

ANNUAL REPORT

beginning of financial year: 01.01.2021

end of the financial year: 31.12.2021

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Management report

General description of Scramble OÜ activities

Scramble OÜ (hereinafter – the Company) operates Scramble peer-to-peer (P2P) loan platform (hereinafter – Scramble), www.scrambleup.com. Scramble is a global online lending platform where investment involves lending to startup companies. Scramble acts as an intermediary between platform users – Investors, seeking stable return on their placed funds, and users – consumer goods and retail Startups, looking for an affordable source of working capital financing. Company's main source of income are service fees charged to Startups from facilitating borrowing of funds on the platform.

Operations and financial results of the Company

In 2021 the Company continued to test the service prototype (what is commonly called Minimal viable product) and evaluate market response to the Company offering among different segments of Investors and Startups. During the course of the year, the Company was introducing changes to the product offering (financial terms and risk mitigation approach for startup loan product), application website interface, customer search and acquisition methods.

Scramble pioneered structured financial products approach (securitized tranches of loans) among the P2P operators globally with the introduction of Senior loans A and Junior loans B to batches of startup customers on the platform.

Company introduced new product functionality and user-friendly interfaces across multiple touch points of user experience, including mobile-friendly app interface, wizards and navigation tools, help and support content.

In 2021 Scramble was actively developing customer communications channels, including main promo website www.scrambleup.com, social media accounts of the company on Instagram, Facebook, LinkedIn, customer chat groups on Telegram and Facebook.

The Company acquired a trademark “Scramble” in the fields of startup financing and personal finance management, with the registration covering the territory of the EU and the UK, which would allow to protect and strengthen the Company's brand in upcoming years.

The platform has registered 76 individual (“retail”) customers and 3 corporate customers in the year 2021. The total volume of facilitated borrowing through the platform reached 82 thousand EUR (2020: nil), whereas the loans were issued to two UK-domiciled startups with clear business strategies and strong ability to service the loans. Reflecting on EU P2P licensing requirements, Scramble introduced a segregated bank account for the contingency fund maintenance.

Scramble invested over 32 thousand EUR in the development of basic IT processes and the platform functionality, the total cost of the software reaching 64 thousand EUR as of 31 December 2021. For the 2021 financial year the Company generated a net loss of 192 thousand EUR (2020: 71 thousand EUR) in line with management's expectations and related to business implementation phase where no income was forecasted.

During 2021 the Company raised financing in the amount of 700 thousand EUR (2020: 80 thousand EUR) via convertible loans. All loans are interest bearing. The loan conversion into company's shares is planned in December 2022 – the point in time where the Company's share capital will be restructured and losses accumulated in prior year covered.

Risk management

The Company may face certain risks in the P2P and general business environment, which are actively managed by Scramble management.

Market and operational risk management

Company operations in year 2021 were not subjected to P2P regulation or licensing in Estonia. The licensing regime was introduced in late 2021 with 2022 being the transitory period, however, it is subject to other legal requirements related to the nature of its business. Company's management has implemented strict internal policies and actively monitors the changing personal data protection, know your customer (KYC), anti-money laundering and other legal requirements, involving external legal counsel where required. Furthermore, the Company maintains a strong IT system for payment and data processing.

Financial risk management

The Company's mainly used financial instruments are cash at bank and other loans. The main purpose of these financial instruments is to ensure the financing of the Company's economic activities. The Company has other financial assets and liabilities, such as trade receivables and trade payables, arising directly from its economic activities. The Company is exposed to the credit risk, liquidity risk and cash flow risk in relation to its financial instruments.

The financial assets that could potentially lead to a certain concentration of the credit risk are mainly cash and trade receivables. At the end of the reporting period, the Company was preparing to scale up lending activity on the platform, which is expected to increase both the number of startup borrowers and total loan portfolio. While Scramble is not directly exposed to a significant degree of credit risk with regards to the loan portfolio, Company's revenue is tied to the performance of loans originated via the platform. Hence, planned increased lending activity can be both beneficial and detrimental to the company results based on the future loan portfolio performance.

On behalf of Investors, the Company oversees Credit Risk that may potentially arise on lending transactions thus managing Platform's activities to prevent financial losses which could arise in case borrowers cannot perform their contractual obligations. This risk is mostly associated with the deterioration of the quality of the debts of their borrowers – startup companies or later, natural persons, resulting in late payments. The Company sustains a close cooperation with the borrowers and monitors their payment discipline.

