Annual Report

(Translation of the Estonian original)

Early Fund II

Beginning of reporting period:	1 January 2014
End of reporting period:	31 December 2014

Fund Management Company:	AS SmartCap
Fund Manager:	Bernard Xavier
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Auditor:	AS PricewaterhouseCoopers
Main activities:	Venture capital fund investing into Estonian start-up companies with international growth potential.

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MANAGEMENT REPORT

Early Fund II (hereinafter the "Fund") is a closed non-public common investment fund formed on 20 February 2012. The fund is a venture capital fund according to the definition of § 254^1 of the Investment Funds Act. The terms and conditions of Early Fund II were registered by the Estonian Financial Supervisory Authority on 1 August 2012.

The manager of the fund is AS SmartCap, commercial register number 12071991 (hereinafter "fund management company"), acting as the fund management company of the venture capital fund under the supervision of the Estonian Financial Supervisory Authority. AS SmartCap is a fully owned subsidiary of the Estonian Development Fund (hereinafter "EDF").

The shares of Early Fund II are fully owned by the Republic of Estonia. As of 31.12.2014, the Republic of Estonia has subscribed for EUR 25.26 million of shares in Early Fund II. The first contribution of equity in the amount of EUR 12.47 million was made in August 2012, the second contribution in the amount of EUR 6.39 million was made in December 2012 and the third contribution in the amount of EUR 6.39 million was made in December 2013.

The fund was established for an unspecified term. The assets of Early Fund II are invested in small and medium-sized companies registered in Estonia, which are aimed at innovation, create or use contemporary technology and develop new products and services. Target companies also have substantial growth and export potential and prospects for achieving a considerable position on an international target market but are unable to meet their needs for capital using other instruments existing in the economy. The objective of the fund is to earn a revenue for shareholders of the fund and simultaneously provoke and support change in the Estonian economy, helping to update the economy, generate export growth and create jobs requiring high qualifications.

In accordance with the terms and conditions of the fund, the fund management company is paid management fees on behalf of the fund in exchange for management of the fund, comprised of two components: a fixed fee and a success fee. Fees payable to the fund management company are accounted for on the same basis and equivalent to fees generally applicable in the industry.

The business activities and financial results of the fund are not significantly impacted by fluctuations in currency exchange rates and stock market quotations because most of the fund's assets and liabilities are denominated in euros or linked to fixed interest rates.

During the period from 1 January to 31 December 2014, a total of EUR 3,333 thousand of capital was invested on the account of Early Fund II in three new companies in addition to new rounds of investment in existing portfolio companies (during 2013 a total of EUR 1,726 thousand of capital was invested). The operating expenses of Early Fund II in the financial year 2014 were EUR 771 thousand (2013: EUR 585 thousand).

The net asset value of Early Fund II as of 31.12.2014 was EUR 24,393,586 and the net asset value per share was EUR 9,546.1962, representing a decrease of 4.54% from the nominal value of the share (EUR 10,000) (31.12.2013: net asset value of EUR 24,635,809 and net asset value per share of EUR 9,640.9878, representing a decrease of 3.59% from the nominal value of the share). It is typical in the case of venture capital funds that the net asset value of the fund and the share decreases at the start of the investment period because the majority of expenditure is incurred during the investment process. The value of financial investments made by the fund is expected to increase over time and the net asset value of the fund will increase accordingly.

Early Fund II in the next reporting period

On 28.08.2014, the supervisory board of the Estonian Development Fund (hereinafter Development Fund) resolved to approve the new core investment principles of the Development Fund and decided in principle to hand over the management of current investments to a private fund management company.

On 11.02.2015, the Riigikogu (Parliament of Estonia) enacted the Support of Enterprise and State Loan Guarantees Act and the Amendment Act to the Estonian Development Fund Act, whereby the legal framework is established for KredEx to make investments in funds that would in turn make equity investments in companies. As a result of that, it is probable that at least 4 new funds managed by a private fund management company will enter the market in the near term, making investments in the same phase as the fund. As the state should not be competing with private market fund management companies in making direct investments, the same law also provided for a basis for making changes to the investment activities of the Estonian Development Fund, including the hand-over of the management of current direct investments of the Development Fund to professional private fund management companies.

As a result of the above, the Estonian Development Fund has initiated the process of reorganising its investment activities. This process may result in significant changes in the operations of the fund management company and the terms and conditions of the fund. As no final decision has yet been made at the date of preparation of this report concerning the future operations of the fund management company and the terms and conditions of the fund, the impact of the process as described above on the business of the fund management company and the fund cannot be conclusively evaluated.

Until the aforementioned potential restructuring activities are performed, the objective of the fund management company is to continue its management of the fund and investment of the fund's assets in accordance with the terms and conditions of the fund.

Signatures of the Fund Management Company's Management Board members to the 2014 Annual Report of Early Fund II

The management board of AS SmartCap has prepared the annual report of Early Fund II for the financial year 2014, which consists of the management report, financial statements (including notes to the financial statements), investment report and the independent auditor's report.

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Bernard Xavier

AS SmartCap

Member of the Management Board, Fund Manager

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Antti Perli

AS SmartCap

Member of the Management Board

Tallinn, 24.04.2015

FINANCIAL STATEMENTS

Statement of financial position

(in euros)

	Note	31.12.2014	31.12.2013
ASSETS			
Non-current assets			
Financial investments at fair value through profit or loss	8	6,288,147	2,511,000
Total non-current assets		**6,288,147**	**2,511,000**
Current assets			
Cash and cash equivalents	5	1,969,059	22,159,943
Term deposits	6	16,000,000	0
Trade receivables and prepayments	7	210,553	29,194
Total current assets		**18,179,612**	**22,189,137**
TOTAL ASSETS		**24,467,759**	**24,700,137**
Current liabilities			
Trade payables and other current liabilities	9	74,173	64,328
Total current liabilities		**74,173**	**64,328**
TOTAL LIABILITIES		**74,173**	**64,328**
Fund's net asset value	11	**24,393,586**	**24,635,809**

The notes on pages 10-24 are an integral part of these financial statements.

Statement of comprehensive income

(in euros)

	Note	2014	2013
Finance income and expenses		**84,580**	**51,856**
Interest income		84,580	51,856
Operating expenses	10	**-771,002**	**-585,351**
Management fees	10, 12	-757,842	-575,694
Other expenses		-13,160	-9,657
Net profit from financial assets at fair value through profit or loss	8	**444,199**	**71,484**
Net result of the fund		**-242,223**	**-462,011**

The notes on pages 10-24 are an integral part of these financial statements.

