



**KAWE**

## **CONSOLIDATED ANNUAL REPORT**

**Beginning of the financial year:** 1 January 2014

**End of the financial year:** 31 December 2014

**Name of the group:** AS Kawe

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# Management Report

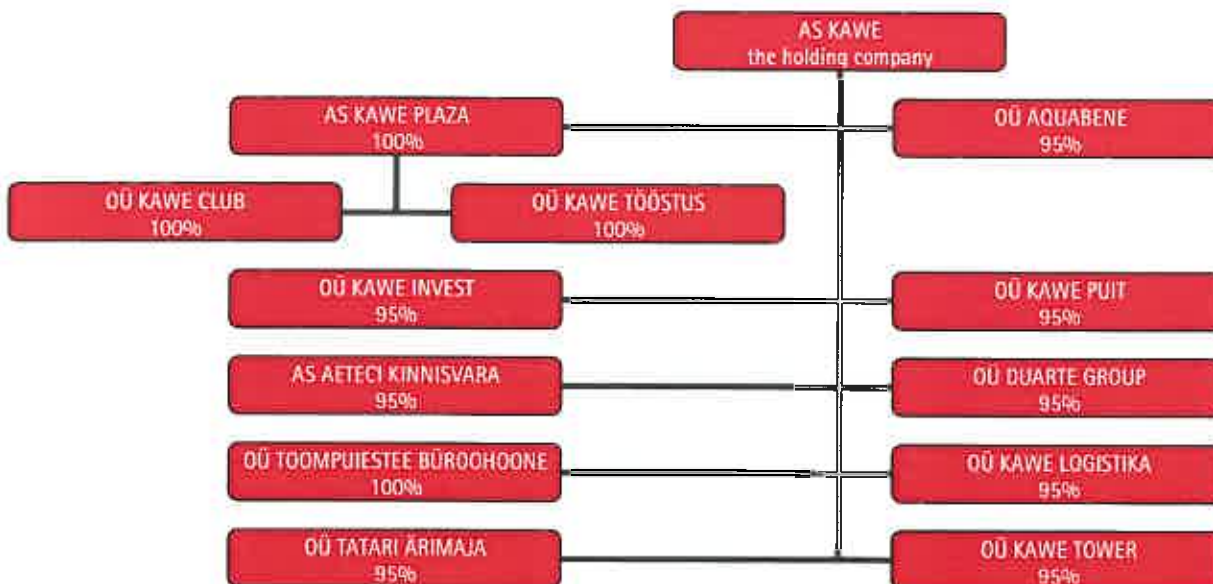
The main business activities of AS Kawe (hereinafter referred to as “Kawe”) are the implementation of real estate projects, administration and management of property, and execution of real estate transactions.

Kawe’s financial year of 2014 ended generally as expected. The economic environment remained stable, varying between economic growth and recession. The entrepreneurs’ expectations for the future tend to be rather positive, taking into account that no major negative economic events took place. However, the question remains, how the events in Ukraine will impact our market.

The rental market of office premises has remained stable, and in some places there was a moderate increase in demand. During the year the construction of several new office buildings was started. Although there is a significant number of tenants, who rent premises in houses need for renovation and wish to move into new energy-efficient buildings with an effective floor space, there is a slight oversupply. This results in prolonged periods of selling and pressure on developers’ equity.

The year was stable in the market of industrial real estate sector. There was no significant overproduction of new premises. However, the biggest retail chains have begun the construction of new logistics centres, which will probably result in temporary vacancy of some large premises. During the year, new premises were built, and new tenants have mostly been found.

As of 31 December 2014 Kawe’s structure is following:



In spring Kawe began the construction of a new office building in Baltika Quarter. The building will be completed in November 2015. In the beginning of construction, half of the building was rented out.

In 2015, in addition to the construction and development of new buildings, Kawe continues the management of existing assets, assuring good service to the tenants, and making additional investments into real estate projects with the aim of long-term rental income and increase in asset value.

Kawe's financial ratios compared to the previous financial year are the following:

<b>Main financial ratios</b>	<b>2014</b>	<b>2013</b>
Revenue growth (%)	5.86	18.28
Debt ratio (times)	0.54	0.60
Financial leverage ratio (times)	0.47	0.53
Return on equity - ROE (%)	17.94	16.07
Return on capital employed - ROCE (%)	10.37	8.10

**Methods for calculating the ratios**

Revenue growth = (revenue 2014 – revenue 2013) / revenue 2013 x 100

Debt ratio = liabilities / (liabilities + equity)

Financial leverage ratio = non-current liabilities / (non-current liabilities + equity)

Return on equity = annual period profit / average equity x 100

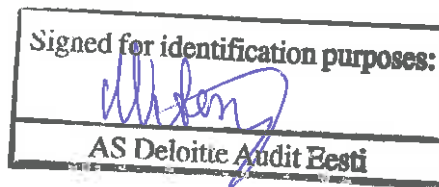
Return on capital employed = EBIT / (non-current liabilities + equity) x 100

As of 31 December 2014 Management Board consists of Jaanus Kosemaa and Supervisory Board consists of the Chairman Trond Bernhard Brekke, Ivar Johannes Koteng and Anton Jenssen. No remuneration was paid to the members of the Supervisory Board in 2014.



