

MFEX Luxembourg S.A.
Société Anonyme

**Annual Accounts, Management report and
Report of the *Réviseur d'entreprises agréé*
For the period as at 31 December 2022**

2, rue du Fort Bourbon
L-1249 Luxembourg
R.C.S. Luxembourg B 233.039
Subscribed capital: EUR 3,625,000

MFEX Luxembourg S.A.

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To the Board of Directors of
MFEX Luxembourg S.A.
2, rue du Fort Bourbon
L-1249 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Opinion

We have audited the Annual Accounts of MFEX Luxembourg S.A, which comprise the balance sheet as at December 31, 2022, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for Opinion

We conducted our audit in accordance with the Law of July 23, 2016 on the audit profession (Law of July 23, 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the “*Commission de Surveillance du Secteur Financier*” (CSSF). Our responsibilities under the Law of July 23, 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the “*Responsibilities of the “réviseur d’entreprises agréé” for the Audit of the annual accounts*” section of our report. We are also independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to Going Concern

We draw attention to Note 2.2.12 in the annual accounts, which indicates that the Company plans to surrender its PSF licence during 2024 and stop its current activities. As stated in Note 2.2.12, these events or conditions, along with other matters as set forth in Note 12, indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report including the management report but does not include the annual accounts and our report of the *“réviseur d’entreprises agréé”* thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Responsibilities of the *“réviseur d’entreprises agréé”* for the Audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the *“réviseur d’entreprises agréé”* that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors 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 report of the "*réviseur d'entreprises agréé*" to the related disclosures in the annual accounts 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 report of the "*réviseur d'entreprises agréé*". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts 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 deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

The management report is consistent with the Annual Accounts and has been prepared in accordance with applicable legal requirements.

For Deloitte Audit, *Cabinet de révision agréé*

Martin Flaunet, *Réviseur d'entreprises agréé*
Partner

May 11, 2023

Management Report

Financial year ended 31 December 2022

MFEX Luxembourg

Dear Shareholder,

In accordance with article 68 of the Law of 19 December 2002 as amended on the register of commerce and companies and the accounting and annual accounts of undertakings, we are pleased to present you the Directors report for the financial period ending on 31 December 2022.

1 Business development of the Company

1.1 General

Further to the acquisition of MFEX by Euroclear in 2021, MFEX and Euroclear have decided to migrate all their Trade & Custody (T&C) activities from the MFEX's platform to Euroclear's FundSettle, thereby combining group service offering of FundSettle's T&C and MFEX's distribution services.

During the year 2022, MFEX Luxembourg S.A. (the "**Company**") started the process of migration of its clients portfolio in accordance with the sale and purchase agreement signed with Euroclear Bank.

The migration of the clients of the Company will induce a shift of activities to Euroclear Bank that started in 2022 and is expected to be completed by 2024.

As a result, the Company is expected to become a non-regulated entity.

1.2 Organization and structure of the Company

MFEX Luxembourg S.A. is a direct subsidiary of MFEX Mutual Fund Exchange AB ("MFEX AB"), a company supervised by the Swedish Financial Supervisory Authority and domiciled in Sweden. MFEX AB is also the parent company of other subsidiaries and branches (collectively "the Group").

In September 2021, MFEX became a part of the Euroclear Group, one of the world's largest providers of domestic and cross-border settlement and related services for bond, equity, ETF and mutual fund transactions, creating a new funds market utility.

The Company's activity remains dedicated to Fund Distributors by operating the Trading & Custody & Data Solutions products part of MFEX global strategy.

2 Financial figures

2.1 Liquidity

Total cash and cash equivalents for the Company on 31 December 2022 amounted to EUR 7,318,680.83 (2020: EUR 9,928,351.58). The cash and cash equivalent consist of the cash at the bank amounted to EUR 2,318,680.83 and term deposit amounted to EUR 5,000,000.00.

