

Annual Report

Nxchange B.V.

2019

Director's Report

Consolidated Key Figures

(All amounts in € thousands unless otherwise stated.)

	31.12.2019	31.12.2018
Capital raised	4.398	2.387
Total assets / liabilities	1.986	1.526
Results over the year - loss	-1.368	-708
Net cash (e/o year)	915	661
Liquidity ratio ¹	290%	193%
Solvency ratio ²	80%	62%

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 and an Investment firm. The licenses were received in March 2016. In order to expand the exchange services a Multilateral Trading Facility ("MTF") permit and extension of the Investment Firm license 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 N.V. jointly developed the blockchain bank account (also called Banking as a Service) in order 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 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 in 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.

In the beginning of 2018, Nxchange signed a partnership agreement with its first partner, Rabobank, the largest retail bank in the Netherlands. After a 3-month trial period, this partnership agreement was successfully extended in the beginning of 2019.

Nxchange's business model relies on the cooperation with partners. Their role is twofold: to find companies which would like to raise capital on Nxchange's platform and to facilitate 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.

In this Director's Report, I would like to share with you other relevant developments in 2019, Nxchange's future strategy, the main targets of 2020, the financial implications and the key risks.

1 Liquidity ratio is calculated as current assets divided by current liabilities

2 Solvency ratio is calculated as equity divided by total assets

What else happened in 2019?

Nxchange has actively pursued building the company by extending its number of partnerships. During 2019 two additional partnership agreements were signed:

- Leendertse Investments BV
- Dusk/BitFinex

Leendertse Investments BV has incorporated a number of companies and is in cooperation with partners offering owners of real estate the opportunity to turn key develop solar rooftop installations and get the project financed, among others, through Nxchange's platform. The Solar Development Company in cooperation with Water Wheel Green Securities is in start-up mode and expects signing the first projects in 2020

Leendertse Investments made an investment of Euro 1.166k in Nxchange B.V. and holds currently 203.463 shares, at the time of acquisition 9,99% in the share capital.

A second party signing a partnership agreement in 2019 was Dusk/Bitfinex. Dusk/Bitfinex is considering trading ETFs on their own partnership venue. The development is ongoing.

The partnership with Rabobank on Rabo&Crowd was not as successful as hoped for. Only 7 companies listed shares or bonds under the Rabo&Crowd label. Rabobank is reconsidering the proposition and is most likely going to redefine the formula.

A disappointment was that Lykke AG exercised its put option. The obligation to take back the shares is with YelliTech B.V., guaranteed by EMG B.V. We hoped to build a fruitful cooperation with Lykke, in which cooperation we have put much time and effort, but we must acknowledge that this is not going to happen. At the time of writing this report the matter has been solved. GoldRepublic financed YelliTech B.V. to be able to fulfil its obligations and took a substantial part of the Nxchange shares (see subsequent events).

After having obtained the relevant licenses in November 2018, Nxchange B.V. relied on the employees of GoldRepublic B.V., an affiliated company of Nxchange B.V. After acquiring its final licenses GoldRepublic allocated the needed resources to Nxchange and parties started the transfer process to transfer the employees to Nxchange. This transfer was concluded in June 2019. As a result, Nxchange's cost base increased considerably.

The Next Steps

Onboarding partners and growth with existing partners

It is clear that Nxchange does not have the scale to support the growth of the business on a case by case basis, nor does Nxchange intend to do so. Nxchange is relying on the capacity of its partners to onboard clients in order to reach the necessary scale. Next to partners exploiting their own venues Nxchange is working together with so called Nominated Advisors, companies that are active in corporate finance activities, in order to give stand-alone companies the opportunity to list securities.

Assets

When it comes to listing securities, Nxchange has developed a new way to efficiently list companies, the so-called Nxchange Vertical®. The Nxchange Vertical® resolves a significant amount of 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 20 mln. 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 of assets.

Support, legal and compliance

When additional partnerships will be onboarded, Nxchange will further increase its operations-, legal- and compliance monitoring teams to ensure effective procedures and a properly functioning orderly market.

Financial implications

Key Risks

Nxchange's risk analysis comprises the following areas:

Continuity

Nxchange was incorporated on 20th of February 2015 and has incurred start-up losses since. However, due to capital injections its equity and its working capital are both positive at December 31, 2019. The company has invested heavily in the development of its platform and is making substantial efforts to build its business as one of the leading alternatives for companies to attract new funds in the form of equity or bonds. Also, the processes for obtaining the MTF and broker licenses in 2018 were costly. In addition, revenues from existing listings and partnerships were not yet sufficient to cover all costs incurred.

So far, the Company was successful in attracting new investors and partners to fund the ongoing growth of the business. 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 NXPRs. Currently, a total of Euro 2.011k has been raised in 2019. In March 2020 a further investment of Euro 940k was made by new profit right holders. The capital injections ensure 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.