Jaanus Kosemaa

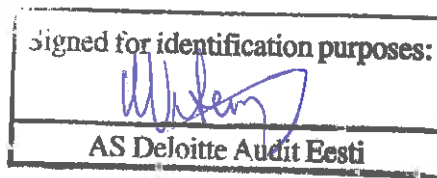
Partner / the Member of the Board



## The annual accounts

### Consolidated statement of financial position (In Euros)

	31.12.2014	31.12.2013	Note
<b>Assets</b>			
Current assets			
Cash and cash equivalents	3 328 142	946 620	
Receivables and prepayments	438 674	499 945	2
<b>Total current assets</b>	<b>3 766 816</b>	<b>1 446 565</b>	
Non-current assets			
Receivables and prepayments	326 328	319 558	2
Investment property	101 368 710	99 809 641	4
Property, plant and equipment	84 455	34 770	
<b>Total non-current assets</b>	<b>101 779 493</b>	<b>100 163 969</b>	
<b>Total assets</b>	<b>105 546 309</b>	<b>101 610 534</b>	
<b>Liabilities and equity</b>			
Liabilities			
Current liabilities			
Loan liabilities	13 741 397	13 591 066	5
Payables and prepayments	1 750 713	846 804	6
<b>Total current liabilities</b>	<b>15 492 110</b>	<b>14 437 870</b>	
Non-current liabilities			
Loan liabilities	42 692 677	45 818 934	5
Payables and prepayments	180 000	300 000	6
<b>Total non-current liabilities</b>	<b>42 872 677</b>	<b>46 118 934</b>	
<b>Total liabilities</b>	<b>58 364 787</b>	<b>60 556 804</b>	
Equity			
Equity held by shareholders and partners in parent company			
Issued capital	13 661 628	13 661 628	8
Share premium	2 805 778	2 805 778	
Statutory reserv capital	38 410	38 410	
Retained earnings (loss)	23 553 958	17 727 671	
Annual period profit (loss)	5 981 590	5 826 287	
<b>Total equity held by shareholders and partners in parent company</b>	<b>46 041 364</b>	<b>40 059 774</b>	
Minority interests	1 140 158	993 956	
<b>Total equity</b>	<b>47 181 522</b>	<b>41 053 730</b>	
<b>Total liabilities and equity</b>	<b>105 546 309</b>	<b>101 610 534</b>	



## Consolidated income statement

(In Euros)

	2014	2013	Note
Revenue	10 325 230	9 753 404	10
Other income	53 014	293 733	11
Raw materials and consumables used	-1 631 506	-1 553 675	
Other operating expense	-500 708	-594 158	12
Employee expense	-548 396	-465 761	13
Depreciation and impairment loss (reversal)	-18 496	-11 380	
Other expense	-5 053	-365 093	14
<b>Total profit (loss)</b>	<b>7 674 085</b>	<b>7 057 070</b>	
Interest expenses	-961 112	-1 072 179	15
Other financial income and expense	16 198	121 483	16
<b>Profit (loss) before tax</b>	<b>6 729 171</b>	<b>6 106 374</b>	
Income tax expense	-501 579	0	17
<b>Annual period profit (loss)</b>	<b>6 227 592</b>	<b>6 106 374</b>	
Profit (loss) from shareholders and partners in parent company	5 981 590	5 826 287	
Profit (loss) from minority interests	246 002	280 087	

## Consolidated statement of cash flows

(In Euros)

	2014	2013	Note
<b>Cash flows from operating activities</b>			
Profit (loss)	7 674 085	7 057 070	
Adjustments			
Depreciation and impairment loss (reversal)	18 496	11 380	
Other adjustments	-16 564	25 986	2,4
<b>Total adjustments</b>	<b>1 932</b>	<b>37 366</b>	
Changes in receivables and prepayments related to operating activities	33 380	-55 183	2
Changes in payables and prepayments related to operating activities	329 128	72 317	6
Interest received	2 222	729	16
<b>Total cash flows from operating activities</b>	<b>8 040 747</b>	<b>7 112 299</b>	
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangible assets	-68 181	0	
Purchase of investment property	-1 761 170	-7 172 533	4
Proceeds from sales of investment property	0	806 506	4
Other cash payments to acquire subsidiaries	0	-4 750	
Interest received	50 000	0	18
Other cash inflows from investing activities	191 384	156 523	4
<b>Total cash flows from investing activities</b>	<b>-1 587 967</b>	<b>-6 214 254</b>	
<b>Cash flows from financing activities</b>			
Loans received	2 595 391	4 250 000	5
Repayments of loans received	-5 571 317	-3 644 893	5
Interest paid	-969 003	-1 082 069	6,15
Dividends paid	-99 800	0	17
Income tax refund (paid)	-26 529	0	17
<b>Total cash flows from financing activities</b>	<b>-4 071 258</b>	<b>-476 962</b>	
<b>Total cash flows</b>	<b>2 381 522</b>	<b>421 083</b>	
Cash and cash equivalents at beginning of period	946 620	525 537	
<b>Change in cash and cash equivalents</b>	<b>2 381 522</b>	<b>421 083</b>	
Cash and cash equivalents at end of period	3 328 142	946 620	



Signed for identification purposes:

AS Deloitte Audit Eesti

AS Kave

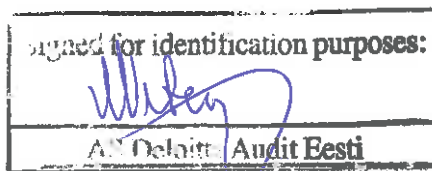
Annual accounts of 2014

## Consolidated statement of changes in equity (In Euros)

	Equity held by shareholders and partners in parent company				Minority interests	Total
	Issued capital	Share premium	Statutory reserve/capital	Retained earnings (loss)		
<b>31.12.2012</b>	13 661 628	2 805 778	38 410	17 727 671	713 619	34 947 106
Annual period profit (loss)	0	0	0	5 826 287	280 087	6 106 374
Changes through other contributions of owners	0	0	0	0	250	250
<b>31.12.2013</b>	13 661 628	2 805 778	38 410	23 553 958	993 956	41 053 730
Annual period profit (loss)	0	0	0	5 981 590	246 002	6 227 592
Dividends paid	0	0	0	0	-99 800	-99 800
<b>31.12.2014</b>	13 661 628	2 805 778	38 410	29 535 548	1 140 158	47 181 522

Additional information is disclosed in note 8 and 17.





## Notes

### Note 1 Accounting policies

#### General information

AS Kawe (hereinafter referred to as "the Parent Company") is a holding company incorporated and operating in Estonia. The consolidated annual accounts represent the consolidated assets, liabilities, equity, results of operating and cash flows of the Parent Company and its subsidiaries (hereinafter referred together to as "Kawe").

Kawe's consolidated annual accounts for the financial year 2014 are compiled according to the Generally Accepted Accounting Principles in Estonia. The requirements of the Generally Accepted Accounting Principles 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 consolidated annual accounts have been prepared in euros.

The principal accounting policies adopted for preparing consolidated annual accounts are set out below.

#### Changes in accounting policies or presentation of information

Comparative data in consolidated income statement has been adjusted due to netting the gains and losses arising from the change in the fair value of investment properties. The impact of change in presentation of information is as follows:

Additional item name	31.12.2013	Change	31.12.2013
Other income	1 350 844	-1 057 111	293 733
Other expense	-1 422 204	1 057 111	-365 093

#### Preparation of consolidated statements

##### PRINCIPLES OF CONSOLIDATION

Consolidated annual accounts present financial information about the Parent Company and its subsidiaries combined as a single entity.

All entities controlled by the Parent Company are considered to be subsidiaries. Control is presumed to exist when the Parent Company owns, directly or indirectly through its subsidiaries, more than 50% of voting rights of the subsidiary, or the Parent Company controls the operating and financial policies of the subsidiary in some other way.