The cash position of the company reduced compared to last year despite the compensation received from Euroclear Bank SA/NV for the transfer of intangible assets to the company. Such reduction is explained by (i) the investments made by MFEX Luxembourg in Euroclear fixed income Treasury Funds for a total amount of EUR 9,868,737.89 coupled with (ii) a short term senior loan granted to MFEX Mutual Fund Exchange AB for EUR 5,500,000.00. Such treasury investments aimed at diversifying

credit risk exposures of the company in line with its risk appetite and treasury management principles applicable in the MFEX Group.

Equity

On 31 December 2022, share capital and share premium amounted to EUR 24,125,000 of which EUR 3,625,000 in share capital and EUR 20,500,000 in share premium.

2.2 Financial review

- 2022 net turnover amounts to EUR 16,955,276.52 and comprises services rendered in the normal course of activity of the Company and recharges of services to the Group.
- 2022 total operating expenses (items 5,6,7 and 8 of the Profit and Loss Statement at year-end) reach EUR 16,618,861.04 (2021: EUR 21,067,214.32), reflecting a reduction of EUR 4,448,353.28 vs. 2021 driven mainly by one-off depreciation of intangible assets recognized last year (EUR 9,508,000.00) partially offset by severance provisions accounted for in 2022 for EUR 5,689,344.74 and resulting from MFEX Luxembourg restructuring plans.
- Other interest receivable and similar income amount to EUR 83,216.94 (2021: nil) driven by treasury investments made by the company coupled with improving remuneration of such treasury investments in the course of the year 2022.
- As of 31 December 2022, the balance sheet amounts to EUR 26,525,421.34 (2021: EUR 19,680,964.34). On 10 June 2022, the Company transferred its intangible assets to Euroclear Bank SA/NV for a cash compensation of EUR 5,792,000.
- As at 31 December 2022, the return on assets of company amounts to 2.85% (as at 31 December 2021: -33.81%).
- The fiscal year as of 31 December 2022 shows a profit of EUR 658,886.99 compared to a loss of EUR 6,654,477.63 which improved company's capital and reserves to EUR 18,228,789.93 (2021: EUR 17,569,902.94).

3 Significant events since the balance sheet date

The Company continued to migrate all their Trade & Custody (T&C) activities from the MFEX's platform to Euroclear's FundSettle, thereby combining group service offering of FundSettle's T&C and MFEX's distribution services.

4 Perspective

Since the acquisition of MFEX by Euroclear SA/NV and its parent entities, up to Euroclear Holding SA/NV which the *Commission de Surveillance du Secteur Financier* (hereafter the “CSSF”) agreed in accordance with Articles 18 and 19(4) of the Law of 5 April 1993 on the financial sector, as amended, the integration project of MFEX in Euroclear group is on-going to combine and optimize both assets and strategies for growth.

MFEX by Euroclear aims at preserving a relevant business presence in Luxembourg, working closely with the key stakeholders in the industry to drive international distribution of funds. MFEX goal is to build and operate the infrastructure enabling the community of fund companies and fund distributors to maximize business opportunities.

5 Research & Development

The Company did not perform any activity in Research & Development in 2022.

6 Own shares acquisition

The Company did not acquire or sell any own shares during the financial year. The Company does not hold own shares.

7 Branches

The Company has no branches.

8 Risk Management

The Risk Management function at the Company ensures that all business units anticipate, identify, assess, measure, monitor, manage and duly report all the risks to which the institution is or may be exposed. It is a central element of the internal governance and organization of the institution dedicated to managing risks.

Among the risks identified for the Company are financial risks and non-financial risks such as operational risk, which is considered the most relevant for MFEX Luxembourg S.A., due to the numerous and manually intensive operational processes performed. Operational risk refers to the risk of losses due to failed processes, systems, people or external factors. The risk is monitored through risk and control self-assessment, operational risk events data collection and the monitoring of key risk indicators.

