

Registered number: 09708629

CB Payments, Ltd

**Report and financial statements
For the year ended 31 December 2017**

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CB Payments, Ltd

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CB Payments, Ltd
Company information

Directors

Zeeshan Feroz

Nathalie McGrath

Michael Lempres

Registered Office

9th Floor
107 Cheapside
London
EC2V 6DN

Company Number

09708629

Auditor

Moore Stephens LLP
150 Aldersgate Street
London
EC1A 4AB

CB Payments, Ltd

Strategic report

For the year ended 31 December 2017

Review of Business

CB Payments, Ltd (the “Company”), a wholly owned subsidiary of Coinbase Global, Inc. (the “Parent”) a United States (“US”) corporation, was established to provide fiat wallet services (the “services”) in the United Kingdom (“UK”) to consumers and institutional customers of sister entity, Coinbase UK, Ltd.

On 18 April 2017, the Company was granted authorisation to carry on electronic money services activity by the Financial Conduct Authority (“FCA”) under the Electronic Money Regulations 2011 (“EMI”). For the year ended 31 December 2017, management of the Company continued research and development to build infrastructure, compliance and governance and the necessary institutional banking relationships to provide the services. No services were provided for the year ended 31 December 2017, and as a result, no revenue was recognised. The Company incurred operating expenses of \$829,740 as outlined in Note 5 of the Company’s financial statements.

Financial Key Performance Indicators

As the Company had not commenced providing the services, key performance indicators had not yet been established.

Principal Risks and Uncertainties

Changing regulations threaten the Company’s competitive position and capacity to conduct business.

The Company proactively engages regulators to gain clarity on the evolving regulatory landscape of the payments industry. Additionally, the Company has hired a dedicated and experienced Compliance team with Parent’s regulatory counsel to ensure that the business is fully informed of relevant regulatory developments, financial service licensing options, and operational impacts of new regulations.

The Company’s corporate network or production systems are compromised by a malicious actor or attacker due to insufficient information security controls, corporate data is improperly classified resulting in exposure to data integrity and quality risks, or unauthorised access to the Company’s data exposes Company information to the risk of compromise.

All e-money related data that is created, collected, stored, or processed by the Company, whether in electronic or non-electronic form, is classified based on its level of sensitivity, value, and criticality to the Company. The Company’s Cyber Security foundation is derived from the synthesis of the NIST Cybersecurity Framework and SANS Institute’s Critical Security Controls. Further, the Company employs strict hardware controls and password requirements on all system users and access to confidential data must be requested from, and authorised by, the owner who is responsible for the data. Further, the Company’s system users are all subject to confidentiality and non-disclosure requirements.

User accounts are compromised and there is loss of personally identifiable information (“PII”), messages, or other user data. Additionally, there is the potential for the Company to fall out of compliance with privacy regulations, including those mandated by GDPR, PCI and CSA guidelines.

The Company has established a Cyber Security Plan which details the processes to be followed in the event of a breach to ensure timely reporting to the relevant regulatory body. The Company has hired a Security Product Manager to ensure that products are compliant with, amongst other things, GDPR requirements. Additionally, necessary security measures have been taken to encrypt sensitive information stored on its Infrastructure. Access to data is restricted to internal employees and requires two-factor authentication (“2FA”) credentials that grant employees specific and/or limited network access.

Untimely reporting of suspicious activity and other anti-money laundering and Know Your Customer required data to regulators.

The Compliance Monitoring Programme was established to ensure the timely update of compliance policies and the operation of procedures that implement policy. The Company maintains a central register of activities to be reported to regulators and has expanded the Compliance headcount to assist with the timely delivery and execution of compliance requirements. Additionally, our governance structure requires the delivery of periodic reporting to the Board to

CB Payments, Ltd

Strategic report

For the year ended 31 December 2017

facilitate oversight of regulatory compliance arrangements, along with internal and external compliance programme reviews to ensure that all policies and procedures are in line with current regulations.

