# Invesco Digital Markets plc Annual Report and Audited Financial Statements

For the financial year ended
31 March 2023

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**Directors**
Ryan Mendez
Karen Bailey (appointed on 29 June 2023)
Ellen Chislett (resigned on 29 June 2023)

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**Issuer Adviser**
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**Secretary**
Intertrust SPV Services Limited
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**Trustee**
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**Legal Advisers**
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Ogier(Jersey) LLP
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The Directors present the annual report and audited financial statements of Invesco Digital Markets plc (the Company or Issuer) for the financial year ended 31 March 2023.

**General information**

The principal activity of the Company is to issue series (each, a **Series**) of secured, limited recourse certificates (**Digital Certificates**) by the Issuer under the secured cryptocurrency linked certificates programme (the **Programme**) described in the base prospectus (**Base Prospectus**).

Each Series of Digital Certificates issued by the Issuer under this Programme entitles the holder of a Digital Certificate who is an authorised participant under the Programme (each an **Authorised Participant**), by the exercise of the relevant option, to require the Issuer to redeem such Digital Certificate by transfer of one or more cryptocurrencies specified in the relevant final terms (each a **Digital Asset**) in an amount equal to the delivery amount in accordance with the conditions of the Digital Certificates. Unless previously redeemed or cancelled, each Digital Certificate of a Series is redeemed on the final maturity date specified in the final terms relating to each tranche of that Series of Digital Certificates (the **Final Maturity Date**), which shall in any case not be earlier than 30 June 2121, at the relevant cash amount in US dollars or any other currency specified in the relevant final terms (US dollars or such other currency specified in the relevant final terms being the **Specified Currency**). As at the date of the Base Prospectus, the sole Digital Asset in which Digital Certificates may be redeemed is Bitcoin, but in future the Issuer may issue Series of Digital Certificates giving rise to entitlements to redemption in other Digital Assets, which may either be Bitcoin, Ethereum, Ripple, Bitcoin Cash, Litecoin, or a basket of two or more of the foregoing.

In order to hedge its obligations to the holders of each Series of Digital Certificates, the Issuer holds a pool of the relevant Digital Asset relating to that Series of Digital Certificates. The Digital Assets are received from the Authorised Participants in consideration for the issue of Digital Certificates, and are held on trust by Zodia Custody Limited (the **Custodian**) for the Issuer. On any date, the pool of Digital Assets held by the Custodian is required to comprise an amount of the relevant Digital Asset no less than the aggregate of the per Digital Certificate entitlement to such Digital Asset for all outstanding Digital Certificates of such Series.

From time to time, in respect of Digital Certificates of any particular Series, a portion of the Digital Assets equal to the aggregate of the daily amounts by which the per Digital Certificate entitlement to such Digital Assets are reduced by the reduction percentage over the relevant year (the Fees). Fees are withdrawn from the relevant depositary wallet and paid to Invesco Asset Management Limited (the Issuer Adviser) in consideration for its services as Issuer Adviser and also its agreement to pay the fees and expenses due to the other service providers in connection with the Programme (but not including any indemnities granted in favour of the other service providers). The Issuer Adviser is principally responsible for providing certain advisory services to the Issuer.

The Company was incorporated in Jersey, Channel Islands as a public company on 29 April 2021 under Companies (Jersey) Law 1991.

**Review of operations**

The recent Base Prospectus was issued on 16 November 2022. The Digital Certificates were admitted for listing on the Frankfurt Stock Exchange and SIX Swiss Exchange on 26 November 2021 and 20 January 2022, respectively.

As at 31 March 2023, the revalued amount of assets under management amounted to US$86.67 million (31 March 2022: US$140.01 million). The Company recognises Digital Assets and Digital Certificates at fair value in the Statement of Financial Position.

**Key performance indicators**

The Directors confirm that the key performance indicators as disclosed below in the financial statements are those that are used to assess the performance of the Company:

- The net changes in fair value of Digital Assets amounted to a loss of US$54,260,509 (31 March 2022: loss of US$32,027,522) as a result of change in the price of Digital Assets.

- The net changes in fair value of Digital Certificates amounted to a gain of US$54,961,566 (31 March 2022: gain of US$32,514,455).

**Key performance indicators (Continued)**

The price of Digital Assets has decreased during the year. Please see below table for further details.

| Digital assets | Currency | Price as at 31 March 2023 | Price as at 31 March 2022 | Change in price % |
|---|---|---|---|---|
| Bitcoin | US$ | 28,472 | 46,514 | (38.79) |

| Digital assets | Currency | Price as at 31 March 2022 | Price as at 29 April 2021 | Change in price % |
|---|---|---|---|---|
| Bitcoin | US$ | 46,514 | 54,534 | (14.71) |

**Business risks and uncertainties**

The market value of Digital Assets is not related to any specific company, government or asset. The valuation of these assets depends on future expectations for the value of the network, number of transactions and the overall usage of the assets. This means that a significant amount of the value in Digital Assets is speculative and could lead to increase in volatility. Investors could experience significant gains, losses depending on the valuation of Digital Assets. Due to the speculative nature of an investment in Digital Assets, the prices may fluctuate for any reason and such fluctuations may not be predictable.

**Results and dividends**

The results for the year are set out on page 13. Pursuant to Section 4 of the Declaration of Trust of Invesco Digital Markets Charitable Trust, The Directors do not recommend the payment of a final dividend in respect of the year ended 31 March 2023 (31 March 2022: US$500).

**Going concern**

The Directors believe that the Company is well placed to manage its business risk successfully and therefore have a reasonable expectation that the Company has adequate resources, as noted below, to continue in operational existence for the foreseeable future, being a minimum of 12 months from the date of this report.

The Company has an obligation to settle amounts due to the holders of Digital Certificates. When these are redeemed, the Company returns the corresponding amount of Digital Assets determined by the per Certificate Entitlement of those Digital Certificates, therefore the redemption of Digital Certificates would not impact the liquidity of the Company. Furthermore, the Issuer Adviser pays the fees and expenses due to the other service providers in connection with the Programme. The Arranger has committed to continue to utilise the structure and fund the expenses of the company for a period of at least 12 months from the date of approval of these financials statements. Accordingly, the Directors have prepared the audited financial statements on a going concern basis.

A high-level of analysis was made on the liquidity and performance of the Company, following the financial year end 31 March 2023. Based on this, the Directors note that there has been negative change in the prices of Digital Assets. Despite the significant reduction in the price of Digital Assets, the level of activity has remained stable post the financial year end. The Directors have also noted that the Administrator has taken measures to ensure business continuity.

The geopolitical situation in Eastern Europe intensified on 24 February 2022, with the Russian invasion of Ukraine. The war between the two countries continues to evolve as military activity proceeds and additional sanctions are imposed and, in addition, the collapse of FTX triggered widespread instability in crypto markets. These events have not had a significant impact on the Company and these financial statements and, the Directors expect no significant impact on the Company or the going concern assumption.

