Consolidated Annual Report 2020

Usaldusfond EfTEN Real Estate Fund 4

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MANAGEMENT REPORT

Effect of Covid-19

The main economic event of 2020 was not an economic event – unexpected arrival and spread of coronavirus. The virus wave that reached the Baltics in February 2020, closed the economy and put a significant strain on the fund's cash flows but only in short term. The fund's management found temporary solutions with the tenants, which usually resulted in a temporary rent discount for 3-4 months and an equivalent extension of the lease period. The second wave of virus, which started in the fall was significantly worse in medical terms compared to the outbreak in spring, however, the companies had a much calmer attitude towards the second wave compared to the first wave. Coronavirus will definitely have an effect to fund's cash flows in the first quarter of 2021, but the positive news related to vaccine give hope that since the second quarter of 2021 we can hope for the permanent return of ordinary rhythm of life. Since the fund's portfolio does not include investments in hotels or entertainment segment the economic effect of Covid-19 to fund's cash flows was modest.

The temporary setback was mainly reflected in decrease of the fair value of fund's investment properties but European Commission's economic recovery plan, national measures of Baltic states and steps taken by European Central Bank give reason to predict that the setback in value of real estate is temporary and the real estate values will recover. This position is assured by the developments in residential real estate market in the Baltics where sales prices practically did not decrease and the effect of corona crisis was reflected in temporary, few-months long decrease in the number of transactions. Generally, the faster dynamics of residential real estate reflects in large-scale commercial real estate within delay of 3-4 quarters.

Financial overview

In 2020, the impact of the Covid-19 restrictions imposed by the Baltic States remained modest on the real estate portfolio's result of business activity of EfTEN Real Estate Fund 4. The Fund's consolidated sales revenue in 2020 totalled 9.450 (2019: 7.683) million euros, increasing by 23% compared to 2019. Net rental income (NOI) totalled 8.821 million euros in 2020, increasing by 26% year-on-year. Growth in sales revenue and NOI in 2020 is related to the acquisition of Dominante Logistics Center in early 2020 and the acquisition of River Mall and River Hall in mid-2019. The rental income of the fund's largest, Ryo shopping center, decreased by 8% (372 thousand euros) and NOI by 3% (125 thousand euros) in 2020 compared to the 12 months of 2019 due to the impact of Covid-19 restrictions.

			Change	
	2020	**2019**	**€**	**%**
€ million				
Rental income, other fees from investment properties	9.450	7.683	*1.767*	*23%*
Expenses related to real estate, incl. marketing costs	-0.629	-0.672	*0.043*	*-6%*
Net rental income	**8.821**	**7.011**	***1.810***	***26%***
Net rental income margin	*93%*	*91%*	*0.021*	*2%*
Interest expenses	-0.963	-0.937	*-0.026*	*3%*
Net rental income minus interest expenses	**7.858**	**6.074**	***1.784***	***29%***
Management fees	-0.729	-0.527	*-0.202*	*38%*
Other income and expenses	-0.416	-0.343	*-0.073*	*21%*
Profit before change in the value of investment property, change in success fee liability and income tax expense	**6.713**	**5.204**	***1.509***	***29%***

The Group's net profit in 2020 was 4.516 million euros (2019: 5.614 million euros). Net profit decreased in 2020, mainly due to the change in the fair value of investment properties, which in turn was due to a slightly higher discount rate and the more conservative cash flow projections of the real estate portfolio in 2021 and 2022.

The volume of the Group's assets as of 31.12.2020 was 165.012 million euros (31.12.2019: 121.909 million euros), incl. the fair value of investment properties that accounted for 86% of the volume of assets (31.12.2019: 81%).