Statement of cash flows

(in euros)

	Note	2014	2013
Cash flows from operating activities			
Operating expenses paid		-761,157	-560,808
Loans granted	8	-2,546,990	-726,500
Loan repayments received (including interest)		0	129,757
Acquisition of financial investments	8	-963,948	-999,536
Interest received		81,211	23,059
Total cash flows from operating activities		**-4,190,884**	**-2,134,028**
Cash flows from investing activities			
Payments to deposits	6	-16,000,000	0
Total cash flows from investing activities		**-16,000,000**	**0**
Cash flows from financing activities			
Subscription of shares	11	0	6,391,165
Repayment to AF for overpaid subscription of shares amount		0	-52,648
Total cash flows from financing activities		**0**	**6,338,517**
Total cash flows		**-20,190,884**	**4,204,489**
Cash and cash equivalents at beginning of period	5	**22,159,943**	**17,955,454**
Change in cash and cash equivalents		-20,190,884	4,204,489
Cash and cash equivalents at end of period	5	**1,969,059**	**22,159,943**

The notes on pages 10-24 are an integral part of these financial statements.

Statement of changes in fund's net asset value

(in euros)

	2014	2013
Net assets of the fund at the beginning of the period	**24,635,809**	**18,706,665**
Subscription of shares	0	6,391,165
Net result of the fund	-242,223	-462,011
Net assets of the fund at the end of the period	**24,393,586**	**24,635,809**
Number of units outstanding at the end of the period	2,555.320	2,555.320
Net asset value per share at the end of the period	9,546.1962	9,640.9878

More detailed information on fund units is provided in Note 11.

The notes on pages 10-24 are an integral part of the financial statements.

Notes to the Financial Statements

Note 1 General information about the Fund

Early Fund II (hereinafter the "Fund") is a closed non-public common investment fund (venture capital fund) formed on 20 February 2012. The Fund is comprised of money raised through subscription of share and other assets received from investing such money, owned collectively by investors and managed by the Fund management company. The Estonian Financial Supervision Authority is the body exercising financial supervision over the Fund.

The Fund is managed by AS SmartCap (the Fund management company). The sole shareholder of AS SmartCap is the Estonian Development Fund, which is a legal entity governed by public law established on the basis of the Estonian Development Fund Act.

The registered address of the Fund is Rotermanni 8, Tallinn 10111, Republic of Estonia. The financial year of the Fund starts on 1 January and ends on 31 December.

The management board of the Fund management company has approved the financial statements of the Fund on 24.04.2015.

Note 2 Overview of key accounting and reporting policies

An overview of the key accounting and reporting policies applied to the preparation of the financial statements is presented below. These accounting and reporting policies have been used consistently to all reporting periods, other than the cases for which information has been disclosed separately.

2.1. Basis of preparation

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union. Financial reporting principles of investment funds are set out by the Investment Funds Act, Accounting Act and Regulation no 21 of the Minister of Finance of 13 April 2011 "Requirements for investment fund reports subject to disclosure". The financial statements have been prepared taking into account the regulation of determining the net asset value of the Fund, adopted pursuant to the Investment Funds Act § 142 subsection 2 and § 204 subsection 1. The financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss (long-term financial investments). In accordance with requirements of IFRS, several financial indicators presented in the financial statements are based on management's estimates. The management is also required to exercise its judgment in the process of applying the reporting and accounting principles. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2.2 Changes in accounting and disclosure principles

The following new or revised standards and interpretations became effective for the Fund from 1 January 2014.

IFRS 12, Disclosure of Interest in Other Entities (Effective for annual periods beginning on or after 1 January 2014).
The standard applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 sets out the required disclosures for entities reporting under the two new standards: IFRS 10, "Consolidated Financial Statements", and IFRS 11, "Joint Arrangements", and replaces the disclosure requirements currently found in IAS 28 "Investments in Associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including (i) significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, (ii) extended disclosures on share of non-controlling interests in group activities and cash flows,

(iii) summarised financial information of subsidiaries with material non-controlling interests, and (iv) detailed disclosures of interests in unconsolidated structured entities. Additional information related to the changes is disclosed on Note 8.

***"Investment Entities "Amendments to IFRS 10, IFRS 12 and IAS** 27* (effective for annual periods beginning on or after 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary.

The standard has no significant influence on the Fund's activities and no new information will be disclosed.

There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 01.01.2014 that would be expected to have a material impact to the Fund.

New or revised standards and interpretations

Certain new International Financial Reporting Standards, also amendments and interpretations to existing standards have been published which become mandatory for the Fund's accounting periods beginning on or after 1 January 2015 and which the Fund did not adopt early.

IFRS 9, Financial Instruments : Classification and Measurement (effective for annual periods beginning on or after 1 January 2018; not yet adopted by the European Union).
Key features of the standard are as follows:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Fund is currently assessing the impact of the amendments on its financial statements.

Disclosure Initiative – Amendments to IAS 1 (Effective for annual periods beginning on or after 1 January 2016; not yet adopted by the European Union).
The amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

The Fund is currently assessing the impact of the amendments on its financial statements.

There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the Fund.

2.3 Classification of assets and liabilities into current and non-current

In the statement of financial position, assets and liabilities are classified as current and non-current. Current assets include the assets which are expected to be disposed of in the next financial year or during the normal operating cycle of the Fund. Current liabilities include liabilities which payment date is in the next financial year or which are expected to be paid in the next financial year or during the normal operating cycle of the Fund. All remaining assets and liabilities are considered as non-current.

2.4 Financial assets

2.4.1 Classification

The Fund's financial assets are classified into the following categories: financial assets at fair value through profit or loss and loans and receivables. Financial assets are classified depending on the purpose for which the financial assets were acquired. The financial assets are classified by fund manager at the initial recognition of the financial asset.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, except for maturities greater than 12 months as at period end date, which are classified as non-current assets. The following financial assets are included in the category of loans and receivables: "Cash and cash equivalents", "Term deposits" and "Other receivables".

(b) Financial investments

The Fund reflects the venture capital investment in early-phase companies (hereinafter referred to as financial investments) at fair value through profit or loss. Venture capital investments in financial assets are initially recognized at fair value through profit or loss if the fair value of financial assets are evaluated in accordance with documented risk management policies and investment strategies and reporting to the unit holders is based on the same principles.

Granted convertible loans which likelihood of conversion fund manager has evaluated high in accordance with documented risk management policies and investment strategies are initially recognized financial assets at fair value through profit or loss. Other loans are recognised at amortized cost.

