



I half-year interim report 2016

Early Fund II

Beginning of the reporting period: 1 January 2016

End of the reporting period: 30 June 2016

Fund Management Company: AS SmartCap

Fund Manager: Ms Sille Pettai

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Auditor: AS PricewaterhouseCoopers

Main area of activity: Venture capital fund investing into Estonian start-up companies with international growth potential.



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The signatures of the management board of the Fund management company to the Early Fund II interim report of the I half-year 2016

Management Board of the Fund Management Company AS SmartCap has prepared the Early Fund II interim report of the I half-year 2016 that contains a half-yearly report (including notes) and investment statement.

/digitally signed/

Ms Sille Pettai
AS SmartCap
Fund Manager

/digitally signed/

Ms Mari Vavulski
AS SmartCap
Management Board Member

/digitally signed/

Antti Perli
AS SmartCap
Management Board Member

I HALF-YEAR INTERIM REPORT 2016**Statement of financial position**

(in euros)

	Note no.	30.06.2016	31.12.2015
ASSETS			
Fixed Assets			
Financial investments at fair value through profit or loss	8	12,548,856	9,702,422
Long-term receivables	9	219,930	219,930
Total fixed assets		12,768,786	9,922,352
Current assets			
Cash and cash equivalents	5	2,164,449	8,301,567
Term deposits	6	10,000,000	7,000,000
Trade receivables and prepayments	7	29,727	23,519
Total current assets		12,194,177	15,325,086
TOTAL ASSETS		24,962,963	25,247,438
Current liabilities			
Trade payables and other current liabilities	10	69,432	76,994
Total current liabilities		69,432	76,994
TOTAL LIABILITIES		69,432	76,994
Fund's assets owned by the unit-holder in net asset value	12	24,893,531	25,170,444

Notes provided on pp. 8-27 form integral parts of these financial statements.

Statement of comprehensive income

(in euros)

	Note no.	01.01.2016- 30.06.2016	01.01.2015- 30.06.2015
Financial income and expenses		129,872	164,338
Interest incomes		129,872	164,338
Operating costs	11	-405,653	-393,409
Management fees	11, 13	-378,921	-378,921
Other expenses		-21,354	-14,488
Expert Committee fees	11	-5,378	-9,285
Net profit/loss from financial assets at fair value through profit or loss	8	-1,132	715,839
Net result of the Fund		-276,913	486,768

Notes provided on pp. 8-27 form integral parts of these financial statements.

Cash Flow Statement

(in euros)

	Note no.	01.01.2016- 30.06.2016	01.01.2015- 30.06.2015
Cash flows from Fund's operating activities			
Operating expenses paid		-413,215	-622,162
Loans granted	8	-1,600,000	-221,254
Paid upon acquisition of financial investments		-1,128,740	-552,000
Received from sales of financial investments		0	791,221
Interests received		4,837	40,636
Total cash flows from Fund's operating activities		-3,137,118	-563,560
Cash flows from Fund's investing activities			
Payments to/repayments from term deposits	6	-3,000,000	3,000,000
Total cash flows from Fund's financial activities		-3,000,000	3,000,000
Total cash flows		-6,137,118	2,436,440
Cash and cash equivalents at beginning of period	5	8,301,567	1,969,059
Change in cash and cash equivalents		-6,137,118	2,436,440
Cash and cash equivalents at end of period	5	2,164,449	4,405,499

Notes provided on pp. 8-27 form integral parts of these financial statements.

Statement of changes in Fund's net asset value

(in euros)

	01.01.2016- 30.06.2016	01.01.2015- 30.06.2015
Net asset value of Fund's assets at the beginning of reporting period	25,170,444	24,393,586
Net result of the Fund	-276,913	486,768
Net asset value of the Fund's assets at the end of the period	24,893,531	24,880,354
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 reporting period	9,741.8449	9,736.6882

More specific information on Fund units is indicated in Note 12.

Notes provided on pp. 8-27 form integral parts of these financial statements.

Notes to the financial statements

Note 1 General information

Early Fund II (hereinafter the “*Fund*”) is a closed-ended common investment fund (venture capital fund) formed on 20 February 2012. The Fund is comprised of money raised through issue of units 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 exercising financial supervision over the Fund.