	31.12.2020	31.12.2019	Change	Change
€ millions				
Investment property	142.229	98.500	*43.729*	*44%*
Other non-current assets	14.138	16.929	*-2.791*	*-16%*
Current assets other than cash	0.799	0.639	*0.160*	*25%*
Total assets	165.012	121.909	*43.103*	*35%*
Net debt (cash and deposits minus short-term and long-term bank loans)	-55.609	-42.395	*-13.214*	*31%*
Net asset value (NAV)	90.476	63.714	*26.762*	*42%*
Capital contributions, cumulatively	85.500	60.100	*25.400*	*42%*
Returns of capital, cumulatively	-2.000	-2.000	*0.000*	*0%*
Unrestricted capital	63.938	89.338	*-25.400*	*-28%*

Main financial ratios

12 months	31.12.2020	31.12.2019
ROE,% (net profit for the period / average net asset value for the period) * 100	5.9	8.8
ROA,% (net profit for the period / average assets for the period) * 100	3.1	4.6
ROIC,% (net profit for the period / average invested capital) * 100[1]	6.2	4.6
EBITDA (operating profit minus depreciation minus change in value of investment properties minus change in success fee liability (€ million)[2]	7.688	6.167
EBITDA margin,%	81.4	80.3
EBIT (€ million)	6.447	7.506
Comprehensive income (€ million)	4.516	5.614
Liquidity ratio (current assets / current liabilities)	1.6	2.2
DSCR (EBITDA / (interest expenses + scheduled loan payments)	2.7	2.6

[1] The average invested capital for the period is the average involved capital of Usaldusfond EfTEN Real Estate Fund 4.

Real estate portfolio

The Group invests in commercial real estate, which has a strong and long-term tenant base. As of the end of 2020, the Group has 6 (31.12.2019: 4) commercial real estate investments, the fair value of which at the balance sheet date is 142.229 million euros and the acquisition cost is 141.544 million euros. The Group's real estate portfolio is divided by sectors as follows:

- warehouse and logistics space 31%; 2 investments
- commercial space 47%; 2 investments
- office space 22%; 2 investments

Investment property, as of 31.12.2020	Group's ownership	Fair value of investment property	Net leasable area	Estimated net rental revenue per annum €, in thousands	Actual net rental revenue per 12 months	Direct yield[1]	Primary net yield [2]	Occupancy, %	Average length of rental agreements	Number of tenants
Dominante logistics center	100	16,020	37,503	1,112	1,082	6.5%	6.8%	74	3.9	5
SBA logistics and production center	100	28,459	44,048	2,139	2,144	7.5%	7.5%	100	14.9	1
Logistics total		**44,479**	**81,551**	**3,251**	**3,226**	**7.3%**	**7.3%**	**88**	**10.5**	**6**
River Mall shopping center	100	18,070	9,800	1,299	1,317	7.2%	7.3%	100	9.2	29
Ryo shopping center	100	48,800	24,264	3,825	4,134	8.8%	8.5%	97	3.7	103
Commercial total		**66,870**	**34,064**	**5,124**	**5,451**	**8.3%**	**8.2%**	**98**	**5.1**	**132**
Kadrioru Business center	100	16,480	6,582	1,088	1,127	6.7%	6.8%	93	2.8	19
River Hall business center	100	14,400	8,600	954	1,025	7.3%	7.1%	86	2.9	8
Office total		**30,880**	**15,182**	**2,042**	**2,152**	**7.0%**	**7.0%**	**89**	**2.8**	**27**
Real estate portfolio total		**142,229**	**130,797**	**10,417**	**10,829**	**7.7%**	**7.6%**	**91**	**6.4**	**165**

[1] The direct yield on investment properties is the ratio of the actual net rental income (calculated for 12 months) to the acquisition cost of investment properties and subsequent capitalized expenses as of 31.12.2020.

[2] The primary net return on investment properties is the ratio of the actual net rental income (calculated for 12 months) to the market value of investment properties as of 31.12.2020.

As of 31.12.2020, the Group has a total of 165 tenants. 50.8% of the rental agreements entered in as of the balance sheet date constitutes the contractual revenue of 11 customers.