Given the current regulatory environment the Board consider the continued operations of the custodian to be a key consideration in the continued activity of the Company. The Company uses Zodia Custody Limited for the safeguarding of its cryptocurrency assets in institutional grade custody accounts. The custody accounts are segregated and as such, the digital assets of the Company are segregated from those of the Custodian and those of any other customers of the Custodian. The assets are held in the name of, and for the benefit of the Company. Through enquiries with the Custodian there are no indicators that its activities/services provided to the Company will change.

The Directors carefully evaluate the information that becomes available on an ongoing basis and believe that the above has had no significant impact on the audited financial statements. The Directors will continue to monitor the situation and appropriate steps will be taken for the smooth running of the Company's business.

**Corporate Governance**

The Directors continue to promote and maintain a sound system of corporate governance in compliance with applicable regulatory requirements.

**Directors**

The Directors in office when these financial statements were approved are shown on page 1, all of whom were Directors for the year, unless otherwise stated.

The Directors had no interest in the ordinary shares of the Company and received no remuneration throughout the year and up to the date of approving the financial statements.

**Secretary**

The Secretary of the Company throughout the year and up to the date of approving the financial statements was Intertrust SPV Services Limited.

**Independent auditor**

KPMG Channel Islands Limited, as the Company's independent auditor, have expressed their willingness to continue to act.

**Directors' responsibility regarding disclosure of information to auditor**

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board

For **Intertrust SPV Services Limited**

Dated: Jul 27, 2023

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, Directors are also required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative

The Directors are responsible for keeping adequate 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 enable them to ensure that its financial statements comply with the Companies (Jersey) Law, 1991. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are also required by the Transparency (Directive 2004/109/EC (as amended)) (the "Regulations") to include a Directors' Report containing a fair review of the business and a description of the principal risks and uncertainties facing the Company.

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

**Responsibility statement of the Directors in respect of the Director's Report**

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Director's report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face. The principal risks facing the Company are outlined in note 11 of the financial statements.

We consider the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

For and on behalf of the Board of Directors of the Company

Director:

Date: Jul 27, 2023

# Independent Auditor's Report to the Members of Invesco Digital Markets plc

## Our opinion is unmodified

We have audited the financial statements of Invesco Digital Markets plc (the "Company"), which comprise the statement of financial position as at 31 March 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

*In our opinion, the accompanying financial statements:*

- give a true and fair view of the financial position of the Company as at 31 March 2023, and of the Company's financial performance and cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards; and
- have been properly prepared in accordance with the Companies (Jersey) Law, 1991.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as required by the Crown Dependencies' Audit Rules and Guidance. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Key audit matters: our assessment of the risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements 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. In arriving at our audit opinion above, the key audit matters were as follows (unchanged from 2022):

| | *The risk* | *Our response* |
|---|---|---|
| **Valuation of digital assets**<br><br>$86,667,969; (2022 $140,014,828)<br><br>Refer to note 2 accounting policy and note 6 and 11 disclosures | ***Basis:***<br><br>The Company invests in a portfolio of digital assets ("the assets"), that represent 99.9% of the Company's total assets. These assets are accounted for at fair value through other comprehensive income.<br><br>The assets act as collateral for the digital certificates issued by the Company which are financial liabilities held at fair value through profit or loss ("the digital securities"). | *Our audit procedures included:*<br><br>• Assessed the design and implementation of the relevant control over valuation of the assets.<br>• Assessed the appropriateness of the methodology used to value the assets.<br>• We engaged our valuation specialists to independently price the assets to a third party pricing source. |

# Independent Auditor's Report to the Members of Invesco Digital Markets plc (continued)

| | The risk | Our response |
|---|---|---|
| | The Company determines fair value by revaluing the assets held at the reporting date using the CoinShares bitcoin hourly reference rate as described in the financial statements ("the CoinShares price").<br><br>***Risk:***<br><br>The reported fair value of the assets held may be materially misstated and is a significant area of our audit, given that it represents the majority of the Company's total assets. | • We assessed the Company's disclosures in relation to valuation of assets, specifically the accounting policies described in note 2, the judgments and estimates made by management, and fair value disclosures in notes 6 and 11 for compliance with IFRS. |

| | The risk | Our response |
|---|---|---|
| **Existence of digital assets**<br><br>$86,667,969; (2022 $140,014,828)<br><br>Refer to note 2 accounting policy and note 6 and 11 disclosures | **Basis:**<br><br>The Company invests in a portfolio of digital assets ("the assets"), that represent 99.9% of the Company's total assets. These assets are accounted for at fair value through other comprehensive income.<br><br>The existence of the assets was identified as a key driver of the Company's performance.<br><br>**Risk:**<br><br>The reported holding and therefore the fair value of the assets held may be materially misstated and is a significant area of our audit, given that it represents the majority of the Company's total assets. | *Our audit procedures included:*<br><br>• Assessed the design and implementation of relevant controls over existence of digital assets.<br>• Obtained a confirmation of the assets holdings as at the balance sheet date from the independent custodian.<br>• Inspected information in relation to the performance of a withdrawal after the year end to confirm continued control over the private keys.<br>• We engaged our digital assets specialists to utilise a blockchain analyser tool to corroborate recorded transactions on the blockchain including the amount of digital assets at the year end, and prior to issuance of the financial statements. |

# Independent Auditor's Report to the Members of Invesco Digital Markets plc (continued)

| | *The risk* | *Our response* |
|---|---|---|
| **Valuation of digital securities**<br><br>$86,667,969; (2022 $140,014,828)<br><br>Refer to note 2 accounting policy and note 8 disclosures | ***Basis:***<br><br>The issuance of digital securities is central to the Company's principal activity and these allow investors to gain exposure to movements in value of the digital assets without needing to take physical delivery.<br><br>The securities are accounted for at fair value through profit and loss.<br><br>***Risk:***<br><br>The reported fair value of the digital securities issued may be materially misstated and is a significant area of our audit, given that it represents the majority of the Company's total liabilities. | *Our audit procedures included:*<br><br>• Assessed the design and implementation of the relevant control over valuation of the digital securities.<br>• Assessed the appropriateness of the methodology used to value the digital securities, and considered whether it represents fair value in accordance with IFRS.<br>• Independently agreed the fair value prices used by management to a third party pricing source, compared the price to the recalculated contractual value of the digital securities and assessed the appropriateness of the fair value adopted.<br>• We assessed the Company's disclosures in relation to valuation of the digital securities, specifically the accounting policies described in note 2, the judgments and estimates made by management, and fair value disclosures in notes 8 and 11 for compliance with IFRS. |

## *Our application of materiality and an overview of the scope of our audit*

Materiality for the financial statements as a whole was set at $867,000, determined with reference to a benchmark of total assets of $86,742,137, of which it represents approximately 1.0% (2022: 1%).

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 for the Company was set at 75% (2022: 75%) of materiality for the financial statements as a whole, which equates to $650,000. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding $43,350, in addition to other identified misstatements that warranted reporting on qualitative grounds.

# Independent Auditor's Report to the Members of Invesco Digital Markets plc (continued)

Our audit of the Company was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

## *Going concern*

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (the “going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to affect the Company's financial resources or ability to continue operations over this period were:

- The Arranger’s requirement to continue using the Company; and
- The risk of securityholders redeeming a significant amount of the securities.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Company’s financial forecasts.

