

Company No: 9083955

COINBASE UK LTD

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016



Coinbase UK Ltd

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Company Information
For the year ended 31 December 2016

Directors

Brian Armstrong
Michael Lempres

Registered Office

9th Floor
107 Cheapside
London EC2V 6DN

Company number

9083955

Auditor

Moore Stephens LLP
150 Aldersgate Street
London EC1A 4AB

Report of the Directors

The directors present their report together with the audited financial statements for the year ended 31 December 2016. The comparative period was the six month period from 1 July 2015 to 31 December 2015.

Directors

The directors who served during the period were:

Brian Armstrong
Fred Ehrsam (resigned 27 January 2017)
Michael Lempres (appointed 22 March 2017)

Results and Dividends

The results for the period are shown on page 6.

The directors do not recommend the payment of a dividend for the period.

Principal Activity

The company's principal activity is facilitating the exchange of fiat and digital currencies for international customers and allowing consumers and businesses to securely transact in digital currencies, such as Bitcoin, Litecoin and Ethereum. The company offers various fiat payment methods and delivers digital currencies to customers using just in time sourcing. The directors expect to continue with the company's principal activity for the coming year.

Directors' Confirmation

Each of the directors who is a director at the time when the report is approved confirms that:

- (a) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) each director has taken all the steps that ought to have been taken as a director, in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.


Auditors

The auditors, Moore Stephens LLP, will be proposed for reappointment in accordance with section 485 of the Company Act 2006.

Small Company Note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

By Order of the Board on

26 January 2018

Michael Lempres
Director

Coinbase UK Ltd**Statement of Directors' Responsibilities**

The directors are responsible for preparing the Director's report and the 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the Members of Coinbase UK Ltd

We have audited the financial statements of Coinbase UK, Ltd for the year ended 31 December 2016 which are set out on pages 6 to 13. The financial reporting framework that has been applied in their preparation is applicable law and Section 1A "Small Entities" of FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 2(b) to the financial statements concerning the company's ability to continue as a going concern. The company incurred a net loss of \$183,355 during the year ended 31 December 2016 and, at that date, the company's current liabilities exceeded its total assets by \$1,060,353. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include adjustments that would result if the company was unable to continue as a going concern.

Independent Auditors' Report to the Members of Coinbase UK Ltd**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

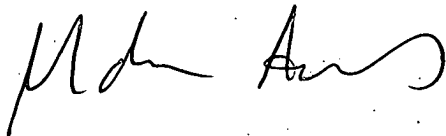
- the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.



Mark Ayres, Senior Statutory Auditor

For and on behalf of Moore Stephens LLP, *Statutory Auditor*

150 Aldersgate Street
London
EC1A 4AB

26 January 2018

Profit and Loss Account
For the year ended 31 December 2016

	<u>Note</u>	Year ended 31 December 2016 \$	<i>Six month period to 31 December 2015 \$</i>
Turnover	2(c)	2,100,279	436,573
Administrative expenses		<u>(2,342,104)</u>	<u>(496,150)</u>
Operating Loss	5	(241,825)	(59,577)
Interest payable and other similar charges		<u>(97,516)</u>	<u>(707)</u>
Loss on ordinary activities before taxation		(339,341)	(60,284)
Taxation	7	<u>155,986</u>	<u>-</u>
Loss for the Period		<u><u>(183,355)</u></u>	<u><u>(60,284)</u></u>

The notes on pages 8 to 13 form part of these financial statements.

Coinbase UK Ltd

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Balance Sheet
As at 31 December 2016

Registered number: 9083955

	<u>Note</u>	2016 \$	(Restated) 2015 \$
Current Assets			
Cash held at bank		17,768,562	8,565,259
Customer deposits held at bank	6	4,402,020	3,001,210
Trade debtors		-	94,589
Deferred tax	11	<u>155,986</u>	<u>-</u>
		22,326,568	11,661,058
Creditors: amounts falling due within one year	7	<u>(23,386,921)</u>	<u>(12,538,056)</u>
Net Current Liabilities		<u>(1,060,353)</u>	<u>(876,998)</u>
Total Assets Less Current Liabilities		<u>(1,060,353)</u>	<u>(876,998)</u>
Capital and Reserves			
Share capital	9	-	-
Profit and loss account		<u>(1,060,353)</u>	<u>(876,998)</u>
Shareholders' Deficit	10	<u>(1,060,353)</u>	<u>(876,998)</u>

The accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the Board of Directors and authorised for issue on 26 January 2018


Michael Lempres
Director

The notes on pages 8 to 13 form part of these financial statements.

Financial Statements for the year ended 31 December 2016**Notes****1. General Information**

Coinbase UK, Ltd is a company incorporated in England and Wales under the Companies Act 2006. The Company is a private company limited by shares and is registered in England and Wales. The address of the registered office is given on page 1.

2. Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the period.