Tenant	Share of income from rental agreements
Innovo logistika UAB	18.6%
Trialto Latvia SIA	10.0%
Maxima LT UAB	4.8%
Hakonlita, UAB	4.1%
Hurtigruten Estonia OÜ	2.8%
Hostinger UAB	2.8%
Lidl Latvija SIA	1.9%
Felit UAB	1.8%
Avitelos prekyba, UAB	1.4%
Compensa Life Vienna Insurance Group SE	1.3%
Juvare Lithuania UAB	1.3%
Other	49.2%

Valuation of investment properties

EfTEN Real Estate Fund 4 regularly evaluates real estate investments twice a year - in June and in December. The appraiser of the Group's real estate investments is Colliers International Advisors OÜ. The total value of investment properties decreased by 1.5% in 2020 as a result of revaluations (2019: increased by 2.9%) and the Group incurred a loss of 2.115 million euros (2019: profit of 2.8 million euros) from the change in the fair value of investment properties.

The Group's independent appraiser evaluates investment properties individually using the discounted cash flow method. The cash flow projections for all properties have been updated to determine the fair value, and the discount rates and exit yields have been differentiated depending on the location of the facilities, the technical condition and the risk level of the tenants. Compared to 2019, the exit yields of the Group's real estate portfolio remained relatively at the same level in most investment properties in the reporting year, but due to uncertainty related to the Covid-19 effect, cash flow forecasts for 2021 and 2022 are more conservative and discount rates are slightly adjusted upwards in expectancy of rise in interest rate prices in capital markets. Exit yields were in the range of 7.0-8.5% in 2020 (2019: 7.0%-9.0%) and discount rates in the range of 8.0%-9.25% in 2020 (2019: 7.9%-9.0%).

Net asset value

The net asset value of the Fund as at 31.12.2020 is 90,476 thousand euros (31.12.2019: 63,714 thousand euros). The fund has a total of 34 investors. The owners of more than 10% of the fund are listed in the table below:

Investor	31.12.2020
Swedbank Latvia pension funds	21.7%
EBRD	20.0%
SEB pension funds	14.0%
LHV pension funds	13.6%
Swedbank Estonia pension funds	12.7%

Management

Usaldusfond EfTEN Real Estate Fund 4 Registered in the Commercial Register in October 2018, after which the fund started its activities.

In 2020, one (regular) general meeting of investors was held and the 2019 annual report was approved. There were no irregular investor meetings held in 2020.

According to the management agreement and the fund's partnership agreement, the fund's management company is EfTEN Capital AS. EfTEN Capital AS has been issued an alternative fund manager's license by the Financial Supervision Authority.

The Management Board of the Fund's general partner (EfTEN Neljas GP OÜ) has 2 members: Viljar Arakas and Tõnu Uustalu, and in 2020 there were no changes in the Management Board. The management board of a general partner supervises the activities of the management company related to the fund and to the extent and pursuant to the procedure prescribed in the depositary agreement supervises the activities of the depositary, as well as performs other tasks arising from the partnership agreement.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2020	17.10.2018 - 31.12.2019
€ thousand			
Revenue	4,5	9,450	7,683
Cost of services sold	6	-485	-265
Marketing costs	7	-144	-407
Net rental income		**8,821**	**7,011**
General and administrative expenses	8	-1,191	-902
Gain / loss from revaluation of investment properties	11	-2,115	2,800
Change in success fee liability	14	886	-1435
Other operating income and expenses		46	32
Operating profit	**4**	**6,447**	**7,506**
Interest expense		-963	-937
Profit before income tax		**5,484**	**6,569**
Income tax expense	9	-968	-955
Net profit for the period		**4,516**	**5,614**
Total profit for the period	**4**	**4,516**	**5,614**

[1] In the consolidated statement of comprehensive income for 2019, the income tax expense has been changed due to the change in accounting policy. Additional information on changes in accounting policies is provided in Note 2.1.

