

**Registered number:**  
**11337627**

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**BLOCKCHAIN ACCESS UK LTD**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2018**



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**BLOCKCHAIN ACCESS UK LTD**

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**COMPANY INFORMATION**

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

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## BLOCKCHAIN ACCESS UK LTD

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## BLOCKCHAIN ACCESS UK LTD

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### STRATEGIC REPORT FOR THE PERIOD ENDED 31 DECEMBER 2018

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#### **Introduction**

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

#### **Business review**

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

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

For the period ended 31 December 2018, the Company recognised total turnover of \$42.5m and cost of sales including impairment loss from digital assets of \$57.3m, resulting in a gross loss of \$14.8m.

As at 31 December 2018, the company held \$3.8m of cash.

#### **Principal risks and uncertainties**

##### *Risk related to Brexit*

The Company continues to monitor the status of the United Kingdom's withdrawal from the European Union ("Brexit"), which will impact the current operational structure under which the Company operates within the European Union. The United Kingdom officially exited the European Union on 31 January 2020, and entered an 11-month transition period ended 31 December 2020. During the transition period, the United Kingdom effectively remains in the European Union's customs union and single market and continues to obey European Union rules.

##### *Risk related to COVID-19*

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

##### *Risk of a cyber attack or security breach*

The Company maintains personal data for its customers and their crypto assets. A cyber-attack or security breach could potentially lead to a host of adversarial events, including financial impact on financial statements due to potential provisions for losses, regulatory investigations, penalties and fines, lawsuits, remediation costs, among others. The Company recognizes that a potential cyber-attack or security breach is an industry wide threat; and a potential cyber-attack directed at financial institutions and/or crypto companies, may cause a

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## BLOCKCHAIN ACCESS UK LTD

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### STRATEGIC REPORT FOR THE PERIOD ENDED 31 DECEMBER 2018 (continued)

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general loss of customers' confidence in the crypto economy, which may ultimately impact the Company's brand and financial performance. Cyber attackers wishing to infiltrate the Company's systems are highly sophisticated and well organized; however, the Company is continuously designing and implementing safeguards to manage and prevent potential security breaches. Examples of such malicious activity may include social engineering, phishing, hacking, or even insider threats, system errors and errors by employees. While some of this activity may not be detected immediately, the Company continues to dedicate costs and resources to protect its customers and employees from these potential threats on an ongoing basis.

#### **Financial risk management policy and objectives**

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

##### *Digital asset risk*

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

##### *Credit risk*

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

##### *Liquidity risk*

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

#### **Financial key performance indicators**

The Company's key performance indicators for the period ended 31 December, 2018 is total turnover, trading volume and total current assets.

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## BLOCKCHAIN ACCESS UK LTD

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### STRATEGIC REPORT FOR THE PERIOD ENDED 31 DECEMBER 2018 (continued)

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Total turnover: \$42.5m  
Trading volume: \$40.9m  
Total current assets: \$19.2m

Total turnover is equal to total revenue earned during the period, and trading volume is equal to the customers' side of the total transaction volume from our businesses valued on the date of the transaction.

#### Going concern

The Directors believe that the Company has adequate resources to continue as a going concern for the foreseeable future, including during and post-COVID-19 pandemic. This conclusion is based upon the letter of support provided to the Company by the Parent Company. The Directors have considered and discussed with the Parent the current operations, revised 2021-2023 budgets and cash flow forecasts covering up to the eighteen-month period from the date of the financial statements, as approved by the management of the Parent Company, and there is no anticipated change in either the business activities of the Parent Company, Company, nor the capital cost structure. This analysis and discussion with the Parent also included a review of stress tests performed by the Directors to evaluate the impact of significant decreases in market values of digital assets and the Company's trading volumes on the Company (and the Group) cash flow and operations forecasts.

The Company and the Group have adopted flexible working patterns in order to maintain uninterrupted operations. While it is too early to assess the long term impact, at present the Company and the Group have not observed any significant impact on their operations, the ability to raise capital, or on trading due to Covid-19.

