

# 2021

## annual review



CROSSGATE CAPITAL LIMITED

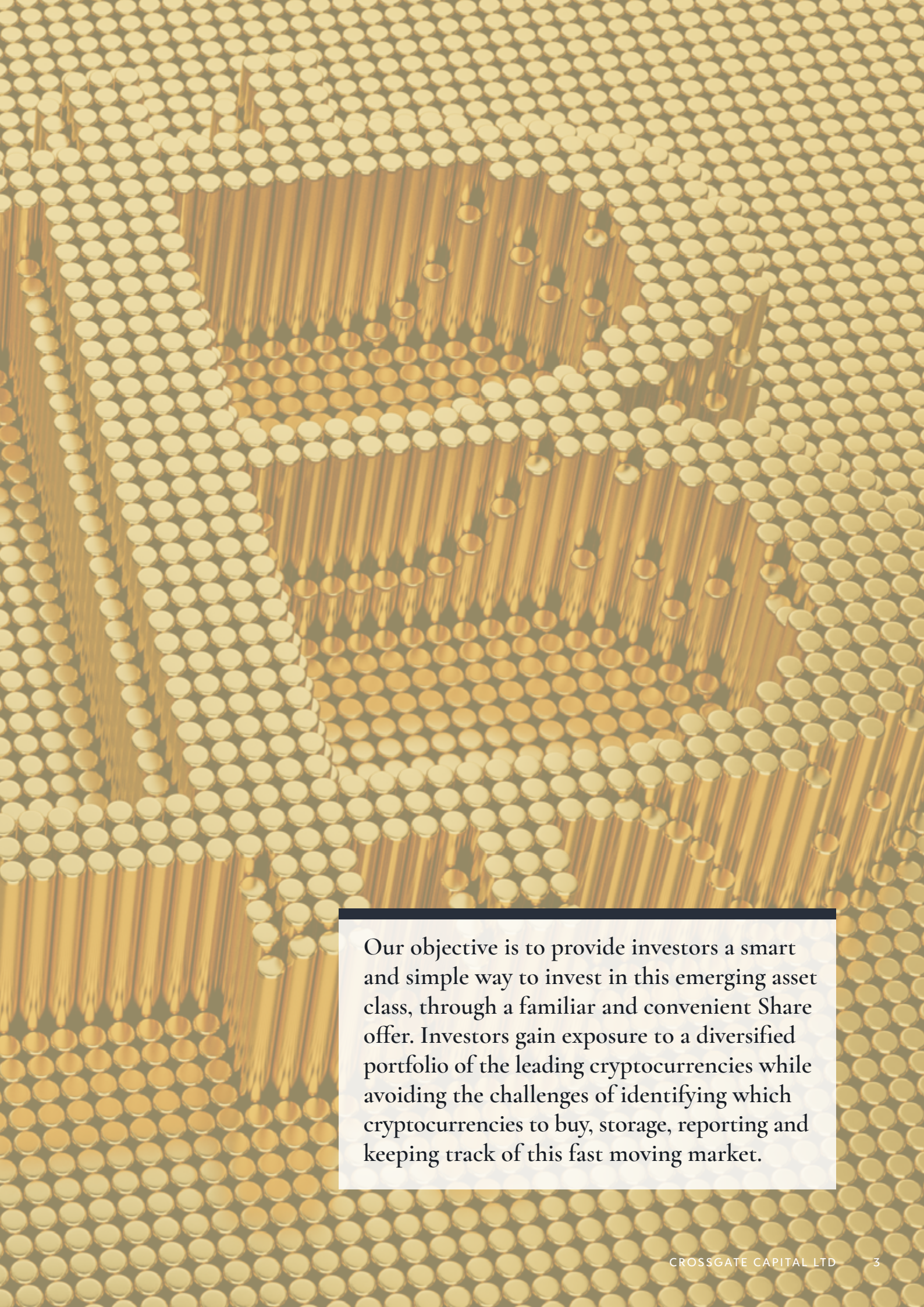
# Contents

Letter from the Board .....	4
Key Highlights .....	6
Specialist Investor In Cryptocurrencies .....	8
Corporate Governance .....	9
Financial Report .....	10
Corporate Directory .....	34

## CROSSGATE CAPITAL LIMITED

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This 2021 Annual Review is a concise summary of our activities and financial position. All figures are expressed in New Zealand currency unless otherwise stated. Revenues and expenses are recognised exclusive of Goods and Services Tax.



Our objective is to provide investors a smart and simple way to invest in this emerging asset class, through a familiar and convenient Share offer. Investors gain exposure to a diversified portfolio of the leading cryptocurrencies while avoiding the challenges of identifying which cryptocurrencies to buy, storage, reporting and keeping track of this fast moving market.



# Letter From the Board

**When Crossgate Capital launched we stated our belief that “cryptocurrencies now form part of the financial landscape and has the potential to be an accepted asset class”.**

Our objective is to provide investors a smart and simple way to invest in this emerging asset class, through a familiar and convenient Share offer. Investors gain exposure to a diversified portfolio of the leading cryptocurrencies while avoiding the challenges of identifying which cryptocurrencies to buy, storage, reporting and keeping track of this fast moving market.

During the year, the global pandemic prompted central banks across the globe to print an unparalleled amount of money to stimulate the economy. Against this backdrop of stimulus, there has been an increasing level of institutional and retail interest in cryptocurrencies. For some institutions this interest has manifested in capital being directed into this asset class.

