

BLOCKCHAIN ACCESS UK LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



BLOCKCHAIN ACCESS UK LTD

COMPANY INFORMATION

Directors	N Cary S P Smith
Registered number	11337627
Registered office	Minshull House 67 Wellington Road North Stockport Cheshire SK4 2LP
Independent auditors	BDO LLP 55 Baker Street London W1U 7EU

BLOCKCHAIN ACCESS UK LTD

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BLOCKCHAIN ACCESS UK LTD

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

Blockchain Access UK Ltd ("the Company") was incorporated on 30 April 2018. The Company is the fully owned subsidiary of Blockchain.com Group Holdings, Inc. ("the Parent Company", and together with other fully owned subsidiaries of the Parent Company, referred to as "the Group").

Business review

The Company's principal activity is to facilitate the exchange of digital assets allowing consumers and businesses to securely transact in digital assets. The Company primarily derives its revenues from digital asset transaction services, where users can buy, sell and swap digital assets for a service fee. The Company also provides digital assets loans to customers and earns lending fees on these loans. The Parent Company on a consolidated group basis conducts business under the name Blockchain.com.

In 2019, the Company generated revenue via over the counter (OTC), sales of digital assets, digital assets conversion ("Swap" services) and crypto lending. In addition to that, in 2018 the Company partnered with the Stellar foundation to distribute XLM coins as part of an "air drop" transaction to its digital wallet users. The Company also launched an exchange for digital assets in July of 2019 as an additional revenue stream.

For the year ended 31 December 2019, the Company recognised total revenue of \$173.5m (compared to \$42.5m as of 31 December 2018), and cost of sales, including impairment loss from digital assets, of \$188.4m (compared to \$57.3m as of 31 December 2018), resulting in a gross loss of \$15m (compared to \$14.8m gross loss as of 31 December 2018). The increase of revenue was mostly driven by an increase in swap revenue, which was \$112m for the year ended 31 December 2019 (compared to \$4.6m as of 31 December 2018), an increase in OTC revenue, which was \$49m for the year ended 31 December 2019 (compared to \$36.3m as of 31 December 2018), and the new revenue stream related to the Exchange which was \$5.9m for the year ended 31 December 2019. The increase in both swap revenue and OTC revenue was driven by a combination of both increased activity and increasing crypto prices throughout the period. Other operating income increased to \$49.4m for the year ended 31 December 2019 (compared to \$12.9m as of 31 December 2018), driven by an increase in unrealised gains on amounts owed in digital assets. Impairment charges for digital assets are included within cost of sales. The increase in cost of sales was partially driven by the increase in impairment charges for digital assets and digital assets lent, which was \$61m for the year ended 31 December 2019 (compared to \$14.5m as of 31 December 2018), mainly driven by the corresponding increase in digital assets and digital assets lent,

The Company's total current assets grew to \$191.7m as of 31 December 2019 (compared to \$19.2m as of 31 December 2018). The increase was mainly driven by an increase in digital assets lent to customers, which grew to \$125.8m as of 31 December 2019 (compared to \$1.7m as of 31 December 2018), and were funded via third party borrowing relationships. Digital assets held by the Company, which grew to \$40.3m (compared to \$13.7m as of 31 December 2018), and loan receivables which grew to \$18.1m as of 31 December 2019 (compared to nil as of 31 December 2018). This increase was driven by a general increase in the Company's lending activities.

As at 31 December 2019, the Company held \$6.7m of cash including customer custodial deposits, and as at 31 December 2018, the Company held \$3.8m of cash.

BLOCKCHAIN ACCESS UK LTD

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Principal risks and uncertainties

Risk related to COVID-19

The World Health Organization declared in March 2020 that the outbreak of the coronavirus disease (COVID-19) constituted a pandemic. The COVID-19 pandemic has caused general business disruption worldwide beginning in January 2020. In response to the pandemic and for the protection of employees, the Company adopted flexible working patterns in order to maintain uninterrupted services to customers. While too early to assess the long-term impact, at present the Company has not had an operational impact on the ability to raise capital, or seen a significant impact in trading due to COVID-19, due to the fact that all products and services are accessed through our online platform and do not involve physical customer interaction. The global impact of COVID-19 continues to rapidly evolve, and the Company along with the Group will continue to actively monitor the pandemic situation and may take further actions to modify business practices as may be required by federal, state, or local authorities or that the Company determines are in the best interests of employees and customers.

Risk of a cyber-attack or security breach

The Company maintains personal data for its customers and information required to access their crypto assets. A cyber-attack or security breach could potentially lead to a host of adversarial events, including financial impact on financial statements due to potential provisions for losses, regulatory investigations, penalties and fines, lawsuits, remediation costs, our services being unavailable and interrupting our operations among others. The Company recognises that a potential cyber-attack or security breach is an industry wide threat; and a potential cyber-attack directed at financial institutions and/or crypto companies, may cause a general loss of customers' confidence in the crypto economy, which may ultimately impact the Company's brand and financial performance. Cyber attackers wishing to infiltrate the Company's systems are highly sophisticated and well organised; however, the Company is continuously designing and implementing safeguards to manage and prevent potential security breaches. Examples of such malicious activity may include social engineering, phishing, hacking, or even insider threats, system errors and errors by employees. While some of this activity may not be detected immediately, the Company continues to dedicate costs and resources to protect its customers and employees from these potential threats on an ongoing basis.

Cyberattacks and security breaches of the Company's platform, or those impacting its customers or third parties, could adversely impact the Company's brand, reputation, business, operating results, and financial condition. The Company's business involves the collection, storage, processing, and transmission of confidential information, customer, employee, service provider, and other personal data, as well as information required to access customer assets. The Company has built its reputation on the premise that its platform offers customers a secure way to purchase, store, and transact in crypto assets. As a result, any actual or perceived security breach of the Company or its third-party partners may:

- harm its reputation and brand;
- result in its systems or services being unavailable and interrupt its operations;
- result in improper disclosure of data and violations of applicable privacy and other laws;
- result in significant regulatory scrutiny, investigations, fines, penalties, and other legal, regulatory, and financial exposure;
- cause the Company to incur significant remediation costs;
- lead to theft or irretrievable loss of the Company's or our customers' fiat currencies or crypto assets;
- reduce customer confidence in, or decreased use of, our products and services;
- divert the attention of management from the operation of the Company's business;
- result in significant compensation or contractual penalties from the Company's to its customers or third parties as a result of losses to them or claims by them; and
- adversely affect the Company's business and operating results.

BLOCKCHAIN ACCESS UK LTD**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****Risk of loss of private keys**

Crypto assets are generally controlled only by the possessor of the unique private key relating to the digital wallet in which the crypto assets are held. While blockchain protocols typically require public addresses to be published when used in a transaction, private keys must be safeguarded and kept private in order to prevent third parties from accessing the crypto assets held in such a wallet. To the extent that any of the private keys relating to the Company's wallets containing crypto assets held for its own account or for its customers are lost, destroyed, or otherwise compromised or unavailable, and no backup of the private key is accessible, the Company will be unable to access the crypto assets held in the related wallet. Further, the Company cannot provide assurance that its wallet will not be hacked or compromised. Crypto assets and blockchain technologies have been, and may in the future be, subject to security breaches, hacking, or other malicious activities. Any loss of private keys relating to, or hack or other compromise of, digital wallets used to store the customers' crypto assets could adversely affect the customers' ability to access or sell their crypto assets, require the Company to reimburse the customers for their losses, and subject the Company to significant financial losses in addition to losing customer trust in it. As such, any loss of private keys due to a hack, employee or service provider misconduct or error, or other compromise by third parties could hurt the Company's brand and reputation, result in significant losses, and adversely impact the Company's business. The Company takes steps to protect private keys from theft and loss through a multi-pronged approach. The Company utilises two separate systems for generating and storing keys, which can be roughly categorised into a "hot wallet" and "cold wallet". The cold wallet system represents the highest level of security, utilising industry standard Hardware Security Modules housed at high-security facilities. To prevent theft, private keys in cold storage cannot be exfiltrated without physical access to the facilities, requiring several layers of authorisation and protected by alerting and intrusion detection systems. To prevent loss, these keys are duplicated at multiple high-security facilities which are geographically dispersed and available on stand-by. The Company stores assets which must remain highly liquid in its hot wallet system. For its hot wallet system, the Company utilises industry standards to secure a cloud-based system to protect against outsider and insider attacks, with highly limited access. To protect against theft, private keys are stored in an encrypted database, with decryption keys stored in a separate, specialised credential storage database.

