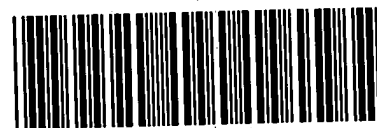


CIRCLE UK TRADING LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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CIRCLE UK TRADING LIMITED
REGISTERED NUMBER: 09543077

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CIRCLE UK TRADING LIMITED
REGISTERED NUMBER: 09543077

COMPANY INFORMATION

DIRECTORS

Jeremy Allaire (United States)
Cedric Ivagnes (United Kingdom), appointed 1/3/2021, resigned
28/10/2022
Prashant Kalia (United Kingdom), appointed 28/10/2022

PREVIOUS DIRECTOR

Marieke Flament (France), resigned 15/03/2019
Gus Coldebella (United States), resigned 6/12/2019

COMPANY SECRETARIES

Claire Wells, resigned on 21/05/2020
Saige Benavides (United States), resigned on 14/12/2020
Flavia Naves (United States), appointed on 14/12/2020

REGISTERED NUMBER

09543077

REGISTERED OFFICE

1 Poultry,
London, EC2R 8EJ
UK

INDEPENDENT AUDITOR

Grant Thornton UK LLP
Chartered Accountants
30 Finsbury Square
London, EC2A 1AG
UK

BANKERS

LHV Bank
1 Angel Court
London, EC2R 7HJ

Silicon Valley Bank
3003 Tasman Drive
Santa Clara
CA 95054

SOLICITORS

Osborne Clarke LLP
2 Temple Back East
Temple Quay
Bristol, BS1 6EG
UK

CIRCLE UK TRADING LIMITED
REGISTERED NUMBER: 09543077

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their strategic report and the audited financial statements for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

Circle UK Trading Limited ("Circle UK" or the "Company") was incorporated on 15 April 2015. Circle UK Trading Limited is a wholly owned subsidiary of Circle Internet Financial Limited ("Circle Limited" or the "Ultimate Parent"). The Ultimate Parent together with its subsidiaries forms "Circle Group" or the "Group". The Company's focus is to support the Group in creating platform services around its stable coin US Dollar Coin ("USDC"), including supporting existing legacy consumer peer-to-peer payment products. USDC is a top five market capitalization cryptocurrency and the platform, which was launched in September 2018, allows businesses to process USDC native payments and payouts and provide digital wallet and custody services using Application Programming Interfaces ("APIs"). This allows for enhancement of existing marketplace models and new digital businesses to be created. The Company has secured a license with the Financial Conduct Authority (FCA) in the UK.

2021 BUSINESS REVIEW

The Company's profit for the 2021 year was £269,600 (2020: loss of £2,973,904). The Company's focus in 2021 was to continue supporting the Group in creating platform services around USDC, including supporting existing legacy consumer peer-to-peer payment products.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors consider that the principal risks and uncertainties faced by the Company are:

General

Successful completion of the Company's development program, and ultimately, the attainment of profitable operations is dependent upon future events, including maintaining adequate financing to fulfil its development activities. The Company is subject to several risks common to developing technology-based companies, including limited operating history, dependence on key individuals, rapid technology changes, competition from larger companies, the need for adequate financing to fund future operations

Economic

The Company is exposed to the risk of foreign exchange losses, increased interest rates and inflation having an adverse impact on served markets.

Competitor

The Directors of the Company manage competition through close attention to market research, benchmarking with competition, and recruitment of highly skilled professional staff.

Financial

The Company prepares regular cash flow forecasts to review liquidity requirements and has prepared detailed plans covering the next 12 months. The plan is updated on a regular basis and when new information becomes available. The Directors have financial reporting procedures to manage credit, liquidity and other financial risk. Refer to the Going Concern section of the Director's Report for more details on the Directors' cash flow projections.

COVID-19

The Company continues to monitor the impact of Covid-19. The Company is an online business and continues to provide flexible working arrangements for staff, which allows to provide full range of services to clients. At present the Company has not seen a significant negative impact on its activities.

ON BEHALF OF THE BOARD:

24/1/2023

Jeremy Allaire
 Jeremy Allaire, Director

Date: _____

CIRCLE UK TRADING LIMITED
REGISTERED NUMBER: 09543077

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their report with the financial statements of the company for the year ended 31 December 2021.

DIRECTORS

The Directors shown below have held office during the year as follows:

- Jeremy Allaire
- Cedric Ivagnes appointed 1/3/2021, resigned 28/10/2022

THE STRATEGIC REPORT

The Directors use the Strategic Report to provide further information on the following:

- The financial risk management policy
- Likely future developments for the Company's operations
- Important event subsequent to the end of the financial year

DIVIDENDS

There were no dividends declared or payable during the year ended 31 December 2021.

GOING CONCERN

The Company earned a net profit of £269,600 for the financial year ended 31 December 2021 compared to a net loss of £2,973,904 for the year ended 31 December 2020.

The Group has received significant financing in the form of an issuance of convertible notes for a total of \$451.0 million in 2021 and the subsequent issuance of Series F redeemable convertible preferred stock for approximately \$401.0 million in May 2022, and the Group has sufficient funding and intention to support the Company to meet its financing needs. In February 2022 Circle UK also received a capital contribution of £1.8m from the Ultimate Parent to fund its ongoing operations. The Company believes proceeds received from the financing subsequent to year-end is sufficient to meet the Company's cash needs and support their operations for at least the next twelve months from the issuance date of the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the strategic report, the Directors' 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 Principles (United Kingdom Accounting Standards and applicable law, including Financial Reporting Standard 101, "Reduced Disclosure Framework"). 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 situation 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.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business; and
- ensure that UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

CIRCLE UK TRADING LIMITED
REGISTERED NUMBER: 09543077

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)

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.

DISCLOSURE OF INFORMATION TO THE INDEPENDENT AUDITOR

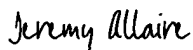
Each of the persons who are Directors of the Company at the date when this report was approved confirms that:

- so far as that director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- that 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 auditor is aware of that information.

AUDITORS

The auditors, Grant Thornton UK LLP, were re-appointed in the year and will be proposed for reappointment at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 24 January 2023 and signed on its behalf by:



Jeremy Allaire, Director

CIRCLE UK TRADING LIMITED
REGISTERED NUMBER: 09543077

INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

Independent auditor's report to the members of Circle UK Trading Limited

Opinion

We have audited the financial statements of Circle UK Trading Limited (the 'company') for the year ended 31 December 2021, which comprise the Statement of Financial Position, Income Statement, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' ('United Kingdom Generally Accepted Accounting Practice').

