

Annual Report

Nxchange B.V.

2020

Director's report

Consolidated Key Figures

(All amounts in € thousands unless otherwise stated.)

	31.12.2020	31.12.2019
Capital raised	5.338	4.398
Total assets / liabilities	2.606	1.986
Results over the year - loss	-1.239	-1.368
Net cash (e/o year)	1.156	915
Liquidity ratio	127%	290%
Solvency ratio	50%	80%

General

On 20 February 2015 Nxchange B.V. was incorporated and registered in the trade register of the Dutch Chamber of Commerce under 62712616. Nxchange B.V. applied for licenses to operate a Regulated Market. The permit was received in March 2016. In order to expand the exchange services a Multilateral Trading Facility ("MTF") and an Investment Firm permit was needed. These licenses were granted on 28 August 2018 and 6 November 2018.

Next to acquiring the extended licenses, Nxchange B.V., in cooperation with ABN Amro Clearing Bank N.V. jointly developed a blockchain bank account (also called Banking as a Service) to be able to directly settle transactions with client money safely and securely stored at a bank. This so-called Cash Trading Account was put into use on 29 November 2018. From this date on, all client money has been safely stored and handled by a firm with a banking license, i.e. ABN Amro Clearing Bank N.V.

After having obtained the relevant permits and a more efficient solution to handle client money, Nxchange B.V. was ready to start operating as the *Next Generation Stock Exchange*. With this proposition, partners of Nxchange can raise capital and offer their investment community the possibility to trade these assets on a secondary market by combining the positive aspects of crowdfunding with the benefits of a regulated stock exchange, as a better alternative to existing stock-markets and private equity investing solutions.

Nxchange's business model relies on the cooperation with partners or labels. Their role is twofold: to find issuers which would like to raise capital on Nxchange's platform and to manage the listing process of the issuer. As part of this partnership, Nxchange is the permit owner, the platform provider and is responsible for the issuers and investors acting on the exchange.

One such cooperation with Rabobank came to an end and Nxchange reviewed its business proposition. It was clear that given the substantial amount of work that has to be done to list relatively small companies, Nxchange needs to aim for larger tickets from established companies with clear track records.

In this Director's Report, I would like to share with you the relevant developments in 2020, Nxchange's future strategy, the main targets for 2021, the financial implications and the key risks.

What Else Happened in 2020?

2020 is the year that COVID-19 hit the world with immense force. Most of our revenues came to a halt. We decided that the best approach was to minimize our costs and continue with our product development activities so we could continue full force when things start returning back to normal.

Due to our substantial loss in revenues in 2020 Nxchange qualified for the Dutch NOW grant; a governmental subsidy for companies that suffered loss of turnover due to the COVID-19 event. As a result, a substantial part of the employee costs was covered by the NOW.

The COVID-19 situation impacted the landscape of alternative asset financing even more. Increased regulatory scrutiny combined with the Covid-19 situation makes banks even more reluctant to finance SME's. Record low interest rates result in increased demand for high quality alternative investments.

Furthermore large (public) investments needed in sustainability and the financial sector, as an intersection for capital allocation, needs to play a major role in managing our sustainability targets. This creates challenges. There is an enormous mismatch between institutional and professional investors and financing new technology and new ventures. Pools of investors are relatively unorganized and on-going wealth transfer to millennials and mass adoption of crypto assets is rapidly taking place (younger generations are particularly attracted).

On top of that MiFID II demands a harmonization of the laws for investment firms in Europe and new European Crowdfunding regulation (ECSP regulation) is upcoming. As a result, a consolidation battle between the alternative asset trading platform is taking place.

Shareholder Events

In March 2020 Nxchange raised Eur 940,000 for the first tranche of its financing round by issuing 117,500 NXPRs (Nxchange Participation Rights). The next round for tranche 2 which was planned for September 2020 has been postponed to 2021 due to the Covid situation.

June 2020 early-stage investors, Mrs. Heleen Verkoren and Mrs. Willemijn Verkoren exited the company by selling their shares to GoldRepublic BV. The involved number of shares is 126.800, approximately 7% of the economic capital.

In June YelliTech BV, a fully owned company of Mrs. Evertsz, acquired 166.700 shares of shareholder Lykke in Nxchange BV. Shortly after the acquisition Yellitech sold the majority of these shares (133.528) to GoldRepublic BV. After these transactions GoldRepublic has become a 10% owner of Nxchange BV, since June 9, 2020. After receiving its DNO (Declaration of No Objection) GoldRepublic is interested in expanding its position in Nxchange.

In June 2020 the restructure of Nxchange has also been completed by incorporating Nxchange Holding BV and converting the previous shares and Nxchange Profit Rights in Nxchange BV into shares and Nxchange Participation Rights (NXPRs) in Nxchange Holding BV. Nxchange Holding BV is now the 100% shareholder in Nxchange BV.

The Next Steps

Nxchange still has a head start to other competitors in Europe. Nxchange is still the only fully licensed security token trading platform. However, we expect that it won't take long before other alternative asset platforms are gaining pace. Soon other platforms will be operational and get licenses to operate. It is time to expand faster and therefore we have shifted our strategy towards a buy and build strategy in order to rapidly increase our assets under management.

This means that our Investment Services Platform (IT platform including all services and permits) needed to be further optimized and ready for growth. Next to that we decided to position Nxchange also as a brand in the market so we would be more in control of building revenue towards the future. For this Nxchange went through an extensive rebranding process. We have decided to focus on specific investment themes in the areas of Impact Investing, Emerging Technologies and Real Estate.

In 2020 Nxchange has also formed a partnership with Oneplanetcrowd B.V., which gives Nxchange access to over 25k retail investors in total.

Regarding assets, we expect that within the next 10 years all assets will be tradable on any public exchange and the battle will be about which future platform will be listing the best assets. Our focus therefore is to assure that Nxchange has the best access to originating assets to its platform.

We have shifted our focus from crowdfunding type of propositions to larger size quality listing from >25mln. With this we cannot continue to only approach retail investors but need to approach professional and institutional investors as well. Standardization and innovation are key.

For this matter Nxchange has developed a new funding structure, the Nxchange Vertical®. Nxchange identified a challenge between starting ventures that need funding and professional investors that want to invest in these ventures but are unable to due to a mismatch in size and risk profile. The Nxchange Vertical® resolves a significant number of these challenges. A Nxchange Vertical® is a basket of multiple assets that is offered as one investment proposition to investors in the primary market and subsequently listed as separate assets to the secondary market (separate ISIN's). The total value of the basket of assets is larger than Eur 25 mil. The assets represent the same theme, technology, particular industry category or segment of the economy (e.g. energy transition, real estate, mobility) and a professional program manager is connected to the Vertical.