Regulatory Risk

The regulation of investing and financial businesses is extremely complex; digital assets make up a relatively new and rapidly evolving space. The Company intends to use its internal legal and compliance expertise, in consultation with its outside counsel, to determine how to engage in its business activities so as to obtain the appropriate licences or to be able to rely on an exception or exemption from any relevant registration requirement. We will continue to monitor the laws and guidance issued in these jurisdictions that may be applicable to our business.

Volatility Risk

The Company trades, invests and holds primarily digital assets and investments in the blockchain space and conduct related businesses. The Company may accumulate significant positions in, or otherwise have significant exposure to, a single digital asset or asset type. If the Company chooses to invest in concentrated positions, the Company could be exposed to an increase in volatility of its investment results over time, and to an increased risk that a loss in any position may have a material effect on its investment and trading strategies. The Company is exposed to significant market risk based on its positions in digital assets. The prices or values of digital and non-digital assets in which the Company may invest, or trade, have been, and likely will continue to be, highly volatile. Sustained market declines and periods of significant market volatility may limit the Company's ability to produce positive investment and trading results, and there can be no assurance that the strategies deployed by the Company will be successful in the markets and assets in which the Company invests or trades. The Company's risk committee constantly evaluates market risk exposure and establishes risk management procedures. The Company has elected to operate with less cryptocurrency exposure than would be required to maintain a stable leverage ratio.

BLOCKCHAIN ACCESS UK LTD**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****Competition Risk**

The Company operates in an industry that is highly innovative, rapidly evolving, and characterised by healthy competition, experimentation, changing customer needs, frequent introductions of new products and services, and subject to uncertain and evolving industry and regulatory requirements. The Company expects competition to further intensify in the future as existing and new competitors introduce new products or enhance existing products. The Company competes against a number of companies whose operations are focused on crypto- based services, as well as companies providing traditional financial services. If the Company is unable to compete successfully, or if competing successfully requires the Company to take costly actions in response to the actions of its competitors, its business, operating results, and financial condition could be adversely affected.

Industry developments

The industry has been characterised by rapid, significant, and disruptive products and services in recent years. These include decentralised applications, DeFi, yield farming, staking, token wrapping, governance tokens, innovative programs to attract customers such as transaction fee mining programs, initiatives to attract traders such as trading competitions, airdrops and giveaways, staking reward programs, and novel cryptocurrency fundraising and distribution schemes, such as "initial exchange offerings." The Company expect new services and technologies to continue to emerge and evolve, which may be superior to, or render obsolete, the products and services that the Company currently provides. The Company cannot predict the effects of new services and technologies on its business. However, its ability to grow its customer base and net revenue will depend heavily on our ability to innovate and create successful new products and services, both independently and in conjunction with third-party developers. In addition, the Company's ability to adapt and compete with new products and services may be inhibited by regulatory requirements and general uncertainty in the law, constraints by our banking partners and payment processors, third-party intellectual property rights, or other factors.

Risk of loss of banking partners

The Company may be harmed by the loss of any of its banking partners and trading venues. As a result of the many regulations applicable to cryptocurrencies or the risks of digital assets generally, financial institutions may decide to not provide bank accounts (or access to bank accounts), payments services or other financial services to companies providing cryptocurrency products. Banks may refuse to provide bank accounts and other banking services to digital asset-related companies, including the Company, for a number of reasons, such as perceived compliance risks, incidents of fraud or costs. The Company's inability to procure or keep banking services would have a material and adverse effect on us. Similarly, continued general banking difficulties may decrease the utility or value of digital assets or harm public perception of those assets. Consequently, if the Company cannot maintain sufficient relationships with the banks, banking regulators restrict or prohibit banking of cryptocurrency businesses, or if banks impose significant operational restrictions, it may be difficult for the Company to find alternative business partners for its cryptocurrency offerings, which may result in a disruption of its business and could have an adverse impact on our reputation, business, investment and trading strategies, the value of our assets, the value of any investment in the Company, financial condition and results of operations.

BLOCKCHAIN ACCESS UK LTD

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Risks related to Russia - Ukraine Conflict

The Company is currently monitoring the conflict between Russia and Ukraine. The Company could experience in the future negative impacts to its businesses and results of operations as a result of the recent action of Russian military forces and support personnel in Ukraine, which has escalated tensions between Russia and the US, NATO, the EU and the UK. The US, EU and the UK have imposed, and are likely to impose material additional, financial and economic sanctions and export controls against certain Russian and Belarussian organizations and/or individuals. During the week of 21 February 2022, the US, the UK, and the EU each imposed packages of financial and economic sanctions that, in various ways, constrain transactions with numerous Russian and Belarussian entities and individuals, or in certain regions of Ukraine. The Company's ability to engage in activity with certain consumer and institutional businesses in Russia and Ukraine or involving certain Russian or Ukrainian businesses and customers is dependent in part upon whether such engagement is restricted under any current or expected US, UK, EU and other countries sanctions and laws. Sanctions and export controls, as well as any actions by Russia, could adversely affect the Company's business activities and customers in and from Russia, Belarus, and Ukraine. Moreover, actions by Russia, and any further measures taken by the US, NATO, the EU, and the UK, could have negative impacts on regional and global markets and economic conditions.

Risk related to Brexit

The UK's withdrawal from the European Union ("Brexit"), has created uncertainty regarding data protection regulation in the UK. As of January 1, 2021, following the expiry of transitional arrangements agreed to between the UK and EU, data processing in the UK is governed by a UK version of the GDPR (combining the GDPR and the UK's Data Protection Act 2018), exposing the Company to two parallel regimes, each of which authorises similar fines and other potentially divergent enforcement actions for certain violations. With respect to transfers of personal data from the European Economic Area (EEA) to the UK, the European Commission has published its draft adequacy decision, finding that the UK ensures an adequate level of data protection. Before the decision is formally adopted, the European Data Protection Board will need to issue a non-binding opinion on the draft and each member state must approve the decision. In the interim, transfers of personal data from the EEA to the UK will not be considered transfers to a third country. Following the adoption of the adequacy decision, there will be increasing scope for divergence in application, interpretation and enforcement of the data protection law as between the UK and EEA. Other countries have also passed or are considering passing laws requiring local data residency or restricting the international transfer of data. These changes may lead to additional costs and increase to the Company's overall risk exposure.

Financial risk management policy objectives

The Company's activities may expose it to a variety of financial risks, including digital asset risk, credit risk, and liquidity risk, among others. The Company seeks to minimise potential adverse effects of these risks by employing experienced personnel, on-going monitoring of transactions, digital asset inventory and credit risk exposures as well as a review and analysis of market and industry events that may have adverse impact on the Company's financial performance.

Digital asset risk

The market price of digital assets, including crypto currency assets, is affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and political and economic conditions. Digital asset prices are very volatile, and market movements are difficult to predict. Supply and demand for such assets change rapidly and may be affected by general economic trends as well as current and future regulatory regimes and sovereign government actions and laws. The Company expects to see significant fluctuations in its total revenues as it is predicated on digital asset market prices and how digital assets perform within the broader crypto ecosystem.

BLOCKCHAIN ACCESS UK LTD**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****Credit Risk**

Credit risk is the risk that a counterparty to a transaction will fail to meet its obligation or commitment under the contract causing the other party to incur a financial loss. The Company's cash and cash equivalents, accounts held with third-party crypto currency exchanges, crypto loan and collateral receivables and other receivables are exposed to credit risk. The Company limits its credit risk exposure by placing its cash and digital assets with high credit quality financial institutions and cryptocurrency exchanges, on which the Company has performed internal due diligence procedures that include the review of the crypto exchanges' anti-money laundering ("AML") and know-your-client ("KYC") policies, setting balance limits for crypto exchange accounts based on risk exposure thresholds and preparing regular asset management reports to ensure limits are being followed. The Company limits its credit risk with respect to its receivables, crypto loan and collateral receivables and other receivables by transacting with credit worthy counterparties that are believed to have sufficient capital to meet their obligations as they come due and, with regards to over-the-counter and crypto lending and borrowing counterparties, on which the Company has satisfactorily performed the relevant internal due diligence, AML and KYC procedures.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due, as well as the risk of not being able to liquidate assets at reasonable prices. The Company manages liquidity risk by maintaining sufficient cash and digital assets balances to enable settlement of its liabilities. The Company intends to manage its short-term liquidity needs through its available cash and digital assets balances as well as inflows of cash and digital assets from its ongoing business activities.

