

BITGO PRIME UK LTD.

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

BITGO PRIME UK LTD.

COMPANY INFORMATION

Director	M A Belshe
Company secretary	M A Belshe
Registered number	12495288
Registered office	New Penderel House 4th Floor 283-288 High Holborn London United Kingdom WC1V 7HP
Independent auditors	ZEDRA Corporate Reporting Services (UK) Limited

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**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The directors present their report and the financial statements for the year ended 31 December 2021.

Principal activity

The Company's principal activity is that of borrowing digital and fiat currency assets and lending these to their parent company, BitGo Prime, LLC, for a lending fee.

Directors

The directors who served during the year were:

M A Belshe (appointed 25 May 2021)
N Carmi (resigned 1 July 2022)
D Jordan (resigned 18 April 2022)
J Morgan (resigned 28 May 2021)
R W Rutherford (resigned 31 January 2021)

Results and dividends

The profit for the year, after taxation, amounted to \$36,993 thousand (2020 - loss \$39,048 thousand).

No dividends were paid or payable.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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 the 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 they have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

Future developments

The Company expects to continue its activities in the same format. The directors are monitoring the state of the digital currency regulation in the UK which may have an impact on the business.

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.

Small companies' exemption note

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

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

M A Belshe
Director

Date: 28 September 2022

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BITGO PRIME UK LTD.

Opinion

We have audited the financial statements of BitGo Prime UK Ltd. for the year ended 31 December 2021 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies set out on pages 15 - 17. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 .

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with International Accounting Standards ; 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Emphasis of matter

We draw attention to the nature of the entity as a borrower and lender of digital currency assets. Digital currency assets are commonly called crypto-assets and include a variety of digital assets which exist only in digital format within the blockchain. Presently, there is no formal International Accounting Standard on which to base the recognition and measurement of these digital currency assets and therefore only an accepted approach. The accounting policies at notes 5.5 to 5.10 describe how the Company has recognised these assets and the corresponding liabilities associated with borrowing digital currency assets.

The existing accounting policies are a combination of generally accepted practice in accordance with the requirements of International Accounting Standards for intangible assets and the accounting policies adopted by the parent company to meet the requirements of US GAAP.

Our audit approach has been to confirm that the Company are using appropriate accounting policies to present

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BITGO PRIME UK LTD. (CONTINUED)

the financial position and performance for the period in a true and fair manner.

The current accounting approach gives rise to a significant mismatch between the borrowed and loaned assets, resulting in a material unrealised gain in the Statement of Profit or Loss.

As explained by the notes to the financial statements, the Company is only liable for the return of digital currency assets in their present form and not a corresponding fiat currency. This means that the differences between the assets and liabilities presented in the Statement of Financial Position are unlikely to be truly reflected on return of the digital assets to lenders.

Our opinion is not modified in this respect.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditors' report thereon. The directors are responsible for the other information contained within the Annual Report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; 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 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 3, the directors are responsible for

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BITGO PRIME UK LTD. (CONTINUED)

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the responsible individual ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Company through discussions with directors and other management, and from our commercial knowledge and experience of the specific sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Company, including the Companies Act 2006 and taxation legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

We identified that non-compliance with relevant financial reporting standards was an area where these financial statements were most susceptible to material misstatement and fraud risk. We identified that there is no specific financial reporting standard relating to digital currency assets and the ongoing trade of the entity. We therefore conducted appropriate reviews of supporting literature and generally accepted accounting approaches. We have ensured that the financial statements adequately disclose the financial reporting standards adopted and the recognition criteria applied.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BITGO PRIME UK LTD. (CONTINUED)

To address the risk of fraud through management bias and override of controls, we:

- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reviewing contracts with lenders and the parent company; and
- enquiring of management as to actual and potential litigation and claims.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