The Fund is managed by AS SmartCap (hereinafter the *Fund management company*). The sole shareholder of the Fund is Eesti Arengufond (Estonian Development Fund) (hereinafter *EAF*) that is a legal entity governed by public law established on the basis of the Estonian Development Fund Act.

The Foresight Act took effect on 29 June 2016 that prescribes termination of the Estonian Development Fund upon entry into force of this Act and carrying out of the liquidation. According to the Foresight Act, units of the Fund management company shall not belong to the liquidation assets of EAF and are transferred free of charge to foundation KredEx.

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 approved the annual report of the Fund on 19.04.2016.

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 in all reporting periods, other than the cases for which information has been disclosed separately.

2.1. Basis of accounting

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS EU). 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 procedure for determining the net asset value of the Fund, adopted pursuant to § 142 2) and § 204 1) of the Investment Funds Act.

The financial statements of the Fund have been prepared in accordance with IFRS to the extent that complies with the requirements of the Investment Funds Act and Regulation no 21 of the Minister of Finance. In the event of any inconsistency, the Fund has taken into account the requirements provided for in the Investment Funds Act and in the Regulation no 21 of the Minister of Finance “Requirements for investment fund reports subject to disclosure”.

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). Preparation of financial statements in conformance with financial reporting standards requires use of specific

accounting 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 New or revised standards and their interpretations

There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on 01.01.2015 that would be expected to have a material impact to the Fund.

New or revised standards and interpretations

The following new or amended standards and interpretations released as of the date of approval of this report but that have not taken effect yet:

IFRS 9 "Financial Instruments": Classification and measurement (effective for annual periods beginning on or after 1 January 2018.; has not been adopted yet by the European Union). The key features of the new 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 new standard on its financial statements.

“Amendments to IFRS 2012” (effective for annual periods beginning on or after 1 February 2015.) Among others, the following amendments will be made in existing standards.

IFRS 13 “Basis for conclusion” was changed to clarify that issuing IFRS 13 and amending IAS 39 did not remove the ability to measure current receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.

IAS 24 was changed to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity (or management entity) and to request disclosure of fees charged by the management entity from the reporting entity.

The Fund is currently assessing the impact of the changes 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 changes 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

Assets and liabilities are classified as current and non-current in the statement of financial position. 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 Financial assets of the Fund are classified into the following categories:

- 1) Financial assets at fair through profit or loss, and
- 2) Loans and receivables.

Financial assets are classified depending on the purpose for which the financial assets were acquired. The Fund manager classifies the financial assets at the initial recognition of the financial asset.

(a) 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. In that case they are classified as non-current assets. The following financial assets are included in the category of loans and receivables: “Cash and cash equivalents”, “Maturing deposits” and “Other current receivables”.

(b) Financial investments

The Fund recognises the venture capital investments in early-phase companies 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.

The granted convertible loans, which likelihood of conversion Fund manager has evaluated as 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 amortised cost.

2.4.2 Recognition and measurement

Sales and purchases of financial assets under ordinary market terms are recognised or their recognition is ended by using the value date based calculation. The Fund recognises 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 “Interest income”.

(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 statement of profit or loss. 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 recognised 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 investees, the Fund will assess whether the Fund would have a significant influence on the investee. 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 characterised by the following circumstances:

- (a) Representation in the management or in a higher supervisory body of the investee;
- (b) Participation in business-political decision-making of investee;
- (c) Material transactions between the investor and the investee;
- (d) Partial overlaps of the managements of the investor and the investee;
- (e) Exchange of technical information between the investor and the investee.

Investments in associates are recognised similarly to other investees 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 related to acquisition 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.

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 31.12.2015, term deposits with maturities of over three months are not classified as cash and cash equivalents in the statement of financial position, but on a separate line “Term deposits”.

2.6 Trade receivables and prepayments

Loans granted and other short and long-term receivables are recognised at amortised cost. The amortised cost of current receivables generally equals to their nominal value (minus repayments or given discounts), for which reason current receivables are recognised in the balance sheet at the likely received sum. Long-term receivables are initially recognised at fair value of the consideration receivable and subsequently interest income is calculated on the receivable using the effective interest rate method.