Key Performance Indicators

The Company's key performance indicators for the year ended 31 December 2019 are revenue, trading volume and total current assets

Total revenue of the Company increased from \$42.5m for the 8 months since inception in 2018, to \$173.5m for the full year of 2019. Trading volumes increased from \$40.9m for the 8 months since inception in 2018, to \$172m for the full year of 2019. Total current assets increased from \$19.2m in 2018 to \$191.2m in 2019.

Section 172 (1) Statement

The Directors of the Company strive to act in ways most likely to promote the success of the business for the benefit of its stakeholders having regard to the matters set out in S172 (1) a-f of the Companies Act 2006 when making strategic decisions.

The following Section 172 (1) statement is made on behalf of the Company in Compliance with the requirements.

Foster business relationships with suppliers, customers and other stakeholders*Shareholders*

The Company has an open dialogue with the shareholders. Discussions with shareholders include a wide range of topics including financial performance, strategy, governance, and outlook. Shareholder feedback is discussed by the Board and is considered in decision making.

Suppliers

The Company works hard to ensure that its suppliers are treated fairly and are valued and that relationships with them can be managed actively. Key areas of focus include innovation and product development.

BLOCKCHAIN ACCESS UK LTD

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Customers

The Company is customer focused which is why customer service is essential. The Company is always looking for new ways to strengthen customer services and is continuously engaging with customers to build even deeper relationships. The Company leverages these relationships to make decisions regarding its continued product development.

Community and Environment

Building trust with customers and the communities around them is important. The Company aims to facilitate positive change for the people and communities in which it interacts.

Business conduct

The Company seeks to operate with high ethical standards and integrity by conducting business activities in compliance with applicable legal and regulatory requirements. The Company also implements internal policies governing behaviour and conduct as well as policies that protect customers and promote better services. The Company undertakes an ongoing review of how evolving legislation, guidelines and best practices should be best reflected on topics including conduct, risk, compliance and the sustainable development of the industry.

Acting fairly between shareholders

The Company is committed to acting fairly with its shareholders and being transparent in its activities and directions.

Likely consequences of any decision in the long term

Each year, a review of the Company's strategy is carried out for the following year and beyond as part of the budgeting process. This helps to plan ahead and also forms the basis for financial budgets and planning and other strategic plans. The Company considers the long term implications of any decisions made with its stakeholders in mind and its long term reputation.

The Company has been granted temporary registration by the Financial Conduct Authority (FCA) in accordance with UK Money Laundering Regulations, for the period in which the Company performed registerable activities in the UK. In connection therewith, the Company has an in-depth understanding of the risks applicable to its business and has put in place risk management and governance systems which continually evolve.

Additionally, in July 2019 the Company launched Blockchain.com Exchange ('Exchange'), its custodial exchange platform. The platform allows both institutional and retail customers to buy and sell crypto currency with fiat and other crypto currency.

Environmental, Social and Governance

The Company assesses changes to environment, social, and governance impacts on its business on a regular basis as a holistic effort. A cross-functional team is assessing business strategy, risk, marketing, public policy, and markets. Industry and policy discussions are considered to address climate risks as new tools and long term changes to operations are developed to contribute to clean energy projects, conservation opportunities, and offset transaction emissions.

BLOCKCHAIN ACCESS UK LTD

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Future developments

The Company continues to focus on the growth opportunities that the digital market presents by investing in its digital platforms and expanding its products and services. The key elements of the Company's business strategy include:

- Develop its digital platforms and expand product and service offerings to customers;
- Support customer retention and growth;
- Promote and support the growth of the digital economy;
- Manage risk and compliance through enhanced transaction monitoring, AML and KYC policies and procedures.

This report was approved by the board and signed on its behalf.

DocuSigned by:



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N Cary
Director

Date: 13/04/2022

BLOCKCHAIN ACCESS UK LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their report and the financial statements for the year ended 31 December 2019.

Principal activity

Blockchain Access UK Ltd ("the Company") was incorporated on 30 April 2018. The Company is the fully owned subsidiary of Blockchain.com Group Holdings, Inc. ("the Parent Company", and together with other fully owned subsidiaries of the Parent Company, referred to as "the Group"). The Company's principal activity is to facilitate the exchange of digital assets allowing consumers and businesses to securely transact in digital assets.

The Company primarily derives its revenues from digital asset transaction services, where users can buy, sell and swap digital assets for a service fee on both its Wallet and Exchange platforms. The Company also provides digital assets loans to customers and earns lending fees on these loans.

Directors' responsibilities statement

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to 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.

Results and dividends

The profit for the year, after taxation, amounted to \$6.4m (2018 - \$5.1m loss).

During 2019 and 2018, dividends were neither proposed nor paid.

Directors

The directors who served during the year were:

N Cary
S P Smith

BLOCKCHAIN ACCESS UK LTD

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Going concern

The Directors have considered and discussed with the Parent Company the current operations, revised 2022 and 2023 budgets and cash flow forecasts covering up to the eighteen month period from the date of the financial statements, as approved by the management of the Parent Company, and there is no anticipated change in either the business activities of the Parent Company, Company, nor the capital cost structure.

The continued spread of COVID 19 and the imposition of related public health measures have resulted in, and is expected to continue to result in, increased volatility and uncertainty. The Company and the Group have adopted flexible working patterns in order to maintain uninterrupted operations. The Company has operated through the pandemic with no disruption to services to customers. At present, the Company has not observed any impact on its operations, the ability to raise capital, or on trading due to COVID 19.

In addition to the challenges posed by the spread of COVID 19, the Company could experience in the future negative impacts to its businesses and results of operations as a result of the conflict between Russia and Ukraine. At present, the Company has not observed any impact on its operations, the ability to raise capital, or on trading due to the conflict.

During the year ended 31 December 2019 the Company had a net profit of \$6.4m (including an impairment expense of \$33.8m), compared to a net loss of \$5.1m in 2018. Total revenue of the Company increased from \$42.5m for the 8 months since inception in 2018, to \$173.5m for the year ended 31 December 2019. Additionally, the Company saw an increase in total current assets from \$19.2m the year ended 31 December 2018 to \$191.2m in the year ended 31 December 2019.

The Directors believe that the Company, together with the support of the Parent Company, has adequate resources to continue as a going concern for the foreseeable future, during and post the COVID 19 pandemic. This conclusion is based upon the non binding letter of support provided to the Company by the Parent Company. The letter of support records the financial support that the Parent Company will provide to ensure that the Company can meet its liabilities as and when they fall due, including any cash shortfalls and working capital needs that may arise for a period of at least 18 months from the date of approval of the Company's 31 December 2019 Accounts. The Director anticipates that this funding, as required, will be forthcoming from the Parent Company. Even though the Letter of Support is not subject to a legal deed, parental support with whatever financial assistance will be necessary to ensure that the Company is able to meet its obligations as they fall due, is expected to be provided as it has been in prior years.

Post balance sheet events

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The pandemic has adversely affected global economic activity and greatly contributed to significant deterioration and volatility in financial markets across the world, including signals of an uptick in illiquid or inactive markets. Depending on the severity and length of the outbreak, this pandemic could present material uncertainty and risk, including an adverse effect on our operations and financial condition, collectability of amounts due from others, and overall operational performance.