Dominic King ACA (Senior Statutory Auditor)

for and on behalf of

ZEDRA Corporate Reporting Services (UK) Limited

Chartered Accountants and Statutory Auditors

New Penderel House
4th Floor
283-288 High Holborn
London
United Kingdom
WC1V 7HP

29 September 2022

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

		31 December 2021 \$000	<i>As restated 10 months ended 31 December 2020 \$000</i>
	Note		
Revenue	6	4,833	1,430
Cost of sales		(4,654)	(1,291)
Gross profit		179	139
Administrative expenses		(15,161)	(29)
(Loss)/profit from operations	7	(14,982)	110
Fair value gains/(losses)	12	51,975	(39,137)
Profit/(loss) before tax		36,993	(39,027)
Tax expense	8	-	(21)
Profit/(loss) for the year		36,993	(39,048)
Total comprehensive income		36,993	(39,048)

The notes on pages 15 to 26 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 \$000	As restated 2020 \$000
Assets			
Non-current assets			
Intangible assets	9	171,191	25,667
		<u>171,191</u>	<u>25,667</u>
Current assets			
Trade and other receivables	10	90,102	1,570
		<u>90,102</u>	<u>1,570</u>
Total assets		<u>261,293</u>	<u>27,237</u>
Liabilities			
Current liabilities			
Trade and other liabilities	11	92,274	2,986
Loans and borrowings	12	171,074	63,299
		<u>263,348</u>	<u>66,285</u>
Total liabilities		<u>263,348</u>	<u>66,285</u>
Net liabilities		<u>(2,055)</u>	<u>(39,048)</u>

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2021

	Note	2021 \$000	As restated 2020 \$000
Issued capital and reserves			
Share capital	13	-	-
Retained deficit	14	(2,055)	(39,048)
TOTAL EQUITY		<u>(2,055)</u>	<u>(39,048)</u>

The financial statements on pages 9 to 26 were approved and authorised for issue by the board of directors and were signed on its behalf by:

M A Belshe
Director

Date: 28 September 2022

The notes on pages 15 to 26 form part of these financial statements.

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

	Retained deficit \$000	Total equity \$000
Comprehensive income for the year		
Loss for the period	(39,048)	(39,048)
Total comprehensive income for the year	(39,048)	(39,048)
At 31 December 2020	(39,048)	(39,048)
At 1 January 2021 (as previously stated)	(38,224)	(38,224)
Prior year adjustment (Note 15)	(824)	(824)
At 1 January 2021 (as restated)	(39,048)	(39,048)
Profit for the year	36,993	36,993
Total comprehensive income for the year	36,993	36,993
At 31 December 2021	(2,055)	(2,055)

The notes on pages 15 to 26 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

		2021	As restated 2020
	Note	\$000	\$000
Cash flows from operating activities			
Profit/(loss) for the year		36,993	(39,048)
Adjustments for			
Impairment losses on intangible assets	9	14,944	-
Net (gain)/loss arising on financial liabilities designated as at fair value through profit or loss		(51,975)	39,137
Income tax expense	8	-	21
		(38)	110
Movements in working capital:			
Increase in trade and other receivables		(89,962)	(140)
Increase in collateral receivable		1,430	(1,430)
Increase in trade and other payables		96,627	1,460
Cash generated from operations		8,057	-
Income taxes paid		(21)	-
Net cash from operating activities		8,036	-
Cash flows from investing activities			
Borrowing of digital currency assets	9	(183,439)	(25,668)
Return of digital currency assets		22,971	-
Net cash used in investing activities		(160,468)	(25,668)
Cash flows from financing activities			
Increase in digital currency borrowings	12	62,432	25,668
Increase in fiat currency borrowings	12	90,000	-
Net cash from financing activities		152,432	25,668
Cash and cash equivalents at the end of the year		-	-

The notes on pages 15 to 26 form part of these financial statements.

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

1. General information

BitGo Prime UK Ltd. (the 'Company') is a limited company incorporated in England and Wales. The Company's registered office is at New Penderel House, 4th Floor, 283-288 High Holborn, London, WC1V 7HP. The Company's principal activity is that of borrowing digital currency and fiat currency assets and lending these to their parent company, BitGo Prime, LLC, for a lending fee.