The partners of the Company in money transactions are local financial institutions with adequate credit history.

The Company pursues a prudent liquidity risk management maintaining sufficient credit resources that allow settling liabilities when they fall due. The management of the Company manages liquidity and cash flow risk by maintaining adequate cash reserves and providing sufficient funding, constantly monitoring forecasted and actual cash flows.

The Company's exposure to foreign currency risk is insignificant, as most transactions are recorded in EUR. The Company is not exposed to interest rate risk as all borrowings are with a fixed interest rate.

Future operations of the Company

Goals and strategy

Main goal of the Company is to continue growing the number of individual Investors, willing to experience investing, and Startups, willing to receive working capital debt funding, keep developing the platform and sustaining platform user satisfaction with Scramble services. Company's management is working towards ensuring that platform users can enjoy stability and reliability within the platform, and introducing additional technical features to the Scramble webpage.

Global banking and finance industry is undergoing tremendous changes. For instance, widespread adoption of smartphones and mobile internet have already disrupted classic retail banking with the emergence of services such as Wise, Revolut, and many others. Yet access to startup financing remains highly constrained, with global gap in small business lending estimated at over five trillion USD. Naturally, new financial technology startups ('fintechs') emerge that are trying to tackle this gap.

The main goal of Scramble OÜ, an innovative fintech company, is to address the issue of access to capital for early-stage startups. While Scramble is aiming to service the global market, management picked Estonia as a primary operational location due to the unique combination of startup-friendly environment, access to high quality local business infrastructure (IT, banking, legal services and other providers), and established P2P lending industry and relevant regulations. The primary business objective in 2021 was development of the Scramble P2P business model, IT platform functionality, and appropriate legal and regulatory documentation.

Company's management sees Estonia as a country supporting financial technologies, innovations and having a viable business environment in relation to P2P marketplaces. During 2020 - 2021, the EU legislative body has introduced the guideline on the future of European P2P lending for businesses. Estonian national regulatory regime was introduced in 2021 and will allow Scramble to continue to seamlessly service the whole of the EU market in the future.

Response to COVID-19

In March 2020 restrictions related to the spread of the COVID-19 have entered into force in Estonia and all over the world. Restrictions continued throughout 2021 and were lifted in spring 2022. This significantly reduced the overall economic activity in the countries of our platform users. As with many other businesses, the situation posed challenges to maintain sufficient liquidity. Company's shareholder invested personal funds to support liquidity and introduced daily cash flow monitoring procedures, which were aimed at ensuring that there are no delays in outstanding payments on Scramble platform. Company's operating costs are few and well controlled. Company's management remains positive on the current outlook as restrictions are being relaxed across the Europe.

Events after the end of the financial year

Russian invasion of Ukraine in February 2022 creates new security, economic, social and political environment across Europe. Full scope of the geopolitical changes remains to be seen as of the time of this report. One obvious consequence is the rapid and likely irreversible in the medium term decoupling of the Russian and European economies. Scramble maintains strict compliance with the international sanctions imposed on Russia, including on the Russian banking and finance institutions. In order to minimize compliance risks and as a strategic choice, Scramble has stopped accepting any startup or investor customers who have residence in Russia.

Subsequent to the year end the Company has raised additional financing in amount of 580 thousand EUR and received commitment from a number of early stage investors for the provision of long-term funding of over 1M EUR. Our team is quite optimistic about the Scramble business model, market environment, and the Company's traction to date, and looks forward to an eventful 2022.

Kamil Kurmakayev

Management Board member

The annual accounts

Statement of financial position

(In Euros)

