

ANNUAL REPORT

beginning of financial year: 31.07.2019

end of the financial year: 31.12.2020

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Management report

Introduction

In 2020, Crowdestate AS completed the takeover of the management of the leading European real estate crowdfunding platform Crowdestate.eu, founded in January 2014. In the brand new world of crowdfunding, turning 7 makes Crowdestate also one of the oldest real estate crowdfunding marketplaces around.

Crowdestate's mission is to revolutionize real estate investing and make professional-grade real estate investments accessible to everyone. Our long-term goal is supported by our local teams and by our globally scalable technology, which consolidates the investments of our tens of thousands of investors into single, large and valuable investment power.

Crowdestate continues creating financial and emotional relationships between our investors and professional real estate companies, providing the investors with exciting, high-quality, pre-vetted and geographically diversified investment opportunities.

The real estate companies are benefiting from Crowdestate's swift and competitive capability to provide them with different types of capital when needed.

We have highlighted the important facts that affected our business in 2020 or could be affecting it in the future.

European crowdfunding regulation

The European Parliament adopted the long-awaited pan-European crowdfunding regulation on October 7, 2020. The directly applicable regulation will enter into force in November 2021 and all European crowdfunding service providers are required to apply for the crowdfunding service provider's license with their local financial supervisory authority.

The introduction of a single pan-European regulation is extremely positive - a common legal space and rules will replace the current highly fragmented crowdfunding market with a single large economic space, creating new opportunities for well-functioning crowdfunding platforms to scale their business across all European Union member states. The new licensing requirements and the subordination of crowdfunding service providers to the financial supervisory authorities will provide additional assurances for investors and keep unfit and shady people far from the crowdfunding business.

Crowdestate intends to apply for a crowdfunding service provider's license in Q4 2021.

Self-regulation in Estonia

All professional Estonian crowdfunding platforms have voluntarily subordinated themselves to the Crowdfunding Best Practice, a self-regulatory regime under the auspices of FinanceEstonia.eu, an independent public-private cluster initiative with more than 120 professional members committed to developing the Estonian financial ecosystem.

The annual disclosure and certification process ensures that the platforms applying for a best practice award comply with the requirements of the self-regulatory regime.

Crowdestate is the only crowdfunding platform having been awarded the FinanceEstonia Crowdfunding Best Practices award each year since the establishment of the award in 2016.

More information on the Estonian crowdfunding self-regulatory regime and the certified members can be found at http://www.financeestonia.eu/priority_niche/crowdfunding/.

Crowdestate is a regulated payment institution now

Crowdestate's largest internal development project in 2020 was the application for a payment institution license and the implementation of the accompanying internal changes. The process, which lasted almost 1.5 years, culminated on June 22, 2021, with the Estonian Financial Supervision Authority's issuance of a payment institution license.

As of that date, Crowdestate has the right to provide payment execution services, including the transfer of funds to a payment account opened with Crowdestate.

The payment institution's license gives Crowdestate's customers full confidence that the funds deposited in their Crowdestate investment accounts are kept carefully and securely following the applicable internal and external regulations. Capital adequacy ratios that depend on payment volumes guarantee that Crowdestate has sufficient capital to ensure the sustainability of its business.

Shortly, all Crowdestate investment accounts will become fully functional payment accounts, allowing the clients to make payments to third parties. All investment accounts will have an IBAN (Crowdestate AS has been assigned an identification code 55), so the execution of monetary transfers becomes even easier than before. Crowdestate's customers do not need to have an additional "cash wallet" with a third party payment institution compared to other crowdfunding service providers.

The Crowdestate API, which is currently used for the exchange of information between our front-end and back-end systems and LHV Bank, will become available to all regulated third parties following the European Union's Open Banking Principles. We hope that the publication of our API will encourage third parties to create new and exciting services to further improve their clients' investment and payment activities.

The process of applying for a payment institution license was a great learning opportunity for Crowdestate, enforcing us to review and upgrade a large part of our internal rules and business processes. We are optimistic about the process of applying for the crowdfunding service provider's license later this year - our "house" is in order and a major part of the necessary preparations for applying for a crowdfunding license has already been completed.

Crowdestate intends to submit the necessary applications for the permits to provide cross-border payment services in other European Union member states later this year, starting from the countries where we are currently operating.