Future Developments

On 12 July 2018 the FCA approved the Company's EMI license re-authorisation. The re-authorisation was required following the implementation of the European Union's (EU) second Payment Services Directive (PSD2) which requires all EU regulated companies to meet and comply with additional requirements of ownership transparency, infrastructure security and resilience, financial safeguarding, customer complaints handling, and compliance with regulatory reporting. The Company was able to illustrate that these requirements were met as evidenced by the re-authorisation.

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

Key elements of the Company's business strategy include:

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

By Order of the Board



Michael Lempres

Director

Date: 30 September 2018

CB Payments, Ltd

Directors' report

For the year ended 31 December 2017

The Directors present their report and the audited financial statements for the year ended 31 December 2017. The prior period is from incorporation on 29 July 2015 to 31 December 2016. The financial statements have been prepared under, and comply with, United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland."

Please refer to the Strategic Report on pages 3 to 4 for review of business, financial key performance indicators, principal risks and uncertainties and the likely future developments of the Company.

Principal activity

The company did not trade during the current period. In 2018, as an e-money license grantee from the FCA, the Company's principal activity is to provide fiat wallet support for users of coinbase.com and a GBP payment rail to support trading activity for the customers of Coinbase UK, Ltd. The Company in turn receives turnover in the form of a service fee from Coinbase UK, Ltd which is assessed monthly.

Directors

The Directors who served during the period were:

Fred Ehram (resigned 27 January 2017)

Nathalie McGrath

Zeeshan Feroz (appointed 22 March 2017)

Michael Lempres (appointed 05 May 2017)

David Farmer (resigned 26 March 2018)

Results and Dividends

The results for the period are shown on page 9.

The Directors do not recommend the payment of a dividend for the period (2016: \$nil).

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Approved by the Board and signed on its behalf by:



Michael Lempres, Director

Date: 30 September 2018

CB Payments, Ltd

Directors' Responsibilities Statement *For the year ended 31 December 2017*

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

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

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

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

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

CB Payments, Ltd

Independent Auditors' Report to the Members of CB Payments, Ltd

Opinion

We have audited the financial statements of CB Payments, Ltd (the "Company") for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

CB Payments, Ltd

Independent Auditors' Report to the Members of CB Payments, Ltd

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



Mark Ayres, Senior Statutory Auditor

For and on behalf of Moore Stephens LLP, Statutory Auditor

150 Aldersgate Street
London
EC1A 4AB

Date: 30 September 2018

CB Payments, Ltd
Statement of comprehensive income
For the year ended 31 December 2017

	Note	2017 \$	2016 \$
Administrative expenses		(829,740)	(162,813)
Operating loss	5	(829,740)	(162,813)
Other interest receivable and similar income	7	150	52
Loss on ordinary activities before taxation		(829,590)	(162,760)
Taxation	8	17,923	-
Loss for the year		(811,667)	(162,760)
Other comprehensive income			
Currency translation differences		54,163	-
Total comprehensive loss for the year		(757,504)	(162,760)

The notes on pages 13 to 20 form part of these financial statements.

CB Payments, Ltd**Statement of financial position as at 31 December 2017**

Registered number: 09708629

	Note	2017 \$	2016 \$
Current assets			
Cash and cash equivalents		1,790,659	1,052,443
Rental deposit		26,299	6,650
Deferred tax asset	8	17,923	-
		<hr/>	<hr/>
		1,834,881	1,059,093
Creditors: amounts falling due within one year	9	(1,520,041)	(100,219)
		<hr/>	<hr/>
Net current assets		314,840	958,874
		<hr/>	<hr/>
Capital and reserves			
Share capital	10	1,121,635	1,121,635
Capital contribution	15	113,469	-
Retained earnings		(920,264)	(162,760)
		<hr/>	<hr/>
Shareholders' funds		314,840	958,874
		<hr/>	<hr/>

The accounts of CB Payments, Ltd were approved by the board of directors and authorised for issue on 30 September 2018 and signed on its behalf by:

**Michael Lempres**

Director

The notes on pages 13 to 20 form part of these financial statements.