The financial information of the Parent Company and its subsidiaries is combined line by line in consolidated financial statements, eliminating all intra-group receivables, liabilities and transactions between Kawe's entities, and resulting unrealized profits and losses in full. Investments in subsidiaries recognized in the statement of financial position of the Parent Company are eliminated against the Parent Company's share in the equity of subsidiaries. If the Parent Company's share in its subsidiaries is less than 100%, the share belonging to the minority shareholder is separated from the net assets and the accounting period's profit/loss of such subsidiaries.

Consolidated annual accounts are prepared based on Kawe's accounting policies. In case of need, appropriate adjustments to the subsidiary's annual accounts are made to bring these in compliance with Kawe's accounting policies.

Subsidiaries are consolidated from the date of their acquisition until the date of their disposal.

##### TRANSACTIONS WITH MINORITY INTEREST

Minority interest is included as share of equity in the consolidated statement of financial position, separately from the equity of the Parent Company's owners and in a separate line of the consolidated income statement. Minority share of the loss of the consolidated subsidiary is attributed to the minority interest even if this results in the minority interest having a deficit balance on the statement of financial position.

Transactions increasing or decreasing the Parent Company's ownership interest in a subsidiary already controlled by it are recorded as transactions between owners without any resulting goodwill or profit or loss. Any difference between the purchase or sales price and the changed carrying amount of minority interest is recognized directly in equity.

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DISCLOSURE OF PARENT COMPANY'S UNCONSOLIDATED FINANCIAL STATEMENTS IN THE NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

The Parent Company's separate financial statements are disclosed in the notes to the consolidated financial statements. The Parent Company's separate annual accounts have been prepared using the same accounting policies as for the consolidated annual accounts, except for investments in subsidiaries, which are accounted for under the cost method in the separate financial statements of the Parent Company.

Upon applying the cost method, an investment is initially recognized at cost which is equivalent to fair value of the amount paid at the time of its acquisition. Cost shall later be adjusted by any impairment losses arising from an impaired investment.

**Financial assets**

Financial assets are initially recognized at cost which is the fair value of the consideration payable or receivable for the financial asset. Initial cost includes all transaction costs directly attributable to the acquisition of financial assets.

A regular way purchase or sale of financial assets are recognized on trade date. Depending on their category, financial assets are subsequently measured at fair value, cost, or amortized cost.

At each balance sheet date, a review of whether there is any evidence that a financial asset or a group of financial assets recorded at cost or amortized cost is impaired. If any such evidence exists, a financial asset shall be written down. Write-downs due to impairment are recognized as an expense in the income statement.

A financial asset shall be derecognized when Kawe loses its 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.

**Cash and cash equivalents**

The balance sheet line "Cash and cash equivalents" comprises balances of current bank accounts and cash on hand.

Cash flows from operating activities are reported under the indirect method. Cash flows from investing and financing activities are reported under the direct method, i.e. based on gross receipts and disbursements made during the financial year.

**Receivables and prepayments**

**ACCOUNTS RECEIVABLE**

Accounts receivable are recorded at amortized cost, i.e. at their net present value, from which doubtful receivables are deducted. The amortized cost of current receivables generally equals their nominal value (less provision made for impairment), therefore current receivables are recorded in their net realizable value in the statement of financial position.

Accounts receivable, which are not expected to be collected, are expensed and reported in the income statement as "Other operating expense". Receivables, collection of which is not feasible nor economically justified, are considered to be non-collectible and written-off from the statement of financial position.

If the previously made estimate on the amount of doubtful receivables changes subsequently, it is recognized in the income statement in the period when the change occurred. The collection of doubtful or irrecoverable receivables is shown as a reduction of an expense in the period when the collection occurs.

**LOANS GRANTED**

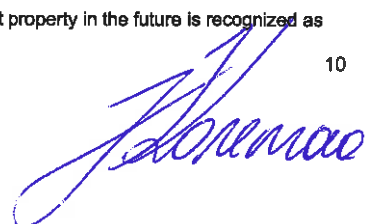
Non-current loans granted are measured at amortized cost, i.e. at their net present value, from which doubtful amounts are deducted. The difference between nominal value and net present value of a receivable is reported in the income statement as "Other financial income and expense" by applying the contractual interest rate until its due date.

**Investment property**

Investment property is property held by Kawe first and foremost to earn rentals or for capital appreciation rather than for the use in the production of goods and services, for administrative purposes or sale in the ordinary course of business.

Investment property is stated at its fair value. Under the fair value method, the investment property is measured at fair value at each balance sheet date by Kawe according to the income capitalization approach. The income capitalization approach is computed by taking the most likely one-year net operating income of the rent collected and dividing it by the capitalization rate. Gains/losses arising from a change in the fair value of investment property are recognized in the income statement for the accounting period as "Other income"/"Other expense". Investment property measured using the fair value method is not depreciated.

Investment property under construction or development and intended to be used as investment property in the future is recognized as



investment property already during construction and development activities using the cost method until the end of construction.

#### **Plant, property and equipment and intangible assets**

##### **PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are tangible assets Kawe uses for rendering of services or for administration purposes and that are expected to be used during more than one year.

An item of property, plant and equipment is initially recorded at cost, which comprises its purchase price and any costs directly attributable to its acquisition.

In the statement of financial position, an item of property, plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on the straight-line method. In the statement of financial position, the items of property, plant and equipment are depreciated during three to five years.

Property, plant and equipment shall be derecognized when no future economic benefits are expected from their use or disposal. The profit or loss arising from disposal or write-off is the difference between the proceeds received or receivable and the carrying amount of the non-current asset.

#### **Leases**

##### **KAWE AS LESSOR**

A lease is classified as finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee; otherwise a lease agreement is classified as operating lease.

Kawe presents assets leased out under an operating lease in its statement of financial position according to the nature of the asset, similarly to other assets presented in the statement of financial position.

The payments received over the lease term are recognized as revenue in the income statement. The payments to the lessor are structured to increase in line with the expected general inflation based on published indexes, in order to compensate for the lessor's expected inflationary cost increases.

#### **Financial liabilities**

Financial liabilities are initially recognized at cost which is the fair value of the consideration payable or receivable for the financial liability. Initial cost includes all transaction costs directly attributable to the acquisition of financial liabilities.

Financial liabilities are subsequently measured at cost or amortized cost.

Financial liabilities are classified as current liabilities, when they are due within one year from the balance sheet date, or Kawe does not have an unconditional right to defer the liability payment for more than one year from the balance sheet date. Other liabilities are classified as non-current.