The characteristics of Bitcoin and other cryptocurrencies combined with infrastructure advancements has resulted in a myriad of institutions such as Microstrategy, Square, Mass Mutual investing in cryptocurrencies. Tesla’s Bitcoin investment of USD \$1.5 billion was notable. By extension every investor that owns Tesla, now has some exposure to Bitcoin as well.

The pandemic appears to have accelerated the shift away from cash. This has contributed to heavyweight payment providers reconsidering their business and operating models as they identify that digital assets are becoming a more important part of the payments world.

During the year Paypal, Mastercard and Visa indicated they would be supporting select cryptocurrencies directly on their network. This development will allow more merchants to accept cryptocurrencies in an efficient manner. We consider this another step in building an ecosystem to encourage mass adoption.

**Institutional capital entering the cryptocurrency market is the direction of travel that we envisaged. During the year the cryptocurrency market has seen significant growth.**

While cryptocurrencies are now an accepted asset class for some institutions and investors, this concept is polarising for many others. For many cryptocurrencies is still considered an obscure part of the financial landscape and far from being an accepted asset class. There is a long runway ahead if cryptocurrencies is going to achieve mainstream acceptance and adoption. This is why we consider we are at the beginning of the curve thereby providing us with an early mover advantage.

Crossgate Capital adheres to a clearly defined investment strategy which ensures transparency, consistency and a defined method to calculate the fair value of the assets. The revaluation of Crossgate Capital’s investment assets for financial reporting purposes was undertaken on a specific date being 31 March 2021, which resulted in our Share price, after tax, being

reported as \$4.70. When the offer opened on 1 April 2019, the Share price was \$1.00. Since inception we report a \$2.7m increase in the fair value of our investments which at year-end has resulted in Crossgate Capital holding \$3.5m of cryptocurrencies.

Crossgate Capital's objective is to grow capital by investing in cryptocurrencies where we consider there is a significant opportunity for growth. As part of this process, we continually review the weightings of individual assets within our investment portfolio and monitors other assets which may warrant inclusion.

**As part of our commitment to provide our Shareholders a strong investor experience, the Board are pleased to advise that we have signed an agreement to list Crossgate Capital on the Unlisted Securities Exchange (USX), a prescribed exempt financial product market in New Zealand.**

The USX is a cost-efficient and simple Share trading platform for companies to provide liquidity and keep their Shareholders informed. It provides a means for Shareholders to sell their Shares, if there are interested buyers. For more information about the Unlisted Securities Exchange (USX), please refer to Page 7.

We continue to reiterate the message that investing in cryptocurrencies has a higher risk profile than other forms of investment. Other concerns which are highlighted by many commentators include, but is not limited to, price volatility, transaction fees and the requirement for regulatory clarity. At this stage these adoption hurdles haven't prevented the growth of this asset class and we consider that cryptocurrencies will form part of the next generation economy.

**As the move to a digital world has accelerated due to the pandemic, for us it appears logical that digital assets such as cryptocurrencies will benefit from this shift and continue to increase in relevance.**

**Our objective is to provide strong returns to our investors and to become the preferred way to invest in this asset class.**

We thank you for your interest and entrusting your capital with us.

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## THE BOARD



**Scott Lester**  
DIRECTOR



**Clive Jimmieson**  
DIRECTOR



**Neville Brummer**  
INDEPENDENT DIRECTOR



**Stephen Macaskill**  
SPECIALIST ADVISER

# Key Highlights as at 31 March 2021

Increase in  
the fair value of the  
assets since inception  
**= \$2.7m**  
(BEFORE-TAX)

AT LAUNCH  
SHARE PRICE:  
**\$1.00**  
(1 APRIL 2019)

31 MARCH 2021  
SHARE PRICE:  
**\$4.70**  
(POST-TAX)

FAIR VALUE OF  
CRYPTOCURRENCIES  
**= \$3.5m**

DIVERSIFIED  
PORTFOLIO  
INCLUDES: **11**  
CRYPTOCURRENCIES

**BitGo**  
Engaged to store majority  
of our crypto assets. **Providers  
of institutional-grade  
security.**

Launch and  
**strong uptake**  
of our automatic  
reinvestment plan

Agreement to list  
Crossgate Capital on the  
**Unlisted Securities  
Exchange (USX)**

*\*Past performance is no guarantee of future performance.  
Investing in Crossgate Capital and cryptocurrencies has  
a higher risk profile than other forms of investing.*

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## Our continued focus on delivering a positive investor experience



### We continue to assess how we can deliver a positive investor experience.

As part of this process, we have signed an agreement to list Crossgate Capital on the Unlisted Securities Exchange (USX), a prescribed exempt financial product market based in New Zealand. Crossgate Capital expects the Shares to be listed and available to be traded on, or about, the 8th June 2021.

Please refer to [www.crossgatecapital.co.nz](http://www.crossgatecapital.co.nz) or the USX website <https://usx.co.nz/> for more information.

The USX is a cost-efficient and simple Share trading platform for companies to provide liquidity and keep their Shareholders informed. It provides a means for Shareholders to sell their Shares, if there are interested buyers. You may get less than you invested. The price will depend on the demand for the Shares.

All trading on the USX occurs through approved USX brokers. If you would like to sell your Shares, please contact an approved USX Registered Broker.

The current approved brokers can be located at: <https://usx.co.nz/brokers> Crossgate Capital or the Manager does not recommend a preferred broker.