Changes in the corporate governance structure

Simultaneously with the receipt of the payment institution license, the following changes were made in Crowdestate's corporate governance structure:

- Loit Linnupõld, the founder and chairman of the board of Crowdestate, took the position of the chairman of the Supervisory Board of Crowdestate;
- Allan-Kristjan Mauer, Member of the Management Board of Crowdestate, took the role of the Group CEO and Chairman of the Board of Crowdestate and
- Robert-Mihai Butoi, Head of Crowdestate's Romanian Branch, was elected to be the second member of Crowdestate's Management Board and the Group Chief Risk Officer.

The transfer of business from Crowdestate's parent company to Crowdestate was completed in 2020, and all parent company's business activities, assets and liabilities were transferred to Crowdestate.

As a result of the transfer process, Crowdestate's registered and paid-in share capital was increased to EUR 250,000.

Geographic expansion

Physical presence is an essential part of Crowdestate's business model - we are committed to having a local team in every location we operate. All investment opportunities in any specific country are sourced, analyzed, prepared and monitored by our local teams and according to our global standards. This approach ensures all published investment opportunities meet the same qualitative standards across different countries.

As of the end of 2020, Crowdestate was operating in 4 European Union member states - Estonia, Latvia, Romania and Italy.



In 2020, Crowdstate started preparations for opening offices in two new EU Member States - Portugal and Slovakia. Due to the COVID-19 pandemic and the consequent travel restrictions and uncertainty in the real estate markets, the recruitment and office opening processes were much slower than originally planned and our country managers in Portugal and Slovakia started their work in April 2021.

Impact of COVID-19

The exploding COVID-19 pandemic forced the governments to impose strict restrictions on the free movement of people and goods. The resulting economic uncertainty forced the real estate developers to freeze or stop their development projects, and the investors lost their investment appetite overnight.

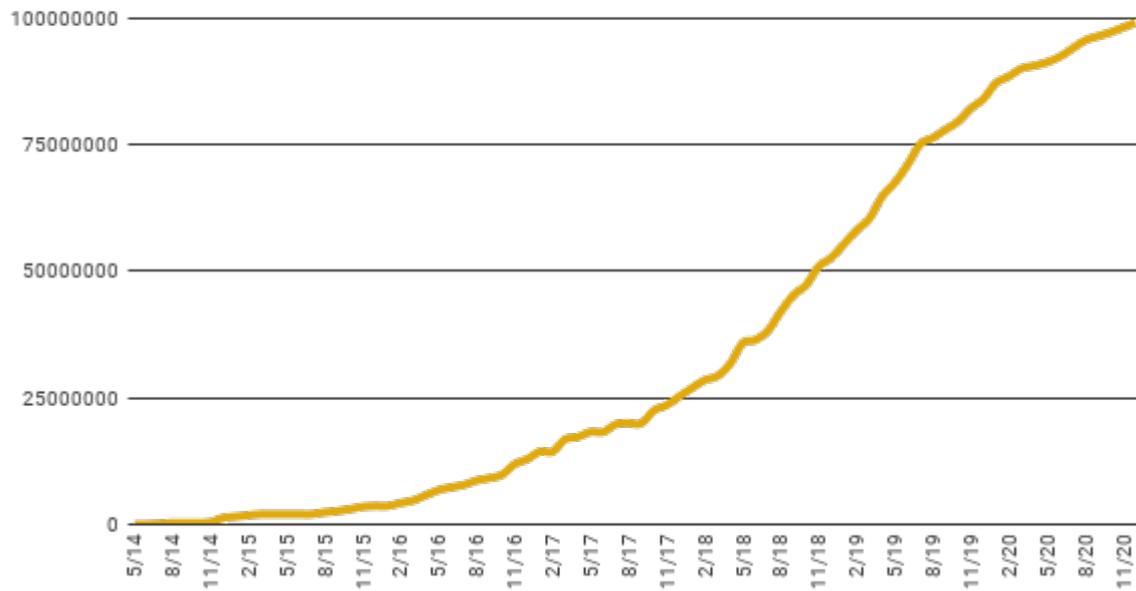
COVID-19 had a significant negative impact on Crowdstate's activities and business results.