#### Future developments

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

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

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

  
Nicolas Cary (Oct 6, 2021 19:27 GMT+1)

**N Cary**  
Director

Date: 06-Oct-2021

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## BLOCKCHAIN ACCESS UK LTD

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### DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2018

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The directors present their report and the financial statements for the period ended 31 December 2018.

#### Principal activity

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

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

#### Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

#### Results and dividends

The loss for the period, after taxation, amounted to \$5,117,141.

During 2018, no dividends were proposed or paid.

#### Directors

The directors who served during the period were:

N Cary (appointed 30 April 2018)  
S P Smith (appointed 30 April 2018)

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## BLOCKCHAIN ACCESS UK LTD

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### DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

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#### Going concern

Details regarding going concern can be found in the Strategic Report and form part of this report by cross reference.

#### Directors' liability insurance and indemnities

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

As permitted by Articles of Association, the directors have the benefit of an indemnity, which is a qualifying third-party indemnity provision as defined by Section 230 of the Companies Act 2006. The indemnity was in force through the financial period and is currently in force.

#### Disclosure of information to auditors


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

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

#### Auditors

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

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

  
Nicolas Cary (Oct 6, 2021 19:27 GMT+1)

N Cary  
Director

Date: 06-Oct-2021



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## BLOCKCHAIN ACCESS UK LTD

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

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#### Opinion

We have audited the financial statements of Blockchain Access UK Ltd (the 'Company') for the 8 months period ended 31 December 2018, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

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

#### Conclusions relating to going concern

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

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

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## BLOCKCHAIN ACCESS UK LTD

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

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#### Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Opinion on other matters prescribed by the Companies Act 2006

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

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

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## BLOCKCHAIN ACCESS UK LTD

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

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#### Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

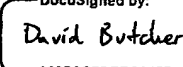
#### Auditors' responsibilities for the audit of the financial statements

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

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

#### Use of our report

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

DocuSigned by:  
  
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David Butcher (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor  
London  
United Kingdom

October 6, 2021

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

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**BLOCKCHAIN ACCESS UK LTD**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 DECEMBER 2018**

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	Note	2018 \$
Turnover	3	42,505,069
Cost of sales		(57,336,484)
<b>Gross loss</b>		<u>(14,831,415)</u>
Administrative expenses		(3,206,449)
Unrealised gains on digital assets		12,920,723
<b>Operating loss before and after taxation</b>	4	<u>(5,117,141)</u>
<b>Loss and total comprehensive loss for the financial period</b>		<u><u>(5,117,141)</u></u>

There was no other comprehensive income or loss during the period that should be disclosed in the statement of comprehensive income.


The notes on pages 13 to 24 form part of these financial statements.

**BLOCKCHAIN ACCESS UK LTD**  
**REGISTERED NUMBER: 11337627**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2018**

	Note	2018 \$
<b>Fixed assets</b>		
Investments	8	149,949
		<u>149,949</u>
<b>Current assets</b>		
Digital assets	9	13,712,018
Digital assets lent to customers	10	1,656,925
Prepayments and accrued income		33,658
Cash at bank and cash equivalents	11	3,775,691
		<u>19,178,292</u>
<b>Current liabilities</b>		
Creditors: amounts falling due within one year	12	(10,557,665)
Amounts owed in digital assets	13	(13,887,717)
<b>Net current liabilities</b>		<u>(5,267,090)</u>
<b>Total assets less current liabilities</b>		<u>(5,117,141)</u>
<b>Net liabilities</b>		<u><u>(5,117,141)</u></u>
<b>Capital and reserves</b>		
Share capital	15	-
Profit and loss account		(5,117,141)
<b>Total shareholders' deficit</b>		<u><u>(5,117,141)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 6-Oct-2021.

  
Nicolas Cary (Oct 6, 2021 19:27 GMT+1)

**N Cary**  
Director

The notes on pages 13 to 24 form part of these financial statements.