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 we identify such material inconsistencies or apparent material misstatements, we are

CIRCLE UK TRADING LIMITED
REGISTERED NUMBER: 09543077

INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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 strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

CIRCLE UK TRADING LIMITED
REGISTERED NUMBER: 09543077

INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the following laws and regulations were the most significant:
 - Companies Act 2006;
 - the Financial Reporting Standard applicable in the UK and Republic of Ireland;
 - Financial Conduct Authority (FCA) Handbook; and
 - Financial Services and Markets Act 2000 (FSMA);
- We understood how the company complies with those legal and regulatory frameworks by making inquiries of directors and those responsible for legal and compliance procedures as to whether they had knowledge of any actual, suspected or alleged fraud. We corroborated the results of our inquiries through our review of Board minutes;
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the company's operations, including the nature of its revenue sources and services and of its objective to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement; and
 - the company's control environment to mitigate risks of fraud or non-compliance with the relevant laws and regulations;
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included checking the completeness of journal entries and identifying and testing journal entries, in particular manual journal entries processed for financial statements preparation. We also assessed the financial statements disclosures and the corresponding supporting documentation.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery, or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

CIRCLE UK TRADING LIMITED
REGISTERED NUMBER: 09543077

INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

- In assessing the appropriateness of the collective competence and capabilities of the engagement team, the engagement partner considered the engagement team's:
 - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation; and
 - knowledge of the industry in which the client operates;
- As the company is FCA regulated, our assessment of risks of material misstatement also involved an understanding of the control environment, including the entity's procedures for complying with regulatory requirements. Our communication of identified laws and regulations risks was made throughout our team and we remained alert to any indications of non-compliance throughout the audit.

Use of our report

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.

Grant Thornton UK LLP

Paul Flatley
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
Date: 24/1/2023

CIRCLE UK TRADING LIMITED
REGISTERED NUMBER: 09543077

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	2021 £	2020 £
Non-current assets:			
Property, plant and equipment	5	5,343	-
Investment in subsidiaries	6	-	-
Restricted cash	7	320,530	320,530
Total non-current assets		325,873	320,530
Current assets:			
Cash and cash equivalents	8	493,750	499,671
Cash and cash equivalents safeguarded for the benefit of customers		65,811	96,370
Accounts receivable	9	11,284,769	4,612,162
Total current assets		11,844,330	5,208,203
TOTAL ASSETS		12,170,203	5,528,733
Current liabilities:			
Accounts payable	10	11,615,564	5,455,941
Contract liabilities	11	16,241	-
Customer deposits	12	65,811	96,370
Total current liabilities		11,697,616	5,552,311
TOTAL LIABILITIES		11,697,616	5,552,311
Equity:			
Share capital	13	1	1
Capital contribution reserve	14	20,949,272	20,949,272
Share-based payments reserve	15	558,025	331,460
Accumulated deficit		(21,034,711)	(21,304,311)
TOTAL EQUITY		472,587	-23,578
TOTAL LIABILITIES AND EQUITY		12,170,203	5,528,733

STATEMENT OF FINANCIAL POSITION

The notes on pages 13 to 36 form an integral part of these financial statements.

The financial statements were approved by Board of Directors on 24 January 2023.

Signed on behalf of the Board of Directors on 24 January 2023 by:



 Jeremy Allaire, Director

CIRCLE UK TRADING LIMITED
REGISTERED NUMBER: 09543077

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Revenue	16	4,475,809	94,707
Operating expenses	17	(6,470,638)	(1,697,776)
Operating loss		(1,994,829)	(1,603,069)
Other income	18	2,271,041	38,451
Impairment loss on investment in subsidiaries		-	(514,750)
Expected credit losses		-	(889,773)
Foreign currency exchange gain / (loss)		(6,612)	(4,763)
Profit/(loss) on ordinary activities before taxation		269,600	(2,973,904)
Tax on profit/(loss) on ordinary activities	19	-	-
Profit/(loss) for the financial year		269,600	(2,973,904)
Total comprehensive profit/(loss) for the year		269,600	(2,973,904)

The notes on pages 13 to 36 form an integral part of these financial statements.

CIRCLE UK TRADING LIMITED
REGISTERED NUMBER: 09543077

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

STATEMENT OF CHANGES IN EQUITY

	Called up share capital	Capital contribution reserve	Share based payments reserve	Accumulated deficit	Total
	£	£	£	£	£
As at 1 January 2020	1	20,171,472	329,275	(18,330,407)	2,170,341
Share based compensation	-	-	2,185	-	2,185
Capital contribution	-	777,800	-	-	777,800
Loss/Total comprehensive loss for the financial year	-	-	-	(2,973,904)	(2,973,904)
At 31 December 2020	1	20,949,272	331,460	(21,304,311)	(23,578)
Share based compensation	-	-	226,565	-	226,566
Profit/Total comprehensive income for the financial year	-	-	-	269,600	269,600
At 31 December 2021	1	20,949,272	558,025	(21,034,711)	472,588

The notes on pages 13 to 36 form an integral part of these financial statements.

CIRCLE UK TRADING LIMITED
REGISTERED NUMBER: 09543077

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

1. COMPANY BACKGROUND

Circle UK Trading Limited ("Circle UK" or the "Company") is a limited company, incorporated on 15 April 2015 and domiciled in the United Kingdom.

The Company is a wholly owned subsidiary of Circle Internet Financial Trading Company Limited ("Circle Trading" or the "Parent"). Circle Trading is a wholly owned subsidiary of Circle Internet Financial Limited ("Circle Limited" or the "Ultimate Parent") incorporated in Ireland. The Ultimate Parent together with its subsidiary's forms "Circle Group" or the "Group".

The Company's focus is to support the Group in creating platform services around USDC, including supporting existing legacy consumer peer-to-peer payment products. USDC is a top five market capitalization cryptocurrency and the platform which was launched jointly with Coinbase Global Inc. in September 2018, allows businesses to process USDC native payments and payouts and provide digital wallet and custody services using Application Programming Interfaces ("APIs"). This allows for enhancement of existing marketplace models and new digital businesses to be created.

The Company is regulated and licensed by the UK's Financial Conduct Authority.

