

SA1 Issuer Limited Guernsey

Independent Auditor's Report to the Board of Directors

Financial Statements for the year ended 31 December 2020



Independent Auditor's Report

To the Board of Directors of
SA1 Issuer Limited, Guernsey

We have audited the financial statements of SA1 Issuer Limited, Guernsey, the Company, which comprise the balance sheet as at 31 December 2020, the statement of income, statement of changes in equity, statement of cash flows and notes to the financial statements for the period from 4 November 2019 to 31 December 2020.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Swiss GAAP FER. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the existence and effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements for the period from 4 November 2019 to 31 December 2020 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER.

Report on Key Audit Matters based on the circular 1/2015 of the Swiss Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	Auditor's Reaction
<p>Valuation, Existence, Rights and Completeness of Notes Issued and accompanying Underlyings</p> <ul style="list-style-type: none"> - The Company has issued six notes of which two have already been redeemed. - The notes are secured by the underlying cryptocurrencies which are reported as Securities in the balance sheet. - The notes classify as derivative financial instruments. - The outstanding notes and cryptocurrencies are valued with their fair values. Any gain / losses from fair value changes are presented in the income statement. - As per the end of the financial year 2020, the fair values of the outstanding notes and cryptocurrencies were determined 17.5 million swiss francs. - The fair values are calculated and provided by an external agent and are based on recent transactions. <p>Due to the following reasons, we have identified the valuation, existence, rights and completeness of the notes issued and accompanying underlyings as a key audit matter:</p> <ul style="list-style-type: none"> - There is no established and regulated exchange for cryptocurrencies. Hence, there is an inherent risk in the valuation of the outstanding notes and the accompanying underlyings. - The Net asset values (NAV's) of the notes are calculated by an external provider. - The underlyings are stored and administrated by an external provider. 	<p>We carried out the following audit activities in order to assess the appropriateness of the valuation of the notes and cryptocurrencies, the rights and existence of the cryptocurrencies as well as the completeness of the notes presented in the financial statement:</p> <ul style="list-style-type: none"> - We obtained bank confirmations in order to assess the existence and completeness of the assets and liabilities; - We assessed through other recognized sources whether the fair values used for the valuation of the cryptocurrencies are appropriate; - We obtained the NAV-calculation files provided by the external agent to assess whether the calculated NAV's as of 31 December 2020 were used for the calculation of the notes; - We reconciled the calculation parameters of the NAV-calculation files with relevant audit evidence; - We obtained ISAE-3402 Type 2 reports in order to assess whether the controls regarding the storage of the cryptocurrencies with a fully regulated Swiss Bank are adequately designed and implemented and operated effectively; - We assessed whether the requirements of Swiss GAAP FER were adopted adequately. <p>Based on the audit work performed, we believe that the audit evidence we obtained is sufficient and appropriate regarding the valuation, existence, rights and completeness of the notes issued and cryptocurrencies.</p>



Grant Thornton

Zurich, 27 February 2021

Grant Thornton AG

Marco Valenti
Partner

Christian Bögli
Partner

Enclosure:

– Financial Statements

SA1 Issuer Limited

Financial Statements 2020

(Swiss GAAP FER)

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Balance Sheet

(expressed in USD)

ASSETS	Note	31 December 2020
Current assets		20 445 037
Cash and cash equivalents	4.1	949 950
Other short-term receivables	4.2	1 818 513
Securities	4.3	17 551 652
Accrued income		124 922
TOTAL ASSETS		20 445 037
LIABILITIES AND EQUITY	Note	31 December 2020
Current liabilities		20 445 037
Bank overdrafts	4.1	2 746 182
Notes issued	4.4	17 551 652
Accrued expenses		147 203
Total liabilities		20 445 037
Equity	4.5	0
Share capital		Nil
Profit of the year		0
TOTAL LIABILITIES AND EQUITY		20 445 037

Income Statement

(expressed in USD)