The notes on pages 9-35 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2020	31.12.2019[1]
€ thousand			
ASSETS			
Cash and cash equivalents	15	7,846	5,840
Receivables and accrued income	10	785	624
Prepaid expenses		14	16
Total current assets		**8,645**	**6,480**
Long-term receivables	10	13,901	16,716
Investment property	11	142,229	98,500
Property, plant and equipment		228	205
Intangible assets		9	8
Total non-current assets		**156,367**	**115,429**
TOTAL ASSETS		**165,012**	**121,909**
LIABILITIES AND NET ASSET VALUE			
Borrowings	12	4,044	2,074
Payables and prepayments	13	1,425	808
Total current liabilities		**5,469**	**2,882**
Borrowings	12	59,324	46,114
Other long-term liabilities	13	1,945	2,477
Deferred income tax liability	9	7,798	6,722
Total non-current liabilities		**69,067**	**55,313**
Total liabilities		**74,536**	**58,195**
Total net asset value of the Fund owned by limited and general partners		**90,476**	**63,714**
TOTAL LIABILITIES AND NET ASSETS		**165,012**	**121,909**

[1] In the consolidated statement of financial position for 2019, the deferred income tax liability and the net asset value of the fund owned by limited and general partners have been changed due to the change in accounting policy. Additional information on changes in accounting policies is provided in Note 2.1.

The notes on pages 9-35 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2020	17.10.2018-31.12.2019[1]
€ thousand			
Net profit		**4,516**	**5,614**
Adjustments to net profit:			
Interest expense		963	937
Gains / losses on revaluation of investment property	11	2,115	-2,800
Change in success fee liability	14	-886	1,435
Depreciation and impairment losses		55	26
Income tax expense	9	968	955
Total adjustment with non-cash changes		**3,215**	**553**
Cash flows from operating activities before changes in working capital		**7,731**	**6,167**
Change in receivables and payables related to operating activities		26	-362
Total cash flows from operating activities		**7,757**	**5,804**
Purchase of property, plant and equipment		-45	-49
Purchase of investment property	11	-865	-17,022
Acquisition of subsidiaries	3	-24,798	-47,683
Total cash flows from investing activities		**-25,708**	**-64,754**
Loans received	12	457	9,200
Scheduled loan repayments	12	-1,515	-1,563
Interest paid on bank loans		-1,106	-947
Interest paid to investors	15	-254	0
Capital contributions	16	25,400	60,100
Capital returns	15	-2,900	-2,000
Income tax paid on dividends		-125	0
Total cash flows from financing activities		**19,957**	**64,790**
TOTAL CASH FLOWS		**2,006**	**5,840**
Cash and cash equivalents at the beginning of the period	**15**	**5,840**	**0**
Change in cash and cash equivalents		2,006	5,840
Cash and cash equivalents at the end of the period	**15**	**7,846**	**5,840**

[1] In the consolidated cash flow statement for 2019, the net profit and net profit adjustments have been changed due to the change in accounting policy.

Additional information on changes in accounting policies is provided in Note 2.1.

The notes on pages 9-35 are an integral part of these financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN THE NET ASSET VALUE OF THE FUND

	2020	17.10.2018-31.12.2019	Total as of 31.12.2020
€ thousand			
Net asset value of the Fund owned by limited and general partners at the beginning of the period	**63,714**	**0**	**0**
Capital contributions	25,400	60,100	85,500
Capital returns	0	-2,000	-2,000
Net change in equity (Note 16)	**25,400**	**58,100**	**83,500**
Transfer of dividends and interest to the fund's investors (Note 16)	-3,154	0	-3,154
Comprehensive income for the year	4,516	5,614	10,130
Net asset value of the Fund owned by limited and general partners at the end of the period	**90,476**	**63,714**	**90,476**

[1] In the report on changes in the net asset value of the consolidated fund for 2019, the figures for the comprehensive income for the reporting period as of 31.12.2019 have been changed due to a change in accounting policy. Additional information on changes in accounting policies is provided in Note 2.1.

Additional information on capital contributions is provided in Note 16.