It will be evaluated at each balance sheet date 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 amortised cost are discounted to the expected net present value of future cash payments (discounted at the initial recognition of the financial asset with original effective 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 statement of comprehensive income.

2.7 Impairment of financial assets

If the Fund has financial assets that are not recognized in their fair value through profit and loss, at each reporting date, it assessed whether there is objective evidence that a financial asset has actually impaired compared to the book value of these assets. Factors that may indicate to the impairment of financial assets include:

- Financial problems of the security's issuer, signs of possible bankruptcy of the issuer;
- Defaulting or overdue payment of interest or principals of the security;
- Loss of active market of the financial asset;
- Other significant events that may indicate impairment.

In impairment of assets recognized at amortised cost, the impairment loss is calculated as the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced by this amount and the loss is recognized in the statement of profit or loss. In case of impairment of financial assets recognized in amortized cost, the calculation of interest income of the assets is not amended. Impairment loss on financial assets carried at amortized cost is reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

2.8 Financial liabilities

All financial liabilities (supplier payables, accrued expenses and other short and long-term payables) are initially recorded at 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 expense 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 the loan contract terms.

2.9 Recognition of foreign currency transactions

Functional currency of the Fund is euro. Presentation currency of the annual accounts of the Fund is also euro.

When recognising transactions performed in foreign currency, the exchange rates of the European Central Bank officially valid on transaction day are taken as the basis for the transactions. Financial assets and obligations fixed in foreign currency are revaluated on the balance sheet date into functional currency using the official exchange rates quoted by the European Central Bank. Exchange gains and losses resulting from the revaluation are recognized in the income statement of the reporting period. Non-monetary assets and liabilities fixed in foreign currency measured at fair value are revaluated to the functional currency taking the exchange rates of the European Central Bank valid on the day of designation of fair value as the basis.

2.10 Transactions with related parties

Preparation of the interim annual accounts deems the associates, Fund management company and its executive and senior management and other persons and entrepreneurs who can control and significantly influence the financial and business decisions as related parties. Since the units of Early Fund are 100% owned by the Republic of Estonia, the related parties include also all entities under control or significant influence of the 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 issued one class of units 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 2.13 of 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-holder.
- 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-holders 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-holder is reduced by the payment received, less costs to sell.

2.13 Fund rules

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 § 6 2) of the Securities Market Act. 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. Units acquired by the investor will be recorded in the investor's securities account. Units are not redeemed at investor's request. Units are redeemed upon liquidation of the Fund. The nominal value of one unit is EUR 10,000 (ten thousand). 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

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. 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, success 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 expenses related to investments and the costs corresponding to market practice (at market prices);
- All expenses related to purchase, sales or management of the Fund's assets;
- Expenses related to valuation of Fund's assets;
- Expenses associated with formation and liquidation of the Fund;
- Registrar fees;
- Expenses of convening and conducting the Shareholders' meeting;
- Expert Committee fees;
- Expenses 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 for 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 management company undertakes 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 observes that the Fund is managed according to the provisions of the legislation and the Terms of the Fund.

Risk management, including decision process and role of different persons (including investment managers) and bodies (including Expert Committee), are additionally regulated in the document "Principle for performance and management of direct investments" established by the Fund management company upon making and managing investments from the Fund and divestments.

Risks related to the activities of the Fund management company are divided into Fund-related risks and other risks related to the 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 which may arise from inadequacy or failure to function in an expected manner of processes, actions by people or systems or external events. Operational risk involves legal, regulative, information technology, model, procedural, personnel, control 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 divestment 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 unit-holders 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.

With the aim of hedging, the possible investees are analysed (including analysis of legal and business activities of investment projects, technical expert assessments and background screening) thoroughly before investing. 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, involvement of independent co-investors of private sector helps the Fund to manage the investment-related risks on the direct investment level (the Fund has the right to invest to entrepreneurs only with legal persons in private law (with involvement of private equity) and under the same conditions).

With the aim to spread risks, the terms of the Fund have established the limits for Fund's volume to avoid the significant negative impact that might occur with realisation of a single investment on the one hand and existence of sufficient amount of investees in the Fund to earn required income on the other hand.

