

LIMITED LIABILITY COMPANY
"Hedge Capital Company"
registration number
40103968692

Annual report for 2023

03.05.2024.

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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 74, Riga, LV-1039
COMPANY BOARD	
	Name/Surname Daniels Jukna
	Position Member of the board (from 22.02.2024)
	Name/Surname Andrejs Saricevs
	Position Member of the board (until 22.02.2024)
SHAREHOLDERS	
	Name LLC "DKS Holding"
	Proportion of shares % 100% of the shares
	Address Dzilnas street 19-32, Riga, LV-1021
ANNUAL REPORT PREPARED BY	
	Name/Surname Irina Fadejeva
	Position Accountant
REPORTING YEAR	01.01.2023 - 31.12.2023
PREVIOUS REPORTING YEAR	01.01.2022 - 31.12.2022
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 2023, new restrictions entered into force in the Republic of Latvia, and many other countries and the existing ones have strengthened in connection with the ongoing hostilities in Ukraine. As a result of hostilities, the largest Ukrainian companies, which provided other countries, including the Republic of Latvia, with raw materials and other goods, have been paralysed. 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 and exports 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 company's further development.

To stabilise loan repayment rates and stabilise interest income, the policy of issuing new loans and debt recovery was improved, and various automated customer management tools were introduced, which helped not to increase the number of existing employees with a significantly larger customer portfolio. As a result, in 2023, the Company continued to demonstrate strong financial performance and achieved positive profitability. The company's total revenues, incl. other economic activity revenues and other interest revenues reached 1,274,156 euros. By implementing the business strategy and all planned measures, the following financial indicators have been achieved in 2023:

Profitability ratios	2023	2022
Gross profitability %	56%	55%
Earnings before tax (EBT)	7%	5%
Profitability on net profit %	7%	5%

Gross profitability has increased by 1 percentage point compared to 2022, and EBT increased by 2 percentage points. Significant growth of the loan portfolio allowed us to achieve higher profitability indicators.

Liquidity ratios	31.12.2023
Current liquidity	6.13 coefficient
Total liquidity	6.13 coefficient

By the end of 2023 the Company's total liquidity ratio reached 6.13 mark.

Future prospects and future development

During 2023, the Company increased its loan portfolio by 26%, reaching 4.4 million euros. In 2024, the Company will continue 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 to diversify 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, optimising 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. 24).

Information on research and development activities

MANAGEMENT REPORT

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

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 2024. Currently, the Company does not cooperate or plan to cooperate with partners from Russia, Ukraine, and Belarus, and the capital raised is obtained from Latvia or p2p platforms. The company's board and shareholders are only from Latvia and have not been affected by sanctions or political decisions related to the crisis. Also, the company's customers are only residents of Latvia because it 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 2024 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 2023, as also expects to achieve even higher profitability in 2024. We are not just weathering the storm but actively steering our course to strengthen the company's position in the market in the long term. We vigilantly monitor the crisis and political decisions in Latvia to mitigate their impact on NordCard. We firmly believe every crisis presents opportunities, and we are here to seize them.

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

<i>The reporting year ended with profit:</i>	83 934 <i>euro</i>
<i>Company balance sheet value:</i>	4 524 960 <i>euro</i>

The company's 2023 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 2023, 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.

/Daniels Jukna/ The member of the board

03.05.2024.