New investments

There were 91 new investment opportunities worth EUR 16,7 million EUR funded on Crowdstate's platform in 2020. The average size of an investment opportunity in 2020 was EUR 185,000. The value of the largest single investment opportunity published in 2020 was EUR 750,000, and the value of the smallest one was EUR 50,000.00.

As of the end of 2020, Crowdstate has successfully funded a total of 297 investment opportunities worth a total of 98,7 million EUR.

Funds raised



Successful exits

90 different investment opportunities made successful exits in 2020 and the total number of successful exits reached 195 as of the end of 2020.

Exited investments made payouts in the total amount of 21,3 million EUR in 2020. EUR 18,9 million EUR was paid out as principal repayments and 2,4 million EUR was paid out as interest and penalties.

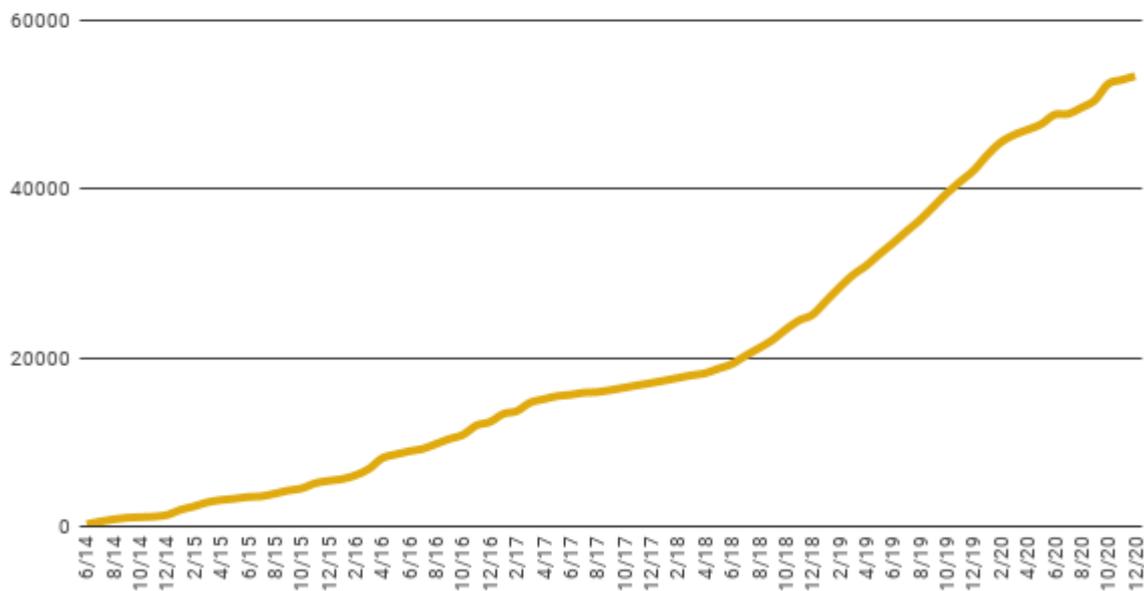
The total amount of funds returned to Crowdestate's investors reached 92,9 million EUR by the end of 2020. The total amount of returned principal reached 81,1 million EUR, the paid out interest reached 11,4 million EUR and the total sum of penalties reached 0,4 million EUR.

The average return of all exited investment opportunities over the lifetime of Crowdestate is 16,2% per annum.

Investors

The number of Crowdestate's investors increased from 42,327 at the end of 2019 to 53,338 at the end of 2020, up by 26%

Investors



The slowdown in the growth rate of the number of investors was caused both by the uncertainty arising from the COVID-19 pandemic and the significantly reduced marketing and advertising costs.

Crowdstate's investors continue to be truly global, coming from nearly 100 countries. The majority of the investors originate from Crowdstate's main markets in Estonia, Italy and Romania, proving both the country-bias as well as the hyperlocality of real estate investments.

Investors concluded 45,245 investment contracts in 2020, the average size of investment contract was EUR 369.

Financial highlights

The COVID-19 pandemic resulted in a significantly lower number of real estate projects meeting Crowdstate's qualification standards. Crowdstate's EBITDA for 2020 was EUR 427,000 and the net profit for the financial year was EUR 304,000.