CB Payments, Ltd
Statement of changes in equity
For the year ended 31 December 2017

	Share capital	Capital contribution	Retained earnings	Total
	\$	\$	\$	\$
At 29 July 2015	-	-	-	-
Share capital issued	1,121,635	-	-	1,121,635
<i>Comprehensive loss for the period</i>		-		
Loss for the period	-	-	(162,760)	(162,760)
<i>Total comprehensive loss for the period</i>	-	-	(162,760)	(162,760)
At 31 December 2016	<u>1,121,635</u>	<u>-</u>	<u>(162,760)</u>	<u>958,875</u>
<i>Comprehensive loss for the year</i>				
Loss for the year	-	-	(811,667)	(811,667)
Currency translation differences	-	-	54,163	54,163
<i>Total comprehensive loss for the year</i>	-	-	(757,504)	(757,504)
Share based payment (note 15)	-	113,469	-	113,469
At 31 December 2017	<u>1,121,635</u>	<u>113,469</u>	<u>(920,264)</u>	<u>314,840</u>

The notes on pages 13 to 20 form part of these financial statements.

CB Payments, Ltd**Cash flow statement****For the year ended 31 December 2017**

	<u>2017</u>	<u>2016</u>
	\$	\$
Cash flows from operating activities		
Loss for the year	(811,667)	(162,760)
Adjustments for:		
Share based payment expense	113,469	-
Deferred tax credit	(17,923)	-
Increase in rental deposit	(19,649)	(6,650)
Increase in creditors	820,319	100,218
	<hr/>	<hr/>
Cash flows from operating activities	84,549	(69,192)
	<hr/>	<hr/>
Cash flows from financing activities		
Proceeds of borrowings from group undertakings	599,503	-
Proceeds on issue of shares	-	1,121,635
	<hr/>	<hr/>
Cash flows from financing activities	599,503	1,121,635
	<hr/>	<hr/>
Net increase in cash and cash equivalents	684,052	1,052,443
	<hr/>	<hr/>
Cash and cash equivalents at 1 January	1,052,443	-
	<hr/>	<hr/>
Effect of exchange rate on cash and cash equivalents	54,164	-
	<hr/>	<hr/>
Cash and cash equivalents at 31 December	1,790,659	1,052,443
	<hr/>	<hr/>

The notes on pages 13 to 20 form part of these financial statements.

CB Payments, Ltd

Notes to the financial statements For the year ended 31 December 2017

1. General information

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

2. Statement of compliance

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' issued by the Financial Reporting Council and the Companies Act 2006.

3. Summary of significant accounting policies

The principal accounting policies are summarised below. They have all been applied consistently to all years presented.

a. Basis of preparation

The financial statements have been prepared using the going concern basis, under the historical cost convention.

b. Foreign currency

i. Functional and presentation currency

The financial statements are presented in US Dollars (USD) as the parent company, Coinbase Global, Inc., reports in USD. The Company's functional currency is the pound sterling (GBP) as that is the currency in which the majority of the company's transactions are denominated.

ii. Transactions and balances

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

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

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

iii. Translation

Exchange adjustments arising from the translation of assets and liabilities denominated in the functional currency to USD are recognised in 'other comprehensive income'.

c. Employee benefits

The Company provides a range of benefits to employees, including paid holiday arrangements and other non-monetary benefits. Benefits are short term and recognised as an expense in the period in which the service was rendered.

d. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

CB Payments, Ltd

Notes to the financial statements For the year ended 31 December 2017

e. Taxation

Current tax is the amount of income tax payable in respect of the taxable profit for year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is recognised in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It established provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

For the year ended 31 December 2017 the company did not recognise unrelieved tax losses.

f. Leased assets

At inception, the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit or loss on a straight line basis over the lease period. The Company's current leased office space is considered to be an operating lease, with a term of less than one year.

g. Provisions and contingencies

i. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations might be small.