**PROFIT OR LOSS STATEMENT (by expenditure function)
FOR 2023**

	Note No.	2023 <i>euro</i>	2022 <i>euro</i>
Net turnover incl.		1 175 257	1 040 822
<i>b) from other core business activities</i>	1	1 175 257	1 040 822
Cost of production, cost of goods sold or services provided	2	(515 911)	(466 968)
Gross profit or loss		659 346	573 854
Sales costs	3	(40 796)	(32 898)
Administration costs	4	(307 970)	(272 327)
Other operating income of the company	5	98 698	65 411
Other operating expenses of the company	6	(127 068)	(117 261)
Other interest income and similar income: incl.		201	90
<i>b) other persons</i>	7	201	90
Interest and similar costs: incl.		(198 476)	(160 589)
<i>b) other persons</i>	8	(198 476)	(160 589)
Profit or loss before corporate tax		83 934	56 280
Corporate income tax for the reporting period	19	-	(7)
Profit or loss after corporate income tax		83 934	56 273
PROFIT OR LOSS FOR THE REPORTING YEAR		83 934	56 273

_____/Daniels Jukna/ The member of the board
03.05.2024.

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

BALANCE SHEET
December 31, 2023

ASSETS		31.12.2023	31.12.2022
	Note No.	<i>euro</i>	<i>euro</i>
LONG-TERM INVESTMENT			
I. Intangible investments			
Concessions, patents, licences, trade marks and similar rights	9	182 108	187 341
Other intangible investments	9	3 441	4 298
Total intangible investments		185 549	191 639
II. Fixed assets			
Other fixed assets and inventory	10	21 393	24 901
Total fixed assets		21 393	24 901
Total long-term investment		206 942	216 540
CURRENT ASSETS			
I. Inventory			
Raw materials and consumables	11	2 216	7 062
Total inventory		2 216	7 062
II. Debtors			
Trade receivables	12	4 173 610	3 317 997
Other debtors	13	14 198	13 635
Costs of future reporting periods	14	58 101	60 401
Total debtors		4 245 909	3 392 033
IV. Cash and cash equivalents	15	69 891	74 715
Total current assets		4 318 016	3 473 810
TOTAL ASSETS		4 524 960	3 690 350

BALANCE SHEET
December 31, 2023

LIABILITIES		31.12.2023	31.12.2022
	Note No.	<i>euro</i>	<i>euro</i>
OWN CAPITAL			
Fixed capital	16	3 375 000	3 375 000
Retained earnings:			
Accumulated profit (loss) for the previous years		(1 706 310)	(1 762 583)
Profit or loss of the reporting year		83 934	56 273
Total own capital		1 752 624	1 668 690
CREDITORS			
Long-term creditors			
Other loans	17	2 067 792	1 449 484
Total long-term creditors		2 067 792	1 449 484
Short-term creditors			
Other loans	17	628 584	497 042
Debts to suppliers and employees	18	20 977	12 556
Taxes and state social insurance contributions	19	15 522	14 222
Other creditors	20	23 790	24 376
Accrued liabilities	21	15 671	23 980
Total short-term creditors		704 544	572 176
Total creditors		2 772 336	2 021 660
TOTAL LIABILITIES		4 524 960	3 690 350

_____/Daniels Jukna/ The member of the board

03.05.2024.

The annual report was prepared by

_____/Irina Blohina/ Accountant

ANNEX TO THE FINANCIAL STATEMENT
FOR 2023

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

1 Net turnover*

	2023	2022
	<i>euro</i>	<i>euro</i>
Interest revenue	922 527	829 033
Other commissions income*	193 431	153 897
Remuneration for each active card account*	59 299	57 892
Total	1 175 257	1 040 822

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

	2023	2022
	<i>euro</i>	<i>euro</i>
Wages	151 191	122 424
Social security contributions	35 256	28 429
Rent of premises	62 584	58 344
Utilities	14 786	16 980
Depreciation of fixed assets and intangible investments	32 886	31 936
Telecommunication charges, etc.	22 479	25 894
IT costs, database subscriptions and maintenance, domains	44 697	46 329
State fee for the lending licence, etc. State fees	61 062	58 941
Delivery, manufacturing and other costs of payment cards	90 970	77 691
Total	515 911	466 968

3 Sale costs

	2023	2022
	<i>euro</i>	<i>euro</i>
Ads, marketing expenses	37 045	27 998
Traveling / subsistence allowance	3 271	3 702
Other expenses	480	1 198
Total	40 796	32 898