	31.12.2021	31.12.2020	Note
Assets			
Current assets			
Cash and cash equivalents	421 825	12 826	
Receivables and prepayments	47 810	2 500	
Tax prepayments and receivables	4 206	0	
Other receivables	40 212	2 500	7
Prepayments	3 392	0	
Total current assets	469 635	15 326	
Non-current assets			
Receivables and prepayments	217	0	
Other receivables	217	0	
Property, plant and equipment	1 107	0	2
Intangible assets	72 381	32 018	3
Total non-current assets	73 705	32 018	
Total assets	543 340	47 344	
Liabilities and equity			
Liabilities			
Current liabilities			
Loan liabilities	722 638	0	4
Payables and prepayments	81 588	5 249	
Trade payables	10 292	4 111	
Employee payables	876	0	
Tax payables	1 563	0	
Other payables	68 857	1 138	
Total current liabilities	804 226	5 249	
Non-current liabilities			
Loan liabilities	0	110 928	4
Total non-current liabilities	0	110 928	
Total liabilities	804 226	116 177	
Equity			
Issued capital	2 500	2 500	
Retained earnings (loss)	-71 333	0	
Annual period profit (loss)	-192 053	-71 333	
Total equity	-260 886	-68 833	
Total liabilities and equity	543 340	47 344	

Income statement

(In Euros)

	2021	16.06.2020 - 31.12.2020	Note
Work performed by entity and capitalised	42 669	21 522	3
Raw materials and consumables used	-1 259	-379	
Other operating expense	-157 571	-91 337	5
Employee expense	-12 898	0	6
Depreciation and impairment loss (reversal)	-4 672	0	2, 3
Other expense	-129	0	
Operating profit (loss)	-133 860	-70 194	
Interest expenses	-58 193	-1 139	
Profit (loss) before tax	-192 053	-71 333	
Annual period profit (loss)	-192 053	-71 333	

Notes

Note 1 Accounting policies

General information

Scramble OÜ (hereinafter: Company) financial statements of 2021 have been prepared in accordance with the Estonian Financial Reporting Standard. The basic requirements of the Estonian Financial Reporting Standard are established by the Accounting Act of the Republic of Estonia, supplemented by guidelines issued by the Accounting Standards Board.

The financial statements have been prepared in EUR.

This is a shorter version of financial statement for small business.

The income statement scheme No.1 is used.

Cash and cash equivalents

Cash and cash equivalents include cash balances and current account balances in the balance sheet.

Foreign currency transactions and assets and liabilities denominated in a foreign currency

The business currency of the company is EUR. Transactions recorded in foreign currencies are based on the official exchange rates of the European Central Bank on the day of the transaction. The assets and liabilities denominated in foreign currencies as at 31st December of 201X are translated into euro at the exchange rates prevailing on the balance sheet date of the European Central Bank. Gains and losses from currency transactions are recognized in the income statement as income or expense for the period.

Receivables and prepayments

Trade receivables, accrued income and other short and long-term receivables (including loan claims, deposits) are carried at amortized cost. At each balance sheet date, it is assessed whether there are any indications of impairment of these financial assets. If such features are present, the financial assets at amortized cost are lowered to their present value than expected future payments. Impairment losses are recognized as an expense in the income statement.

Plant, property and equipment and intangible assets

Items of property, plant and equipment are recognised in the balance sheet at cost. Assets with a useful life of more than one year and cost of over EUR 750 that are used in the company's own operations are considered as items of property, plant and equipment. Assets with a useful life of more than 1 year but with cost of less than EUR 750 are recognised as low-value items in inventories (expenses). The low-value items that have been expensed are accounted for off-balance sheet.

Depreciation is calculated using the straight-line method. The depreciation rate is determined for each item of property, plant and equipment depending on its useful life.

For the assets with a significant residual value, only the depreciable portion between the cost and residual value is depreciated over the useful life of the asset.

If an item of property, plant and equipment consists of distinct components with different useful lives, these components are recognised as separate assets in accounting, and separate depreciation rates are determined in accordance with their useful lives.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management and it is performed until complete depreciation of the depreciable portion or until the asset's complete removal from use. Depreciation of the asset temporarily removed from use is not suspended.

At each balance sheet date, the depreciation rates, depreciation method and terminal value are evaluated to determine their reasonableness.

If the recoverable amount of the non-current asset (i.e. higher of the fair value (less costs to sell) and value in use) is lower than the carrying amount, the items of property, plant and equipment are written down to their recoverable amount.

Recognition of property, plant and equipment is terminated in the event of the transfer of the asset or in case the use or sale of the asset is no longer expected to be economically viable. Gains or losses arising from derecognition of property, plant and equipment are recognised in other income or other expenses in the income statement.

Intangible assets are recorded in the balance sheet at cost less any accumulated depreciation and any impairment losses. Depreciation is calculated using the straight-line method. If the useful life of an intangible asset cannot be reliably estimated, it is assumed that its useful life is 10 years.