2. Basis of preparation

The financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

Details of the Company's accounting policies are included in note 5.

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas where judgements and estimates have been made in preparing the financial statements and their effects are disclosed in note 4.

2.1 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

Items	Measurement basis
Digital currency borrowings	Fair value through profit and loss

2.2 Changes in accounting policies

i) New standards, interpretations and amendments effective from 1 January 2021

There are no relevant Standards or amendments issued by the IASB that are effective for the annual period beginning on or after 1 January 2021.

ii) New standards, interpretations and amendments not yet effective

There are no relevant standards or interpretations endorsed by the UK at the date of these financial statements being authorised for issue.

3. Functional and presentation currency

These financial statements are presented in US dollars, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

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

4. Accounting estimates and judgements

4.1 Judgement

Valuation of digital currency assets

Management determine whether digital currency assets are impaired based on the closing price of an asset on a relevant exchange. There is some judgement in considering whether the recoverable amount of the asset has fallen below the carrying value as digital currencies are highly volatile. Therefore, management use their best judgement based on available rates to record impairments only when the digital assets are not expected to rise before the end of the reporting period.

5. Accounting policies

5.1 Going concern

The Company is in a net liability position due to the measurement differences arising from the accounting framework for recognising digital currency assets compared to the corresponding digital currency borrowings.

The Company's business activities expose it to a risk of default from its borrower, the parent company, BitGo Prime, LLC. In order to mitigate some of this risk, the Company and its Group obtain collateral from its borrowers as security in the event of borrower default. At the date of signing these financial statements, the Company had returned all of the assets borrowed at 31 December 2021. The Company's exposure to new loans was \$30,500 thousand in fiat currency borrowing which is secured by 691 BitCoin and 5,075 Ethereum coins. The Company had outstanding borrowings of 250 BitCoin and 1,775,000 USDC tokens which were covered by the Group's normal operating wallets at the date of signing the financial statements.

The Company generates revenues from lending fees charged to its parent company, BitGo Prime, LLC, these lending fees are a variable mark up on the fees payable to its own lenders.

The directors have considered the working capital requirements of the Company and the available working capital of the parent company to continue supporting the entity for at least 12 months from the date of approval of these financial statements. For these reasons, the directors have prepared these financial statements on the going concern basis.

5.2 Revenue

Revenue is recognised based on a master lending agreement with the parent company, BitGo Prime, LLC. The Company lends digital currency assets and fiat currency to its parent company in return for a lending fee. The lending fee is calculated as a mark up on the Company's cost of borrowing digital currency assets and fiat currency from third parties.

Revenues generated from lending digital currency assets and fiat currency to the parent company are recognised evenly over the period of the loan.

The Company does not have any scenarios where the period between the lending of assets and receipt of payment from the parent company exceeds one year. As a result, the Company does not adjust for the time value of money.

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

5. Accounting policies (continued)

5.3 Cost of sales

The Company borrows digital currency assets and fiat currency from third party lenders for a borrowing fee. The fee is a percentage calculation based on the daily market rate of assets borrowed. The fee is recognised evenly over the borrowing period and payable to the lender on return of the digital currency and fiat currency assets.

5.4 Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the Statement of Profit or Loss and Other Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

5.5 Digital currency assets and collateral

The Company recognises digital currency assets, acquired through borrowing in the normal course of its trade, as intangible assets. This is in line with the generally accepted approach to accounting for digital currency assets which are not held for resale, in the absence of a dedicated International Financial Reporting Standard. Digital currency collateral are assets deposited with the Company's lenders in order to secure other borrowings, as with digital currency assets acquired through borrowing in the normal course of business, these assets are recognised as intangible assets. Here on in these are referred to as digital currency assets.

Digital currency assets consist of coins or tokens that are built on a blockchain. The Company acquires digital currency assets through borrowings from lenders.

Where digital currency assets are subsequently loaned to the parent company, BitGo Prime, LLC, these continue to be presented as intangible assets by the Company as they do not meet the derecognition criteria set out by IAS 38.