The Fund management company and its employees consider the following specific risks related to Fund investments upon making and managing Fund's investments:

- Market risk - market of the fund's investee may rise or fall and impact hence the value of Fund assets. The overall condition of the economy as well as the developments in a relevant sector can influence the value of the Fund's investments.

- Credit risk - issuer of the security in the Fund assets or counterparty of the transaction carried out with the Fund assets fails partly or fully perform its obligations (e.g. the acquirer of the investee does not perform its payment obligation upon divestment). For hedging, the free funds of the Fund are invested to the low risk instruments and the counterparties with low credit risk are preferred. The risk of non-performance of the investee upon divestment is managed contractually (e.g. using appropriate collaterals or prepayments).
- Liquidity risk - financial risk that an open positions cannot be liquidated or the Fund's assets cannot be traded quickly enough for the foreseen fair price. Since the Fund invests to non-traded low liquidity instruments, the Fund investments might not have market if the Fund wishes to divest. To enable divestment, the divestment is usually planned approximately three years before divestment. Management of liquidity risk follows the procedure of management of a assets 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 risk arises from a change in interest rates. As the Fund may grant loans to companies in addition to investing 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 related to concentration of assets. To hedge the concentration risk, the Fund management company follows the risk management requirements provided for in the Terms of the Fund upon asset investments.
- 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 30.06.2016, 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 2016 and to make new investments. (Also see Note 5 - cash and cash equivalents and Note 10 - liabilities as at 30.06.2016). No custody risk arises in association with the Fund's operations because the Fund does not have a depositary.

Financial assets of the Fund indicated in Notes 5, 6, 7, 8 and 9 are exposed to credit risk. Credit risk of investments recognised at fair value is high due to the early development phase of these investees.

3.2 Capital risk management

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

All shares of the Fund belong to 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.

Liquidation of the Fund must consider 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 30 June 2016. 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 is 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 in hand and deposits at their nominal value;
- The value of interest that is accrued but unpaid is accounted for as accrued income;
- 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 Invest Europe (former EVCA), which may be:
 - Price of the most recent investment transaction;
 - Discounted cash flow method;
 - 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.

Fair value of the Fund's financial investments as at 30.06.2016 is calculated as follows:

- GOLIATH Wind OÜ, WeatherMe OÜ, Lingvist Inc., Jobbatical OÜ, Realeyes (Holdings) Limited and IOT Holding OÜ: price of the most recent investment transaction. The most recent transaction price of investees is used as the price of the most recent investment transaction within the framework of which existing or new investors have invested to the investee. If the 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. Regarding the investments provided above, no significant adjustments during the period between the transaction date and the balance sheet date have been made due to changes;
- Thinnect OÜ, Scoro Software OÜ and Monese Ltd: 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 with the investee 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 to the investee 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. Regarding the investments provided above, no significant adjustments during the period between the transaction date and the balance sheet date have been made due to changes;
- CX Cloud Services OÜ and Sportlyzer OÜ: price of the most recent investment transaction /cost adjusted with the investee's activity result compared to the forecasts based on the last transaction price. The Fund's initial transaction involving the investee has been used as the price of the most recent investment transaction /cost with the investee 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 to the investee 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. Significant adjustments have been made towards the above specified investment due to the changes in the interim period of the moment of transaction and the balance day.

Fair value of the Fund's financial investments as of 31.12.2015 is calculated as follows:

- GOLIATH Wind OÜ, WeatherMe OÜ, Lingvist Inc., Jobbatical OÜ, Realeyes (Holdings) Limited and IOT Holding OÜ: price of the most recent investment transaction. The most recent transaction price of investees is used as the price of the most recent investment transaction within the framework of which existing or new investors have invested to the investee. If the 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. Regarding the investments provided above, no significant adjustments during the period between the transaction date and the balance sheet date have been made due to changes;

- Thinnect OÜ and Monese Ltd: price/acquisition cost of the last investment transaction. The Fund's initial transaction involving the investee has been used as the price of the most recent investment transaction /cost with the investee 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 to the investee 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. Regarding the investments provided above, no significant adjustments during the period between the transaction date and the balance sheet date have been made due to changes;
- CX Cloud Services OÜ and Sportlyzer OÜ: price of the most recent investment transaction /cost adjusted with the investee's activity result compared to the forecasts based on the last transaction price. The Fund's initial transaction involving the investee has been used as the price of the most recent investment transaction /cost with the investee 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 to the investee 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. Significant adjustments have been made towards the above specified investment due to the changes in the interim period of the moment of transaction and the balance day.

