

LIMITED LIABILITY COMPANY
"Hedge Capital Company"
registration number
40103968692

Annual report for 2022

03.05.2023.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SIA "HEDGE CAPITAL COMPANY"

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of SIA "Hedge Capital Company" ("the Company") set out on pages 8 to 24 of the accompanying annual report, which comprise:

- the balance sheet as at 31 December 2022,
- the profit and loss statement for the year then ended,
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of SIA "Hedge Capital Company" as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and Law on Audit Services of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Reporting on Other Information

The Company's management is responsible for the other information. The other information comprises:

- Information about the Company, as set out on page 5 of the accompanying Annual Report,
- the Management Report, as set out on pages 6 to 7 of the accompanying Annual Report.

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Management Report has been prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management 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 management 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.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a 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.

Anita Kaņepa, Certified Auditor
Certificate No. 34, LZRA
SIA "ARMA K Revidents Auditors",
Chairman of the Board, LZRA License No.90

Riga, Mai 10, 2023

INFORMATION ABOUT COMPANY

COMPANY NAME	"Hedge Capital Company"
LEGAL FORM	Limited Liability Company
REGISTRATION NUMBER IN THE REGISTER OF ENTERPRISES OF THE REPUBLIC OF LATVIA	40103968692
PLACE AND DATE OF REGISTRATION	Riga, 11 february 2016
LEGAL ADDRESS	Gustava Zemgala avenue 74A, Riga, LV-1039
COMPANY BOARD	
	Name/Surname Andrejs Saricevs
	Position Member of the board
SHAREHOLDERS	
	Name LLC "DKS Holding"
	Proportion of shares % 100% of the shares
	Address Dzirnas street 19-32, Riga, LV-1021
ANNUAL REPORT PREPARED BY	
	Name/Surname Irina Fadejeva
	Position Accountant
REPORTING YEAR	01.01.2022 - 31.12.2022
PREVIOUS REPORTING YEAR	01.01.2021 - 31.12.2021
AUDITORS AND THEIR ADDRESSES	LLC "ARMA K Revidents Auditors" LACA License No. 90 P.Lejina 1-31, Riga, Latvia Certified Auditor Anita Kanepa Certificate No. 34

MANAGEMENT REPORT

Main activities

LLC "Hedge Capital Company", hereinafter - Company, provides credit granting services. NACE2 classification code - 64.92 Other credit granting.

Branches and representative offices abroad

The company has no branches and representative offices abroad.

Company's activity in the reporting year

In 2022, in the Republic of Latvia and in many other countries of the world, new restrictions have entered into force in connection with the ongoing hostilities in Ukraine. As a result of hostilities, the largest Ukrainian companies, which provided the other countries, including the Republic of Latvia, with raw materials and other goods have been paralyzed. In order to limit hostilities and support Ukraine, the countries of the world have introduced significant sanctions against Russia and Belarus. As a result of these sanctions, the import of many raw materials and products, as well as the export, have been limited, thus significant inflation can be observed in the sectors affected by the crisis. Taking into account the changes in the national economy of Latvia caused by the war, we have taken preventive measures to promote the further development of the company.

In order to stabilize loan repayment indicators and stabilize interest income, the policy of issuing new loans and debt recovery was improved, as a result of which the Company continued to demonstrate strong financial indicators and achieved positive profitability in 2022. The company's total revenues, incl. other economic activity revenues and other interest revenues reached 1,040,822 euros. By implementing the business strategy and all planned measures, the following financial indicators have been achieved in 2022:

Profitability ratios	<u>2022</u>	<u>2021</u>
Gross profitability %	55%	47%
Earnings before tax (EBT)	5%	-9%
Profitability on net profit %	5%	-9%

Gross profitability has increased by 8 percentage points compared to 2021, EBT increased by 15 percentage points. Significant growth of the loan portfolio allowed to achieve higher profitability indicators.