We considered whether the going concern disclosure in note 2 to the financial statements gives a full and accurate description of the directors' assessment of going concern.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in the notes to the financial statements to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

## *Fraud and breaches of laws and regulations – ability to detect*

### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of management as to the Company’s policies and procedures to prevent and detect fraud as well as enquiring whether management have knowledge of any actual, suspected or alleged fraud;
- reading minutes of meetings of those charged with governance; and
- using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Company’s revenue streams are simple in nature with respect to accounting policy choice, and are easily verifiable to external data sources or agreements with little or no requirement for estimation from management. We did not identify any additional fraud risks.

We performed procedures including

- Identifying journal entries and other adjustments to test based on risk criteria and comparing any identified entries to supporting documentation; and
- incorporating an element of unpredictability in our audit procedures.

*Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence, if any, and discussed with management the policies and procedures regarding compliance with laws and regulations. As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

The Company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or impacts on the Company's ability to operate. We identified financial services regulation as being the area most likely to have such an effect, recognising the regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

## *Other information*

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have 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.

### *We have nothing to report on other matters on which we are required to report by exception*

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

- adequate accounting records have not been kept by the Company; or
- the Company's financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

### *Respective responsibilities*

#### *Directors' responsibilities*

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### *Auditor's responsibilities*

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

### *The purpose of this report and restrictions on its use by persons other than the Company's members, as a body*

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### *Report on Regulatory Requirements*

#### *European Single Electronic Format (ESEF)*

The Company has prepared its annual report in ESEF. The requirements for this format are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (these requirements are hereinafter referred to as: the RTS on ESEF).

# Independent Auditor's Report to the Members of Invesco Digital Markets plc (continued)

In our opinion, the annual report prepared in the XHTML format, including the financial statements as included in the reporting package by the Company, has been prepared in all material respects in accordance with the RTS on ESEF.

The directors are responsible for preparing the annual report including the financial statements in accordance with the RTS on ESEF, whereby the directors combine the various components into a single reporting package. Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package, is in accordance with the RTS on ESEF.

Our procedures included amongst others:

- obtaining an understanding of the Company's financial reporting process, including the preparation of the annual report in XHTML format;
- examining whether the annual report in XHTML-format is in accordance with the RTS on ESEF.

N. Stevens

**Nicholas Stevens**

**For and on behalf of KPMG Channel Islands Limited**

*Chartered Accountants and Recognized Auditors*

*Jersey*

27 July 2023

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023**

| | Note | For the year ended 31 March 2023 US$ | From 29 April 2021 to 31 March 2022 US$ |
|---|---|---|---|
| **Other income** | | 500 | 500 |
| **Expenses** | 14 | (701,057) | (486,933) |
| | | **(700,557)** | **(486,433)** |
| Fair value loss on digital assets | 6 | (54,260,509) | (32,027,522) |
| Fair value loss on digital assets held in respect of management fees | | (70,953) | (26,749) |
| Fair value gain on digital certificates | 8 | 54,961,566 | 32,514,455 |
| Fair value gain on management fee payable | | 70,953 | 26,749 |
| **Profit before the tax** | | 500 | 500 |
| Tax for the year/period | 4 | - | - |
| **Profit for the year/period** | | **500** | **500** |
| **Other comprehensive income** | | - | - |
| **Total comprehensive income for the year/period** | | **500** | **500** |

All the items dealt with in arriving at the result for the year relate to continuing activities.

The notes on pages 17 to 29 form an integral part of these audited financial statements

**STATEMENT OF FINANCIAL POSITION**
**AS AT 31 MARCH 2023**

| | Note | 31 March 2023 US$ | 31 March 2022 US$ |
|---|---|---|---|
| **Assets** | | | |
| Digital assets | 6 | 86,667,969 | 140,014,828 |
| Digital assets held in respect of management fees | 7 | 73,165 | 118,308 |
| Trade and other receivables | 5 | 1,003 | 503 |
| **Total Assets** | | **86,742,137** | **140,133,639** |
| **Liabilities** | | | |
| Digital certificates | 8 | 86,667,969 | 140,014,828 |
| Trade and other payables | 9 | 73,665 | 118,308 |
| **Total Liabilities** | | **86,741,634** | **140,133,136** |
| **Equity** | | | |
| Share capital | 10 | 3 | 3 |
| Retained earnings | | 500 | 500 |
| Revaluation reserve | | - | - |
| **Total Equity** | | **503** | **503** |
| **Total Liabilities and Equity** | | **86,742,137** | **140,133,639** |

The financial statements on pages 13 to 29 were approved and authorised for issue by the Board of Directors on Jul 27, 2023 ……………………and signed on its behalf by:

……………………….. Director

The notes on pages 17 to 29 form an integral part of these audited financial statements

**STATEMENT OF CHANGES IN EQUITY**
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023**

| | Share capital US$ | Retained earnings US$ | Total US$ |
|---|---|---|---|
| As at 29 April 2021 | - | - | - |
| Profit for the year | - | 500 | 500 |
| Other comprehensive income for the year | - | - | - |
| Share capital issued during the year | 3 | - | 3 |
| **As at 31 March 2022** | **3** | **500** | **503** |
| As at 1 April 2022 | 3 | 500 | 503 |
| Profit for the period | - | 500 | 500 |
| Other comprehensive income for the period | - | - | - |
| Dividends | - | (500) | (500) |
| **As at 31 March 2023** | **3** | **500** | **503** |

The notes on pages 17 to 29 form an integral part of these audited financial statements

## STATEMENT OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

| | Notes | For the year ended 31 March 2023 US$ | From 29 April 2021 to 31 March 2022 US$ |
|---|---|---|---|
| **Operating activities** | | | |
| Profit for the year/period | | 500 | 500 |
| Dividends | | (500) | - |
| Management fees expense | | 701,057 | 486,933 |
| Fair value gain on digital certificates | 8 | (54,961,566) | (32,514,455) |
| Fair value gain on management fee payable | | (70,953) | (26,749) |
| Changes in fair value of Digital Assets | 6 | 54,260,509 | 32,027,522 |
| Fair value loss on digital assets held in respect of management fees | | 70,953 | 26,749 |
| Decrease/(Increase) in digital assets held in respect of management fees | | 45,143 | (118,308) |
| Increase in trade and other receivables | | (500) | (500) |
| (Decrease)/Increase in other payables and accrued expenses | | (44,643) | 118,308 |
| **Net cash generated from operating activities** | | - | - |
| | | | |
| Net change in cash and cash equivalents during the year/period | | - | - |
| Cash and cash equivalents at beginning of the year/period | | - | - |
| | | | |
| **Cash and cash equivalents at end of the year** | | - | - |
| | | | |
| **Non-cash transactions during the year/period include:** | | | |
| | | | |
| Additions on Digital Assets | 6 | (1,977,551) | (173,407,669) |
| Disposals on Digital Assets | 6 | 362,844 | 878,386 |
| Subscriptions of Digital Certificates | 8 | 1,977,551 | 173,407,669 |
| Redemptions of Digital Certificates | 8 | (362,844) | (878,386) |
| Management fees expense | 14 | 701,057 | 486,933 |
| | | **701,057** | **486,933** |

The notes on pages 17 to 29 form an integral part of these audited financial statements

## 1. General information

Invesco Digital Markets plc (the **Company** or **Issuer**) is a company incorporated and domiciled in Jersey, Channel Islands as a public company on 29 April 2021. The address of the registered office is 44 Esplanade, St Helier, Jersey, JE4 9WG, Channel Islands.