In 2021 Nxchange has been granted an EFRO subsidy. It concerns a joint subsidy of Stichting 2Tokens, Blocklab and Nxchange granted by Kansen voor West II REACT EU. Nxchange has been granted a subsidy of Eur 408k for the development of Next Generation Capital's Startup Vertical®. Next Generation Capital's Startup Vertical® will be focussing on financing baskets of startups in the sectors Horticulture, Port and Maritime and Life science. Next Generation Capital's Startup Vertical® will be setup with Program managers YES!Delft and PortXL, part of Innovation quarter Edih (subsidy program) for startups in the western region. Furthermore, partnerships have been further expanded with HighTechXL and StartupBootcamp which will launch similar Verticals® in 2021 and 2022.

In 2020 Catena Investments has also been added to our Nominated Advisors. Catena is active in corporate financing activities in the area of solar parks and other projects in the area of energy transition. In 2020 we issued the first green bond on Nxchange, refinancing an existing German solar park portfolio and we are preparing the next 50 mil. senior bond issuance of solar and wind energy to go live in October 2021.

Merger and Acquisition Activities

Regarding our buy and build strategy, Nxchange Holding - our parent company recently acquired Bondex. Bondex is a private label of Nxchange that allows issuers to raise capital within their own community and offer a private market to their investors. Nxchange is currently actively evaluating other acquisition targets in order to expand its asset and investor base.

Financial Implications

Nxchange was incorporated on 20th of February 2015 and has incurred start-up losses since. Since start the company has invested heavily in developing its business into the leading Blockchain based Alternative Assets Investment Services Platform that facilitates issuers to raise capital for (tokenized) securities and digital assets, lists these assets to a regulated exchange, and makes it possible for investors to invest and trade in these assets in an efficient and transparent way on a theme-based approach. Substantial investments have been made to obtain the required permits and in the continued development of its platform.

NOW

Due to our substantial loss in revenues in 2020 Nxchange qualified for the Dutch NOW grant; a governmental subsidy for companies that suffered loss of turnover due to the COVID-19 event. As a result, a substantial part of the employee costs were covered by the NOW. In total Nxchange has received Eur 742k NOW subsidy until March 2021 (Eur 619k in NOW in 2020).

Recharge

In June 2019 all staff members legally employed by GoldRepublic B.V., but in fact working for Nxchange have been transferred to Nxchange IT BV. Nxchange IT is the 100% subsidiary of Nxchange. Since then, Nxchange IT has been recharging employee costs to GoldRepublic. In 2020, a significantly larger amount has been recharged to GoldRepublic, compared to 2019. After evaluation, it turned out that the recharge was out of proportion and we therefore feel compelled to adjust this with retroactive effect from 1 January 2020. Management team members that hold director positions at GoldRepublic shall invoice GoldRepublic directly. The IT team that mostly works on a contractor base (not employees) invoice GoldRepublic directly for the work they perform for GoldRepublic. As a consequence, Eur 851k needs to be reversed which will result in a net loss in 2020 of Eur 1.239k.

Continuity

The reversal of charges resulted in Nxchange regulatory capital to be undercapitalized. An immediate recovery plan in order to comply with the regulatory requirements had to be implemented for this. In order to resolve this GoldRepublic has committed to a maximum of Eur 1.3 million investment at the current issuing price of Eur 8 per share in Nxchange (total valuation of Eur 19M) on August 31st 2021. GoldRepublic has deposited 1.3 mil. in share premium. When GoldRepublic has obtained its Declaration of no Objection shares will be issued to GoldRepublic.

As a result, our current cash position per 31 August 2021 is Eur 2.2 mil., our receivables from group companies are Eur 187k and current liabilities of Eur 1.35 mil. Our equity per 31st of August is 1.86 Mio and our regulatory capital 961k. With our minimum required regulatory capital of Eur 568k Nxchange complies with its capital requirements.

Management is constantly monitoring the current and future cash flow position and will take proper action in time, if needed, to safeguard the continuity of its existing businesses. We are confident that we will be able to safeguard this. The management has applied all accounting principles on a going concern basis.

Capital Raise

in order to finance upcoming growth and invest in its (international) expansion, Nxchange will be offering up to 625,000 new ordinary shares or depositary receipts of ordinary shares in 2021 in order to raise Eur 3-5 mil. in capital. Nxchange has just started its capital raise and per August 31st Eur 500k has already been committed.

Credit Risk

Nxchange has limited credit risk. Issuance fees from issuers which are listed on Nxchange will be deducted from the capital raised in the primary market issue.

Nxchange credit risk is further mitigated by the obligation for investors to deposit funds before entering into a transaction and the delivery versus payment settlement system. Transaction fees are automatically deducted and paid to Nxchange as part of each transaction. Inherent to its business model, Nxchange will be collecting setup fees from partners. Partnerships will only be started when the required setup fees are committed.

As of 31 December 2020, a receivable totalling € 7k held by Nxchange is past due and impaired. The impairment accounted for on the receivable is € 3k

Concentration Risk

During 2020, the continuity of Nxchange's platform is dependent on only a few clients and/or projects. As long as Nxchange is not yet able to diversify its risk over more partners as currently is the case, the risk of dependency on one or two larger parties exist.

Strategic Risk

As an exchange, Nxchange is uniquely positioned as a result of the MTF license with its scalable partner model. Attracting the right partners however takes time and operating the platform is expensive. As Nxchange is currently not profitable, the main strategic risk is to find the appropriate investors in Nxchange on a timely basis.

Operational

As Nxchange is highly automated, we consider system risks to be substantial. However, many precautions have been taken to mitigate this risk, including daily backups, business continuity and recovery plans and regular IT audits.

The risk of conflicts of interest is considered an important risk. The process of hiring employees, a strong code of conduct and regular compliance awareness trainings facilitate employees in maintaining their independence from the listed entities.

The loss of a Key Person is a risk faced by Nxchange. The CFO has indicated that he wants to retire and his role is taken by a new corporate controller who will report to the CEO. The Board was strengthened with the arrival of a new CCO by May 1, 2021

With respect to reputational risk, we are very much aware of the importance of Nxchange's reputation, so we take steps to maintain it and the investors' trust. The most important step is carefully evaluating companies which intend to list their securities and have a very extensive AML/KYC procedure for on-boarding both issuers and investors.

Legal and Regulatory

We are subject to a number of complex regulatory and reporting laws, for which we have compliance procedures in place, supported by an external legal counsel and account to ensure compliance. We face the risk that the laws regarding investment entities, (foreign) investors or taxation might change, but we do not expect any significant impact from this risk at present.

Risk Management, Quality Control and Investor Reporting

Nxchange is an early stage and growing company. As such our internal processes and procedures have room for optimization. In order to mitigate our key risks, we use external legal counsels (including a self-employed part-time compliance officer) and hired a fulltime compliance officer. The Risk committee, comprising of four key team members heading compliance, finance, operations and management, evaluates each listing and is supported by input from the legal counsel.