Digital currency assets are derecognised on disposal of the assets or when no future economic benefit is expected to arise from their use or disposal. Disposal of the asset is considered to be when the Company returns control of the digital currency assets to its lenders. Any gain or loss arising from the disposal of digital currency assets is only expected to be the difference between the cost of the asset and its carrying value, this is recognised in the Statement of Profit or Loss in the period in which the disposal takes place.

5.6 Impairment

The Company reviews for impairment of digital currency assets annually or when evidence of impairment exists. An impairment loss is recorded when the carrying value of the digital currency asset exceeds the estimated fair value based on the closing price on a relevant exchange. Management use a generally accepted tool for obtaining current market values as a basis for their fair value measurement.

Impairment losses can be reversed in accordance with IAS 36 when there is any indication that an impairment loss recognised for an asset no longer exists or may have decreased. If any such indication exists then the Company estimates the recoverable amount of the asset and reverses the impairment loss.

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

5. Accounting policies (continued)

5.7 Financial assets

Financial assets are recognised initially at cost and subsequently at amortised cost.

The Company's financial assets include intercompany loans which are unsecured, interest free and repayable on demand.

Included within financial assets are fiat currency assets which are receivable from the parent company under the terms of the intercompany master lending agreement.

5.8 Financial liabilities

Financial liabilities are measured initially at fair value when the Company becomes party to the contractual provisions of an instrument, this includes fiat currency borrowings which are subsequently lent to the parent company. Subsequent measurement is at amortised cost.

5.9 Obligations to return digital currency assets

Where the Company enters into arrangements with counterparties to borrow digital currency assets, the Company records a corresponding obligation to return the borrowed asset in the same form. This obligation is measured initially at the cost of the digital asset on the day of borrowing and subsequently using the fair value of the asset based on the closing price recorded on a relevant exchange, the corresponding entry is made to the Statement of Profit or Loss and recognised as unrealised fair value gains or losses.

5.10 Collateral

Certain lending agreements require the Company to supply the lender with collateral against the borrowed amount. This collateral can be in both fiat currency or as digital currency. The Company's parent supplies the assets to be provided as collateral on a short-term basis. Fiat currency collateral is recognised as a financial asset, digital currency collateral is recognised as an intangible asset in accordance with accounting policy 5.5.

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

6. Revenue

The following is an analysis of the Company's revenue for the year from continuing operations:

	31 December	<i>10 months ended 31 December</i>
	2021	<i>2020</i>
	\$000	<i>\$000</i>
Lending fees receivable	4,833	<i>1,430</i>
	4,833	<i>1,430</i>

Analysis of revenue by country of destination:

	31 December	<i>10 months ended 31 December</i>
	2021	<i>2020</i>
	\$000	<i>\$000</i>
United States	4,833	<i>1,430</i>
	4,833	<i>1,430</i>

7. Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	31 December	<i>10 months ended 31 December</i>
	2021	<i>2020</i>
	\$000	<i>\$000</i>
Management recharges	181	<i>-</i>
Impairment of digital currency assets	14,944	<i>-</i>

Management recharges include employment expenses recharged from the parent company. These expenses are recharged based on the Company's proportion of total borrowing by the group.

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

8. Tax expense**8.1 Income tax recognised in profit or loss**

	31 December	<i>10 months ended 31 December</i>
	2021	<i>2020</i>
	\$000	<i>\$000</i>
Current tax		
Current tax on profits for the year	-	21
Total current tax	<u>-</u>	<u>21</u>

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to losses for the year are as follows:

	31 December	<i>10 months ended 31 December</i>
	2021	<i>2020</i>
	\$000	<i>\$000</i>
Profit/(loss) for the year	36,993	<i>(39,048)</i>
Income tax expense (including income tax on associate, joint venture and discontinued operations)	-	21
Profit/(loss) before income taxes	36,993	<i>(39,027)</i>
Tax using the Company's domestic tax rate of 19% (2020:19%)	7,029	<i>(7,415)</i>
Non-tax deductible impairment of digital currency assets	2,839	<i>-</i>
Unrelieved tax losses carried forward	7	<i>-</i>
Non-taxable fair value gains/(losses)	(9,875)	<i>7,436</i>
Total tax expense	<u><u>-</u></u>	<u><u>21</u></u>

Changes in tax rates and factors affecting the future tax charges

On 24 May 2021, Finance Bill 2021 was substantively enacted. The result of this is that the main rate of corporation tax for the UK will increase to 25% from 1 April 2023.

