127,804,522	127,804,522
Adjustments for:				
- Loss/(gain) on ETP liabilities	11	144,554,556	(377,759,640)	(429,278,798)
- Loss/(gain) on digital asset payables		176,651	(288,181)	(1,285,223)
- (Gain)/loss on digital assets		(144,735,163)	250,195,695	302,608,417
- Loss on digital asset receivables	9	3,956	47,604	151,082
		-	-	-
Change in working capital:				
- Trade and other receivables		-	-	-
- Trade and other payables		(30)	(30)	(30)
Net cash flow used in operating activities		(30)	(30)	(30)
Cash flows from investing activities				
Net purchase of digital assets		-	-	-
Net purchase/sale of ETP Liabilities		-	-	-
Interest received		-	-	-
Net cash used in investing activities		-	-	-
Cash flows from financing activities				
Dividends paid	14	-	-	-
Net cash provided by/(used in) financing activities		-	-	-
Net decrease in cash and cash equivalents		(30)	(30)	(30)
At the beginning of the period		4,940	4,970	4,970
At the end of the period	10	4,910	4,940	4,940

The above should be read in conjunction with the accompanying notes on pages 11 to 22 which form an integral part of these financial statements.

Reconciliation of net debt

Non-cash analysis

Cash flows from operating activities

- Trade and other receivables	(165,802)	(474,330)	(588,370)
- Trade and other payables	165,802	474,330	588,370
- Net issuance of ETP liabilities	23,603,877	180,403,522	218,112,690
- Net purchase of digital assets	(23,603,877)	(180,403,522)	(218,112,690)

CoinShares Digital Securities Limited

Notes to the Interim Financial Statements

For the period ended 30 June 2023

1 General information

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

The Company is a public company limited by shares and is incorporated and domiciled in Jersey. The address of its registered office is 2nd Floor, 2 Hill Street, St Helier, Jersey JE2 4UA and its company registration number is 127061.

2 Significant accounting policies

2.1 Basis of preparation

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

The interim financial statements do not include all of the information required in annual financial statements, and should be read in conjunction with the financial statements for the period ended 31 December 2022. The accounting policies adopted are consistent with those of the previous year.

3 Operating segments

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

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

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

CoinShares Digital Securities Limited

Notes to the Interim Financial Statements (continued)

For the period ended 30 June 2023

3 Operating segments (continued)

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

30 June 2023

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

Prior to the 1 January 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.

CoinShares Digital Securities Limited

Notes to the Interim Financial Statements (continued)

For the period ended 30 June 2023

3 Operating segments (continued)

The following is an analysis of the Company's assets and liabilities by reportable segment as at 30 June 2023.

30 June 2023

	Digital Securities with a Management Fee £	Staked Digital Securities £	Index Digital Securities £	Central Costs £	Total £
Digital assets	383,034,970	29,635,502	310,400	-	412,980,872
Trade and other receivables	-	-	-	851,573	851,573
Digital asset receivables	-	1,887	-	-	1,887
Cash and cash equivalents	-	-	-	4,910	4,910
Total assets	383,034,970	29,637,389	310,400	856,483	413,839,242
ETP Liabilities	382,914,923	28,319,225	310,400	-	411,544,548
Trade and other payables	-	-	-	856,483	856,483
Digital asset payables	120,047	1,318,164	-	-	1,438,211
Total liabilities	383,034,970	29,637,389	310,400	856,483	413,839,242
Net assets	-	-	-	-	-

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

31 December 2022

	Digital Securities with a Management Fee £	Staked Digital Securities £	Index 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	-	-	-	-	-

CoinShares Digital Securities Limited

Notes to the Interim Financial Statements (continued)

For the period ended 30 June 2023

4 Revenue

	1 January 2023 30 June 2023 £	1 January 2022 30 June 2022 £	1 January 2022 to 31 December 2022 £
Fee income	891,467	1,102,816	2,101,877
	891,467	1,102,816	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 £892,479 (period ended 30 June 2022: £1,101,229, year ended 31 December 2022: £2,094,313) (see page 23) are the following amounts:

	1 January 2023 30 June 2023 £	1 January 2022 30 June 2022 £	1 January 2022 to 31 December 2022 £
Audit fees	18,625	16,250	37,250
Directors fees	7,500	7,500	15,000
	26,125	23,750	52,250