Among the financial risks, the Credit risk is limited to risk that arises from bank and trading accounts. MFEX deposits funds only with institutions with a minimum rating requirement equivalent to a long-term S&P rating of A or short-term minimum rating of A-1. Due to its business model, the Company

does not have any debt and equity instruments and neither Forex operations. The Market risk is therefore limited for the Company to the one that could occur following operational incidents.

The Company has a cash account dedicated to its operational cash flows, fully segregated from the client money accounts and a requirement is met to maintain liquid assets equivalent to at least one third of the fixed overheads requirements. The liquidity risk is furthermore continuously monitored and procedures for the management of potential or current liquidity deficit have been established which describes the minimum level of liquidity that MFEX shall hold.

The Board of Directors of MFEX Luxembourg S.A.,

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René Pierre Azria
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René Pierre Azria
Chairman

DocuSigned by:
Geert Desmet
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Geert Desmet
Director

DocuSigned by:
Oliver Lagerström
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Oliver Lagerström
Director

DocuSigned by:
Feto Gonzalez Manuel
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Manuel Feto
Director

MFEX Luxembourg S.A.

Balance Sheet as at 31 December 2022

ASSETS	NOTES	31.12.2022 EUR	31.12.2021 EUR
C. FIXED ASSETS		10,420,713.90	6,342,190.01
I. Intangible assets	3	-	5,792,000.00
3. Goodwill, to the extent that it was acquired for valuable consideration		-	5,792,000.00
II. Tangible assets	4	230,390.46	228,604.46
3. Other fixtures and fittings, tools and equipment		230,390.46	228,604.46
III. Financial assets	5	10,190,323.44	321,585.55
5. Investments held as fixed assets		9,868,737.89	-
6. Other loans		321,585.55	321,585.55
D. CURRENT ASSETS		16,087,543.17	13,319,009.26
II. Debtors	6	8,768,862.34	3,390,657.68
1. Trade debtors		669,411.32	442,636.68
a) becoming due and payable within one year		669,411.32	442,636.68
2. Amounts owed by affiliated undertakings		8,042,571.66	2,884,957.63
a) becoming due and payable within one year		8,042,571.66	2,884,957.63
4. Other debtors		56,879.36	63,063.37
a) becoming due and payable within one year		56,879.36	63,063.37
IV. Cash at bank and in hand		7,318,680.83	9,928,351.58
E. PREPAYMENTS	7	17,164.27	19,765.07
TOTAL (ASSETS)		<u>26,525,421.34</u>	<u>19,680,964.34</u>

MFEX Luxembourg S.A.

Balance Sheet as at 31 December 2022 (continued)

CAPITAL, RESERVES AND LIABILITIES	NOTES	31.12.2022 EUR	31.12.2021 EUR
A. CAPITAL AND RESERVES		18,228,789.93	17,569,902.94
I. Subscribed capital	8	3,625,000.00	3,625,000.00
II. Share premium account	9	20,500,000.00	20,500,000.00
III. Revaluation reserve		-	-
IV. Reserves	10-11	12,500.00	12,500.00
V. Profit or loss brought forward	11	(6,567,597.06)	86,880.57
VI. Profit or loss for the financial year	11	658,886.99	(6,654,477.63)
B. PROVISIONS	12	5,796,743.74	555,925.74
3. Other provisions		5,796,743.74	555,925.74
C. CREDITORS	13	2,499,887.67	1,555,135.66
2. Amounts owed to credit institutions		131.43	1,448.80
a) becoming due and payable within one year		131.43	1,448.80
4. Trade creditors		329,030.05	235,544.33
a) becoming due and payable within one year		329,030.05	235,544.33
b) becoming due and payable after more than one year		-	-
6. Amounts owed to affiliated undertakings		1,358,759.59	496,635.91
a) becoming due and payable within one year		1,358,759.59	496,635.91
8. Other creditors		811,966.60	821,506.62
a) Tax authorities		94,978.59	4,019.67
b) Social security authorities		180,902.98	60,441.60
c) Other creditors		536,085.03	757,045.35
i) becoming due and payable within one year		317,608.06	538,568.38
ii) becoming due and payable after more than one year		218,476.97	218,476.97
TOTAL (CAPITAL, RESERVES AND LIABILITIES)		<u>26,525,421.34</u>	<u>19,680,964.34</u>

MFEX Luxembourg S.A.