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**BLOCKCHAIN ACCESS UK LTD**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 DECEMBER 2018**

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	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Comprehensive income for the period</b>			
Loss for the period	-	(5,117,141)	(5,117,141)
<b>At 31 December 2018</b>	<u>-</u>	<u>(5,117,141)</u>	<u>(5,117,141)</u>

The notes on pages 13 to 24 form part of these financial statements.

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**BLOCKCHAIN ACCESS UK LTD**

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**STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 DECEMBER 2018**

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	2018 \$
<b>Cash flows from operating activities</b>	
Loss for the financial period	(5,117,141)
<b>Adjustments for:</b>	
Increase in digital assets	(26,231,189)
Adjustment for impairment charge for digital assets	12,519,171
Increase in debtors and accrued income	(33,658)
Increase in digital assets receivable	(3,593,461)
Adjustment for impairment charge for digital asset receivable	1,936,536
Increase in creditors	1,188,501
Increase in amounts owed to group undertakings	9,369,164
Increase in amounts owed in digital assets	10,921,527
<b>Net cash generated from operating activities</b>	<u>959,450</u>
<b>Cash flows from investing activities</b>	
Purchase of unlisted and other investments	(149,949)
<b>Net cash used in investing activities</b>	<u>(149,949)</u>
<b>Cash flows from financing activities</b>	
Funds held on behalf of third-party investors	2,966,190
<b>Net cash generated from financing activities</b>	<u>2,966,190</u>
<b>Net increase in cash and cash equivalents</b>	<u>3,775,691</u>
<b>Cash and cash equivalents at the end of period</b>	<u><u>3,775,691</u></u>
<b>Cash and cash equivalents at the end of period comprise:</b>	
<b>Cash at bank and cash equivalents</b>	<u>3,775,691</u>
	<u><u>3,775,691</u></u>

The notes on pages 13 to 24 form part of these financial statements.

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## BLOCKCHAIN ACCESS UK LTD

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

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#### 1. General information

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

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

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

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

##### 2.2 Going concern

The Directors believe that the Company has adequate resources to continue as a going concern for the foreseeable future, including during and post-COVID-19 pandemic. This conclusion is based upon the letter of support provided to the Company by the Parent Company. The Directors have considered and discussed with the Parent Company the current operations, revised 2021-2023 budgets and cash flow forecasts covering up to the eighteen-month period from the date of the financial statements, as approved by the management of the Parent Company, and there is no anticipated change in either the business activities of the Parent Company, Company, nor the capital cost structure. This analysis and discussion with the Parent also included a review of stress tests performed by the Directors to evaluate the impact of significant decreases in market values of digital assets and the Company's trading volumes on the Company (and the Group) cash flow and operations forecasts.

The Company and the Group have adopted flexible working patterns to maintain uninterrupted operations. While it is too early to assess the long-term impact, at present the Company and group have not observed an impact on operations, their ability to raise capital, or on trading due to COVID-19.

Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements for the period ending 31 December 2018.

##### 2.3 Functional currency and foreign currency transactions

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



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)**

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**2. Accounting policies (continued)**

**2.4 Revenue**

The Company primarily derives its revenues from digital asset transaction services, where users can buy, sell and swap digital assets for a service fee. The Company recognizes 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 been transferred to the customer, and collection is reasonably assured. Service is considered rendered upon purchase and transfer of digital asset(s) or fiat currency to the customer. The Company defers any funds received in advance of successful completion of the recognition criteria.

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

**2.5 Taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

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

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

**2.6 Valuation of investments**

Other investment includes an investment in common shares issued by a private company. The Company initially recognised this investment at the transaction price and subsequently measured it at fair value through profit and loss.