Targets 2021

The capital markets are accelerating and transforming fast. From a business standpoint the market will continuously search for capital and the investors will be even more demanding when it comes to the products they are willing to invest in. What does this mean for Nxchange? Our future success depends on deeply understanding these trends and integrating them across our products and business.

While continuing building our infrastructure we need to lead these trends in 2021! We have not changed our strategy. We have learned significantly from the past. In 2021 we plan to acquire or merge with at least two other platforms of which the transaction with Bondex has been already successfully completed in March 2021. We are focused on listing at least two larger sized projects consisting of the senior bond of Catena in October 2021 and launch the first Nxchange Vertical in collaboration with HightechXL. Whilst continuing on further developing the existing partnerships and explore new partnerships.

There is a lot to be done. Yet we feel very positive about the future and the opportunities that are occurring.

Amsterdam, 31 August 2021

Marleen Evertsz
on behalf of Nxchange Holding BV and Effective Management Group BV

Alex Butter
on behalf of Nxchange Holding BV

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Profit or Loss*for the year ended on December 31, 2020*

	Notes	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
		EUR	EUR
Continuing operations			
Revenue	5]	37	364
Cost of providing services		0	0
Gross profit		<u>37</u>	<u>364</u>
Personnel expenses	6]	290	923
Other expenses	7]	980	806
Operating Loss		<u>-1.233</u>	<u>-1.365</u>
Finance income		0	0
Finance costs	8]	6	3
Finance costs - net		<u>6</u>	<u>3</u>
Result before income tax		-1.239	-1.368
Income tax expense	9]	0	0
Result from continuing operations		<u>-1.239</u>	<u>-1.368</u>
Result from discontinued operation (attributable to owners of the Company)		0	0
Loss for the year		<u>-1.239</u>	<u>-1.368</u>
Result is attributable to:			
Owners of the Company		<u>-1.239</u>	<u>-1.368</u>
		<u>-1.239</u>	<u>-1.368</u>

Consolidated statement of comprehensive income*for the year ended on December 31, 2020*

	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
	EUR	EUR
Loss for the period	-1.239	-1.368
Other comprehensive income	<u>0</u>	<u>0</u>
Other comprehensive income for the period, net of tax	0	0
Total comprehensive income for the period	<u><u>-1.239</u></u>	<u><u>-1.368</u></u>
Total comprehensive income for the period is attributable to owners of the company:		
	<u>-1.239</u>	<u>-1.368</u>
	<u><u>-1.239</u></u>	<u><u>-1.368</u></u>
Total comprehensive income for the period is attributable to owners arises from:		
Continuing operations	-1.239	-1.368
Discontinued operations	<u>0</u>	<u>0</u>
	<u><u>-1.239</u></u>	<u><u>-1.368</u></u>
Comprehensive income / (loss) per share in €	-1	-1

Consolidated Statement of the Financial Position
as per December 31, 2020

	Notes	31.12.2020	31.12.2019
		EUR	EUR
Assets			
Non current assets			
Intangible fixed assets	10]	871	771
Property, plant and equipment	11]	19	35
Financial fixed assets	12]	<u>50</u>	<u>50</u>
		940	856
Current assets			
Receivables and prepayments	13]	510	214
Cash & Cash equivalents	14]	<u>1.156</u>	<u>915</u>
		1.666	1.130
Total assets		2.606	1.986
Equity			
Issued capital	15]	23	20
Share premium		5.315	3.533
Legal reserves		456	383
NXPR reserves		0	845
Retained earnings	16]	<u>-4.498</u>	<u>-3.186</u>
		1.296	1.595
Liabilities			
Short term liabilities	17]	<u>1.310</u>	<u>391</u>
Total liabilities		1.310	391
Total Equity and Liabilities		2.606	1.986

Consolidated Statement of changes in equity

for the year ended on December 31, 2020

	Share capital	Share premium	Retained earnings	Legal reserves	Total
	EUR	EUR	EUR		
2020					
Balance at 01 January 2020	20	4.378	-3.186	383	1.595
Result for the year			-1.239		-1.239
Changes in legal reserves			-73	73	0
Other comprehensive income					0
Total comprehensive income for the year	0		-1.312	73	-1.239
Transactions with owners in their capacity as owners:					
Issued share capital	3				3
Contributions of equity net of transaction costs		1.782			1.782
Issued NXPRs		940			940
Cancellation of NXPRs		-1.785			-1.785
Balance at 31 December 2020	23	5.315	-4.498	456	1.296
2019					
Balance at 01 January 2019	18	2.369	-1.435	0	952
Result for the year			-1.368		-1.368
Changes in legal reserves			-383	383	0
Other comprehensive income					0
Total comprehensive income for the year	0	0	-1.751	383	-1.368
Transactions with owners in their capacity as owners:					
Issued share capital	2				2
Contributions of equity net of transaction costs		1.164			1.164
Issued NXPRs		845			845
Balance at 31 December 2019	20	4.378	-3.186	383	1.595

Consolidated Statement of cash flows

for the year ended on December 31, 2020

Notes	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
	EUR	EUR
Cash flows from operating activities		
Operating result for the year	-1.233	-1.365
<i>Adjustments for</i>		
Depreciations	139	74
Interest paid	-6	-3
Reclassification Financial Fixed Assets	0	5
Changes in working capital	624	-39
Net cash outflow to operating activities	-476	-1.328
Cash flows from investing activities		
Payment of investments in office equipment	0	-60
Payment of investment in Intellectual Property	-177	-401
Payment of concessions and licenses	0	33
Payment of website development	-46	0
Net cash outflow from investing activities	-223	-429
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	15] 940	2.011
Repayment subordinated loans	0	0
Proceeds from borrowings	0	0
Payment subordinated loans Stichting Escrow Nxchange	0	0
Net cash inflow from financing activities	940	2.011
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents at the beginning of the financial year	14] 915	661
Effects of exchange rate changes on cash and cash equivalents	0	0
Cash and cash equivalents at end of year	1.156	915

Notes to the Consolidated Financial Statements

Note 1 General Information

Nxchange B.V. is a limited liability Company (Besloten Vennootschap) incorporated and existing under Dutch law. Nxchange is registered with the chamber of commerce under number 62712616, having its official seat (statutaire zetel) at the Herengracht 454 in Amsterdam, the Netherlands (the Company). The Company commenced operations on the 20th of February 2015.

The Company's registered office is Herengracht 454, 1017 CA Amsterdam, the Netherlands.

The objectives of the Company are to facilitate trade of financial instruments through its trading platform to account holders in both the primary and secondary market. The financial objectives are to be demonstrated by generating dividends and significant medium- to long-term capital growth. The Company aims to deliver these objectives by providing a trading platform to Pan European companies wishing to attract capital.