Development costs are the costs of developing, designing and testing new products. Development costs are capitalized if there are technical and financial opportunities and a positive intention to implement the project, the company is able to sell the assets to be made, and the development costs and the future economic benefits of intangible assets can be measured reliably.

Financial liabilities

All financial liabilities (trade payables, borrowings, accrued liabilities and other current and non-current liabilities) are initially recognized at cost, which includes all costs directly attributable to the acquisition. Subsequent recognition is adjusted cost method.

A financial liability is classified as current if it is due to be settled within twelve months after the balance sheet date or there is no unconditional right to defer settlement of the liability for more than 12 months after the balance sheet date.

Loans that are due to be repaid within 12 months of the balance sheet date but are refinanced as non-current after the balance sheet date, but before the approval of the annual accounts are recorded as current. Short-term loan liabilities that the lender had were also recognized the right to call back on the balance sheet date due to a breach of the terms of the loan agreement.

Expense recognition

Cost on goods is recognized when the costs related to the sale can be reliably measured. The costs of providing the service are reflected in the provision of the service during the same period.

Taxation

According to the Estonian Income Tax Act, the profit of a company's financial year is not taxed. Income tax is payable on dividends, fringe benefits, gifts, donations, admission fees, non-business payouts and transfer pricing adjustments.

As of 01.01.2015, the tax on dividends distributed is 20/80 of net payable. Under certain conditions, it is possible to distribute the received dividends without additional tax expense.

As of 01.01.2019, the tax on regular dividends distributed is 14% = 14/86 of net payable. A lower tax rate is levied on 1/3 of the profits distributed over the last 3 years.

Corporate income tax on dividends is recognized as a liability and in the income statement as income tax expense in the same period as dividends are declared irrespective of the period for which they are declared or when they are actually paid out. The obligation to pay income tax arises on the 10th day of the month following the payment of dividends. Based on the peculiarities of the tax system, the registered companies in Estonia do not differ between the tax accounting and book value of the assets and, as a consequence, deferred tax claims or liabilities. The contingent income tax liability that would result from retained earnings on dividend payments is not recognized in the balance sheet. The maximum tax liability that would result from the distribution of retained earnings as dividends is disclosed in the notes to the financial statements.

Related parties

The company's annual report has been considered related parties:

- a. owners;
- b. societies;
- c. executive and senior management;
- d. close family members of the persons listed above, and companies controlled by them or significantly influenced by them.

Events after reporting date

The financial statements reflect the significant circumstances that have an effect on the valuation of assets and liabilities as of the balance sheet date, 31 December 2011 and the reporting date, but are related to transactions during the reporting period or earlier periods. Events after the reporting date that have not been taken into account in the valuation of assets and liabilities, but that materially affect the results for the next financial year, are disclosed in the notes to the financial statements.

Given that Scramble OÜ provides platform administration services and does not bear the credit risk or other financial risks related to these assets or liabilities, but only earns a service fee for servicing them, these items are disclosed in the company's financial statements, while these assets and liabilities are not reflected in the balance sheet. They are kept off-balance sheet.

Note 2 Property, plant and equipment

(In Euros)

	Total	
	Computers and computer systems	
31.12.2020		
Carried at cost	0	0
Accumulated depreciation	0	0
Residual cost	0	0
Acquisitions and additions	1 139	1 139
Other acquisitions and additions	1 139	1 139
Depreciation	-32	-32
31.12.2021		
Carried at cost	1 139	1 139
Accumulated depreciation	-32	-32
Residual cost	1 107	1 107

Note 3 Intangible assets

(In Euros)

			Total
	Computer software	Concessions, patents, licences, trademarks	
16.06.2020			
Carried at cost	0	0	0
Accumulated depreciation	0	0	0
Residual cost	0	0	0
Acquisitions and additions	32 018	0	32 018
Depreciation	0	0	0
31.12.2020			
Carried at cost	32 018	0	32 018
Accumulated depreciation	0	0	0
Residual cost	32 018	0	32 018
Acquisitions and additions	42 668	2 335	45 003
Depreciation	-4 640	0	-4 640
31.12.2021			
Carried at cost	74 686	2 335	77 021
Accumulated depreciation	-4 640	0	-4 640
Residual cost	70 046	2 335	72 381