2.4.2 Recognition and Measurement

Purchases and sales of financial assets under normal market conditions are recognised on settlement date. Fund derecognises a financial asset when the contractual rights to the cash flows generated by the financial assets have expired or have been transferred and substantial part of risks and rewards bound to the financial asset have been transferred.

(a) Loans and receivables

Loans and receivables are initially recognised at their fair value plus transactions costs. After initial recognition loans and receivables are subsequently measured at amortised cost using the effective interest rate method. Interest income is recognised in the statement of comprehensive income on line "Financial income and expenses".

(b) Financial investments

Financial assets that are recognised at fair value through profit or loss are initially recognized at fair value and acquisition-related transaction costs are recognized as an expense in the income statement. Financial assets that are recognised at fair value through profit or loss are after initial recognition recognised at fair value. Changes in fair value are recognized in statement of comprehensive income under "Profit / loss from financial assets at fair value through profit or loss" in period in which they incurred.

For investment objects the Fund will assess whether the Fund would have a significant influence on the investment object. In general, significant influence is presumed to exist when the Fund owns 20% to 50% of the voting rights.

In exceptional cases it may also be presumed as a significant influence on holding less than a 20% of the shares. Significant influence is usually characterized by the following facts:

(a) representation in the management or in a higher supervisory body of the investment object;

(b) participation in business-political decision-making of investment object;

(c) material transactions between the investor and the investment object;

(d) partial overlaps of the managements of the investor and the investment object;

(e) exchange of technical information between the investor and the investment object.

Investments in associates are recognised similarly to other investment objects at fair value through profit or loss according to an exception in IAS 28 "Investments in associates" for venture capital company financial statements for recognition of associates. An investment in an associate is initially recognized at fair value and transaction costs are recognized as expenses in the income statement.

2.5 Cash and cash equivalents

For the purpose of the statement of financial position and cash flow statement, cash and cash equivalents include bank account balances (except bank overdraft), term deposits with maturities of 3 months or less at the time of acquisition and investments in money market funds and other highly liquid funds, assuming that the fund invests in financial assets that meet the definition of cash and cash equivalents.

In previous year term deposits with maturities of over three months were classified as cash and cash equivalents, as the costs of premature termination of the deposit were immaterial and the deposit was available for use as cash without any significant restrictions. Starting from year 2014 the financial resources presumably needed for the Fund's daily operational activities are placed in term deposits with maturities of three months or less and funds that are not expected to be used for the operational activities in the subsequent period, are placed in term deposits with longer maturities for investment purposes. Consequently, as at 31.12.2014 term deposits with maturities of over three months are not classified as cash and cash equivalents in the balance sheet, but on a separate line "Term deposits".

2.6 Trade receivables and prepayments

Loans granted and other short and long-term receivables are carried at amortised cost. The amortised cost of the short- term receivables normally equals their nominal value (less repayments or any impairment); therefore short-term receivables are stated in the balance sheet in their redemption value. Long-term receivables are initially recognised at the fair value of the consideration receivable and subsequently interest income is calculated on the receivable using the effective interest rate method.

At each balance sheet date will be evaluated whether there are signs of impairment of financial assets or a group of financial assets measured at amortized cost. In case there are signs of impairment the financial assets measured at amortized cost are discounted to the expected net present value of future cash payments (discounted at the initial recognition of the financial asset with fixed internal interest rate) and financial assets recognised at first cost are discounted to the amount that is reasonably estimated to be the selling price at the balance sheet date. Impairment losses are recognised as an expense in the comprehensive income statement.

2.7 Financial liabilities

All financial liabilities (supplier payables, accrued expenses and other short and long-term borrowings) are initially recorded amortised cost. The amortised cost of the current financial liabilities normally equals their nominal value; therefore current financial liabilities are stated in the balance sheet in their redemption value. To calculate the amortised cost of non-current financial liabilities, they are initially recognised at fair value of the proceeds received (net of transaction costs incurred) and an interest cost is calculated on the liability in subsequent periods using the effective interest rate method.

Financial liabilities are classified as current when they are due to be settled within twelve months after the balance sheet date; or the Fund does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date or when the borrower has the right to recall the loan at the balance sheet date, due to breach of contract.

2.8 Foreign currency translation

The functional currency of the Fund is Euro. The Fund's financial statements are presented in euros as well.

Foreign currency transactions are recorded based on the foreign currency exchange rates of the European Central Bank prevailing at the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency based on the foreign currency exchange rates of the European Central Bank prevailing at the balance sheet date. Foreign exchange gains and losses resulting from translation are recorded in the income statement of the reporting period.

Non-monetary assets and liabilities that are measured at fair value and denominated in a foreign currency are translated into the functional currency, using the official exchange rates of the European Central Bank which prevail at the date of determining fair value

2.9 Taxation

Corporate income tax on dividends

According to the Income Tax Act applicable in Estonia, the annual profit earned by entities is not taxed in Estonia. Income tax is paid on dividends, fringe benefits, gifts, donations, reception costs, non-business related disbursements and adjustments of the transfer price. The tax rate on the net dividends paid out of retained earnings is 20/80 (until 31.12.2014 the tax rate was 21/79 on the net dividends paid out). In certain circumstances, it is possible to distribute dividends without any additional income tax expense. The corporate income tax arising from the payment of dividends is recognised as a liability and as an income tax expense in the period in which dividends are declared, regardless of the period for which the dividends are declared or the actual payment date. The obligation to pay income tax arises on the 10th day of the month following the payment of dividends.

Due to the nature of the taxation system, the entities registered in Estonia do not have any differences between the tax bases of assets and their carrying amounts and hence, no deferred income tax assets and liabilities arise. A contingent income tax liability which would arise upon the payment of dividends is not recognised in the balance sheet. The income tax liability which would accompany the distribution of retained earnings is not disclosed in the financial statements.

2.10 Related party transactions

In preparing the financial statements, the related parties include associates, fund's management company SmartCap and its executive and senior management and other persons and entrepreneurs who have the control or significant influence over fund's financial and business decisions. Since the shares of Early Fund II are 100% owned by the Republic of Estonia, the related parties include also all entities under control or significant influence of Republic of Estonia.

2.11 Revenues

(a) Interest income

Interest income is recognised when the receipt of revenue is certain and the amount of revenue can be measured reliably. Interest income is recognised using the asset's effective interest rate unless the receipt of interest is uncertain. In such cases, interest income is reported on a cash basis.

(b) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.12 Fund units

The Fund has subscribed one class of shares that give the unit holder the right to a pro rata share of the Fund's net assets in liquidation of the Fund upon maturity (see note 2.15 Fund's rules). Fund units are not associated with any other contractual obligations except their redemption in case of fund liquidation.