The Company's own shares are not traded in the public market and held for 100% by Nxchange Holding BV, since June 9, 2020.

The financial statements were authorized for issue by the Board of Directors on August 31, 2020.

Note 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU and the statutory provisions of Part 9, Book 2, of the Dutch Civil Code. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Basis of consolidation

Since 27 November 2018, Nxchange B.V. has one subsidiary Nxchange IT B.V. As at 31 December 2020, Nxchange IT B.V. employs the staff members that work for Nxchange B.V. as well as for GoldRepublic B.V. The accounts of Nxchange B.V. are prepared on a consolidated basis and for the stand-alone legal entity.

Going Concern Basis of Accounting

The company is in scale up phase, where it is essential that enough capital and liquidity is available to safeguard the company's operations in the coming year.

To support further roll out of the business model the company attracted several funding parties in 2019 and in the beginning of March 2020. Investors have invested directly in ordinary shares of the company or in Profit Rights NXPR. Mid 2020 the instruments in Nxchange BV were, with DNB consent, into the corresponding instruments in Nxchange Holding BV. Year-end Nxchange Holding BV is the sole owner of Nxchange BV; Nxchange BV has issued ordinary shares only. The Nxchange Profit Rights were cancelled. After raising a total of €2.011k in 2019 in March 2020 further investment of in total €940k were made by new profit right holders. The capital injections ensured the company's ability to finance its operations for at least the next twelve months and to maintain and adhere to its regulatory capital requirements. Now, end August 2021 a further capital raise is required and already in progress.

Given the current cash position (approximately €1.250k at end-August 2021) we will be able to cover our costs for the next twelve months.

Due to COVID-19 the Dutch tax authorities allowed companies to postpone tax payments. Nxchange made use of this opportunity in order to safeguard its' cash position.

Nxchange will have to maintain its mandatory buffers, currently at a minimum level of €568k. DNB requires us to keep this amount, equal to 6 months forecasted operational cost, in cash and to maintain a regulatory capital at the same level. We will meet these criteria.

The company is applying all accounting principles on a going concern basis.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Amendments to IAS 16: Property, Plant and Equipment - Proceeds before Intended Use
- Annual Improvements to IFRS Standards 2018-2020 Cycle: Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements include amendments to four Standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated;

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss. We also refer to the going concern paragraph as this may impact a potential impairment.

Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- held-to-maturity (HTM) investments
- available-for-sale (AFS) financial assets.

All financial assets except for those at FVTPL are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists. The Company currently does not own any assets at FVTPL.

HTM investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Company has the intention and ability to hold them until maturity. The Company currently holds no assets designated into this category. HTM investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes in the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Receivables

Receivables are recognized initially at fair value. They are subsequently measured at amortized cost using the effective interest rate method, less provision for impairment.

A provision for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due to be received. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganization, and default in payments are considered indicators that the amount to be received is impaired. Once a financial asset has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

At year-end the carrying amount of the receivables approximate their fair value.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank overdrafts. As at year-end the carrying amount of cash and cash equivalents approximate their fair value.

The company's cash flow statement is reported using the indirect method.

Equity, reserves and dividend payments

Share capital represents the nominal (par) value of shares that have been issued. Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Legal reserves

Investments in internally generated intangible asset require the company to form a legal reserve for development cost at the net value of the asset. The legal reserve is formed through the retained earnings.

Payables and accrued expenses

Payables and accrued expenses are recognized initially at fair value and subsequently stated at amortized cost. The difference between the proceeds and the amount payable is recognized over the period of the payable using the effective interest method. As at year-end the carrying amount of payables and accrued expenses approximate their fair value. Retained earnings includes all current and prior period retained profits and share-based employee remuneration. All transactions with owners of the parent are recorded separately within equity. Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

Revenue

The majority of revenue consists of set-up fees from partners, transaction fees, and license fees. Set-up fees from partners and license fees are recognized in the period when the performance obligation has been satisfied and payment from the client is probable. Transaction fees are recognized upon settlement of the transaction on Nxchange's platform.

Legal and professional expenses

Legal and professional expenses are costs incurred on a regular basis for fees paid for regulatory bodies and fees paid to agents for carrying out the duties on behalf of the entity for regulatory and compliance purpose. These costs are immediately recognized in profit or loss as an expense.

Taxation

The entity is domiciled in the Netherlands and is therefore subject to the Dutch Tax Law.

Note 3 Financial risk management

Financial risk factors

Nxchange has made a solid risk analysis on several areas. The following areas can be distinguished:

Market risks

The Company is exposed to the risk of concentration in certain activities or markets. This risk is mitigated by a low overhead and a minimum reserve requirement as set by the regulatory authorities.

- Price risk

The Company is exposed to price risk with respect to general price increases (consumer price index).

- Interest rate risk

The Company only runs minimal interest rate risk on cash in the bank. The risk is that the minimal interest rate decreases even further.

Credit risk

The Company has limited exposure to credit risk, which is the risk that one party will cause a financial loss for the other party by failing to discharge an obligation. This risk is mitigated by the obligation for clients to deposit funds before entering a transaction and the delivery versus payment settlement system. Within the credit risk we can distinguish three individual external risks.

- Counterparty risk and bankruptcy risk.

This risk relates to the undertaking concerned, both debtors and creditors:

- Debtors (partners). Nxchange enters into partnership agreements with established companies in the financial services sector. These partnership agreements are usually the result of extensive and lengthy negotiations. The partnership agreement requires the payment of a set-up fee and revenue guarantee. If, after various reminders, the partner fails to pay its set-up fee or revenue guarantee, the partnership agreement cannot continue and will be terminated.

Nxchange's counterparty risk to issuers and investors is limited. Nxchange deducts the issuers fee from the raised capital, hence there is no risk that this fee will not be collected. The issuers pay a license fee which is collected every annum. This a relatively small fee as percentage of its raised capital. As investors on Nxchange's platform only trade with real-time settlement, there is no risk that investors cannot meet their fees. This system is automated; hence investors cannot place a trade without sufficient balance on their account.

- Concentration risk.

The risk that too large proportion of sales is concentrated with one debtor:

- Partners. Currently there is still a risk of having too few partners given that the current partners are either in start-up mode and have not produced any operational income or are reconsidering the business proposition. It is essential that new partners are attracted or that existing partners are getting operational. However, in 2020, Nxchange has entered into several partnership agreements. Such partnership agreements will lead to a larger number of listings and new investors.

Financial and liquidity risk.

