

ANNUAL REPORT

beginning of financial year: 01.01.2022

end of the financial year: 31.12.2022

business name: Scramble OÜ

register code: 14991448

street, building, apartment, farm: Pärnu mnt 22

city: Tallinn

county: Harju maakond

postal code: 10141

telephone: +7 7750692038

e-mail address: kamil@scrambleup.com

web address: www.scrambleup.com

Table of contents

Management report	3
The annual accounts	5
Statement of financial position	5
Income statement	6
Notes	7
Note 1 Accounting policies	7
Note 2 Property, plant and equipment	9
Note 3 Intangible assets	10
Note 4 Loan commitments	11
Note 5 Miscellaneous operating expenses	12
Note 6 Labor expense	12
Note 7 Related parties	12
Signatures	14

Management report

Management report

General description of Scramble OÜ activities

Scramble OÜ (hereinafter – the Company) operates Scramble peer-to-business (P2B) loan platform (hereinafter – Scramble), www.scrambleup.com. Scramble is a global online lending platform enabling Europeans to make inventory loans to consumer goods brands. Scramble acts as an intermediary between platform users – Investors, seeking stable returns on their placed funds, and Borrowers – consumer goods companies, looking for an affordable source of working capital financing. Company's main source of income are service fees charged to Startups from facilitating the borrowing of funds on the platform.

Operations and financial results of the Company

In 2022 the Company successfully scaled both the number of retail investors and the number of borrowers who use our platform. We were happy to see that both customers provided strong positive reviews of Scramble product and service quality in person to our team and via TrustPilot online reviews.

Scramble product proved to be a major disruption in the UK consumer packaged goods (CPG) space, enabling small and medium-sized brands to grow their business without having to sell a big part of their company to investors. Having started the year with just a few CPG brands on the platform, over the course of 2022 Scramble has validated over a thousand and funded several dozens of promising UK CPG brands. The range of brands we helped grow includes healthy and eco-friendly foods, drinks, snacks, as well as health and beauty products, baby products, etc.

Likewise, we see tremendous demand from small retail investors across many European countries. The simplicity and convenience of Scramble makes our platform one of the easiest ways for any European to begin their investing journey.

The platform has registered over 2500 individual ("retail") investors, identified and pre-approved over 1500 promising CPG brands ("borrowers") and funded 24 businesses in the year 2022. The total volume of facilitated borrowing through the platform reached 471 thousand EUR (2021: 82 thousand EUR).

Scramble invested over 88 thousand EUR in the development of basic IT processes and the platform functionality, the total cost of the software reaching 57 thousand EUR as of 31 December 2022. For the 2022 financial year the Company generated a net loss of 513 thousand EUR (2021: 192 thousand EUR) in line with management's expectations and related to business implementation phase where no income was forecasted.

During 2022 the Company raised financing in the amount of over 1'000 thousand EUR (2021: 700 thousand EUR) via convertible loans. All loans are interest bearing. The loan conversion into company's shares is planned for the course of 2024 – 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 across market, operations, regulatory, and other domains, which are actively managed by Scramble management.

Market and operational risk management

European economies remained volatile throughout 2022 because of the combined effects of the UK exit from the EU (so-called "Brexit"), post-COVID global recovery, Russian war in Ukraine, high inflation, and disrupted supply chains. Generally speaking, the year 2022 was a challenging year for most European businesses. Companies had to rethink their geographical presence, their supply chains, their sources of funding, all the while battling increasing operational costs and disrupted operations.

While Scramble was a relatively small business in 2022, we too had to take the broader market forces into account. As a first priority, we raised extra capital from our investors (over €1M in funding over the course of 2022). Second, we kept our costs at a very low level despite innovative nature and complexity of Scramble platform. Thanks to these measures, Scramble had enough funds to operate not just through 2022 but until the late 2023.