The financial statements of the Company for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors on 24 January 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

These financial statements were prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") and in accordance with Companies Act, 2006. For all periods up to and including the year ended 31 December 2020, the Company prepared its financial statements in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102"), and with the Companies Act 2006. These financial statements for the year ended 31 December 2021 are the first the Company have prepared in accordance with FRS 101. Refer to Note 2.5 for information on how the Company adopted FRS 101. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements are presented in British Pounds Sterling (£) and all values are rounded to the nearest pound, except when otherwise indicated.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 6 and 21 of IFRS 1, "First-time adoption of International Financial Reporting Standards" (to present an opening statement of financial position at the date of transition).
- Paragraphs 45(b) and 46 of IFRS 2, "Share-based payment" (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7, "Financial instruments: Disclosures, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- Paragraphs 91 to 99 of IFRS 13, "Fair value measurement" (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers (disaggregation of revenue, details of changes in contract assets and liabilities, and details of incomplete performance obligations)

CIRCLE UK TRADING LIMITED
REGISTERED NUMBER: 09543077

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2.1 BASIS OF PREPARATION (continued)

- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.
- Paragraph 38 of IAS 1, “Presentation of financial statements” – comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1.
 - paragraph 73(e) of IAS 16, “Property, plant and equipment”; and
 - paragraph 118(e) of IAS 38, “Intangible assets” (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, “Presentation of financial statements”:
 - 10(d) (statement of cash flows).
 - 16 (statement of compliance with all IFRS).
 - 38A (requirement for minimum of two primary statements, including cash flow statements).
 - 38B-D (additional comparative information).
 - 111 (statement of cash flows information); and
 - 134-136 (capital management disclosures).
 - IAS 7, “Statement of cash flows”.
- Paragraphs 30 and 31 of IAS 8, “Accounting policies, changes in accounting estimates and errors” (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, “Related party disclosures” (key management compensation).
- The requirements in IAS 24, “Related party disclosures”, to disclose related party transactions entered between two or more members of a group.

2.2. BASIS OF CONSOLIDATION

The Company is exempt from preparing consolidated financial statements as the results of the Company are included within the consolidated financial statements of its Ultimate Parent, the company incorporated in Ireland. The financial statements of Circle Internet Financial Limited can be obtained from 70 Sir John Rogerson’s Quay, Dublin Docklands, Dublin 2, D02 R296, Ireland. Ireland company registration no. 531058.

2.3. GOING CONCERN

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but not limited to, twelve months from the date the financial statements are available for issuance. For the years ended 31 December 2021 and 31 December 2020 the Company had a net profit of £307,466 and net losses of £2,973,904, respectively. The Company’s ability to continue operations after its current cash resources are exhausted depends on it successfully securing additional financing or achieving profitable operations.

The Group has received significant financing in the form of an issuance of convertible notes for a total of \$451.0 million in 2021 and the subsequent issuance of Series F redeemable convertible preferred stock for approximately \$401.0 million in May 2022, and the Group has sufficient funding and intention to support the Company to meet its financing needs. In February 2022 Circle UK received a capital contribution of £1.8m from the Ultimate Parent to fund its ongoing

CIRCLE UK TRADING LIMITED
REGISTERED NUMBER: 09543077

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2.3 GOING CONCERN (continued)

operations. The Company believes proceeds received from the financing subsequent to year-end is sufficient to meet the Company's cash needs and support their operations for at least the next twelve months from the issuance date of the financial statements. For these reasons, the Company continues to adopt the going concern basis in preparing the annual report and accounts.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Company in preparing its financial statements:

a) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on a current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

b) Foreign currencies

The Company's financial statements are presented in British Pounds Sterling, which is also the Company's functional currency.

Transactions entered by the Company in a currency other than the functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss. Monetary assets include cash, accounts receivable, deposits, contract liabilities and accounts payable. All foreign exchange gains and losses are presented in profit or loss within "Foreign currency exchange gain/(loss)". The net gain for the year is recorded as foreign currency exchange gain in the Statement of Profit or Loss.

CIRCLE UK TRADING LIMITED
REGISTERED NUMBER: 09543077

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Leases

In accordance with IFRS 16 “Leases” the Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company only has short-term and low value leases, and it applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term within Operating expenses in Profit or Loss.

d) Investments in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

e) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset’s recoverable amount to determine the extent of the impairment loss. An asset’s recoverable amount is the higher of an assets or cash-generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the Statement of Profit or Loss in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the Statement of Profit or Loss unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

f) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

The Company classifies its financial assets at initial recognition, as subsequently measured at amortised cost or fair value through profit or loss (“FVTPL”). The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Company’s business model for managing them. A USDC held by the Company is a financial asset as it is a contractual right to receive cash.

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NOTES TO THE FINANCIAL STATEMENTS
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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Initial recognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement

Financial assets at amortised cost

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met (and are not designated as FVTPL):

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest.

After initial recognition these financial assets are measured at amortised cost using the effective interest method ('EIR'). Interest income from these financial assets is included in "Interest and similar income". Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other income/(expenses)". Impairment losses on financial instruments are presented as separate line item in the Profit or Loss "Expected credit losses".

Cash and cash equivalents

Cash and cash equivalents are cash and highly liquid investments with original maturities of three months or less at the date of purchase that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

Restricted cash - collateral accounts

Restricted cash consists of collateral accounts held at LHV Bank during the financial year to ensure settlement completion and is excluded from cash and cash equivalents balances.

Cash held for the benefit of customers

Where customers maintain balances in GBP or EUR, the Company holds cash in separate bank accounts for the benefit of customers. The corresponding liability is recorded under "Customer deposits".

Accounts receivable

Accounts receivable that are contractual rights to receive cash or financial instruments, such as USDC, either on demand or at fixed or determinable dates, are financial assets. They are recognised as assets on the Group's Statement of Financial Position when earned. Accounts receivable consists of customer funds receivable, and other receivables. Collectability risks related to these accounts are remote.

Financial assets at FVTPL

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. The Company has certain accounts receivable where cashflows are not solely payment of principal and interest and such receivables are measured at FVTPL.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired

Or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

ECL

The Company recognises an allowance for ECL for all debt instruments not held at FVTPL.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For Accounts receivable, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Company considers a financial asset in default when contractual payments are 90 days past due. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and payables, net of directly attributable transaction costs.

The Company’s financial liabilities include trade creditors, accruals, amounts owed to group and deposits from customers.

Subsequent measurement

For the purposes of subsequent measurement, financial liabilities are measured at amortised cost

Financial liabilities at amortised cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method.

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit or Loss.