The principal activity of the Company is to issue series (each, a **Series**) of secured, limited recourse certificates (**Digital Certificates**) by the Issuer under the secured cryptocurrency linked certificates programme (the **Programme**) described in the base prospectus (**Base Prospectus**).

Each Series of Digital Certificates issued by the Issuer under this Programme entitles the holder of a Digital Certificate who is an authorised participant under the Programme (each an **Authorised Participant**), by the exercise of the relevant option, to require the Issuer to redeem such Digital Certificate by transfer of one or more cryptocurrencies specified in the relevant final terms (each a **Digital Asset**) in an amount equal to the delivery amount in accordance with the conditions of the Digital Certificates. Unless previously redeemed or cancelled, each Digital Certificate of a Series is redeemed on the final maturity date specified in the final terms relating to each tranche of that Series of Digital Certificates (the **Final Maturity Date**), which shall in any case not be earlier than 30 June 2121, at the relevant cash amount in US dollars or any other currency specified in the relevant final terms (US dollars or such other currency specified in the relevant final terms being the Specified Currency). As at the date of the Base Prospectus, the sole Digital Asset in which Digital Certificates may be redeemed is Bitcoin, but in future the Issuer may issue Series of Digital Certificates giving rise to entitlements to redemption in other Digital Assets, which may either be Bitcoin, Ethereum, Ripple, Bitcoin Cash, Litecoin, or a basket of two or more of the foregoing.

In order to hedge its obligations to the holders of each Series of Digital Certificates, the Issuer holds a pool of the relevant Digital Asset relating to that Series of Digital Certificates. The Digital Assets are received from the Authorised Participants in consideration for the issue of Digital Certificates, and are held on trust by Zodia Custody Limited (the **Custodian**) for the Issuer. On any date, the pool of Digital Assets held by the Custodian is required to comprise an amount of the relevant Digital Asset no less than the aggregate of the per Digital Certificate entitlement to such Digital Asset for all outstanding Digital Certificates of such Series.

From time to time, in respect of Digital Certificates of any particular Series, a portion of the Digital Assets equal to the aggregate of the daily amounts by which the per Digital Certificate entitlement to such Digital Assets has been reduced by the reduction percentage over the relevant year is withdrawn from the relevant depositary wallet and paid to Invesco Asset Management Limited (the Issuer Adviser) in consideration for its services as Issuer Adviser and also its agreement to pay the fees and expenses due to the other service providers in connection with the Programme (but not including any indemnities granted in favour of the other service providers). The Issuer Adviser is principally responsible for providing certain advisory services to the Issuer.

The recent Base Prospectus was issued on 16 November 2022. The Digital Certificates were admitted for listing on the Frankfurt Stock Exchange on 20 January 2022.

## 2. Basis of preparation, significant accounting policies, estimates and judgements

### Basis of preparation

The financial statements of the Company have been in prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRSs) and in accordance with the Companies (Jersey) Law 1991.

The financial statements have been prepared on the historical cost basis, except for Digital Assets, Digital Certificates, Digital assets held in respect of management fees and related Trade and other payables that are measured at fair value, as explained in the accounting policies.

The principal accounting policies adopted are set below.

**2. Basis of preparation, significant accounting policies, estimates and judgements (continued)**

**Going concern**

The Directors believe that the Company is well placed to manage its business risk successfully and therefore have a reasonable expectation that the Company has adequate resources, as noted below, to continue in operational existence for the foreseeable future, being a minimum of 12 months from the date of this report.

The Company has an obligation to settle amounts due to the holders of Digital Certificates. When these are redeemed, the Company returns the corresponding amount of Digital Assets determined by the per Certificate Entitlement of those Digital Certificates, therefore the redemption of Digital Certificates would not impact the liquidity of the Company. Furthermore, the Issuer Adviser pays the fees and expenses due to the other service providers in connection with the Programme. The Arranger has committed to continue to utilise the structure and fund the expenses of the company for a period of at least 12 months from the date of approval of these financials statements. Accordingly, the Directors have prepared the audited financial statements on a going concern basis.

A high-level of analysis was made on the liquidity and performance of the Company, following the financial year end 31 March 2023. Based on this, the Directors note that there has been negative change in the prices of Digital Assets. Despite the significant reduction in the price of Digital Assets, the level of activity has remained stable post the financial year end. The Directors have also noted that the Administrator has taken measures to ensure business continuity.

The geopolitical situation in Eastern Europe intensified on 24 February 2022, with the Russian invasion of Ukraine. The war between the two countries continues to evolve as military activity proceeds and additional sanctions are imposed and, in addition, the collapse of FTX triggered widespread instability in crypto markets. These events have not had a significant impact on the Company and these financial statements and, the Directors expect no significant impact on the Company or the going concern assumption.

Given the current regulatory environment the Board consider the continued operations of the custodian to be a key consideration in the continued activity of the Company. The Company uses Zodia Custody Limited for the safeguarding of its cryptocurrency assets in institutional grade custody accounts. The custody accounts are segregated and as such, the digital assets of the Company are segregated from those of the Custodian and those of any other customers of the Custodian. The assets are held in the name of, and for the benefit of the Company. Through enquiries with the Custodian there are no indicators that its activities/services provided to the Company will change.

The Directors carefully evaluate the information that becomes available on an ongoing basis and believe that the above has had no significant impact on the audited financial statements. The Directors will continue to monitor the situation and appropriate steps will be taken for the smooth running of the Company's business.

**Adoption of new and revised standards**

*(a) New Standards, Amendment to Standards and Interpretations early adopted by the Company:*

The Directors have considered the impact of new standards, amendments and interpretations effective as of 01 April 2022 and do not consider there to be a significant impact on the financial statements as a result of these newly effective standards, amendments and interpretations.

*(b) Standards, amendments and interpretations not yet effective:*

There are number of standards and interpretations which have been issued by IASB that are effective for periods beginning subsequent to 31 March 2023 that the Company has decided not to adopt early. The Company does not believe these standards and interpretations will have a material impact on the financial statements once adopted.

**Critical accounting judgements and key sources of estimation uncertainty**

In applying the Company's accounting policies, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

**2. Basis of preparation, significant accounting policies, estimates and judgements (continued)**

**Critical accounting judgements and key sources of estimation uncertainty (continued)**

***Critical judgements in applying the Company's policies***

The following are critical judgements that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

*Judgement in classifying Digital Assets*

The IFRS Interpretations Committee ("**IFRIC**") published an agenda decision: Holding of Cryptocurrencies - Agenda Paper 12, in 2019, which clarifies how to apply the holdings of cryptocurrencies' classification, recognition and measurement within issued IFRS Standards.