Profit and Loss account for the year ended 31 December 2022

	NOTES	31.12.2022 EUR	31.12.2021 EUR
1. Net turnover	14	16,955,276.52	14,111,238.80
4. Other operating income	15	463,428.97	515,497.43
5. Raw materials, consumables and Other external expenses	19	(3,294,193.32)	(4,190,777.28)
b) Other external expenses		(3,294,193.32)	(4,190,777.28)
6. Staff costs	17	(6,708,443.67)	(6,693,342.74)
a) Wages and salaries		(5,703,052.20)	(5,751,366.09)
b) Social security costs		(757,364.18)	(673,528.90)
i) relating to pensions		(427,465.07)	(389,968.96)
ii) other social security costs		(329,899.11)	(283,559.94)
c) Other staff costs		(248,027.29)	(268,447.75)
7. Value adjustments		(76,944.19)	(8,742,863.93)
a) in respect of formation expenses and of tangible and intangible fixed assets	3-4	(76,944.19)	(8,742,863.93)
8. Other operating expenses	18	(6,539,279.86)	(1,440,230.37)
11. Other interest receivable and similar income		83,216.94	-
a) derived from affiliated undertakings		44,786.81	-
b) other interest and similar income		38,430.13	-
13. Value adjustments in respect of financial assets and of investments held as current assets		(30,617.17)	-
14. Interest payable and similar expenses		(35,075.49)	(35,561.92)
b) other interest and similar expenses		(35,075.49)	(35,561.92)
15. Tax on profit or loss	20	(51,324.00)	(75,596.48)
16. Profit or loss after taxation		766,044.73	(6,551,636.49)
17. Other taxes not shown under items 1 to 16		(107,157.74)	(102,841.14)
18. Profit or loss for the financial year		658,886.99	(6,654,477.63)

Notes to the Annual Accounts

1. General information

MFEX Luxembourg S.A. (hereafter the "Company") was incorporated on 18 March 2019 and is organized under the laws of Luxembourg as a Société Anonyme for an unlimited period.

The Company is registered with the Trade and Companies register of Luxembourg (RCS) with the number B233039 and has its registered office at 2 rue du Fort Bourbon, L-1249 Luxembourg.

The Company's financial year starts on 1 January and ends on 31 December of each year.

The Company is a wholly owned subsidiary and included in the consolidated accounts of MFEX Mutual Funds Exchange AB (the "Group") forming the largest body of undertakings of which the Company forms a part as a direct subsidiary undertaking. The registered office of the parent company is located at Grev Turegatan 19, 114 38 Stockholm, Sweden.

In September 2021, the Group was acquired by Euroclear group.

In accordance with its articles of incorporation, the object of the Company is primarily to carry out the following activities:

- Commission agent (according to the article 24-2 of the Law on the Financial Sector of 5 April 1993 as amended, hereafter the "LFS");
- Distributor of unit/shares in UCIs (according to the article 24-7 of the LFS);
- Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management and excluding maintaining securities account at the top tier level;
- Foreign exchange services where these are connected to the provision of investment services.

The main activity of the Company is the administration of financial instruments on behalf of clients including sub-custodian and related services such as cash/collateral management and foreign exchange services where these services are linked to the provision of investment services within the meaning of Annex II section C of the LFS, section 3.2.

2. Summary of accounting policies

2.1 Basis of preparation

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention on a going concern basis.

Accounting policies and valuation rules are, beside the ones laid down by the law of 19 December 2002 as amended (the "Law"), determined by the Board of Directors. The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise their judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

Notes to the Annual Accounts (continued)

Where appropriate, the Board of Directors makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.2 Significant accounting policies

The main valuation rules of the Company are the following:

2.2.1 Formation expenses

The formation expenses of the Company are directly charged to the profit and loss account of the period in which they are incurred.