Liquidity ratios	<u>31.12.2022</u>
Current liquidity	6.06 coefficient
Total liquidity	6.07 coefficient

By the end of 2022 the Company's total liquidity ratio reached 6.07 mark.

Future prospects and future development

During 2022, the Company increased its loan portfolio by 22%, reaching 3.4 million euros. In 2022, the Company continues to increase its loan portfolio using investments raised by P2P platforms Iuvo Group and Bondster. In addition, the Company is negotiating with several P2P platforms with the aim of diversifying the investment flow. The management of the company highly values the trust of investors who provide significant funding for our business.

NordCard (SIA "Hedge Capital Company") has set itself the goal of becoming a non-bank lending company with the best customer service in the industry. The company has optimized costs, completed the product and significantly improved the quality of customer service. In the future, the main emphasis of the management will be on increasing the loan portfolio, optimizing the evaluation process and further improving repayment indicators.

Financial risk management

The Company's financial risk management policy is described in financial statement attachment (note No. 25).

Information on research and development activities

The Company has no costs for research and development activities during the reporting year.

MANAGEMENT REPORT

The company's own shares or units

The company is not a shareholder.

Use of financial instruments

The Company's most significant financial instruments are loans from legal entities, trade receivables and cash and its equivalents. The main task of these financial instruments is to provide funding for the Company's business activities. The Company also has some other financial instruments, such as other receivables, trade payables and other creditors arising directly from its operations.

Events after the last day of the reporting year

The ongoing hostilities in Ukraine and the impact of sanctions are still relevant in 2023. Currently, the Company does not cooperate and does not plan to cooperate with partners from Russia, Ukraine and Belarus, as well as the capital raised is obtained from Latvia or p2p platforms. The company's board and shareholders are only from Latvia, and they have not been affected by sanctions or political decisions related to the crisis. Also, the company's customers are only residents of Latvia, because the company itself operates only in Latvia. Therefore, the Company is not currently affected by the crisis, and the company's management does not foresee significant negative consequences in the near future.

At the moment, there is also no significant drop in borrowers' solvency, nor is it predicted that this could happen in 2023, because the company has not only implemented new borrower assessment procedures, but also changed the debt recovery policy, which has allowed to achieve positive profitability in 2022, as also expects to achieve even higher profitability in 2023.

We are confident that the actions taken will be sufficient to strengthen the company's position in the market in the long term. We carefully follow the available information about the crisis and political decisions in Latvia in order to reduce the impact of the crisis on NordCard. Something good comes out of every crisis and we are here to make it happen.

The financial statement has been prepared on a going concern basis and management does not see any liquidity problems regarding the above mentioned.

Profit distribution for the reporting year

The reporting year ended with profit: 56 273 euro

Company balance sheet value: 3 690 350 euro

The company's 2022 profit covers the losses of previous years by reinvesting them in the company.

Statement of management responsibility

The Company's management is responsible for the preparation of the financial statement based on the original accounting records for each reporting period that give a true and fair view of the Company's financial situation at the end of the reporting year and of the results of its operations.

Management confirms that in preparing this financial statement for the period ended 31 December 2021, appropriate accounting policies have been used, their application has been consistent, and reasonable and prudent decisions have been made. The management confirms that the relevant accounting principles of the Republic of Latvia have been complied with and the financial statement has been prepared in accordance with the going concern principle.

Management is responsible for keeping proper accounting records, for safeguarding the Company's assets, and for preventing and detecting fraud and other irregularities.

Management confirms that it has provided the information and explanations necessary for the audit.

/Andrejs Saricevs/ The member of the board

03.05.2023.