As a company listed on the USX, Crossgate Capital has ongoing disclosure obligations. You can obtain this information free of charge by searching under Crossgate Capital's ticker code "CCL" on the USX website: <https://usx.co.nz>

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## About Unlisted Securities Exchange (USX)



The USX, a New Zealand based prescribed exempt financial product market, was launched in December 2003 originally trading as the Unlisted Securities trading facility. As at May 2021 the USX has facilitated in excess of 18,500 trades for 330m Shares with a value of over \$421m. The total market capitalisation has grown to approximately \$3.5b and USX issuers have raised over \$400m while listed on the market, which includes an IPO.

The USX is not a licensed financial product market or regulated under New Zealand financial markets laws. Investors trading in securities quoted on the USX trade at their own risk and do not have the protections provided by Part 5 of the Financial Markets Conduct Act 2013 and the monitoring of market obligations by the Financial Markets Authority (FMA).

Efficient Market Services Limited, which operates the USX accepts no responsibility for any statement in this Annual Review.

# Specialist Investor in Cryptocurrencies

**Investing in any asset class can be challenging. That is why for many investors they remove the ‘pain points’ of investing individually.**

Investing in any market has complexities but this is accentuated when dealing with a new asset class, such as cryptocurrencies. For the majority of investors, it may not be feasible to dedicate the time needed to do thorough research on which exchanges to trust, which cryptocurrencies to purchase and how to best allocate your portfolio. After you have purchased the cryptocurrencies, there is the additional work of monitoring your portfolio, keeping up to date with the latest news and ensuring that you work out how much tax to pay and filing your tax returns.

In addition to the above, one of the key risks that investors face is storage. There is no central authority or service provider to reset or re-issue your private key (a sophisticated form of cryptography that allows a user to access their cryptocurrency) if it is lost. It remains the sole responsibility of the individual to keep their private key safe and accessible only to them. It is estimated that 20% of existing Bitcoin is either lost or stranded in digital wallets, according to Chainalysis data.

Crossgate Capital provides the ability for investors to invest in Bitcoin and other cryptocurrencies without the risks of handling and storing the assets. As a specialist investor in cryptocurrencies we partner with other leading entities in this sector.



We are therefore pleased to have engaged **BitGo** who are purpose-built for institutions demanding the highest-level of security and compliance. They provide 100% cold storage technology, which means that our assets are stored in a wallet that is not connected the internet. By offering institutional-grade, multi-signature security, they deliver modern security for modern assets.

We invest based on fundamentals not retail hype with the objective of providing strong returns to our investors. We only invest in individual crypto assets with a market capitalisation of at least NZD \$500million as at the date of purchase, the objective being to build a diverse portfolio whilst mitigating risk in this high-risk asset class.

**Crossgate Capital manages all the challenges of investing in cryptocurrencies which sets us apart from other ways to invest in this sector.**



# Corporate Governance

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**Scott Lester**  
DIRECTOR



**Clive Jimmieson**  
DIRECTOR



**Neville Brummer**  
INDEPENDENT DIRECTOR



**Stephen Macaskill**  
SPECIALIST ADVISER

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**Corporate governance is the system by which entities are directed and controlled. It influences how an organisation's sets it's values, achieves objectives, assesses and monitors risk and strengthens performance.**

The Board are experienced Directors and have a resume which includes both public and/or private Directorships. With a background in managing funds and offers they are highly focused on strong governance, compliance and ensuring effective, clear and transparent disclosure to all Shareholders. The Board consider these critical factors if it is to deliver returns to investors and maintain the confidence of our stakeholders.

The Board has established solid relationships with reputable partners who provide a range of skills and services to assist us in managing risk and assist us in delivering a strong investor experience. We are focused on the continual development of systems and processes as we continually expand our investor base.

In an increasingly uncertain global market and ever evolving crypto landscape, we remain focused on executing our strategy in order to deliver on our objective of providing Shareholders a return on their capital.

CROSSGATE CAPITAL LIMITED

# Financial Report

FOR THE YEAR ENDED 31 MARCH 2021

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## TABLE OF CONTENTS

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Company Directory .....	12
Directors' Report .....	13
<b>Financial Report</b>	
Statement of Comprehensive Income .....	15
Statement of Financial Position .....	16
Statement of Changes in Equity .....	17
Statement of Cash Flows .....	18
Notes to Financial Statements .....	19 - 30
Independent Auditor's Report .....	31 - 34

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# Company Directory

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<b>NATURE OF BUSINESS</b>	Cryptocurrency investing
<b>IRD NUMBER</b>	127-710-354
<b>REGISTERED OFFICE</b>	Baker Meech 5 Akaroa Street, Parnell, Auckland, 1052
<b>DIRECTORS</b>	Neville BRUMMER Raymond Clive JIMMIESON Scott Daniel LESTER
<b>ACCOUNTANTS</b>	Baker Tilly Staples Rodway Auckland Limited
<b>AUDITORS</b>	William Buck Audit (NZ) Limited

# Directors' Report

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**The Board of Directors present their Annual Report including audited financial statements for the year ended 31 March 2021.**

## **Directors' Names**

The names of the directors in office at any time during or since the end of the year are:

**Neville Brummer** - Appointed 2 August 2018

**Raymond Clive Jimmieson** - Appointed 8 November 2018

**Scott Daniel Lester** - Appointed 1 August 2018

## **Review of operations**

The Company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

## **Principal activities**

The principal activity of the Company is cryptocurrency investing.

No significant change in the nature of these activities occurred during the year.

## **Directors' remuneration and other benefits**

The directors' did not receive any remuneration during the year.

## **Dividends paid, recommended and declared**

No dividends were paid or declared since the start of the year.