2.2.2 Intangible fixed assets

Intangible fixed assets are carried at purchase price including the expenses incidental thereto, less accumulated amortisation. Amortisation is recognised on a straight-line basis over the estimated useful life of the assets. When the Management considers that an asset has suffered a durable depreciation in value, an additional write-down is recorded to reflect this loss. These value adjustments are discontinued if the reasons for which the value adjustments were made have ceased to apply.

Goodwill acquired for consideration is amortised on a straight-line basis over a period of 10 years.

2.2.3 Tangible fixed assets

Tangible fixed assets are valued at purchase price including the expenses incidental thereto. They are amortised over their estimated useful economic lives. When the Management considers that a tangible fixed asset has suffered a durable depreciation in value, an additional write-down is recorded to reflect this loss. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

The amortisation rates and methods applied are as follows:

		Amortisation method
Furniture	5 years	Straight-Line
Computer equipment and hardware	5 years	Straight-Line
Other fixtures and fittings	5 years	Straight-Line

2.2.4 Financial assets

Shares in affiliated undertakings, participating interests, loans to these undertakings and other securities held as financial assets are valued at acquisition cost. Value adjustments are recorded if, in the opinion of the Board of Directors, there has been a durable decline in value. Value adjustments are reversed if the reasons for which the value adjustments were made have ceased to apply.

2.2.5 Debtors

Debtors are stated at their nominal value. A value adjustment is recorded when the estimated realisable value is lower than the nominal value. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Notes to the Annual Accounts (continued)

2.2.6 Foreign currency translation

The Company maintains its accounting records in EUR. All transactions expressed in currencies other than EUR are converted into EUR at the exchange rate prevailing at the date of the transaction.

Formation expenses, intangible assets, tangible assets and financial assets expressed in currencies other than the reporting currency are translated into the reporting currency at the exchange rate prevailing on the transaction date. At the balance sheet date, these assets remain translated at the historic exchange rates.

Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the year.

Other assets and liabilities expressed in currencies other than the reporting currency are translated into the reporting currency at the exchange rate prevailing on the transaction date and are valued at the lower of their value translated at the historic exchange rates and their value translated at the exchange rates prevailing on the balance sheet date.

Forward exchange contracts used to hedge components of the current assets are recorded at the acquisition cost and translated at the exchange rates effective at the balance sheet date. Then unrealized exchange losses are recognized in the profit and loss account. The Company has not used forward exchange contracts during the financial year.

Income and charges denominated in foreign currencies are recorded at the rates prevailing on the transaction date.

2.2.7 Prepayments

This asset item includes expenditure paid during the financial year but that relates to a subsequent financial year.

2.2.8 Provisions

Provisions for liabilities and charges are intended to cover losses or debts, the nature of which is clearly defined and which, at the date of the balance sheet are either likely or certain to be incurred but uncertain as to their amount or as to the date on which they will arise.

Provisions may also be created to cover charges that have originated in the financial year under review or in a previous financial year, the nature of which is clearly defined and which, at the date of the balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

The variation of these provisions is recognized in the profit and loss account.

2.2.9 Debts

Debts are recorded at their reimbursement value. Where the amount repayable on account is greater than the amount received, the difference may be shown as an asset deferred expense. It must be shown separately in the notes to the annual accounts.

2.2.10 Deferred income

This liability item includes income recognized during the financial year but relating to a subsequent financial year.

2.2.11 Net turnover

The net turnover comprises the amounts derived from the provision of services falling within the Company's ordinary activities, after deductions of sales rebates and value added tax and other taxes directly linked to the turnover.

2.2.12 Going concern

Further to the acquisition of MFEX by Euroclear in 2021, MFEX and Euroclear have decided to migrate all their Trade & Custody (T&C) activities from the MFEX's platform to Euroclear's FundSettle, thereby combining group service offering of FundSettle's T&C and MFEX's distribution services.