6 Taxation

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

7 Digital assets

	30 June 2023 Number	31 December 2022 Number	30 June 2023 £	31 December 2022 £
By Currency				
Bitcoin	10,756	10,351	254,893,518	142,828,745
Ethereum	77,475	75,386	112,799,945	75,435,400
Litecoin	65,238	41,455	4,924,206	2,419,356
XRP	25,825,110	16,967,728	9,433,898	4,846,955
Polkadot	328,985	279,238	1,283,485	1,016,188
Tezos	2,696,832	2,355,697	1,672,059	1,419,274
Cardano	14,486,864	8,474,941	3,193,616	1,766,299
Solana	1,251,752	1,139,161	17,944,131	9,554,260
Chainlink	112,863	70,881	534,687	329,500
Uniswap	114,421	90,209	448,717	385,011
Cosmos	126,972	104,654	903,672	818,359
Matic	4,654,723	2,003,812	2,327,124	1,279,145
Algorand	24,787,843	17,355,131	2,311,414	2,543,340
Digital asset - COIN10			234,330	-
Digital asset - COINSMRT			76,070	-
Other			-	-
			412,980,872	244,641,832

CoinShares Digital Securities Limited

Notes to the Interim Financial Statements (continued)

For the period ended 30 June 2023

7 Digital assets (continued)

	30 June 2023 £	31 December 2022 £
Reconciliation of Digital Assets		
Digital assets as at 1 January	244,641,832	456,981,360
Additions to digital assets	81,830,307	296,699,302
Net staking rewards	993,410	2,269,586
Disposals of digital assets	(58,443,551)	(79,167,212)
Management fees paid to CSJL	(776,289)	(1,728,265)
Fair value gain/(loss) through profit and loss	144,735,163	(302,608,417)
Fair value loss through other comprehensive income	-	(127,804,522)
Digital assets closing balance	412,980,872	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

	30 June 2023 £	31 December 2022 £
Amounts owed by Group undertakings	838,855	665,022
Prepayments and sundry debtors	12,718	11,900
	851,573	676,922

Fee income of £891,467 (2022: £2,101,877) was earned from CSJL, as programme manager, to cover the Company's expenses as per the Service Level Agreement, of which £838,855 (2022: £665,022) was outstanding at period end.

9 Digital asset receivables

	30 June 2023 Number	31 December 2022 Number	30 June 2023 £	31 December 2022 £
Amounts owed by Group undertakings				
CSCMJL - Algorand	8,877	-	827	-
CSCMJL - Polygon	2,119	-	1,060	-
CSCMJL - Solana	-	1,280	-	10,736
Amounts owed by Group undertakings				
Staking rewards - Algorand	-	272,231	-	39,279
			1,887	50,015

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

CoinShares Digital Securities Limited

Notes to the Interim Financial Statements (continued)

For the period ended 30 June 2023

9 Digital asset receivables (continued)

	30 June 2023 £	31 December 2022 £
Reconciliation of digital asset receivables		
Digital asset receivables as at 1 January	50,015	-
Additions	60,521	240,660
Disposals	(104,693)	(39,563)
Loss on digital asset receivables	(3,956)	(151,082)
	1,887	50,015

10 Cash and cash equivalents

	30 June 2023 £	31 December 2022 £
Cash at bank	4,910	4,940
	4,910	4,940

11 ETP liabilities

	30 June 2023 Number	31 December 2022 Number	30 June 2023 £	31 December 2022 £
Securities type				
CoinShares Physical Bitcoin	10,888,994	10,448,800	254,793,734	142,773,000
CoinShares Physical Ethereum	2,600,953	2,527,286	112,799,945	75,396,910
CoinShares Physical Litecoin	337,000	212,500	4,918,491	2,416,053
CoinShares Physical XRP	666,800	434,800	9,422,678	4,840,826
CoinShares Physical Staked Polkadot	292,500	257,500	1,223,283	980,519
CoinShares Physical Staked Tezos	513,000	453,000	1,658,639	1,402,567
CoinShares Physical Staked Cardano	13,915,000	8,265,000	3,188,098	1,764,189
CoinShares Physical Staked Solana	11,638,100	10,928,100	16,773,379	9,183,556
CoinShares Physical Chainlink	1,145,000	715,000	533,046	329,077
CoinShares Physical Uniswap	1,160,000	910,000	447,029	384,530
CoinShares Physical Staked Cosmos	230,500	193,000	862,291	774,317
CoinShares Physical Staked Matic	442,500	195,000	2,328,184	1,277,325
CoinShares Physical Staked Algorand	2,420,000	1,745,000	2,285,351	2,521,025
CoinShares Physical Top 10 Crypto Market	25,000	-	234,330	-
CoinShares Physical Smart Contract Platform	10,000	-	76,070	-
	46,285,347	37,284,986	411,544,548	244,043,894