This category generally applies to interest-bearing loans and borrowings. The Company currently does not have interest-bearing loans and borrowings.

Trade and other payables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts payable

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Customer deposits

Customer deposits in the form of cash and cash equivalents are recognised initially at fair value and subsequently measured at amortised cost using the EIR method. Refer to Note 12 for details of customer deposits in digital assets.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit or Loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

g) Share-based payments

The cost related to employee stock options granted is recorded as compensation expense and the related equity is classified in capital and reserves as other reserves.

The Company measures compensation costs for all stock options granted based on fair value on the date of the grant. The fair value of each stock option granted is estimated on the grant date using the Black-Scholes-Merton option-valuation model. Stock-based compensation, net of estimated forfeitures, is recognised on a graded vesting basis for each stock option grant.

In certain circumstances, the Company also grants share-based awards to consultants in lieu or in reduction of cash compensation for their services. For share-based payments granted to non-employees, the Company recognises an expense at the fair value of the services on the measurement date, and records an expense related to non-employee grants in the Statement of Profit or Loss. For non-employee grants, the measurement of stock-based compensation is subject to periodic adjustment as the underlying equity instruments vest.

h) Property, plant, and equipment

Property, plant, and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value over the expected useful live of items of property, plant, and equipment, using the straight-line method. The rate applicable is:

Computers and equipment: 3 years

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss when the asset is derecognised. The residual values, useful lives, and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

i) Revenue

The Company determines revenue recognition from contracts with customers through the following five steps:

- identification of the contract, or contracts, with the customer,
- identification of the performance obligations in the contract,
- determination of the transaction price,
- allocation of the transaction price to the performance obligations in the contract, and
- recognition of the revenue when, or as, the Group satisfies a performance obligation.

Revenue from contracts with customers is recognised when, or as, the Company satisfies its performance obligations by transferring promised goods or services to customers. A good or service is transferred to a customer when, or as, the customer obtains control of that good or service. A performance obligation may be satisfied over time or at a point in time. Revenue from a performance obligation satisfied at a point in time is recognised at the point in time that the Company determines the customer obtains control over the promised good or service. The amount of revenue recognised reflects the consideration to which the Group expects to be entitled in exchange for those promised goods or services. The Company may sometimes receive consideration in a form other than cash, i.e., in digital assets. The Company measures revenue in non-cash consideration at the fair value of the non-cash consideration at inception of the contract.

The Company's services that fall within the scope of IFRS 15 are presented on a product line basis and are recognised as revenue as the Company satisfies its obligation to customers. Services within the scope of IFRS 15 include:

- **Integration services revenue:** Integration services relate to agreements with third party blockchain companies where the Company enables and integrates USDC stable coins into the third party public blockchains which allow for the issuance and redemption of USDC on their platform. The agreements can include upfront payments, milestone, or phase payments.

The contracts are structured with up to three performance obligations: technical implementation of the USDC onto the public blockchain, marketing services and support. Contracts will always have a technical implementation performance obligation but may not have a marketing or support performance obligation

Marketing services relate to promotional services in connection with the launch of USDC onto the blockchain and support involves assisting with the onboarding of any of the customer's end users on the new blockchain implementation and helping related to the technical implementation. These obligations are distinct goods or services, and revenue is recognised at the point in time the technical implementation is complete for integration services and over time for marketing services and support. Support services only commence once the technical implementation is complete. Consideration for all three Integration service performance obligations (where applicable) is fixed. There is no observable stand-alone selling price for any of the three performance obligations, so all are estimated using a cost-plus margin approach.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company receives non-cash consideration based on the executed contract value in the form of digital assets. As the Company has the USD equivalent price established in the contract, the Company deems this to be the transaction price in the contract, that is the transaction price is measured at contract inception.

The digital asset payment generally occurs as a pre-payment and then either milestone payments or a final payment once the goods or service have been provided. Deferred revenue is recognised if a payment is received before the Company performs the services. These are recognised as revenue when the Company performs under the contract. In instances in which the payment may be made in a digital asset or a financial asset, the receivable is considered a financial asset that does not have contractual cash flows that are solely payment of principal and interest.

Therefore, the receivable is recorded at FVTPL during the period from completion of the performance obligation when the receivable is recognised to the receipt of payment, in instances in which the payment may only be made in a digital asset that meets the definition of an intangible asset, the receivable is accounted for consistently with the accounting policy for Digital assets described above.

- **Circle Pay dormancy fees:** This is an annual dormancy fee of \$30 per user to cover the cost of administering the end of life of the Circle Pay product including escheatment to relevant state bodies for dormant funds. Circle Pay is a legacy consumer peer-to-peer payment product. This revenue is recognised during the year on a straight-line basis.

Contract liability

A contract liability is recognised if a payment is received, or a payment is due (whichever is earlier) from a customer before the Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Company performs under the contract (i.e., transfers control of the related goods or services to the customer).

j) Operating expenses

Operating expenses include costs incurred to support the Company's business, including staff costs, professional services fees paid for legal and accounting services, rent, depreciation of fixed assets, travel expenses, insurance, training and education, compliance, and other administrative services. Operating expenses are recognised as incurred and presented in the Statement of Profit or Loss.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

No deferred tax assets have been recognised on the basis that it is more likely than not that there will be no suitable taxable profits under which they can be recovered in the foreseeable future. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

l) Digital assets held on behalf of customers

As part of the Circle Pay Product, the Company holds certain digital assets on behalf and for the benefit of its customers. Such digital assets are custodied in digital wallets that the Company provides to its customers, allowing them to store and transact in digital assets. Such digital assets are owned by the customers, who have the ability to control the use of the assets and have the right to the economic benefits that flow from the assets. Digital assets that the Company holds on behalf of customers do not meet the definition of an asset and therefore they are not recognised on the Company's Statement of Financial Position. A corresponding customer liability is also not recognised. Refer to Note 12 for further detail.

m) Share capital

Ordinary shares are classified as equity.

n) Capital contribution reserve

The non-repayable capital contribution from the Parent is recognised in equity as a non-distributable reserve.

o) Accumulated deficit

This account includes all current and prior period retained profit or losses recorded by the Company.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2.5 FIRST-TIME ADOPTION OF FRS 101

These financial statements, for the year ended 31 December 2021, are the first the Company has prepared in accordance with FRS 101. For periods up to and including the year ended 31 December 2020, the Company prepared its financial statements in accordance with FRS 102.

