

Company Number: 09083955

**Coinbase UK, Ltd**

**Report and Financial Statements  
31 December 2018**



## 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
Statement of Cash Flows	14
Notes to the Financial Statements	15

**Coinbase UK, Ltd**  
**Company Information**  
**For the year ended 31 December 2018**

**Directors**

Alesia Haas  
Asiff Hirji  
Brian Brooks

**Secretary**

Brian Brooks

**Registered Office**

9<sup>th</sup> Floor  
107 Cheapside  
London  
EC2V 6DN

**Company number**

09083955

**Auditor**

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

**Coinbase UK, Ltd**  
**Strategic Report**  
**For the year ended 31 December 2018**

**Review of Business**

Coinbase UK, Ltd (the "Company"), a wholly owned subsidiary of Coinbase Global, Inc. (the "Parent"), 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 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. ("Coinbase, Inc.") wherein the Company became a distributor of exchange services to its customers using Coinbase, Inc.'s Consumer and Pro platforms. The Company earns revenue from customer transactions and pays an exchange service fee to Coinbase, Inc. for the use of the exchange platforms. Once purchased, Coinbase Inc. holds the digital assets on behalf of customers.

On 1 January 2018, the Company entered into a non-exclusive agreement for Electronic Money Services with CB Payments, Ltd ("CB Payments"). CB Payments holds an electronic money license issued by the Financial Conduct Authority ("FCA") and provides the customers of the Company with exchange and conversion services by receiving, storing and transmitting customer fiat currencies. As a result of this arrangement, all of the customer deposits held and the related liability were transferred to CB Payments during the year, totalling £29.1 million and €315.8 million. In exchange for the electronic money services and related obligations undertaken by CB Payments, the Company pays CB Payments a service fee.

The Company derives revenue from exchange service fees assessed on each buy/sell transaction. For the year ended 31 December 2018, the Company recognised total turnover of €153.0 million and cost of sales of €139.4 million. The Company incurred total administrative expenses of €0.2 million, interest costs of €5.5 million and a tax charge of €1.3 million for the period, resulting in net income of €6.6 million.

At 31 December 2018, the Company had €37.4 million of cash on hand.

**Financial Key Performance Indicators**

Company key performance indicators ("KPI") for the year ended 31 December 2018 include but are not limited to total open accounts, 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 information to measure these performance metrics from its database, through internally developed queries.

During 2018, the Company added approximately 5.5 million users for a total of 15.9 million users, representing a year over year increase of 50%.

Total turnover of the Company increased from €127.9 million in 2017 to €153.0 million in 2018, an increase of 19.6%. This was largely driven by the increase in trade volumes facilitated by the addition of new digital assets available for trading. Trading volume grew by 20.8% year over year.

Market share is measured on an exchange by exchange basis. The Coinbase platforms had total exchange market share of approximately 9% and 5% by trading volume, respectively in 2018 and 2017.

**Coinbase UK, Ltd**  
**Strategic Report**  
**For the year ended 31 December 2018**

**Principal Risks and Uncertainties**

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

International or local governments may restrict the use and exchange of digital assets in the future. There is also uncertainty regarding the current and future accounting, tax and legal treatment, as well as regulatory requirements relating to digital assets or transactions utilising digital assets. Governmental regulations, or any adverse accounting, tax, legal or regulatory treatment of digital assets or transactions could materially and adversely affect the manner in which the Company conducts its business and could continue to result in heightened regulation and oversight, increased costs and potential litigation. The Company and its affiliates proactively engage regulators to gain clarity on the evolving regulatory landscape affecting the digital asset industry. 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, loss of key people and knowledge, inadequate systems and adverse external events in respect of new product implementations or entering new markets.***

The Company actively monitors their operations, and the operations of affiliates and documents key business processes to facilitate knowledge transfers in the event of team member turnover. The Compliance team has designed and implemented policies and controls that seek to mitigate the highest risks that the group is exposed to.