The IFRIC observed that a holding of cryptocurrency meets the definition of an (1) intangible asset in IAS 38 on the grounds that (a) it is capable of being separated from the holder and sold or transferred individually; and (b) it does not give the holder a right to receive a fixed or determinable number of units of currency; or (2) in certain circumstances, inventory in accordance with IAS 2. Based on this conclusion, the classification, recognition and measurement, and disclosure requirements of IAS 38 or IAS 2 should be applied in regard to Bitcoin. Management has assessed the impact of the IFRIC's agenda decision and determined that the Company's policies are consistent with the IFRIC decision.

Directors have determined that the Digital Assets fall within the scope of IAS 38 Intangible Assets following a review of the facts and circumstances. In making this judgement, the Directors have considered that the 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 liability do not meet the definition of inventory as the assets are not held for sale in the ordinary course of business.

*Determination of the valuation methodology applied to Digital Assets*

The Base Prospectus includes a reference methodology to calculate the price of the Digital Certificates using The CoinShares Bitcoin Hourly Reference Rate (the CoinShares Price). The CoinShares Price represents transparent cryptocurrency reference prices with independent governance and oversight. It is calculated based on the collection of all observable transactions and order book snapshots of all respective selected exchanges. The calculation reflects a valuation at 4pm fixed time.

The Directors have considered the requirements of IFRS and more specifically in relation to the identification of a principal market for the Digital Assets, being the market with the greatest volume and level of activity for the Digital Assets. The directors note that at the reporting date, the market that meets this criterion is Binance.

Taking into consideration the prospectus methodology the Directors have utilised the CoinShares Price in the valuation of the asset as there is no significant difference between the Digital Assets value based on the CoinShares price and the Digital Assets value based on the Binance price. In reaching this conclusion, the Directors also considered the fact that CoinShares is an aggregator of a number of exchange prices.

As a result, the Directors consider that the CoinShares Price is the appropriate price for the calculation of fair value within these financial statements.

*Determination of fair value of Digital Certificates*

The Directors have considered the requirements of IFRS and more specifically in relation to the identification of a principal market being the market with the greatest volume and level of activity for the Digital Certificates. The directors note that the market that meets this criterion at the reporting date is the Deutsche Börse Xetra.

***Key sources of estimation uncertainty***

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting year that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Other income**

Other income is accounted for on an accrual basis. Other income includes a fee of US$ 500 payable by Issuer Adviser to the Company, for so long as any Series of Certificates is outstanding.

## 2. Basis of preparation, significant accounting policies, estimates and judgements (continued)

### Significant accounting policies

**Expenses**

Management fees are calculated by applying a percentage rate specified in the final terms. The initial per Digital Certificate entitlement is reduced on a daily basis on the assumption that the daily rate will be the per annum rate divided by 365. The change reduces the value of the Digital Certificate, which equates to the management fee amount in the relevant Digital Asset that is recognised for that day per each Digital Certificate in issue on that day. The management fees are calculated and accrued daily, until settled by transfer of the relevant Digital Asset. The amount of the management fee is recognised by converting the Digital Assets into the functional currency by application of the CoinShares Price.

Expenses are recognised on an accrual basis. In consideration of the advisory agreement, the Issuer Adviser incurs and pays the fees and expenses due to the other service providers in connection with the Programme

**Foreign currencies**

(a) Functional and presentation currency

The principal activity of the Company is to hold Digital Assets to support the Digital Certificates issued. Furthermore, the majority of the Company's income and expenses are transacted through the transfer of Digital Assets.

Given the above, the Company also considered other factors in determining the functional currency, specifically, the base currency denomination of the Digital Certificates issued which is US$.

As a result of the assessment, the Company concluded that the functional and presentation currency of the financial statements is US Dollar (US$), which reflects the Company's primary activity.

(b) Transactions and balances

Transactions denominated in foreign currencies are translated into US$ at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into US$ at the exchange rate ruling at the reporting date. Any gains or losses arising on translation are recognised in the statement of comprehensive income. Gains and losses arising on retranslation of liabilities designated at fair value through profit or loss are included in the statement of comprehensive income together with fair value gains and losses as noted below.

**Taxation**

The Company as a non-regulated financial services Company is liable to Jersey income tax at 0%.

**Digital assets**

The Company holds Digital Assets equal to the amount due to holders of Digital Certificates solely for the purposes of meeting its obligations under the Digital Certificates.

The IFRS Interpretations Committee ("**IFRIC**") published an agenda decision: Holding of Cryptocurrencies - Agenda Paper 12, in 2019, which clarifies how to apply the holdings of cryptocurrencies' classification, recognition and measurement within issued IFRS Standards.

The IFRIC observed that a holding of cryptocurrency meets the definition of an (1) intangible asset in IAS 38 on the grounds that (a) it is capable of being separated from the holder and sold or transferred individually; and (b) it does not give the holder a right to receive a fixed or determinable number of units of currency; or (2) in certain circumstances, inventory in accordance with IAS 2. Based on this conclusion, the classification, recognition and measurement, and disclosure requirements of IAS 38 or IAS 2 should be applied in regard to Bitcoin. Management has assessed the impact of the IFRIC's agenda decision and determined that the Company's policies are consistent with the IFRIC decision.

Following a review of the facts and circumstances, the Directors have determined that the Digital Assets fall within the scope of IAS 38 Intangible Assets. Furthermore, the Directors have determined to account for Digital Assets under the IAS 38 revaluation model being its fair value on the basis there is an active market for the transfer and sale of the Digital Assets that the Company holds. The Digital Assets are held to provide the security holders with the exposure to changes in the fair value of Digital Assets and therefore the Directors consider that carrying the Digital Assets at fair value reflects the objectives and the purpose of holding the asset.

Digital Assets are priced on a daily basis based on the amount of the Digital Assets held using the quoted price in U.S. Dollars published on the principal market exchange at midnight UTC time zone, the CoinShares Price, and is considered to be the fair value of the Digital Assets

**2. Basis of preparation, significant accounting policies, estimates and judgements (continued)**

***Issue and redemption***

Upon initial recognition and the receipt of Digital Assets, they are recorded at cost using the CoinShares Price as at the date of the receipt.

Upon redemption of Digital Certificates and the transfer out of Digital Assets, the attributable cost shall be calculated in accordance with the average cost methodology, and the overall cost reduced accordingly to represent the de-recognition of the Digital Assets. Any previously recognised gains on the Digital Assets de-recognised as a result of the transfer are reclassified to retained earnings.

***Subsequent measurement***

An increase in fair value is recognised in other comprehensive income and accumulated in the revaluation reserve within equity except to the extent that it reverses a revaluation decrease for impairment previously recognised in profit and loss.

A decrease in fair value is recorded in profit or loss except to the extent to which they reverse gains previously recognised in other comprehensive income for Digital assets.

**Digital certificates**

***Issue and redemption***

Each time a Digital Certificate is issued or redeemed by the Company a corresponding amount of the corresponding Digital Asset is transferred into or from the relevant secured account held by the Custodian. Upon initial recognition, Digital Certificates are recorded at fair value.

