AS Avaron Asset Management

ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED ON
31ST DECEMBER 2014

Audited by Deloitte

COMPANY FACTS

Beginning of the financial year	01/01/2014
End of the financial year	31/12/2014
Name of the Company	AS Avaron Asset Management
Registration number	11341336
Address	Narva road 7D, Tallinn 10117, Estonia
Phone	+ 372 664 4200
Facsimile	+ 372 664 4201
Web site	www.avaron.ee
Main activity	Management of investment funds (EMTAK 66301) Portfolio management services (EMTAK 66199)
Sworn auditor	AS Deloitte Audit Eesti
Documents enclosed with the annual report	Sworn Auditor's Report Proposal for Profit Distribution Division of revenues in accordance with EMTAK classification standard

TABLE OF CONTENTS

MANAGEMENT REPORT

For the financial year ended on 31st December 2014.

AS Avaron Asset Management (hereinafter Avaron; the Company) is a fund management company that manages investment funds, provides investment management services to third party funds and supplies portfolio management services. The Company started its business activities in the first half of 2007 as its first investment funds were launched on April 23rd 2007. The Company has been operational for almost eight years by now. Avaron focuses on investing in Central and Eastern Europe's listed entities' shares and bonds. Our investment universe includes approximately 250 entities, which are under close observation of our eight-member investment and analyst team. Avaron investment products pursue bottom up and value investing style. Since 2011 Avaron follows responsible investment practices and is a signatory of UN Principles for Responsible Investment (PRI).

As of end of 2014, the Company managed three investment funds registered in Estonia, including one equity fund (Avaron Emerging Europe Fund), one fixed income fund (Avaron Eastern Europe Fixed Income Fund) and one closed-end asset allocation fund (Avaron Flexible Strategies Fund). In addition to investment funds registered in Estonia, Avaron provides sub-investment management services to third party funds. Investment management services to third party funds have been an increasing business line for us during the last years and we except further increase also in 2015. The Company also provides discretionary portfolio management services to private clients.

Financial year 2014 was successful for Avaron as healthy inflows to our funds and investors' revived interest towards Emerging Europe continued. Company's total assets under management increased during the year to €323 million (2013: €309 million). Also Avaron financial results improved in 2014. Fee income increased to €1,707 thousand (2013: €889 thousand), while net income increased to €642 thousand (2013: €334 thousand).

Number of employees as of end of 2014 was 16. The remuneration principles of the Management Board and employees related to the decision-competence of the fund investment are based on the Remuneration policy of the Company. Avaron fund managers and risk managers are paid a fixed salary. Determination of performance-based salary fee is based on Company's long-term goals, ensuring the sustainability of the employees' personal contribution. Performance-based salary is not based on an absolute nor a relative minimum yield threshold of managed funds. Avaron has the right to reduce, suspend and require partial or full refund of performance-based salary issued to the board members and employees three years from the time when the payment of bonus was decided. Management board and employees may be paid the severance pay of up to six months' wages.

In 2015 Avaron will continue managing Central and Eastern Europe focussed funds and mandates for professional investors and offering asset allocation services via Avaron Flexible Strategies Fund to private investors.

14 April 2015
Kristel Kivinurm-Priisalm
Member of the Management Board

MANAGEMENT BOARD DECLARATION

The Management Board is declaring its responsibility for the preparation of the annual accounts of AS Avaron Asset Management for the financial year ended on 31st December 2014.

The annual accounts are prepared according to the Accounting Principles Generally Accepted in Estonia, and present a true and fair view of the financial position, economic performance and cash flows of AS Avaron Asset Management.

Preparation of the annual accounts according to the Accounting Principles Generally Accepted in Estonia assumes the Management Board to make estimates on the assets and liabilities of AS Avaron Asset Management as of the balance sheet date, and on income and expenses for the reporting period. These estimates are based on up-to-date information about the state of AS Avaron Asset Management and consider the plans and risks as of the annual accounts' preparation date. The ultimate outcome of the business transactions recorded may differ from those estimates.

The annual accounts reflect those significant circumstances that have an effect on the valuation of assets and liabilities until the preparation date of the annual accounts, 14th April 2015.

The Management Board considers AS Avaron Asset Management to carry its activities as a going concern.