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. At the same time, long-term financial investments account for 50.27% of the Fund's assets at the balance sheet date (31.12.2015: 38.43% of the Fund's assets).

The basis for the value of financial investments measured at fair value is a valuation conducted as at 30.06.2016. 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

	30.06.2016	31.12.2015
Current accounts	2,164,449	8,301,567
Total cash and cash equivalents	2,164,449	8,301,567
Cash and cash equivalents by currency		
	30.06.2016	31.12.2015
Euro	2,164,449	8,301,567
Total cash and cash equivalents	2,164,449	8,301,567

Note 6 Term deposits

	30.06.2016	Currency	Starting Date	Maturity date	Interest rate
Term deposit Nordea	4,000,000	EUR	20.10.2015	20.10.2016	0.23%
Term deposit LHV	6,000,000	EUR	09.02.2016	09.08.2016	0.25%
Total term deposits	10,000,000	EUR			
	31.12.2015	Currency	Starting Date	Maturity date	Interest rate
Term deposit Nordea	3,000,000	EUR	17.07.2015	18.01.2016	0.30%
Term deposit Nordea	4,000,000	EUR	20.10.2015	20.10.2016	0.23%
Total term deposits	7,000,000	EUR			

Note 7 Trade receivables and prepayments

	30.06.2016	31.12.2015
Current trade receivables and prepayments		
Other current receivables		
<i>Interest receivables</i>	<i>12,273</i>	<i>6,065</i>
<i>Other receivables</i>	<i>17,454</i>	<i>17,454</i>
Total current trade receivables and prepayments	29,727	23,519

As at 30.06.2016 and 31.12.2015, interest receivable includes accrued interest on term deposits. Interests are collected at the end of the term of the deposit.

As at 30.06.2016, the line item “Other receivables” includes receivables from sale of Fits.me Holding Ltd shares.

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

	30.06.2016	31.12.2015
The carrying value of the holdings at the beginning of the year	7,836,525	3,881,277
Fair value of the convertible loans granted at the beginning of the year	1,865,897	2,406,870
Total investments to associates at fair value at the beginning of the year	9,702,422	6,288,147
Cost of acquired share holdings	1,128,740	1,964,641
Convertible loans granted	1,600,000	986,254
Calculated interests	118,826	209,981
Fair value revaluation of holdings/loans	-1,132	908,363
Sales of holdings	0	-654,964
Convertible loans converted to share capital	841,217	1,490,716
Fair value of holdings at the end of the reporting year	9,805,350	7,836,525
Fair value of convertible loans granted at the end of the reporting period	2,743,506	1,865,897
Total investments to associates at fair value at the end of the year	12,548,856	9,702,422

Associate	Area of activity	Holding as at 30.06.2015 (%)	Acquired holding %	Holding as at 31.12.2015 (%)	Acquired holding %	Holding as at 30.06.2016 (%)
GOLIATH Wind OÜ	Manufacturing of electric motors, power generators and transformers	16.24%	-0.53%	15.71%	1.62%	17.33%
IOT Holding OÜ (Defendec OÜ)	Holding companies	20.35%	0%	20.35%	0%	20.35%
Sportlyzer OÜ	Programming	6.75%	0%	6.75%	0%	6.75%
Realeyes (Holdings) Limited (Realeyes OÜ)	Data processing, web hosting and related activities	20.40%	0%	20.40%	0%	20.40%
WeatherMe OÜ	Information-related activities not classified elsewhere	16.40%	0.32%	16.72%	0%	16.72%
Jobbatical OÜ	Information-related activities not classified elsewhere	16.50%	0%	16.50%	-0.10%	16.40%
Lingvist Technologies inc (Keel 24 OÜ)	Other IT and computer-specific activities	0%	8.79%	8.79%	0%	8.79%
CX Cloud Services OÜ	Data processing, web hosting and related activities	0%	0%	0%	0%	0%
Thinnect OÜ	Other IT and computer-specific activities	0%	0%	0%	0%	0%
Monese OÜ	Holding companies	0%	0%	0%	0%	0%
Scoro Software OÜ	Publishing of other software	0%	0%	0%	9.10%	9.10%

In table above, associates with 0% holding as at 30.06.2016 or 31.12.2015, 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.