***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 and its affiliates have 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.***

Digital assets and their respective protocol networks are exposed to risks due to fraud, technological glitches, hackers or malware and various law enforcement and regulatory interventions. The loss of access to its private keys, other data loss resulting in the loss of digital assets or personally identifiable information held on behalf of itself or its customers, and the Company's ability to manage fraud, or the application of new laws and regulations, could materially and adversely affect its reputation, business, financial condition, prospects, liquidity and/or results of operations. The Company and its affiliates 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. The Company's affiliates also conduct regular third party penetration tests and have a well-developed bug bounty program.

***The United Kingdom's departure from the EU could adversely affect the Company.***

In June 2016, voters in the United Kingdom ("UK") approved the withdrawal of the UK from the European Union (commonly referred to as "Brexit"). There is currently a significant lack of clarity over the terms of the UK's exit from the EU and the terms of the UK's future relationship with the EU. Brexit could lead to legal uncertainty and increased complexity for financial services firms as national laws and regulations in the UK start to diverge from EU laws and regulations. For the Company, if it is unable to utilise appropriate authorisations and regulator permissions, it could lose its ability to offer services on a cross-border basis to the European Economic Area markets.

**Coinbase UK, Ltd**  
**Strategic Report**  
**For the year ended 31 December 2018**

**Future Developments**

The Company continues to monitor the status of the United Kingdom's withdrawal from the European Union ("Brexit") which may impact the current operational structure under which the Company and its affiliates operate within the European Union.

The Company continues to launch support of new digital assets on its platform, providing customers with access to a larger market.

Key elements of the Company's business strategy include:

- Support the Coinbase brand
- Provide custodial services that enhance user experience, and increase custodial service capacity as digital assets supported are expanded
- 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

By Order of the Board



Alesia Haas, Director  
31 March 2019

**Coinbase UK, Ltd**  
**Report of the Directors**  
**For the year ended 31 December 2018**

The Directors present their report and the audited financial statements for the year ended 31 December 2018. 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.

**Principal Activity**

The company's principal activity is facilitating the exchange of digital assets for non-US territory customers and allowing consumers and businesses to securely transact in digital assets. The Company provides these services by acting as a distributor of the digital asset exchange platform and services of Coinbase, Inc. The company offers various fiat payment methods, through an affiliate, and delivers digital assets to customers using just in time sourcing, with CB Payments, an affiliate of the Company, supporting the fiat wallets of the Company's customers through a tri-party user agreement.

**Directors**

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

Michael Lempres	(resigned 6 February 2019)
Brian Armstrong	(resigned 4 September 2018)
Alesia Haas	(appointed 7 November 2018)
Asiff Hirji	(appointed 25 April 2018)
Brian Brooks	(appointed 6 February 2019)

**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. The Company did not pay a dividend in 2017.

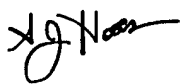
**Directors' Confirmation**

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.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By Order of the Board



Alesia Haas, Director  
31 March 2019

**Coinbase UK, Ltd**  
**Statement of Directors' Responsibilities**  
**For the year ended 31 December 2018**

The Directors are responsible for preparing the Strategic Report, Directors' Report, and the financial statements in accordance with applicable laws 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) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and 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.



## **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 2018, which comprise of the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows 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 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 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **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.

### **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**

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

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

### **Matters on which we are required to report by exception**

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

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement as 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 Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

### Use of our report

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

*Grant Thornton UK LLP*

William Pointon  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London  
31 March 2019

**Coinbase UK, Ltd**  
**Statement of Comprehensive Income**  
**For the year ended 31 December 2018**  
**(In thousands)**

		2018	2017
	Note	€	€
Turnover		153,001	127,887
Cost of sales		(139,428)	(122,543)
Gross profit		<u>13,573</u>	<u>5,344</u>
Administrative expenses		(189)	(107)
Operating profit	4	<u>13,384</u>	<u>5,237</u>
Interest expense and other similar charges from group undertakings		(5,544)	(1,755)
Profit on ordinary activities before taxation		<u>7,840</u>	<u>3,482</u>
Taxation	5	(1,272)	(887)
Profit for the year		<u>6,568</u>	<u>2,595</u>

There is no other comprehensive income for the year.