Fund units are recognised as equity instruments as following IAS 32 criteria are met:

- Units provide owners with a right to receive a pro-rata share of the Fund's net assets (or net asset value) upon the Fund's liquidation. The Fund's net asset value is determined by subtracting the Fund's liabilities from the market value of the Fund's assets. A pro-rata share is calculated as follows: the Fund's net asset value is divided by the number of units issued and the result is multiplied by the number of units owned by each unit owner;
- Units are subordinate to all other debt and other instruments issued by the Fund;
- The rights arising from all units (to receive payment in accordance with a pro-rata share in net assets) are identical.
- The Fund has no other financial instruments or contracts whose cash flows are largely based on profit, changes in net assets or fair value change in net assets accounted for on the balance sheet/ off-balance sheet, as a result of which the income of unit owners would be substantially limited or fixed.

If the terms related to units change so as to cause the criteria listed above to be no longer met, the units shall be classified as financial liabilities from the date that such conditions are no longer met. A financial liability is recognised at the fair value of the transaction date. In the event of a difference arising between the carrying amount of an equity instrument and the fair value of a liability, the difference is recognised in net assets.

Direct expenses related to the issuance of new units are recognised in net assets as a reduction of the amount paid-in for units. If the Fund repurchases its own units, the equity attributable to unit owners is reduced by the payment received, less costs to sell.

2.13 Rules of the Fund

Fund rules regulate the relations with the Fund unit holders and with the management company.

Fund units
Fund units are issued by the Fund management company. Issuance of the units is not public. Fund management company will conduct the issuance of units targeting professional investors as set out in Securities Market Act § 6 subsection 2. Unit represents the investor's share of the Fund's assets. The Fund has one class of units. Units are held

in registered form and ownership documents will not be issued for the unit. Shares acquired by the investor will be recorded in the investor's securities account. Units cannot be redeemed to the investor's request. Redemption of the units will be carried out on fund liquidation. Unit’s nominal value is 10,000 (ten thousand) euros. Fund management company will issue the units at issue price, that is the latest NAV by the time the purchase order came in. Number of units issued to the investor will be calculated by dividing amount paid by the investor by the unit issue price. When issuing units the Fund management company does not take subscription fee from the investors. Units are divisible. When dividing units fractions are rounded to three decimal places.

Rights arising from ownership of units
Rights and obligations arising from units will rise as unit is issued and will be terminated as unit is redeemed. The unit is issued from the moment of registration and redeemed from the moment of removal from the register.
Ownership of a unit is certified by an entry in the register. Investors are participating in the management of the Fund through general meetings. The investor does not have the right to request termination of the common ownership or separation of its unit from the assets of the Fund. Investors are entitled under the ownership of the units, including, but not limited to the following:

- units may be disposed to professional investors in the stock market;
- get in case of payments made from the Fund their share (accordingly to units owned) of the profit according to the Fund’s rules;
- in case of funds liquidation receive according to the Fund’s rules its share of fund’s assets remained accordingly to units owned;
- convene a general meeting and to attend and vote at general meetings;
- require that the management company compensates the damage caused by breaching of its obligations

Investor is not personally liable for the obligations of the Fund, the Fund management company has taken account of the Fund, as well as the responsibilities that fund management company has the right to require from the Fund, according to funds rules. Investor responsibility for the performance of such obligations is limited to his share of the Fund's assets.

Fees and expenses paid from Fund’s accounts
Fund’s management company is paid fund management fee for managing the Fund, which consists of a fixed fee and performance fee. Fixed fee is paid on a monthly basis and is amounted 3% of fund’s assets (initial investment capital). If the Fund’s net income is (amount received for the exit from the investments, minus the initial investment capital) positive, performance fee amounted 20% of fund’s net profit is paid to the Fund management company.

In addition to the management fee expenses directly related to the management of the Fund are paid from fund’s accounts, which include, for example:
- all costs related to investments and the costs corresponding to market practice (at market prices);
- all costs related to the purchase, sale or management of fund’s assets;
- costs related to the valuation of fund’s assets;
- costs associated with formation and liquidation of the fund;
- register fees;
- costs associated with convening and conducting general meetings;
- costs of preparing fund’s reports (incl. the annual report) and auditing fees of the annual report
- other charges relating to the Fund, such as transaction fees, bank charges, commissions, security account management fees, stamp duties, fees for legal services, legal costs.

Fees (fixed fee paid to the Fund’s management company for managing the Fund) and expenses paid in a one year from fund’s accounts cannot be more than 6% from fund’s assets.

Note 3 Financial risk management

The Fund management company has established rules from the identification, measurement, management, monitoring and reporting of risks. The objective of such rules is to regulate the procedures related to risk management on the level of the Fund management company and the Fund. The general risk management policies are approved by the supervisory board of the Fund management company. The management board of the Fund management company submits reports and overviews on a regular basis to the supervisory board regarding the risks associated with the Fund management company's business and loss events arising from the materialisation of such risks. The management board is responsible for the implementation of risk management policies approved by the supervisory board. The Fund manager is obligated to immediately communicate any material unusual risks associated with the investment of the Fund's assets or other activities related to management of the Fund. The Fund manager monitors the compliance of the Fund management with applicable legislation and terms and conditions of the Fund.

Risk management, including the decision-making process and the roles of various individuals (including investment managers) and bodies (including the expert committee) in making investments, management of investments and exiting investments on account of the Fund are regulated by the investment strategy adopted by the supervisory board of the Estonian Development Fund and approved by the European Commission with resolution number K(2009)116 of 14 January 2009 and the terms and conditions of the Fund.

Risks associated with the operations of the Fund management company are classified as risks associated with the Fund and risks associated with other business activities of the Fund management company. Operational risk is also monitored on the level of risks associated with the operations of the Fund management company. This risk arises from inadequacy or failure to function in an expected manner of processes, actions by people or systems or external events. Operational risk includes legal risk, regulatory risk, information technology risk, model risk, procedural risk, personnel risk, control risk and management risk.

3.1 Financial risks

The Fund that is managed by the Fund management company is an early seed and start-up stage venture capital investment fund and the investments that it makes are inherently of a high risk level. Investment risks arise from the following attributes:

- Early stage of development of investees, therefore their business models and revenue generation capacity have not yet been proved and thus several investees could experience failure;
- Concentration of investments of a similarly high risk level in the Fund;
- Low level of liquidity of long-term non-marketable securities, therefore the exit from such investments may significantly impact the return on investment and the return of the whole fund.