The notes on pages 9-35 are an integral part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

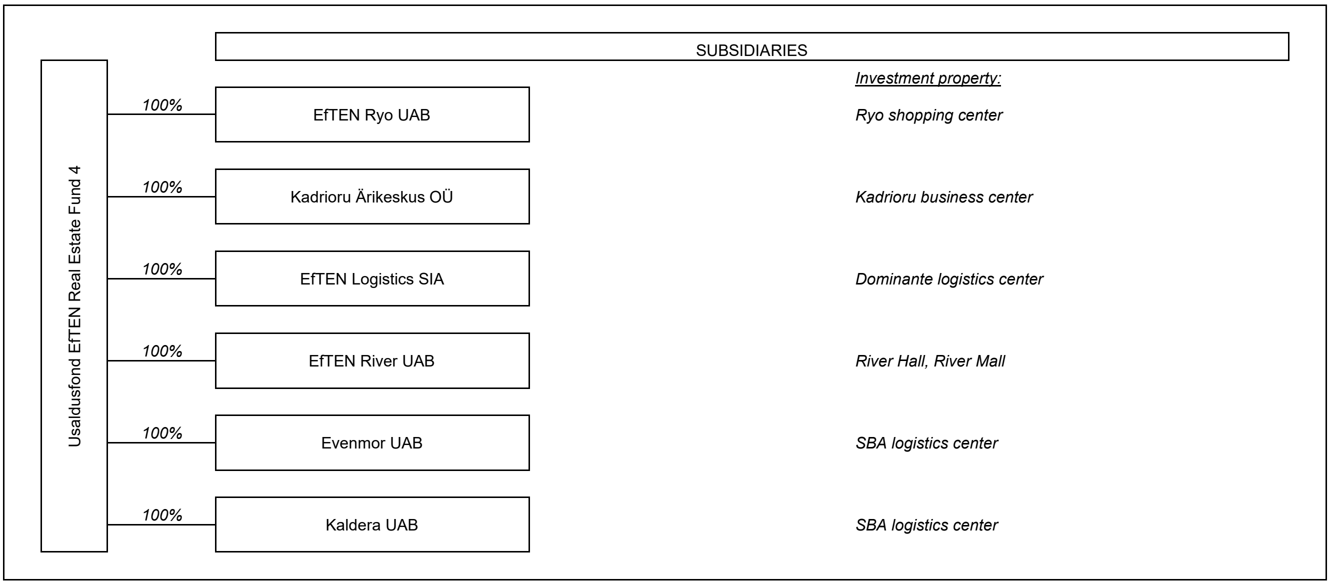
Usaldusfond EfTEN Real Estate Fund 4 (hereafter 'the Fund') is a real estate investment fund established in October 2018 investing in cash-generating commercial real estate. The Fund is a closed-ended, alternative investment fund. The Fund is guided by a core and core plus investment strategy. Usaldusfond EfTEN Real Estate Fund 4 invests in the Baltic region.

The Fund's investment activity is managed by EfTEN Capital AS. The general partner of the Fund is EfTEN Neljas GP OÜ.

Usaldusfond EfTEN Real Estate Fund 4 financial statements for the year ended 31 December 2020 have been signed by the Management Board on 8 March 2021.

The fund is a company registered in Estonia and operating in Estonia.

Usaldusfond EfTEN Real Estate Fund 4 Group's structure as of 31.12.2020 is as follows (see also Note 3):



2 Confirmation of conformity and general principles for the preparation of the report

According to the Investment Funds Act and The Regulation No. 8 of The Ministry of Finance “The financial statement disclosure requirements of a Fund” (adopted on 18 January 2017) the financial statements of the Fund are prepared using the accounting principles and information presentation methods set out in International Financial Reporting Standards (hereinafter IFRS) adopted by the European Commission, taking also into account the procedure for determining the net asset value of the Fund according to the Investment Funds Act § 54 (11) and other specifications set out in the above-mentioned regulation. The requirements provided for in the Accounting Act have also been considered.

In preparing its report, the Fund has followed the requirements of IFRS to the extent that is not in conflict with the Investment Funds Act and The Regulation No. 8 of The Ministry of Finance requirements. In case of conflict, the Fund has followed the Investment Funds Act and The Regulation No. 8 of The Ministry of Finance (The financial statement disclosure requirements of a Fund). The accounting policies used in the preparation of the financial statements are described in more detail below. The financial statements of the Fund are presented in thousands of euros.

The financial statements have been prepared under the historical cost convention, unless otherwise stated.