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

**Coinbase UK, Ltd**  
**Statement of Financial Position**  
**As at 31 December 2018**  
**(In thousands)**

	Note	2018 €	2017 €
<b>Current assets</b>			
Deferred tax	5	285	10
Amounts due from group undertakings	6	8,739	6,667
Settlements receivable	6	3,043	—
Customer deposits held at bank	6	—	386,044
Cash held at bank	6	37,416	238,736
		<u>49,483</u>	<u>631,457</u>
Creditors: amounts falling due within one year	6	(41,327)	(629,869)
Net current assets		<u>8,156</u>	<u>1,588</u>
<b>Total assets less current liabilities</b>		<u><b>8,156</b></u>	<u><b>1,588</b></u>
<b>Capital and Reserves</b>			
Share capital	8	—	—
Retained earnings		8,156	1,588
<b>Shareholder's funds</b>		<u><b>8,156</b></u>	<u><b>1,588</b></u>

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

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 31 March 2019.



Alesia Haas, Director  
31 March 2019

Company Number: 09083955

**Coinbase UK, Ltd**  
**Statement of Changes in Equity**  
**For the year ended 31 December 2018**  
**(In thousands)**

	Share Capital €	Retained Earnings €	Total €
Balance at 1 January 2017	—	(1,007)	(1,007)
Profit for the year	—	2,595	2,595
Balance at 31 December 2017	<u>—</u>	<u>1,588</u>	<u>1,588</u>
Profit for the year	—	6,568	6,568
Balance at 31 December 2018	<u>—</u>	<u>8,156</u>	<u>8,156</u>

**Coinbase UK, Ltd**  
**Statement of Cash Flows**  
**For the year ended 31 December 2018**  
**(In thousands)**

	2018 €	2017 €
<b>Cash flows from operating activities</b>		
Profit for the year	6,568	2,595
<b>Adjustments for:</b>		
Provision for transaction losses	288	—
Unrealised gain on foreign exchange	(1,856)	—
Taxation expense	1,272	887
Increase in settlements receivable	(3,043)	—
Increase in amounts due from group undertakings	(2,074)	(6,667)
Increase/(decrease) in creditors	(588,531)	606,887
Taxation paid	(1,878)	—
<b>Net cash flow from operating activities</b>	<u>(589,254)</u>	<u>603,702</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>(589,254)</u>	<u>603,702</u>
Cash and cash equivalents, beginning of year	624,780	21,078
Effects of exchange rate on cash	1,890	—
<b>Cash and cash equivalents, end of year</b>	<u><u>37,416</u></u>	<u><u>624,780</u></u>

**Coinbase UK, Ltd**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2018**

**1. General Information**

Coinbase UK, Ltd (the "Company") is a private company limited by shares and is incorporated in England and Wales under the Companies Act 2006. The Company is a wholly owned subsidiary of Coinbase Global, Inc. (the "Parent"), a corporation registered and headquartered in the United States of America. The address of the registered office of the Company is given on page 2.

**2. Accounting Policies**

**a) Basis of preparation**

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ("FRS 102"), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

**b) 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. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from estimates.

No judgements have been made in applying the Company's accounting policies.

Significant estimates and assumptions made by management include the determination of the recognition, measurement and valuation of current and deferred income taxes.