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

9. Digital currency assets

	Digital currency assets \$000	Digital currency collateral \$000	Total \$000
Cost			
At 3 March 2020	-	-	-
Additions - as restated	24,986	682	25,668
	<hr/>	<hr/>	<hr/>
At 31 December 2020 (as restated)	24,986	682	25,668
Additions	85,403	98,036	183,439
Disposals	(22,971)	-	(22,971)
	<hr/>	<hr/>	<hr/>
At 31 December 2021	87,418	98,718	186,136
	<hr/>	<hr/>	<hr/>
	Digital currency assets \$000	Digital currency collateral \$000	Total \$000
Accumulated amortisation and impairment			
At 3 March 2020	-	-	-
Impairment charge	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2020	-	-	-
Impairment charge	5,874	9,070	14,944
	<hr/>	<hr/>	<hr/>
At 31 December 2021	5,874	9,070	14,944
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2020 - as restated	24,986	682	25,668
	<hr/>	<hr/>	<hr/>
At 31 December 2021	81,544	89,648	171,192
	<hr/>	<hr/>	<hr/>

Digital currency assets are assets borrowed in the normal course of the Company's business. The digital currency collateral is collateral which is deposited by the Company in order to secure its fiat currency borrowings with third party lenders. The collateral is supplied by the parent company and as such the corresponding liability for collateral is included in payables to related parties.

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

10. Trade and other receivables

	2021	<i>As restated</i>
	\$000	<i>2020</i>
		<i>\$000</i>
Fiat currency receivable	90,000	-
Receivables from related parties	102	140
Collateral receivable	-	1,430
Total trade and other receivables	90,102	1,570

11. Trade and other payables

	2021	<i>2020</i>
	\$000	<i>\$000</i>
Payables to related parties	92,224	2,936
Accruals	50	29
Corporation tax payable	-	21
Total current portion	92,274	2,986

Payables to related parties totalling \$92,224 thousand (2020: \$2,936 thousand) relate to collateral provided by the parent company to secure the Company's borrowing. This balance included 2,006 Bitcoin assets valued at the closing rate on 31 December 2021.

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

12. Loans and borrowings

	2021	<i>2020</i>
	\$000	<i>\$000</i>
Current		
Digital currency borrowings	81,074	63,299
Fiat currency borrowings	90,000	-
Total loans and borrowings	<u>171,074</u>	<u>63,299</u>

The Company is only liable to return digital currency assets borrowed in their form as digital currency assets. At the year end date the Company had borrowed 1,350 Bitcoin assets, 4,931 Ethereum assets and 1,000,001 USDC assets.

Digital currency borrowings are revalued at each year end date resulting in either a fair value gain or loss depending on digital currency prices at the measurement date. At 31 December 2021, the revaluation of digital currency borrowings resulted in a gain of \$51,975 thousand (2020: Restated loss - \$39,137).

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

13. Share capital

Authorised

Shares treated as equity

Ordinary shares of \$1.00 each

2021
Number

1

1

Issued and fully paid

2021
Number

Ordinary shares of \$1.00 each

At 1 January and 31 December

1

14. Reserves

Retained earnings

Retained earnings represents accumulated profits and losses.

15. Prior year adjustment

It was noted that during the year digital currency collateral had been classified incorrectly as a receivable in the prior year. An adjustment has been made to reduce collateral receivable by \$1,506 thousand and include digital currency collateral in intangible assets of 52 BitCoin at cost, \$682 thousand on the date of the agreement.