	Note	4 November 2019 - 31 December 2020
Professional fees		- 61 500
Custodian fees		- 153 656
General fees		- 6 917
Fees charged to notes holders		153 656
Loss from operations		- 68 417
Financial expense		- 14 608
Fair value gain / (loss) on assets		106 923
Fair value gain / (loss) on liabilities		- 106 923
Loss from other operations		- 83 025
Other non-operative income		83 025
Profit / loss before taxation		0
Taxes	5.1	0
Profit / loss of the year		0
Shares in issue: 100		
Earnings per share		0
Diluted earnings per share		0

Cash Flow Statement

(expressed in USD)

4 November 2019 -
31 December 2020

Result of the period	0
<i>Movement of working capital</i>	
Change in other receivables	-1 818 513
Change in accrued income	- 124 922
Change in financial assets	-17 551 652
Change in notes issued	17 551 652
Change in accrued expenses	147 203
Net cash flows from operating activities	-1 796 232
Net cash flows from financing activities	0
Net cash flows from investments activities	0
Net change in Cash and cash equivalents	-1 796 232
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Cash and cash equivalents at beginning of period	0
Cash and cash equivalents at end of period (net)	-1 796 232
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Presentation in Financial Statements:	
Cash and cash equivalents at year end	949 950
Bank overdrafts	-2 746 182
Total	-1 796 232

Statement of changes in equity

(expressed in USD)

	Share capital	Profit carried forward	Result of the period	Total equity
4 November 2019	Nil			Nil
Result of the period			0	0
31 December 2020	Nil	0	0	0

Beside the issuance of 100 (one hundred) shares with a nominal value of Nil to the shareholders, no other equity transactions with shareholders took place in the Financial Year.

Notes to the Financial Statements

1 General information about SA1 Issuer Limited

SA1 Issuer Limited ("Company") is a non-cellular company within the meaning of section 2(1)(c) of the Companies (Guernsey) Law ("Law"), 2008 (as amended). The company is limited by shares within the meaning of Section 2(2)(a)8(i) of the Law and has its registered office situated in Guernsey. The Company was incorporated on Monday, November 4, 2019 with registration number 66982.

SA1 Issuer Limited has been established as a special purpose vehicle for the purposes of issuing exchange traded products (the ETP) and other financial products linked to the performance of crypto assets.

The liability of the Members is limited to the amount for the time being remaining unpaid on the shares held by each of them respectively.

Registered Office

c/o Albeoq Services Limited
Suite 6, Provident House, Havilland Street
St. Peter Port
Guernsey
Channel Islands

2 Statement of compliance with Swiss GAAP FER

These financial statements are prepared in accordance with all existing guidelines of Swiss GAAP FER (Swiss Generally Accepted Accounting Principles FER) incl. Swiss GAAP FER 31.

These financial statements give a true and fair view of the financial positions and have been prepared in accordance with the going concern principle.

These financial statements are the first financial statements prepared by the Company and also the first financial statements prepared under Swiss GAAP FER, see note 3.1.

3 General information

3.1 Reporting period and functional and reporting currency

These financial statements cover the period from 4 November 2019 (date of incorporation) to 31 December 2020 (end of the first reporting period) ("Financial Statements"). The period is referred to as Financial Year. The presented Financial Year is the first financial year of the Company, no comparative figures are available.

The functional and reporting currency of the Company is the United States Dollar ("USD"). Rounding differences on subtotals and totals in the Financial Statements can occur.

3.2 Currency translation

As per 31 December cash and cash equivalents and bank overdrafts denominated in foreign currencies are converted into USD using the following exchange rates:

Currency rates	31 December 2020
Swiss Francs (CHF)	1.1302

The currency rate for CHF / USD is provided by Infront ASA, Norway.

3.3 Valuation of Cryptocurrencies

The company holds Cryptocurrencies to cover notes issued. The valuation of the cryptocurrencies is directly dependent on the valuation of the notes issued where the NAV-calculating agent uses the latest trading prices to determine its valuation. The valuation per one unit of any Cryptocurrency in USD is between the following valuation brackets:

Cryptocurrency valuation	31 December 2020
Bitcoin (BTC)	28,148.6304 - 28,475.8200
Stellar Lumens (XLM)	0.1247 - 0.1252
Cardano (ADA)	0.1783 - 0.1799
Litecoin (LTC)	122.7680 - 123.2660
Ethereum (ETH)	731.6347-734.6000

The rates were provided by the NAV-calculating agent GenTwo AG, Zurich, Switzerland.