Crowdstate's balance sheet remains robust - the company has essentially no credit liabilities and the company is fully funded by equity. The company's share capital of EUR 250,000 exceeds the minimum regulatory capital applicable to payment institutions by 2 times and the total equity exceeds the required regulatory capital by more than 10 times.

Crowdstate's equity, including retained earnings, amounted to EUR 1,374,000 at the end of 2020.

Technological improvements

Crowdstate continued its investments into its information technology, improving its capacity, performance, and security, adding new functionality and updating the user interfaces.

In addition, Crowdstate invested in the development of IT solutions necessary for the performance of the functions of a payment institution.

Crowdstate continues to be the only Estonian as well as one of the very few European crowdfunding marketplaces providing its Sponsors with income tax withholding services, allowing the Sponsors to perform their income tax withholding obligations properly and thus, ensuring their compliance with local tax regulations.

Risks and uncertainties

Like all companies, Crowdstate faces risks and uncertainties related to the nature of our business. Among these are managing growth, credit and investment risk, third-party partner activity, regulation, infrastructure and system interruptions, and overall economic uncertainty. Crowdstate has taken reasonable steps to protect its business against such risks and uncertainties.

Crowdestate is committed to good governance and control to run its business effectively and manage risk appropriately. The company aims to run a business that is innovative and successful without exposing it and its investors to unacceptable risks. Crowdestate believes to be well-positioned to continue to provide great value and service to its investors.

2021 outlook

In 2021, Crowdestate continues growing both its investor demand and the real estate investment supply, across all current business locations. Additionally to having opened the offices in Portugal and Slovakia, Crowdestate will aim to open 1-2 more new countries by the end of 2021. Crowdestate has started its preparations to submit its application to become a licensed crowdfunding service provider, the application is scheduled to be submitted in Q4 2021.

Management board

2 members were serving on the management board of Crowdestate in 2020. Their remuneration was EUR 96,379 in 2020.

The annual accounts

Statement of financial position

(In Euros)

	31.12.2020	31.07.2019	Note
Assets			
Current assets			
Cash and cash equivalents	791 711	125 000	2
Receivables and prepayments	412 236	0	3
Total current assets	1 203 947	125 000	
Non-current assets			
Receivables and prepayments	2 878	0	3
Property, plant and equipment	38 549	0	5
Intangible assets	279 962	0	6
Total non-current assets	321 389	0	
Total assets	1 525 336	125 000	
Liabilities and equity			
Liabilities			
Current liabilities			
Loan liabilities	25 647	0	7
Payables and prepayments	106 092	0	8
Total current liabilities	131 739	0	
Non-current liabilities			
Loan liabilities	19 167	0	7
Total non-current liabilities	19 167	0	
Total liabilities	150 906	0	
Equity			
Issued capital	250 000	125 000	10
Share premium	820 380	0	
Annual period profit (loss)	304 050	0	
Total equity	1 374 430	125 000	
Total liabilities and equity	1 525 336	125 000	

Income statement

(In Euros)

	31.07.2019 - 31.12.2020	Note
Revenue	1 248 266	11
Other income	12 337	
Raw materials and consumables used	-133 200	
Other operating expense	-388 613	12
Employee expense	-310 771	13
Depreciation and impairment loss (reversal)	-222 564	5,6
Other expense	-688	
Operating profit (loss)	204 767	
Interest income	82	
Interest expenses	-1 195	
Other financial income and expense	104 300	
Profit (loss) before tax	307 954	
Income tax expense	-3 904	
Annual period profit (loss)	304 050	

Notes

Note 1 Accounting policies

General information

The financial statements of Crowdstate AS for 2020 have been prepared in accordance with the Estonian Financial Reporting Standards.

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements have been prepared in euros.

The financial statements are presented for a longer period 31.07.2019-31.12.2020.

Crowdstate AS is classified as a "small business" and thus, the statement of cash flows and the statement of the changes in equity are not included in this annual report.

Cash and cash equivalents

Cash in hand and at the bank is recognized as "Cash and cash equivalents".

Receivables and prepayments

Accounts receivable have been valued in the balance sheet based on the amounts likely to be received. Each outstanding invoice is assessed individually, considering all the known information on the client's solvency. Doubtful receivables are partially or fully expensed, depending on the specific circumstances for being uncollectible.