Given the current cash position (approximately Euro 1.230k at Mid-June 2020), receivables of app. Euro 170k from group companies and current liabilities of Euro 140k, we will be able to cover our costs for the next twelve months. Nxchange will have to maintain its mandatory buffers, currently at a minimum level of Euro 510k. 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.

The operational costs are currently at a low level, given that Nxchange qualifies for the NOW-arrangement ('Tijdelijke Noodmaatregel Overbrugging voor Werkgelegenheid'). At the time of writing this report it seems that Nxchange qualifies for the second arrangement, covering the months of July, August and September 2020. Under the first arrangement Nxchange got 90% of most of its staff cost reimbursed. The terms for the second arrangement are still under discussion of policymakers.

The fixed operational cost of Nxchange are (without NOW) currently at a level around Euro 100.000 per month.

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 take care of this. The management has applied all accounting principles on a going concern basis.

Regulatory capital

In 2019 the company has discussed its capital structure with DNB and AFM. Mid 2019 we were informed by DNB that the issued Profit Rights (NXPR) were not deemed proper capital instruments. Moreover, the profit rights disqualified the share premiums paid in the past. DNB has given us time to repair this technical defect, for which we have made a plan in order to make our capital fit and proper again. We discussed our plans with the regulators and after their non-binding initial approval we have completed the plans and asked for a declaration of no objection (DNO). The DNOs were approved by DNB in December 2019 and by AFM in January 2020. The main topic in the restructuring is the incorporation of a new holding company (Nxchange Holding BV) wherein the current shareholders and NXPR-holders will participate in exactly the same proportions as in Nxchange BV. After execution of the restructuring, which took place on June 9, 2020, Nxchange Holding B.V. owns 100% of the capital of Nxchange B.V. The discussions with DNB and AFM have shed a somewhat different light on the composition of the minimum capital requirements. Nxchange has different licenses and has consequently to comply with different sets of rules. Whereas in the past we have interpreted the requirements as being cumulative it was clear that we are allowed to work with the highest of both requirements. These regulatory capital requirements consist for the broker licence out of the higher of Euro 125k or the 3-months fixed cost over the previous year, i.e Euro 189k (VKE is VasteKostenEis).

The Regulated Market licence, with its extension for the MTF, requires a minimum capital of 6 months forecasted fixed cost for the next year. In our case this was in 2019 an amount of Euro 700k. It also requires Nxchange to hold a liquidity level which needs to be higher than the required minimum regulatory capital level. The highest applicable amount is the requirement for the RM-market licence. On a monthly basis, these regulatory capital levels are monitored. It is also analysed whether it is likely that Nxchange will continuously meet such levels in the near future. Nxchange reports on these regulatory capital levels to the DNB on a quarterly basis and to AFM annually.

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 2019, a receivable totalling Euro 32.855 held by Nxchange is past due. The impairment accounted for on the receivable is Euro 12.500.

Concentration risk

During 2019, the continuity of Nxchange's platform has, next to attracting new investors, been related to the continuity of Rabobank (Rabo&Crowd), Leendertse Investments BV (Water Wheel Green Securities) and the new partner Dusk/BitFinex. Unfortunately the cooperation with Rabo&Crowd has shown not to be the success we hoped for and we will, in consultation with Rabobank, change the commercial set up. Water Wheel Green Securities, developing projects in solar energy, is a start-up itself and has not yet actively listed any securities on the platform. Dusk/Bitfinex has signed a partner agreement. The execution of the agreement will have to take place in 2020.

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. During the year, this risk has been mitigated by improving the Nxchange's compliance and finance departments. In addition, the Company formally appointed the CTO and CFO at the end of 2019 as board members.

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 2020

Business activities in 2020 are heavily impacted by the corona crisis that hit us mid-March. 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 tremendous infrastructure we need to lead these trends in 2020 and 2021! We have not changed our strategy. We have learned significantly from the past; A very efficient exchange does not necessarily mean that the exchange can efficiently list assets; institutional money is required and there currently is a mismatch in mandate and deal size; In the end it is all about who offers the best quality asset; institutional investors lack the knowledge for investments in small assets; and detailed knowledge from business partners is required for selecting and on-boarding assets. Our target is to list at least two verticals in 2020. Furthermore, we will further develop 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, 29 June 2020

Founder and CEO,

Marleen Evertsz

Financial Statements

Consolidated Statement of Income

	Notes	01.01.2019 -	01.01.2018 -
		31.12.2019	31.12.2018
		EUR	EUR
Continuing operations			
Revenue	5]	364	230
Cost of providing services		-	-
Gross result		<u>364</u>	<u>230</u>
Personnel expenses	6]	923	367
Other expenses	7]	806	380
Operating result		<u>-1.365</u>	<u>-517</u>
Finance income		-	-
Finance costs	8]	3	9
Finance costs - net		<u>3</u>	<u>-9</u>
Result before income tax		-1.368	-526
Income tax expense	9]	0	182
Result from continuing operations		<u>-1.368</u>	<u>-708</u>
Result from discontinued operation (attributable to owners of the Company)		-	-
Result for the period		<u>-1.368</u>	<u>-708</u>
Result is attributable to:			
Owners of the Company		<u>-1.368</u>	<u>-708</u>
		<u>-1.368</u>	<u>-708</u>