Accordingly, the Company has prepared financial statements that comply with FRS 101 as at 31 December 2021, together with the comparative period data for the year ended 31 December 2020, as described in the summary of significant accounting policies. In preparing these financial statements, the Company has applied the exemption from preparing an opening statement of financial position as at 1 January 2020. This note explains the principal adjustments made by the Company in restating its FRS 102 financial statements year ended 31 December 2020.

Estimates

The estimates as at 31 December 2020 are consistent with those made for the same dates in accordance with FRS 102 (after adjustments to reflect any differences in accounting policies). The estimates used by the Company to present these amounts in accordance with FRS 101 reflect conditions as at 31 December 2020.

Company's reconciliation of equity as at 31 December 2020

		31 December 2020		
		FRS 102	Adjustments*	FRS 101
		£	£	£
		Notes		
Non-current assets:				
Investment in subsidiaries		-	-	-
Restricted cash	A	-	320,530	320,530
Total non-current assets		-	320,530	320,530
Current assets:				
Cash and cash equivalents (Previously: Cash at bank and in hand)	A	916,571	(416,900)	499,671
Cash and cash equivalents safeguarded for the benefit of customers	A	-	96,370	96,370
Accounts receivable (Previously: Debtors)	A, B, D	7,376,605	(2,764,443)	4,612,162
Total current assets		8,293,176	(3,084,973)	5,208,203
TOTAL ASSETS		8,293,176	(2,764,443)	5,528,733
Current liabilities:				
Accounts payable (Previously: Creditors: amounts falling due within one year)	A	8,316,754	(2,860,813)	5,455,941
Customer deposits	A	-	96,370	96,370
Total current liabilities		8,316,754	(2,764,443)	5,552,311
TOTAL LIABILITIES		8,316,754	(2,764,443)	5,552,311
Equity:				
Share capital		1	-	1
Capital contribution reserve		20,949,272	-	20,949,272
Share-based payments reserves (Previously: Other reserves)	A, C	335,752	(4,292)	331,460
Accumulated deficit	C	(21,308,603)	4,292	(21,304,311)
TOTAL EQUITY		(23,578)	-	(23,578)
TOTAL LIABILITIES AND EQUITY		8,293,176	(2,764,443)	5,528,733

Adjustments refer to remeasurement and reclassification adjustments because of conversion from FRS 102 to FRS 101.

CIRCLE UK TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5. FIRST-TIME ADOPTION OF FRS 101(Continued)

Company reconciliation of total comprehensive income for the year ended 31 December 2020

	Notes	Year ended 31 December 2020		IFRS £
		FRS 102 £	Adjustments*	
Revenue (Previously: Turnover)		94,707		94,707
Operating expenses	C	-1,702,068	4,292	-1,697,776
Operating loss		-1,607,361	4,292	-1,603,069
Other income		38,451		38,451
Impairment loss on investment in subsidiaries		-514,750		-514,750
Expected credit losses (Previously: Impairment of receivable from subsidiary)		-889,773		-889,773
Foreign currency exchange loss		-4,763		-4,763
Loss before taxation		-2,978,196	4,292	-2,973,904
Income tax expense		-	-	-
Loss after taxation		-2,978,196	4,292	-2,973,904
Total comprehensive loss for the year		-2,978,196	4,292	-2,973,904

*Adjustments refer to remeasurement and reclassification adjustments as a result of conversion from FRS 102 to FRS 101.

CIRCLE UK TRADING LIMITED
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)
2.5. FIRST-TIME ADOPTION OF FRS 101 (Continued)

Notes to the reconciliation of equity as at 31 December 2020 and total comprehensive income for the year ended 31 December 2020

A. Reclassifications related to the change in presentation

The adoption of FRS 101 has altered the Company's presentation of line items for the Statement of Financial position for the year ended. See below the details of reclassification:

- Cash at bank and in hand with a balance of £916,571 was reclassified to Cash and cash equivalents (£499,671), Cash and cash equivalents safeguarded for the benefit of customers (£96,370) and Restricted cash (£320,530).
- Debtors with a balance of £7,376,605 were reclassified to Accounts receivable (£4,612,162), while receivable of the digital assets held on behalf of the customers in the amount of £2,764,443 was derecognised (see detailed description in Note D).
- Creditors: amounts falling due within one year with a balance of £8,316,754 were reclassified to Accounts payable (£5,455,942), Customer deposits (£96,369) and a liability of £2,764,443 was derecognised (see detailed description in Note D).
- Other reserves with a balance of £335,752 were reclassified to Share-based payments reserves as the result of presentation improvement.

B. Accounts receivable

The adoption of FRS 101 has altered the Company's accounting for impairment losses for financial assets by replacing the incurred loss approach under FRS 102 with a forward-looking expected credit loss (ECL) approach. At the date of transition to FRS 101, the Company did not recognise any additional impairment on its receivables given its assessment of ECL under IFRS 9. Refer to Note 3 for disclosure of Management's significant judgements in the ECL assessment for its financial instruments.

C. Share-based payments

The equity instruments granted vest in instalments over the specified vesting period. Under FRS 102, the Company recognised share-based compensation cost on a straight-line basis over the requisite service period. The Company now considers each instalment as a separate share-based payment and accounts for each of the grants on a graded vesting method. A reversal amount of £4,292 was recognised for the compensation cost expense in the Share based payment reserves and the Operating expense for the year ended 31 December 2020.

D. Digital assets held on behalf of customers (account receivable/customer deposits)

Under FRS 102, and in connection with its Circle Pay product, the Company recognised a customer deposit liability for digital assets held on behalf of customers. The Company relies on a related party (Circle LLC.) to provide custodial services for its customer digital assets. The Company recognised a receivable from Circle LLC. in the amount of £2,764,443 representing the right to receive the digital assets custodied on its behalf. Under IFRS, customer digital assets do not meet the definition of an asset for the Company as the Company does not have control over the digital assets or the right to the economic benefits of the assets. Therefore, the Company does not recognise customer digital assets on its statement of financial position. The related customer deposit liability is also not recognised. Following transition to IFRS, the Company derecognised £2,764,443 from its Accounts receivables and Customer deposits on 31 December 2020.

CIRCLE UK TRADING LIMITED
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of cryptocurrencies

Currently, there is no official guidance in IFRS on the treatment of cryptocurrencies. In the absence of such guidance, management have applied the industry's latest collective thinking as detailed below:

IAS 7 states that "cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value". Based on this definition, cryptocurrencies other than USD cannot be classified as cash equivalents as they are subject to considerable price volatility.