2.1 Changes in accounting policies and presentation

The fund as an investment company

The fund's terms and conditions and agreements with investors presuppose that the fund primarily offers investors a return (including capital gains and dividends) from commercial real estate investments. According to the agreements concluded with the Fund's investors, investors expect a return of at least 8% from the Fund as a whole. In order to ensure the clearest understanding of the Fund's performance, the Fund measures the results of operations of subsidiaries and their equity at fair value, which in turn is based primarily on the fair value of investment properties of subsidiaries (other assets and liabilities of subsidiaries are stated at amortized cost).

The fund is registered as a limited partnership fund, which allows investors to raise capital and make payments with less restrictions than is possible for other types of company (such as public limited fund). As of 31.12.2020 and 31.12.2019, the Fund has entered into financial liability agreements with investors in the amount of 147,438 thousand euros, of which the Fund has used 83,500 thousand euros as of 31.12.2020. Agreements with investors stipulate that the investor is obliged to pay the amounts necessary for investments to the Fund's account within not less than 10 working days from the receipt of the relevant notice from the management company. In the event that the Fund's capital cannot be invested, the amounts paid will be returned to the investors within 30 days.

Dividends, repayments of capital, repayments of owner loans and interest received from subsidiaries are paid to the investors in accordance with the agreements concluded no later than 30 days after their receipt into the Fund's accounts.

The fund presented its first, annual report for 2019, on the basis of unconsolidated indicators and recognized subsidiaries at fair value through profit or loss in accordance with IFRS 9 and found that the fund meets the characteristics of an investment company described in IFRS 10.

With the addition of real estate investments in 2020, in the interests of the fund's reporting and transparency, there was a growing need to provide investors with the fund’s consolidated indicators, which allows for a clearer and more understandable explanation of result of the fund’s business activities, including formation of rental income, change in the value of assets and the fund’s cash flow. Therefore, the Group's management reassessed the compliance of its activities with the definition of an investment company and considers that Usaldusfond EfTEN Real Estate Fund 4 does not meet the definition of an investment company, as it has the characteristics of a real estate company rather than a purely investment company. In addition, we note that although EfTEN Real Estate Fund 4 investors expect both capital growth and profit from current economic activities from their capital investment, EfTEN Real Estate Fund 4 also bears a significant share of development risks in its investments, which are characteristic of a traditional real estate company.

In the case of the parent company of Usaldusfond EfTEN Real Estate Fund 4, the fair value measurement of the subsidiaries is also indirect (according to IFRS 10, the investment company invests in companies that are measured at fair value) – assets that belong to the subsidiaries of Usaldusfond EfTEN Real Estate Fund 4 are measured at fair value, resulting in the fair value of subsidiaries, which may not be the final market value of the subsidiary. The Group's economic activities are also assessed on the basis of rental income, profit margins, volume of assets and other financial indicators characterizing real estate companies, which cannot be done only on the basis of the fair value of the subsidiary.

Due to the peculiarity of the fund, where the only measurable input for the value of subsidiaries in unconsolidated annual report was the fair value of the investment properties, the consolidation has no effect to the fund’s net asset value but is considered as a change in presentation of financial statements. As the fund did not have any subsidiaries at the beginning of the comparative period, consolidation does not affect the opening balances of the comparative period. Therefore, the statement of financial position at the beginning of the comparative period is not included in current annual report. The management of the Management Company is in the opinion that the consolidated financial statements provide a better overview of the Fund's operations as financial indicators relevant to consumers such as consolidated rental income, investment property value and total loan liabilities are disclosed in the main consolidated statements unlike the unconsolidated statement, where the information is distributed in the notes to annual report.

Due to the above, the Usaldusfond presents the financial indicators of EfTEN Real Estate Fund 4 and its subsidiaries consolidated on a line-by-line basis. This report also presents all financial indicators of the comparative period on a consolidated basis.