No recommendation for payment of dividends has been made.

## **Audit fees**

Audit fees of \$9,450 were paid or accrued during the period to William Buck Audit (NZ) Limited (the auditor).

These financial statements are audited.

*continued...*



# Directors' Report *continued...*

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## Employees

The Company has no employees.

## Interests

No director has given notice to the Company of an interest in any transaction with the Company. No director has sought authorisation to use Company information.

## Donations

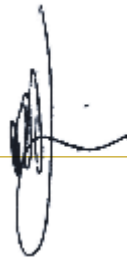
The Company made no donations during the year.

**Signed in accordance with a resolution of the board of directors.**

Director:



Director:



Dated this 13th day of May 2021

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 \$	2020 \$
<b>Revenue</b>			
Changes in fair value of intangible assets		50,068	-
		<u>50,068</u>	<u>-</u>
<b>Expenses</b>			
Administration and compliance expenses		(38,427)	(13,215)
Audit fees		(9,450)	(7,500)
Management fees	12	(27,130)	(3,495)
Advertising expense		(33,589)	(3,253)
Performance fees	12	(29,392)	-
Changes in fair value of intangible assets		-	(50,068)
		<u>(137,988)</u>	<u>(77,531)</u>
<b>Loss before income tax benefit</b>		<u>(87,920)</u>	<u>(77,531)</u>
Income tax benefit	4	46,327	-
<b>Net loss</b>		<u>(41,593)</u>	<u>(77,531)</u>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit and loss</i>			
Revaluation of intangible assets, net of tax	10	1,959,677	-
<b>Other comprehensive income for the year</b>		<u>1,959,677</u>	<u>-</u>
<b>Total comprehensive income</b>		<u><u>1,918,084</u></u>	<u><u>(77,531)</u></u>
<b>Earnings per share</b>			
Basic and dilutive earnings per share after tax (\$)	9	(0.107)	(0.783)
Total comprehensive earnings per share (\$) (Non-GAAP)	9	4.924	(0.783)

The accompanying notes form part of these financial statements.

## STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2021

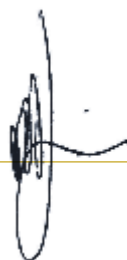
	Note	2021 \$	2020 \$
<b>Assets</b>			
Cash and cash equivalents		115,050	1,855
Prepayments		-	226
Intangible assets	5	3,509,136	165,700
<b>Total assets</b>		<u>3,624,186</u>	<u>167,781</u>
<b>Liabilities</b>			
Payables	7	44,049	10,871
Deferred tax liabilities	4	715,770	-
<b>Total liabilities</b>		<u>759,819</u>	<u>10,871</u>
<b>Net assets</b>		<u>2,864,367</u>	<u>156,910</u>
<b>Equity</b>			
Share capital	8	1,023,832	234,459
Reserves	10	1,959,677	-
Accumulated losses	11	(119,142)	(77,549)
<b>Total equity</b>		<u>2,864,367</u>	<u>156,910</u>

Signed in accordance with a resolution of the board of directors

Director:



Director:



Dated this 13th day of May 2021

The accompanying notes form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

	Contributed equity	Reserves	Accumulat- ed losses	Total equity
	\$	\$	\$	\$
<b>Balance as at 1 April 2019</b>	300	-	(18)	282
Loss for the year	-	-	(77,531)	(77,531)
<b>Total comprehensive loss for the year</b>	-	-	(77,531)	(77,531)
<b>Transactions with owners in their capacity as owners:</b>				
Share capital issued	234,159	-	-	234,159
<b>Total transactions with owners in their capacity as owners</b>	234,159	-	-	234,159
<b>Balance as at 31 March 2020</b>	234,459	-	(77,549)	156,910
<b>Balance as at 1 April 2020</b>	234,459	-	(77,549)	156,910
Loss for the year	-	-	(41,593)	(41,593)
Revaluation of cryptocurrency assets, net of tax	-	1,959,677	-	1,959,677
<b>Total comprehensive income for the year</b>	-	1,959,677	(41,593)	1,918,084
<b>Transactions with owners in their capacity as owners:</b>				
Share capital issued	789,373	-	-	789,373
<b>Total transactions with owners in their capacity as owners</b>	789,373	-	-	789,373
<b>Balance as at 31 March 2021</b>	1,023,832	1,959,677	(119,142)	2,864,367

The accompanying notes form part of these financial statements.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

	2021	2020
	\$	\$
<b>Cash flow from operating activities</b>		
Payments to suppliers	(104,583)	(16,819)
<b>Net cash used in operating activities</b>	<u>(104,583)</u>	<u>(16,819)</u>
<b>Cash flow from investing activities</b>		
Payment for cryptocurrency	(571,595)	(215,767)
<b>Net cash used in investing activities</b>	<u>(571,595)</u>	<u>(215,767)</u>
<b>Cash flow from financing activities</b>		
Proceeds from share issue	789,373	234,159
<b>Net cash provided by financing activities</b>	<u>789,373</u>	<u>234,159</u>
<b>Reconciliation of cash &amp; cash equivalents</b>		
Cash at beginning of the financial year	1,855	282
Net increase in cash held	<u>113,195</u>	<u>1,573</u>
<b>Cash &amp; cash equivalents at end of year</b>	<u><u>115,050</u></u>	<u><u>1,855</u></u>

The accompanying notes form part of these financial statements.



# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are for Crossgate Capital Limited ("the Company").

The Company is a limited company incorporated on 1 August 2018, domiciled in New Zealand and registered under the Companies Act 1993. The Company accepted applications from the public from 1 April 2019.