Liabilities are recognised when the Company becomes party to the contractual provision of the instrument and de-recognised when it is extinguished, discharged, cancelled or expires. Liabilities are recognised and de-recognised on the transaction (trade) date.

***Subsequent measurement***

After initial measurement, the Company measures Digital Certificates at fair value through profit or loss (**FVPL**) in accordance with IFRS 13. Subsequent changes in the fair value of Digital Certificates designated at FVPL are recognised directly in the profit or loss.

***Classification at fair value through profit or loss***

Digital Securities are classified as liabilities, with changes in fair value recognised in profit or loss.

***Digital Assets and Digital Certificates awaiting settlement***

The issue and redemption of Digital Certificates, and the transfer in and out of Digital Assets, is accounted for on the transaction date. The transaction will not settle until three days after the transaction date. Where transactions are awaiting settlement at the year end, the value of the Digital Asset and the Digital Certificates due to be settled is separately disclosed within the relevant assets and liabilities on the Statement of Financial Position. The fair value of these receivables and payables is considered equivalent to their carrying value.

**Digital assets held in respect of management fees and Digital Assets Payable**

Management fees are accrued by reducing the per Digital Certificate entitlement of each class of Digital Certificate on a daily basis by an agreed amount. At the same time an equivalent amount is transferred from Digital Assets to Digital Assets Held in Respect of Management Fees.

Under IFRS there is no standard treatment for the classification of digital currencies, and therefore applying the same judgement described under the Digital Assets Policy, the Digital Assets Held in Respect of Management Fees are carried at fair value.

***Initial recognition and subsequent measurement***

Digital assets held in respect of management fees and Digital Assets Payable at fair value through profit or loss are recognised initially at the trade date when the Company becomes a party to its contractual provisions. Subsequently the digital assets held in respect of management fees and digital assets payable are held at fair value through other comprehensive income or profit and loss respectively.

## 2. Basis of preparation, significant accounting policies, estimates and judgements (continued)

**Significant accounting policies (continued)**

***De-recognition***
The Company de-recognises Digital assets held in respect of management fees and Digital Assets Payable at fair value through profit or loss when the contractual rights from assets or liabilities have expired, or the Company has transferred the rights in a transaction in which substantially all the risks and rewards of ownership are transferred.

The fair value of the Digital Assets transferred to Digital Assets Held in Respect of Management Fees at the Statement of Financial Position date is re-measured using the latest CoinShares Price on that date. An increase in fair value is recognised in other comprehensive income and accumulated in the revaluation reserve within equity except to the extent that it reverses a revaluation decrease for impairment previously recognised in profit and loss. Upon derecognition of the Digital Assets recognised in respect of Management Fees (as a result of the transfer to settle the Management Fee payable), any previously recognised gains shall be transferred from the Revaluation Reserve to retained earnings.

***Classification at fair value through profit or loss***
Management Fees Payable are also accrued based on the income recognised in accordance with the agreement with the Issuer Adviser. These fees are paid by transfer of the relevant Digital Asset. Management Fees Payable are classified as liabilities at fair value through profit or loss.

**Reserves**
A revaluation reserve and a retained earnings reserve are maintained within equity. All profits or losses, including gains and losses on the movement in the fair value of Digital Certificates are taken to the retained earnings reserve at the end of each accounting period. Gains and reversals of previously recognised gains arising on the movement in the fair value of Digital Assets, above cost, are taken to the revaluation reserve at the end of each accounting period. Losses and reversals of previously recognised losses on the movement in the fair value of Digital Assets, below cost, are taken to profit and loss.

**Segment reporting**
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or a service within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The Chief Operating Decision Maker (CODM) of the operating segment is the Board. The CODM is responsible for all the Company's activities.

The Directors of the Company consider that the entity has only one geographical and one business segment and therefore is not required to produce additional segmental disclosure.

**Other financial assets**
Other financial assets including trade and other receivables with a fixed payment amount and are not quoted in an active market. After initial measurement, the other financial assets are subsequently measured at amortised cost.

## 3. Operating expenses

Certain costs associated with the Company are borne by Issuer Adviser, including the expenses incurred for services provided by Intertrust amounting to US$ 75,097(31 March 2022: US$70,025) and Auditors Remuneration for Services provided by KPMG Channel Islands Limited amounting to US$ 154,700 (31 March 2022: US$ 131,300).

Management fees to the Issuer Adviser amounted to US$701,057 (31 March 2022: US$486,933) during the financial year. As at 31 March 2023, the amount payable to the Issuer Adviser is US$73,165 (31 March 2022: US$118,308).

## 4. Taxation

The Company is subject to Jersey income tax at a rate of 0%.

## 5. Trade and other receivables

| | 31 March 2023 US$ | 31 March 2022 US$ |
|---|---|---|
| Receivable from related parties | 3 | 3 |
| Other receivables | 1,000 | 500 |
| | 1,003 | 503 |

The fair value of trade and other receivables is equal to the carrying value. These are due to be recovered within 12 months of the year end.

## 6. Digital assets

| | 31 March 2023 US$ | 31 March 2022 US$ |
|---|---|---|
| Digital assets | 86,667,969 | 140,014,828 |

As at 31 March 2023, there were no amounts of Digital Assets awaiting the settlement in respect of the creation or redemption of Digital Certificates with transaction dates before the year end and settlement dates in the following year.

All Digital Assets have been valued using the CoinShares Price on 31 March 2023. The cost of the Digital Assets, including Digital Assets held in respect of management fees, as at 31 March 2023 was US$170,859,455 (31 March 2022: US$171,816,764) and the Bitcoin wallet balance related to Digital Assets as at this same date was 3,043.98 (31 March 2022: 3,010.15).

The below reconciliation of changes in Digital Assets includes only non-cash transactions related to delivery of Digital Assets against delivery of Digital Certificates (refer to Note 8).

| | 31 March 2023 US$ | 31 March 2022 US$ |
|---|---|---|
| At beginning of the year/period | 140,014,828 | - |
| Additions during the year/period | 1,977,551 | 173,407,669 |
| Disposals during the year/period | (362,844) | (878,386) |
| Transfer to digital assets held in respect of management fees during the year/period | (701,057) | (486,933) |
| Changes in fair value during the year/period | (54,260,509) | (32,027,522) |
| At end of the year/period | 86,667,969 | 140,014,828 |

The changes in fair value during the year represent the loss, as there are no amounts in other comprehensive income, this has been fully recognised in the profit and loss statement in accordance with accounting policy.

The Directors consider that the useful life of the Digital Assets is assessed as indefinite on the basis that they can be held, exchanged and transferred as a store of value without an expiration date.

## 7. Digital assets held in respect of management fees

| | 31 March 2023 US$ | 31 March 2022 US$ |
|---|---|---|
| Digital assets held in respect of management fees | 73,165 | 118,308 |

Digital Assets held in respect of Management Fees are recorded at fair value.

## 8. Digital Certificates

| | 31 March 2023<br>US$ | 31 March 2022<br>US$ |
|---|---|---|
| Digital certificates | 86,667,969 | 140,014,828 |

The Company's ultimate liability relates to its contractual obligations to issue and redeem Digital Certificates in exchange for Digital Assets as determined by the per Digital Certificate entitlement of each class of Digital Certificates on each trading day.