3.4 Date of approval

These Financial Statements were approved by the directors on 24 February 2021.

3.5 Estimates and judgements

The preparation of the Financial Statements in conformity with Swiss GAAP FER requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis.

3.6 General and specific accounting principles

3.6.1 General accounting principles

All assets and all liabilities are valued and presented individually.

All notes issued and the accompanying underlyings are valued individually but presented as total on the balance sheet. Details to these positions are disclosed in the notes.

The Financial Statements are established on the basis of the periodic accrual principle. Effects of transactions and other events are recognized at their occurrence and not when cash or cash equivalents are received or paid.

3.6.2 Cash and cash equivalents / Bank overdrafts

Cash and cash equivalents include all cash and bank account balances with a positive balance. Bank overdrafts include all cash and bank account balances with a negative balance.

Cash and cash equivalents and bank overdrafts are stated at fair value.

3.6.3 Accrued income

The Custodian of the Company, Seba Bank AG, Zug, Switzerland agreed to cover all expenses related to director and professional services rendered.

The position is valued at fair value.

3.6.4 Securities

Securities comprise of digital assets designed to work as a medium of exchange wherein individual coin ownership records are stored in a ledger held existing in a form of computerized database using cryptography to secure transaction records (the "Cryptocurrencies"). Cryptocurrencies typically does not exist in physical form and is typically not issued by a central authority but controlled decentralized. All Cryptocurrencies are stored with Seba Bank AG, Zug, Switzerland, the custodian of the Company.

Securities are valued at fair value.

3.6.5 Notes issued

The Company issued Tracker Certificates, Select Index Tracker Certificates and Dual Currency / Reverse Convertible Certificates on Cryptocurrencies (the "Certificates"). Listing of all certificates has been applied for. Notes issued are derivative financial instruments. They do not qualify as units of a collective investment scheme, accordingly Swiss FAAP FER 27 is applied. There is an active market (OTC-trading). The underlyings and hedging transactions are valued at current values. Value gains from the underlyings and hedging transactions are recognised through p&l (no netting).

Notes issued are valued at fair value.

3.6.6 Accrued expenses

The position comprises of accruals for professional services rendered (director, audit, accounting) and expenses for several fees invoiced by the Custodian.

The position is valued at par value.

3.6.7 Revenue recognition / determination of realised gain / loss on financial assets and issued notes

The Companies values all its cash and cash equivalents, its financial assets and its note issued per end of the reporting period with its fair value. Fair value adjustments are recognized in the income statement as fair value gain / (loss) on assets and liabilities respectively.

4 Details to the Financial Statements

4.1 Cash and cash equivalents and bank overdrafts

Cash and cash equivalents	31 December 2020
Held with ISP Securities AG, Zurich, Switzerland	948 461
Held with Seba Bank AG, Zug, Switzerland	1 488
Total cash and cash equivalents	949 950

Cash and cash equivalents held with Seba Bank AG is pledged.

Bank overdrafts	31 December 2020
With ISP Securities AG, Zurich, Switzerland	16
With Seba Bank AG, Zug, Switzerland	2 746 166
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Total bank overdrafts	2 746 182

4.2 Other short-term receivables

Other short-term receivables	31 December 2020
Receivables from notes issued	1 818 513
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Total other short-term receivables	1 818 513

The Company issued notes as per year end 2020 and has a receivable from this issuance.

4.3 Securities

Securities	Units held	31 December 2020
Bitcoin	559.45	15,950,346
Ethereum	1,138.43	847,946
Stellar Lumens	2,030,924.32	279,302
Litecoin	2,864.66	366,159
Cardano	585,037.00	107,900
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Total securities		17,551,652

All securities are pledged.