The principal activity of the Company is that of cryptocurrency investing.

The Company is a for-profit entity for the purpose of complying with New Zealand Generally Accepted Accounting Practice.

The financial report was approved by the directors as at the date of the directors' report.

The following is a summary of the material accounting policies adopted by the Company in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### (a) Basis of preparation of the financial report

#### COMPLIANCE WITH IFRS

For the purposes of complying with generally accepted accounting practice in New Zealand ('NZ GAAP') the Company is a for-profit entity. The financial statements comply with NZ GAAP, New Zealand Equivalent to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

#### HISTORICAL COST CONVENTION

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for intangible assets as described in the accounting policies.

### (b) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

### (c) Goods and services tax (GST)

The Company is not registered for Goods and Services Tax (GST) and consequently all components of the financial statements are stated inclusive of GST where appropriate.

### (d) Financial instruments

#### FINANCIAL ASSETS

The Company classifies its financial assets depending on the purpose for which the asset was acquired. The accounting policy is as follows:

#### Amortised Cost

These assets arise principally from the provision of services to customers i.e. trade receivables, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current receivables are recognised based on the simplified approach within NZ IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the receivables. For receivables, which are reported net, such provisions are recorded in a separate provision account within the consolidated statement of comprehensive income. On confirmation that the receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Company's financial assets measured at amortised cost comprise of receivables and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents includes cash in hand and deposits held at call with banks.

*continued...*

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued...*

### FINANCIAL LIABILITIES

The Company classifies its financial liabilities depending on the purpose for which the liability was acquired. The accounting policy is as follows:

#### Other financial liabilities

This category comprises of trade payables, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

#### (e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks.

#### (f) Intangibles

### CRYPTOCURRENCY

Cryptocurrency is initially recorded at cost and then subsequently carried at fair value at the date of revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. At each valuation date the carrying amount of each asset is reviewed to ensure that it does not differ materially from the asset's fair value at reporting date. The asset is revalued to fair value by using prices quoted in an active market. An active market is considered when there is sufficient volume of trading in the public arena and ability to convert Cryptocurrency to cash (legal tender) at the discretion of the holder.

Cryptocurrency has an indefinite useful life as there is no foreseeable limit to the period in which the cryptocurrency asset is expected to generate cash inflows.

Cryptocurrency assets are treated on a portfolio basis as these assets are considered to be one class of asset. The net revaluation increase in the carrying amount of the asset is recognised in other comprehensive income and

accumulated in equity as a revaluation reserve. To the extent that the net revaluation increase reverses a net revaluation decrease of the same intangible previously recognised in profit or loss, the net revaluation increase is recognised in profit or loss.

A decrease in the carrying amount of the asset is recognised in profit or loss. To the extent a credit balance exists in a revaluation surplus in respect of the same asset, the net revaluation decrease is recognised in other comprehensive income and reduces the amount accumulated in equity as a revaluation reserve.

#### (g) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not recognised if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Company's financial statements requires management to make estimates and judgements that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The estimates and judgements are based on experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Uncertainty about these estimates and judgements could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any other periods affected.

Judgements made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

### (a) Cryptocurrency

Significant judgment has been exercised by the directors in determining the classification of cryptocurrency as an intangible asset and the fair value of the cryptocurrency. The fair value has been determined by using prices quoted in an active market.

### (b) Income tax

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

## NOTE 3: FINANCIAL RISK MANAGEMENT

At reporting date the board of directors have assessed the operational and financial risks as disclosed in the latest Product Disclosure Statement (12 August 2020) and do not consider the Company at this time to be subject to any further significant operational and financial risks.

The board of directors have overall responsibility for identifying and managing operational and financial risks.

**The Company holds the following financial instruments:**

	2021	2020
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	<u>115,050</u>	<u>1,855</u>
<b>Financial liabilities</b>		
Creditors	<u>8,613</u>	<u>3,370</u>

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## NOTE 4: INCOME TAX

	2021	2020
	\$	\$
<b>(a) Components of tax benefit</b>		
Deferred tax	(46,327)	-
	<u>(46,327)</u>	<u>-</u>
<b>(b) Prima facie tax payable</b>		
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows: Prima facie income tax payable on profit before income tax at 28.0% (2020: 28.0%)	(24,618)	(21,709)
Add tax effect of:		
- Non deductible expenses / (non assessable income)	(14,019)	14,019
- Prior year temporary differences not recognised / (recognised)	(2,100)	2,100
- Prior year taxation losses not recognised / (recognised)	(5,590)	5,590
Income tax benefit attributable to profit	<u>(46,327)</u>	<u>-</u>
<b>(c) Deferred tax</b>		
Deferred tax relates to the following:		
<i>Deferred tax assets</i>		
The balance comprises:		
Tax losses carried forward	36,405	-
Accruals	9,922	-
	<u>46,327</u>	<u>-</u>
<i>Deferred tax liabilities</i>		
The balance comprises:		
Intangible asset	762,097	-
Net deferred tax liabilities	<u>715,770</u>	<u>-</u>
<b>(d) Deferred income tax revenue included in income tax benefit comprises</b>		
Increase in deferred tax assets	(46,327)	-
	<u>(46,327)</u>	<u>-</u>
<b>(e) Deferred income tax related to items charged or credited directly to equity</b>		
Increase in deferred tax liabilities	762,097	-
	<u>762,097</u>	<u>-</u>
<b>(f) Deferred tax assets not brought to account</b>		