As at 31 March 2023, there were no amounts of Digital Certificates awaiting the settlement in respect of the creation or redemption with transaction dates before the year end and settlement dates in the following year.

The below reconciliation of changes in Digital Certificates includes only non-cash changes.

| | 31 March 2023<br>US$ | 31 March 2022<br>US$ |
|---|---|---|
| At beginning of the year/period | 140,014,828 | - |
| Subscriptions during the year/period | 1,977,551 | 173,407,669 |
| Redemptions during the year/period | (362,844) | (878,386) |
| Changes in fair value during the year/period | (54,961,566) | (32,514,455) |
| At end of the year/period | 86,667,969 | 140,014,828 |

## 9. Trade and other payables

| | 31 March 2023<br>US$ | 31 March 2022<br>US$ |
|---|---|---|
| Dividend payable | 500 | - |
| Management fees payable | 73,165 | 118,308 |
| | 73,665 | 118,308 |

Management Fees Payable by transfer of Digital Assets are recorded at fair value.

## 10. Share Capital

| | 31 March 2023<br>US$ | 31 March 2022<br>US$ |
|---|---|---|
| **Authorised** | | |
| Equity: 2 ordinary shares of GBP 1 each | | |
| | | |
| **Allotted and called up** | | |
| Equity: 2 ordinary shares of GBP 1 each | 3 | 3 |

All shares issued have equal claim to voting and dividend rights.

Each issued and fully paid share is entitled to dividends when declared and carries a voting right. Except otherwise provided by the rights attached to shares, dividends shall be paid according to the amounts paid up on the shares. The shareholder has a right to vote at general meetings of the Company either in person or by proxy.

## 11. Risk management

The Company's activities expose it to a variety of risks: macro risk, credit risk, risk factors relating to Digital Assets, liquidity risk and market risk. The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the Company's financial performance.

The Board has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for identifying and analysing the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

**11. Risk management (continued)**

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

**Macro Risk**

Macro risk refers to risk that is associated with macroeconomic, financial and political, regulatory or judicial events which can affect markets generally and may affect the price of the Bitcoin and/or any other cryptocurrency relating to a Series.

There is lack of consensus regarding the regulation of cryptocurrencies, including Bitcoin, and uncertainty regarding their legal and tax status. Regulation of cryptocurrencies continues to evolve across different jurisdictions worldwide. Any change in regulation in any particular jurisdiction may impact the supply and demand in that specific jurisdiction and other jurisdictions due to the global network of exchanges for cryptocurrencies, as well as composite prices used to calculate the underlying value of such cryptocurrencies (if any), as the data sources span multiple jurisdictions.

The Directors continuously monitor legal, regulatory and environmental changes which could adversely affect the Company. This is accomplished by a number of measures which include and are not limited to, reviewing economic data and specialist reports issued by independent expert publications.

**Credit risk**

Credit risk is the risk of financial loss to the Company if an Authorised Participant or the Custodian fails to meet its contractual obligations. At the reporting date the Company did not have any Digital Certificates awaiting the transfer of Digital Assets therefore there was no residual credit risk exposure.

Whilst there is an inherent credit risk in the cryptocurrency market due to the nature of Digital Assets, it is the Company's policy to only enter into transactions with reputable Authorised Participants. The assets are held in segregated accounts that specifically relate to the Company and are not in a pool of assets with an allocation. Therefore, the Company does not expect to incur material credit losses in respect of Digital Assets.

The Board monitors the credit risk exposure on a periodic basis. As at 31 March 2023, the Company has no net exposure to any Digital Assets since its obligations are limited recourse to the relevant Digital Assets held to support the Digital Certificates. Currently, Zodia Custody Limited is the sole custodian of all digital assets. The credit risk is considered negligible, since Standard Chartered Bank, as parent to the Custodian is a reputable bank with a Fitch and Moody's credit rating of A+ and A1, respectively (2022: Fitch and Moody's credit rating of A+ and A1, respectively).

**Forking**

A fork is a refinement or improvement to a network's source code through one or more software upgrades that could alter the protocols governing the main Bitcoin network and the properties of Bitcoin. The effect would be the existence of two versions of the network running in parallel, and the creation of new digital assets which may lack interchangeability with its predecessor. A hard fork can potentially cause changes to the adoption, use or confidence in the underlying protocol and should such a loss of confidence in the underlying protocol occur, the value of the associated digital currency will decrease, which in turn would affect the value of any Digital Certificates relating to that digital currency.

Furthermore, a fork which results in the creation of a new coin presents a number of operational difficulties. The Custodian may not have the IT-infrastructure to cater for the new coin and its particular characteristics.

Price discovery in respect of the coins which result from a fork is not typically problematic but there may be an impact upon the Issuer's creation and redemption processes (specifically, the timescales involved in connection therewith for transactions which have not yet settled, including transactions that have already been initiated) as a consequence of the foregoing operational considerations. Furthermore, there is no obligation on the Custodian to support any post-fork path in respect of any Digital Assets, and the Custodian has the right to terminate its services in respect of any non-supported fork.

The total carrying amounts of the Digital Assets best represent the maximum risk exposure at the reporting date.

**Storage risk**

Storage risk is the risk of loss of Digital Assets. To manage this risk, the Company has partnered with an entity that offers high levels of security for the safekeeping of private keys with elaborate security protocols surrounding access to the secure enclave in which the private keys are stored. However, there is no assurance that these arrangements fully protect from loss of assets. The Company currently has Zodia Custody Limited as the sole Custodian.

## 11. Risk management (continued)

### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with liabilities. The Company's Digital Assets receivable and payable in respect of Management Fees are payable on demand and generally settled on a short term basis.

Unless previously redeemed or cancelled, each Digital Certificate of a Series will be redeemed on the Final Maturity Date, which shall in any case not be earlier than 30 June 2121, at the Specified Currency. In respect of those redemptions settled by delivery of the Digital Asset, a holder of Digital Certificate will receive on a date on or before the third business day following the relevant eligible redemption valuation date. If the Issuer Adviser becomes aware that a settlement disruption event has occurred or exists, settlement will be on the first succeeding day if on or by the 10th business day, relevant sale or delivery is not effected in a commercially reasonable manner.

When Digital Certificates are redeemed, the Company returns the corresponding amount of Digital Assets determined by the Per Certificate Entitlement of those Digital Certificates, therefore the redemption of Digital Certificates would not impact the liquidity of the Company as at 31 March 2023. As such, the Company has not presented any tabular information in respect of liquidity risk. The Digital Securities have a maturity date of September 2121 and can be redeemed at the request of the holder of the security through an Authorised Participant.

### Concentration risk

The financial instruments of the Company and concentration risk of each is outlined below:
- Digital Assets held by the Company relates to cryptocurrencies.
- Financial liabilities of the Company represent Secured Limited Recourse Certificates.

At the reporting date, the Company's Digital Assets were concentrated in Bitcoin.