As a result of Nxchange's three licenses: the Investment Firm license, the Regulated Market permit and the extension of the RM-permit with the Multilateral Trading Facilities permit, the Company is required to meet certain capital requirements. The current regulatory capital requirements, as per August 31, 2021, require a regulatory capital that is the higher of the Fixed Cost Requirement (Vaste Kosten Eis), currently € 378k or the forecasted fixed operational cost for the coming six months, currently €568k. The Fixed Cost Requirement is related to the previous year actual cost level; the forecasted fixed operational cost to the current year. It also requires Nxchange to hold a liquidity level which needs to be higher than the regulatory capital level. There is a risk that Nxchange is not able to meet such regulatory liquidity and capital levels. In order to manage this risk, the Board of Directors is constantly monitoring these levels and has processes in place to attract new funding on a timely basis.

Liquidity risk is the risk that the Company may be unable to meet short term financial demands. The table below analyses Nxchange's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances.

Financial liabilities	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
2020				
Short term liabilities	1.310			
2019				
Short term liabilities	<u>391</u>			

Financial instruments

Accounting classification and fair values of financial instruments

The following table presents the fair values of financial instruments, based on Nxchange's categories of financial instruments, including current portions, compared to the carrying amounts at which these instruments are included on the balance sheet:

Financial assets per category

2020	Carrying amount	Fair value
Fixed financial assets	50	50
Current account Stichting Escrow	395	395
Trade and other receivables	10	10
Cash and cash equivalents	1.156	1.156
	<u>1.611</u>	<u>1.611</u>
2019	Carrying amount	Fair value
Fixed financial assets	50	50
Current account GoldRepublic BV	164	164
Trade and other receivables	51	51
Cash and cash equivalents	915	915
	<u>1.180</u>	<u>1.180</u>

Financial liabilities per category

2020	Carrying amount	Fair value
Current account GoldRepublic BV	858	858
Current account Nxchange Holding BV	4	4
Taxes	332	332
Other liabilities/payables	116	116
	<u>1.310</u>	<u>1.310</u>

2019	Carrying amount	Fair value
Subordinated loan Klaver	43	43
Taxes	49	49
Other liabilities/payables	299	299
	<u>391</u>	<u>391</u>

Operational risks

- Outsourcing risk.
Nxchange uses Triple IT B.V. as hosting party, for storage and backup of all client related information. Euroclear Nederland is the depository party.
- Market abuse risk:
Nxchange employees and stakeholders are not allowed to trade on Nxchange's platform. A comprehensive compliance module for issuers is developed. This module indicates restrictions and sets strict rules. Insiders may temporarily be blocked, so they cannot make trades while having sensitive information. Nxchange monitors and reports all transactions and indicates suspicious transactions or unusual behavior from trading clients. The AFM monitors closely whether we adhere to the standards.
- Legal risk
The compliance officer is responsible for reporting non-compliance with laws and regulations to the Board of Directors and regulators. He also performs risk assessments. In order to, an external lawyer is used when more background information is needed. All employees are obliged to join a Compliance Awareness Training and test. A Rule Book is developed with an explanation of all processes and rules for trading clients. The Compliance Module is developed for issuing companies. Both documents are living documents, maintained when necessary because of changing legislation.

The loss of a Key Person (one of the Board Members) is a risk faced by the Company. This process includes background checks and a certificate of good conduct from the Dutch Government of the individual employee.

Fair value estimation

The entity is required to classify, for disclosure purposes, fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

As at 31 December 2020, the Company has no financial assets and liabilities measured at fair value.

Fair values, including valuation methods and assumptions

As at 31 December 2020, the carrying amounts of cash and cash equivalents, other receivables and prepayments, and short-term liabilities approximated their fair values due to the short-term maturities of these assets and liabilities.

Note 4 Critical accounting estimates and judgements

Critical accounting estimates and judgements

The Board of Directors makes estimates and assumptions that affect the reported amounts of the assets and liabilities within the next financial year, for example deferred tax assets and capitalization of intangible assets. Estimates and judgements are continually evaluated and are based on factors including expectations of future events that are believed to be reasonable under the circumstances.

Functional and presentation currency

The financial performance of the Company is measured and reported to investors in euros. The consolidated and company financial statements are presented in euros, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Note 5 Revenue

	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
	EUR	EUR
License fee	3	18
Partner fee	15	210
Transaction fee	5	39
Other fees	14	97
Total fees	37	364

Note 6 Personnel expenses

	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
	EUR	EUR
Short-term employee benefits		
Salaries including bonuses	964	770
Social security costs	114	95
Allocated personnel expenses from group companies	0	415
Allocated salaries to IP	-221	-401
NOW subsidy	-619	0
WBSO subsidy	-29	-25
Other personnel expenses	81	69
Total remuneration	290	923

The average number of employees on Nxchange payroll was 12 fte (2019: 11 fte); Management 3 fte, IT 3 fte, Support 2 fte, Finance 1,5 fte, Marketing 3, fte. Staff members were employed by the subsidiary Nxchange IT B.V. During the course of 2020, Nxchange IT B.V. took over most of the staff of GoldRepublic B.V.

Nxchange B.V. received a WBSO-subsidy of €73k for 2020, of which € 44k was allocated as a deduction on the investment in intangibles during the fiscal year.

The total remuneration of key management personnel amounts to € 456k in 2020 and € 609k in 2019. The CFO is not included in the 2020 amount. He invoiced € 107k for the year.

Note 7 Other expenses by nature

	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
	EUR	EUR
Other expenses by nature		
Professional services	313	268
Depreciation costs	139	74
IT expenses	99	73
Sales and marketing expenses	186	116
Regulatory costs	92	96
Allowance for bad debt	-	13
Other operating	151	166
Total other expenses	<u>980</u>	<u>806</u>

Specification of external auditor's fees

The fees for the audit of the Company are included in the professional services.

	01.01.2020- 31.12.2020	01.01.2019- 31.12.2019
	EUR	EUR
External auditor's fees		
Audit of the financial statements Nxchange BV	30	21
Other audit engagements	0	2
External auditor's fees	<u>30</u>	<u>23</u>

For 2019 and 2020, Confinant Audit & Assurance B.V. (previously named Endymion Accountants B.V.) was appointed as the external auditor of the Company.

Note 8 Finance costs

	01.01.2020- 31.12.2020	01.01.2019- 31.12.2019
	EUR	EUR
Finance costs		
Paid interest subordinated loans	-2	-2
Received interest subordinated loans	0	0
Bank charges	-4	-1
Total finance costs	<u>-6</u>	<u>-3</u>

Note 9 Income tax expense

The reconciliation of the tax expense based on the domestic effective tax rate at 16,5% (2019: 19%).

Income tax

	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Loss for tax	-1.239	-1.368
Domestic tax rate	16,5%	19%
Actual tax asset	204	260
<i>Tax expense comprises</i>		
Tax expense previous years		
Tax expense this year	204	260
Release deferred tax asset previous years	0	0
Tax expense not recognised	<u>-204</u>	<u>-260</u>
Deferred tax expense	0	0
Balance at 31 December	<u>0</u>	<u>0</u>

The tax rate for the years is tiered

Up to Euro 200.000 taxable profit	16,5%	19%
Over Euro 200.000 taxable profit	25%	25%

From 2021 onwards the first tier will be taxed at 15% up to an amount of Euro 245.000.