Consolidated statement of comprehensive income

	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
	EUR	EUR
Result for the period	-1.368	-708
Other comprehensive income	-	-
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income for the period	<u>-1.368</u>	<u>-708</u>
Total comprehensive income for the period is attributable to owners of the company:		
	<u>-1.368</u>	<u>-708</u>
	<u>-1.368</u>	<u>-708</u>
Total comprehensive income for the period is attributable to owners arises from:		
Continuing operations	-1.368	-708
Discontinued operations	-	-
	<u>-1.368</u>	<u>-708</u>
Comprehensive income / (loss) per share before stock split in €		-38,62
Comprehensive income / (loss) per share / NXPR after stock split in €	-0,63	

The notes on pages 11 to 30 are an integral part of these financial statements

Consolidated Statement of the Financial Position

	Notes	31.12.2019	31.12.2018
		EUR	EUR
Assets			
Non-current assets			
Intangible fixed assets	10]	771	451
Property, plant and equipment	11]	35	-
Financial fixed assets	12]	<u>50</u>	<u>55</u>
		856	506
Current assets			
Receivables and prepayments	13]	214	359
Cash & Cash equivalents	14]	<u>915</u>	<u>661</u>
		1.130	1.020
Total assets		1.986	1.526
Equity			
Issued capital	15]	20	18
Share premium		3.533	2.369
Legal reserves		383	-
NXPR reserves		845	-
Retained earnings	16]	<u>-3.186</u>	<u>-1.435</u>
		1.595	952
Liabilities			
Long term liabilities	17]	-	43
Short term liabilities	18]	<u>391</u>	<u>531</u>
Total liabilities		391	574
Total Equity and Liabilities		1.986	1.526
Net assets attributable to owners of the Company		1.595	952

Consolidated Statement of changes in equity

	Issued share capital	Share premium	Legal reserves	NXPR reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
2019						
Balance at 01 January 2019	18	2.369	-	-	-1.435	952
Result for the period	-	-	-	-	-1.368	-1.368
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-1.368	-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
Legal reserves	-	-	383	-	-383	-
Balance at 31 December 2019	20	3.533	383	845	-3.186	1.595
2018						
Balance at 01 January 2018	17	1.460	-	-	-727	750
Result for the period	-	-	-	-	-708	-708
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-708	-708
Transactions with owners in their capacity as owners:						
Issued share capital	1	-	-	-	-	1
Contributions of equity net of transaction costs	-	909	-	-	-	909
Balance at 31 December 2018	18	2.369	-	-	-1.435	952

Consolidated Statement of cash flows

	01.01.2019	01.01.2018
Notes	-	-
	31.12.2019	31.12.2018
	EUR	EUR
Cash flows from operating activities		
Operating result	-1.365	-517
<i>Adjustments for</i>		
Depreciations	74	24
Interest paid	-3	-9
Changes in working capital	-35	-23
Net cash outflow from operating activities	<u>-1.329</u>	<u>-525</u>
Cash flows from investing activities		
Payment of investments in office equipment	-60	0
Payment of investment in Intellectual Property	-401	0
Payment of concessions and licenses	33	-115
Net cash outflow from investing activities	<u>-428</u>	<u>-115</u>
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	15] 2.011	910
Repayment subordinated loans	0	0
Proceeds from borrowings	0	0
Payment subordinated loans Stichting Escrow Nxchange	0	0
Net cash inflow from financing activities	<u>2.011</u>	<u>910</u>
Net increase (decrease) in cash and cash equivalents	<u>254</u>	<u>270</u>
Cash and cash equivalents at the beginning of the year	14] 661	391
Effects of exchange rate changes on cash and cash equivalents	0	0
Cash and cash equivalents at end of the year	<u>915</u>	<u>661</u>

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.

The financial statements were authorized for issue by the Board of Director on 29 June 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 2019, Nxchange IT B.V. employs the staff members that predominantly work for Nxchange 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 still in start-up/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. Currently, a total of €2.011k has been raised in 2019. In March 2020 a further investment of €940k was made by new profit right holders. The capital injections ensure 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.

Given the current cash position (approximately €1.230k at Mid-June 2020) we will be able to cover our costs for the next twelve months. Nxchange will have to maintain its mandatory buffers, currently at a minimum level of €510k. 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 standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is that there are no standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 recognised 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 derecognised 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 derecognised 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 recognised 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 amortised 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 recognised 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 amortised 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 recognised in profit or loss.