### Climate risk

The Directors acknowledge that climate change is an emerging risk impacting the global economy and will continue to be of interest to all stakeholders with a focus on how climate change is expected to impact the operations of the Company and the regulatory environment in the future. However, having considered such factors relating to climate change, including the specific environmental considerations of Bitcoin creation and storage, the Directors have determined that there are no direct or immediate impacts of climate change on the business operations of the Company. Furthermore, the Directors conclude that at present there is no material impact to the fair value of the assets and liabilities of the Company. The Directors recognise that governmental and societal responses to climate change risks are still developing and the future impact cannot be predicted. Therefore, the future fair value of assets and liabilities may fluctuate as the market responds to climate change policies, physical events and changes in societal behaviours.

### Market risk

Market risk is the risk that changes in market prices, due to foreign exchange rates, interest rates, digital asset prices and equity prices, will affect the Company's income or the value of its holdings of Digital Assets and liabilities. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Due to the structure of the Company's assets and liabilities, particularly the similar terms and conditions of the Digital Assets and Digital Certificates, the Company's net exposure to market risk is considered to be minimal. However, there is an inherent risk where each Series of Certificates are linked to the value of the Digital Assets relating to that Series in the same way that a direct investment in such Underlying Cryptoassets would, and investors should be aware that substantially all of their investment may be lost. The Digital Certificates are not capital protected, for example through a deposit guarantee or protection scheme, and there is therefore a risk of partial or complete loss of investment. The assets and liabilities are all denominated in USD therefore there is no significant currency risk. The assets and liabilities are not interest bearing and therefore have no exposure to significant interest risk.

## 11. Risk management (continued)

**Sensitivity analysis**

IFRS 7 Financial Instruments: Disclosures requires disclosure of a sensitivity analysis for each market risk to which the Company is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date.

As mentioned in Market risk above, the Company has minimal net exposure to market risk. However, the profit or loss, and other comprehensive income will be affected by movements in the price of the Digital Assets. During the year to 31 March 2023, the value of Bitcoin traded between US$17,534 and US$47,330 (period to 31 March 2022: US$29,620 and US$68,390).

The sensitivity analysis below is prepared assuming a 25% percentage point increase or decrease in the value of the Digital Assets given the volatility observed during the preparation of these financial statements, with all other variables held constant, is used as these represent the management assessment of reasonably possible change.

| **As on 31 March 2023** | **Change in year-end price** | **Effect on profit or loss US$** |
|---|---|---|
| Digital assets | +25% | 21,666,992 |
| | -25% | (21,666,992) |
| Digital assets held in respect of management fees | +25% | 18,291 |
| | -25% | (18,291) |
| Digital certificates | +25% | (21,666,992) |
| | -25% | 21,666,992 |
| Management fees payable | +25% | (18,291) |
| | -25% | 18,291 |
| **As on 31 March 2022** | | |
| Digital assets | +15% | 21,002,224 |
| | -45% | (63,006,673) |
| Digital assets held in respect of management fees | +15% | 17,746 |
| | -45% | (53,239) |
| Digital certificates | +15% | (21,002,224) |
| | -45% | 63,006,673 |
| Management fees payable | +15% | (17,746) |
| | -45% | 53,239 |

**Capital management**

The Company is a special purpose vehicle set up to issue series of secured limited recourse Digital Certificates by the Issuer under the Programme described in the base prospectus. Share Capital of £2 was issued in line with Jersey Company Law and is not used for financing the investment activities of the Company. The Company is not subject to any other externally imposed capital requirements.

## 12. Fair value

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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

## 12. Fair value (continued)

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

As at 31 March 2023, the Company held the following assets and liabilities measured at fair value:

| | Level 1 US$ | Level 2 US$ | Level 3 US$ | Total US$ |
|---|---|---|---|---|
| Digital assets | 86,667,969 | - | - | 86,667,969 |
| Digital assets held in respect of management fees | 73,165 | - | - | 73,165 |
| Digital certificates | - | (86,667,969) | - | (86,667,969) |
| Management fees payable | - | (73,165) | - | (73,165) |
| | 86,741,134 | (86,741,134) | - | - |

As at 31 March 2022, the Company held the following assets and liabilities measured at fair value:

| | Level 1 US$ | Level 2 US$ | Level 3 US$ | Total US$ |
|---|---|---|---|---|
| Digital assets | 140,014,828 | - | - | 140,014,828 |
| Digital assets held in respect of management fees | 118,308 | - | - | 118,308 |
| Digital certificates | (140,014,828) | - | - | (140,014,828) |
| Management fees payable | - | (118,308) | - | (118,308) |
| | 118,308 | (118,308) | - | - |

The fair value of the assets and liabilities above was calculated using observable market data and require little management judgement and estimation. Availability of observable market prices for cryptocurrencies to which each Series of Digital Certificates are linked reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair value.

Digital certificates moved from level 1 to level 2, taking into consideration frequency and volume of trading during the year. There were no other transfers between hierarchy levels during the year. The Company's policy is to recognise transfers into and out of fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer.

The fair value of the Level 2 Digital Certificates above was calculated as certificates in issue multiplied by price of the certificates on the principle market (exchange) that they are traded on. Due to the infrequency of the trades conducted on the exchange, it could not be classified as active market data. Therefore, these have been reflected as Level 2 instruments.

## 13. Parent undertaking and controlling party

The entire issued share capital of the Company is held equally by Intertrust Nominees (Jersey) Limited and Intertrust Nominees 2 (Jersey) Limited, as nominees to Intertrust Fiscal Trustee a.r.l., as the trustee of the Invesco Digital Markets Charitable Trust.

## 14. Related party and connected party transactions

Ellen Chislett (resigned on 29 June 2023) and Ryan Mendez are Directors of certain subsidiaries of Intertrust Fiduciary Services (Jersey) Limited, including Intertrust SPV Services Limited, (together **Intertrust**) which provides administrative, accounting and directorship services to the Company. Karen Bailey, a director (appointed on 29 June 2023) is an authorised signatory of Intertrust.

During the year, the Issuer Adviser paid the expenses incurred for services provided by Intertrust amounting to US$75,097 (31 March 2022: US$70,025). The Directors do not receive remuneration from the Company. The fees paid to Intertrust include the provision of directors among other administrative services.

Management fees to the Issuer Adviser amounted to US$701,057 (31 March 2022: US$486,933) during the financial year.

**15. Subsequent events**

Post year end regulatory action by the securities exchange commission (SEC) against a number of cryptocurrency exchanges has triggered further instability in crypto markets, including for bitcoin. The company does not have any direct exposure to these exchanges or the securities they issue. The Company considers the trading activity at various exchanges to determine the appropriate valuation of cryptocurrency assets as described in note 2 including transactions on Coinbase and Binance and, has assessed Binance as the principal market of the cryptocurrency assets. The Board will continue to assess the appropriate pricing source for the Company. Post balance sheet changes in asset pricing have been disclosed below.

The below table relates to the changes in price of Digital Assets as at 30 June 2023 using the CoinShares price.

| Digital assets | Currency | Price as at 30 June 2023 | Price as at 31 March 2023 | Change in price % |
|---|---|---|---|---|
| Bitcoin | US$ | 30,130 | 28,472 | 5.82 |

There were no other events subsequent to year end date which would require adjustments to or disclosures in these financial statements.