The rapid development and fluidity of this situation precludes management from making an estimate as to the ultimate adverse impact of the pandemic on our liquidity, financial condition, and results of operations for fiscal year 2022. Although global economic conditions have been improving despite the continuation of the COVID-19 pandemic, any ongoing negative economic impacts arising from the pandemic or any prolongation or worsening of the pandemic, including as a result of additional waves or variants of the COVID-19 disease or the emergence of other diseases that have similar outcomes, could have significant adverse impact on the Company's business. As a result, the ultimate impact of the COVID-19 outbreak and the effects of the operational alterations the Company may make in response to our business, financial condition, liquidity, and financial results cannot be predicted at this time.

BLOCKCHAIN ACCESS UK LTD

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

In addition to the challenges posed by the spread of COVID 19, the Company could experience in the future negative impacts to its businesses and results of operations as a result of the conflict between Russia and Ukraine. At present, the Company has not observed any impact on their operations, the ability to raise capital, or on trading due to the conflict.

On 29 April 2021, the Company purchased the business of AI Exchange LTD., a company that has built an AI-powered negotiation and matching engine for institutional OTC traders. As a consideration for the acquisition, the parent Company issued warrants valued at \$1.6m to AI Exchange LTD.

On 22 October 2021, the Board and shareholders of Blockchain Luxembourg S.A. approved the migration of the parent company to the Cayman Islands, which was carried out by way of a continuation of the legal entity. The renamed entity was deregistered from Luxembourg and reregistered with the Cayman Islands Companies Registry on 25 October 2021 in the name of Blockchain.com Group Holdings, Inc.

Engagement with suppliers, customers and others

As is normal for companies of our size, operational decision making of day-to-day activities are delegated to management. Management deeply understands its customers to deliver an experience that is both high quality and targeted to their specific needs. Over the course of the year, management shares relevant decision making on business relationships and compliance matters with the Company's board.

Emissions and energy consumption

The Company has no employees and no direct emissions or energy consumption. In the industry, the primary cause of energy consumption is from mining operations of which the Company does not conduct. Any energy consumption would relate to development of technology and general infrastructure born by other Group entities.

Directors' liability insurance and indemnities

The Company has a Directors & Officers insurance policy in place to cover its Directors against costs arising from defending themselves in legal proceedings taken against them as a direct result of duties carried out on behalf of the Company.

As permitted by Articles of Association, the Directors have the benefit of Side A (Non-indemnifiable) and Side B (Indemnifiable); both coverages are designed to protect the individual Director and Officer as defined by Section 230 of the Companies Act 2006. The indemnity was in force through the financial year and continues to be in force.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the 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.

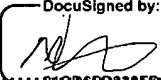
BLOCKCHAIN ACCESS UK LTD

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

DocuSigned by:

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N Cary
Director

Date: 13/04/2022

BLOCKCHAIN ACCESS UK LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BLOCKCHAIN ACCESS UK LTD

Opinion

We have audited the financial statements of Blockchain Access UK Ltd (the 'Company') for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and the 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (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 2019 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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

BLOCKCHAIN ACCESS UK LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BLOCKCHAIN ACCESS UK LTD (CONTINUED)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Strategic Report, Directors' Report, other than the financial statements and our auditors' 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 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.

Opinion 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.

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 Strategic Report or the Directors' Report.

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.

BLOCKCHAIN ACCESS UK LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BLOCKCHAIN ACCESS UK LTD (CONTINUED)

Responsibilities of directors

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.

Auditors' 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 auditors' 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.

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

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 auditors' 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.

DocuSigned by:

David Butcher

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David Butcher (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

Date: 13 April 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

BLOCKCHAIN ACCESS UK LTD**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

		Year ended 31 December 2019 \$000	<i>Eight month period ended 31 December 2018 \$000</i>
	Note		
Revenue	3	173,455	42,505
Cost of sales		(188,421)	(57,337)
Gross loss		(14,966)	(14,832)
Administrative expenses		(27,753)	(3,226)
Other operating income	4	49,411	12,941
Operating profit/(loss) and profit/(loss) before taxation	5	6,692	(5,117)
Tax on profit/(loss)	8	(299)	-
Profit/(loss) after taxation and total comprehensive income for the period		6,393	(5,117)

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

There was no other comprehensive income in the financial year ended 2019 or 2018.

The notes on pages 22 to 44 form part of these financial statements.

BLOCKCHAIN ACCESS UK LTD
REGISTERED NUMBER: 11337627

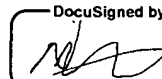
BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 \$000	2018 \$000
Fixed assets			
Tangible assets	9	121	-
Investments	10	-	150
Digital assets lent to customers	12	6,630	-
Loans receivable	13	2,724	-
		<u>9,475</u>	<u>150</u>
Current assets			
Debtors	14	10,062	35
Loans receivable	13	15,409	-
Digital assets lent to customers	12	119,211	1,656
Digital assets	11	40,306	13,711
Customers deposits held at bank		6,527	-
Cash at bank and in hand		219	3,776
		<u>191,734</u>	<u>19,178</u>
Creditors: amounts falling due within one year	15	(160,866)	(24,445)
Net current assets/(liabilities)		<u>30,868</u>	<u>(5,267)</u>
Total assets less current liabilities		<u>40,343</u>	<u>(5,117)</u>
Creditors: amounts falling due after more than one year	16	(39,067)	-
Net assets/(liabilities)		<u>1,276</u>	<u>(5,117)</u>
Capital and reserves			
Called up share capital	19	-	-
Profit and loss account		1,276	(5,117)
		<u>1,276</u>	<u>(5,117)</u>

BLOCKCHAIN ACCESS UK LTD
REGISTERED NUMBER: 11337627

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2019

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 13/04/2022

DocuSigned by:

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N Cary
Director

The notes on pages 22 to 44 form part of these financial statements.

BLOCKCHAIN ACCESS UK LTD**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital	Profit and loss account	Total equity
	\$000	\$000	\$000
At 30 April 2018			
Issuance of share capital	-	-	-
Comprehensive income for the period			
Loss for the period	-	(5,117)	(5,117)
At 31 December 2018	-	(5,117)	(5,117)
Comprehensive income for the year			
Profit for the year	-	6,393	6,393
At 31 December 2019	-	1,276	1,276

The notes on pages 22 to 44 form part of these financial statements.

BLOCKCHAIN ACCESS UK LTD**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019	2018
	\$000	\$000
Cash flows from operating activities		
Profit/(loss) for the financial year	6,393	(5,117)
Adjustments for:		
Depreciation of tangible assets	9	-
Taxation charge	299	-
Increase in digital assets	(39,899)	(26,231)
Impairment charge for digital assets	13,304	12,519
Increase in debtors and accrued income	(10,027)	(34)
Increase in digital assets lent to customers	(145,056)	(3,593)
Impairment charge for digital assets lent to customers	20,873	1,936
Increase in loans receivable	(18,133)	-
Increase in custodial cash deposits due to customers	6,527	-
Increase in creditors	3,775	1,189
Increase in amounts owed in digital assets	133,024	10,922
Increase in loans payable	2,250	-
Increase in amounts owed to group undertakings	32,329	9,369
Net cash generated from operating activities	5,668	960
Cash flows from investing activities		
Purchase of tangible fixed assets	(130)	-
Sale / (purchase) of unlisted and other investments	150	(150)
Net cash from investing activities	20	(150)

BLOCKCHAIN ACCESS UK LTD**STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 \$000	2018 \$000
Cash flows from financing activities		
(Decrease) / increase in funds held on behalf of third-party investors	(2,718)	2,966
Net cash used in financing activities	(2,718)	2,966
Net increase in cash and cash equivalents	2,970	3,776
Cash and cash equivalents at beginning of year	3,776	-
Cash and cash equivalents at the end of year	6,746	3,776
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	219	3,776
Customers deposits held at bank	6,527	-
	6,746	3,776

The notes on pages 22 to 44 form part of these financial statements.

BLOCKCHAIN ACCESS UK LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

Blockchain Access UK Ltd (the "Company") is a private company limited by shares incorporated in England and Wales under the Companies Act 2006. The Company is a wholly owned subsidiary of Blockchain.com Group Holdings, Inc. (the "Parent Company"), a company registered in the Cayman Islands. The address of the registered office of the Company is given on the Company Information page. The nature of the Company's operations and principal activities are set out in the Strategic Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements have been prepared on a historical cost basis, except where disclosed separately in the accounting policies where certain items are reported using a weighted average cost method ("WAC").