The Company had no present legal or constructive obligations to assess for the year ended 31 December 2017, and as such has not recorded a provision.

ii. Contingencies

Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

The Company had no contingencies to disclose within the financial statements as of 31 December 2017.

h. Related party transactions

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

CB Payments, Ltd

Notes to the financial statements For the year ended 31 December 2017

i. Share options

The employees of the Company participated in the group's share option scheme. For all grants of share options, the fair value at the date of grant is calculated using the Black Scholes Merton Model. The corresponding expense is recognised over the vesting period based on the Company's estimate of shares which will actually vest, with the reserve entry being recognised within the capital contribution.

At the end of each reporting period, the Company revises its estimates on the expected forfeiture rate and recognises expense only for those shares expected to vest. The estimate of forfeiture rates is based on historical experience and is adjusted for actual experience over the term of the award. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

j. Debtors

Short term debtors are measured at transaction price, less any impairment.

k. Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors and loans to related parties.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in profit or loss.

l. Creditors

Short term creditors are measured at transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

m. Interest income

Interest income is recognised in profit or loss using the effective interest method.

4. Critical accounting judgements

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from estimates.

The company used certain valuation modelling techniques to value its share options and these necessarily require judgements to be made in regard to volatility and corporate valuation in order to arrive at a reasonable valuation.

CB Payments, Ltd

Notes to the financial statements For the year ended 31 December 2017

5. Operating loss

Operating loss is stated after charging/(crediting):

	2017	2016
	\$	\$
Wages and salaries	344,244	-
Social security costs	44,220	-
Other benefits	3,522	-
Share based compensation	113,469	-
Total staff costs	<u>505,455</u>	<u>-</u>
Operating lease charges	112,044	19,948
Foreign exchange (gains)/losses	(81,595)	67,908
Fees payable to the Company's auditor for the audit of the financial statements	32,183	6,394
Fees payable to the Company's auditor for other services	-	2,877
	<u> </u>	<u> </u>

6. Employees and directors

Employees

The average monthly number of administration employees (including executive directors) employed by the Company was 2 (2016: nil).

Directors

Only one Director was remunerated by the Company. The Director's emoluments were as follows:

	2017	2016
	\$	\$
Directors emoluments	202,314	-
Social security costs	26,591	-
Share based payments	51,751	-
Benefits in kind	662	-
	<u>281,318</u>	<u>-</u>
	<u> </u>	<u> </u>

	2017	2016
	\$	\$
Remuneration of the highest paid director:		
Directors emoluments	202,314	-
Share based payments	51,751	-
	<u> </u>	<u> </u>

CB Payments, Ltd

**Notes to the financial statements
For the year ended 31 December 2017**

7. Other interest receivable and similar income

	2017 \$	2016 \$
Interest received	150	52
	<u> </u>	<u> </u>

8. Taxation

The tax charge/(credit) comprises:

	2017 \$	2016 \$
Current tax on loss on ordinary activities		
UK corporation tax	-	-
	<u> </u>	<u> </u>
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(17,923)	-
	<u> </u>	<u> </u>
Total deferred tax	(17,923)	-
	<u> </u>	<u> </u>
Total tax on loss on ordinary activities	<u>(17,923)</u>	<u> </u>

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2017 \$	2016 \$
Profit on ordinary activities before tax	<u>(829,590)</u>	<u>(162,760)</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 19.25% (2016: 20%)	(159,696)	(32,552)
Effects of:		
- Expenses not deductible for tax purposes	36,464	6,364
- Tax losses not recognised	105,309	26,188
	<u> </u>	<u> </u>
Total tax charge/(credit) for period	<u>(17,923)</u>	<u> </u>

Deferred tax asset

	2017 \$
At 1 January 2017	-
Credit to profit or loss	(17,923)
	<u> </u>
At 31 December 2017	<u>(17,923)</u>

CB Payments, Ltd

Notes to the financial statements For the year ended 31 December 2017

8. Taxation (continued)

The deferred tax asset is made up as follows:

	2017 \$
Share based payments	17,923

9. Creditors: amounts falling due within one year

	2017 \$	2016 \$
Trade creditors	24,892	6,280
Accruals	42,500	14,943
Amounts owed to group undertakings	1,370,939	-
Amounts owed to parent company	81,710	78,995
	<u>1,520,041</u>	<u>100,219</u>

Amounts owed to group undertakings and to the parent company are unsecured, interest free and repayable on demand.