Note 10 Intangible fixed assets

The depreciation term of concessions & permits is 20 years. A summary of the movements in 2020 and 2019 is given below:

Concessions & permits	01.01.2020- 31.12.2020	01.01.2019- 31.12.2019
Gross carrying amount		
Opening balance	436	469
Addition		
Adjustment		-33
Closing balance	<u>436</u>	<u>436</u>
Depreciation and impairment		
Opening balance	-57	-34
Depreciation	-22	-23
Closing balance	<u>-79</u>	<u>-57</u>
Carrying amount at closing balance	<u>357</u>	<u>379</u>

Concessions & permits costs includes the cost for applying for the extension of the Regulated Market license with a license to operate the Multilateral Trading Facility (MTF). The license was granted to Nxchange on 30 August 2018. The accrual for the AFM costs was estimated at a too high amount in 2018, which was corrected in 2019.

The depreciation term of the Intellectual Property is 5 years. A summary of the movements in 2020 and 2019 is given below:

Intellectual Property	01.01.2020- 31.12.2020	01.01.2019- 31.12.2019
Gross carrying amount		
Opening balance	401	0
Addition	177	401
Closing balance	<u>578</u>	<u>401</u>
Depreciation and impairment		
Opening balance	-18	0
Depreciation	-90	-18
Closing balance	<u>-108</u>	<u>-18</u>
Carrying amount at closing balance	<u>470</u>	<u>383</u>

The depreciation term of the Website is 5 years. A summary of the movements in 2020 and 2019 is given below:

Website	01.01.2020- 31.12.2020	01.01.2019- 31.12.2019
Gross carrying amount		
Opening balance	34	34
Addition	46	0
Closing balance	80	34
Depreciation and impairment		
Opening balance	-25	-19
Depreciation	-12	-7
Closing balance	-37	-25
Carrying amount at closing balance	43	9

Note 11 Property, plant and equipment

Office equipment	01.01.2020 31.12.2020	01.01.2019- 31.12.2019
Gross carrying amount		
Opening balance	61	1
Addition	0	60
Closing balance	61	61
Depreciation and impairment		
Opening balance	26	0
Depreciation	-16	-26
Closing balance	-42	-26
Carrying amount at closing balance	19	35

Beginning of 2019 Nxchange B.V. took over all office equipment from GoldRepublic B.V.

Note 12 Financial fixed assets

	<u>01.01.2020 - 31.12.2020</u>	<u>01.01.2019 - 31.12.2019</u>
Opening balance	50	50
Movements	0	0
Closing balance	<u>50</u>	<u>50</u>

Note 12 Loss carry forward

Nxchange B.V. has €3.418k (2019: €2.802k) of accumulated tax losses which are available for offsetting against future taxable profits. Tax losses originated prior to 2019 are available for offsetting for a period of 9 years since origination. Tax losses originated in or after 2019 are available for offsetting for a period of 6 years since origination.

<u>Tax year</u>	<u>Tax loss</u>	<u>Year expiring</u>
2015	84	2024
2016	412	2025
2017	412	2026
2018	526	2027
2019	1.368	2028
2020	1.341	2029
	<u>4.143</u>	

Due to uncertainty about the timing of future profits in the period 2021-2027, Nxchange B.V. has determined that it cannot recognize deferred tax assets on the tax losses carried forward. See also note 9.

Note 13 Receivables and prepayments

<u>Receivables and prepayments</u>	<u>31.12.2020</u>	<u>31.12.2019</u>
Prepaid expenses	10	22
Receivables GoldRepublic BV	0	164
Receivables Stichting Escrow	395	0
Other receivables	98	5
Accounts receivables	10	36
Allowance doubtful debtors	-3	-13
Balance at 31 December	<u>510</u>	<u>214</u>

The carrying values of other receivables approximate their fair values. All other receivables and prepayments have a maturity of less than 1 year.

Note 14 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with original maturity of less than 90 days.

<u>Cash and cash equivalents</u>	<u>31.12.2020</u>	<u>31.12.2019</u>
	EUR	EUR
Cash at ABN AMRO Bank	1.154	911
Cash at Deutsche Bank	2	4
Fee account	0	0
	<u>1.156</u>	<u>915</u>

Note 15 Share capital and premium and shareholders distribution

<u>Share capital and premium</u>	Number of shares	Share capital	Share premium	Total
Balance at 1 January 2019	18.332	18	2.369	2.387
<u>Stock split 1:100 at January 31, 2019</u>	<u>1.833.200</u>			
Balance at 31 January 2019	1.833.200	18	2.369	2.387
NXPR's issued	151.712	0	845	845
Ordinary shares issued	203.463	2	1.164	1.166
Balance at 31 December 2019	2.188.375	20	4.378	4.398
Balance at 1 January 2020	2.188.375	20	4.378	4.398
NXPR's issued	117.500	0	940	940
NXPR's exchanged for ordinary shares	-269.212	0	-1.785	-1.785
Ordinary shares issued	269.212	3	1.782	1.785
Balance at 31 December 2020	2.305.875	23	5.315	5.337

Shareholders distribution

	31.12.2020		31.12.2019	
	Number of shares	%	Number of shares	%
Nxchange Holding BV	2.305.875	100%		
EMG B.V.			1.106.200	54,31%
Lykke			166.700	8,18%
P. Klaver			99.900	4,91%
A.A. Butter			80.000	3,93%
M.H. Verkoren			63.400	3,11%
H.C. Verkoren			63.400	3,11%
W.M. Verkoren			63.400	3,11%
B.K Klaver			126.800	6,23%
M.K. Klaver			63.400	3,11%
Leendertse Investments BV			203.463	9,99%
Totaal	2.305.875	100%	2.036.663	100%
NXPR holders	0		151.712	

Due to the required reorganization Nxchange has now one shareholder; i.e. Nxchange Holding B.V., since June 9, 2020.

The former shareholders and NXPR holders now participate in Nxchange Holding B.V. in the same proportion and with the same rights as they had when they invested in Nxchange B.V.

Note 16 Retained earnings

Proposed appropriation of the results of the year

The Board of Directors proposes to appropriate the loss of the year of € 1.239k to the accumulated losses. This proposed appropriation is reflected in the accompanying financial report.

The Board of Directors allocates out of the retained earnings an amount of € 456k to the legal reserves for the internally generated intangible asset.