2.2 Going concern

The Directors have considered and discussed with the Parent Company the current operations, revised 2022 and 2023 budgets and cash flow forecasts covering up to the eighteen month period from the date of the financial statements, as approved by the management of the Parent Company, and there is no anticipated change in either the business activities of the Parent Company, Company, nor the capital cost structure.

The continued spread of COVID 19 and the imposition of related public health measures have resulted in, and is expected to continue to result in, increased volatility and uncertainty. The Company and the wider Group have adopted flexible working patterns in order to maintain uninterrupted operations. The company has operated through the pandemic with no disruption to services to customers. At present, the Company has not observed any impact on their operations, the ability to raise capital, or on trading due to COVID 19.

In addition to the challenges posed by the spread of COVID 19, the Company could experience in the future negative impacts to its businesses and results of operations as a result of the conflict between Russia and Ukraine. At present, the Company has not observed any impact on their operations, the ability to raise capital, or on trading due to the conflict.

During the year ended 31 December 2019 the Company had a net profit of \$6.4m (including an impairment expense of \$61m), compared to a net loss of \$5.1m in 2018. Total revenue of the Company increased from \$42.5m for the 8 months since inception in 2018, to \$173.5m for the year ended 31 December 2019. Additionally, the Company saw an increase in total current assets from \$19.2m the year ended 31 December 2018 to \$191.2m in the year ended 31 December 2019.

BLOCKCHAIN ACCESS UK LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.2 Going concern (continued)

The Directors believe that the Company, together with the support of the Parent Company, has adequate resources to continue as a going concern for the foreseeable future, during and post the COVID 19 pandemic. This conclusion is based upon non binding letter of support provided to the Company by the Parent Company. The letter of support records the financial support that the Parent Company will provide to ensure that the Company can meet its liabilities as and when they fall due, including any cash shortfalls and working capital needs that may arise for a period of at least 18 months from the date of approval of the Company's 31 December 2019 Accounts. The Directors anticipate that this funding, as required, will be forthcoming from the Parent Company. Even though the Letter of Support is not subject to a legal deed, parental support with whatever financial assistance will be necessary to ensure that the Company is able to meet its obligations as they fall due, is expected to be provided as it has been in prior years.

2.3 Functional currency and foreign currency transactions

The Company's financial statements are presented in US Dollars, or USD, which is also the Company's functional currency as this is the currency used in the primary economic environment in which the Company operates. Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Foreign exchange gains and losses are recognised in the Statement of Comprehensive Income, in other operating income.

2.4 Revenue

The Company primarily derives its revenues from digital asset transaction services, where users can buy, sell, and swap digital assets for a service fee. The Company recognises revenue when the outcome of a transaction can be estimated reliably when all the following conditions are satisfied: (a) the amount of revenue can be measured reliably; (b) it is probable that the economic benefits associated with the transaction will flow to the entity; (c) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and; (d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably. Where the amount of revenue is contingent on future events, this is only recognised where the amount of revenue can be measured reliably and it is probable that the economic benefits will be received.

Service is considered rendered upon purchase and transfer of digital asset(s) or fiat currency to the customer. The company defers any funds received in advance of successful completion of the recognition criteria.

The Company also provides fiat and digital assets loans to customers. The Company earns lending fees on these loans. The lending fee is recognised on an accrued basis.

The Company derives revenue from contracts with customers principally from the Exchange, digital asset lending, swap, and OTC trading services provided to customers, as described below.

Swap and OTC trading revenue

The Company provides swap services that allow retail customers to convert one crypto currency to another. Contracts for swap services are defined at the transaction level and do not extend beyond the service related to the specific transaction. Each crypto currency conversion is considered a single performance obligation. All swap transactions are fulfilled by the Company from its own inventory with no third party involved. The Company recognises the total fair value of crypto currency received as revenue at the point in time the transaction is executed. The cost of the crypto currency used to fulfil the customer order is accounted for as cost of sales.

BLOCKCHAIN ACCESS UK LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.4 Revenue (continued)

In addition, the Company enters into crypto currency sale agreements with institutional customers through its OTC trading desk. Similar to swap services, contracts for OTC trading services are defined at the transaction level. For each transaction, the Company has a single performance obligation to price, source, settle and ultimately, transfer crypto to the customer. The Company always has custody and control of the crypto currency prior to sale to the customer through the OTC desk. The Company recognises OTC sales on a gross basis, with revenue recognised at the point in time the transaction is executed. The cost of the crypto currency used to fulfil the OTC order is accounted for as cost of sales.

Exchange revenue

The Company operates a crypto currency trading platform that allows both institutional and retail customers to buy and sell crypto currency with fiat and other crypto currency. Contracts with Exchange customers are open ended and can be terminated by either party at any time without a termination penalty. Therefore, contracts are defined at the transaction level and do not extend beyond the services related to the specific transaction. The Company's promise to Exchange customers is: 1) to provide a trade matching service when an order is placed by a customer, and 2) to fulfil the customer order by delivering crypto currency. These promises combine to form one performance obligation. Revenue is recognised at the point in time when the trade is executed.

For the majority of Exchange transactions, the Company's role is to match customers who are buying and selling crypto currency on the Exchange and facilitate the delivery of crypto currency from the seller to the buyer. For the transactions in which the Company is fulfilling the customer order, judgment is required in determining whether the Company is the principal or the agent in fulfilling the customer order, based on whether the Company controls the crypto currency before it is transferred to the buyer. The Company concluded it does not control the crypto currency in Exchange transactions as, (1) the seller remains the beneficial owner of the crypto currency until the transaction is executed, and (2) the Company does not have the ability to direct the use of the crypto currency in customers' accounts. As part of our evaluation of control, the Company also reviewed other specific indicators of control to support our conclusion, including that the Company is not primarily responsible for delivering the crypto currency to the buyer, nor does the Company bear any inventory risk before or after the crypto currency is delivered to the buyer. The Company also does not have discretion in establishing the settlement price for the crypto currency, which is determined by the market exchange rate on the Exchange. As a result, the Company acts as the agent in fulfilling the customer order for these transactions and recognises the related revenue on a net basis.

For transactions where the Company acts as the counterparty to the customers by fulfilling the orders from the Company's own inventory, no third party is involved in delivering crypto currency to the customer and therefore, the Company has concluded it is acting as a principal to fulfilling crypto sale trades. As a result, the Company recognises revenue from these transactions on a gross basis.

Lending fee revenue

The Company provides lending facilities in fiat and digital assets to customers and earns a lending fee, which is accrued daily as revenue based on a contractual fee percentage of the outstanding balance. The fee is collected in arrears on a weekly, monthly or quarterly basis or at maturity. These contracts may be open ended or have a fixed term, but they are all considered day to day for accounting purposes, as contracts can be terminated by either party at any time without incurring a substantive penalty. Lending is considered a series of transactions, of daily events satisfied over time, as customers simultaneously receive and consume the benefits of the lending service on a daily basis. The Company recognises revenue daily based on the fair value of the daily fee calculation.

BLOCKCHAIN ACCESS UK LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.4 Revenue (continued)

Trading revenue

Other revenue includes gains and losses on trading activity on third party exchanges. The Company recognises realised gains from digital assets sales on a gross basis, when such digital assets are not considered financial instruments and are accounted for as inventory, consistent with the revenue standard. The Company acts as a principal in these transactions which requires gross treatment for revenue and for corresponding costs. As a principal, the Company has control over the digital asset before it is transferred to the customer.

2.5 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in 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.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

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.

Tax is recognised in 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.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

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.

BLOCKCHAIN ACCESS UK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****2. Accounting policies (continued)**

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.

2.6 Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less amortised residual value, of each asset on a straight-line basis over its expected useful life. The estimated useful life for computer equipment is 3 years.

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.7 Investments

Other investment includes an investment in common shares issued by a private company. The Company initially recognised this investment at the transaction price and subsequently carried it at cost less an impairment provision, if deemed necessary.

2.8 Cash and cash equivalents

Cash and cash equivalents within the Balance Sheet include cash held at bank and third party crypto exchanges. For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash held at bank and in hand and customer deposits held at bank.