Notes to the Annual Accounts (continued)

During the year 2022, MFEX Luxembourg (the "Company") started the process of migration of its clients portfolio in accordance with the sale and purchase agreement signed with Euroclear Bank.

The migration of the clients of MFEX Luxembourg will induce a shift of activities to Euroclear Bank and started in 2022 and is expected to be completed by 2024. As a result, MFEX Luxembourg S.A. recorded a provision for severance cost (see Note 12) and is expected to become a non-regulated entity at the end of this migration.

3. Intangible assets

The movements for the year are as follows:

	Goodwill acquired for consideration
	EUR
Gross book value - Opening balance	15,300,000.00
Additions for the year	
Disposals for the year	(15,300,000.00)
Transfers for the year	
Gross book value - closing balance	-
Accumulated value adjustments - opening balance	(9,508,000.00)
Allocations for the year	
Reversals for the year	9,508,000.00
Transfers for the year	
Accumulated value adjustments - closing balance	-
Net book value - closing balance	-
Net book value - opening balance	5,792,000.00

Intangible assets composed of post trade business services acquired on 15 June 2020 were transferred to Euroclear Bank SA/NV as at 10 June 2022.

Notes to the Annual Accounts (continued)

4. Tangible assets

The movements for the year are as follows:

	Furniture EUR	Computer equipment EUR	Other fixtures and fittings EUR	Total EUR
Gross book value - Opening balance	118,582.01	158,632.88	72,884.36	350,099.25
Additions for the year	16,681.13	30,942.82	31,106.24	78,730.19
Disposals for the year		(4,824.58)		(4,824.58)
Transfers for the year				-
Gross book value - closing balance	135,263.14	184,751.12	103,990.60	424,004.86
Acc. value adjustments - opening balance	(47,024.66)	(52,738.40)	(21,731.73)	(121,494.79)
Allocations for the year	(24,483.18)	(32,652.32)	(15,581.56)	(72,717.06)
Reversals for the year		597.45		597.45
Transfers for the year				-
Acc. value adjustments - closing balance	(71,507.84)	(84,793.27)	(37,313.29)	(193,614.40)
Net book value - closing balance	63,755.30	99,957.85	66,677.31	230,390.46
Net book value - opening balance	71,557.35	105,894.48	51,152.63	228,604.46

Notes to the Annual Accounts (continued)

5. Financial assets

The movements of the year are as follows:

	Deposits and guarantees paid EUR	Investments held as fixed assets EUR	Total EUR
Gross book value - opening balance	321,585.55	-	321,585.55
Additions for the year	-	9,899,355.06	9,899,355.06
Disposals for the year	-	-	-
Transfers for the year	-	-	-
Gross book value - closing balance	321,585.55	9,899,355.06	10,220,940.61
Accumulated value adjustments - opening balance	-	-	-
Allocations for the year	-	- 30,617.17	- 30,617.17
Reversals for the year	-	-	-
Transfers for the years	-	-	-
Accumulated value adjustments - closing balance	-	- 30,617.17	- 30,617.17
Net book value - closing balance	321,585.55	9,868,737.89	10,190,323.44
Net book value - opening balance	321,585.55	-	321,585.55

The company acquired shares of collective investments funds for an amount of EUR 9,899,355.06 in 2022 (2021: nil).

6. Debtors

Debtors are composed as follows:

	2022 EUR	2021 EUR
Trade debtors		
Invoiced to third parties	284,930.21	5,387.15
Accrued unbilled fees	373,464.80	436,163.55
Suppliers with a debit balance	11,016.31	1,085.98
	669,411.32	442,636.68
Amounts owed by affiliated undertakings		
Loans and advances	5,500,000.00	-
Accrual unbilled fees	2,497,784.85	2,884,957.63
Accrued interest	44,786.81	-
	8,042,571.66	2,884,957.63
Other debtors		
VAT receivable	-	42,707.53
Accrued interest	11,100.00	-
Social Security	45,779.36	20,285.71
Advance to employees	-	70.13
	56,879.36	63,063.37
Total debtors	8,768,862.34	3,390,657.68

On 26 October 2022, the Company granted a one year intra group loan of EUR 5,500,000.00 to MFEX AB, maturing on 27 October 2023.