The primary risks involved in the Fund from the standpoint of the Fund management company's operations include failure to achieve a critical level of assets under management, rendering it unreasonably expensive to manage the Fund, and/or a lower than expected return on invested capital, causing shareholders in the Fund to not receive the return that they expected on their invested capital or, worse, fail to even achieve the return of the capital that they invested.

The potential investees of the Fund are extensively researched before an investment is made (including a legal and business analysis of the investment projects, technical expert assessment and due diligence is conducted). A multi-tiered structure has been established for the management of risks associated with the selection of investments for the Fund and lack of management quality whereby an independent expert committee will also participate in giving an investment recommendation in addition to the management board of the Fund management company.

In addition, the involvement of independent co-investors from the private sector in each company will contribute to lowering the risks associated with direct fund investments (The Fund only has the right to make investments in companies in conjunction with legal entities governed by public law (private fund-raising) and on equal terms).

For the purposes of diversifying risks, the terms and conditions of the Fund contain limits in order to prevent significant negative impacts on the assets under management of the Fund that may result from the materialisation of an individual investment risk and also for the existence of a sufficient number of investees in the Fund that is needed to generate the required return.

When investing capital and managing investments of the Fund, the Fund management company and its employees take into account the following specific risks associated with the Fund's investments:

- Market risk - the market related to the Fund's investee may rise or fall and thereby impact the value of the Fund's assets. The value of the Fund's investments may be influenced not only by the overall condition of the economy but also developments in the relevant sector.
- Credit risk - the issuer of a security owned by the Fund or the counterparty of a transaction involving the Fund's assets fails to partially or fully perform its obligations (for example the acquirer of a portfolio company fails to make payment as due upon the Fund's exit from an investment). Measures taken in order to mitigate credit risk include the investment of the available Funds of the investment fund in low-risk securities and counterparties with low credit risk are preferred. The risk of the acquirer of a portfolio company failing to make due payment upon the Fund's exit from an investment is regulated contractually (for example using appropriate collateral or prepayment).
- Liquidity risk - the risk that it becomes impossible to liquidate a position or the Fund's assets cannot be sold on a timely basis at a fair price. As the Fund invests in long-term non-marketable securities, there may not be a market for the Fund's investments once the Fund desires to exit an investment. In order to enable an exit from an investment, the Fund typically starts planning an exit approximately 3 years in advance. Management of liquidity risk is based on the procedure for financial asset management of the Fund management company.
- Issuer risk - the price of a security may be subject to adverse changes upon discovery of unfavourable circumstances dependent on the issuer. The businesses of the issuers are analysed and monitored in order to manage issuer risk. Employees of the Fund management company participate in the supervisory board of an issuer in order to manage issuer risk.
- Interest rate risk arises from a change in interest rates. As the Fund may grant loans to companies in addition to making an investment in the equity of the company, the Fund is exposed to interest rate risk. However, convertible loans granted typically carry a fixed rate of interest.
- Concentration risk is associated with the concentration of assets. The Fund management company monitors the requirements for diversification of risks as stipulated in the terms and conditions of the Fund when investing the Fund's assets.
- Legal risk - the risk that legislation that the Fund is subject to may change, including legislation governing the tax system. The Fund management company monitors changes in the legal environment in order to manage legal risk and adapts the operations of the Fund in accordance with any changes in legislation.

The Fund management company views the levels of market risk, credit risk, liquidity risk and issuer risk as relatively high due to the characteristics of the Fund's investments. The Fund management company does not aim to avoid those risks but rather to manage them appropriately and proactively. The Fund has maintained a sufficient level of liquid assets in the form of cash and cash equivalents in order to mitigate liquidity risk and perform obligations on a timely basis and as at 31.12.2014 the liquid funds exceed the Fund's liabilities. The Fund also has adequate liquid funds to meet financial obligations that will be incurred in the year 2015 and to make new investments. (also see Note 5 - cash and cash equivalents and Note 9 - liabilities as at 31.12.2014). No custody risk arises in association with the Fund's operations because the Fund does not have a depositary. The investments of the Fund are also not exposed to currency risk because the Fund's assets are only invested in the equity of Estonian companies.

Financial assets of the Fund indicated in Notes 5, 6, 7 and 8 are exposed to credit risk. In order to mitigate credit risk, the entity has selected for holding its cash and bank accounts subsidiaries/ branches of Scandinavian banks that are well-known in the Estonian market and in a strong financial position with a Moody's credit rating of at least Aa3. The credit risk of investments measured at fair value is high due to the early phase of development of these investees.

3.2 Management of capital risk

Shares subscribed for by investors of the Fund constitute capital. Shares are not redeemed at the investor's request. The redemption of shares only occurs upon liquidation of the Fund. Shareholders may resolve to liquidate the Fund.

All of the shares of Early Fund II are owned by the Republic of Estonia. Decisions concerning the distribution of dividends and subscription or redemption of shares are made by the Republic of Estonia (via the Ministry of Economic Affairs and Communications). The equity of the Fund is not subject to regulation by the Commercial Code and there are no other requirements arising from law.

When liquidating the Fund, it must be taken into account that the Fund's assets are highly illiquid and this factor causes a high risk to maintaining the fair value of assets in the course of the liquidation process. The Fund does not employ financial leverage.

3.3 Fair value

According to the judgment of the Fund manager, the fair value of financial assets and liabilities measured at amortised cost are not significantly different than the carrying amounts presented in the balance sheet as at 31 December 2014. The financial assets measured at amortised cost are short-term in duration and bear interest at rates that have not substantially changed in the market between the dates of recognition of the financial assets and the balance sheet date, therefore the carrying amount is estimated to approximate the fair value. As financial liabilities are short-term and are not interest-bearing and have been repaid by the date of approval of the financial statements, their carrying amount is estimated to approximate the fair value.

The Fund classifies financial investments in three levels according to revaluation:

Level 1: Financial investments measured at unadjusted stock exchange quotations or quoted prices in other active regulated markets;

Level 2: Financial instruments measured using methods that are based on observable inputs. This category includes for example financial instruments that are measured using prices of similar instruments in an active regulated market or financial instruments for which quoted prices from regulated markets are used but where market liquidity is low.

Level 3: Financial instruments where the methods used for revaluation are based on unobservable inputs.

The following are determined in accordance with the Fund's rules for determining net asset value as adopted by the supervisory board of the Fund management company:

- The value of cash on hand and deposits at their nominal value;
- The value of interest that is accrued but unpaid is accounted for as accrued income;
- The determination of fair value of non-marketable securities is primarily based on the valuation methods stipulated by IFRS and valuation methods provided in the valuation guidance issued by the European Private Equity & Venture Capital Association (EVCA), which may be:
  - The price of the most recent investment transaction;
  - The discounted cash flow method;
  - The net assets method;
  - Determination of value on the basis of a profit multiplier.

