

LIMITED LIABILITY COMPANY
"Hedge Capital Company"
registration number
40103968692

Annual report for 2020

29.04.2021.

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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 2020,
- 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 2020, 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.

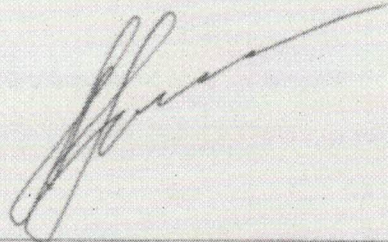
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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", LZRA License No.90

Riga, April 29, 2021



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 78-1, 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 Dzilnas street 19-32, Riga, LV-1021
ANNUAL REPORT PREPARED BY	
	Name/Surname Irina Fadejeva
	Position Accountant
REPORTING YEAR	01.01.2020 - 31.12.2020
PREVIOUS REPORTING YEAR	01.01.2019 - 31.12.2019
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 2020, LLC Hedge Capital Company continued to showcase strong financial performance despite the interest rate cap, which became effective on July 1, 2019. The company's total revenue, incl. other operating income and other interest income reached EUR 1,047,288. Implementing the business strategy and all planned measures, the following financial indicators have been achieved in 2020:

Profitability ratios	2020	2019
Gross profitability %	19%	41%
Earnings before tax (EBT)	-21%	-10%
Profitability on net profit %	-21%	-11%

Gross profitability, compared to 2019, has decreased by 22 percentage points. EBT decreased by 11 percentage points. This can be explained by significant legislative changes regarding the reduction of the interest rate cap. Management believes that the amount of losses is moderate and does not pose financial risks to the company.

Liquidity ratios**31.12.2020.**

Current liquidity	30.63 coefficient
Total liquidity	30.77 coefficient

By the end of 2019 the Company's total liquidity ratio reached 30.8 mark.

Future prospects and future development

During 2020, the Company increased its loan portfolio by 13.4% to EUR 2,041 million. In 2021, the Company will continue to grow its loan portfolio using investments attracted by the P2P platform Juvo Group. The company's management highly appreciates the trust of all investors who are providing important funding to the business.

The 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 focus of management will be on growing the loan portfolio, optimizing the evaluation process and improving repayment rates.

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.

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.

MANAGEMENT REPORT

Events after the last day of the reporting year

In March and December 2020, restrictions related to the spread of coronavirus have entered into force in the Republic of Latvia and many other countries, which significantly reduce the economic development in the country and in the world.

Although the management has not seen any deterioration in payment discipline, it has taken new preventive measures to mitigate the potential negative effects of the current global situation.

The management has reviewed company's expenses. By significantly reducing payroll expenses (by ~20%) as well as most of administrative expenses, the company plans to improve profitability in 2021.

The management is confident that actions taken will be sufficient to strengthen company's positions in the market in the long term. Something good comes from 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 losses: (118 910) euro

Company balance sheet value: 2 431 892 euro

The company's losses for 2020 will be covered from the next year's profit.

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 2020, 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.


29.04.2021.


/Andrejs Saricevs/ The member of the board

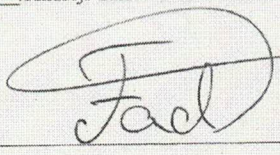
**PROFIT OR LOSS STATEMENT (by expenditure function)
FOR 2020**

	Note No.	2020 euro	2019 euro
Net turnover		572 146	861 930
incl.			
<i>b) from other core business activities</i>	1	572 146	861 930
Cost of production, cost of goods sold or services provided	2	(462 876)	(505 765)
Gross profit or loss		109 270	356 165
Sales costs	3	(65 831)	(82 217)
Administration costs	4	(311 123)	(343 835)
Other operating income of the company	5	474 776	76 243
Other operating expenses of the company	6	(261 779)	(48 044)
Other interest income and similar income:		366	-
incl.			
<i>b) other persons</i>	7	366	-
Interest and similar costs:		(64 589)	(45 373)
incl.			
<i>a) related companies</i>	8	-	(8 686)
<i>b) other persons</i>	8	(64 589)	(36 687)
Profit or loss before corporate tax		(118 910)	(87 061)
Corporate income tax for the reporting period	20	-	(11 358)
Profit or loss after corporate income tax		(118 910)	(98 419)
PROFIT OR LOSS FOR THE REPORTING YEAR		(118 910)	(98 419)

29.04.2021.

 /Andrejs Saricevs/ The member of the board

The annual report was prepared by

 /Irina Fadejeva/ Accountant

BALANCE SHEET
31 December 2020

ASSETS		31.12.2020	31.12.2019
	Note No.	<i>euro</i>	<i>euro</i>
LONG-TERM INVESTMENT			
I. Intangible investments			
Concessions, patents, licences, trade marks and similar rights	9	243 043	206 362
Other intangible investments	9	6 684	3 527
Advance payments for intangible assets		-	871
Total intangible investments		249 727	210 760
II. Fixed assets			
Other fixed assets and inventory	10	17 522	16 938
Total fixed assets		17 522	16 938
Total long-term investment		267 249	227 698
CURRENT ASSETS			
I. Inventory			
Raw materials and consumables	11	9 241	10 373
Total inventory		9 241	10 373
II. Debtors			
Trade receivables	12	2 040 823	1 766 720
Other debtors	13	45 125	15 188
Costs of future reporting periods	14	7 156	6 713
Accrued income		-	4 513
Total debtors		2 093 104	1 793 134
IV. Cash and cash equivalents			
	15	62 298	66 170
Total current assets		2 164 643	1 869 677
TOTAL ASSETS		2 431 892	2 097 375

BALANCE SHEET

31 December 2020

LIABILITIES	Note No.	31.12.2020	31.12.2019
		<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		(1 570 103)	(1 471 684)
Profit or loss of the reporting year		(118 910)	(98 419)
Total own capital		1 685 987	1 804 897
CREDITORS			
Long-term creditors			
Other loans	17	675 546	-
Total long-term creditors		675 546	-
Short-term creditors			
Other loans	17	-	226 375
Advances received from buyers	18	4 625	1 002
Debts to suppliers and employees	19	8 418	4 080
Taxes and state social insurance contributions	20	13 659	26 943
Other creditors	21	19 085	20 219
Accrued liabilities	22	24 572	13 859
Total short-term creditors		70 359	292 478
Total creditors		745 905	292 478
TOTAL LIABILITIES		2 431 892	2 097 375

29.04.2021.

/Andrejs Saricevs/ The member of the board

The annual report was prepared by
/Irina Fadejeva/ Accountant