**2.7 Cash and cash equivalents**

Cash and cash equivalents include cash at bank and third-party crypto exchanges.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)**

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**2. Accounting policies (continued)**

**2.8 Digital assets**

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

All crypto currency and other digital assets are classified as stock and at inception are recorded at transaction price. Subsequently these assets are measured using the weighted average cost method. At the reporting date these assets are measured at the lower of cost and net realisable value. The estimated net realisable value of crypto currency assets are derived from [www.coinmarketcap.com](http://www.coinmarketcap.com).

**2.9 Intangible assets**

Intangible assets comprise of Stellar coins that were received under the airdrop transaction with the Stellar Foundation. The Company accounts for Stellar coins as intangible assets and estimated their initial value at Nil since no consideration was paid for these coins. The Company estimated the corresponding liability at Nil since the estimated value of the airdrop coins received was Nil.

**2.10 Other debtors**

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

**2.11 Other creditors**

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

**2.12 Digital assets lent**

Digital assets lent comprise of crypto currency assets that are being loaned or pledged in relation to the Company's crypto lending and borrowing business. These digital assets are classified as stock. At inception these assets are recorded at transaction price and subsequently measured using the specific identification method by tracking the individual cost of each digital asset lent.

The Company regularly and at least at each reporting date assesses whether its crypto currency and other digital assets are impaired by comparing the carrying amount of each crypto currency and other digital asset to its estimated net realisable value. At the reporting date these assets are measured at the lower of cost and net realisable value. The estimated net realisable value of crypto currency assets are derived from [www.coinmarketcap.com](http://www.coinmarketcap.com).

**2.13 Amounts owed in digital assets**

Amounts owed in digital assets includes digital assets falling due within one year and comprises of amounts held on behalf of third-party investors and amounts owed on the company's lending business, including collateral payable in digital assets. These balances are carried at the amounts that are equal to the best estimate of the amount that would be required to settle the obligation as of the reporting date, which approximates the fair value.

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## BLOCKCHAIN ACCESS UK LTD

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

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#### 2. Accounting policies (continued)

##### 2.14 Critical accounting judgements and estimates

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

- *Impairment of Assets:* The Company assesses impairment of non-financial assets regularly and at least on each reporting date by evaluating conditions specific to the Company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined, which is primarily based on an observable fair value of an asset less cost of disposal, if any, and incorporates a number of key estimates and assumptions.
- *Investments:* The most critical estimates and assumptions for investments relate to the determination of carrying value of unlisted investments at fair value through profit and loss. In determining this amount, the Company applies the overriding concept that fair value is the amount for which an asset can be exchanged between knowledgeable willing parties in an arm's length transaction. The nature, facts and circumstance of the investment drives the valuation methodology.
- *Amounts owed in digital assets - collateral payable:* The Company determined that digital assets that were received as collateral for digital assets lent would meet the definition of an asset under UK GAAP because the Company receives future economic benefits from using these assets in its business operations. Digital assets received as collateral can be reliably measured using the market prices available on third party crypto exchanges.
- *AirDrop transaction with the Stellar Foundation:* The Company accounts for Stellar coins received under the airdrop transaction with the Stellar Foundation as intangible assets and estimated their initial value at Nil since no consideration was paid for these coins. The Company estimated the corresponding liability at Nil since the estimated value of the airdrop coins received was Nil.

In 2018 Blockchain Access UK Ltd received 509,916,861 Stellar coins at fair value of \$126,973,888 from the Stellar Foundation to distribute to Blockchain's wallet holders. As at 31 December 2018 Blockchain Access Ltd had distributed 12,335,208 Stellar coins at a fair market value of \$3,071,578 to Blockchain's wallet holders and held the remaining balance of 497,581,654 Stellar coins at a fair market value of \$56,133,679 in Blockchain Access UK Ltd crypto wallet. The undistributed Stellar coins were subsequently returned to the Stellar Foundation in 2020.

##### 2.15 Financial instruments

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

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

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

##### 2.16 Amounts due from and owed to group undertakings

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

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**BLOCKCHAIN ACCESS UK LTD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)**

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**2. Accounting policies (continued)**

**2.17 Share capital**

The Company's ordinary shares are classified as equity.