Plant, property and equipment and intangible assets

When recognising fixed assets in the balance sheet, accumulated depreciation and impairment losses are deducted from their acquisition cost. Based on the materiality principle, those assets with an acquisition cost exceeding 640 euros and a useful life of more than one year are recognised as fixed assets. Assets with a lower acquisition cost or a shorter useful life are expensed when taken into use and are accounted for on off-balance-sheet accounts. The Company uses the straight-line method to depreciate its fixed assets.

Minimal acquisition cost 650

Useful life by assets group (years)

Assets group name	Useful life
Vehicles	3 aastat
Software	3 aastat

Financial liabilities

Financial liabilities include unpaid suppliers' invoices, accrued liabilities and other current and non-current liabilities. Financial liabilities are accounted for on the balance sheet at amortised costs. A financial liability is removed when it is discharged, cancelled or expired.

Revenue recognition

Revenue is recognised at the fair value of the receivable, taking into account any discounts and rebates granted. Revenue from the sale of goods is recognised when all significant risks and rewards of ownership have been transferred from the seller to the buyer, the revenue and transaction costs can be measured reliably and the collection of the receivable is probable.

Revenue from the sale of a service is recognised after the service has been provided or, if the service is provided over a longer period, based on the stage of completion method.

Related parties

The company considers parties to be related if one party has control over the other party or has a significant influence over the other party's business decisions, and such parties are:

The parent company (and owners of the parent company);

Other companies belonging to the same consolidation group;

Managing director, management board and supervisory board of a company and private owners with significant holdings, unless these persons do not have the opportunity to have a significant influence on the business decisions of the company.

In addition, related parties are close relatives of the persons described above and companies controlled or significantly influenced by them.

Note 2 Cash and cash equivalents

(In Euros)

	31.12.2020	31.07.2019
Bank accounts	791 711	125 000
Total cash and cash equivalents	791 711	125 000

Note 3 Receivables and prepayments

(In Euros)

	31.12.2020	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Accounts receivable	372 130	372 130	0	0	
Accounts receivables	475 090	475 090	0	0	
Allowance for doubtful receivables	-102 960	-102 960	0	0	
Receivables from related parties	31 653	31 653	0	0	
Tax prepayments and receivables	141	141	0	0	4
Other receivables	1 285	25	1 260	0	
Loan receivables	1 285	25	1 260	0	
Prepayments	8 287	8 287	0	0	
Deferred expenses	4 929	4 929	0	0	
Other paid prepayments	3 358	3 358	0	0	
Deposits	1 618	0	1 618	0	
Total receivables and prepayments	415 114	412 236	2 878	0	

Note 4 Tax prepayments and liabilities

(In Euros)

	31.12.2020		31.07.2019	
	Tax prepayments	Tax liabilities	Tax prepayments	Tax liabilities
Corporate income tax		323		0
Value added tax		16 245		0
Personal income tax		3 506		0
Social tax		8 771		0
Contributions to mandatory funded pension		333		0
Unemployment insurance tax		453		0
Prepayment account balance	141		0	
Total tax prepayments and liabilities	141	29 631	0	

Note 5 Property, plant and equipment

(In Euros)

					Total
	Transportation	Computers and computer systems	Other machinery and equipment	Machinery and equipment	
31.07.2019					
Carried at cost	0	0	0	0	0
Accumulated depreciation	0	0	0	0	0
Residual cost	0	0	0	0	0
Acquisitions and additions	25 740	3 070	647	29 457	29 457
Other acquisitions and additions	25 740	3 070	647	29 457	29 457
Depreciation	-12 687	-698	-323	-13 708	-13 708
Other changes	22 800	0	0	22 800	22 800
31.12.2020					
Carried at cost	82 739	3 070	647	86 456	86 456
Accumulated depreciation	-46 886	-698	-323	-47 907	-47 907
Residual cost	35 853	2 372	324	38 549	38 549

Note 6 Intangible assets

(In Euros)

	Total	
	Computer software	
31.07.2019		
Carried at cost	0	0
Accumulated depreciation	0	0
Residual cost	0	0
Acquisitions and additions	146 250	146 250
Depreciation	-208 845	-208 845
Other changes	342 557	342 557
31.12.2020		
Carried at cost	993 585	993 585
Accumulated depreciation	-713 623	-713 623
Residual cost	279 962	279 962