The corresponding entry of \$824 thousand was made to fair value loss through the profit and loss account as a result of the price increase in BitCoin to the year end date at 31 December 2020.

The effect of this adjustment is an increase in the retained deficit brought forward of \$824 thousand as at 1 January 2021.

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

16. Financial instruments - fair values and risk management**16.1 Accounting classifications and fair values**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Financial assets measured at amortised cost are fiat currency receivable and amounts receivable from the parent company under the intercompany master agreement.

Financial liabilities measured at amortised cost include payables to related parties, fiat currency borrowings due to third parties and accruals with a contractual obligation to deliver cash.

31 December 2021	Note	Carrying amount	
		Amortised	Total
		cost \$000	\$000
Financial assets not measured at fair value			
		90,000	90,000
Fiat currency assets	10		
		102	102
Trade and other receivables	10		
		<hr/>	<hr/>
		90,102	90,102
		<hr/>	<hr/>
Financial liabilities not measured at fair value			
		92,224	92,224
Payables to related parties	11		
		50	50
Other payables	11		
		90,000	90,000
Fiat currency borrowings	12		
		<hr/>	<hr/>
		182,274	182,274

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

16. Financial instruments - fair values and risk management (continued)**16.1 Accounting classifications and fair values (continued)**

31 December 2020	Note	Carrying amount	
		Amortised	
		cost	Total
		\$000	\$000
Financial assets not measured at fair value			
Trade and other receivables	10	1,570	1,570
		<hr/>	<hr/>
		1,570	1,570
		<hr/>	<hr/>
Financial liabilities not measured at fair value			
Payables to related parties	11	1,430	1,430
Trade payables	11	29	29
		<hr/>	<hr/>
		1,459	1,459

16.2 Financial risk management objectives

The Company's objective for managing financial risks is to safeguard the ability to continue as a going concern by ensuring that its parent company has sufficient resources to support its ongoing activities.

16.3 Credit risk management

The parent company manages its exposure to credit risk in relation to borrowing digital currency assets by obtaining collateral when those assets are subsequently lent to third parties. The directors of the Company continue to ensure that its parent company has sufficient digital currency assets on hand should borrowings be called upon.

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

17. Related party transactions

During the year, the Company received lending fees of \$4,833 thousand (2020: \$1,430 thousand) from its parent company, Bitgo Prime, LLC. The parent company paid borrowing fees to third parties on the Company's behalf totalling \$4,654 thousand (2020: \$1,291 thousand).

The parent company paid other expenses on behalf of the Company, totalling \$36 thousand (2020: \$Nil). A management recharge was charged by the parent company to the Company for employee related costs during the year, this totalled, \$181 thousand (2020: \$Nil).

At the year end, the Company had an amount of \$102 thousand (2020: \$140 thousand) receivable from the parent company.

During the year, the Company borrowed \$90,000 thousand (2020: \$Nil) in fiat currency from third parties, these were immediately lent to the parent company creating receivable of \$90,000 thousand at the year end, included in note 10.

Included in payables to related parties at the year end is an amount of \$92,224 thousand (2020: \$2,936 thousand) which relates to collateral provided by the parent company to secure the Company's borrowings. This balance included 2,006 Bitcoin assets valued as at 31 December 2021.

18. Controlling party

BitGo Holdings, Inc. is the parent of the smallest group for which consolidated financial statements are drawn up of which the Company is a member. The registered office of the parent company is 2443 Ash Street, Palo Alto, California, United States, 94304.

19. Events after the reporting date

At the year end, the Company had outstanding digital currency assets, as referred to in note 9. Following the year end, the price of digital currencies has fluctuated significantly, which may indicate that assets should be impaired. The nature of the Company's business model means that there is a limited risk of impairment needing to be recognised as assets are returned in their original format and no gain or loss on disposal is recognised. All assets which were outstanding at 31 December 2021 had been returned before the date of approval of these financial statements. This is a non-adjusting event.

There were no adjusting or other non-adjusting events occurring between the end of the reporting period and the date of approval of these financial statements.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.