**PROFIT OR LOSS STATEMENT (by expenditure function)
FOR 2022**

	Note No.	2022 <i>euro</i>	2021 <i>euro</i>
Net turnover incl.		1 040 822	819 247
<i>b) from other core business activities</i>	1	<i>1 040 822</i>	<i>819 247</i>
Cost of production, cost of goods sold or services provided	2	(466 968)	(435 202)
Gross profit or loss		573 854	384 045
Sales costs	3	(32 898)	(56 690)
Administration costs	4	(272 327)	(276 729)
Other operating income of the company	5	65 411	85 123
Other operating expenses of the company	6	(117 261)	(89 277)
Other interest income and similar income: incl.		90	634
<i>b) other persons</i>	7	<i>90</i>	<i>634</i>
Interest and similar costs: incl.		(160 589)	(120 675)
<i>b) other persons</i>	8	<i>(160 589)</i>	<i>(120 675)</i>
Profit or loss before corporate tax		56 280	(73 569)
Corporate income tax for the reporting period	19	(7)	-
Profit or loss after corporate income tax		56 273	(73 569)
PROFIT OR LOSS FOR THE REPORTING YEAR		56 273	(73 569)

_____/Andrejs Saricevs/ The member of the board
03.05.2023.

The annual report was prepared by
_____/Irina Fadejeva/ Accountant

BALANCE SHEET
31 December 2022

ASSETS	Note No.	31.12.2022 <i>euro</i>	31.12.2021 <i>euro</i>
LONG-TERM INVESTMENT			
I. Intangible investments			
Concessions, patents, licences, trade marks and similar rights	9	187 341	200 277
Other intangible investments	9	4 298	6 229
Total intangible investments		191 639	206 506
II. Fixed assets			
Other fixed assets and inventory	10	24 901	27 212
Total fixed assets		24 901	27 212
Total long-term investment		216 540	233 718
CURRENT ASSETS			
I. Inventory			
Raw materials and consumables	11	7 062	9 214
Total inventory		7 062	9 214
II. Debtors			
Trade receivables	12	3 317 997	2 710 355
Other debtors	13	13 635	38 126
Costs of future reporting periods	14	60 401	59 502
Total debtors		3 392 033	2 807 983
IV. Cash and cash equivalents	15	74 715	60 137
Total current assets		3 473 810	2 877 334
TOTAL ASSETS		3 690 350	3 111 052

BALANCE SHEET
31 December 2022

LIABILITIES	Note No.	31.12.2022 <i>euro</i>	31.12.2021 <i>euro</i>
OWN CAPITAL			
Fixed capital	16	3 375 000	3 375 000
Retained earnings:			
Accumulated profit (loss) for the previous years		(1 762 583)	(1 643 672)
Profit or loss of the reporting year		56 273	56 273
Total own capital		1 668 690	1 787 601
CREDITORS			
Long-term creditors			
Other loans	17	1 449 484	1 372 813
Total long-term creditors		1 449 484	1 372 813
Short-term creditors			
Other loans	17	497 042	57 975
Debts to suppliers and employees	18	12 556	11 832
Taxes and state social insurance contributions	19	14 222	19 051
Other creditors	20	24 376	19 947
Accrued liabilities	21	23 980	17 016
Total short-term creditors		572 176	125 821
Total creditors		2 021 660	1 498 634
TOTAL LIABILITIES		3 690 350	3 286 235

_____/Andrejs Saricevs/ The member of the board
03.05.2023.

The annual report was prepared by
_____/Irina Fadejeva/ Accountant

ANNEX TO THE FINANCIAL STATEMENT
FOR 2022

I. EXPLANATORY NOTES TO ITEMS ON THE PROFIT OR LOSS STATEMENT

1 Net turnover*

	2022	2021
	<i>euro</i>	<i>euro</i>
Interest revenue	829 033	615 015
Other commissions income*	153 897	147 882
Remuneration for each active card account*	57 892	56 350
Total	1 040 822	819 247