Cryptocurrencies other than USDC also fail to meet the definition of a financial asset in IAS 32 Financial Instruments: Presentation because they are not cash, they are not an equity instrument or a contract that will or may be settled in equity instruments, and they do not give the holder the right to receive cash, another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the holder.

Cryptocurrencies other than USDC meet the definition of an intangible asset in IAS 38 Intangible Assets as they are identifiable non-monetary assets without physical substance. When they are acquired by the reporting entity with the purpose of selling them in the near future and generating a profit from fluctuations in price or broker-trader margin, it may be appropriate for cryptocurrency assets to be accounted for as inventory at fair value less costs to sell in accordance with the commodity broker-trader exception in IAS 2 Inventories.

The Company does not hold any cryptocurrency assets as inventories. Therefore, all cryptocurrency assets other than USDC are designated as intangible assets under IAS 38 Intangible Assets.

Integration service contracts

During the year ended 31 December, the Company signed two integration service contracts as described in note 2.4. The Company utilised affiliate entities to services these contracts which were completed in the period. The Company determined that it is the principal in the transaction and, therefore, recorded revenue on a gross basis.

Digital assets held on behalf of customers

The Company holds certain digital assets on behalf and for the benefit of its customers. In determining whether they should be recognised in the Statement of Financial Position, management assesses whether the digital assets held on behalf of customers meet the definition of an asset. As part of the assessment, management makes a judgement as to the extent of rights and economic benefits that the Company obtains over the digital assets through its custodial services. See note 12 for further detail.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and

CIRCLE UK TRADING LIMITED
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS
(CONTINUED)**
Estimates and assumptions (continued)

estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

ECL on accounts receivable

The Company applies a simplified approach in calculating ECLs and recognises a loss allowance based on lifetime ECLs at each reporting date. Given the historic rate of recoverability is 100% and the absence of reasons to believe the recoverability pattern will change, Management's assessment is that no ECL provision was required under IFRS 9 as at the end of the current and previous reporting periods. Management will continue to assess the recoverability at each reporting date for changes in the circumstances surrounding the recoverability of the trade and other receivables and recognise an expected credit loss allowance when appropriate.

ECL on the amounts owed by group undertakings

The Group has intention and ability to settle intercompany receivables and payables and has launched a campaign to settle those in 2022. As part of this campaign the management expects all intercompany receivables to be settled in full and therefore no ECL was created. In 2020 the Company wrote-off all intercompany receivables related to Poloniex LLC following the sale of Poloniex LLC to a third party. This situation should not impact the ECL assessment on 31 December 2020 and 31 December 2021 as it was a one-off write-off related to a specific balance.

ECL on Cash and cash equivalents

Balances with banks are short-term in nature, are held in reputable institutions and are considered to have a very low risk of credit losses, therefore the ECL was estimated as immaterial and was not booked.

Impairment of investment in subsidiaries

In assessing impairment, management estimates the recoverable amount of investment in subsidiaries based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. No additional impairment charge has been recognised in 2021 (2020: £514,750). Please see Note 6 for additional details on the assumptions.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of IFRSs and amendments to IFRS were in issue at 31 December 2021.

Effective 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3); and
- Fees in the “10 per cent” test for Derecognition of Financial Liabilities (Amendments to IFRS 9).

Other new standards and amendments that are effective for annual periods beginning after 1 January 2023, with earlier application permitted, are set out below.

Effective 1 January 2023:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).
- Definition of Accounting Estimates (Amendments to IAS 8); and

CIRCLE UK TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).

The Company is assessing the effect of adopting these standards and amendments on its financial statements but does not expect the effect to be material.

5 PROPERTY, PLANT AND EQUIPMENT

	Computers & Equipment £
Cost	
At 1 January 2021	-
Additions	5,648
At 31 December 2021	<u>5,648</u>
Depreciation	
At 1 January 2021	-
Depreciation charge for the year	305
At 31 December 2021	<u>305</u>
Net book value	
At 31 December 2021	<u>5,343</u>

6 INVESTMENT IN SUBSIDIARY

	2021 £	2020 £
Opening balance (investment in Circle Trade Europe Limited)	-	514,750
Impairment loss on investment in subsidiary	-	(514,750)
Closing balance (investments in Circle Trade Europe Limited)	<u>-</u>	<u>-</u>

The impairment of investment in Circle Trade Europe Limited of £514,750 as at 31 December 2020 has been determined based on a comparison of the carrying amount with the recoverable amount. The recoverable amount of investment in subsidiaries as at the reporting dates was determined based on a 409A valuation report, using a three-step valuation approach as follows:

- The Group's total equity value is estimated using an income approach based on the Discounted Cash Flow ("DCF") model as of the reporting dates. The DCF model is based on the most recent financial forecasts.
- Since the Group's capital structure includes preference shares, the Option Pricing Method ("OPM") is then used to allocate a portion of total equity value to the ordinary shares.
- The market adjustment is used to arrive at an estimate of the fair market value.

The total equity value was then allocated to each of the subsidiaries based on the management's assessment of the subsidiaries' contribution to the Group's enterprise value. The key assumption in concluding on the impairment in Circle Trade Europe Limited as at 31 December 2021 and 31 December 2020 was non-significance of its contribution to the whole business.

CIRCLE UK TRADING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****7 RESTRICTED CASH**

	2021 £	2020 £
Collateral deposit held at LHV Bank	320,530	320,530
	320,530	320,530

The Company holds a minimum balance of cash to satisfy EMI capital requirements in relation to the FCA. The Company has posted collateral in the amount of £320,530 at LHV Bank.

8 CASH AND CASH EQUIVALENTS

At 31 December 2021 and 30 December 2020 the cash and cash equivalents balance by currency consisted of the following:

	2021 £	2020 £
Sterling	336,063	366,953
Euros	120,677	130,033
US Dollars	37,010	-
Cash in transit	-	2,685
	493,750	499,671

Balances in Euros and US dollars are translated to Sterling at the year-end rate.

9 ACCOUNTS RECEIVABLE

	2021 £	2020 £
Trade debtors at FVPL	6,740,522	27,575
Prepayments	4,131	2,611
Collateral deposits	809,688	845,020
VAT receivable	-	6,428
Amounts owed by group undertakings	3,730,428	3,730,528
	11,284,769	4,612,162

Trade debtors in connection with contracts with customers of £5,817,093 whose cashflows are not solely payment of principal and interest as they represent the right to receive USDC (i.e., financial instruments (i.e., USDC or cash) or other digital assets (i.e., intangible assets). Such receivables are measured at FVTPL due to it failing the contractual cashflow characteristic test under IFRS 9 as it does not have cashflows that are solely payment of principal and interest. Trade debtors in connection with contracts with customers of £5,817,093 that represent the right to receive digital assets other than USDC. 20,788 Avalanche tokens were received as a first installment relating to one of the above contracts.