Balance at 01 January 2020	-3.186
Result in 2020	-1.239
Addition to the legal reserves	-73
Balance at 31 December 2020	-4.498

Note 17 Short term liabilities

Short term liabilities

	<u>31.12.2020</u>	<u>31.12.2019</u>
	EUR	EUR
Creditors	42	202
Auditor expenses to be paid	0	28
Taxes payable (VAT)	139	34
Taxes payable (Payroll)	193	15
Payables GoldRepublic BV	858	0
Payables Nxchange Holding BV	4	0
Subordinated loan Klaver	0	43
Holiday allowance	38	38
Reservation vacation days	25	10
Other short term debt	11	21
	<u>1.310</u>	<u>391</u>

Note 18 Related party transactions

GoldRepublic B.V., an entity headed by the same Managing Director and with similar shareholders as Nxchange Holding B.V, except for Lykke and Leendertse Investments BV, is considered a related party. GoldRepublic makes us of the Nxchange IT staff. Goldrepublic is the party renting the office space. GoldRepublic invoices on a pro rata part basis the usage of the office space.

The Management of Nxchange was partly direct on the payroll of Nxchange IT. However, the CFO invoiced in total € 107k to Nxchange Holding, which invoiced this amount to Nxchange B.V.

The current account to Stichting Escrow Nxchange amounts to € 350k. This money was placed on the Stichting Escrow Nxchange's bank account and as such as liquidity available for immediate withdrawal.

Note 19 Contingent Liabilities

There are no contingent liabilities.

Note 20 Capital management policy

Nxchange's capital management objectives are:

- To comply with the ongoing requirements stipulated by the regulators
- To ensure the ability as a going concern
- To provide an adequate return to shareholders

Management assesses the capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage.

The amounts managed as capital by the Company for the reporting periods under review are summarized as follows:

Capital management policy

	<u>31.12.2020</u>	<u>31.12.2019</u>
Share capital	23	20
Share premium	5.315	4.378
Retained earnings	-4.498	-3.186
Legal reserves	456	383
Intangible fixed assets	-871	-771
Capital contribution Stichting Escrow Nxchange	-50	-50
Tier 1 Capital = regulatory capital	<u>375</u>	<u>774</u>

Note 21 Subsequent events

In 2021 Nxchange has been granted an EFRO subsidy. It concerns a joint subsidy of Stichting 2Tokens, Blocklab and Nxchange granted by Kansen voor West II REACT EU. Nxchange has been granted a subsidy of Eur 408k for the development of Next Generation Capital's Startup Vertical®. Next Generation Capital's Startup Vertical® will be focussing on financing baskets of startups in the sectors Horticulture, Port and Maritime and Life science. Next Generation Capital's Startup Vertical® will be setup with Program managers YES!Delft and PortXL, part of Innovation quarter Edih (subsidy program) for startups in the western region. Furthermore, partnerships have been further expanded with HighTechXL and StartupBootcamp which will launch similar Verticals® in 2021 and 2022.

COMPANY FINANCIAL STATEMENTS

Company Statement of Profit or Loss

for the year ended on December 31, 2020

	Notes	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
		EUR	EUR
Continuing operations			
Revenue		37	364
Cost of providing services		0	0
Gross profit		<u>37</u>	<u>364</u>
Personnel expenses	5]	299	923
Other expenses		971	806
Operating Loss		-1.233	-1.365
Finance income		0	0
Finance costs		6	3
Finance costs - net		6	3
Result before income tax		-1.239	-1.368
Income tax expense	6]	0	0
Result from continuing operations		<u>-1.239</u>	<u>-1.368</u>
Result from discontinued operation (attributable to owners of the Company)		0	0
Loss for the year		<u>-1.239</u>	<u>-1.368</u>
Result is attributable to:			
Owners of the Company		<u>-1.239</u>	<u>-1.368</u>
		<u>-1.239</u>	<u>-1.368</u>

Company Statement of the Financial Position*As per December 31, 2020*

	Notes	31.12.2020	31.12.2019
		EUR	EUR
Assets			
Non current assets			
Intangible fixed assets		871	771
Property, plant and equipment		19	35
Financial fixed assets	^{2]}	<u>50</u>	<u>50</u>
		940	856
Current assets			
Receivables and prepayments		697	214
Cash & Cash equivalents		<u>709</u>	<u>914</u>
		1.406	1.129
Total assets		2.346	1.985
Equity			
Issued capital	^{3]}	23	20
Share premium		5.315	3.533
NXPR reserves		0	845
Legal reserves		456	383
Retained earnings		<u>-4.498</u>	<u>-3.186</u>
		1.296	1.595
Liabilities			
Long term liabilities		0	0
Short term liabilities	^{4]}	<u>1.050</u>	<u>390</u>
Total liabilities		1.050	390
Total Equity and Liabilities		2.346	1.985

Company Statement of changes in equity
for the year ended on December 31, 2020

	Share capital	Share premium	Retained earnings	Legal reserves	Total
	EUR	EUR	EUR		
2020					
Balance at 01 January 2020	20	4.378	-3.186	383	1.595
Result for the year			-1.239		-1.239
Changes in legal reserves			-73	73	0
Other comprehensive income					0
Total comprehensive income for the year	0	0	-1.312	73	-1.239
Transactions with owners in their capacity as owners:					
Issued share capital	3				3
Contributions of equity net of transaction costs		1.782			1.782
Issued NXPRs		940			940
Cancellation of NXPR's		-1.785			-1.785
Balance at 31 December 2020	23	5.315	-4.498	456	1.296
2019					
Balance at 01 January 2019	18	2.369	-1.435	0	952
Result for the year			-1.368		-1.368
Changes in legal reserves			-383	383	0
Other comprehensive income					0
Total comprehensive income for the year	0	0	-1.751	383	-1.368
Transactions with owners in their capacity as owners:					
Issued share capital	2				2
Contributions of equity net of transaction costs		1.164			1.164
Issued NXPRs		845			845
Balance at 31 December 2019	20	4.378	-3.186	383	1.595

Notes to the Company Statements

Note 1.

Nxchange B.V. is a limited liability Company (Besloten Vennootschap) incorporated and existing under Dutch law. Nxchange is registered with the chamber of commerce under number 62712616, having its official seat (statutaire zetel) at the Herengracht 454 in Amsterdam, the Netherlands (the Company). The Company commenced operations on the 20th of February 2015.

The Company's registered office is Herengracht 454, 1017 CA Amsterdam, the Netherlands.

The objectives of the Company are to facilitate trade of financial instruments through its trading platform to account holders in both the primary and secondary market. The financial objectives are to be demonstrated by generating dividends and significant medium- to long-term capital growth. The Company aims to deliver these objectives by providing a trading platform to Pan European companies wishing to attract capital.

The Company's own shares are held for 100% by Nxchange Holding BV, since June 9, 2020.

The financial statements were authorized for issue by the Board of Director on August 31, 2021.

All amounts are in EUR thousand, unless stated otherwise.