A financial liability shall be derecognized when it is discharged, cancelled or expired.

#### **LOANS RECEIVED**

Interest bearing bank loans are initially recognized at the consideration received, less paid transaction costs. These financial liabilities are subsequently measured at amortized cost, in accordance to which the liability is measured at initial recognition cost less principal repayments. The interest expense is recognized on the accrual basis of accounting in the relevant financial year in the income statement as "Interest expense". Amortization of the transaction costs is recorded in the income statement together with the interest expense.

Non-current intercompany loans are recorded at amortized cost, adjusted for the cost of the original contractual repayment schedule set period of time. Interest costs are recognized as an expense in the income statement under "Interest expense" during the period they incurred by applying the contractual rate of interest.

#### **Provisions and contingent liabilities**

##### **INCOME TAX ON DIVIDENDS AND OTHER PROFIT DISTRIBUTIONS**

According to the Estonian Income Tax Act the accrued profit of a resident legal entity is not subject to corporate income tax, also income tax is not charged on profit distributed by way of a bonus issue. A resident legal entity pays income tax on profit distributed as dividends or other profit distributions upon payment thereof in monetary or non-monetary form. Income tax should be calculated also on payments made from equity that are exceeding the monetary and non-monetary contributions made to the equity. According to the aforementioned act the dividends

and other profit distributions are subject to income tax with the tax rate 20/80 since 1 January 2015 (previously with the tax rate 21/79) on the actual distribution.

According to the taxation laws currently applicable in Estonia, the entities cannot pay out all their available shareholders' equity, but a portion of it will cover the income tax on dividends. No provision for the income tax on dividends shall be recognized before the dividends are declared, but disclosed in the notes.

Corporate income tax on dividends or other equity reducing pay-outs shall be recognized as a liability and an expense at the time when dividends or other equity reducing pay-outs are declared.

Corporate income tax on dividends shall be accounted for as income tax expenses in the income statement in the same period as when dividends are declared, regardless of the period for which the dividends are declared or their actual payment date.

#### CONTINGENT LIABILITIES

Contingent liabilities are not recognized in the statement of financial position of the company, but the information regarding contingent liabilities is disclosed in the notes.

#### Equity statutory reserv capital

According to the Articles of Association of Kawe and the Commercial Code requirements, at least 1/20 of the annual net profit must be transferred to reserves each financial year, until the statutory legal reserve amounts to at least 1/10 of the share capital. When the legal reserve reaches the amount prescribed in the Articles of Association, the increase of the legal reserve on the account of net profit shall be terminated.

Upon a resolution of the shareholders, legal reserve may be used to cover a loss if it is not possible to cover the loss from available shareholders' equity of the private limited company, or may be used to increase share capital. Payments shall not be made to shareholders from legal reserve.

#### Revenue recognition

Kawe measures the revenue at the fair value of the consideration received or receivable, i.e. represents amounts receivable for goods and services provided, taking into account the amount of client's returns, any discounts and other similar allowances.

Revenue from the rendering of services are recognized in the period when the service was provided, the amount of revenue can be measured reliably, the receipt of payment from the transaction is probable, and the costs incurred relating to the transaction at the balance sheet date can be measured reliably. Revenue from the sale of goods are recognized when significant risks and rewards incidental to ownership have been transferred from seller to buyer, the receipt of payment from the transaction is probable and the costs incurred in respect of the transaction can be measured reliably.

Sales of services and goods related with Kawe's core activity are recorded as revenue. The irregular revenues, which are not directly related with Kawe's core activity, are recorded as other income.

Interest income from financial asset is recognized when it is probable that the economic benefits will flow to Kawe and the amount of income can be measured reliably.

#### Expense recognition

Expenses are accounted for by the accrual method of accounting, i.e. at the time when economic transaction actually occurs, and not at the time when the cash flows related to the transactions occur.

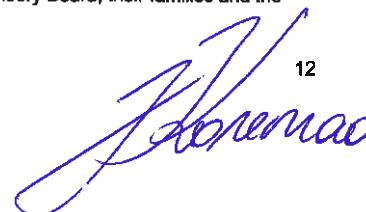
Expenses are recognized in the same period as income incidental to them. Costs expected to be incidental to the generation of economic benefits in the following accounting periods are recognized as assets when they are incurred and as expenses in the accounting period(s) when they are expected to generate economic benefits.

In income statement accounts "Raw materials and consumables used" are recorded costs related to the main activity accordance with goods and services used. The expenses, which cannot be regarded as a direct service costs, are recorded as miscellaneous operating expenses. The irregular expenses, which are not directly related with Kawe's core activity, are recorded as other expenses.

Interest expenses are recorded on the accrual basis in the reporting period.

#### 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, shareholders, the members of the Management and Supervisory Board, their families and the companies in which they hold majority interest or have significant influence.



**Note 2 Receivables and prepayments**

(In Euros)

	31.12.2014	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Accounts receivable	340 179	340 179	0	0	
Tax prepayments and receivables	33 854	33 854	0	0	3
Other receivables	375 721	49 393	326 328	0	
Loan receivables	319 558	0	319 558	0	18
Interest receivables	26 892	26 892	0	0	18
Accrued income	29 271	22 501	6 770	0	4
Prepayments	9 094	9 094	0	0	
Other current receivables	6 154	6 154	0	0	
<b>Total receivables and prepayments</b>	<b>765 002</b>	<b>438 674</b>	<b>326 328</b>	<b>0</b>	

	31.12.2013	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Accounts receivable	385 365	385 365	0	0	
Tax prepayments and receivables	33 849	33 849	0	0	3
Other receivables	394 852	75 294	319 558	0	
Loan receivables	319 558	0	319 558	0	18
Interest receivables	75 294	75 294	0	0	18
Prepayments	4 832	4 832	0	0	
Other current receivables	605	605	0	0	
<b>Total receivables and prepayments</b>	<b>819 503</b>	<b>499 945</b>	<b>319 558</b>	<b>0</b>	



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AS Deloitte Audit Eesti

AS Kawa

Annual accounts of 2014

### Note 3 Tax prepayments and liabilities

(In Euros)