All investments of the Fund measured at fair value as classified as Level 3.

The fair value of the Fund's financial investments as of 31.12.2014 has been determined as follows:

- GOLIATH Wind OÜ, WeatherMe OÜ, Fits.me Holdings Ltd, Sportlyzer OÜ and IOT Holding OÜ: the price of the most recent investment transaction. The price of the most recent transaction at which valuation a new external investor or investors entered has been used as the price of the most recent investment transaction. If an aforementioned transaction did not occur close to the balance sheet date (i.e. more than 3 months prior to or after the balance sheet date), the fair value at the balance sheet date has been determined based on the operations of the investee during the interim period and the rate at which actual operations correspond to initial targets on the basis of which the transaction price and value of the investee were determined by investors. No significant adjustments due to changes during the period between the transaction date and the balance sheet date have been made regarding the investments provided above;
- CX Cloud Services OÜ, Lingvist Inc., Jobbatical OÜ and Monese OÜ: price of the most recent investment transaction /cost. The Fund's initial transaction involving the investee has been used as the price of the most recent investment transaction /cost because it is estimated that the transaction occurred close to the balance sheet date (i.e. 3 months prior to or after the balance sheet date) or no incremental investments by new external investors have been made after the initial purchase. The fair value at the balance sheet date has been determined using the operations of the investee during the interim period and the rate at which actual operations correspond to initial targets on the basis of which the transaction price and value of the investee were determined by

investors. No significant adjustments due to changes during the period between the transaction date and the balance sheet date have been made regarding the investments provided above;

- Realeyes (Holdings) Limited: price of the most recent investment transaction concerning the share owned by the Fund and the price of the most recent investment transaction / cost concerning the convertible loans granted by the Fund;

The fair value of the Fund's financial investments as of 31.12.2013 has been determined as follows:

- Defendec OÜ: price of the most recent investment transaction (cost), which has been verified using the discounted cash flow method.
- WeatherMe OÜ and CX Cloud Services OÜ: price of the most recent investment transaction (cost) because these transactions occurred close to the balance sheet date and have thus been deemed as estimates of the fair value at balance sheet date. No transactions have occurred after the balance sheet date that would indicate a significant change in fair value;
- Sportlyzer OÜ, Realeyes OÜ, GOLIATH Wind OÜ and Fits.me Holding Ltd: price of the most recent investment transaction after the balance sheet date. According to the Fund manager's judgment, no material events occurred during the period between the balance sheet date and the date of the transaction, thus the aforementioned transaction values can be deemed as estimates of the fair value at balance sheet date.

More detailed quantitative information concerning investments measured at fair value is presented in Note 8. In accordance with the circumstances disclosed in Note 4, sensitivity analysis has not been performed for investments classified as Level 3 in these financial statements.

Note 4 Significant accounting estimates

Several accounting estimates and assumptions which have an impact on the assets and liabilities as well as off-balance sheet assets and contingent liabilities disclosed in the notes have been used in preparing the financial statements. Although these estimates are based on the management's best knowledge of current events and actions, actual results may differ ultimately from those estimates. Changes in management estimates are recognised in the statement of comprehensive income of the period of the change.

Estimates concerning the fair value of financial investments have the greatest impact on the financial information presented in the financial statements. Long-term financial investments account for 25.78% of the Fund's assets at the balance sheet date (31.12.2013: 10.2% of the Fund's assets).

The basis for the value of financial investments measured at fair value is a valuation conducted as at 31.12.2014. In accordance with the disclosure in Note 3.3, the price of the most recent investment transaction / cost has been used as the method.

Note 5 Cash and cash equivalents

	31.12.2014	31.12.2013
Cash in bank accounts	1,969,059	16,787,943
Deposits	0	5,372,000
Total cash and cash equivalents	**1,969,059**	**22,159,943**

Cash and cash equivalents by currency

	31.12.2014	31.12.2013
Euro	1,969,059	22,159,943

Total cash and cash equivalents	**1,969,059**	**22,159,943**

Note 6 Term deposits

	31.12.2014	Currency	Starting date	Maturity date	Interest rate
Term deposit Swedbank AS	7,000,000	EUR	18.12.14	18.12.15	0.53%
Term deposit Swedbank AS	6,000,000	EUR	27.02.14	27.02.15	0.60%
Term deposit Swedbank AS	2,000,000	EUR	18.12.14	18.06.15	0.28%
Term deposit Nordea	1,000,000	EUR	16.12.14	16.06.15	0.23%
Total term deposits	**16,000,000**	**EUR**			

Note 7 Trade receivables and prepayments

	31.12.2014	31.12.2013
Short-term trade receivables and prepayments		
Other short-term receivables		
Interests	*32,563*	*29,194*
Other receivables	*177,990*	*0*
Total short-term trade receivables and prepayments	**210,553**	**29,194**

As at 31.12.2014, interest receivable includes accrued interest on term deposits. Interests are collected at the end of the term of the deposit.

The line item "Other receivables" includes a contribution to equity of Goliath WIND OÜ in exchange for a share with EUR 255 of nominal value. The corresponding entry had not been made in the Commercial Register as at the balance sheet date.

The fair value of receivables does not materially differ from its carrying amount. The collection of receivables and the receipt of services and goods for prepayments are not secured by collateral. All of the receivables and prepayments of the Fund are denominated in euros.

Note 8 Financial investments at fair value through profit or loss

	31.12.2014	31.12.2013
The carrying value of the holdings at the beginning of the year	1,600,000	499,980
Fair value of the convertible loans granted at the beginning of the period	911,000	342,079
Total of investments in associates at fair value at the beginning of the year	**2,511,000**	**842,059**
Cost of acquired share holdings	785,958	999,536
Convertible loans granted	2,546,990	726,500
Repayments of convertible loans granted	0	-128,579
Fair value revaluation of holdings/loans	444,199	71,484
Convertible loans converted in to share capital	1,233,990	100,000
The fair value of the holdings at the end of the year	3,881,277	1,600,000
Fair value of convertible loans granted at the end of year	2,406,870	911,000
Total of investments in associates at fair value at the end of the year	**6,288,147**	**2,511,000**