The Company has not recognised a deferred income tax asset of \$nil (2020: \$2,100) in respect of temporary differences and \$nil (2020: \$5,590) in respect of operating tax losses that can be carried forward against future taxable income subject to meeting the IRD requirements of shareholder continuity.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## NOTE 5: INTANGIBLE ASSETS

	2021	2020
	\$	\$
Bitcoin	1,874,705	94,109
Ethereum	723,341	26,195
Ripple	52,100	13,840
EOS	42,365	5,232
Stellar	123,355	9,615
Cardano	357,343	4,020
Litecoin	95,801	8,209
Tron	118,092	4,480
Chainlink	122,034	-
Total intangible assets	<u>3,509,136</u>	<u>165,700</u>
Assets held on behalf of the Company by third parties:		
Bit Go, Inc.; United States	3,157,736	161,743
Digital Asset Exchange Limited; New Zealand	<u>351,400</u>	<u>3,957</u>
	<u>3,509,136</u>	<u>165,700</u>

**(a) Reconciliations**

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current financial year

**Bitcoin**

Opening balance	94,109	-
Additions	325,824	111,669
Fair value movement	<u>1,454,772</u>	<u>(17,560)</u>
Closing balance	<u>1,874,705</u>	<u>94,109</u>

**Ethereum**

Opening balance	26,195	-
Additions	117,574	32,979
Fair value movement	<u>579,572</u>	<u>(6,784)</u>
Closing balance	<u>723,341</u>	<u>26,195</u>

**Ripple**

Opening balance	13,840	-
Additions	5,630	20,773
Fair value movement	<u>32,630</u>	<u>(6,933)</u>
Closing balance	<u>52,100</u>	<u>13,840</u>



## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

NOTE 5: INTANGIBLE ASSETS *continued...*

	2021	2020
	\$	\$
<b>(a) Reconciliations</b> <i>continued...</i>		
<i>EOS</i>		
Opening balance	5,232	-
Additions	18,784	8,189
Fair value movement	18,349	(2,957)
Closing balance	42,365	5,232
<i>Stellar</i>		
Opening balance	9,615	-
Additions	7,823	14,988
Fair value movement	105,917	(5,373)
Closing balance	123,355	9,615
<i>Litecoin</i>		
Opening balance	8,209	-
Additions	14,798	13,166
Fair value movement	72,794	(4,957)
Closing balance	95,801	8,209
<i>Cardano</i>		
Opening balance	4,020	-
Additions	16,293	6,296
Fair value movement	337,030	(2,276)
Closing balance	357,343	4,020
<i>Tron</i>		
Opening balance	4,480	-
Additions	20,311	7,707
Fair value movement	93,301	(3,227)
Closing balance	118,092	4,480
<i>Chainlink</i>		
Opening balance	-	-
Additions	44,558	-
Fair value movement	77,476	-
Closing balance	122,034	-

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

### NOTE 5: INTANGIBLE ASSETS *continued...*

#### (b) Intangible assets at fair value

Cryptocurrency has been revalued to fair value at reporting date. In order to determine fair value, the Company has engaged Brave New Coin Ltd (BNC) a data and research company focused on the blockchain and cryptographic assets industry. BNC provide a global weighted average price for each coin. BNC provides data, analysis and research to a global network of market participants and are an established provider of institutional grade, compliant data solutions. Individual cryptocurrency assets only form part of the portfolio if they have a market capitalisation at purchase of at least NZD \$500 million.

The carrying amount of the revalued asset is \$3,509,136 (2020: \$165,700). If the cryptocurrency had been measured after recognition under the cost model the carrying value would be \$787,362 (2020: \$215,767). This is a level 1 measurement as per the fair value hierarchy, refer note 6.

### NOTE 6: FAIR VALUE MEASUREMENT

#### (a) Fair Value Hierarchy

Assets and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

- Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2:** Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3:** Inputs for the asset or liability that are not based on observable market data

	Level 1	Level 2	Level 3	Total
<b>2021</b>	\$	\$	\$	\$
<b>Recurring fair value measurements</b>				
<b><i>Non-financial assets</i></b>				
<i>Intangibles</i>				
Cryptocurrency	3,509,136	-	-	3,509,136
<b>2020</b>				
<b>Recurring fair value measurements</b>				
<b><i>Non-financial assets</i></b>				
<i>Intangibles</i>				
Cryptocurrency	165,700	-	-	165,700

#### (b) Transfers between recurring level 1 and level 2 fair value measurements

There were no transfers between level 1 and level 2 during the year.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

### NOTE 7: PAYABLES

	2021	2020
	\$	\$
CURRENT		
<i>Unsecured liabilities</i>		
Trade creditors	8,613	3,371
Sundry creditors and accruals	35,436	7,500
	<u>44,049</u>	<u>10,871</u>

### NOTE 8: SHARE CAPITAL

The Company has 97,000,000 Class A shares on offer of which 590,127 (2020: 185,880) have been issued and 3,000,000 Class B Shares that have been issued to the founding shareholders. Both Class A & Class B shares have no par value.