	31.12.2014		31.12.2013	
	Tax prepayments	Tax liabilities	Tax prepayments	Tax liabilities
Value added tax	0	14 166	0	140 566
Personal income tax	0	10 369	0	9 523
Fringe benefit income tax	0	6 071	0	2 399
Social tax	0	20 477	0	18 248
Contributions to mandatory funded pension	0	1 157	0	980
Unemployment insurance tax	0	1 298	0	1 203
Interest	0	78	0	0
Other tax prepayments and liabilities	19 134	40	20 910	0
Prepayment account balance	14 720		12 939	
<b>Total tax prepayments and liabilities</b>	<b>33 854</b>	<b>53 656</b>	<b>33 849</b>	<b>172 919</b>



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**Note 4 Investment property**

(In Euros)

Cost Method			
	Land	Building	Total
<b>31.12.2012</b>			
Carried at cost	1 368 994	0	1 368 994
Accumulated depreciation	0	0	0
<b>Residual cost</b>	<b>1 368 994</b>	<b>0</b>	<b>1 368 994</b>
Acquisitions and additions	0	165 641	165 641
<b>31.12.2013</b>			
Carried at cost	1 368 994	165 641	1 534 635
Accumulated depreciation	0	0	0
<b>Residual cost</b>	<b>1 368 994</b>	<b>165 641</b>	<b>1 534 635</b>
Acquisitions and additions	0	944 075	944 075
<b>31.12.2014</b>			
Carried at cost	1 368 994	1 109 716	2 478 710
Accumulated depreciation	0	0	0
<b>Residual cost</b>	<b>1 368 994</b>	<b>1 109 716</b>	<b>2 478 710</b>

Fair value method	
<b>31.12.2012</b>	<b>92 651 000</b>
Acquisitions and additions	6 850 369
Profit (loss) from revaluation	258 637
Disposals	-1 485 000
<b>31.12.2013</b>	<b>98 275 006</b>
Acquisitions and additions	596 440
Profit (loss) from revaluation	18 554
<b>31.12.2014</b>	<b>98 890 000</b>



	2014	2013
Lease income earned on investment property	8 789 866	8 219 226
Direct administrative expenses on investment property	-493 561	-390 121
Disposal of investment property at selling price	0	1 202 992

The Kawe is acting as lessor under operating lease arrangement in the office buildings located as follows:

- in Tallinn, Pärnu Road 15 (collateral in the amount of 9 759 316 euros is set to property to secure the loans from Swedbank AS, see note 5)
- In Tallinn, Toompuiestee 33A (collateral in the amount of 3 821 917 euros is set to property to secure the loan from Nordea Bank AB, see note 5)
- in Tallinn, Türi 9 (collateral in the amount of 2 208 147 euros is set to property to secure the loans from Swedbank AS, see note 5)
- in Tallinn, Veerenni 24 (collateral in the amount of 12 782 330 euros is set to property to secure the loans from Swedbank AS, see note 5)
- in Tallinn, Estonia Avenue 19 / Tatari 1 (collateral in the amount of 1 040 000 euros is set to property to secure the loans from Swedbank AS, see note 5)
- in Tallinn, Pärnu Road 139F (collateral in the amount of 3 000 000 euros is set to property to secure the loan from Nordea Bank AB, see note 5).

The Kawe is acting as lessor under operating lease arrangement in the industrial properties located as follows:

- in Tallinn, Osmussaare Road 4 and Kuuli 4 and in Kohtla-Järve, Õpetajate 5 (collaterals in the total amount of 12 718 419 euros are set to property to secure the loans from Nordea Bank AB, see note 5)
- in Harju County, Rae Parish, Lehmja Village, Sinikivi Road 2 (collateral in the amount of 3 642 964 euros is set to property to secure the loan from Nordea Bank AB, see note 5)
- In Harju County, Rae Parish, Rae Village, Uus-Suti land unit (collaterals in the amount of 33 809 262 euros are set to property to secure the loans from Nordea Bank AB, see note 5)
- in Harju County, Rae Parish, Lehmja Village, Loomäe Road 10 (collateral in the amount of 8 800 634 euros is set to property to secure the loan from Nordea Bank AB, see note 5)
- in Harju County, Rae Parish, Lehmja Village, Kõrtsi Road 3 (collateral in the amount of 4 681 981 euros is set to property to secure the loans from Swedbank AS, see note 5).

In addition, the Kawe has acquired two properties in Harju County, Rae Parish, Lehmja Village, which are recorded at cost. Also the development and construction costs of the new buildings are recorded at cost.

In 2013 the development costs of new office buildings in the amount of 165 641 euros are recognised in line "Acquisitions and additions".

In October 2013 the property was sold in Harju County, Saku Parish, Tännassilma Village, Piirimäe 15 with selling price of 1 202 992 euros, from which 806 506 euros was received in cash.

As of 31 December 2013 it was not paid 420 000 euros from the selling price of the office building purchased in 2012. In 2014 it was paid 60 000 euros, see also note 6. The maturity date of payment the selling price is in June 2017.





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## Note 5 Loan commitments

(In Euros)

	31.12.2014	Allocation by remaining maturity			Interest rate	Base currencies	Due date
		Within 12 months	1 - 5 years	Over 5 years			
<b>Non-current loans</b>							
Swedbank AS (1)	3 506 397	210 128	3 296 269	0	3M + 1,90%	EUR	06.2017
Swedbank AS (2)	1 442 398	1 442 398	0	0	3M + 0,90%	EUR	07.2015
Swedbank AS (3)	475 420	475 420	0	0	3M + 0,90%	EUR	10.2015
Swedbank AS (4)	354 244	50 190	304 054	0	3M + 0,90%	EUR	04.2017
Swedbank AS (5)	1 046 918	141 168	905 750	0	3M + 0,90%	EUR	02.2017
Swedbank AS (6)	887 961	887 961	0	0	3M + 1,95%	EUR	07.2015
Swedbank AS (7)	1 200 000	0	1 200 000	0	3M + 2,50%	EUR	04.2016
Swedbank AS (8)	7 315 836	7 315 836	0	0	3M + 1,95%	EUR	07.2015
Swedbank AS (9)	606 022	606 022	0	0	3M + 2,50%	EUR	10.2015
Swedbank AS (10)	164 063	164 063	0	0	3M + 2,50%	EUR	10.2015
Swedbank AS (11)	748 698	31 876	716 822	0	3M + 2,50%	EUR	04.2016
Nordea Bank AB (1)	2 087 075	124 724	1 962 351	0	6M + 0,70%	EUR	05.2017
Nordea Bank AB (2)	14 080 907	763 882	13 317 025	0	1M + 0,95%	EUR	11.2017
Nordea Bank AB (3)	5 879 993	321 055	5 558 938	0	6M + 0,95%	EUR	11.2017
Nordea Bank AB (4)	4 568 503	205 842	4 362 661	0	3M + 0,70%	EUR	09.2018
Nordea Bank AB (5)	2 402 763	109 300	2 293 463	0	6M + 0,70%	EUR	08.2018
Nordea Bank AB (6)	245 826	11 070	234 756	0	6M + 1,50%	EUR	09.2018
Nordea Bank AB (7)	193 887	193 887	0	0	6M + 2,60%	EUR	02.2015
Nordea Bank AB (8)	2 312 307	118 862	2 193 445	0	1M + 0,95%	EUR	07.2018
Nordea Bank AB (9)	4 717 716	441 151	4 276 565	0	1M + 2,50%	EUR	06.2016
Nordea Bank AB (10)	2 197 140	126 562	2 070 578	0	6M + 2,00%	EUR	02.2019
<b>Non-current loans total</b>	<b>56 434 074</b>	<b>13 741 397</b>	<b>42 692 677</b>	<b>0</b>			
<b>Loan commitments total</b>	<b>56 434 074</b>	<b>13 741 397</b>	<b>42 692 677</b>	<b>0</b>			