2 Cost of production, cost of goods sold and services provided

	2022	2021
	<i>euro</i>	<i>euro</i>
Wages	122 424	124 491
Social security contributions	28 429	29 363
Rent of premises	58 344	48 789
Utilities	16 980	9 265
Depreciation of fixed assets and intangible investments	31 936	29 300
Telecommunication charges, etc.	25 894	15 619
IT costs, database subscriptions and maintenance, domains	46 329	47 593
State fee for the lending licence, etc. State fees	58 941	61 985
Delivery, manufacturing and other costs of payment cards	77 691	68 797
Total	466 968	435 202

3 Sale costs

	2022	2021
	<i>euro</i>	<i>euro</i>
Ads, marketing expenses	27 998	52 670
Traveling / subsistence allowance	3 702	1 306
Other expenses	1 198	2 714
Total	32 898	56 690

ANNEX TO THE FINANCIAL STATEMENT
FOR 2022

4 Administration costs

	2022	2021
	<i>euro</i>	<i>euro</i>
Wages	186 618	201 855
Social security contributions	44 049	47 556
Staff sustainability events	2 548	70
Costs of recruitment and training	1 803	1 430
Translation services	11	662
Insurance payments	5 282	5 479
Communication expenses	4 429	3 865
Office expenses	8 506	5 822
Bank charges and similar expenses	11 643	3 429
Representation expenses	1 413	1 882
Premises cleaning, maintenance and repair costs	2 178	1 951
Other administration costs	3 847	2 728
Total	272 327	276 729

5 Other operating income

	2022	2021
	<i>euro</i>	<i>euro</i>
Fees for preparation references	248	129
Credit registration fee	382	151
Paid fines and penalties	61 869	45 424
Reduction of doubtful receivables	-	38 824
Other income	2 912	595
Total	65 411	85 123

6 Other operating expenses

	2022	2021
	<i>euro</i>	<i>euro</i>
Losses from exchange rate fluctuations	12	29
Write-off of bad debtors	11 771	25 461
Provisions for doubtful debtors	46 530	6 999
Debt collection expenses	31 040	27 130
Litigation costs	27 880	29 658
Other expenses	28	-
Total	117 261	89 277

7 Other interest income and similar income

	2022	2021
	<i>euro</i>	<i>euro</i>
Other companies		
For a loan to a legal entity	90	634
Total	90	634

8 Interest and similar costs

	2022	2021
	<i>euro</i>	<i>euro</i>
Other persons		
For loans from legal entities	160 589	120 675
Total	160 589	120 675

ANNEX TO THE FINANCIAL STATEMENT
FOR 2022

II. EXPLANATORY NOTES TO ITEMS ON BALANCE SHEET

		A S S E T S		
9 Intangible investments		Concessions, patents, licenses, etc <i>euro</i>	Total intangible investments <i>euro</i>	Total <i>euro</i>
<i>Initial value</i>				
31 December 2021		410 069	9 488	419 557
Acquisition/production costs		9 789		9 789
Value increases		-	-	-
Disposal or liquidation			-	-
31 December 2022		419 858	9 488	429 346
<i>Impairment adjustments of accumulated value</i>				
31 December 2021		209 792	3 260	213 052
Impairment adjustments		22 725	1 930	24 655
Disposal or liquidation			-	-
31 December 2022		232 517	5 190	237 707
<i>Balance sheet value</i>				
31 December 2021		200 277	6 228	206 505
31 December 2022		187 341	4 298	191 639

10 Fixed assets

	Other fixed assets and inventory <i>euro</i>	Total <i>euro</i>
<i>Initial value</i>		
31 December 2021	60 640	60 640
Acquisition/production costs	4 970	4 970
Disposal or liquidation	-	-
31 December 2022	65 610	65 610
<i>Impairment adjustments of accumulated value</i>		
31 December 2021	33 428	33 428
Impairment adjustments	7 281	7 281
Disposal or liquidation	-	-
31 December 2022	40 709	40 709
<i>Balance sheet value</i>		
31 December 2021	27 212	27 212
31 December 2022	24 901	24 901

11 Inventory

	31.12.2022 <i>euro</i>	31.12.2021 <i>euro</i>
Nordcard credit card packages	7 062	9 214
Total	7 062	9 214