The Fund has not received any dividend income during the reporting period.

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, GOLIATH Wind OÜ, Lingvist Inc., Sportlyzer OÜ, Jobbatical OÜ, Monese Ltd, CX Cloud Services OÜ, Scoro Software OÜ and Thinnect OÜ. As at 30.06.2016, the Fund had agreed to unfunded investment commitments in the amount of 400 thousand euros (31.12.2015: 570 thousand euros)

Note 9 Long-term receivables

	<u>30.06.2016</u>	<u>31.12.2015</u>
Long-term receivable	219,930	219,930
Total	219 930	219,930

As at 30.06.2016, the long-term receivable of the Fund amounted to EUR 219,930 in accordance with the sale contract of portfolio shares concluded on 15.05.2015. The claim is based on a conditional time deposit (*escrow*) opened on 24.05.2015. The deposit period is 18 months.

Note 10 Trade payables and other current liabilities

	<u>30.06.2016</u>	<u>31.12.2015</u>
Current trade and other payables		
Trade payables	64,054	76,994
Total current trade and other payables	64,054	76,994

Note 11 Miscellaneous operating expenses

	01.01.2016- 30.06.2016	01.01.2015- 30.06.2015
Fund management fee (<i>Note 13</i>)	378,921	378,921
Shares' registrar fee	1,000	1,000
Services compensated to the Fund management company	20,354	4,203
Fund's management fees (Expert Committee)	5,378	9,285
Total miscellaneous operating expenses	405,653	393,409

Note 12 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 unit 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 06.12.2011, 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 units 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. Nominal value of one unit 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. Nominal value of one unit is EUR 10,000. Units 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 9,656.4968. The Ministry of Economic Affairs and Communications subscribed for EUR 6,391,165 worth of shares and paid for them.

Year	Fund's NAV	Net Asset Value of the Fund unit
30.06.2016	24,893,531	9,741.8449
31.12.2015	25,170,444	9,850.2123
30.06.2015	24,880,354	9,736.6882

Note 13 Transactions with related parties

Related parties of the Fund are:

- a) Investee companies over which the Fund has significant influence;
- b) Fund management company 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 unit-holder 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 with investee companies during the period 01.01.2016–30.06.2016. 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 totaled to EUR 378,921 (same period in 2015: EUR 378,921). As at 30.06.2016, the Fund had a balance of management fees payable to the Fund management company of EUR 63,154 (31.12.2015: EUR 63,154) and other liabilities to the Fund management company of EUR 6,277 (31.12.2015: EUR 13,840).

Transactions involving the unit-holder, the Republic of Estonia, are disclosed in Note 12.

Note 14 Events after the balance sheet day and going concern

On 28.08.2014, the supervisory board of Estonian Development Fund approved the new core investment principles of the Estonian Development Fund. Based on these new principles, in 2015 the Fund prepared the new amended investment strategy that was approved by the supervisory board of the Fund on 27.01.2016. These investment activities are planned to be implemented with the funds of Early Fund II, among others.

According to the new investment strategy, returned capital by Early Fund II will be invested in the early stage venture capital funds – business accelerators. A call and relevant public procurement was declared at the first half of 2016 for finding up to two early stage venture capital funds. Contracts with business accelerators are expected to be entered into in the first half of 2017.

On 11.02.2015, Riigikogu (the 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 was 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 3 new funds managed by a private fund manager will enter the market in the near term, making investments in the same phase as the Estonian Development Fund and SmartCap. As the state should not be competing with private market fund managers 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 direct investments of the Estonian Development Fund to professional private fund managers.

Considering the above, the Estonian Development Fund and SmartCap initiated the process of reorganising their direct investment activities in the second quarter 2015. On 27.01.2016, the supervisory board of the Estonian Development Fund confirmed the resolution adopted on 28.08.2014 - management of direct investments of the Estonian Development Fund will be handed over to a private fund management company selected in a call. On 25.08.2016, SmartCap and Estonian Development Fund together with European Investment Bank declared the call terms for finding the private fund management company and this process is scheduled to be completed during 2016. Until the restructuring of the management of direct investments, the Fund management company will continue the management and investment of investment fund in accordance with the Fund's terms and conditions.