**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 2018, the Company realised net profit of €6.6 million compared with a net profit of €2.6 million for the year ended 31 December 2017. The Company believes that while revenue may be inconsistent, growth in its operations will continue for the next twelve months. Drivers of this growth include adding new users to the Coinbase platform, expanding the number of assets offered on the platform, and opening the platform to users in new geographies. These factors are expected to lead to a growth in future turnover for the Company. In addition, the Company has working capital of €8.2 million at 31 December 2018, which is a positive indicator of the Company's liquidity, efficiency and overall financial health. In the event that the Company is not able to support itself, the Parent will provide the required support to enable the Company to continue operating. The Directors have therefore adopted a going concern basis of preparation for the financial statements.

**d) Foreign Currency**

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

Foreign currency transactions are translated into the functional currency using the spot exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. 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.



**Coinbase UK, Ltd**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 31 December 2018**

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, and are included in Administrative Expenses.

**e) Turnover**

The Company derives its turnover from digital asset transactional services, where users can buy and sell digital assets 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 purchase and transfer of the digital asset(s) ownership to the customer. The Company defers any funds received in advance of successful completion of the recognition criteria.

**f) Taxation**

Current income tax

Current income tax assets and liabilities for the period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

Deferred tax

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.

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 assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

The tax expense for the period comprises of 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.

**g) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

**Coinbase UK, Ltd**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 31 December 2018**

***h) 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 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 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.

***i) Customer deposits held at bank and custodial funds due to customers***

During 2018, the Company transferred its electronic money services to CB Payments, Ltd ("CB Payments"), whereby CB Payments would provide fiat transaction services to customers of the Company. As a result, the Customer deposits held and custodial funds due to customers transferred to CB Payments.

In the prior year, Customer deposits held at bank represented cash on deposit in segregated accounts for the exclusive benefit of customers. Custodial funds due to customers represented cash deposits held by customers in their fiat wallets and unsettled transaction payables arising from the reconciliation of platform related activity. Custodial funds due to customers are included in Creditors: amounts falling due within one year in the statement of financial position. The Company previously retained segregated funds in excess of the custodial liability in order to minimise the risk of under funding.

***j) Settlements receivable and customer funds payable***

Settlements receivable represent settlements due from third-party payment processors and banks for customer transactions. Settlements receivable are typically received within one or two business days of the transaction date.

Customer funds payable are only attributed to the consumer platform and arise due to the time it takes to settle a customer sell transaction. The balance of Customer funds payable was € nil and €16.5 million in 2018 and 2017, respectively. The payable is included in Accounts payable and accrued expenses, within Creditors: amounts falling due within one year in the statement of financial position.

***k) Amounts due from and owed to group undertakings***

Amounts due from and owed to group undertakings arise from transactions between the Company and other affiliate companies. These receivables and payables bear interest at market related rates and are repayable on demand. Amounts owed to group undertakings are included in Creditors: amounts falling due within one year in the statement of financial position.

**3. Staff Costs**

The Company had no staff during the current and prior year. Directors' remuneration is borne by group undertakings.

**Coinbase UK, Ltd**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 31 December 2018**

**4. Operating Profit**

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

	2018	2017
	€	€
Auditors remuneration	110	293
Foreign exchange gains	(1,185)	(661)
Professional services	967	413
Selling, general & administrative	246	58

**5. Taxation**

The major components of income tax expense for the years ended 31 December 2018 and 2017 are (in thousands):

	2018	2017
	€	€
<u>Current income tax</u>		
Current income tax charge	1,547	877
Total current tax	1,547	877
<u>Deferred tax</u>		
Relating to origination and reversal of temporary differences	(275)	10
Total deferred tax	(275)	10
Income tax expense reported in the statement of profit or loss	1,272	887

Deferred tax relates to the following (in thousands):

	2018	2017
	€	€
Tax losses available	—	131
Disallowed interest	285	—
Total	285	131

**Coinbase UK, Ltd**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 31 December 2018**

Reconciliation of tax expense and the accounting profit multiplied by the Company's domestic tax rate for 2017 and 2018 (in thousands):