ANNEX TO THE FINANCIAL STATEMENT
FOR 2023

4 Administration costs

	2023	2022
	<i>euro</i>	<i>euro</i>
Wages	197 866	186 618
Social security contributions	46 702	44 049
Staff sustainability events	7 298	2 548
Costs of recruitment and training	2 677	1 803
Translation services	552	11
Insurance payments	6 338	5 282
Communication expenses	7 014	4 429
Office expenses	11 835	8 506
Bank charges and similar expenses	17 256	11 643
Representation expenses	1 440	1 413
Premises cleaning, maintenance and repair costs	2 375	2 178
Other administration costs	6 617	3 847
Total	307 970	272 327

5 Other operating income

	2023	2022
	<i>euro</i>	<i>euro</i>
Fees for preparation references	124	248
Credit registration fee	425	382
Paid fines and penalties	97 834	61 869
Other income	315	2 912
Total	98 698	65 411

6 Other operating expenses

	2023	2022
	<i>euro</i>	<i>euro</i>
Losses from exchange rate fluctuations	9	12
Write-off of bad debtors	4 892	11 771
Provisions for doubtful debtors	67 010	46 530
Debt collection expenses	29 828	31 040
Litigation costs	25 324	27 880
Other expenses	5	28
Total	127 068	117 261

7 Other interest income and similar income

	2023	2022
	<i>euro</i>	<i>euro</i>
Other companies		
For a loan to a legal entity	201	90
Total	201	90

8 Interest and similar costs

	2022	2021
	<i>euro</i>	<i>euro</i>
Other persons		
For loans from legal entities	198 476	160 589
Total	198 476	160 589

ANNEX TO THE FINANCIAL STATEMENT
FOR 2023

II. EXPLANATORY NOTES TO ITEMS ON BALANCE SHEET

		A S S E T S		
9 Intangible investments		Concessions, patents, licenses, etc	Total intangible investments	Total
		<i>euro</i>	<i>euro</i>	<i>euro</i>
<i>Initial value</i>				
31 December 2022		419 858	9 488	429 346
Acquisition/production costs		19 554	-	19 554
Value increases		-	-	-
Disposal or liquidation			-	-
31 December 2023		439 412	9 488	448 900
<i>Impairment adjustments of accumulated value</i>				
31 December 2022		232 517	5 190	237 707
Impairment adjustments		24 787	857	25 644
Disposal or liquidation			-	-
31 December 2023		257 304	6 047	263 351
<i>Balance sheet value</i>				
31 December 2022		187 341	4 298	191 639
31 December 2023		182 108	3 441	185 549

10 Fixed assets

		Other fixed assets and inventory	Total
		<i>euro</i>	<i>euro</i>
<i>Initial value</i>			
31 December 2022		65 610	65 610
Acquisition/production costs		3 734	3 734
Disposal or liquidation		-	-
31 December 2023		69 344	69 344
<i>Impairment adjustments of accumulated value</i>			
31 December 2022		40 709	40 709
Impairment adjustments		7 242	7 242
Disposal or liquidation		-	-
31 December 2023		47 951	47 951
<i>Balance sheet value</i>			
31 December 2022		24 901	24 901
31 December 2023		21 393	21 393

11 Inventory

	31.12.2022	31.12.2021
	<i>euro</i>	<i>euro</i>
Nordcard credit card packages	2 216	7 062
Total	2 216	7 062

ANNEX TO THE FINANCIAL STATEMENT
FOR 2023

12 Trade receivables

	31.12.2023	31.12.2022
	<i>euro</i>	<i>euro</i>
Non-collateral claims on loans granted	4 412 353	3 489 730
Calculated but unpaid contractual and late payment penalties	-	-
Provisions for doubtful debtors	(238 743)	(171 733)
Total	4 173 610	3 317 997