Receivables

Receivables are recognized initially at fair value. They are subsequently measured at amortised 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 recognised initially at fair value and subsequently stated at amortised cost. The difference between the proceeds and the amount payable is recognised 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 recognised 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
- Investors. In 2019, Nxchange had only one larger listed entity with one shareholder with an absolute majority of shares and a number of smaller investment opportunities. The larger listed company decided to dual list its shares and issued new shares at Euronext. Many clients transferred their shares in the company to the new venue. As a result of such events, there has been a risk that Nxchange will lose its investor base. However, in 2019, 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 30 June 2020, require a regulatory capital that is the higher of the Fixed Cost Requirement (Vaste Kosten Eis), currently €189k, or the forecasted fixed operational cost for the coming six months, currently €510k. 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
2019				
Subordinated loans Klaver	43	-	-	-
Other liabilities/payables	348	-	-	-
2018				
Subordinated loans Klaver	-	-	43	-
Monopink current account	85	-	-	-
GoldRepublic current account	307	-	-	-
Other liabilities / payables	139	-	-	-

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

2019	Carrying amount	Fair value
Fixed financial assets	50	50
Cash and cash equivalents	915	915
Trade and other receivables	214	214
	1.179	1.179
2018		
Fixed financial assets	55	55
Cash and cash equivalents	661	661
Trade and other receivables	359	359
	1.075	1.075

Financial liabilities per category

2019	Carrying amount	Fair value
Subordinated loans Klaver	43	43
Other liabilities / payables	348	348
	391	391

2018		
Subordinated loans Klaver	43	43
GoldRepublic current account	307	307
Monopink current account	85	85
Other liabilities / payables	96	96
	531	531

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 behaviour 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 2019, the Company has no financial assets and liabilities measured at fair value.

Fair values, including valuation methods and assumptions

As at 31 December 2019, 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

	01.01.2019	01.01.2018
	-	-
	31.12.2019	31.12.2018
	EUR	EUR
License fee	18	15
Partner fee	210	200
Transaction fee	39	5
Other fees	97	10
Total fees	364	230

Note 6 Personnel expenses

	01.01.2019	01.01.2018
	-	-
	31.12.2019	31.12.2018
	EUR	EUR
Short-term employee benefits		
Salaries including bonuses	770	108
Social security costs	95	9
Allocated personnel expenses from group companies	415	223
Allocated salaries to IP	-401	-
WBSO subsidy	-25	-
Other personnel expenses	69	27
Total Short-term employee benefits	923	367

The average number of employees on Nxchange payroll was 11 fte (2018: 1 fte). Staff members were employed by the subsidiary Nxchange IT B.V. During the course of 2019, Nxchange IT B.V. took over most of the staff of GoldRepublic B.V. Some of the staff members are still partially allocated and invoiced to GoldRepublic B.V.

GoldRepublic B.V. reimbursed a WBSO-subsidy of €88k in the first half of 2019 for staff allocated to Nxchange B.V. Together with a WBSO-subsidy of €82k, Nxchange B.V. was granted on its own staff a total WBSO-subsidy of €170k for 2019.

The total remuneration of key management personnel amounts to €609k in 2019 and €189k in 2018. This remuneration is included in the line “allocated personnel expenses from group companies”, including Nxchange IT B.V.

Note 7 Other expenses by nature

	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
	EUR	EUR
Other expenses by nature		
Professional services	268	246
Depreciation costs	74	24
IT expenses	73	-22
Sales and marketing expenses	116	26
Regulatory costs	96	67
Allowance for bad debt	13	-
Other operating	166	39
	<hr/>	<hr/>
Total other expenses	806	380

Specification of external auditor’s fees

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

	01.01.2019- 31.12.2019	01.01.2018- 31.12.2018
	EUR	EUR
External auditor's fees		
Audit of the financial statements Nxchange BV	21	30
Audit of the financial statements Stichting Escrow Nxchange	0	0
IT audit engagements	0	0
Other audit engagements	2	2
Tax related engagements		0
	<hr/>	<hr/>
External auditor's fees	23	32

For both 2018 and 2019, ENDYMION Accountants B.V. was appointed as the external auditor of the Company.

Note 8 Finance costs

	01.01.2019- 31.12.2019	01.01.2018- 31.12.2018
	EUR	EUR
Finance costs		
Paid interest subordinated loans	-2	-2
Received interest subordinated loans	0	0
Bank charges	-1	-5
Non-deductible VAT	0	-3
Total finance costs	<u>-3</u>	<u>-9</u>

Note 9 Income tax expense

The reconciliation of the tax expense based on the domestic effective tax rate at 19% (2018: 20%).

Income tax

	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Profit for tax	-1.368	-526
Domestic tax rate	19%	20%
Actual tax expense	<u>260</u>	<u>105</u>
<i>Tax expense comprises</i>		
Tax expense previous years		
Tax expense this year	260	105
Release deferred tax asset previous years	0	-182
Tax expense not recognised	-260	-105
Deferred tax expense	<u>0</u>	<u>-182</u>
Balance at 31 December	<u><u>0</u></u>	<u><u>0</u></u>

The tax rate for the years is tiered

Up to €200k taxable profit	19%	20%
Over €200k taxable profit	25%	25%

From 2020 onwards the first tier will be taxed at 16,5%
Further reductions are planned but not declared yet.