Notes to the Annual Accounts (continued)

As at 31 December 2022, all amounts are due within one year.

The Company has entered into agreement with Group entity for the provision of support services. These are in accordance with the Group's intercompany transaction policy.

7. Prepayments

Prepayments are mainly composed of Lunch vouchers, rental equipment and insurance paid in advance for subsequent periods.

8. Subscribed capital

The subscribed capital of the Company amounts to EUR 3,625,000.00 and is divided into 3,625,000.00 shares with a nominal value of EUR 1 each, fully paid-up.

The movements on the Subscribed capital item during the year as are follows:

	2022 EUR	2021 EUR
Subscribed capital - opening balance	3,625,000.00	125,000.00
Increase of the year	-	3,500,000.00
Decrease of the year	-	-
Subscribed capital - closing balance	3,625,000.00	3,625,000.00

9. Share premium

The movements on the share premium items during the year are as follows:

	Share premium EUR
Share premium - opening balance	20,500,000.00
Movements for the year	-
Share premium - closing balance	20,500,000.00

The movements for the year on the "Share premium" item corresponds to the capital contribution fully paid-up.

10. Legal reserve

In accordance with the Luxembourg Commercial Companies Law, 5% of annual profits must be allocated to this reserve until its total amount reaches 10% of the subscribed capital. This reserve may not be distributed.

Notes to the Annual Accounts (continued)

11. Movements for the year on the reserves and profit and loss items

The movements of the year are as follows:

	Legal reserve EUR	Profit or loss brought forward EUR	Profit or loss for the financial year EUR
As at 31.12.2021	12,500.00	86,880.57	(6,654,477.63)
Movements for the year			
❖ Allocation of the previous year's profit or loss	-	(6,654,477.63)	6,654,477.63
❖ Dividend	-	-	-
❖ Profit or loss for the year	-	-	658,886.99
As at 31.12.2022	12,500.00	(6,567,597.06)	658,886.99

12. Provisions

Provisions consist of severance costs provision amounting EUR 5,689,344.74 (2021: nil) as a result of the social dialogue due to the migration of Trade & Custody (T&C) activities from the MFEX's platform to Euroclear's FundSettle. The remaining part of balance represents the provision for dilapidation costs amounting EUR 107,400.00 (2021: EUR 107,400.00). There are no customer claim provisions as at end of 2022 (2021: EUR 448,525.74).

13. Creditors

Amounts due and payable for the accounts shown under « Creditors » are as follows:

	Within one year EUR	After one year and within five years EUR	After more than five years EUR	Total 2022 EUR	Total 2021 EUR
Amounts owed to credit institutions	131.43	-	-	131.43	1,448.80
Debts on purchases and prov. of services	329,030.05	-	-	329,030.05	235,544.33
Amounts owed to affiliated undert.	1,358,759.59	-	-	1,358,759.59	496,635.91
Tax debts	94,978.59	-	-	94,978.59	4,019.67
Social security debts	180,902.98	-	-	180,902.98	60,441.60
Other creditors	317,608.06	218,476.97	-	536,085.03	757,045.35
Total	2,281,410.70	218,476.97	-	2,499,887.67	1,555,135.66

	Within one year EUR	After one year and within five years EUR	After more than five years EUR	Total 2021 EUR
Amounts owed to credit institutions	1,448.80	-	-	1,448.80
Debts on purchases and provisions of services	235,544.33	-	-	235,544.33
Amounts owed to affiliated undertakings	496,635.91	-	-	496,635.91
Tax debts	4,019.67	-	-	4,019.67
Social security debts	60,441.60	-	-	60,441.60
Other creditors	538,568.38	156,055.10	62,421.87	757,045.35
Total	1,336,658.69	156,055.10	62,421.87	1,555,135.66

Notes to the Annual Accounts (continued)

The Company has entered into agreement with Group entity for the provision of IT support services. These are in accordance with the Group's intercompany transaction policy.