	2018 €	2017 €
Profit/(loss) on ordinary activities before tax	<u>7,840</u>	<u>3,482</u>
Profit/(loss) on ordinary activities multiplied by rate of tax 19% (2017: 19.25%)	1,490	670
Effects of:		
Expenses not allowable for tax purposes	—	124
Unutilised tax losses	—	123
Adjustment in relation to prior year	<u>(218)</u>	<u>(30)</u>
Total tax charge/(credit) for period	<u><u>1,272</u></u>	<u><u>887</u></u>

Reconciliation of deferred tax asset balance (in thousands):

	2018 €	2017 €
At 1 January	10	141
Credit/(charge) to profit or loss	<u>275</u>	<u>(131)</u>
At 31 December (included in Debtors)	<u><u>285</u></u>	<u><u>10</u></u>

## 6. Financial instruments

Financial instruments held by the Company were as follows (in thousands):

	2018 €	2017 €
<b>Financial assets</b>		
Financial assets measured at fair value through profit or loss		
Cash held at bank	37,416	238,736
Customer deposits held at bank	—	386,044
Financial assets measured at cost		
Amounts due from group undertakings	8,739	6,667
Settlements receivable	3,043	—
	<u><u>49,198</u></u>	<u><u>631,447</u></u>

**Coinbase UK, Ltd**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 31 December 2018**

**Financial liabilities**

Creditors: amounts falling due within one year

Financial liabilities measured at fair value through profit or loss

Custodial funds due to customers	493	396,562
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Financial liabilities measured at cost

Amounts owed to group undertakings	39,604	195,698
Accounts payable and accrued expenses	1,230	37,609

	41,327	629,869
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The Company did not hold any customer fiat wallet balances as of 31 December 2018.

Amounts owed to group undertakings represents a revolving line of credit that the Company has with Coinbase, Inc. The line of credit bears interest at market related rates and is repayable on demand.

**7. Financial Risk Management**

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 was a change to the Company's exposures to liquidity risk during the year, as the custodial funds that were being held on behalf of customers were transferred to CB Payments, resulting in a substantial decrease in current assets and liabilities. The methods used to measure and manage these risks did not change.

The Company mainly has exposure to liquidity risk arising from its operating activities. 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 sufficient to meet cash requirements.

**8. Share Capital**

Share capital consisted of the following (in thousands, except par value per share):

	2018	2017
	€	€
Allotted, issued and fully paid		
1 ordinary share of £0.0001 each	—	—

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

**9. Related party disclosures**

In the opinion of the directors, there is one controlling party, Brian Armstrong, CEO of the Parent, at the balance sheet date.

**Coinbase UK, Ltd**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 31 December 2018**

In 2017, the Company entered into a non-exclusive distribution agreement with Coinbase, Inc., a wholly owned subsidiary of the Parent, wherein the Company is identified as the distributor of exchange services outside of the United States of America and its territories. The Company pays a fee to Coinbase, Inc. for the use of Coinbase, Inc.'s platforms. Under the agreement, Coinbase, Inc. is responsible for the receipt, delivery and transfer of digital assets purchased and sold, and holding in custody and safekeeping the digital assets of the Company's users. The aggregate Euro value of digital assets held in customer wallets and multi-signature wallets was €741 million and €9 million, at 31 December 2018 and 2017, respectively.

On 1 January 2018, the Company entered into a non-exclusive agreement for Electronic Money Services with CB Payments. CB Payments holds an electronic money license issued by the Financial Conduct Authority ("FCA") and provides the customers of the Company with exchange and conversion services by receiving, storing and transmitting customer fiat currencies. As a result of this arrangement, all of the customer deposits held and the related liability were transferred to CB Payments during the year. In exchange for the electronic money services and related obligations undertaken by CB Payments, the Company pays CB Payments a service fee.

The Company has elected the exemption available under FRS 102, paragraph 33.1A, from the requirement to make disclosures regarding transactions with other wholly owned group companies.

**10. Events after the end of the reporting period**

The Company has assessed events after the reporting period through 31 March 2019. No significant events were identified.