Note 10 Intangible fixed assets

The depreciation term of concessions & permits is 20 years. A summary of the movements in 2019 and 2018 is given below:

Intangible fixed assets

Concessions & permits	31.12.2019	31.12.2018
Gross carrying amount		
Opening balance	469	354
Addition	-	115
Adjustment	<u>-33</u>	<u>-</u>
Closing balance	<u>436</u>	<u>469</u>
Depreciation and impairment		
Opening balance	-34	-17
Depreciation	<u>-23</u>	<u>-17</u>
Closing balance	<u>-57</u>	<u>-34</u>
Carrying amount at closing balance	<u>379</u>	<u>435</u>

The addition of 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 2019 and 2018 is given below:

Intellectual Property	31.12.2019	31.12.2018
Gross carrying amount		
Opening balance	-	-
Addition	<u>401</u>	<u>-</u>
Closing balance	<u>401</u>	<u>-</u>
Depreciation and impairment		
Opening balance	-	-
Depreciation	<u>-18</u>	<u>-</u>
Closing balance	<u>-18</u>	<u>-</u>
Carrying amount at closing balance	<u>383</u>	<u>-</u>

The depreciation term of the Website is 5 years. A summary of the movements in 2019 and 2018 is given below:

Website	31.12.2019	31.12.2018
Gross carrying amount		
Opening balance	34	34
Addition	-	-
Closing balance	<u>34</u>	<u>34</u>
Depreciation and impairment		
Opening balance	-19	-12
Depreciation	-7	-7
Closing balance	<u>-25</u>	<u>-19</u>
Carrying amount at closing balance	<u>9</u>	<u>16</u>

Note 11 Property, plant and equipment

The depreciation term of the Property, plant and equipment is 3 to 5 years. A summary of the movements in 2019 and 2018 is given below:

Property, plant and equipment

Office equipment	31.12.2019	31.12.2018
Gross carrying amount		
Opening balance	1	1
Addition	60	-
Closing balance	<u>61</u>	<u>1</u>
Depreciation and impairment		
Opening balance	-	-
Depreciation	-26	-
Closing balance	<u>-26</u>	<u>-</u>
Carrying amount at closing balance	<u>35</u>	<u>-</u>

Nxchange B.V. took over all office equipment from GoldRepublic B.V. Nxchange B.V. paid a surcharge of 20% which is expensed immediately.

Note 12 Financial fixed assets

Financial fixed assets

	<u>31.12.2019</u>	<u>31.12.2018</u>
Opening balance	55	55
Repayment loan Stichting Escrow Nxchange	-	-50
Capital contribution Stichting Escrow Nxchange	-	50
Capital contribution Nxchange IT B.V.	-	-
Reclassification Deposit Creditcard	-5	-
Closing balance	<u>50</u>	<u>55</u>

Note 12 Loss carry forward

Nxchange B.V. has €2.802k (2018: €1.434k) 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.

Loss carry forward

<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	2025
	<u>2.802</u>	

Due to uncertainty about the timing of future profits in the period 2020-2027, 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>31.12.2019</u>	<u>31.12.2018</u>
Prepaid expenses	22	3
Receivables from the Tax authority (VAT)	-	43
Receivables GoldRepublic BV	164	-
Receivables from Stichting Escrow Nxchange	-	8
Receivables from EMG BV	-	116
Other receivables	5	6
Accounts receivables	36	183
Allowance doubtful debtors	-13	-
Balance at 31 December	<u>214</u>	<u>359</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>31.12.2019</u>	<u>31.12.2018</u>
	<u>EUR</u>	<u>EUR</u>
Cash at ABN AMRO Bank	911	661
Cash at Deutsche Bank	4	-
	<u>915</u>	<u>661</u>

Note 15 Share capital and premium and shareholders distribution

<u>Share capital and premium</u>	Number of shares	Issued share capital	Share premium / NXPR reserves	Total
Balance at 01 January 2018	16.665	17	1.460	1.477
Ordinary shares issued Lykke	1.667	1	0	1
Share premium Lykke	0	0	908	908
Balance at 31 December 2018	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	-	845	845
Ordinary shares issued Leendertse Investments	203.463	2	1.164	1.166
Balance at 31 December 2019	2.188.375	20	4.378	4.398

Shareholders distribution

	31.12.2019		31.12.2018	
	Number of shares	%	Number of shares	%
EMG B.V.	1.106.200	54,31%	11.062	60,34%
Lykke	166.700	8,18%	1.667	9,09%
P. Klaver	99.900	4,91%	999	5,45%
A.A. Butter	80.000	3,93%	800	4,36%
M.H. Verkoren	63.400	3,11%	634	3,46%
H.C. Verkoren	63.400	3,11%	634	3,46%
W.M. Verkoren	63.400	3,11%	634	3,46%
R.L. Klaver	-	-	634	3,46%
B.K Klaver	126.800	6,23%	634	3,46%
M.K. Klaver	63.400	3,11%	634	3,46%
Leendertse Investments B.V.	203.463	9,99%	-	-
Total	2.036.663	100%	18.332	100%

NXPR holders 151.712 -

A NXPR Holder has the same economic right as an ordinary shareholder, but no voting rights.