**3. Turnover**

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

	2018 \$
OTC Revenue	36,317,209
Swap Revenue	4,598,846
Other Revenue	1,589,014
	<u>42,505,069</u>

Analysis of turnover by country of destination:

	2018 \$
United Kingdom	6,735,235
Rest of Europe	1,196,181
Rest of the world	34,573,653
	<u>42,505,069</u>

**4. Operating loss**

The operating loss is stated after charging:

	2018 \$
Exchange differences	(19,864)
Impairment charges for digital assets and for digital asset receivable	14,455,708
	<u>14,435,844</u>

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**BLOCKCHAIN ACCESS UK LTD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)**

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**5. Auditors' remuneration**

**2018  
\$**

Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements

**126,628**

**6. Employees**

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

**2018**

**No.**

Directors

**2**

There were no staff costs during the period. The Company's Directors were remunerated by another group Company.

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**BLOCKCHAIN ACCESS UK LTD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)**

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**7. Taxation**

**Factors affecting tax charge for the period**

The tax assessed for the period is the same as the standard rate of corporation tax in the UK of 19% as set out below:

	<b>2018</b>
	<b>\$</b>
Loss on ordinary activities before tax	<u><b>(5,117,141)</b></u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	<b>(972,257)</b>
<b>Effects of:</b>	
Unrelieved tax losses carried forward	<b>972,257</b>
<b>Total tax charge for the period</b>	<u><u><b>-</b></u></u>

No deferred tax asset has been recognised due to the absence of near-term visibility on taxable profits in the near future. The total deferred tax asset not recognized relates to tax trading losses and the gross amount not recognized to date is \$972,257.

**8. Fixed asset investments**

	<b>Unlisted investments</b>
	<b>\$</b>
<b>Cost or valuation</b>	
Additions	<b>149,949</b>
At 31 December 2018	<u><u><b>149,949</b></u></u>

Other investments include an investment in common shares issued by a privately held company incorporated in the United States of America. These unlisted common shares were acquired in 2018 and carried at the initial transaction price of \$149,949. The acquired investment represented less than 0.5% interest in total voting common shares issued. The Company determined that the initial transaction price of \$149,949 approximated the fair value measurement of this investment as at 31 December, 2018. The Company determined that no impairment provision was necessary as at 31 December 31, 2018 since there was no indication of impairment of this investment. The Company did not receive any income from this investment in 2018. Subsequently, in 2019 the Company transferred this investment to another group undertaking company at the carrying value of \$149,949. No gain or loss was recorded upon this transfer.

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**BLOCKCHAIN ACCESS UK LTD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)**

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**9. Digital assets**

**2018  
\$**

Digital assets held for sale	26,231,189
Impairment charge	(12,519,171)
<b>Net book value at 31 December 2018</b>	<b><u>13,712,018</u></b>

Digital assets primarily comprise crypto currency assets, including but not limited to Bitcoin, Bitcoin Cash and Ethereum. As at 31 December 2018, the fair value of digital assets was \$15,766,016. As at 4 October, 2021, the fair value of digital assets was \$150,304,356

**10. Digital assets lent to customers**

**2018  
\$**

Crypto loans to customers & collateral receivable from customers	3,593,461
Impairment charge for crypto loan & collateral receivable	(1,936,536)
<b>Net book value at 31 December 2018</b>	<b><u>1,656,925</u></b>

**11. Cash and cash equivalents**

**2018  
\$**

Cash at bank and cash equivalents	3,775,691
	<b><u>3,775,691</u></b>

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**BLOCKCHAIN ACCESS UK LTD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)**

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**12. Creditors: Amounts falling due within one year**

	2018 \$
Amounts owed to group undertakings	9,369,164
Other creditors	183,949
Accrued expenses	1,004,552
	<u>10,557,665</u>