Associated company	**Field activity**	**Shareholding as at 01.01.2013 (%)**	**Acquired shareholding %**	**Shareholding as at 31.12.2013 (%)**
GOLIATH Wind OÜ	Production of electrical motors, generators and transformers	0%	0%	0%
Fits.me Holdings Ltd	Other professional, scientific and technical activities	2.65%	0%	1.73%
Defendec OÜ	Computer programming	6.53%	0%	6.53%
Sportlyzer OÜ	Computer programming	0%	0%	0%
Realeyes OÜ	Data processing, web hosting and related activities	0%	13%	13%
WeatherMe OÜ	Other information service activities	0%	0%	0%
CX Cloud Services OÜ	Data processing, web hosting and related activities	0%	0%	0%
Opal Communications OÜ	Holding companies	0%	0%	0%

Associated company	**Field activity**	**Shareholding as at 01.01.2014 (%)**	**Acquired shareholding %**	**Shareholding as at 31.12.2014 (%)**
GOLIATH Wind OÜ	Production of electrical motors, generators and transformers	0%	12.62%	12.62%
Fits.me Holdings Ltd	Other professional, scientific and technical activities	1.73%	5.76%	7.49%
IOT Holding OÜ (Defendec OÜ)	Holding companies	0%	20.35%	20.35%
Sportlyzer OÜ	Computer programming	0%	6.75%	6.75%
Realeyes (Holdings) Limited (Realeyes OÜ)	Data processing, web hosting and related activities	0%	18.60%	18.60%
WeatherMe OÜ	Other information service activities	0%	0%	0%
CX Cloud Services OÜ	Data processing, web hosting and related activities	0%	0%	0%

Keel 24 OÜ	Computer programming	0%	0%	0%
Jobbatical OÜ	Other information service activities	0%	16.50%	16.50%
Monese OÜ	Holding companies	0%	0%	0%

In table above, associates with 0% shareholding as at 31.12.2013 or 31.12.2014, the Fund has correspondingly not made any investments or has made an investment only as a convertible loan.

The Fund invests in the shares of early-stage knowledge-intensive and technology-intensive Estonian companies. Investments are made in conjunction with co-investors from the private sector on equal terms and on the basis of commercial considerations. The Fund has not invested in situations where they would have acquired the shares of other shareholders or investors. As a result of the investment, the Fund's ownership interest in the company is typically within the range of 10% to 49% of the voting rights.

The Fund may grant loans to the investees for improved structuring of equity investments. Loans granted to investees bear interest at rates of 8%, 10%, 15% and 20% depending on the terms of the loan agreement. The loans are convertible into equity.

During the years 2014 and 2013, the Fund has not received dividend income.

The methodology for the estimation of fair value of investees and the fair value of convertible loans is presented in Note 3.3. According to terms of the shareholder agreements and loan agreements, the Fund has significant influence over WeatherMe OÜ, IOT Holding OÜ, Realeyes (Holdings) Limited, Fits.me Holdings Ltd, GOLIATH Wind OÜ, Lingvist Inc, Jobbatical OÜ, Monese OÜ and CX Cloud Services OÜ. As at 31.12.2014, the Fund had agreed to unfunded investment commitments in the amount of EUR 235 thousand (31.12.2013: EUR 1,200 thousand)

Note 9 Trade and other payables

	31.12.2014	31.12.2013
Short-term trade and other payables		
Trade payables	67,807	56,762
Other accruals	6,366	7,566
Total short-term trade and other payables	**74,173**	**64,328**

Note 10 Operating expenses

	2014	2013
Fund management fee *(note 11)*	757,842	575,694
Shares fee	2,000	2,000
Purchased services	11,160	7,657
Total operating expenses	**771,002**	**585,351**

Note 11 Fund units and statement of comparison of the Fund’s net asset value

With its decision dated 01.08.2012, the Fund management company approved the issuance of fund shares, specifying 1,247.908 shares as the size of the offering. The nominal value of one share is EUR 10,000.

Acting on the basis of order number 171 of the Government of the Republic dated 12.04.2012 and the contract between the Estonian Development Fund and the Ministry of Economic Affairs and Communications dated 6.12.2011, the Estonian Development Fund on 02.08.2012 on behalf of the Ministry of Economic Affairs and Communications subscribed for the entire offering of 1,247.908 fund shares and paid the issue price totalling EUR 12,479,080. After the Fund's terms and conditions were approved on 01.08.2012, the Fund acquired an unconditional claim and the Estonian Development Fund assumed an unconditional obligation to subscribe for shares in the Fund.

With a decision adopted at its session of 06.12.2012 (item number 15 on the agenda) the Government of the Republic authorised the Ministry of Economic Affairs and Communications to acquire additional shares in the Fund paid for in full with a cash contribution of EUR 6,391,165.

AS SmartCap as the Fund management company issued to the Ministry of Economic Affairs and Communications an additional 645.561 shares in the Fund. The nominal value of one share is EUR 10,000. Shares were issued at their issue price, which was the most recent net asset value per share by the time that the purchase order from the Ministry of Economic Affairs and Communications was received as at 30.11.2012, which was EUR 9,900.1661. The Ministry of Economic Affairs and Communications subscribed for EUR 6,391,165 worth of shares and paid for them.

With a decision adopted at its session of 05.12.2013 (item number 21 on the agenda) the Government of the Republic authorised the Ministry of Economic Affairs and Communications to acquire additional shares in the Fund paid for in full with a cash contribution of EUR 6,391,165.

AS SmartCap as the Fund management company issued to the Ministry of Economic Affairs and Communications an additional 661.851 shares in the Fund. The nominal value of one share is EUR 10,000. Shares were issued at their issue price, which was the most recent net asset value per share by the time that the purchase order from the Ministry of Economic Affairs and Communications was received as at 30.11.2013, which was EUR 9656.4968. The Ministry of Economic Affairs and Communications subscribed for EUR 6,391,165 worth of shares and paid for them.

Year	**Net value of the Fund**	**Net value of the Fund’s share**
31.12.2014	24,393,586	9,546.1962
31.12.2013	24,635,809	9,640.9878
31.12.2012	18,706,655	9,879.5676

Note 12 Related party transactions

Related parties of the Fund are:

a. Investee companies over which the Fund has significant influence;
b. Fund management company (AS SmartCap) and its management and senior management;
c. Close family members of the aforementioned persons and companies controlled by them or under their significant influence;
d. The sole shareholder of the Fund, the Republic of Estonia, and the entities under state control or significant influence.

Excluding investment transactions, the Fund has not entered into any transactions during the year 2014 with investee companies. Transactions involving investee companies are disclosed in Note 8.

The Fund management company is paid management fees on behalf of the Fund in exchange for management of the Fund, comprised of two components: a fixed fee and a success fee. During the reporting period, management fees totaling EUR 757,842 have accrued to the Fund management company (2013: EUR 575,694). As at 31.12.2014, the Fund had a balance of management fees payable to the Fund management company of EUR 63,154 (31.12.2013: EUR 56,762) and other liabilities to the Fund management company of EUR 4,653 (31.12.2013: EUR 7,560).
Transactions involving the shareholder, the Republic of Estonia, are disclosed in Note 11.