Name	**Position**	**Signature**	**Date**
Kristel Kivinurm-Priisalm	Member of the Management Board	_________________	14 April 2015
Valdur Jaht	Member of the Management Board	_________________	14 April 2015

BALANCE SHEET

As of 31st December 2014

EUR '000	Note	31/12/2014	31/12/2013
ASSETS			
Cash and cash equivalents		1,173	226
Trade receivables	**11**	319	188
Other receivables and prepayments	**3**	44	30
Total receivables and prepayments		**363**	**218**
Loan receivables	**11**	1,358	1,422
Units of managed funds	**11**	247	221
Total financial investments		**1,605**	**1,643**
Tangible assets	**2**	47	60
TOTAL ASSETS		**3,188**	**2,147**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Payable to employees	**5**	458	253
Tax payables	**4**	17	7
Supplier payables and customer prepayments		60	48
Total current payables and prepayments		**535**	**308**
Dividend payables	**11**	938	-
Income tax on dividend payables	**4**	234	-
Total noncurrent payables and prepayments		**1,172**	**-**
Total liabilities		**1,707**	**308**
Share capital in nominal value	**8**	224	224
Statutory reserve capital		22	22
Retained earnings		593	1,259
Profit for the financial year		642	334
Total shareholders' equity		**1,481**	**1,839**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**3,188**	**2,147**

INCOME STATEMENT

For the period 1st January 2014 – 31st December 2014

EUR '000	Note	2014	2013
Fee income	9	1,707	889
Fee expense		141	118
Net fee income		**1,566**	**771**
Financial income and expenses			
Interest income		8	20
Change in value of financial investments		25	11
Other financial income		90	-
Net financial income		**123**	**31**
Operating expenses			
Wages and salaries	10	469	172
Social tax and unemployment insurance contribution expenses	10	81	46
Miscellaneous operating expenses		222	235
Total operating expenses		**772**	**453**
Depreciation and impairment of tangible assets	2	25	15
Income tax		250	-
Profit for the financial year		**642**	**334**

Member of the Management Board:

STATEMENT OF CASH FLOW

For the period 1st January 2014 – 31st December 2014

EUR '000	Note	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the financial year		642	334
Adjustments:			
Depreciation and impairment of tangible assets	2	25	15
Interest income		-8	-20
Change in value of financial investments		-25	-11
Other financial income		-90	-
Income tax		250	-
Change in receivables and prepayments made		-145	-11
Change in liabilities and prepayments collected		227	11
Total cash flow from operating activities		**876**	**318**
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of securities		-65	-60
Sale of securities		65	60
Acquisition of tangible assets	2	-12	-55
Loans given		-277	-337
Repayment of loans given		341	70
Interest received		19	35
Total cash flow from investing activities		**71**	**-287**
Total cash flow		**947**	**31**
Cash at the beginning of the financial year		**226**	**195**
Cash at the end of the financial year		**1,173**	**226**

Member of the Management Board:

STATEMENT OF CHANGES IN EQUITY

For the period 1st January 2014 – 31st December 2014

EUR '000	Share capital	Statutory reserve capital	Retained earnings	Profit for the financial year	Total equity
31/12/2012	**224**	**22**	**946**	**313**	**1,505**
Distribution of profit	-	-	313	-313	-
Profit for the financial year	-	-	-	334	334
31/12/2013	**224**	**22**	**1,259**	**334**	**1,839**
Distribution of profit	-	-	334	-334	-
Distributed dividends	-	-	-1,000	-	-1,000
Profit for the financial year	-	-	-	642	642
31/12/2014	**224**	**22**	**593**	**642**	**1,481**

Additional information on the share capital has been provided in Note 8.

NOTES TO THE ANNUAL ACCOUNTS

For the financial year ended on 31st December 2014

NOTE 1. ACCOUNTING POLICIES

The annual accounts of AS Avaron Asset Management for the financial year 2014 have been prepared according to the Investment Funds Act as supplemented by the Regulations by the Minister of Finance, and the Accounting Principles Generally Accepted in Estonia. The requirements of the Accounting Principles Generally Accepted in Estonia comply with the internationally acknowledged accounting and reporting principles, and are stipulated in the Estonian Accounting Act, which is supplemented by the guidelines issued by the Estonian Accounting Standards Board. The Regulation of the Minister of Finance No 73 dated 11 June 2003 “Layout, contents and methods for preparation and presentation of the balance sheet and income statement of a fund management company” was repealed in 2009 and new regulations regarding the reporting of fund management companies were adopted. In accordance with Section 12-13 and 26-27 of Guideline No 2 of the Estonian Accounting Standards Board, the Company has adopted specially modified scheme of Income Statement and Balance Sheet that are better suited for presenting the operations of the Company as a fund management company.