Issued and paid-up capital	(a)	1,023,532	234,159
590,127 (2020: 185,880) Class A shares	(b)	300	300
3,000,000 (2020: 3,000,000) Class B shares		<u>1,023,832</u>	<u>234,459</u>

	2021		2020	
	Number	\$	Number	\$
<b>(a) Class A shares</b>				
Opening balance	185,880	234,159	-	-
Shares issued	<u>404,247</u>	<u>789,373</u>	<u>185,880</u>	<u>234,159</u>
At reporting date	<u>590,127</u>	<u>1,023,532</u>	<u>185,880</u>	<u>234,159</u>
<b>(b) Class B shares</b>				
Opening balance	<u>3,000,000</u>	<u>300</u>	<u>3,000,000</u>	<u>300</u>
At reporting date	<u>3,000,000</u>	<u>300</u>	<u>3,000,000</u>	<u>300</u>

### Rights of each type of share

Class A shares participate in dividends and the proceeds on winding up of the entity in proportion to the number of shares held. At shareholders meetings each class A share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Class B shares are entitled to a 3% interest (including dividends and other distributions) in the Company, regardless of how many shares are on issue and 3% of the total voting rights of all Shareholders in proportion to their Class B shareholding, regardless of how many shares are on issue. In the event of a liquidation, Class B Shares rank equally with Class A Shares.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

### NOTE 8: SHARE CAPITAL continued...

#### Capital management

When managing capital, management's objective is to ensure the Company continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders.

This is achieved by:

- monitoring performance and cash flows.
- purchasing cryptocurrencies at market value when new shares in the Company are issued and selling cryptocurrencies at market value if the Company buys back its shares.

### NOTE 9: EARNINGS PER SHARE

	2021	2020
	\$	\$

#### (a) Basic and dilutive earnings per share

The basic earnings per share is calculated by dividing the profit attributed to the owners of the Company by the weighted average number of Class A shares on issue during the year.

(Loss) attributable to owners of the Company (\$)	(41,593)	(77,531)
Amount attributable to Class B shareholders (3%)	(1,248)	(2,326)
(Loss) attributable to Class A shareholders (\$)	(40,345)	(75,205)
Weighted average number of ordinary shares in issue	377,863	96,071
Basic earnings per share (\$ per share)	(0.107)	(0.783)

#### (b) Total comprehensive earnings per share - Non-GAAP measure

Total comprehensive earnings per share is calculated by dividing total comprehensive income attributable to the owners of the Company (adjusted for the amount attributable to the Class B shareholders) by the weighted average number of Class A shares on issue during the year.

The Directors believe that it is appropriate to include this non-GAAP measure as changes in the Company's holding of crypto currencies, while not part of the net loss attributable to owners of the Company, are considered to be part of its operational results.

Total comprehensive income attributable to owners of the Company (\$)	1,918,084	(77,531)
Amount attributable to Class B shareholders (3%)	(40,345)	(2,326)
Total comprehensive income attributable to Class A shareholders	1,860,541	(75,205)
Weighted average number of Class A shares on issue	377,863	96,071
Total comprehensive earnings per share Class A share - Non-GAAP measure	4.924	(0.783)

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

### NOTE 10: RESERVES

	2021	2020
	\$	\$
Asset revaluation reserve	<u>1,959,677</u>	<u>-</u>

#### (a) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of cryptocurrency assets

Gross realisation	2,721,774	-
Income tax (note 4)	<u>(762,097)</u>	<u>-</u>
	<u>1,959,677</u>	<u>-</u>

#### Movements in reserve

Opening balance	-	-
Revaluation of cryptocurrency assets, net of tax	<u>1,959,677</u>	<u>-</u>
Closing balance	<u>1,959,677</u>	<u>-</u>

### NOTE 11: ACCUMULATED LOSSES

	2021	2020
	\$	\$
Accumulated losses at beginning of year	(77,549)	(18)
Net loss	<u>(41,593)</u>	<u>(77,531)</u>
	<u>(119,142)</u>	<u>(77,549)</u>

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

### NOTE 12: RELATED PARTY TRANSACTIONS

Related party	Relationship
Bluemont Capital Management Limited	Common shareholders and directors

#### (a) Transactions with Bluemont Capital Management Limited

	2021	2020
	\$	\$
Management fees	27,130	3,495
Performance fees	29,392	-
Recharges of Income	(5,589)	-
Recharges of Expenses	47,036	-

Bluemont Capital Management Limited manages the Company for an initial term of 10 years. At any time either Bluemont Capital Management Limited or the Board of Directors may terminate the management agreement under certain circumstances.

Bluemont Capital Management Limited receives a management fee of 3% plus GST (if any) based on Company value and a Performance Fee, which is calculated as 20% plus GST (if any) of the increase in the Company Value of Crossgate Capital Limited as at each anniversary of an allotment if (other than the first anniversary) a Performance Fee (if any) was paid in respect of the previous period, subject to both a minimum 10% per annum increase in the Company Value and the Company Value being higher than when the previous Performance Fee was paid (the 'High Water Mark'). This calculation is applicable to each new issue of shares.

Bluemont Capital Management Limited holds 8,308 (2020: 74) Class A shares in the Company.

Recharged income relates to the payment of AML Link costs by the Company on behalf of Bluemont Capital Management Limited. Recharged expenses relate to expenses paid on behalf of the Company by Bluemont Capital Management Limited and subsequently recovered.

#### (b) Amounts due from Bluemont Capital Management Limited

	2021	2020
	\$	\$
Creditors and Accruals	16,101	3,092

#### (c) Transactions with key management personnel

Key management personnel are the directors of the Company. There were no transactions with key management personnel during the year. Key management personnel hold a total of 3,676 (2020: 4,589) Class A shares and 2,000,000 (2020: 2,000,000) Class B shares in the Company at reporting date. The remaining 1,000,000 (2020: 1,000,000) Class B shares are held by John Jackson who was a shareholder of Bluemont Capital Management Limited until 24 November 2020.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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### NOTE 13: CAPITAL COMMITMENTS

There are no material capital and commitments at reporting date (2020: nil).