2.9 Digital assets

Digital assets primarily comprises of crypto currency and other digital assets. The Company transacts with certain crypto currencies and other digital assets, which include, but not limited to, Bitcoin, Ethereum and Bitcoin Cash.

All crypto currency and other digital assets are classified as inventory. At inception, crypto currency and other digital assets are recorded at the fair value as of that date. Subsequently these assets are measured using the weighted average cost method. At the reporting date these assets are measured at the lower of cost and net realisable value. The estimated net realisable value of crypto currency assets are derived from www.coinmarketcap.com.

BLOCKCHAIN ACCESS UK LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.10 Loans receivable

The Company provides lending facilities in government issued currency ('fiat') to customers and earns a lending fee. Loans are initially recognised at fair value, which is the cash given to originate the loan, net of transaction costs and subsequently measured at amortised cost, less any impairment charges. Fiat loans may be collateralised by digital assets, and the Company may have rehypothecation rights over the digital assets posted as collateral. When digital assets are initially received as collateral they are not recognised as an asset by the Company, in line with the requirements of FRS 102, section 11.35. Once the collateral received has been rehypothecated, lent or sold, as permitted by the terms of the agreement, the Company records the proceeds from the transaction with a corresponding collateral payable liability representing the Company's obligation to return the collateral to the counterparty.

2.11 Other debtors

Other debtors include amounts that are due within one year. Amounts that are due within one year primarily comprise lease prepayments and other receivables. These balances are carried at cost less any impairment provision.

2.12 Customer deposits held at bank and custodial funds deposits due to customers

Customer deposits held at banks represent customer fiat funds deposited into their exchange accounts. Customer deposits held at bank are restricted for use by the respective customers on the Exchange. The Company operates a number of deposit bank accounts and stores funds for customers in multiple currencies to allow them to facilitate transactions in a timely manner. Deposits are maintained at financial institutions in Europe, the US and other countries. Custodial cash deposits held at bank are presented as cash in the Statement of Cash Flows.

Custodial funds due to customers represent the corresponding liability related to customer deposits.

2.13 Other creditors

Other creditors include amounts falling due within one year and comprise of advances received as well as amounts due to various service providers, value added tax payable and accrued expenses. These balances are carried at cost.

2.14 Digital assets lent to customers

Digital assets lent comprise crypto currency assets that are being loaned or pledged in relation to the Company's crypto lending and borrowing business. These digital assets are classified as inventory. At inception these assets are recorded at transaction price.

The Company regularly and at least at each reporting date assesses whether its crypto currency and other digital assets are impaired by comparing the carrying amount of each crypto currency and other digital asset to its estimated net realisable value. At the reporting date these assets are measured at the lower of cost or lowest fair market value within the current quarter derived from www.coinmarketcap.com.

BLOCKCHAIN ACCESS UK LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.15 Amounts owed in digital assets

Amounts owed in digital assets comprises of amounts held on behalf of third-party investors and amounts owed on the Company's lending business, including digital assets borrowings and collateral payable to third parties in digital assets. These balances are carried at the amounts that are equal to the best estimate of the amount that would be required to settle the obligation as of the reporting date, which approximates the fair value. Fair value is derived from www.coinmarketcap.com. Interest expense on amounts owed in digital assets is included within cost of sales.

2.16 Critical accounting judgements and estimates

The Company's critical accounting judgements and estimates include the following:

- *Impairment of Non Financial Assets:* The Company assesses impairment of non financial assets, including digital assets, regularly and at least on each reporting date by evaluating conditions specific to the Company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined, which is primarily based on an observable fair value of an asset less cost of disposal, if any, and incorporates a number of key estimates and assumptions.

- *Impairment of Financial Assets:* Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for impairment. If evidence of impairment is found, an impairment loss is recognised in Other operating expenses. The impairment loss for these financial assets is measured as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate, which incorporate a number of key estimates and assumptions.

The impairment loss for financial assets measured at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between the asset's carrying amount and best estimate of the recoverable amount, based on the Company's estimate of the amount it would receive for the asset if it was sold as of the balance sheet date.

- *Amounts owed in digital assets - collateral payable:* The Company receives digital assets as collateral for digital assets lent. When digital assets are initially received as collateral they are not recognised as an asset by the Company, in line with the requirements of FRS 102, section 11.35. Once the collateral received has been rehypothecated, lent or sold, as permitted by the terms of the agreement, the Company records the proceeds from the transaction with a corresponding collateral payable, measured at fair value, representing the Company's obligation to return the collateral to the counterparty.

- *AirDrop transaction with the Stellar Foundation:* The Company accounts for Stellar coins it received under the airdrop transaction with the Stellar Foundation as intangible assets and estimated their initial value at Nil since no consideration was paid for these coins. The Company estimated the corresponding liability at Nil since the estimated value of the airdrop coins received was Nil.

In 2018 Blockchain Access UK Ltd received 509,916,861 Stellar coins at fair value of \$127m from the Stellar Foundation to distribute to Blockchain's wallet holders. As of 31 December 2018, the Company had distributed 12,335,208 Stellar coins to Blockchain wallet holders. During the year ending 31 December 2019, the Company had distributed 369,618,081 Stellar coins to Blockchain wallet holders and held the remaining balance of 127,963,572 Stellar coins in its crypto wallet.

BLOCKCHAIN ACCESS UK LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

As of May 2020, 127,825,360 of the undistributed Stellar coins were returned to the Stellar Foundation in 2020.

- *Exchange transactions:* For the majority of Exchange transactions, the Company's role is to match customers who are buying and selling crypto currency on the Exchange and facilitate the delivery of crypto currency from the seller to the buyer. For the transactions in which the Company is fulfilling the customer order, judgment is required in determining whether the Company is the principal or the agent in fulfilling the customer order, based on whether the Company controls the crypto currency before it is transferred to the buyer. The Company concluded it does not control the crypto currency in Exchange transactions as, (1) the seller remains the beneficial owner of the crypto currency until the transaction is executed, and (2) the Company does not have the ability to direct the use of the crypto currency in customers' accounts. As part of our evaluation of control, the Company also reviewed other specific indicators of control to support our conclusion, including that the Company is not primarily responsible for delivering the crypto currency to the buyer, nor does the Company bear any inventory risk before or after the crypto currency is delivered to the buyer. The Company also does not have discretion in establishing the settlement price for the crypto currency, which is determined by the market exchange rate on the Exchange. As a result, the Company acts as the agent in fulfilling the customer order for these transactions and recognises the related revenue on a net basis. For transactions where the Company acts as the counterparty to the customers by fulfilling the orders from the Company's own inventory, no third party is involved in delivering crypto currency to the customer and therefore, the Company has concluded it is acting as a principal to fulfilling crypto sale trades. As a result, the Company recognises revenue from these transactions on a gross basis.

- *Customer deposits held at bank:* Customer deposits held at bank represent restricted cash and cash equivalents maintained in segregated Company bank accounts that are held for the exclusive benefit of customers. The Company restricts the use of the customer deposits held at bank to meet regulatory requirements and classifies the assets as current based on their purpose and availability.

2.17 Financial instruments

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

Financial instruments include cash and cash equivalents, other debtors, including amounts owed by group undertakings, other creditors and amounts owed to group undertakings, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than its legal form.

2.18 Amounts due from and owed to group undertakings

Amounts due from and owed to group undertakings arise from transactions between the Company and other group companies. These receivables and payables do not bear any interest and are payable on demand. Amounts due from group undertakings are included in Other Debtors in the Company's balance sheet. Amounts owed to group undertakings are included in Other Creditors – amounts falling due within one year in the Company's balance sheet.

BLOCKCHAIN ACCESS UK LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.19 Share capital

The Company's ordinary shares are classified as equity.

2.20 Gains and losses on sales of digital assets

The Company recognises realised gains from digital assets sales on a gross basis, when such digital assets are not considered financial instruments and are accounted for as inventory, consistent with the Company's revenue policy. The Company acts as a principal in these transactions which requires gross treatment for revenue and for corresponding costs. As a principal, the Company has control over the digital asset before it is transferred to the customer. The Company recognises the gross amount of cash or total fair value of crypto currency received as revenue at the point in time the transaction is executed. The cost of the crypto currency used, or cash paid to fulfil the customer order is accounted for as cost of sales. Unrealised gains and losses on amounts owed in digital assets consisted of the Company's digital assets borrowed, digital assets collateral payable, digital assets interest earning accounts payable and other payables in digital assets. Such unrealised gains or losses are accounted for at fair value, in Other operating income. Upon settlement of the amounts owed in digital assets, the unrealised gains or losses are recorded as realised.