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	31.12.2013	Allocation by remaining maturity			Interest rate	Base currencies	Due date
		Within 12 months	1 - 5 years	Over 5 years			
<b>Current loans</b>							
Nordea Bank AB	500 000	500 000			1M + 2,00%	EUR	02.2014
Nordea Bank AB	1 500 000	1 500 000			1M + 2,00%	EUR	02.2014
<b>Current loans total</b>	<b>2 000 000</b>	<b>2 000 000</b>					
<b>Non-current loans</b>							
Swedbank AS (1)	3 404 940	3 404 940	0	0	3M + 2,50%	EUR	07.2014
Swedbank AS (2)	1 691 499	249 101	1 442 398	0	3M + 0,90%	EUR	07.2015
Swedbank AS (3)	553 896	78 476	475 420	0	3M + 0,90%	EUR	10.2015
Swedbank AS (4)	403 884	49 640	354 244	0	3M + 0,90%	EUR	04.2017
Swedbank AS (5)	1 186 537	139 619	1 046 918	0	3M + 0,90%	EUR	02.2017
Swedbank AS (6)	935 360	47 399	887 961	0	3M + 1,95%	EUR	07.2015
Swedbank AS (7)	1 200 000	0	1 200 000	0	3M + 2,50%	EUR	04.2016
Swedbank AS (8)	7 816 228	500 392	7 315 836	0	3M + 1,95%	EUR	07.2015
Swedbank AS (9)	700 596	94 574	606 022	0	3M + 2,50%	EUR	10.2015
Swedbank AS (10)	183 485	19 422	164 063	0	3M + 2,50%	EUR	10.2015
Swedbank AS (11)	779 712	31 014	748 698	0	3M + 2,50%	EUR	04.2016
Nordea Bank AB (1)	2 205 780	118 705	2 087 075	0	6M + 0,70%	EUR	05.2017
Nordea Bank AB (2)	14 803 736	722 829	14 080 907	0	1M + 0,95%	EUR	11.2017
Nordea Bank AB (3)	6 183 844	303 851	5 879 993	0	6M + 0,95%	EUR	11.2017
Nordea Bank AB (4)	4 760 467	191 964	4 568 503	0	3M + 0,70%	EUR	09.2018
Nordea Bank AB (5)	2 504 691	101 928	2 402 763	0	6M + 0,70%	EUR	08.2018
Nordea Bank AB (6)	256 149	10 323	245 826	0	6M + 1,50%	EUR	09.2018
Nordea Bank AB (7)	278 140	278 140	0	0	6M + 2,60%	EUR	02.2014
Nordea Bank AB (8)	2 424 909	112 602	2 312 307	0	1M + 0,95%	EUR	07.2018
Nordea Bank AB (9)	5 136 147	5 136 147	0	0	1M + 2,50%	EUR	06.2014
<b>Non-current loans total</b>	<b>57 410 000</b>	<b>11 591 066</b>	<b>45 818 934</b>	<b>0</b>			
<b>Loan commitments total</b>	<b>59 410 000</b>	<b>13 591 066</b>	<b>45 818 934</b>	<b>0</b>			

Loans from Swedbank AS (1-10) have been secured by combined collaterals to the Kawe's properties in following locations:

- in Tallinn, Pärnu Road 15
- in Tallinn, Türi 9
- in Tallinn, Veerenni 24
- in Harju County, Rae Parish, Lehmja Village, Kõrtsi Road 3.

Loan from Swedbank AS (11) has been secured by collateral to the property located at Estonia Avenue 19/Tatari 1.

Loans from Nordea Bank AB (1-10) has been secured by collaterals to properties in following locations:

- in Harju County, Rae parish, Lehmja village, Sinikivi Road 2 (loan 1)
- in Harju County, Rae parish, Rae village, Uus-Suti land unit (loans 2 and 3)
- in Tallinn, Osmussaare Road 3 and Kuuli 4 and in Kohtla-Järve, Õpetajate Road 5 (loans 4-7)
- in Tallinn, Toompuiestee 33A (loan 8)
- in Harju County, Rae parish, Lehmja village, Loomäe Road 10 (loan 9)
- in Tallinn, Pärnu Road 139f (loan 10).

Kawe has an off-balance sheet liability to guarantee agreements with Swedbank AS and Nordea Bank AB in favour of subsidiaries in amount of loan commitments.

After the balance sheet date Kawe has extended the loan agreement with Nordea Bank AB until 2020 (loan 7).



**Note 6 Payables and prepayments**

(In Euros)

	31.12.2014	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Trade payables	704 615	704 615	0	0	
Employee payables	10 125	10 125	0	0	
Tax payables	53 656	53 656	0	0	3
Other payables	391 471	211 471	180 000	0	
Interest payables	29 558	29 558	0	0	
Other accrued expenses	361 913	181 913	180 000	0	
Prepayments received	295 796	295 796	0	0	
Accrued corporate income tax liability	475 050	475 050	0	0	17
<b>Total payables and prepayments</b>	<b>1 930 713</b>	<b>1 750 713</b>	<b>180 000</b>	<b>0</b>	

	31.12.2013	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Trade payables	195 050	195 050	0	0	
Employee payables	4 978	4 978	0	0	
Tax payables	172 919	172 919	0	0	3
Other payables	459 599	159 599	300 000	0	
Interest payables	37 449	37 449	0	0	
Other accrued expenses	422 150	122 150	300 000	0	
Prepayments received	301 880	301 880	0	0	
Derivatives	12 378	12 378	0	0	
<b>Total payables and prepayments</b>	<b>1 146 804</b>	<b>846 804</b>	<b>300 000</b>	<b>0</b>	