ANNEX TO THE FINANCIAL STATEMENT
FOR 2022

12 Trade receivables

	31.12.2022	31.12.2021
	<i>euro</i>	<i>euro</i>
Non-collateral claims on loans granted	3 489 730	2 838 283
Calculated but unpaid contractual and late payment penalties	-	(2 725)
Provisions for doubtful debtors	(171 733)	(125 203)
Total	3 317 997	2 710 355

Movement of provisions for doubtful debts

	<i>euro</i>	<i>euro</i>
At the beginning of the reporting year	125 203	157 028
Value increase	46 530	6 999
Value decrease	-	(38 824)
At the end of the reporting year	171 733	125 203

At the end of the reporting year, all debtors were assessed, provisions for doubtful debtors were made, and bad debts were written off as losses for the reporting year.

13 Other debtors

	31.12.2022	31.12.2021
	<i>euro</i>	<i>euro</i>
Security deposit for rent of premises	9 727	9 727
Advance payments for the services	2 360	2 350
Short-term loan to a company	-	25 937
Short-term loan to an employee	1 100	-
Other debtors	-	112
Overpaid taxes (see also note No. 20)	448	-
Total	13 635	38 126

14 Costs of future reporting periods

	31.12.2022	31.12.2021
	<i>euro</i>	<i>euro</i>
Employee health insurance	4 310	3 401
Database subscriptions and maintenance	3 458	3 572
Conferences and seminars	2 216	2 112
Licence management fee	50 417	50 417
Total	60 401	59 502

Costs of future reporting periods are expenses incurred before the balance sheet date, but refer to the next year.

15 Cash and cash equivalents

	31.12.2022	31.12.2021
	<i>euro</i>	<i>euro</i>
Cash in bank accounts	74 715	60 137
Total	74 715	60 137

ANNEX TO THE FINANCIAL STATEMENT
FOR 2022

LIABILITIES

16 Fixed capital

As at 31 December 2022, the registered and paid fixed capital of the Company is EUR 3,375,000, consisting of 3,375,000 shares with a nominal value of EUR 1 (one) per share.

Company shareholders

Capital shares	Quantity	Nominal value	Amount	Share in capital	Justification for the purchase
	<i>pieces</i>	<i>euro</i>	<i>euro</i>	%	
DKS Holding, LLC	3 375 000	1	3 375 000	100	-
Total:	3 375 000	1	3 375 000	100	

17 Other loans

Long-term part

Loan from a legal entity established in the European Union

Total

31.12.2022	31.12.2021
<i>euro</i>	<i>euro</i>
1 449 484	1 372 813
1 449 484	1 372 813

Short-term part

Loan from a legal entity established in the European Union

Total

31.12.2022	31.12.2021
<i>euro</i>	<i>euro</i>
497 042	57 975
497 042	57 975

18 Debts to suppliers and employees

Short-term part

Debts to suppliers and employees

Total

31.12.2022	31.12.2021
<i>euro</i>	<i>euro</i>
12 556	11 832
12 556	11 832

19 Taxes and state social insurance contributions

	(Liabilities)/ overpayment 31.12.2021	Calculated in 2022	Paid/ (repaid) in 2022	Late charges	(Liabilities)/ overpayment 31.12.2022
	<i>euro</i>	<i>euro</i>	<i>euro</i>	<i>euro</i>	<i>euro</i>
Corporate income tax	-	(7)	7	-	-
Value-added tax	(916)	(42 150)	42 236	-	(830)
Business risk fee	(4)	(52)	52	-	(4)
Personal income tax	(6 247)	(51 659)	53 544	-	(4 362)
State social insurance contributions	(11 884)	(105 677)	108 535	-	(9 026)
Total	(19 051)	(199 545)	204 374	-	(14 222)
Tax overpayments	448				448
Tax liabilities	(19 051)				(14 222)