The annual accounts have been prepared in thousands of EUR unless indicated differently. The annual accounts have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that have been accounted for at fair value.

The principal accounting policies adopted are presented below.

Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange quoted by the European Central Bank at the transaction date. Foreign currency monetary items and those non-monetary items that are carried at fair value are retranslated into EUR at the official foreign currency exchange rates prevailing on the balance sheet date. Non-monetary items, which are not carried at fair value (i.e. prepayments and tangible assets), are not retranslated; instead, foreign currency exchange rates prevailing on the transaction date are used. Gains and losses from foreign currency transactions are recorded in the income statement on net basis.

Financial assets and financial liabilities

Cash, contractual rights to receive cash or other financial assets (i.e. trade receivables) from third parties, equity instruments of other entities and contractual rights to exchange financial assets with third parties under the conditions that are potentially favourable to the Company, are considered to be financial assets. Contractual obligations to deliver cash or other financial assets to third parties and contractual obligations to exchange financial assets with third parties under the conditions that are potentially unfavourable to the Company are considered to be financial liabilities.

Financial assets and liabilities are initially measured at cost, which is the fair value of consideration given or received to acquire the financial asset or liability. Initial cost of all financial assets and liabilities include direct transaction costs.

A regular purchase or sale of financial assets is recognised on value date. If the balance sheet date is between trade date and value date of a transaction, the change in value between the trade date and the balance sheet date shall be recognised as the accounting period’s profit or loss. Depending on their category, financial assets and liabilities are subsequently measured at fair value, cost or amortized cost.

Financial instruments carried at fair value are re-valued on each balance sheet date. Change in fair value of financial assets and liabilities that are acquired for trading, as well as derivatives are recognised in the income statement for the period. Changes in the value of other financial assets accounted for at fair value are recognised directly in equity as a revaluation reserve.

The amortized cost of a financial instrument is the amount at which it is measured at initial recognition, discounted using the effective interest method less principal repayments and any reduction for impairment or uncollectibility.

Financial assets are derecognised when the Company loses the right to the cash flows arising from the financial asset or transfers the cash flows derived from the financial asset and most risks and rewards of ownership of the financial asset to a third party. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expired.

Trade receivables

Current and non-current trade receivables are recorded at amortized cost, i.e. at their net present value, from which doubtful accounts are deducted.

Trade receivables, which partly or fully are not expected to be collected, are expensed and reported in the income statement as “Miscellaneous operating expenses”. Receivables, collection of which is not feasible or economically justified, are considered to be non-collectible and written-off from the balance sheet.

Tangible assets

Assets held for use in the supply of services or for administrative purposes, with useful life of over one year and with a minimum value EUR 639 are considered to be tangible assets. Tangible assets are recorded at cost, which comprises purchase price and other directly attributable expenditures.

Depreciation is calculated on the straight-line method. Depreciation rates are assigned separately to each tangible asset or its separately identifiable component depending on its estimated useful life as follows:

- IT equipment – 30% per annum,
- Office equipment – 30% per annum,
- Furniture – 25% per annum,
- Other equipment – 25% per annum.

Improvements to tangible assets are capitalised if they comply with the definition of a tangible asset and the criteria for recognizing an asset on the balance sheet, including the participation of these costs in generating future economic benefits. Maintenance and repairs are expensed when incurred.

Impairment of assets

At each balance sheet date, it is reviewed whether there is any indication that assets are impaired. If the management board of the Company detects any indication that the value of an asset may have declined below its carrying amount, impairment test is carried out.

Financial assets

Impairment of individually significant financial assets is assessed separately for each asset. Impairment of financial assets that are not individually significant and for which there are no objective evidence of impairment, are assessed in aggregate.