(a) Basis of preparation

These financial statements for the year ended 31 December 2016 are the first financial statements of Coinbase UK Ltd prepared in accordance with FRS 102 Section 1A, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 Section 1A was 1 July 2015. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102 Section 1A.

The financial statements have been prepared using the going concern basis of accounting.

The Company's functional and presentation currency is USD.

(b) Going Concern

The Company is reliant upon the continued support of its ultimate parent company Coinbase Global Inc. The directors of the company have received confirmation from Coinbase Inc. that it will continue to provide such support for the foreseeable future and for a period of at least twelve months from signing of these financial statements. Coinbase Inc. has also confirmed that they will not recall the debt owed by the Company until the resources of the company permit. After making reasonable enquiries and reviewing both the company and the group cash flow forecasts, the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis. This assumes the recoverability of assets and the settlements of liabilities in the ordinary course of business.

As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue, although at the date of approval of these financial statements, they have no reason to believe it will not do so. The going concern basis of the company would be uncertain if material debt recalls were sought outside of those permitted by cash flow forecasts.

Coinbase UK Ltd**Financial Statements for the year ended 31 December 2016****Notes (Continued)****(c) Turnover**

The Company derives its turnover from bitcoin transactional services, where users can buy and sell bitcoins in transactions for an exchange service fee. The Company recognises turnover when the following criteria have been met: persuasive evidence of an arrangement exists, the fee is fixed or determinable, the service has been rendered and risk of loss has transferred to the customer, and collection is reasonably assured. Service is considered rendered upon transfer of bitcoin to the customer. The Company defers any funds received in advance of successful completion of the recognition criteria.

Percentage of turnover generated outside of the UK is 71%

(d) Deferred Taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

The tax expense for the period comprises of deferred tax. Tax is recognised in the profit or loss, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively. Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Coinbase UK Ltd

Financial Statements for the year ended 31 December 2016

Notes (Continued)

(e) Financial instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes financial transaction, where it is recognised at present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at the amortised cost.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit and loss immediately. Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

(f) Foreign Currency Translation

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income.

(g) Prior year restatement

The prior year has been restated to correctly reflect the balance sheet position of cash held at bank and customer deposits held at bank. This has reduced the customer deposits by \$2,905,313 in the prior year with an equivalent increase in cash held at bank. In turn the customer currency deposits have decreased by \$2,905,313 and the amounts owed to parent company increased by \$2,905,313.

3. Critical accounting judgements

There are no material judgements or estimates in the preparation of these accounts.

4. Staff Costs

Directors' remuneration is borne by the parent company.

Coinbase UK Ltd

Financial Statements for the year ended 31 December 2016

Notes (Continued)

5. Operating Loss

The operating loss is stated after charging:

	2016 \$	2015 \$
Auditors remuneration	80,000	12,000
Auditors remuneration – non audit services	1,851	3,045
Gain on foreign exchange	<u>(1,181)</u>	<u>(488)</u>

6. Customer deposits held at bank

The client operates one customer deposit bank account. As at 31 December 2016, the total balance of this account was \$4,402,020 (2015: \$3,001,210).

Coinbase UK stores accounts for customers in multiple different currencies, to allow them to facilitate bitcoin transactions in a more timely manner. The Company maintains these deposits at a financial institution in Europe.

7. Taxation

Deferred tax credit

	2016 \$	2015 \$
Trading losses	<u>155,986</u>	<u>-</u>

Coinbase UK Ltd

Financial Statements for the year ended 31 December 2016

Notes (Continued)

8. Creditors: amounts falling due within one year

	2016 \$	(Restated) 2015 \$
Customer Currency deposits	4,402,020	3,001,210
Amounts owed to the parent company	18,647,105	9,409,887
Accruals and deferred income	253,151	33,307
Other creditors	84,645	93,652
	<u>23,386,921</u>	<u>12,538,056</u>

Amounts owed to parent company are unsecured, interest free and repayable on demand.

9. Share Capital

	2016 \$	2015 \$
Allotted, issued and fully paid 1 ordinary shares of £0.0001 each	<u>-</u>	<u>-</u>

Coinbase UK Ltd

Financial Statements for the year ended 31 December 2016

Notes (Continued)

10. Reconciliation of Movements in Shareholders' Deficit

	2016 \$	2015 \$
Opening shareholders' deficit	(876,998)	(816,714)
Loss for the period	(183,355)	(60,284)
Closing shareholders' deficit	<u>(1,060,353)</u>	<u>(876,998)</u>

11. Related Party Transactions

The company acts as an intermediary for Coinbase Global Inc, its parent company, in buying and selling Bitcoin to international customers.

During the period certain costs were incurred and revenues transacted by Coinbase Global Inc in relation to Coinbase UK Ltd Those costs and revenues were charged/credited to Coinbase UK Ltd in the period in which they occurred.

12. Ultimate Controlling Party

The company's immediate and ultimate parent company is Coinbase Global, Inc. a company incorporated in the United States of America.

In the opinion of the directors, there is no one controlling party at the balance sheet date.