CoinShares Digital Securities Limited

Notes to the Interim Financial Statements (continued)

For the period ended 30 June 2023

11 ETP liabilities (continued)

	30 June 2023 £	31 December 2022 £
Reconciliation of ETP liabilities		
ETP liabilities as at 1 January	244,043,894	456,835,433
Creations of ETPs	81,831,262	296,631,728
Redemptions of ETPs	(58,443,551)	(78,909,345)
Net movement on staking rewards	240,424	287,617
Net movement on management fee	(682,037)	(1,533,830)
Fair value loss/(gain)	144,554,556	(429,267,709)
ETP liabilities closing balance	411,544,548	244,043,894
	30 June 2023 £	31 December 2022 £
Fair value loss/(gain) on ETP liabilities	144,554,556	(429,267,709)
	144,554,556	(429,267,709)
Other gain on ETPs	-	(11,089)
Total gain/(loss) on ETP liabilities	144,554,556	(429,278,798)

12 Trade and other payables

	30 June 2023 £	31 December 2022 £
Trade payables	38,837	46,809
Amounts payable to parent company	458,833	311,766
Accrued liabilities	358,813	323,287
	856,483	681,862

Amounts owed to the ultimate parent company, CSIL, of £458,833 (2022: £311,766) consist of expenses settled on behalf of the Company. These amounts are repayable on demand, bear interest at 0% and are unsecured.

CoinShares Digital Securities Limited

Notes to the Interim Financial Statements (continued)

For the period ended 30 June 2023

13 Digital asset payables

	30 June 2023 Number	31 December 2022 Number	30 June 2023 £	31 December 2022 £
Amounts payable to Group undertakings				
CSJL - Bitcoin	4	4	99,783	55,745
CSJL - Ethereum	-	38	-	38,490
CSJL - Litecoin	76	57	5,715	3,303
CSJL - XRP	30,716	21,455	11,220	6,129
CSJL - Solana	765	741	10,961	6,211
CSJL - Chainlink	346	91	1,641	423
CSJL - Uniswap	430	113	1,688	481
CSCMJL - Polkadot	15,431	9,801	60,202	35,669
CSCMJL - Tezos	21,645	27,730	13,420	16,707
CSCMJL - Cardano	25,032	10,126	5,518	2,110
CSCMJL - Cosmos	5,814	5,632	41,381	44,042
CSCMJL - Solana	1,780	-	25,512	-
CSCMJL - Matic	-	2,851	-	1,820
CSCMJL - Algorand	-	287,905	-	41,540
Amounts payable to third parties				
Third parties - Solana	79,125	44,739	1,134,279	375,229
Third parties - Algorand	288,383	138,987	26,891	20,054
			1,438,211	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.

	30 June 2023 £	31 December 2022 £
Reconciliation of digital asset payables		
Digital asset payables as at 1 January	647,953	145,927
Additions	1,698,013	3,652,255
Disposals	(1,084,406)	(1,865,006)
Loss/(gain) on digital asset payables	176,651	(1,285,223)
	1,438,211	647,953

CoinShares Digital Securities Limited

Notes to the Interim Financial Statements (continued)

For the period ended 30 June 2023

14 Share capital

Shares classified as equity

	Allotted, called-up and unpaid			
	30 June 2023 Number	31 December 2022 Number	30 June 2023 £	31 December 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, or at a fixed interest rate and as a result, the Company is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

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.

CoinShares Digital Securities Limited

Notes to the Interim Financial Statements (continued)

For the period ended 30 June 2023

15 Risk Management (continued)

b) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company. Digital asset activity has an inherent credit risk due to the nature of the industry, which is non-regulated, extremely volatile, has low barriers to entry and is vulnerable to bad actors.

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

The 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

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.

d) Capital risk management

The capital of the Company is represented by the net assets attributable to ordinary shareholders. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the 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 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 have a SOC 1 Type 2 report. The latest SOC 1 Type 2 Report, covering the period 1 December 2021 to 30 November 2022, was independently reviewed by PricewaterhouseCoopers CI LLP and authorised for issue of 31 March 2023. In addition to limiting the exposure to fraud for the Company, cold storage of digital assets with Komainu also reduces the Company's exposure to hacking.