**13. Amounts owed in digital assets**

	2018 \$
Crypto borrowings and collateral payable	(10,921,527)
Payable to third-party investors for crypto assets held on their behalf	(2,966,190)
	<u>(13,887,717)</u>



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**BLOCKCHAIN ACCESS UK LTD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)**

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**14. Financial instruments**

	2018 \$
<b>Financial assets</b>	
Cash	3,775,691
Investments	149,949
Prepayments and accrued income	33,658
<b>Financial assets measured at fair value through profit or loss</b>	<u><u>3,959,298</u></u>
<b>Financial liabilities</b>	
Amounts owed to group undertakings	(9,369,164)
Other creditors	(183,949)
Accrued expenses	(1,004,552)
	<u><u>(10,557,665)</u></u>

Financial assets measured at fair value through profit or loss comprise cash and cash equivalents, investments and prepayment and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accrued expenses and amounts owed to group undertakings.

**15. Share capital**

	2018 \$
<b>Allotted, called up and fully paid</b>	
1 Ordinary share of \$0.01	<u><u>-</u></u>

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

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## BLOCKCHAIN ACCESS UK LTD

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

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#### 16. Related party transactions

Due to its 100% shareholding in the issued share capital of the Company, the immediate parent undertaking is Blockchain Luxembourg S.A. ('the Parent'), a company incorporated in Luxembourg. Copies of the Parent's entity only financial statements may be obtained from Blockchain Luxembourg S.A., 9, rue du Laboratoire L-1911 Luxembourg.

In 2018, the Company executed transactions with related parties, which included key management personnel and related parties with significant influence over the Company.

Key management personnel include all directors and certain senior managers across the group who together have the authority and responsibility for planning, directing, and controlling the activities of the group. For directors' remuneration refer to Note 6. Total compensation paid to key management personnel for services provided to the Company was \$2,249,800. The Company has taken advantage of the disclosure exemption under Section 33.1A of FRS 102 not to disclose transactions with other wholly owned members of the Group.

In addition to compensation paid, transactions with key management personnel primarily comprised of over-the-counter (OTC) sales of digital assets of \$227,394 that were included in total OTC revenues. In 2018 the Company also purchased digital assets from key management personnel in the amount of \$724,032. As at 31 December, 2018, there were no balances due to or from key management personnel as a result of the above transactions.

During the reporting period related parties with significant influence sold to the Company digital assets totalling \$1,143. During 2018, the Company purchased and held crypto currency assets on behalf related parties with significant influence, which amounted to \$2,076,014 and were included within payables to third-party investors for crypto assets held as at 31 December 2018. The Company also borrowed crypto currency funds from related parties with significant influence in 2018 and at the year-end \$93,456 was outstanding and included within crypto borrowings as at 31 December 2018. Both the payable and the borrowing were included in amounts due in digital assets and were returned to related parties in full in 2019.

#### 17. Post balance sheet events

In 2019 Blockchain Access UK Ltd launched an exchange for digital currency.

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

The rapid development and fluidity of this situation precludes management from making an estimate as to the ultimate adverse impact of the pandemic on our liquidity, financial condition, and results of operations for fiscal year 2021. We may take further actions that alter our business operations as the situation evolves. As a result, the ultimate impact of the COVID-19 outbreak and the effects of the operational alterations we may make in response to our business, financial condition, liquidity, and financial results cannot be predicted at this time.

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## **BLOCKCHAIN ACCESS UK LTD**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)**

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On 31 January, 2020, the UK government ratified the withdrawal agreement for the UK to leave the European Union. A transition period necessary to agree the terms of the withdrawal was agreed until 31 December, 2020. The rules governing the new relationship between UK and European Union took effect on 1 January, 2021. However, the directors of the Company do not expect that these events would have a significant impact on the Company's operations, revenue or profits going forward.

#### **18. Controlling party**

The immediate parent company and controlling party is Blockchain Luxembourg S.A.