

Company No: 09083955

COINBASE UK, LTD

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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Coinbase UK, Ltd

Contents

	Page
Company Information	2
Strategic Report	3
Report of the Directors	6
Statement of Directors' Responsibilities	7
Independent Auditors' Report	8
Statement of Comprehensive Income	11
Statement of Financial Position	12
Statement of Changes in Equity	13
Cash Flow Statement	14
Notes forming part of the financial statements	15 to 21

Coinbase UK, Ltd

Company Information
For the year ended 31 December 2017

Directors

Asiff Hirji
Brian Armstrong
Michael Lempres

Registered Office

9th Floor
107 Cheapside
London EC2V 6DN

Company number

09083955

Auditor

Moore Stephens LLP
150 Aldersgate Street
London EC1A 4AB

Coinbase UK, Ltd

Strategic Report

Review of Business

Coinbase UK, Ltd (the "Company"), a wholly owned subsidiary of Coinbase Global, Inc. a United States ("US") corporation, provides digital asset exchange services to consumers and institutions outside of the US and US territories. These services include fulfilment of digital asset buy and sell transaction orders, and fiat and digital asset wallet services.

The year ended 31 December 2017 was the first full year of operations for the Company. On 1 January 2017, the Company entered into a non-exclusive distribution agreement with Coinbase, Inc. ("Affiliate") wherein the Company became a distributor of exchange services to its customers using Affiliate's coinbase.com consumer and GDAX commercial platforms. In turn, the Company pays an exchange service fee to Affiliate.

The Company derives revenue from exchange service fees assessed on each buy/sell transaction. For the year ended 31 December 2017, the Company recognised total turnover of €127.9 million and cost of sales of €119 million. The Company incurred total operating expenses of €3.7 million and tax and interest costs of €2.6 million for the period resulting in net income of €2.6 million.

At 31 December 2017, the Company had €238.7 million of cash on hand and €386 million of customer fiat wallet holdings.

Financial Key Performance Indicators

Company key performance indicators ("KPI") for the year ended 31 December 2017 include but are not limited to total open accounts as compared to total turnover and market share. These metrics provide indicators of customer satisfaction and the Company's ability to retain and grow its customer base.

The Company sources these performance metrics from its database through internally developed queries.

Total international active user accounts grew approximately 3 times to 10.6 million year over year, which drove an increase in digital asset trading activity and resulting turnover.

Market share is measured on an exchange by exchange basis. At 31 December 2017, the Coinbase platforms had total exchange market share of approximately 5%.

Coinbase UK, Ltd
Report of the Directors

The Directors present their report and the audited financial statements for the year ended 31 December 2017. The financial statements have been prepared under, and comply with, United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland."

Please refer to the Strategic Report on pages 3 to 5 for review of business, financial key performance indicators, principal risks and uncertainties and the likely future developments of the Company.

Directors

The Directors who served during the year and since the year end were:

Brian Armstrong	
Fred Ehrsam	(resigned 27 January 2017)
Michael Lempres	(appointed 22 March 2017)
Asiff Hirji	(appointed 25 April 2018)

Results and Dividends

The results for the period are shown on page 11.

The Directors do not recommend the payment of a dividend for the period (2016: €Nil).

Principal Activity

The company's principal activity is facilitating the exchange of fiat and digital currencies for non-US territory customers and allowing consumers and businesses to securely transact in digital currencies, such as Bitcoin, Bitcoin Cash, Litecoin and Ethereum, and beginning in 2018, Ethereum Classic. The company offers various fiat payment methods and delivers digital currencies to customers using just in time sourcing. In July 2018, CB Payments, Ltd., an affiliate of the Company, began supporting the fiat wallets of the Company's customers.

Directors' Confirmation

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

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

By Order of the Board on 30 September 2018



Mike Lempres
Director

Coinbase UK, Ltd

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Coinbase UK, Ltd

Strategic Report (continued)

Principal Risks and Uncertainties

The risks of regulatory changes adversely impacting the Company's position and capacity to conduct business.