Statement of investments

According to regulation of the Minister of Finance no 21 “Requirements for investment fund reports subject to disclosure” the following information of fund’s investments as at 31.12.2014 has been disclosed (in euros):

Company	ISIN-code (Commercial Registry No)	Country	Nominal value	Currency	Quantity	Average acquisition cost per unit	Total average acquisition cost	Market value per unit	Total market value	Share of Fund's net assets
Investments in equity										
Fits.me Holdings Ltd	7871517	GB	0.01	GBP	502,530	-	-	-	-	-
Realeyes (Holdings) Ltd	8922462	GB	0.001	EUR	1,126,067	-	-	-	-	-
GOLIATH Wind OÜ	11441701	EE	1,312	EUR	1	-	-	-	-	-
IOT Holding OÜ	12580341	EE	3,727	EUR	1	-	-	-	-	-
Sportlyzer OÜ	11671051	EE	576	EUR	1	-	-	-	-	-
Jobbatical OÜ	12671900	EE	769	EUR	1	-	-	-	-	-
Total investments in equity						**3,619,374**	**3,619,374**	-	**3,881,277**	**15,91%**
Convertible loans										
Realeyes (Holdings) Ltd	8922462	GB	-	EUR	2	-	-	-	-	-
WeatherMe OÜ	12247361	EE	-	EUR	2	-	-	-	-	-
Lingvist Inc.		US	-	EUR	1	-	-	-	-	-
Monese OÜ	12653693	EE	-	EUR	1	-	-	-	-	-
CX Cloud Services OÜ	12394106	EE	-	EUR	1	-	-	-	-	-
Total convertible loans						**2,137,000**	**2,137,000**	-	**2,406,870**	**9,87%**

Deposits	Moody's rating	Country	Nominal value	Currency	Starting date	Maturity date	Interest rate	Total average acquisition cost	Total market value	Share of Fund's net assets as at 31.12.2014
Term deposit Swedbank AS	A1	EE	7,000,000	EUR	18.12.2014	18.12.2015	0.53%	7,000,000	7,000,000	**28,7%**
Term deposit Swedbank AS	A1	EE	6,000,000	EUR	27.02.2014	27.02.2015	0.60%	6,000,000	6,000,000	**24,6%**
Term deposit Swedbank AS	A1	EE	2,000,000	EUR	18.12.2014	18.06.2015	0.28%	2,000,000	2,000,000	**8,2%**
Term deposit Nordea Bank AB Estonia Branch	Aa3	EE	1,000,000	EUR	16.12.2014	16.06.2015	0.23%	1,000,000	1,000,000	**4,1%**
Total deposits			**16,000,000**					**16,000,000**	**16,000,000**	**65,59%**

Overnight deposit SEB Pank AS	A1	EE	1,968,908	EUR			0.01%	1,968,908	1,968,908	**8,07%**

Other short-term receivables

Accrued interest on deposits		EE	32,563	EUR					32,563	**0.13%**
Investment in Goliath Wind OÜ		EE	177,990	EUR					177,990	**0.73%**

Total assets of the Fund									**24,467,759**	**100.30%**
Net assets of the Fund									**24,393,586**	

Other short-term receivables include an equity investment in Goliath Wind OÜ. The management board of the company has made a decision concerning an increase in equity but as at 31.12.2014 the corresponding entry has not yet been made in the Commercial Register.

As the aforementioned equity investments and convertible loans do not constitute marketable securities, the fair value of such investments has been determined through the use of alternative information based on estimates. As the disclosure of information concerning the fair value of such investments is restricted due to confidentiality agreements in place and as it would undermine the Fund's position in exiting the investments, the average acquisition cost and the total market value or fair value of such investments is disclosed in aggregate.

As at 31.12.2013, the following information in euros has been disclosed:

Company	ISIN-code (Commercial Registry No)	Country	Nominal value	Currency	Quantity	Average acquisition cost per unit	Total average acquisition cost	Market value per unit	Total market value	Share of Fund's net assets
Investments in equity										
Defendec OÜ	11306995	EE	732	EUR	1					
Fits.me Holdings Ltd	07871517	GB	83	EUR	2,424					
Realeyes OÜ	11730664	EE	770	EUR	1					
Total investments in equity						**1,599,516**	**1,599,516**	**1,600,000**	**1,600,000**	**6.49%**
Convertible loans										
Sportlyzer OÜ	11671051	EE		EUR	1					
WeatherMe OÜ	12247361	EE		EUR	1					
Defendec OÜ	11306995	EE		EUR	1					
Goliath WIND OÜ	11441701	EE		EUR	1					
CX Cloud Services OÜ	12394106	EE		EUR	1					
Total convertible loans						**840,000**	**840,000**	**911,000**	**911,000**	**3.70%**

Deposits	Moody's rating	Country	Nominal value	Currency	Starting date	Maturity date	Interest rate	Total average acquisition cost	Total market value	Share of Fund's net assets as at 31.12.2013
Overnight deposit AS SEB Pank	A1	EE	6,648,919	EUR	31.12.2013	1.01.2014	0.06%	6,648,919	6,648,919	**26.92%**
Overnight deposit Swedbank AS	A1	EE	7,816,137	EUR	31.12.2013	1.01.2014	0.06%	7,816,137	7,816,137	**31.64%**
Overnight deposit Nordea Bank Finland Plc Estonia Branch	Aa3	EE	2,322,887	EUR	31.12.2013	1.01.2014	0.10%'	2,322,887	2,322,887	**9.40%**
Term deposit Nordea Bank Finland Plc Estonia Branch	Aa3	EE	5,372,000	EUR	15.03.2013	17.03.2014	0.67%	5,372,000	5,372,000	**21.75%**
Total deposits			**22,159,943**					**22,159,943**	**22,159,943**	**89.72%**
Other short-term receivables										
Accrued interest on deposits		EE	29,194	EUR		17.03.2014			29,194	**0.12%**
Total assets of the Fund									**24,700,137**	**100.26%**
Net assets of the Fund									**24,635,809**	

As the aforementioned equity investments and convertible loans do not constitute marketable securities, the fair value of such investments has been determined through the use of alternative information based on estimates. As the disclosure of information concerning the fair value of such investments is restricted due to confidentiality agreements in place and as it would undermine the Fund's position in exiting the investments, the average acquisition cost and the total market value or fair value of such investments is disclosed in aggregate.

INDEPENDENT AUDITOR'S REPORT