Note 7 Finance lease

(In Euros)

Accounting entity as lessee

	31.12.2020	Allocation by remaining maturity			Interest rate	Base currency	Due date
		Within 12 months	1 - 5 years	Over 5 years			
Financial lease contract 197926	22 050	2 883	19 167	0	2.600%	EUR	25.09.2025
Financial lease contract 135386	22 765	22 765	0	0	2.500%	EUR	25.12.2021
Finance lease obligations total	44 815	25 648	19 167	0			

Note 8 Payables and prepayments

(In Euros)

	31.12.2020	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Trade payables	52 851	52 851	0	0	
Employee payables	11 367	11 367	0	0	
Tax payables	29 631	29 631	0	0	4
Other payables	11 265	11 265	0	0	
Other accrued expenses	11 265	11 265	0	0	
Other liabilities	978	978	0	0	
Total payables and prepayments	106 092	106 092	0	0	

Note 9 Contingent liabilities and assets

(In Euros)

	31.12.2020	31.07.2019
Contingent liabilities		
Distributable dividends	243 240	0
Income tax liability on distributable dividends	60 810	0
Total contingent liabilities	304 050	0

Note 10 Share capital

(In Euros)

	31.12.2020	31.07.2019
Share capital	250 000	125 000
Number of shares (pcs)	250 000	125 000

In 2020, a contribution in kind was made, which increased assets in the total amount of EUR 1,036,930 and liabilities in the total amount of EUR 91,550.

euros. The value of net assets transferred was EUR 945,380.

Note 11 Net sales

(In Euros)

	31.07.2019 - 31.12.2020	31.07.2019 - 31.07.2019
Net sales by geographical location		
Net sales in European Union		
Estonia	758 030	0
Italy	242 983	0
Romania	125 183	0
Latvia	121 416	0
United Kingdom	74	0
Denmark	53	0
Portugal	44	0
Total net sales in European Union	1 247 783	0
Net sales outside of European Union		
Virgin Islands (British)	483	0
Total net sales outside of European Union	483	0
Total net sales	1 248 266	0
Net sales by operating activities		
Veebiportaalide tegevus	1 248 266	0
Total net sales	1 248 266	0

Note 12 Miscellaneous operating expenses

(In Euros)

	31.07.2019 - 31.12.2020	31.07.2019 - 31.07.2019
Leases	-18 900	0
Miscellaneous office expenses	-99 499	0
Travel expense	-4 737	0
Training expense	-149	0
Allowance for doubtful receivables	-18 306	0
Legal services	-129 742	0
Marketing services	-84 557	0
IT expenses	-24 716	0
Accounting and audit expenses	-8 007	0
Total miscellaneous operating expenses	-388 613	0

Note 13 Labor expense

(In Euros)

	31.07.2019 - 31.12.2020	31.07.2019 - 31.07.2019
Wage and salary expense	253 138	0
Social security taxes	63 983	0
Vacation reserve	1 449	0
Total labor expense	318 570	0
Average number of employees in full time equivalent units	7	0
Average number of employees by types of employment:		
Person employed under employment contract	6	0
Member of management or controlling body of legal person	1	0

Note 14 Related parties

(In Euros)

Balances with related parties by categories

	31.12.2020		31.07.2019	
	Receivables	Liabilities	Receivables	Liabilities
Parent company	31 653	0	0	0
Management, higher supervisory body and individuals with material ownership interest and the entities under their control or significant influence	0	157	0	0

Purchases and sales of goods and services

	31.07.2019 - 31.12.2020		31.07.2019 - 31.07.2019	
	Purchases of goods and services	Sales of goods and services	Purchases of goods and services	Sales of goods and services
Management, higher supervisory body and individuals with material ownership interest and the entities under their control or significant influence	146 250	0	0	0
Legal entities with material ownership interest and the entities under their control or significant influence	20 000	0	0	0

Remuneration and other significant benefits calculated for members of management and highest supervisory body	31.07.2019 - 31.12.2020	31.07.2019 - 31.07.2019

Remuneration	96 379	0
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