The Company and Affiliate proactively engage regulators to gain clarity on the evolving regulatory landscape affecting the digital asset industry. This also includes the risk of loss resulting from failure to meet the strategic objectives and actions from competitors that threaten the Company's market leading position. The Company will continue to deploy its resources to diligently monitor the market and regulatory environment for threats and opportunities.

The risk of loss resulting from inadequate or failed policies or controls, key people and knowledge, systems and external events in respect of new product implementations, entering new markets and sustainability of key agreements with banking partnerships.

The Company and Affiliate actively monitor its operations and documents key business processes to facilitate knowledge transfers in the event of team member turnover. The Company's affiliate also conducts regular third party penetration tests and has a well-developed bug bounty program.

The risk of loss resulting from data protection or privacy failures and incomplete, inaccurate or untimely reporting of financial and operating information leading to potential fines, penalties or sanctions.

The Company's affiliate has a robust and growing team of compliance professionals that ensure that team members across all related companies ("the group") have sufficient training to ensure adherence to reporting and other regulatory requirements. Compliance and Finance teams across the group combine efforts to ensure timely and accurate reporting to regulatory bodies.

The risk of loss resulting from employee and third party fraud risk as well as product and engineering risks.

The Company and Affiliate employ strict security protocols to ensure that customer data and assets are safeguarded. This includes ongoing monitoring of platform activity and reconciliation of transactions against platform data.

Coinbase UK, Ltd

Strategic Report (continued)

Future Developments

Effective in August 2018, the Company began supporting digital asset trades denominated in GBP. In addition, the Company announced its support of GBP fiat wallets on Affiliate's platform. The Company is able to support GBP as a transaction currency through a partnership with a sister entity, CB Payments, Ltd. CB Payments, Ltd is a United Kingdom ("UK") based organisation that holds an electronic money license issued by the Financial Conduct Authority ("FCA"). The directors expect this partnership to result in an increase in the Company's UK-based customer population. In addition, the partnership enables CB Payments, Ltd (as an electronic money license grantee) to hold customer cash on behalf of the Company. As such, in April 2018, all customer funds were moved to CB Payments, Ltd. controlled bank accounts.

Upon the establishment of a key banking relationship, the Company launched its GBP payment rail and its support GBP fiat wallets on the coinbase.com platform for the benefit of Coinbase UK, Ltd's customers. This resulted in the movement of a total of 264,817,704 GBP (\$373,928,601) custodial cash previously held by Coinbase UK, Ltd to a bank account held by the Company on the 22 and 27 March 2018. These custodial funds are held in an account designed as for the benefit of customers of Coinbase UK, Ltd.

The Company launched its support of Ethereum Classic ("ETC") in August 2018.

Key elements of the Company's business strategy include:

- Supporting the Coinbase brand
- Provide custodial services that enhance user experience
- Support customer retention and growth
- Assist in risk management and compliance through enhanced transaction monitoring, anti-money laundering and know your customer policies and procedures
- Increase custodial service capacity as payment rails and digital assets supported are expanded

By Order of the Board on 30 September 2018



Mike Lempres
Director

Independent Auditors' Report to the Members of Coinbase UK, Ltd

Opinion

We have audited the financial statements of Coinbase UK, Ltd (the "Company") for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are 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.

Independent Auditors' Report to the Members of Coinbase UK, Ltd (Continued)

Opinions on other matters prescribed by the Companies Act 2006

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

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

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 where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent Auditors' Report to the Members of Coinbase UK, Ltd (Continued)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Mark Ayres, *Senior Statutory Auditor*
For and on behalf of Moore Stephens LLP, *Statutory Auditor*
150 Aldersgate Street
London
EC1A 4AB