10. Share capital

	2017 \$	2016 \$
Allotted, issued and fully paid		
100 Ordinary shares of £0.001	-	-
1,000,000 Ordinary shares of €1	1,121,635	1,121,635
	<u>1,121,635</u>	<u>1,121,635</u>

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

CB Payments, Ltd

Notes to the financial statements For the year ended 31 December 2017

11. Financial instruments

Financial assets	2017	2016
	\$	\$
Financial assets measured at fair value through profit or loss	1,790,659	1,052,443
Financial assets measured at cost	26,299	6,650
	<u>1,816,958</u>	<u>1,059,093</u>
Financial liabilities		
Financial liabilities measured at cost	1,520,041	100,219
	<u>1,520,041</u>	<u>100,219</u>

Financial assets measured at fair value comprise cash and cash equivalents.

Financial assets measured at cost comprise other debtors.

Financial liabilities measured at cost comprise trade creditors, amounts owed to group undertakings and accruals.

12. Capital and other commitments

The total future minimum lease payments to be paid under non-cancellable operating leases are as follows:

	2017	2016
	\$	\$
Within one year	15,243	3,320

13. Financial risk management

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

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

14. Ultimate controlling party

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

In the opinion of the directors, there is not one controlling party as at 31 December 2017.

CB Payments, Ltd

Notes to the financial statements For the year ended 31 December 2017

15. Share-based payments

The Company participates in a group equity settled share option scheme which is available to certain employees. The options granted are to purchase common stock in Coinbase Global Inc. Options vest over a four-year period. Once vested, the options can be exercised at any date up to 10 years from the grant date.

The charge for the year attributable to the Company amounted to \$113,469 (2016: \$nil).

Details of group share options applicable to UK employees are as follows:

	Number of options	Weighted average exercise price (\$)
Outstanding as at 1 January 2017	-	-
Granted in year	41,456	14.76
Outstanding as at 31 December 2017	41,456	14.76

For the share options outstanding at 31 December 2017, the exercise prices ranged from \$5.34 to \$19.81 per share.

The weighted average fair value of share options granted in the year was \$15.35.

As at 31 December 2017 the weighted average remaining contractual term is 9.6 years.

The inputs to the Black Scholes pricing model in 2017 are as follows: -

Expected volatility	49.25% - 50.58%
Expected life (years)	8.5
Risk free rate	2.15% - 2.32%
Share price at grant date	\$13.81 - \$33.86
Dividend yield	0%

16. Going concern

The Directors believes that the Company is a going concern based on the stand-alone business prospects of the Company after considering forecasted fixed expenses and current business activity. On 30 July 2018, the Company entered into an agreement with Coinbase UK, Ltd to leverage the Company's payment rail with the key banking partner. Beginning in 2018, the Company charges a fee for fiat wallet deposit services provided. The Directors have no intention to liquidate the entity. The current and planned expansion of fiat wallet services will continue to support the Company as a going concern on a standalone basis for the next twelve months.

17. Events after the end of the reporting period

On 12 July 2018 the FCA approved the Company's EMI license re-authorisation. The re-authorisation was required following the implementation of the European Union's (EU) second Payment Services Directive (PSD2) which requires all EU regulated companies to meet and comply with additional requirements of ownership transparency, infrastructure security and resilience, financial safeguarding, customer complaints handling, and compliance with regulatory reporting. The Company was able to illustrate that these requirements were met as evidenced by the re-authorisation.

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