Note 4 Loan commitments

(In Euros)

	31.12.2021	Allocation by remaining maturity			Interest rate	Base currencies	Due date
		Within 12 months	1 - 5 years	Over 5 years			
Non-current loans							
	20 970	20 970	0	0	10%	EUR	01.11.2022
	207 000	207 000	0	0	10%	EUR	01.11.2022
	16 745	16 745	0	0	10%	EUR	01.11.2022
	12 630	12 630	0	0	10%	EUR	01.11.2022
	38 000	38 000	0	0	10%	EUR	01.11.2022
	16 681	16 681	0	0	10%	EUR	01.11.2022
	16 794	16 794	0	0	10%	EUR	01.11.2022
	250 000	250 000	0	0	10%	EUR	01.11.2022
	16 800	16 800	0	0	10%	EUR	01.11.2022
	85 170	85 170	0	0	10%	EUR	01.11.2022
	15 000	15 000	0	0	10%	EUR	01.11.2022
	26 848	26 848	0	0	3%	EUR	31.12.2022
Non-current loans total	722 638	722 638	0	0			
Loan commitments total	722 638	722 638	0	0			
	31.12.2020	Allocation by remaining maturity			Interest rate	Base currencies	Due date
		Within 12 months	1 - 5 years	Over 5 years			
Non-current loans							
Convertible loan	33 450	0	33 450	0	10%	EUR	01.11.2022
Convertible loan	12 630	0	12 630	0	10%	EUR	01.11.2022
Convertible loan	38 000	0	38 000	0	10%	EUR	01.11.2022
Owner loan	26 848	0	26 848	0	3%	EUR	31.12.2022
Non-current loans total	110 928	0	110 928	0			
Loan commitments total	110 928	0	110 928	0			

Note 5 Miscellaneous operating expenses

(In Euros)

	2021	16.06.2020 - 31.12.2020
Leases	-8 220	0
Miscellaneous office expenses	-1 136	0
Travel expense	-819	0
Marketing	-25 956	-32 362
Legal fees	-14 519	-20 995
IT maintenance	-65 672	-24 607
Other	-41 249	-13 373
Total miscellaneous operating expenses	-157 571	-91 337

Note 6 Labor expense

(In Euros)

	2021	16.06.2020 - 31.12.2020
Wage and salary expense	9 635	0
Social security taxes	3 263	0
Total labor expense	12 898	0
Average number of employees in full time equivalent units	1	0
Average number of employees by types of employment:		
Person employed under employment contract	1	0

Company did not have any employees in 2020.

Note 7 Related parties

(In Euros)

Related party balances according to groups

SHORT TERM	31.12.2021	31.12.2020
Receivables and prepayments		
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	40 046	2 500
Close family members and entities under their prevalent and material influence of management and higher	63	0
Total receivables and prepayments	40 109	2 500
LONG TERM	31.12.2021	31.12.2020
Loan commitments		

Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	26 848	26 848
Close family members and entities under their prevalent and material influence of management and higher	38 000	38 000
	64 848	64 848

LOAN COMMITMENTS	16.06.2020	Loans received	Loans received repayments	31.12.2020	Interest accrued for period
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	0	26 848	0	26 848	623
Close family members and entities under their prevalent and material influence of management and higher	0	38 000	0	38 000	0
Total loan commitments	0	64 848	0	64 848	623

LOAN COMMITMENTS	31.12.2020	Loans received	Loans received repayments	31.12.2021	Interest accrued for period
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	26 848	0	0	26 848	1 425
Close family members and entities under their prevalent and material influence of management and higher	38 000	0	0	38 000	3 800
Total loan commitments	64 848	0	0	64 848	5 225

Note 8 Events after the reporting date

The military conflict between Ukraine and Russia that erupted on 24 February 2022 is a non-corrective event after the reporting date. The direct impact of the conflict is difficult to assess, as the conflict persists at the time of writing.

The company is monitoring the situation closely and based on its current position, it will not have a significant negative impact on the short-term results of our operations. The company takes all necessary measures to protect its people and mitigate the threat to our customers and the company as a whole.

Note 9 Funds received and issued

In 2021, a total of EUR 84,611 was received from investors and loans in the amount of EUR 82,000 were issued to users. Interest was calculated in the amount of 523 eur and interest in the amount of 303 eur was received from the users.