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### NOTE 14: CONTINGENT LIABILITIES

Legal fees incurred to bring the offer to market, of approximately \$60,000, will only be payable by the Company when \$5 million of class A shares are issued to investors. All costs, except for the potential legal fees noted above, incurred by the founding shareholders, prior to 31 March 2019, which specifically relate to bringing the offer of ordinary shares to market, is at their expense and will not be recharged to the Company. There are no other material contingent liabilities at reporting date.

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### NOTE 15: EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to balance date the Company has signed an agreement to list on the Unlisted Securities Exchange (USX). The USX provides a means for existing and new Shareholders to buy and/or sell Shares in the Company.

Since 31 March 2021 there has been a subsequent increase in the value of the underlying cryptocurrency assets which has resulted in the Company recognising a further fair value gain, at the date of the 12 May 2021 allotment. This has also impacted the share price which was reported at \$5.93 as at this allotment date.

Since 31 March 2021 there has also been an additional 39,132 number of shares issued at the date of the 12 May 2021 allotment.

There has been no other matter or circumstance, which has arisen since 31 March 2021 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 March 2021, of the Company, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 31 March 2021, of the Company.



# Independent Auditor's Report

## Crossgate Capital Limited

### Independent auditor's report to the Shareholders

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Crossgate Capital Limited (the Company), which comprise the statement of financial position as at 31 March 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2021, and of its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). 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 Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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.

#### ACCOUNTANTS & ADVISORS

Level 4, 21 Queen Street  
Auckland 1010, New Zealand  
PO Box 106 090  
Auckland 1143, New Zealand  
Telephone: +64 9 366 5000  
[williambuck.com](http://williambuck.com)

William Buck Audit (NZ) Limited

Fair Value of Assets	
Area of focus Refer also to Notes 1, 5 and 6	How our audit addressed it
The Company's primary activity is investment into assets with volatile values	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>- Assessing the appropriate valuation model to apply</li> <li>- A review of the reliability and accuracy of the pricing data used</li> <li>- Testing to ensure that the valuation is calculated correctly</li> <li>- Obtaining direct confirmation of the cryptocurrency assets from 3<sup>rd</sup> parties</li> <li>- Assessing the adequacy of disclosure</li> </ul>
Management Fees/ Performance Fees	
Area of focus Refer also to Note 11(a)	How our audit addressed it
The Company has an agreement with its Manager, a related party, to pay a Management fee of 3% of the Company's value, and a Performance fee of 20% of the increase in the Company's Unit Share Value at each anniversary of allotment	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>- Reviewing the management agreement to ensure all aspects have been accounted for correctly</li> <li>- Testing to ensure the fees were calculated correctly</li> <li>- Assessing the adequacy of disclosure</li> </ul>

## Information Other than the Financial Statements and Auditor's Report Thereon

The directors are responsible for the other information included in the "Annual Review". The other information comprises the Letter from the Board, Key Highlights, Specialist Investor in Cryptocurrencies and Corporate Governance, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or 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, 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.

## Directors' Responsibilities

The directors are responsible on behalf of the entity for the preparation of financial statements that give a true and fair view in accordance with New Zealand equivalents to International Financial Reporting Standards, 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 (NZ) 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 these financial statements is located at the External Reporting Board (XRB) website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/>

This description forms part of our independent auditor's report.

The engagement director on the audit resulting in this independent auditor's report is Darren Wright.

## Restriction on Distribution and Use

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which 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 shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

A handwritten signature in cursive script that reads 'William Buck'.

**William Buck Audit (NZ) Limited**  
Auckland

14 May 2021

# Corporate Directory

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## **CROSSGATE CAPITAL LIMITED**

5 Akaroa Street  
Parnell,  
Auckland, 1052

**Attention:** Scott Lester

**Telephone:** 0800 609 600

**Email:** [info@crossgatecapital.co.nz](mailto:info@crossgatecapital.co.nz)

**[www.crossgatecapital.co.nz](http://www.crossgatecapital.co.nz)**

## **MANAGER:**

### **Bluemont Capital Management Limited**

5 Akaroa Street,  
Parnell,  
Auckland, 1052

**Attention:** Clive Jimmieson

**Telephone:** 0800 609 600

## **SHARE REGISTRAR**

### **Link Market Services**

Level 30, PwC Tower,  
15 Customs Street West,  
Auckland, 1010

**Telephone:** (09) 375 5998

## **COMPLAINTS CAN BE MADE TO:**

### **Crossgate Capital Limited**

5 Akaroa Street,  
Parnell,  
Auckland, 1052

**Attention:** Directors

**Telephone:** 0800 609 600

Crossgate Capital's offer number is OFR12554.

As a financial service provider registered under the Financial Service Providers (Registration and Dispute Resolution) Act 2008, we are a member of an approved dispute resolution scheme (registration number FSP649949). The scheme is operated by Financial Services Complaints Limited (FSCL). There is no charge to you for using FSCL's services.

## **FSCL'S CONTACT DETAILS ARE:**

### **Financial Services Complaints Limited**

PO Box 5967,  
Lambton Quay,  
Wellington 6145

**Telephone:** 0800 347257

or (04) 472 FSCL (472 3725)

**Fax:** (04) 472 3727

**Email:** [info@fscl.org.nz](mailto:info@fscl.org.nz)

**[www.fscl.org.nz](http://www.fscl.org.nz)**

There is no ombudsman to whom complaints about the Shares can be made.