For all purposes, including voting rights, all ordinary shares are treated the same, except for the main shareholder which has the first right of purchase when other shareholders wish to sell their shares. Additionally, the main shareholder has to approve every share transfer.

On 31 January 2019 the shares were split 1:100. Next to that the Company introduced NXPRs, participation rights entitled to all economic benefits in the same proportion as the ordinary shares, but without voting rights.

In the course of 2019 new shares were issued to Leendertse Investments B.V. Leendertse Investments B.V. bought 203.463 shares for a total consideration of €1.166k

Next to that 151.712 NXPRs were issued for a total amount of €845k in 2019.

Lykke AG bought in 2018 1.667 shares (pre share split) and negotiated a put option with a duration of one year at the acquisition price of €953k. The put option is at Lykke's acquisition price. In August 2019 Lykke gave notice that it wanted to execute its put option right. Yellitech B.V., a company fully owned by Mrs. M.L. Evertsz, was obliged to purchase the shares. EMG B.V. has guaranteed this purchase.

At the time of writing this report YelliTech B.V. has acquired the Nxchange shares from Lykke and has subsequently sold a substantial part of the acquired shares to GoldRepublic BV.

Note 16 Retained earnings

Retained earnings

Balance at 01 January 2019	-1.435
Result in 2019	-1.368
Addition to the legal reserves	-383
Balance at 31 December 2019	<u><u>-3.186</u></u>

Proposed appropriation of the results of the year

The Board of Directors proposes to appropriate the loss of the year of €1.368k 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 Euro 383k to the legal reserves for the internally generated intangible asset.

Note 17 Long term liabilities

Long term liabilities

	31.12.2019	31.12.2018
	EUR	EUR
Opening balance	43	43
Repayment subordinated loan Klaver	-	-
Reclassification loan to short term liabilities	-43	-
Closing balance	<u><u>-</u></u>	<u><u>43</u></u>

In the beginning of 2017, the subordinated loans amounted to €136k and consisted in two parts: €93k Klaver and €43k Verkoren. In May 2017 the subordinated loan part of Verkoren of €43k was fully repaid. The subordinated loan of Klaver has a remaining duration of less than 1 year and interest is calculated at 5%. The loan is subordinated and is convertible after 2.5 years at the discretion of the creditor for the remaining outstanding amount. Amortised cost is equal to the face value. The equity component of the subordinated loan is measured at €nil.

Note 18 Short term liabilities

Short term liabilities

	<u>31.12.2019</u>	<u>31.12.2018</u>
	EUR	EUR
Creditors	202	37
Regulatory expenses to be paid	-	50
Auditor expenses to be paid	28	35
Taxes payable (VAT)	34	-
Taxes payable (Payroll)	15	-
Current Account Monopink	-	85
Current Account GoldRepublic	-	307
Subordinated loan Klaver	43	-
Holiday allowance	38	-
Reservation vacation days	10	-
Other short-term debt	21	17
	<u>391</u>	<u>531</u>

Note 19 Related party transactions

Parties are considered to be related if one party has the ability to control the other party, or exercise significant influence over the other party in making financial or operational decisions. In previous years, Monopink N.V. was considered to be the legal and economical owner of Nxchange's intellectual property (IP). After a detailed review this year, it was concluded that Monopink could not have been the legal and economical owner of the Nxchange IP. As such the SLA agreement between Monopink and Nxchange was terminated as at 1 January 2018.

GoldRepublic B.V., an entity headed by the same Managing Director and with similar shareholders as Nxchange B.V., except for Lykke and Leendertse Investments BV, is considered a related party. GoldRepublic B.V. provided during the months January till May software developers to develop the Nxchange IP and employees to work on the other relevant areas (such as commercial and operational) for Nxchange. In the first half of 2019, GoldRepublic B.V. invoiced (€665k) to Nxchange B.V. for services and reimbursed Nxchange for received WBSO subsidies (€88k). In the second half of 2019, Nxchange IT B.V. invoiced (€161k) to GoldRepublic B.V. for services.

Effective Management Group B.V., shareholder in Nxchange B.V. and represented by Mrs. M.L. Evertsz paid by the end of December 2019 its due share premium of €116k.

Note 20 Contingent Liabilities

There are no contingent liabilities.