If there is any objective evidence that a financial asset is impaired, financial assets carried at amortized cost are written down to their net present value of the estimated future cash inflows (discounted with the effective interest rate of the financial asset determined at recognition). Impairment of a financial asset is recognized as expense in the income statement for the financial year.

If the value of financial assets carried at amortized cost increases in subsequent periods, the previously recognized impairment loss is reversed up to the amount which is lower from both the following:
- net present value of expected future cash inflows from the financial asset, and
- the carrying amount measured at amortized cost as if no impairment loss had been recognized.

The amount of the reversal of impairment losses are recognized in the income statement for the financial year on the same expense account as a reverse entry.

Tangible assets

The recoverable amount of a tangible asset recognized at cost is estimated to conduct the impairment test. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a cash-generating unit to which the asset belongs, is determined.

The recoverable amount is the higher of the asset's net selling price and asset's value in use. In assessing the value in use, the estimated future cash flows from continuous use and subsequent disposal are discounted to their present value using a discount rate that reflects expected return on similar investments.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The impairment loss is recognized in the income statement as "Change in value of tangible assets" when incurred.

The Company assesses at each reporting date whether there are any indications that the recoverable amount of an impaired asset has increased by performing an impairment test. If it appears as a result of the impairment test, that the recoverable amount has increased and the previously recognized impairment loss is no longer justified, the carrying amount is increased. The reversal should not result in a carrying amount exceeding the amortized cost if no impairment had been recognized.

The amount of the reversal of impairment loss is recognized in the income statement as "Change in value of tangible assets" for the financial year on the same expense account as a reverse entry.

Liabilities and obligations

All known liabilities that can be reliably measured and the realisation of which is probable are recognised in the balance sheet as liabilities. All financial liabilities are measured at amortised cost in the balance sheet, except for derivatives with a negative fair value that are measured at fair value.

Other liabilities the realisation of which is dependent on the fulfilment of certain conditions are disclosed in the notes to the annual accounts as contingent liabilities.

Holiday pay has been expensed in the period when the obligation was due, i.e. when an employee becomes entitled to demand paid holiday. Bonuses to employees have been expensed in the period for which the bonuses are payable. The creation of a provision for holiday pay and bonuses together with the applicable social tax and unemployment insurance tax or the relevant change in the provision is recognized as an expense in the income statement and as a liability on the balance sheet.

Reserves

The statutory legal reserve is recorded according to the requirements of the Commercial Code and comprises distributions made out of the net profit. The annual contribution must amount to at least 1/20 of the net profit for the financial year until the statutory legal reserve equals at least 1/10 of the share capital amount.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, i.e. representing the amounts receivable for the services provided. Fee income is recognised in the period when the service was provided, provided that the collection of the relevant receivables is probable, and income and expenses incurred in respect of the transaction can be measured reliably. The revenues have been received for services provided in the Republic of Estonia.

Interest income is recognised on accrual basis.

Fee income includes fund management fees, subscription and redemption fees, fees from managing discretionary securities portfolios, investment advisory fees and fees for providing services in to third-party funds under outsourcing agreements.

Fee expense includes expenses directly related to earning fee income, i.e. rebates of fund management and other service fees, fees payable for the services of credit institutions and registrars, and other fee expense directly related to providing the Company's main services.

Leases

Assets held under operating lease are not reported on the balance sheet. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease, irrespectively from disbursements.

Cash and cash flows

Cash in the cash flow statement includes cash at hand, demand deposits and other deposits with credit institutions (with remaining term up to 3 months).

Cash flows from operating activities are reported using the indirect method. Cash flows from investing and financing activities are reported based on gross receipts and disbursements made during the financial year.

NOTE 2. TANGIBLE ASSETS

EUR '000	IT and office equipment	Furniture and other equipment	Total
Acquisition cost			
31/12/2012	**39**	**27**	**66**
Addition	11	44	**55**
Write off	-15	-16	**-31**
31/12/2013	**35**	**55**	**90**
Addition	7	5	**12**
31/12/2014	**42**	**60**	**102**
Accumulated depreciation			
31/12/2012	**21**	**24**	**45**
Depreciation charge and impairment for the year	9	7	**16**
Accumulated depreciation of written off tangible assets	-15	-16	**-31**
31/12/2013	**15**	**15**	**30**
Depreciation charge and impairment for the year	11	14	**25**
31/12/2014	**26**	**29**	**55**
Net book value			
31/12/2013	**20**	**40**	**60**
31/12/2014	**16**	**31**	**47**