The line Amounts owed to affiliated undertakings includes a net balance of EUR 274,759.59 (2021: 183,493.31) consisting of operational losses and gains on traded transactions using the Cash tool of the Group. These amounts are due and payable within one year by the Company to the Group.

14. Net turnover

As at 31 December 2022, the net turnover of the Company is derived exclusively from its business activities as follows:

	2022	2021
	EUR	EUR
Custody fees	3,528,469.65	3,871,704.15
Transaction fees	1,085,075.00	1,199,946.50
Trading and other support services to the Group	12,341,731.87	9,039,588.15
Total	16,955,276.52	14,111,238.80

15. Other operating income

Other operating income consist mainly of operational gains on traded transactions amounting EUR 443,489.66 (2021: EUR 515,419.98) and rental income EUR 16,945.02 (2021: nil).

This operational gain derives from Clients traded transactions using the Group cash system tool. This gain was paid out by the Group and is due and payable to the Company by the Group.

16. Réviseur d'entreprises agréé fees

The amounts invoiced or accrued for services provided by the *Réviseur d'entreprises agréé* during the year may be broken down as follows (excluding VAT):

	2022	2021
	EUR	EUR
Statutory audit of the annual accounts	102,410.00	95,100.00
Other assurance services	-	-
Total	102,410.00	95,100.00

17. Staff

The Company employed an average of 76 persons during the financial year as follows (2021: 77):

	2022	2021
Managing directors	2	2
Employees Full time	68	66
Employees Part Time	6	9
	76	77

Notes to the Annual Accounts (continued)

18. Other operating expenses

Other operating expenses consist of:

	2022	2021
	EUR	EUR
Severance costs provision	5,689,343.74	-
Non recoverable VAT	375,201.62	469,326.84
Operational loss on trading transactions	441,885.17	402,384.30
Director's fees	20,000.00	-
Provision for dilapidation costs	-	107,400.00
Provision derived from client claim on trading operation	-	448,525.74
Other	12,849.33	12,593.49
Total	6,539,279.86	1,440,230.37

Operational loss on transactions derives from Clients traded transactions using the Group cash system tool. This loss was settled by the Group and are payable and due by the Company to the Group.

19. Other external expenses

The other external expenses are composed of:

	2022	2021
	EUR	EUR
Remuneration of intermediaries and professional	2,356,526.36	3,326,762.12
Rents and service charges	658,088.64	654,987.24
Marketing and communication costs	87,392.46	70,804.59
External staff of the company	7,697.96	258.00
Other	184,487.90	137,965.33
<i>out of which: Insurance costs</i>	<i>36,797.09</i>	-
Total	3,294,193.32	4,190,777.28

Out of total amount of Remuneration of intermediaries and professional, related party balance amounting to EUR 1,506,871.04 (2021: EUR 1,239,000.00).

20. Tax on profit or loss

The Company is subject to all taxes relevant to commercial companies in the Grand Duchy of Luxembourg.

21. Remunerations, advances and loans granted to the members of Directors

The remuneration of the Directors amounted to EUR 20,000.00 (2021: nil), no advances and no loans have been granted to the Directors during the financial year 2022 (2021: nil).

22. Related party transactions

Transaction with related parties are disclosed in the relevant notes to the annual accounts. During the financial period, there have been no related party transactions outside of the normal course of business.

Notes to the Annual Accounts (continued)

23. Off-balance sheet commitments and contingent liabilities

As at 31 December 2022, the Company had off-balance sheet commitments amounting EUR 1,311,563.84 (2021: EUR 411,597.00) and no contingent liabilities (2021: nil).

24. Return on assets

As at 31 December 2022, the return on assets amounted 2.85% (as at 31 December 2021: -33.81%).

25. Post balance sheet events

There are no matters or circumstances of importance that have arisen since the end of the financial period which have significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the affairs of the Company.