BLOCKCHAIN ACCESS UK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****3. Revenue**

An analysis of turnover by class of business is as follows:

	Year ended 31 December 2019 \$000	<i>Eight month period ended 31 December 2018 \$000</i>
OTC Revenue	48,950	36,317
Swap Revenue	112,026	4,599
Exchange Revenue	5,939	-
Lending Fee Revenue	1,356	15
Trading Revenue	5,184	1,574
	173,455	42,505

Analysis of revenue by country of destination:

	Year ended 31 December 2019 \$000	<i>Eight month period ended 31 December 2018 \$000</i>
United Kingdom	14,776	6,735
Rest of Europe	86,042	1,196
Rest of the world	72,637	34,574
	173,455	42,505

4. Other operating income

	Year ended 31 December 2019 \$000	<i>Eight month period ended 31 December 2018 \$000</i>
Unrealised gains on amounts owed in digital assets	39,967	12,921
Foreign exchange gains	176	20
Net realised gain on settlement of digital asset liabilities	9,268	-
	49,411	12,941

BLOCKCHAIN ACCESS UK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****5. Operating profit/(loss)**

The operating profit/(loss) is stated after charging:

	Year ended	<i>Eight month period ended</i>
	31	31
	December	<i>December</i>
	2019	2018
	\$000	\$000
Exchange differences	(176)	(20)
Intercompany recharges	20,965	1,713
Impairment charges for digital assets and digital assets lent	60,955	14,456
Depreciation - computer equipment	9	-

6. Auditors' remuneration

	Year ended	<i>Eight month period ended</i>
	31	31
	December	<i>December</i>
	2019	2018
	\$000	\$000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	230	127

7. Employees and directors

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

	Year	<i>Eight month period</i>
	ended	<i>ended</i>
	31	31
	December	<i>December</i>
	2019	2018
	No.	No.
Employees	2	2

There were no staff costs during the year. The Company's Directors were remunerated by another group Company. Total directors' remuneration allocated to the Company for services provided, included within intercompany recharges, is \$484k (2018: \$194k).

BLOCKCHAIN ACCESS UK LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

8. Taxation

Factors affecting tax charge for the year/period

The tax assessed for the year/period is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	Year ended 31 December	Eight month period ended 31 December
	2019 \$000	2018 \$000
Profit/(loss) on ordinary activities before tax	6,692	(5,117)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	1,271	(972)
Effects of:		
Utilisation of tax losses brought forward	(972)	-
Unrelieved tax losses carried forward	-	972
Total tax charge for the year/period	299	-

A deferred tax liability of \$23,000 has been recognised related to capital allowances for year/period in excess of depreciation (2018 - nil).

BLOCKCHAIN ACCESS UK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****9. Tangible fixed assets**

	Group 2019 \$000
Cost	
At 1 January 2019	-
Additions	130
At 31 December 2019	130
Accumulated depreciation	
At 1 January 2019	-
Charge for the year on owned assets	9
At 31 December 2019	9
Net book value	
At 31 December 2019	121
At 31 December 2018	-

10. Fixed asset investments

	Unlisted investments \$000
At 1 January 2019	150
Disposals	(150)
At 31 December 2019	-

In 2018 the Company acquired common shares issued by a privately held company incorporated in the United States of America for a consideration of \$150k. The acquired investment represented less than 0.5% interest in total voting common shares issued. The Company initially measured this investment at the transaction price and subsequently measured it at cost less any impairment provision. The Company determined that no impairment provision was necessary, since there was no indication of impairment of this investment. In 2019, the Company transferred this investment to another group company at the carrying value. No gain or loss was recorded upon this transfer.

BLOCKCHAIN ACCESS UK LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

11. Digital assets

	2019 \$000	2018 \$000
Digital assets held for sale	66,130	26,231
Impairment charge	(25,824)	(12,520)
Net book value	40,306	13,711

Digital assets primarily comprise crypto currency assets, including but not limited to Bitcoin, Bitcoin Cash Stellar, Ethereum and USDT. As at 31 December 2019, the fair value of digital assets was \$56.9m (2018 - \$15.8m). As at 12 April 2022, the fair value of digital assets was \$224.7m. Digital Assets totaling \$55m were pledged as collateral for borrowings the company has received as at 31 December 2019 (2018 - \$150.3m). Digital assets pledged as collateral are generally calculated as a percentage of the borrowed amount, if during the term of the loan the borrowed amount increases, the Company may be required to pledge additional collateral. Upon repayment of the borrowed amount, the collateral pledged is returned to the Company.

12. Digital assets lent to customers

	2019 \$000	2018 \$000
Short term crypto loan receivable cost	140,302	3,593
Long term crypto loan receivable cost	8,347	-
Crypto loan receivable impairment	(22,808)	(1,937)
Net book value at 31 December 2019	125,841	1,656

Crypto loans receivable net of impairment consist of \$119.2m loans that can be called on demand, or are due within one year, and \$6.6m crypto loans that have a maturity date that is greater than 1 year but within 2 years. The following table presents the amounts of crypto loans receivable by the remaining contractual maturity:

Crypto loans by maturities

	On demand, and due within 1 year \$000	Greater than 1 year but within 2 years \$000	Greater than 2 years but within 5 years \$000	Greater than 5 years \$000	Total \$000
<i>As at 31 December 2019</i>					
Crypto loans receivable (net of impairment)	119,211	6,630	-	-	125,841
	119,211	6,630	-	-	125,841

BLOCKCHAIN ACCESS UK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****12. Digital assets lent to customers (continued)****Crypto loans by maturities**

<i>As at 31 December 2018</i>	On demand, and due within 1 year \$000	Greater than 1 year but within 2 years \$000	Greater than 2 years but within 5 years \$000	Greater than 5 years \$000	Total \$000
Crypto loans receivable (net of impairment)	1,656	-	-	-	1,656
	<u>1,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,656</u>

BLOCKCHAIN ACCESS UK LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

13. Short term and long term loans receivable

	2019 \$000	2018 \$000
Short term loans	15,556	-
Long term loans	2,750	-
Impairment provision	(173)	-
	<u>18,133</u>	<u>-</u>

Loans receivable net of impairment consist of \$15.4m loans that can be called on demand, or are due within one year, and \$2.7m of crypto loans that have a maturity date that is greater than 1 year but within 2 years. The range of interest rates for these loans is between 8% and 15.2%. The following table presents the amounts of crypto loans receivable by the remaining contractual maturity:

Loans receivable by maturities

	On demand, and due within 1 year \$000	Greater than 1 year but within 2 years \$000	Greater than 2 years but within 5 years \$000	Greater than 5 years \$000	Total \$000
<i>As at 31 December 2019</i>					
Loans receivable (net of impairment)	15,409	2,724	-	-	18,133
	<u>15,409</u>	<u>2,724</u>	<u>-</u>	<u>-</u>	<u>18,133</u>

Loans receivable by maturities

	On demand, and due within 1 year \$000	Greater than 1 year but within 2 years \$000	Greater than 2 years but within 5 years \$000	Greater than 5 years \$000	Total \$000
<i>As at 31 December 2018</i>					
Loans receivable (net of impairment)	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

BLOCKCHAIN ACCESS UK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****14. Debtors**

	2019	2018
	\$000	\$000
Amounts owed by group companies	9,563	-
Other debtors	97	-
Prepayments and accrued income	402	35
	10,062	35

15. Creditors: Amounts falling due within one year

	2019	2018
	\$000	\$000
Amounts owed to group companies	(5,099)	(2,425)
Amounts owed to parent company	(36,599)	(6,945)
Trade creditors	(3,184)	(184)
Accruals and deferred income	(1,780)	(1,003)
Corporation tax payable	(276)	-
Crypto borrowings and collateral payable	(104,903)	(10,922)
Loan Payables	(2,250)	-
Payable to third party investors for crypto assets held on their behalf	(248)	(2,966)
Custodial cash deposits due to customers	(6,527)	-
	(160,866)	(24,445)