Regulatory risk management

Company operations in the year 2021 were not subjected to P2P regulation or licensing in Estonia. Over the course of 2022, the European Commission has further extended transitional period to a new pan-European crowdlending for business service provider (ECSP) until November 2023.

However, Scramble is subject to other legal requirements related to the nature of its business. The 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.

The Russian invasion of Ukraine was met with very vocal and proactive opposition by all European countries. One aspect of such opposition was a set of sanctions and restrictions on any business dealings with Russia and Belarus. While Scramble borrowers and investors are overwhelmingly based in the EU (investors) and in the UK (borrowers), we had to freeze a small number of investor accounts who had residency in Russia.

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 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 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 the total loan portfolio. While Scramble is not directly exposed to a significant degree of credit risk with regards to the loan portfolio, the 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 platform. This involves growing the number of individual Investors and their personal funds invested via Scramble platform, as well as CPG brands seeking inventory financing. As with any marketplace, it is highly important to grow both sides of the platform in a way that keeps users highly satisfied and likely to use our services repeatedly.

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 both the access to beginner investing and inventory funding for CPG brands remains highly constrained across Europe. For instance, less than 12% of household financial assets in the US are kept in the banks. In Europe, the same metric is a whopping 32%. In the absence of convenient entry points to the investing, Europeans are forced to keep their savings in banks – which usually means earning much lower interest income than the consumer inflation.

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 issues of access to beginner investing for Europeans and of access to inventory finance for early-stage CPG brands. While Scramble is aiming to service the European 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 2022 was development and scaling of the Scramble P2P business model, IT platform functionality, and appropriate legal and regulatory documentation.

Kamil Kurmakayev

Management Board member

The annual accounts

Statement of financial position

(In Euros)

	31.12.2022	31.12.2021
Assets		
Current assets		
Cash and cash equivalents	306 161	421 825
Receivables and prepayments	32 733	47 810
Accounts receivable	20 262	0
Tax prepayments and receivables	10 661	4 206
Other receivables	0	40 212
Prepayments	1 810	3 392
Total current assets	338 894	469 635
Non-current assets		
Receivables and prepayments	217	217
Other receivables	217	217
Property, plant and equipment	1 980	1 107
Intangible assets	153 575	72 381
Total non-current assets	155 772	73 705
Total assets	494 666	543 340
Liabilities and equity		
Liabilities		
Current liabilities		
Loan liabilities	0	722 638
Payables and prepayments	96 421	81 588
Trade payables	3 277	10 292
Employee payables	3 000	876
Tax payables	0	1 563
Other payables	90 144	68 857
Total current liabilities	96 421	804 226
Non-current liabilities		
Loan liabilities	1 132 610	0
Payables and prepayments	39 497	0
Other payables	39 497	0
Total non-current liabilities	1 172 107	0
Total liabilities	1 268 528	804 226
Equity		
Issued capital	2 500	2 500
Retained earnings (loss)	-263 408	-71 333
Annual period profit (loss)	-512 954	-192 053
Total equity	-773 862	-260 886
Total liabilities and equity	494 666	543 340

Income statement

(In Euros)

	2022	2021
Revenue	1 887	0
Other income	20	0
Work performed by entity and capitalised	88 438	42 669
Raw materials and consumables used	0	-1 259
Other operating expense	-471 752	-157 571
Employee expense	-59 204	-12 898
Depreciation and impairment loss (reversal)	-7 624	-4 672
Other expense	-736	-129
Operating profit (loss)	-448 971	-133 860
Interest income	69	0
Interest expenses	-63 971	-58 193
Other financial income and expense	-81	0
Profit (loss) before tax	-512 954	-192 053
Annual period profit (loss)	-512 954	-192 053

Notes

Note 1 Accounting policies

General information

Scramble OÜ (hereinafter: Company) financial statements of 2022 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 2012 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
Acquisitions and additions	1 253	1 253
Other acquisitions and additions	1 253	1 253
Depreciation	-380	-380
31.12.2022		
Carried at cost	2 392	2 392
Accumulated depreciation	-412	-412
Residual cost	1 980	1 980