Note 21 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>31.12.2019</u>	<u>31.12.2018</u>
Issued Share capital	20	18
Share premium (for 2019 including NXPR)	4.378	2.369
Retained earnings	-3.186	-1.435
Legal reserves	383	-
Intangible fixed assets	-771	-451
Capital contribution Stichting Escrow Nxchange	-50	-50
Tier 1 Capital	774	451
Subordinated loans	-	43
Total Regulatory Capital	<u>774</u>	<u>495</u>

Note 22 Subsequent events

The Nxchange capital, and specifically meant are the NXPRs, did not qualify for regulatory purposes. Although this was more or less a technical issue the structure of the Nxchange group had to be changed. In short, it was necessary to establish a new holding company (Nxchange Holding B.V.) that would become the holder of all shares in Nxchange B.V. Nxchange Holding B.V. was founded on August 6, 2019. The reorganisation was finally executed on 9 June 2020. From this date onwards all Nxchange shares are held by Nxchange Holding B.V.

Before the conversion from Nxchange shares to Nxchange Holding B.V. shares, two changes in the shareholder structure took place. In 2018 Lykke AG bought from then group company YelliTech B.V. shares in Nxchange B.V. and negotiated a put-option right on these shares. This put was executed and the final settlement took place 8 June 2020. From this date onwards Lykke AG is no longer a shareholder.

Mrs H and W. Verkoren sold their Nxchange shares as well and are of that same date, 8 June 2020, no longer shareholders of Nxchange B.V.

The new shareholders are GoldRepublic B.V., for 9,99% and YelliTech B.V. for 2,73%. YelliTech B.V. will pass on 1,44% (nominal) to GoldRepublic B.V. once received the DNO from DNB to do so.

The former Nxchange shareholders participate in the same proportion in Nxchange Holding B.V.

Nxchange B.V. completed a next funding round in March 2020. Nxchange Holding B.V. issued for an amount of €940k new NXPRs and the proceeds were invested in newly issued shares in Nxchange B.V.

COMPANY STATEMENTS

Company Statement of Income

	Notes	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
		EUR	EUR
Continuing operations			
Revenue		364	230
Cost of providing services		-	-
Gross result		<u>364</u>	<u>230</u>
Personnel expenses	5]	923	367
Other expenses		<u>805</u>	<u>381</u>
Operating result		-1.365	-519
Finance income		-	-
Finance costs		<u>3</u>	<u>7</u>
Finance costs - net		3	7
Result before income tax		-1.368	-526
Income tax expense	6]	<u>-</u>	<u>182</u>
Result from continuing operations		<u><u>-1.368</u></u>	<u><u>-708</u></u>
Result from discontinued operation (attributable to owners of the Company)		-	-
Result for the period		<u><u>-1.368</u></u>	<u><u>-708</u></u>
Result is attributable to:			
Owners of the Company		<u><u>-1.368</u></u>	<u><u>-708</u></u>
		<u><u>-1.368</u></u>	<u><u>-708</u></u>

Company Statement of comprehensive income

	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
	EUR	EUR
Result for the period	-1.368	-708
Other comprehensive income	-	-
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income for the period	<u>-1.368</u>	<u>-708</u>
Total comprehensive income for the period is attributable to owners of the company:		
	<u>-1.368</u>	<u>-708</u>
	<u>-1.368</u>	<u>-708</u>
Total comprehensive income for the period is attributable to owners arises from:		
Continuing operations	-1.368	-708
Discontinued operations	-	-
	<u>-1.368</u>	<u>-708</u>
	<u>-1.368</u>	<u>-708</u>
Comprehensive income / (loss) per share before stock split in €		-38,62
Comprehensive income / (loss) per share / NXPR after stock split in €	-0,63	

The notes on pages 36 to 40 are an integral part of these financial statements

Company Statement of the Financial Position

	Notes	31.12.2019	31.12.2018
		EUR	EUR
Assets			
Non-current assets			
Intangible fixed assets	10]	771	451
Property, plant and equipment	11]	35	-
Financial fixed assets	12]	<u>50</u>	<u>55</u>
		856	506
Current assets			
Receivables and prepayments	13]	214	359
Cash & Cash equivalents	14]	<u>914</u>	<u>661</u>
		1.129	1.020
Total assets		1.985	1.526
Equity			
Issued capital	15]	20	18
Share premium		3.533	2.369
Legal reserves		383	-
NXPR reserves		845	-
Retained earnings	16]	<u>-3.186</u>	<u>-1.435</u>
		1.595	952
Liabilities			
Long term liabilities	17]	-	43
Short term liabilities	18]	<u>390</u>	<u>531</u>
Total liabilities		390	574
Total Equity and Liabilities		1.985	1.526
Net assets attributable to owners of the Company		1.595	952