CoinShares Digital Securities Limited

Notes to the Interim Financial Statements (continued)

For the period ended 30 June 2023

15 Risk Management (continued)

e) Operational risk (continued)

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
Key Group entities					
CoinShares (Jersey) Limited	CSJL	Subsidiary	100%	Jersey	26/09/2018
CoinShares Capital Markets (Jersey) Limited	CSCMJL	Subsidiary	100%	Jersey	30/06/2019
Other Group entities					
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	G TSA	Associate	23%	Switzerland	08/08/2018
CoinShares Employment Services (Jersey) Limited	CSESJL	Subsidiary	100%	Jersey	09/08/2018
GABI Trading Limited (Asia)	GTLA	Subsidiary	100%	Hong Kong	12/02/2019
CoinShares Capital, LLC	CS Cap	Subsidiary	100%	USA	18/09/2019
CoinShares Capital Markets (UK) Limited	CSCMUKL	Subsidiary	100%	UK	30/06/2019
CoinShares GP I LLC	CSGPI	Subsidiary	100%	USA	20/03/2020
CoinShares France	CSF	Subsidiary	100%	France	17/12/2021
CoinShares Asset Management	CSAM	Subsidiary	100%	France	17/12/2021
Larks Leaf Asset Management (Jersey) Limited	LLAMJL	Subsidiary	100.00%	Jersey	27/02/2023
Larks Leaf Data Analytics (UK) Limited	LLDAUKL	Subsidiary	100.00%	UK	27/02/2023
CoinShares Switzerland AG	CSSAG	Subsidiary	100.00%	Switzerland	24/05/2023

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.

CSIL is the Company's ultimate parent company. CSIL has settled costs of £147,067 (period ended 30 June 2022: £122,043, year ended 31 December 2022: £311,766), and at period end, there is an outstanding payable of £458,833 (31 December 2022: £311,766).

CoinShares Digital Securities Limited

Notes to the Interim Financial Statements (continued)

For the period ended 30 June 2023

16 Related party transactions (continued)

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 £717,634 (period ended 30 June 2022: £773,317, year ended 31 December 2022: £1,534,948) and has been charged fees of £891,467 (period ended 30 June 2022: £1,102,816, year ended 31 December 2022: £2,101,877). As at the period end, the Company has an outstanding receivable of £838,855 (31 December 2022: £655,022). The Company also holds the management fee in digital assets on behalf of CSJL before it gets paid. At the period end, the Company holds digital assets as payables to CSJL as detailed in note 13.

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

	30 June 2023	30 June 2023	30 June 2023
	Digital assets	Securities issued	£
Seeded by CSCMJL			
Bitcoin	5,500	5,500,000	130,332,026
Ethereum	39,643	1,315,000	57,718,144
Polygon	5,000	-	2,500
Algorand	131,462	-	12,259
			188,064,929
	31 December 2022	31 December 2022	31 December 2022
	Digital assets	Securities issued	£
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

Komainu Holdings Limited is an investment of CSIL, and is the parent company to Komainu (Jersey) Limited ('KJL'). KJL provides custody services to the Company. During the period, KJL charged custody fees of £220,610 (period ended 30 June 2022: £298,665) (year ended 31 December 2022: £529,137), of which £34,080 (31 December 2022: £31,127) remains outstanding at the period end.

17 Events after the reporting date

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

18 Ultimate controlling party

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

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

www.coinshares.com/investor-relations






CoinShares Digital Securities Limited

Appendix 1: Detailed administration expenses for the period ended 30 June 2023

	1 January 2023 to 30 June 2023	1 January 2022 to 30 June 2022	1 January 2022 to 31 December 2022
	£	£	£
Administration expenses			
Audit and accountancy fees	18,625	44,450	37,250
Custody fees	220,610	298,665	529,137
Director's salaries	7,500	7,500	15,000
General expenses	29,338	17,167	44,539
Legal fees	110,827	45,528	116,626
Marketing expenses	18,705	9,728	12,626
Professional fees	190,688	410,169	822,607
Trading expenses	296,186	267,818	516,554
Revaluation loss/(gain) on foreign exchange	-	204	(26)
	892,479	1,101,229	2,094,313

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