ANNEX TO THE FINANCIAL STATEMENT
FOR 2022

20 Other creditors

	31.12.2022	31.12.2021
	<i>euro</i>	<i>euro</i>
Short-term part		
Settlement of unpaid advance payments	18	43
Settlement of wages	19 171	15 977
Client surplus	5 187	3 820
Other	-	107
Total	24 376	19 947

21 Accrued liabilities

	31.12.2022	31.12.2021
	<i>euro</i>	<i>euro</i>
Accrued liabilities from interest on platforms	3 760	3 238
Accrued liabilities for services	13 650	7 655
Accrued liabilities for vacation pay	6 570	6 123
Total	23 980	17 016

22 Details of off-balance sheet liabilities

At the end of the reporting year, the Company has not issued any pledge, guarantee or security.

23 Events after the end of the reporting year

The ongoing hostilities in Ukraine and the impact of sanctions are still relevant in 2023. Currently, the Company does not cooperate and does not plan to cooperate with partners from Russia, Ukraine and Belarus, as well as the capital raised is obtained from Latvia or p2p platforms. The company's board and shareholders are only from Latvia, and they have not been affected by sanctions or political decisions related to the crisis. Also, the company's customers are only residents of Latvia, because the company itself operates only in Latvia. Therefore, the Company is not currently affected by the crisis, and the company's management does not foresee significant negative consequences in the near future.

At the moment, there is also no significant drop in borrowers' solvency, nor is it predicted that this could happen in 2023, because the company has not only implemented new borrower assessment procedures, but also changed the debt recovery policy, which has allowed to achieve positive profitability in 2022, as also expects to achieve even higher profitability in 2023.

We are confident that the actions taken will be sufficient to strengthen the company's position in the market in the long term. We carefully follow the available information about the crisis and political decisions in Latvia in order to reduce the impact of the crisis on NordCard. Something good comes out of every crisis and we are here to make it happen.

24 Financial risk management

The Company's most significant financial instruments are loans from legal entities, trade receivables and cash and its equivalents. The main task of these financial instruments is to provide funding for the Company's business activities. The Company also has some other financial instruments, such as other receivables, trade payables and other creditors arising directly from its operations.

**ANNEX TO THE FINANCIAL STATEMENT
FOR 2022**

The financial risks associated with the Company's financial instruments are mainly interest rate risk, liquidity risk and credit risk. The Company's management seeks to minimize the negative impact of potential financial risks on the Company's financial situation. The Company does not use derivative financial instruments for financial risk management.

Foreign currency exchange risk

The company operates in the local market and is minimally exposed to foreign currency exchange risk. With the current revenue-expenditure structure, additional control measures for exchange rate risk are not required. Additional risk mitigation mechanisms are not used as the total currency risk is assessed as minimal.

Interest rate risk

As the Company has loan liabilities, its cash-flow from financing activities is dependent on changes in market interest rates. The risk of floating interest rates has been eliminated because fixed interest rates have been set for the Company's borrowings.

Credit risk

The Company concentrates to minimize credit risk due to the specifics of its core business - the issuance of unsecured loans, which is associated with an increased risk of recovery of issued loans, which could cause short-term liquidity problems to meet the Company's liabilities on time. The Company's policy is to ensure maximum control procedures in the process of issuing and recovering loans, as well as in the creation of provisions, in order to ensure this, the "Loan application evaluation procedure" and "Procedure for recovery of overdue loan liabilities" have been developed.

Liquidity risk

The Company adheres to the precautionary principle in liquidity risk management and maintains a sufficient amount of money accordingly. The Company's management monitors liquidity reserves and makes operational forecasts based on expected cash-flow. The management believes that the Company will be able to provide a sufficient level of liquidity through its operating activities, but will be able to receive financing if necessary.

03.05.2023. /Andrejs Saricevs/ The member of the board

The annual report was prepared by

/Irina Fadejeva/ Accountant