After implementation of management of direct investments, investment activities of the Estonian Development Fund (incl. the Fund management company) are planned to be merged into the organisation of the KredEx foundation.

Currently, the detailed terms and timetable of this process are still being developed, hence the impact of the process cannot be evaluated. It is possible that the abovementioned restructuring will be completed during 2017.

Despite the restructuring of the activities of the Estonian Development Fund, including the merging of the Fund management company into the organisation of the KredEx foundation, the management of the Fund management company continues to estimate that the Fund is a going concern.

Investment statement

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 30.06.2016 has been disclosed (in euros):

Name	Commercial registry code	Country	Nominal value	Currency	Quantity	Average acquisition cost per unit	Total average acquisition cost	Market value per unit	Total market value	Percentage of Fund’s NAV
Equity investments										
GOLIATH Wind OÜ	11441701	EE	2188	EUR	1	-	-	-	-	-
Sportlyzer OÜ	11671051	EE	576	EUR	1	-	-	-	-	-
WeatherMe OÜ	12247361	EE	864	EUR	1	-	-	-	-	-
Realeyes (Holdings) Ltd	8922462	GB	0.001	EUR	1516108	-	-	-	-	-
Jobbatical OÜ	12671900	EE	1208	EUR	1	-	-	-	-	-
IOT Holding OÜ	12580341	EE	3727	EUR	1	-	-	-	-	-
Lingvist Inc.	09752764	US	0.0001	EUR	49488	-	-	-	-	-
Scoro Software OÜ	10806081	EE	1071	EUR	1	-	-	-	-	-
Total equity investments						7,861,208	7,861,208	-	9,805,350	39.39%
Convertible loans										
CX Cloud Services OÜ	12394106	EE	-	EUR	1	-	-	-	-	-
Realeyes (Holdings) Ltd	8922462	GB	-	EUR	2	-	-	-	-	-
Monese OÜ	12653693	EE	-	EUR	3	-	-	-	-	-
Thinnect OÜ	12925756	EE	-	EUR	2	-	-	-	-	-
IOT Holding OÜ	12580341	EE		EUR	1	-	-	-	-	-
Total convertible loans						2,935,926	2,935,926	-	2,576,250	10.35%
Interest receivable										
CX Cloud Services OÜ	12394106	EE								
Realeyes (Holdings) Ltd	8922462	GB								
Monese OÜ	12653693	EE								
Thinnect OÜ	12925756	EE								
IOT Holding OÜ	12580341	EE								
Total interest receivable									167,256	0.67%

Long-term receivables	Country	Nominal value	Total market value	Percentage from market value of Fund’s assets on 31.12.2015
Fits.me sales (J SHAW SLCTR LTD)	EE	219,930	219,930	0.88%
Total long-term receivables		219,930	219,930	0.88%

Cash at bank and in hand	Moody's rating	Country	Nominal value	Currency					Total market value	Percentage from market value of Fund's assets on 31.12.2015
Nordea Bank AB Estonian branch	Aa3	EE	5,826	EUR					5,826	0.023%
Swedbank Eesti AS	Aa3	EE	1,673,114	EUR					1,673,114	6.72%
Total cash and bank and in hand			1,678,940						1,678,940	6.74%

Deposits	Moody's rating	Country	Nominal value	Currency	Starting Date	Maturity date	Interest rate	Total average acquisition cost	Total market value	Percentage from market value of Fund's assets on 31.12.2015
Term deposit LHV	-	EE	6,000,000	EUR	09.02.2016	09.08.2016	0.25%	6,000,000	6,000,000	24.10%
Fixed term deposit Nordea Bank AB Estonian branch	Aa3	EE	4,000,000	EUR	20.10.2015	20.10.2016	0.23%	4,000,000	4,000,000	16.07%
Total deposits			10,000,000					10,000,000	10,000,000	40.17%

Overnight deposit SEB Pank AS	A1	EE	485,509	EUR			0.01%	485,509	485,509	1.95%
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Other current receivables