Accounting policies The Company financial statements have been drawn up in accordance with Dutch law (Part 9 of Book 2 of the Dutch Civil Code). In doing so, the company made use of the possibility to apply the accounting policies (including the policies for the presentation of financial instruments as equity or loan capital) used in the Consolidated financial statements to the Company financial statements, as provided for in Section 362 (8) of Book 2 of the Dutch Civil Code.

The accounting policies applied in the Company financial statements are the same as those applied in the Consolidated financial statements, unless stated otherwise. Interests in Group companies Interests over which Nxchange B.V. exercises control or which it manages are carried at net asset value. The net asset value is determined by measuring the assets, provisions and liabilities and calculating the result according to the accounting policies applied in the Consolidated financial statements.

Note 2. Participating interest in Group Companies

Financial fixed assets

	01.01.2020	01.01.2019
	-	-
	<u>31.12.2020</u>	<u>31.12.2019</u>
Opening balance	50	50
Movements	0	0
Closing balance	<u>50</u>	<u>50</u>

At year end Nxchange B.V. had an interest in Nxchange IT B.V. Nxchange IT B.V. was incorporated in 2018 and has a share capital of €1. The capital is paid up and is held for 100% by Nxchange B.V. The interest in Nxchange IT B.V. is valued at €1.

In 2018, the Company made a capital contribution of €50k to Stichting Escrow Nxchange. The interest in Stichting Escrow Nxchange is valued at €50k.

Note 3. Shareholders' equity

Reference is made to note 15 to the Consolidated Financial Statements for movements in the number of shares, share capital and share premium.

Movements in the remaining components of shareholders' equity for the years presented are shown in the following tables

<u>Share capital and premium</u>	Number of shares	Share capital	Share premium	Total
Balance at 1 January 2019	18.332	18	2.369	2.387
<u>Stock split 1:100 at January 31, 2019</u>	<u>1.833.200</u>			
Balance at 31 January 2019	1.833.200	18	2.369	2.387
NXPR's issued	151.712	0	845	845
Ordinary shares issued	203.463	2	1.164	1.166
Balance at 31 December 2019	2.188.375	20	4.378	4.398
Balance at 1 January 2020	2.188.375	20	4.378	4.398
NXPR's issued	117.500	0	940	940
NXPR's exchanged for ordinary shares	-269.212	0	-1.785	-1.785
Ordinary shares issued	269.212	3	1.782	1.785
Balance at 31 December 2020	2.305.875	23	5.315	5.337
<u>Retained earnings</u>				
Balance at 01 January 2020	-3.186			
Result in 2020	-1.239			
Addition to the legal reserves	-73			
Balance at 31 December 2020	<u>-4.498</u>			

Note 4. Short term liabilities

Short term liabilities

	<u>31.12.2020</u>	<u>31.12.2019</u>
	EUR	EUR
Creditors	40	191
Auditor expenses to be paid	0	28
Taxes payable (VAT)	141	34
Current Account Nxchange IT	0	79
Payables GoldRepublic BV	858	0
Subordinated loan Klaver	0	43
Other short term debt	11	15
	<u>1.050</u>	<u>390</u>

Nxchange B.V. employs no staff. Employees were invoiced by Nxchange IT B.V.

Note 5. Personnel cost

	<u>01.01.2020 - 31.12.2020</u>	<u>01.01.2019 - 31.12.2019</u>
	EUR	EUR
Short-term employee benefits		
Salaries including bonuses	0	0
Social security costs	0	0
Allocated personnel expenses from group companies	439	1.257
Allocated salaries to IP	-221	-401
WBSO subsidy	44	0
Other personnel expenses	37	68
Total remuneration	<u>299</u>	<u>923</u>

Note 6. Income taxes

Nxchange B.V. is the head of a fiscal unity which includes Nxchange IT B.V. The Company is therefore jointly and severally liable for the tax liabilities of the fiscal unity as a whole. For Corporate Income Taxes Nxchange IT B.V. has a fiscal result of nihil. For the tax position reference is made to Notes 9 and 12 of the Notes to the Consolidated Statements.

Note 7. Subsequent events

In 2021 Nxchange has been granted an EFRO subsidy. It concerns a joint subsidy of Stichting 2Tokens, Blocklab and Nxchange granted by Kansen voor West II REACT EU. Nxchange has been granted a subsidy of Eur 408k for the development of Next Generation Capital's Startup Vertical®. Next Generation Capital's Startup Vertical® will be focussing on financing baskets of startups in the sectors Horticulture, Port and Maritime and Life science. Next Generation Capital's Startup Vertical® will be setup with Program managers YES!Delft and PortXL, part of Innovation quarter Edih (subsidy program) for startups in the western region. Furthermore, partnerships have been further expanded with HighTechXL and StartupBootcamp which will launch similar Verticals® in 2021 and 2022.

Amsterdam, the Netherlands, August 31, 2021

Board of Directors Nxchange B.V.

On behalf of
Nxchange Holding B.V.
(M.L. Evertsz)

Butter AA Management B.V.
(A.A. Butter)

Effective Management Group B.V.
(M.L. Evertsz)

Other Information

Statutory rules concerning appropriation of result

Article 4 of the Company's articles of association stipulates the following about appropriation of the result:
The result is at the free disposal of the general meeting of shareholders.

Independent auditor's report

The independent auditor's report is attached to this report on the next page.

INDEPENDENT AUDITOR'S REPORT

To: The shareholder of Nxchange B.V.

A. Report on the audit of the financial statements 2020 included in the annual report

Our opinion

We have audited the financial statements 2020 of Nxchange B.V. based in Amsterdam. The financial statements comprise the consolidated and company financial statements.

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of Nxchange B.V. as of 31 December 2020 and of its result and its cash flows for 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- the accompanying company financial statements give a true and fair view of the financial position of Nxchange B.V. as of 31 December 2020 and of its result for 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. the consolidated statement of financial position as of 31 December 2020;
2. the following statements for 2020:
 - the consolidated statement of profit or loss, the consolidated statements of comprehensive income, changes in equity and cash flows; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. the company statement of financial position as of 31 December 2020;
2. the following statements for 2020:
 - the company statement of financial position as of 31 December 2020;
 - the company statement of profit or loss for 2020; and
 - the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Nxchange B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis on effects of insufficient regulatory capital

We draw attention to the 'Financial Implications' paragraph in the Director's report included in the annual report on page 5, which describes the Company's regulatory capital was undercapitalized as of 31 December 2020 and up to 31 August 2021. An immediate recovery plan in order to comply with the regulatory requirements had to be implemented for this, and at the date of this report the recovery plan is subject to the approval of The Dutch Authority for the Financial Markets. Our opinion is not modified in respect of this matter.

B. Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the director's report;
- other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the director's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

C. Description of responsibilities regarding the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting, unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, 1 September 2021

Confinant Audit & Assurance B.V.

Signed on the original by drs. H. Rijntjes RA