30 September 2018

Coinbase UK, Ltd

**Statement of Comprehensive Income
For the year ended 31 December 2017**

	<u>Note</u>	<u>2017</u> €	<u>2016</u> <i>Restated</i> €
Turnover	2(d)	127,886,534	1,898,063
Cost of sales		<u>(118,929,475)</u>	<u>-</u>
Gross profit		8,957,059	1,898,063
Administrative expenses		<u>(3,719,856)</u>	<u>(2,116,606)</u>
Operating profit/(loss)	5	5,237,203	(218,543)
Interest expense and other similar charges		<u>(1,755,023)</u>	<u>(88,127)</u>
Profit/(loss) on ordinary activities before taxation		3,482,180	(306,670)
Taxation	7	<u>(886,636)</u>	<u>140,968</u>
Profit/(loss) for the year		<u>2,595,544</u>	<u>(165,702)</u>
Other comprehensive income			
Currency translation difference		<u>-</u>	<u>(172,496)</u>
Total comprehensive profit/(loss) for the period		<u>2,595,544</u>	<u>(338,198)</u>

The notes on pages 15 to 21 form part of these financial statements.

Coinbase UK, Ltd

Statement of Financial Position
As at 31 December 2017

Registered number: 09083955

	<u>Note</u>	<u>2017</u> €	<u>2016</u> <i>Restated</i> €
Current assets			
Cash held at bank		238,735,928	16,892,661
Customer deposits held at bank	6	386,043,735	4,185,022
Amounts due from group undertakings		6,667,048	-
Deferred tax		9,863	148,297
		<u>631,456,574</u>	<u>21,225,980</u>
Creditors: amounts falling due within one year	8	<u>(629,869,113)</u>	<u>(22,234,063)</u>
Net current assets / (liabilities)		<u>1,587,461</u>	<u>(1,008,083)</u>
Total assets less current liabilities		<u>1,587,461</u>	<u>(1,008,083)</u>
Capital and Reserves			
Share capital	10	-	-
Retained earnings		<u>1,587,461</u>	<u>(1,008,083)</u>
Shareholders' funds/(deficit)		<u>1,587,461</u>	<u>(1,008,083)</u>

The financial statements were approved by the board on 30 September 2018,
and signed on its behalf by

Mike Lempres

Mike Lempres
Director

The notes on pages 15 to 21 form part of these financial statements.

Coinbase UK, Ltd

**Statement of Changes in Equity
For the year ended 31 December 2017**

	<u>Share Capital</u> €	<u>Retained Earnings</u> €	<u>Total</u> €
At 1 January 2016 as restated	-	(669,885)	(669,885)
Loss for the year as restated	-	(165,702)	(165,702)
Other comprehensive income as restated	-	(172,496)	(172,496)
At 31 December 2016 as restated	-	(1,008,083)	(1,008,083)
Profit for the year	-	2,595,544	2,595,544
At 31 December 2017	-	1,587,461	1,587,461

The notes on pages 15 to 21 form part of these financial statements.

Coinbase UK, Ltd

**Cash Flow Statement
For the year ended 31st December 2017**

	<u>2017</u> €	<u>2016</u> €
Cash flows from operating activities		
Operating profit	2,595,544	(165,702)
Adjustments for:		
Decrease/(increase) in deferred tax assets	138,434	(140,914)
Decrease/(increase) in customer deposits held at bank	(381,858,713)	(1,265,454)
(Increase)/decrease in amounts due from group undertakings	(6,667,048)	85,449
Increase in creditors	<u>607,635,050</u>	<u>9,800,572</u>
Cash flows from operating activities	<u>221,843,267</u>	<u>8,313,951</u>
Net increase in cash and cash equivalents	<u>221,843,267</u>	<u>8,313,951</u>
Effect of exchange rates on cash and cash equivalents	-	691,731
Cash and cash equivalents at 1st January	<u>16,892,661</u>	<u>7,886,979</u>
Cash and cash equivalents at 31st December	<u>238,735,928</u>	<u>16,892,661</u>

The notes on pages 15 to 21 form part of these financial statements.

Coinbase UK, Ltd

Financial Statements for the year ended 31 December 2017

Notes

1. General Information

Coinbase UK, Ltd is a company incorporated in England and Wales under the Companies Act 2006. The Company is a private company limited by shares and is registered in England and Wales. The address of the registered office is given on page 2.