Movement of provisions for doubtful debts

	<i>euro</i>	<i>euro</i>
At the beginning of the reporting year	171 733	125 203
Value increase	67 010	46 530
Value decrease	-	-
At the end of the reporting year	238 743	171 733

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

	31.12.2023	31.12.2022
	<i>euro</i>	<i>euro</i>
Security deposit for rent of premises	12 038	9 727
Advance payments for the services	-	2 360
Short-term loan to an employee	1 900	1 100
Overpaid taxes (see also note No. 20)	260	448
Total	14 198	13 635

14 Costs of future reporting periods

	31.12.2023	31.12.2022
	<i>euro</i>	<i>euro</i>
Employee health insurance	1 885	4 310
Database subscriptions and maintenance	4 604	3 458
Conferences and seminars	1 195	2 216
Licence management fee	50 417	50 417
Total	58 101	60 401

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

15 Cash and cash equivalents

	31.12.2023	31.12.2022
	<i>euro</i>	<i>euro</i>
Cash in bank accounts	69 891	74 715
Total	69 891	74 715

ANNEX TO THE FINANCIAL STATEMENT
FOR 2023

LIABILITIES

16 Fixed capital

As at 31 December 2023, 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

31.12.2023	31.12.2022
<i>euro</i>	<i>euro</i>
2 067 792	1 449 484
2 067 792	1 449 484

Short-term part

Loan from a legal entity established in the European Union

Short-term loan from a natural person

Total

31.12.2023	31.12.2022
<i>euro</i>	<i>euro</i>
567 584	497 042
61 000	-
628 584	497 042

18 Debts to suppliers and employees

Short-term part

Debts to suppliers and employees

Total

31.12.2023	31.12.2022
<i>euro</i>	<i>euro</i>
20 977	12 556
20 977	12 556

19 Taxes and state social insurance contributions

	(Liabilities)/ overpayment 31.12.2022	Calculated in 2023	Paid/ (repaid) in 2023	Late charges	(Liabilities)/ overpayment 31.12.2023
	<i>euro</i>	<i>euro</i>	<i>euro</i>	<i>euro</i>	<i>euro</i>
Corporate income tax	-	-	-	-	-
Value-added tax	(830)	(42 972)	43 227	-	(575)
Business risk fee	(4)	(56)	55	-	(5)
Personal income tax	(4 362)	(59 448)	58 836	-	(4 974)
State social insurance contributions	(9 026)	(120 094)	119 152	-	(9 968)
Total	(14 222)	(222 570)	221 270	-	(15 522)

ANNEX TO THE FINANCIAL STATEMENT
FOR 2023

20 Other creditors

	31.12.2023	31.12.2022
	<i>euro</i>	<i>euro</i>
Short-term part		
Settlement of unpaid advance payments	156	18
Settlement of wages	20 983	19 171
Client surplus	2 651	5 187
Total	23 790	24 376

21 Accrued liabilities

	31.12.2023	31.12.2022
	<i>euro</i>	<i>euro</i>
Accrued liabilities from interest on platforms	5 315	3 760
Accrued liabilities for services	10 074	13 650
Accrued liabilities for vacation pay	282	6 570
Total	15 671	23 980

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 2024. Currently, the Company does not cooperate or plan to cooperate with partners from Russia, Ukraine, and Belarus, and the capital raised is obtained from Latvia or p2p platforms. The company's board and shareholders are only from Latvia and have not been affected by sanctions or political decisions related to the crisis. Also, the company's customers are only residents of Latvia because it 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 2024 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 2023, as also expects to achieve even higher profitability in 2024.

We are not just weathering the storm but actively steering our course to strengthen the company's position in the market in the long term. We vigilantly monitor the crisis and political decisions in Latvia to mitigate their impact on NordCard. We firmly believe every crisis presents opportunities, and we are here to seize them.

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 2023**

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.

_____/Daniels Jukna/ The member of the board

03.05.2024.

The annual report was prepared by

_____/Irina Blohina/ Accountant