**Note 7 Contingent liabilities and assets**

(In Euros)

	31.12.2014	31.12.2013
<b>Contingent liabilities</b>		
Distributable dividends	23 628 438	18 607 627
Income tax liability on distributable dividends	5 907 110	4 946 331
<b>Total contingent liabilities</b>	<b>29 535 548</b>	<b>23 553 958</b>



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## Note 8 Share capital

(In Euros)

	31.12.2014	31.12.2013
Share capital	13 661 628	13 661 628
Number of shares (pcs)	213 797	213 797
Nominal value of shares	63.90	63.90

## Note 9 Shares of subsidiaries

(In Euros)

Shares of subsidiaries, general information					
Subsidiary's registry code	Name of subsidiary	Country of Incorporation	Principal activity	Ownership Interest (%)	
				31.12.2013	31.12.2014
10065087	AS Kawe Plaza	Estonia	Management of property	100	100
10956662	OÜ Kawe Club	Estonia	Management of property	100	100
10977687	OÜ Kawe Tõöstus	Estonia	Management of property	100	100
11372437	OÜ Kawe Invest	Estonia	Management of property	95	95
10145662	AS Aeteci Kinnisvara	Estonia	Management of property	95	95
10776173	OÜ Toompüiestee Bürohoone	Estonia	Management of property	100	100
12453103	OÜ Tatarl Ärimaja	Estonia	Management of property	95	95
11220495	OÜ Aquabene	Estonia	Management of property	95	95
11332277	OÜ Kawe Pult	Estonia	Management of property	95	95
11255157	OÜ Duarte Group	Estonia	Management of property	95	95
11164880	OÜ Kawe Logistika	Estonia	Management of property	95	95
12585974	OÜ Kawe Tower	Estonia	Management of property	95	95



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## Note 10 Net sales

(In Euros)

	2014	2013	Note
Net sales by geographical location			
Net sales in European Union			
Estonia	10 325 230	9 753 404	
<b>Total net sales in European Union</b>	<b>10 325 230</b>	<b>9 753 404</b>	
<b>Total net sales</b>	<b>10 325 230</b>	<b>9 753 404</b>	
Net sales by operating activities			
Rental income	8 789 866	8 219 226	4
Utilities resale	1 516 004	1 466 238	
Other revenue from sale of services	19 360	67 940	
<b>Total net sales</b>	<b>10 325 230</b>	<b>9 753 404</b>	

## Note 11 Other operating income

(In Euros)

	2014	2013	Note
Profit from fair value change of investment property	18 554	258 637	4
Fines, penalties and compensations	33 214	31 179	
Other	1 246	3 917	
<b>Total other operating income</b>	<b>53 014</b>	<b>293 733</b>	

## Note 12 Miscellaneous operating expenses

(In Euros)

	2014	2013
Miscellaneous office expenses	-33 523	-36 598
Travel expense	-4 150	-2 501
Training expense	-1 818	-693
State and local taxes	-94 385	-70 735
Allowance for doubtful receivables	-17 631	-71 210
Administrative expense	-211 317	-290 487
Transportation expense	-29 943	-32 102
Representational expense	-24 667	-11 329
Other	-83 274	-78 503
<b>Total miscellaneous operating expenses</b>	<b>-500 708</b>	<b>-594 158</b>



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## Note 13 Labor expense

(In Euros)

	2014	2013
Wage and salary expense	-410 201	-348 382
Social security taxes	-138 195	-117 379
<b>Total labor expense</b>	<b>-548 396</b>	<b>-465 761</b>
Average number of employees in full time equivalent units	14	11

## Note 14 Other operating expenses

(In Euros)

	2014	2013	Note
Loss from sale of investment property	0	-282 008	4
Fines, penalties and compensations	-5 053	-58 085	
Other	0	-25 000	
<b>Total other operating expenses</b>	<b>-5 053</b>	<b>-365 093</b>	

## Note 15 Interest expenses

(In Euros)

	2014	2013	Note
Interest expense from loans	-961 010	-1 068 768	
Interest expense from related parties loans	0	-3 334	18
Other interest expense	-102	-77	
<b>Total interest expense</b>	<b>-961 112</b>	<b>-1 072 179</b>	

## Note 16 Other financial income and expense

(In Euros)

	2014	2013	Note
Change in interest swap	12 378	126 908	
Interest income from related parties' loans	1 598	6 391	18
Other financial income	2 222	729	
Other financial expense	0	-12 545	
<b>Total other financial income and expense</b>	<b>16 198</b>	<b>121 483</b>	

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## Note 17 Income tax

(In Euros)

Income tax expense components	2014			2013		
	Taxable amount	Income tax expense	Deferred income tax	Taxable amount	Income tax expense	Deferred income tax
Declared dividends	99 800	501 579	475 050	0	0	0
<b>Total</b>	<b>99 800</b>	<b>501 579</b>	<b>475 050</b>	<b>0</b>	<b>0</b>	<b>0</b>

In 2014 the subsidiary declared dividends in total amount of 2 000 000 euros, from this 99 800 euros to minority shareholder. It is paid the dividends to minority shareholder in total amount of 99 800 euros and paid the corporate income tax with tax rate 21/79 in amount of 26 529 euros. As of 31 December 2014 no dividends were paid to the Parent Company and accrued corporate income tax liability with tax rate 20/80 in the amount of 475 050 euros is recognized, see also note 6.

## Note 18 Related parties

(In Euros)

Name of accounting entity's parent company	Garda A/S
Country where accounting entity's parent company is registered	Norway

### Related party balances according to groups

	31.12.2014	31.12.2013
	Receivables	Receivables
Close family members and entities under their prevalent and material influence of management and higher	346 450	394 852

2014	Sales	Loans received	Loans received repayments
Other entities belonging into same consolidation group	8 102	0	0
2013	Sales	Loans received	Loans received repayments
Other entities belonging into same consolidation group	8 102	250 000	250 000

Remuneration and other significant benefits calculated for members of management and highest supervisory body	2014	2013
	Remuneration	121 805

As of 31 December 2014 a receivable comprises a loan granted to a person related to the Member of the Board in the amount of 319 558 euros (31.12.2013: 319 558 euros) and interest receivable in the amount of 26 892 euros (31.12.2013: 75 294 euros), see note 2.

In 2014 the interest income from loan granted to the person related to the Member of the Board was 1 598 euros (2013: 6 391 euros), see note 16.