2. Accounting Policies

(a) Basis of accounting

The financial statements have been prepared in accordance with Financial Reporting Standard 102 as issued by the Financial Reporting Council ("FRS 102").

(b) Basis of preparation

Effective 1 January 2017, the functional currency and presentation currency is the Euro (€).

On 1 January 2017, the Company entered into a non-exclusive distribution agreement with Coinbase, Inc. ("Affiliate"), a wholly owned subsidiary of Coinbase Global, Inc., wherein the Company is identified as the distributor of exchange services outside of the United States of America and its territories. This agreement establishes the Company's cost of exchange services as a Euro-denominated obligation that, in 2017, represented more than 200% of the Company's total operating expenses. In addition, the Company's revenues are predominantly derived from Euro-denominated digital asset transactions for which fees are paid to the Company in Euros. The provisions of FRS 102 require that the Company's functional currency reflect the underlying transactions, events and conditions that are relevant to the Company. As such, the Company changed its functional currency to Euro effective 1 January 2017, concurrent with the execution of the non-exclusive distribution agreement with Affiliate.

The Directors made the decision to present the financial statements of the Company in Euro as such presentation better reflects the operating environment in which the Company operates. As such, the presentation currency was changed to Euro effective with this report. The 2016 comparatives have been restated in Euro to reflect the current year change.

(c) Going Concern

The financial statements herein were prepared on a going concern basis which assumes that the Company will continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities and commitments in the normal course of business. During the year ended 31 December 2017, the Company realised net income of €2.6 million compared with a net loss of €165.7 thousand for the year ended 31 December 2016. The Company believes that growth in its operations will continue for the next twelve months and that its working capital of €1.6 million at 31 December 2017 is a positive indicator of the Company's liquidity, efficiency and overall financial health. The Directors have therefore adopted a going concern basis of preparation for the financial statements.

Coinbase UK, Ltd

Financial Statements for the year ended 31 December 2017

Notes (Continued)

(d) Turnover

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

Percentage of turnover generated outside of the UK is 71%

(e) Deferred Taxation

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

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

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

Deferred tax assets and liabilities are not discounted.

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

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

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

Coinbase UK, Ltd

Financial Statements for the year ended 31 December 2017

Notes (Continued)

(f) Financial Instruments

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

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

Debt instruments are subsequently measured at amortised cost.

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

(g) Foreign Currency

Foreign currency transactions are translated into the functional currency using the spot exchange rate at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that related to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance (expense)/income'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating (losses)/gains'.

3. Critical accounting judgements

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Management consider there to be no critical accounting judgements.

Coinbase UK, Ltd

Financial Statements for the year ended 31 December 2017

Notes (Continued)

4. Staff Costs

Directors' remuneration is borne by group undertakings.

5. Operating Profit/(Loss)

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

	2017	2016
	€	€
Auditors remuneration	296,709	72,298
Auditors remuneration – non audit services	-	1,672
Gain on foreign exchange	<u>(661,227)</u>	<u>(1,067)</u>

6. Customer deposits held at bank

The Company operates one customer deposit bank account. As at 31 December 2017 and 2016, the total balance of this account was €386,043,735 and €4,185,022, respectively.

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

7. Taxation

(a) The tax charge/(credit) comprises:

	2017	2016
	€	€
Current tax on ordinary activities		
Corporation tax charge for the current year	876,773	-
Total current tax	<u>876,773</u>	<u>-</u>
Deferred tax		
Deferred tax charge	9,863	140,968
Total deferred tax	<u>9,863</u>	<u>140,968</u>
Total tax on ordinary activities	<u>886,636</u>	<u>140,968</u>

Coinbase UK, Ltd

Financial Statements for the year ended 31 December 2017

Notes (Continued)

7. Taxation (continued)

(b) Factors affecting tax charge for the year:

	2017	2016
	€	€
Profit/(loss) on ordinary activities before tax	<u>3,482,180</u>	<u>(306,670)</u>
Profit/(loss) on ordinary activities multiplied by rate of tax 19.25% (2016: 20%)	670,320	(61,334)
Other timing differences	124,117	
Expenses not allowable for tax purposes	122,989	
Unutilised tax losses	-	(79,634)
Adjustment in relation to prior year	<u>(30,790)</u>	
Total tax charge/(credit) for period	<u>886,636</u>	<u>(140,968)</u>

(c) Deferred tax asset:

	2017	2016
	€	€
At 1 January	(140,968)	-
(Credit)/charge to profit or loss	<u>131,105</u>	<u>(140,968)</u>
At 31 December	<u>(9,863)</u>	<u>(140,968)</u>

(d) The deferred tax asset is made up as follows:

	2017	2016
	€	€
Tax losses available	<u>131,105</u>	<u>(140,968)</u>

Coinbase UK, Ltd

Financial Statements for the year ended 31 December 2017

Notes (Continued)

8. Creditors: amounts falling due within one year

	2017	2016
	€	€
Customer currency deposits	396,562,295	4,185,023
Amounts owed to group undertakings	195,697,706	17,727,896
Accounts payable and accrued liabilities	1,633,028	240,672
Other creditors	<u>35,976,084</u>	<u>80,472</u>
	<u>629,869,113</u>	<u>22,234,063</u>

Amounts owed to group undertaking are unsecured, interest bearing and repayable on demand. Included within accounts payable and accrued liabilities is an amount of €253,274 (2016: €nil) in relation to a provision for losses from customer transactions rescinded by the payment provider.

9. Financial instruments

Financial assets	2017	2016
	€	€
Financial assets measured at fair value through profit or loss	624,779,663	21,077,683
Financial assets measured at cost	<u>6,667,048</u>	<u>-</u>
	<u>631,446,711</u>	<u>21,077,683</u>
Financial liabilities		
Financial liabilities measured at cost	195,697,706	17,727,896
Financial liabilities measured at fair value through profit or loss	<u>396,562,295</u>	<u>4,185,022</u>
	<u>592,260,001</u>	<u>21,912,918</u>

Financial assets measured at fair value comprise cash held at bank and customer deposits.

Financial assets measured at cost comprise amounts due from group undertakings.

Financial liabilities measured at cost comprise amounts owed to group undertakings.

Financial liabilities measured at fair value through profit or loss consist of liabilities owed to customers in relation to customer deposits.

Coinbase UK, Ltd

Financial Statements for the year ended 31 December 2017

Notes (Continued)

10. Share Capital

	€	€
Allotted, issued and fully paid		
1 ordinary shares of £0.0001 each	-	-

There are no restrictions on the distribution of dividends and the repayment of capital.

11. Ultimate Controlling Party

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

In the opinion of the directors, there is not one controlling party at the balance sheet date.

12. Financial Risk Management

The Company has exposure to liquidity and cash flow risk arising from its operating activities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and is responsible for developing and monitoring the Company's risk management strategy and policies. There have been no changes to the Company's exposures to risk or the methods used to measure and manage these risks during the year.

The Company actively monitors current cash flow requirements and continually forecasts future cash flows in order to maintain liquidity and ensure that sufficient funds are available for ongoing operations. The Directors consider current cash balances are sufficient to meet cash requirements.

13. Events after the end of the reporting period

Upon the establishment of a key banking relationship, the CB Payments Ltd launched its GBP payment rail and its support GBP fiat wallets on the coinbase.com platform for the benefit of Coinbase UK, Ltd.'s customers. This resulted in the movement of a total of £264,817,704 (or \$373,928,601) custodial cash previously held by Coinbase UK, Ltd to a bank account held by CB Payments Ltd on the 22 and 27 March 2018. These custodial funds are held in an account designated as for the benefit of customers of Coinbase UK, Ltd.

The Company launched its support of Ethereum Classic ("ETC") in August 2018.