NOTE 3. ACCRUED INCOME AND PREPAID EXPENSES

EUR '000	31/12/2014	31/12/2013
Interest receivables and receivables similar to interest	20	19
Other prepaid expenses	24	11
Total	**44**	**30**

NOTE 4. TAX PAYABLES

EUR '000	31/12/2014	31/12/2013
Value added tax	-2	1
Corporate income tax (present value)	234	-
Social tax	11	4
Personal income tax withheld	6	2
Unemployment insurance payables	1	-
Pension payables	1	-
Total	**251**	**7**

NOTE 5. PAYABLE TO EMPLOYEES

EUR '000	31/12/2014	31/12/2013
Accrued salaries and wages	5	-
Provisions for bonuses	446	247
Vacation reserve	6	6
Other liabilities to employees	1	-
Total	**458**	**253**

NOTE 6. OPERATION LEASE

The Company is renting an office space on the conditions of an operating lease. Future expenses from operating leases are as follows:

EUR '000	31/12/2014	31/12/2013
Less than 1 year	7	7
Total payments from non-cancellable operating leases	**7**	**7**

Operating lease expense amounted to EUR 48 thousand (2013: EUR 27 thousand).

NOTE 7. CONTINGENT INCOME TAX ON DIVIDENDS AND OTHER DISTRIBUTIONS OF NET PROFIT

According to the effective Estonian Income Tax Act the accrued profit of a resident legal entity is not subject to corporate income tax, instead the tax is due on dividends and other distribution of profits as well as other payments made out of the equity of the legal entity that exceed the monetary and non-monetary contributions to the entity's share capital. Based on the effective law, resident legal entities are liable to pay income tax on all profit distributions paid out as dividends or in another form, with a tax rate of 20/80 on the actual dividends paid.

The contingent tax liability that may occur if all distributable retained earnings should be paid out or if the share capital would be reduced is not reported in the balance sheet. The income tax due on dividend distribution is expensed in the income statement when dividends are declared or when other payments reducing the share capital are made. The Company has not executed any bonus issues of shares that would affect the size of income tax in case the Company decided to reduce share capital.

The Company's distributable retained earnings amounted to EUR 1,235 thousand as of 31st December 2014 (as of 31st December 2013: EUR 1,593 thousand). Consequently, the maximum possible tax liability which would become payable if retained earnings were fully distributed is EUR 247 thousand (2013: EUR 335 thousand).

NOTE 8. SHARE CAPITAL

The Company's share capital amounted to EUR 223,650 as of 31st December 2014 (as of 31st December 2013: EUR 223,650), comprising 3,500 shares with nominal value of EUR 63.90 per share.

NOTE 9. FEE INCOME

EUR '000	2014	2013
Fund management fees	918	554
Subscription and redemption fees	28	10
Portfolio management fees	5	5
Other fee income	756	320
Total	**1,707**	**889**

NOTE 10. WAGES AND SALARIES

The Company employed 16 people based on employment contract as at the end of 2014 (end-2013: 13 people). Total wages and salaries with the applicable social tax and unemployment insurance contributions amounted to EUR 550 thousand in the financial year (2013: EUR 218 thousand). Members of the Management Board and Supervisory Board did not receive extra remuneration for participating in the work of the managing bodies.

NOTE 11. TRANSACTIONS WITH RELATED PARTIES

Parties are considered related if one party is controlled by another, or one party has significant influence over another, including the parent company and other group companies, managed investment funds, shareholders, the members of the Supervisory Board and the Management Board, their families and the companies in which they hold majority interest or have significant influence.

As of the end of the report period, the Company is fully owned by OÜ Avaron Partners that owns 100% of the Company's shares.

In 2013 Avaron was owned by Avaron Capital OÜ, which merged with OÜ Avaron Partners in 2014 and was deleted from the commercial register on 28th August 2014.