The loan is given without pledge and with interest rate 0.5% per annum (2013: 2% per annum) with maturity date in April 2018.

In 2013 AS Kawe received a current loan without collateral in the amount of 250 000 euros, interest rate 4% and with maturity date in December 2013. As of 31 December 2013 the loan has been fully repaid. Interest expense for the loan was 3 334 euros, see note 15.

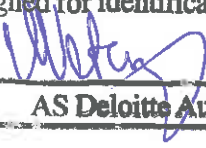
In 2014 AS Kawe sold asset management services to related parties outside of the group of Kawe in the total amount of 8 102 euros (2013: 8 102 euros).

## Note 19 Non consolidated statement of financial position (In Euros)

	31.12.2014	31.12.2013
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	93 871	75 552
Receivables and prepayments	2 446 661	750 168
<b>Total current assets</b>	<b>2 540 532</b>	<b>825 720</b>
<b>Non-current assets</b>		
Investments in subsidiaries and associates	10 275 189	10 275 189
Receivables and prepayments	13 531 276	14 496 500
Property, plant and equipment	84 455	34 770
<b>Total non-current assets</b>	<b>23 890 920</b>	<b>24 806 459</b>
<b>Total assets</b>	<b>26 431 452</b>	<b>25 632 179</b>
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Payables and prepayments	273 376	338 757
<b>Total current liabilities</b>	<b>273 376</b>	<b>338 757</b>
<b>Non-current liabilities</b>		
Loan liabilities	7 572 000	8 652 000
<b>Total non-current liabilities</b>	<b>7 572 000</b>	<b>8 652 000</b>
<b>Total liabilities</b>	<b>7 845 376</b>	<b>8 990 757</b>
<b>Equity</b>		
Issued capital	13 661 628	13 661 628
Share premium	2 805 778	2 805 778
Statutory reserve capital	38 410	38 410
Retained earnings (loss)	135 606	164 286
Annual period profit (loss)	1 944 654	-28 680
<b>Total equity</b>	<b>18 586 076</b>	<b>16 641 422</b>
<b>Total liabilities and equity</b>	<b>26 431 452</b>	<b>25 632 179</b>



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**Note 20 Income statement**  
(In Euros)

	2014	2013
Revenue	1 378 184	1 151 435
Other income	329	3 917
Raw materials and consumables used	-593 689	-637 239
Other operating expense	-291 981	-291 534
Employee expense	-548 396	-465 761
Depreciation and impairment loss (reversal)	-18 496	-11 380
Other expense	-33	-25 649
<b>Total profit (loss)</b>	<b>-74 082</b>	<b>-276 211</b>
Interest expenses	-156 074	-279 726
Other financial income and expense	2 174 810	527 257
<b>Profit (loss) before tax</b>	<b>1 944 654</b>	<b>-28 680</b>
<b>Annual period profit (loss)</b>	<b>1 944 654</b>	<b>-28 680</b>



## Note 21 Non consolidated statement of cash flows (In Euros)

	2014	2013
<b>Cash flows from operating activities</b>		
Profit (loss)	-74 082	-276 211
Adjustments		
Depreciation and impairment loss (reversal)	18 496	11 380
<b>Total adjustments</b>	<b>18 496</b>	<b>11 380</b>
Changes in receivables and prepayments related to operating activities	167 026	-215 044
Changes in payables and prepayments related to operating activities	-17 131	86 879
Interest paid	93	12
<b>Total cash flows from operating activities</b>	<b>94 402</b>	<b>-392 984</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	-68 181	0
Purchase of investment property	0	-1 300 000
Other cash payments to acquire subsidiaries	0	-4 750
Loans given	-846 876	-2 867 587
Repayments of loans given	1 312 100	1 948 496
Interest received	311 198	425 229
<b>Total cash flows from investing activities</b>	<b>708 241</b>	<b>-1 798 612</b>
<b>Cash flows from financing activities</b>		
Loans received	235 000	3 697 200
Repayments of loans received	-815 000	-1 168 781
Interest paid	-204 324	-283 936
<b>Total cash flows from financing activities</b>	<b>-784 324</b>	<b>2 244 483</b>
<b>Total cash flows</b>	<b>18 319</b>	<b>52 887</b>
Cash and cash equivalents at beginning of period	75 552	22 665
<b>Change in cash and cash equivalents</b>	<b>18 319</b>	<b>52 887</b>
Cash and cash equivalents at end of period	93 871	75 552

## Note 22 Non consolidated statement of changes in equity

(In Euros)

	Issued capital	Share premium	Statutory reserve capital	Retained earnings (loss)	Total
<b>31.12.2012</b>	13 661 628	2 805 778	38 410	164 286	16 670 102
Annual period profit (loss)	0	0	0	-28 680	-28 680
<b>31.12.2013</b>	13 661 628	2 805 778	38 410	135 606	16 641 422
Governing and material influence ownership interest value of financial position					-10 275 189
Governing and material influence on the value of holdings under the equity method					33 693 541
<b>Restated non consolidated equity 31.12.2013</b>					<b>40 059 774</b>
Annual period profit (loss)	0	0	0	1 944 654	1 944 654
<b>31.12.2014</b>	13 661 628	2 805 778	38 410	2 080 260	18 586 076
Governing and material influence ownership interest value of financial position					-10 275 189
Governing and material influence on the value of holdings under the equity method					37 730 477
<b>Restated non consolidated equity 31.12.2014</b>					<b>46 041 364</b>



[Translation from Estonian original]

## INDEPENDENT CERTIFIED AUDITOR'S REPORT

To the shareholders of AS Kawe:

We have audited the accompanying consolidated financial statements of AS Kawe (hereinafter "the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows 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 of the parent company of the Group is responsible for the preparation and fair presentation of these financial statements in accordance with Estonian Accounting Act and the guidelines issued by the Estonian Accounting Standards Board, 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 consolidated financial statements present fairly, in all material respects, the financial position of AS Kawe:as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with Estonian Accounting Act and the guidelines issued by the Estonian Accounting Standards Board.

*Emphasis of matter*

We draw attention to the fact that the Group short-term liabilities exceed its current assets as at 31 December 2014 and the net cash flows from operations may not be sufficient to cover the short-term liabilities. Fulfilment of short-term liabilities depend on the Group's ability to generate sufficient net cash flow to cover the current liabilities and on extending the agreements with the bank to refinance the short term secured debt as presented in note 5 to financial statements. Our opinion is not qualified in respect of this matter.

31 March 2015



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