J Shaw SLCTR LTD (Fits.me sales)		GB	17,454	EUR					17,454	0.07%
Interest receivable Nordea		EE	6,440	EUR					6,440	0.0259%
Interest receivable LHV		EE	5,834	EUR					5,834	0.0234%
Total other current receivables			29,728						29,728	0.12%

Total fund's assets									24,962,963	100.28%
Fund's liabilities									-69,432	-0.28%
Fund's NAV									24,893,531	100.00%

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 31.12.2015, the following information is disclosed as follows:

Name	Commercial registry code	Country	Nominal value	Currency	Quantity	Average acquisition cost per unit	Total average acquisition cost	Market value per unit	Total market value	Percentage of Fund's NAV
Equity investments										
GOLIATH Wind OÜ	11441701	EE	1,888	EUR	1	-	-	-	-	-
Sportlyzer OÜ	11671051	EE	576	EUR	1	-	-	-	-	-
WeatherMe OÜ	12247361	EE	864	EUR	1	-	-	-	-	-
Realeyes (Holdings) Ltd	8922462	GB	0.001	EUR	1,516,108	-	-	-	-	-
Jobbatical OÜ	12671900	EE	769	EUR	1	-	-	-	-	-
IOT Holding OÜ	12580341	EE	3727	EUR	1	-	-	-	-	-
Lingvist Inc.	09752764	US	0.0001	USD	33,326	-	-	-	-	-
Total equity investments					7	6,127,145	6,127,145	7,836,525	7,836,525	31.04%
Convertible loans										
Realeyes (Holdings) Ltd	8922462	GB	-	EUR	2	-	-	-	-	-
Monese Ltd	08720992	GB	-	EUR	2	-	-	-	-	-
Jobbatical OÜ	12671900	EE	-	EUR	1	-	-	-	-	-
Thinnect OÜ	12925756	EE	-	EUR	1	-	-	-	-	-
IOT Holding OÜ	12580341	EE	-	EUR	1	-	-	-	-	-
CX Cloud Services OÜ	12394106	EE	-	EUR	1	-	-	-	-	-
Total convertible loans					8	1,931,250	1,931,250	1,865,897	1,865,897	6.86%

Long-term receivables	Country	Nominal value	Total market value	Percentage from market value of Fund's assets on 31.12.2015
Fits.me sales (J SHAW SLCTR LTD)	EE	219,930	219,930	0.87%
Total long-term receivables		219,930	219,930	0.87%

Cash at bank and in hand	Moody's rating	Country	Nominal value	Currency	Total market value	Percentage from market value of Fund's assets on 31.12.2015
Nordea Bank AB Estonian branch	Aa3	EE	1,197	EUR	1,197	0.005%
Swedbank Eesti AS	Aa3	EE	7,901,706	EUR	7,901,706	31.30%
Total cash and bank and in hand			7,902,903		7,902,903	31.30%

Term deposits	Moody's rating	Country	Nominal value	Currency	Starting Date	Maturity date	Interest rate	Total average acquisition cost	Total market value	Percentage from market value of Fund's assets on 31.12.2015
Fixed term deposit Nordea Bank AB Estonian branch	Aa3	EE	3,000,000	EUR	17.07.2015	18.01.2016	0.30%	3,000,000	3,000,000	11.88%
Fixed term deposit Nordea Bank AB Estonian branch	Aa3	EE	4,000,000	EUR	20.10.2015	20.10.2016	0.23%	4,000,000	4,000,000	15.84%
Total term deposits			7,000,000					7,000,000	7,000,000	27.73%

Overnight deposit SEB Pank AS	A1	EE	398,664	EUR			0.01%	398,664	398,664	1.58%
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Other current receivables

J Shaw SLCTR LTD (Fits.me sales)		EE	17,454	EUR					17,454	0.07%
Interest receivable Nordea		EE	1,866	EUR					1,866	0.0074%
Interest receivable Nordea		EE	4,200	EUR					4,200	0.0166%
Total other current receivables			23,520						23,520	0.09%

Total fund's assets									25,247,438	100.31%
Fund's liabilities									-76,994	-0.30%
Fund's NAV									25,170,444	100.00%