Collateral deposit is a deposit at Checkout.com, a payment processor used for Circle Wallets.

The Group and the Company did not recognize ECL on its accounts receivable as at 31 December 2021, 31 December 2020 and 1 January 2020. Refer to Note 3 for more details on ECL assessment.

Amounts owed from group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. The Group has the intention and ability to settle intercompany receivables and payables

CIRCLE UK TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**9. ACCOUNTS RECEIVABLE (continued)**

and has launched a campaign to settle those in 2022. As part of this campaign the management expects all intercompany receivables to be settled in full and therefore no ECL was created

In 2020 the Company wrote-off all intercompany receivables related to Poloniex LLC following the sale of Poloniex LLC to a third party. This situation should not impact the ECL assessment at 31 December 2020 and 31 December 2021 as it was a one-off write-off related to a specific balances.

Movement in ECL on Accounts receivable during the reporting periods was as following:

	2021	2020
	£	£
1 January	-	-
ECL charge	-	889,773
Write off on amounts owed by group undertakings	-	(889,773)
31 December	-	-

Prior period adjustment

During the current year statutory audit, it was discovered a prior year adjustment was required. The nature of the prior period adjustment relates to the derecognition of digital assets which does not meet the capitalization criteria which is outlined in either FRS101 or FRS102. In the prior year the removal of these assets from the statement of financial position is not a FRS102 versus FRS101 conversion adjustment. This prior year adjustment impacts the statement of financial position only.

In order to correct the adjustment, the prior year comparative figures have been reflected in the note below

	2020 As Originally Stated, £	2020 As Stated, £	Difference £
Trade debtors at FVPL	27,575	27,575	-
Prepayments	2,611	2,611	-
Collateral deposits	845,020	845,020	-
VAT receivable	6,428	6,428	-
Amounts owed by group undertakings	3,730,528	6,494,971	2,764,443
	4,612,162	7,376,605	2,764,443

The fair value of digital assets held on behalf of customers as at 31 December 2021 is 3,711,321 (December 2020: 2,764,443). These digital assets are recorded off balance sheet in line with the FRS 101.

10. ACCOUNTS PAYABLE

	2021	2020
	£	£
Accruals	57,588	67
Amounts owed to group undertakings	11,557,976	5,455,874
	11,615,564	5,455,941

CIRCLE UK TRADING LIMITED
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

11. CONTRACT LIABILITIES

	2021	2020
	£	£
Deferred revenue	16,241	-
	<u>16,241</u>	<u>-</u>

Deferred revenue represents consideration received that is yet to be recognized as revenue since the performance obligation is not yet fulfilled.

12. CUSTOMER DEPOSITS

	2021	2020
	£	£
Cash deposits from customers	65,811	96,370
	<u>65,811</u>	<u>96,370</u>

Deposits from customers is the liability related to the GBP, and EUR held for the benefit of the Circle UK customers. As part of the Circle Pay product, the Company holds certain digital assets on behalf and for the benefit of its customers. Such digital assets are custodied in digital wallets that the Company provides to its customers, allowing them to store and transact in digital assets. Such digital assets are owned by the customers, who have the ability to control the use of the assets and have the right to the economic benefits that flow from the assets. Digital assets that the Company holds on behalf of customers do not meet the definition of an asset and therefore they are not recognised on the Company's statement of financial position. Consequently, the Company does not recognise a corresponding deposit liability.

13. SHARE CAPITAL

	2021	2020
Authorised share capital:		
Ordinary share at £1 each	1	1
	<u>1</u>	<u>1</u>
Issued and fully paid:		
Ordinary share at £1 each	1	1
	<u>1</u>	<u>1</u>

14. RESERVES

Circle Trading has made capital contributions of £20,949,272 to the Company since its inception, of which there were no capital contributions during the financial year ending 31 December 2021 (2020: £777,800).

The contributions are non-repayable and give Circle Trading no rights to shares or assets of the Company. The contributions have been recorded in the Company's capital contribution reserve account.

The accumulated deficit includes all current and prior period retained profit or losses.

The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees as part of their remuneration. Refer to Note 15 for further details of these plans.

Compliance with FCA EMI Capital Requirements

Circle UK was in breach of the FCA EMI capital requirements as at 31 December 2021 and 31 December 2020. This was remediated via a capital contribution in February 2022 to fund its ongoing operations.

CIRCLE UK TRADING LIMITED
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

15. SHARE-BASED PAYMENTS

The Company provides stock options to its employees under the Stock Award Scheme (the "Plan"). The stock options are for shares in Circle Limited, the Ultimate Parent. The Company recognizes these awards granted to employees in consideration for services provided to the Company as an expense. The expense of £226,565 for 2021 expenses is recorded in Staff costs within Operating expenses.

The Plan is administered by the Directors who have the authority to grant and amend awards, adopt, amend and repeal rules relating to the Plan and to interpret and correct the provisions of the Plan and any award.

The Directors will select the individuals to whom options are granted and will determine the terms of each option granted, including:

- (i) the number of shares of common stock subject to the option.
- (ii) conditions and limitations applicable to the exercise of each option and the common stock issued upon the exercise of each option, including vesting provisions.
- (iii) the option exercise price, which must be at least 100% of the fair market value of the common stock as of the date of grant; and
- (iv) the duration of the option, which may not exceed 10 years.

The Directors may also grant restricted stock awards entitling recipients to acquire shares of common stock subject to:

- (i) delivery to the Company by the participant of cash or other lawful consideration in an amount at least equal to the par value of the stocks purchased, and
- (ii) the right of the Company to repurchase all or part of such stocks at their issue price if conditions specified by the board in the applicable award are not satisfied prior to the end of the applicable restriction period.

16. REVENUE

	2021	2020
	£	£
Circle Pay dormancy fees	-	94,707
Integration services fees	4,475,809	-
	<u>4,475,809</u>	<u>94,707</u>

17. OPERATING EXPENSES

	2021	2020
	£	£
Intercompany service fees	5,221,773	1,283,155
Staff costs	740,157	122,741
Penalty expenses*	141,020	-
Consulting fees	182,224	139,974
Auditor's remuneration	60,000	30,000
Operating lease rentals	25,876	4,817
Dues and subscriptions	14,263	13,495
Other expense	30,206	103,594

*Penalty expense relates to a one-off fine from Mastercard and payments network.