Note 3 Intangible assets

(In Euros)

			Total
	Computer software	Concessions, patents, licences, trademarks	
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
Acquisitions and additions	88 437	0	88 437
Depreciation	-7 243	0	-7 243
31.12.2022			
Carried at cost	163 123	2 335	165 458
Accumulated depreciation	-11 883	0	-11 883
Residual cost	151 240	2 335	153 575

Note 4 Loan commitments

(In Euros)

	31.12.2022	Allocation by remaining maturity			Interest rate	Base currencies	Due date
		Within 12 months	1 - 5 years	Over 5 years			
Non-current loans							
Convertible loan	20 970		20 970		10%	EUR	30.06.2024
Convertible loan	200 000		200 000		12%	EUR	22.02.2023
Convertible loan	4 500		4 500		12%	EUR	30.06.2024
Convertible loan	85 170		85 170		10%	EUR	30.06.2024
Convertible loan	5 000		5 000		12%	EUR	07.02.2023
Convertible loan	89 950		89 950		12%	EUR	25.12.2024
Loan from the owner	727 020		727 020			EUR	30.06.2024
Non-current loans total	1 132 610		1 132 610				
Loan commitments total	1 132 610		1 132 610				
	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							
Convertible loan	20 970	20 970	0	0	10%	EUR	01.11.2022
Convertible loan	207 000	207 000	0	0	10%	EUR	01.11.2022
Convertible loan	16 745	16 745	0	0	10%	EUR	01.11.2022
Convertible loan	12 630	12 630	0	0	10%	EUR	01.11.2022
Convertible loan	38 000	38 000	0	0	10%	EUR	01.11.2022
Convertible loan	16 681	16 681	0	0	10%	EUR	01.11.2022
Convertible loan	16 794	16 794	0	0	10%	EUR	01.11.2022
Convertible loan	250 000	250 000	0	0	10%	EUR	01.11.2022
Convertible loan	16 800	16 800	0	0	10%	EUR	01.11.2022
Convertible loan	85 170	85 170	0	0	10%	EUR	01.11.2022
Convertible loan	15 000	15 000	0	0	10%	EUR	01.11.2022
Convertible loan	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			

Note 5 Miscellaneous operating expenses

(In Euros)

	2022	2021
Leases	-1 871	-8 220
Miscellaneous office expenses	-8 033	-1 136
Travel expense	-2 611	-819
Marketing	-86 798	-25 956
Legal fees	-40 526	-14 519
IT maintenance	-57 225	-65 672
Other	-274 688	-41 249
Total miscellaneous operating expenses	-471 752	-157 571

Note 6 Labor expense

(In Euros)

	2022	2021
Wage and salary expense	46 269	9 635
Social security taxes	12 935	3 263
Total labor expense	59 204	12 898
Average number of employees in full time equivalent units	1	1
Average number of employees by types of employment:		
Person employed under employment contract	1	1

Note 7 Related parties

(In Euros)

Related party balances according to groups

SHORT TERM	31.12.2022	31.12.2021
Receivables and prepayments		
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	0	40 046
Close family members and entities under their prevalent and material influence of management and higher	0	63
Total receivables and prepayments	0	40 109
Loan commitments		
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	187	0
Total loan commitments	187	0
LONG TERM	31.12.2022	31.12.2021
Loan commitments		

Parent company	727 020	0
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	0	26 848
Close family members and entities under their prevalent and material influence of management and higher	0	38 000
	727 020	64 848

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

LOAN COMMITMENTS	31.12.2021	Loans received	Loans received repayments	31.12.2022	Interest accrued for period
Parent company	0	1 040 898	313 878	727 020	
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	26 848	187	26 848	187	
Close family members and entities under their prevalent and material influence of management and higher	38 000	0	38 000	0	1 572
Total loan commitments	64 848	1 041 085	378 726	727 207	1 572