BLOCKCHAIN ACCESS UK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****15. Creditors: Amounts falling due within one year (continued)**

Loan payables consist of loans which are denominated in US Dollars, and are carried at fair value. These loans can be called on demand, or are due within one year. The range of interest rates for these loans is between 0% and 2%. The following table presents the amounts of loan payables by remaining contractual maturity:

Loan payables by maturities

	On demand, and due within 1 year \$000	Greater than 1 year but within 2 years \$000	Greater than 2 years but within 5 years \$000	Greater than 5 years \$000	Total \$000
<i>As at 31 December 2019</i>					
Loan payables	2,250	-	-	-	2,250
	<u>2,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,250</u>

Loan payables by maturities

	On demand, and due within 1 year \$000	Greater than 1 year but within 2 years \$000	Greater than 2 years but within 5 years \$000	Greater than 5 years \$000	Total \$000
<i>As at 31 December 2018</i>					
Loan payables	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

BLOCKCHAIN ACCESS UK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****16. Creditors: Amounts falling due after more than one year**

	2019 \$000	2018 \$000
Crypto borrowings and collateral payable	(39,044)	-
Deferred Tax Liability	(23)	-
	<u>(39,067)</u>	<u>-</u>

Crypto borrowings and collateral payable balances are carried at the amounts that are equal to the best estimate of the amount that would be required to settle the obligation as of the reporting date, which approximates the fair value, which is derived from www.coinmarketcap.com. The range of interest rates for these loans is between 0% and 7.5%. The following table presents the amounts of crypto borrowing and collateral payable by the remaining contractual maturity:

Crypto borrowings and collateral payable by maturities

	On demand, and due within 1 year \$000	Greater than 1 year but within 2 years \$000	Greater than 2 years but within 5 years \$000	Greater than 5 years \$000	Total \$000
<i>As at 31 December 2019</i>					
Crypto borrowings and collateral payable	104,903	39,044	-	-	143,947
	<u>104,903</u>	<u>39,044</u>	<u>-</u>	<u>-</u>	<u>143,947</u>

Crypto borrowings and collateral payable by maturities

	On demand, and due within 1 year \$000	Greater than 1 year but within 2 years \$000	Greater than 2 years but within 5 years \$000	Greater than 5 years \$000	Total \$000
<i>As at 31 December 2018</i>					
Crypto borrowings and collateral payable	10,922	-	-	-	10,922
	<u>10,922</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,922</u>

BLOCKCHAIN ACCESS UK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****17. Financial instruments**

	2019 \$000	2018 \$000
Financial assets		
Cash	219	3,776
Customer deposits held at bank	6,527	-
Loans receivable	18,133	-
Investments	-	150
Amounts owed by group companies	9,563	-
Other debtors	97	-
Prepayments and accrued income	402	35
	34,941	3,961
Financial liabilities		
Amounts owed to group companies	(5,099)	(2,425)
Amounts owed to parent company	(36,599)	(6,945)
Loan Payables	(2,250)	-
Trade creditors	(3,184)	(184)
Accrued expenses	(1,780)	(1,004)
Custodial cash deposits due to customers	(6,527)	-
	(55,439)	(10,558)

Financial instruments include cash and cash equivalents, other debtors, including amounts owed by group undertakings, other creditors and amounts owed to group undertakings, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

BLOCKCHAIN ACCESS UK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****18. Analysis of net debt**

	At 1 January 2019	Cash flows	Non-cash flows	At 31 December 2019
	\$000	\$000	\$000	\$000
Cash at bank and in hand	3,776	(3,733)	176	219
Customers deposits held at bank	-	6,527	-	6,527
Debt due after 1 year	-	-	(29,855)	(29,855)
Debt due within 1 year	(24,447)	(2,250)	(143,381)	(170,078)
	(20,671)	544	(173,060)	(193,187)

Non -cash movement relates to:

- Foreign exchange gains and losses on cash at bank and in hand.
- Digital assets owed to third parties.

19. Share capital

	2019 \$000	2018 \$000
Allotted, called up and fully paid		
1 (2018 - 1) Ordinary share of \$0.01	-	-

The Company's called up share capital consists of one ordinary share with a par value of \$0.013 (£0.01) that is fully owned by the Parent.

BLOCKCHAIN ACCESS UK LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

20. Related party transactions

Due to its 100% shareholding in the issued share capital of the Company, the immediate parent undertaking is Blockchain.com Group Holdings, Inc. (formerly known as Blockchain Luxembourg S.A).

In 2019, the Company executed transactions with related parties, which included key management personnel and related parties with significant influence over the Company.

Key management personnel include all directors and certain senior managers across the group who together have the authority and responsibility for planning, directing, and controlling the activities of the group. No key management personnel received remuneration from the company during the year (2018 \$nil). For directors' remuneration refer to Note 7. The Company has taken advantage of the disclosure exemption under Section 33.1A of FRS 102 not to disclose transactions with other wholly owned members of the Group.

In addition to compensation paid, transactions with key management personnel primarily comprised of over the counter (OTC) and Blockchain Exchange sales and purchases of digital assets. In 2019 the Company sold digital assets to key management personnel totalling \$460k, which are primarily reported within OTC Revenue. In 2019 the Company earned SWAP revenue from transactions made by key management personnel totalling \$276k. As at 31 December 2019, there were no balances due to or from key management personnel as a result of the above transactions.

During the reporting period related parties with significant influence sold to, and purchased from, the Company digital assets totaling \$29.7m. During 2019, the Company purchased and held crypto currency assets on behalf of related parties with significant influence, which amounted to \$818k and were included within payables to third party investors for crypto assets held as at 31 December 2019. The Company had no outstanding crypto currency funds borrowed from related parties with significant influence as of 2019 year end.

BLOCKCHAIN ACCESS UK LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

21. Post balance sheet events

On 30 January 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID 19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID 19 outbreak as a pandemic, based on the rapid increase in exposure globally. The pandemic has adversely affected global economic activity and greatly contributed to significant deterioration and volatility in financial markets across the world, including signals of an uptick in illiquid or inactive markets. Depending on the severity and length of the outbreak, this pandemic could present material uncertainty and risk, including an adverse effect on our operations and financial condition, collectability of amounts due from others, and overall operational performance.

The rapid development and fluidity of this situation precludes management from making an estimate as to the ultimate adverse impact of the pandemic on our liquidity, financial condition, and results of operations for fiscal year 2022. Although global economic conditions have been improving despite the continuation of the COVID 19 pandemic, any ongoing negative economic impacts arising from the pandemic or any prolongation or worsening of the pandemic, including as a result of additional waves or variants of the COVID 19 disease or the emergence of other diseases that have similar outcomes, could have significant adverse impact on the Company's business. As a result, the ultimate impact of the COVID 19 outbreak and the effects of the operational alterations the Company may make in response to our business, financial condition, liquidity, and financial results cannot be predicted at this time.

In addition to the challenges posed by the spread of COVID 19, the Company could experience in the future negative impacts to its businesses and results of operations as a result of the conflict between Russia and Ukraine. At present, the Company has not observed any impact on their operations, the ability to raise capital, or on trading due to the conflict.

On 29 April 2021, the Company purchased the business of AI Exchange LTD., a company that has built an AI-powered negotiation and matching engine for institutional OTC traders. As a consideration for the acquisition, the parent Company issued warrants valued at \$1.6m to AI Exchange LTD.

On 22 October 2021, the Board and shareholders of Blockchain Luxembourg S.A. approved the migration of the parent company to the Cayman Islands, which was carried out by way of a continuation of the legal entity. The renamed entity was deregistered from Luxembourg and reregistered with the Cayman Islands Companies Registry on 25 October 2021 in the name of Blockchain.com Group Holdings, Inc.

22. Controlling party

The immediate and ultimate parent company and controlling party is Blockchain.com Group Holdings, Inc. (formerly known as Blockchain Luxembourg S.A.). The address of the registered office of the Company is 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008, Cayman Islands. See subsequent event disclosure for change in the parent company in October of 2021.