4.4 Notes issued

The following notes are issued as per 31 December 2020:

- Tracker Certificates on SEBAX Index, ISIN CH0507008685. Product specifications:
 - Issue Currency: CHF
 - Underlying: The underlying is a basket of at least 5 different digital currencies which is managed to follow the composition and weighting of this notional portfolio. The holders of the product will not be entitled to real assets and only have a claim against the Issuer for the redemption amount.
 - Issue price: CHF 1,000
 - Minimum trade size: 1 certificate
 - Launch date: 16 December 2019
 - Maturity date: 2 March 2021
- Tracker on Bitcoin, ISIN CH0558875933. Product specifications:
 - Issue Currency: USD
 - Underlying: Bitcoin ("BTC")

- Issue price: 0.0001 BTC
 - Minimum trade size: 1 certificate
 - Launch date: 5 November 2020
 - Maturity date: open end
- Tracker on Seba Crypto Asset Select Index, ISIN CH0568452707. Product specifications:
 - Issue Currency: USD
 - Underlying: The underlying is a basket of at least 5 different digital currencies which is managed to follow the composition and weighting of this notional portfolio. The holders of the product will not be entitled to real assets and only have a claim against the Issuer for the redemption amount.
 - Issue price: USD 1,000.00
 - Minimum trade size: 1 certificate
 - Launch date: 2 July 2019
 - Maturity date: open end
 - Tracker on Bitcoin/CHF (hedged), ISIN CH0574683683, open end certificate
 - Issue Currency: CHF (hedged)
 - Underlying: Bitcoin ("BTC")
 - Issue price: 0.0001 BTC
 - Minimum trade size: 1 certificate
 - Launch date: 2 December 2020
 - Maturity date: open end

For all trackers, the issuer is the Company. The custodian / broker is Seba Bank AG, Zug, Switzerland, the paying agent is ISP Securities AG, Zurich, Switzerland. Index sponsor is Seba Bank AG, Zug, Switzerland, Index administrator is MV Index Solutions, Frankfurt am Main, Germany and NAV calculator is GenTwo AG, Zurich, Switzerland.

Issued was as followed:

as per 31 December 2020				
Notes issued	NAV	Currency	Notes issued	Total in USD
CH0507008685	3,706.5113	CHF	443	-1 855 748
CH0558875933	2.8352	USD	2,713,833	-7 694 269
CH0568452707	1,529.6877	USD	847	-1 295 655
CH0574683683	2.5585	CHF	2,319,150	-6 705 981
Total notes issued				-17 551 652

The total amount is presented in USD using the above mentioned FX rate (see note 3.2).

The following notes matured in financial year 2020:

- Dual Currency Certificate on Bitcoin / USD, ISIN CH0517586050
- Dual Currency Certificate on Bitcoin / USD, ISIN CH0558875750

4.5 Share capital

The Company is limited by shares. 100 shares were issued, the aggregated value of these shares is nil, the amount paid up on those shares is nil and the amount unpaid on those shares is nil.

Share capital is stated with Nil on the balance sheet and the statement of changes in equity.

5 Further disclosures and information

5.1 Taxes

The Company is not subject to any direct or indirect taxes.

5.2 Related party transaction

The Company did not enter into any related party transactions in the Financial Year.

5.3 Employees / pension benefit obligations

The Company did not have any employees in the Financial Year and consequently no pension benefit obligations.

5.4 Share-based payments

No share-based payments were agreed upon in the Financial Year.

5.5 Pending transactions and pending legal cases

The Company did not identify any pending transactions and any pending legal cases as per 31 December 2020.

5.6 Going concern

Considering the Guernsey solvency test, comprising of (i) the cash flow solvency test and (ii) the balance sheet solvency test (together "Test"), the Directors of the Company disclose that the Company has an agreement with Seba Bank AG, Zug, Switzerland regarding coverage of all expenses that would bring the company at risk not to pass the Test.

The Board of Directors therefore applied the going concern principle in the preparation of these Financial Statements.

5.7 Segment reporting

The Company issues Certificates on Cryptocurrencies and identifies this in general as segment. No further separation is performed as the continuation of a Certificate is not based upon its individual result but upon subscriptions, redemptions and holding period of the individual Certificate.

6 Subsequent events

6.1 Subsequent events

The Board of Directors identified no further issues or transactions between 31 December 2020 and the date of issue of these Financial Statements, which could affect the significance of the information presented and would therefore require additional disclosures.