The transactions with related parties were as follows:

EUR '000	2014	2013
Parent company		
Interest income	20	10
Licence fees paid	4	4
Repayment of loans given	-63	-70
Costs paid for other legal entities	1	-
Beneficiaries, executive and non-executive management and the related legal entities		
Interest income	-	10
Loans given	277	337
Repayment of loans given	-277	-
Costs paid for other legal entities	-	1
Management fees, success fees and redemption fees of managed investment funds,	946	564
Rebates of fund management and portfolio management fees	48	40
Total	**956**	**896**

The balances outstanding with related parties were as follows:

EUR '000	31/12/2014	31/12/2013
Parent company		
Loans given*	1,358	585
Other receivables and prepayments (accrued interest)	20	9
Supplier payables and customer prepayments	-	2
Dividend payables (present value)	938	-
Beneficiaries, executive and non-executive management and the related legal entities		
Units of Avaron Eastern Europe Fixed Income Fund	247	221
Loans given*	-	837
Other receivables and prepayments (accrued interest)	-	10
Receivables from managed funds	126	93
Supplier payables and customer prepayments	13	12
Total	**2,703**	**1,769**

* Nominal currency EUR interest rate 1.5% with maturity 5th June 2018 and 31st December 2018.

NOTE 12. CAPITAL ADEQUACY

As of 31st December 2014

EUR '000	Note	31/12/2014	31/12/2013
Share capital paid in	8	224	224
Statutory reserve capital and other reserves		22	22
Retained earnings from previous periods		593	1,259
Total Tier 1 own funds		**839**	**1,505**
Total gross own funds		**839**	**1,505**
Total net own funds		**839**	**1,505**
Required amount of net funds based on minimum amount of share capital		125	125
Required amount of net funds based on fixed costs		117	117
Required amount of net funds		**125**	**125**
Surplus of net funds		**714**	**1,380**

SIGNATURES OF MANAGEMENT BOARD

To the Annual Report for the financial year ended on 31st December 2014

On 14th April 2015, the Management Board prepared the management report and the annual accounts of AS Avaron Asset Management together with the Management Board's proposal for profit distribution and the sworn auditor's report for the financial year ended 31st December 2014, and has presented them to the sole shareholder for approval.

By signing the annual report, all members of the Management Board validate the fair presentation of the annual report.

Name	Position	Signature	Date
Kristel Kivinurm-Priisalm	Member of the Management Board	_________________	14 April 2015
Valdur Jaht	Member of the Management Board	_________________	14 April 2015

Deloitte.

AS Deloitte Audit Eesti
Roosikrantsi 2
10119 Tallinn
Estonia

Tel: +372 640 6500
Fax: +372 640 6503
www.deloitte.ee

Reg.no. 10687819

[Translation from Estonian original]

INDEPENDENT CERTIFIED AUDITOR'S REPORT

To the shareholder of AS Avaron Asset Management:

We have audited the accompanying financial statements (pages 6-17) of AS Avaron Asset Management, which comprise the balance sheet as at 31 December 2014, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Board's Responsibility for the Financial Statements

Management Board is responsible for the preparation and fair presentation of these financial statements in accordance with Estonian Accounting Act, the guidelines issued by the Estonian Accounting Standards Board and the Investment Funds Act, and for such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Certified Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (Estonia). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the certified auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the certified auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of AS Avaron Asset Management as at 31 December 2014, its financial performance and its cash flows for the year then ended in accordance with Estonian Accounting Act, the guidelines issued by the Estonian Accounting Standards Board and the Investment Funds Act.

14 April 2015

M. Peetson

Monika Peetson
Certified Auditor, No. 555
AS Deloitte Audit Eesti
Licence No. 27

M. Akkermann

Mariel Akkermann
Certified Auditor, No. 574

PROPOSAL FOR DISTRIBUTION OF PROFIT

The Management Board of AS Avaron Asset Management proposes to distribute the net profit for the financial year ended on 31st December 2014 of EUR 642 thousand as follows:

To allocate to retained earnings	EUR 642 thousand

14 April 2015

____

Kristel Kivinurm-Priisalm
Member of the Management Board

DIVISION OF REVENUES IN ACCORDANCE WITH EMTAK CLASSIFICATION STANDARD

The revenues (fee income) of AS Avaron Asset Management were divided in accordance with EMTAK classification standard as follows in 2014:

EUR '000	**2014**
66301 Management of investment funds	1,702
66199 Portfolio management services and investment advisory services	5
Total	**1,707**