CIRCLE UK TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

17. OPERATING EXPENSES (Continued)

Auditor's remuneration consisted of the following:

	2021 £	2020 £
Fees payable to the Company's auditor for the audit of the Company's annual accounts	60,000	30,000
Other professional costs	-	12,000

Costs for audit and tax compliance services are inclusive of VAT.

Staff costs during the year were as follows:

	2021 £	2020 £
Wages and salaries	513,591	117,734
Stock-based compensation expense	226,566	2,185
Social security costs	-	2,822
	<u>740,157</u>	<u>122,741</u>

The average monthly number of employees, including the Director, during the financial year was as follows:

	2021 Number	2020 Number
Engineering	3	0
Compliance	1	1
	<u>4</u>	<u>1</u>

Remuneration from the Company in respect of Directors was as follows:

	2021 £	2020 £
Emoluments	-	-

18. OTHER INCOME

	2021 £	2020 £
Other income	27,998	38,451
Fair value gain on FVTPL financial instruments	2,243,043	-
	<u>2,271,041</u>	<u>38,451</u>

£2,243,043 is a market-to-market revaluation gain of an integration services fee receivable, which will be settled in either USDC or digital assets.

CIRCLE UK TRADING LIMITED
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

19. TAX ON LOSS ON ORDINARY ACTIVITIES

	2021	2020
	£	£
Current income tax (UK corporation tax)	-	-
Deferred Tax	-	-
Tax on loss on ordinary activities	<u>-</u>	<u>-</u>

The tax assessed on the loss on ordinary activities for the year is lower than the weighted average standard rate of corporation tax in the UK of 19%.

	2021	2020
	£	£
Profit/(loss) on ordinary activities before tax	269,600	(2,978,196)
Tax on loss on ordinary activities at standard UK corporation tax rate of 19%	<u>51,244</u>	<u>(565,857)</u>
Effects of:		
Expenses not deductible for tax	26,793	266,859
Income not taxable for purposes	<u>-</u>	<u>-</u>
Unrecognised deferred tax asset	-	298,199
Tax losses recognised relating to prior year	<u>(78,017)</u>	<u>-</u>
Employees share scheme acquisition	<u>-</u>	<u>799</u>
Adjust opening and closing deferred tax to average rate of 19%	<u>-</u>	<u>-</u>
Tax on loss on ordinary activities	<u>-</u>	<u>-</u>

Unrecognised deferred tax asset comprises £2,602,231 (2021: £2,680,248) and has not been recognised due to the uncertainty of future profits.

CIRCLE UK TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

20. RELATED PARTIES

As disclosed in Note 14, the Parent made a capital contribution of £777,800 in 2020, which was recorded in the Company's capital contribution reserve account.

The Accounts receivable balance (Note 9) includes amounts owed from group undertakings as at 31 December 2021 and 2020 of £3,730,428 and £3,730,450 respectively. Included in this amount are:

Counterparty	Nature of transaction	Relationship	2021 £	2020 £
Circle LLC.	Due from Circle LLC. for cash held for customers	Group undertaking	3,364,502	3,364,501
Circle LLC.	Due from Circle LLC. for expenses paid on its behalf	Group undertaking	-	-
Circle Fin Ltd.	Due from Circle Fin Ltd. for expenses paid on its behalf	Group undertaking	356,695	356,696
Circle CYMN HK Ltd	Due from Circle CYMN HK Ltd. for expenses paid on its behalf	Group undertaking	8,490	8,490
Circle Trade Europe Limited	Due from Circle Trade Europe Limited. for expenses paid on its behalf	Group undertaking	-	22
Circle LLC.	Due from the Parent for expenses paid on its behalf	Group undertaking	741	741
			3,730,428	3,730,450

The Accounts payable balance in the Statement of Financial Position and in Note 10 includes amounts due to group undertakings at 31 December 2021, and 2020 of £ 11,557,976 and £5,455,874, respectively. Included in this amount is:

Counterparty	Nature of transaction	Relationship	2021 £	2020 £
Circle Fin Limited	Due to Circle Fin Limited as reimbursement for expenses paid	Group undertaking	72,078	33,397
Circle LLC.	Due to Circle LLC. as reimbursement for expenses paid	Group undertaking	9,286,307	3,404,650
Circle Fin Trading Co Ltd	Due to Circle Trading as reimbursement for expenses paid	Group undertaking	1,272,166	1,090,426
Circle LLC.	Due to Circle LLC. for assets under management	Group undertaking	739,168	739,145
Circle Trade Europe Limited	Due to Circle Trade Europe Limited – Trade	Group undertaking	188,257	188,256
			11,557,976	5,455,874

In accordance with the Management Services Agreement dated and effective as of 1 January 2020, between the Company and affiliates in the group, executives of Circle Inc. provide certain services to the Company. The Company was charged £5,221,773 in management services fee expense in 2021 and £1,283,155 in 2020. This balance was recorded as payable on 31 December 2021 due to Group undertakings.

CIRCLE UK TRADING LIMITED
**NOTES TO THE FINANCIAL STATEMENTS
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20. RELATED PARTIES (CONTINUED)

The Company recognizes the net residual profit and loss allocation performed for transfer pricing. This balance is recorded in Operating expenses and in Note 16 for 2021 and 2020 and as a receivable as at 31 December 2021 and 31 December 2020 in due to group undertakings.

Counterparty	Nature of transaction	Relationship	2021	2020
			£	£
Circle LLC	Interco residual loss adjustment	Group undertaking	5,221,773	1,283,155
Residual profit & (loss) allocation owed by the Parent			5,221,773	1,283,155

21. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Circle Internet Financial Limited, also referred to as the “Ultimate Parent” or “Circle Limited”. Circle Internet Financial Limited has published financial statements for FY2021. There is no ultimate controlling party of Circle Internet Financial Limited, as it is owned by a number of shareholders and companies, none of whom own more than 25% of the issued share capital.

22. SUBSEQUENT EVENTS

In February 2022 Circle UK received a capital contribution of £1.8m from the Ultimate Parent to fund its ongoing operations. In May 2022 the Group has received significant financing in the form of issuance of Series F redeemable convertible preferred stock for approximately \$401.0 million.