Company Statement of changes in equity

	Issued share capital	Share premium	Legal reserves	NXPR reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
2019						
Balance at 01 January 2019	18	2.369	-	-	-1.435	952
Result for the period	-	-	-	-	-1.368	-1.368
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-1.368	-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
Legal reserves	-	-	383	-	-383	-
Balance at 31 December 2019	20	3.533	383	845	-3.186	1.595
2018						
Balance at 01 January 2018	17	1.460	-	-	-727	750
Result for the period	-	-	-	-	-708	-708
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-708	-708
Transactions with owners in their capacity as owners:						
Issued share capital	1	-	-	-	-	1
Contributions of equity net of transaction costs	-	909	-	-	-	909
Balance at 31 December 2018	18	2.369	-	-	-1.435	952

Company Statement of cash flows

	01.01.2019	01.01.2018
Notes	-	-
	31.12.2019	31.12.2018
	EUR	EUR
Cash flows from operating activities		
Operating result	-1.365	-517
<i>Adjustments for</i>		
Depreciations	74	24
Interest paid	-3	-9
Changes in working capital	-36	-23
Net cash outflow from operating activities	<u>-1.330</u>	<u>-525</u>
Cash flows from investing activities		
Payment of investments in office equipment	-60	0
Payment of investment in Intellectual Property	-401	0
Payment of concessions and licenses	33	-115
Net cash outflow from investing activities	<u>-428</u>	<u>-115</u>
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	15] 2.011	910
Repayment subordinated loans	0	0
Proceeds from borrowings	0	0
Payment subordinated loans Stichting Escrow Nxchange	0	0
Net cash inflow from financing activities	<u>2.011</u>	<u>910</u>
Net increase (decrease) in cash and cash equivalents	<u>253</u>	<u>270</u>
Cash and cash equivalents at the beginning of the year	14] 661	391
Effects of exchange rate changes on cash and cash equivalents	0	0
Cash and cash equivalents at end of the year	<u>914</u>	<u>661</u>

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 not traded in the public market.

The financial statements were authorized for issue by the Board of Director on 29 June 2020.

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

	31.12.2019	31.12.2018
Opening balance	55	55
Repayment loan Stichting Escrow Nxchange	-	-50
Capital contribution Stichting Escrow Nxchange	-	50
Capital contribution Nxchange IT B.V.	-	-
Reclassification Deposit Creditcard	-5	-
Closing balance	50	55

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 IT 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. The share premium can be distributed in full, free of tax.

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

Share capital and premium	Number of shares	Issued share capital	Share premium / NXPR reserves	Total
Balance at 01 January 2018	16.665	17	1.460	1.477
Ordinary shares issued Lykke	1.667	1	-	1
Share premium Lykke	-	-	908	908
Balance at 31 December 2018	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	-	845	845
Ordinary shares issued Leendertse Investments	203.463	2	1.164	1.166
Balance at 31 December 2019	2.188.375	20	4.378	4.398

Retained earnings

Balance at 01 January 2019	-1.435
Result in 2019	-1.368
Addition to the legal reserves	-383
Balance at 31 December 2019	<u>-3.186</u>

Note 4: Short term liabilities

Short term liabilities

	31.12.2019	31.12.2018
	EUR	EUR
Creditors	191	37
Regulatory expenses to be paid	-	50
Auditor expenses to be paid	28	35
Taxes payable (VAT)	34	-
Current Account Nxchange IT	79	-
Current Account Monopink	-	85
Current Account GoldRepublic	-	307
Subordinated loan Klaver	43	-
Other short-term debt	15	17
	<u>390</u>	<u>531</u>

Nxchange has an intercompany liability to its subsidiary Nxchange IT B.V., originating from the employee services rendered by the latter.

Note 5: Personnel cost

	01.01.2019	01.01.2018
	-	-
	31.12.2019	31.12.2018
	EUR	EUR
Short-term employee benefits		
Salaries including bonuses	-	108
Social security costs	-	9
Allocated personnel expenses from group companies	1.257	223
Allocated salaries to IP	-401	-
WBSO subsidy	-	-
Other personnel expenses	68	27
Total Short-term employee benefits	<u>923</u>	<u>367</u>

Nxchange B.V. employs no staff. Employees were invoiced by GoldRepublic B.V. (January 1 – May 31, 2019) and by Nxchange IT B.V. (June 1 – December 31, 2019).

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.

Amsterdam, the Netherlands, 29 June 2020

Board of Director Nxchange B.V.

On behalf of Nxchange Holding 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 2019 included in the annual report

Our opinion

We have audited the financial statements 2019 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 at 31 December 2019 and of its result and its cash flows for 2019 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 at 31 December 2019 and of its result for 2019 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 at 31 December 2019;
2. the following statements for 2019:
 - the consolidated statement of income, 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 at 31 December 2019;
2. the following statements for 2019:
 - the company statement of income, the company 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.

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.

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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.

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 management 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.

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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.

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- 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.

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, 29 June 2020

ENDYMION Accountants B.V.

Signed on the original by drs. H. Rijntjes RA