IAS 12 – „Income Taxes“

IAS 12.52A states that if income tax is paid on dividends rather than on profits, no income tax expense or liability is recognized until the profits are distributed (dividends are declared). In connection with the decision of the IFRS Interpretations Committee in June 2020, according to which, regardless of the article above, a deferred income tax liability for retained earnings in subsidiaries must be recognized in the consolidated financial statements, unless it is not planned to be distributed in the foreseeable future (IAS12.39-40). Usaldusfond EfTEN Real Estate Fund 4 has a valid dividend policy, according to which 80% of the fund's consolidated cash flow is distributed annually as a (gross) dividend, therefore the Group has an obligation to recognize a deferred income tax liability on each balance sheet date in the amount resulting from applying dividend policy to distribute the annual profit. Due to the decision of the IFRS Interpretations Committee regarding the recognition of deferred income tax liability, the Group has made the following adjustments in the main financial statements of previous periods:

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

	31.12.2019		
	Initial	Adjusted	*Change*
€ thousand			
Total current assets	6,480	6,480	0
Total fixed assets	115,429	115,429	*0*
TOTAL ASSETS	121,909	121,909	*0*
Total current liabilities	2,882	2,882	*0*
Total long - term liabilities	55,188	55,313	*125*
TOTAL LIABILITIES	58,070	58,195	*125*
Net asset value of the fund	63,839	63,714	*-125*
TOTAL LIABILITIES AND NET ASSETS OF THE FUND	121,909	121,909	*0*

Implementation of new or amended standards and interpretations

The following new or amended standards and interpretations became mandatory for the Group from 1 January 2020:

Amendments to the Conceptual Framework for Financial Reporting

The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The amendments have no significant impact on the Group's financial statements.

Definition of a business – Amendments to IFRS 3

The amendments revise the definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organized workforce should be present as a condition for classification as a business if there are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets).

The amendments have no significant impact on the Group's financial statements. "Definition of Materiality" - Amendments to IAS 1 and IAS 8

Definition of materiality – Amendments to IAS 1 and IAS 8

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments have no significant impact on the Group's financial statements.

Standards not yet adopted

Classification of liabilities as current or non-current – Amendments to IAS 1

(effective for annual periods beginning on or after 1 January 2022; not yet adopted by the EU)

These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1

(effective for annual periods beginning on or after 1 January 2023; not yet adopted by the EU)

The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance.

The Group analyses and discloses the effect of this change after its implementation.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41

(effective for annual periods beginning on or after 1 January 2022; not yet adopted by the EU)

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The Group analyses and discloses the effect of this change after its implementation.

2.2 *Summary of significant accounting policies*

Management's critical estimates and judgements

The presentation of consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union requires management to make estimates and judgments that affect the recognition and measurement of assets and liabilities at the balance sheet date, the presentation of contingent assets and liabilities and their probability of realization; and income and expenses of the reporting period.

Although management reviews its judgments and estimates on an ongoing basis and is based on past experience and the best available knowledge of probable future events, actual results may differ from those estimates.

The most important management decisions that affect the information presented in the financial statements concern the following areas of accounting.

2.2.1 Estimation uncertainty

The estimates made by management are based on historical experience and the information that has become available by the date of preparation of the financial statements. Therefore, there is a risk with the assets and liabilities presented at the balance sheet date, and the related revenue and expenses, that the estimates applied need to be revised in the future. The key sources of estimation uncertainty that have a significant risk of causing material restatements to the financial statements are described below.

a) Determination of the fair value of investment property

Investment property is measured at its fair value at each balance sheet date. The Group's real estate investments are valued by Colliers International Advisors OÜ. The Group's independent appraiser evaluates investment properties individually using the discounted cash flow method. All of the Group's investment properties earn (or will earn) rental income, which is why the method used best represents the fair value of the investment property from alternatives (for example, the comparative method). The cash flow projections for all properties have been updated to determine the fair value, and the discount rates and exit yields have been differentiated depending on the location of the facilities, the technical condition and the risk level of the tenants. Due to uncertainty related to Covid-19, slightly higher discount rates have been used to discount the cash flows in 2020 – depending on the location and the quality of the object it ranged from 8.0% t9 9.25% (2019: 1.9% to 9.0%). Exit yields in 2020 stayed in a similar level, ranging from 7.0%-8.5% (2019: 7.0%-9.0%).

Additional information on the assumptions as sensitivity used in the assessment are provided in Note 15.

b) Estimates of the existence of control or significant influence in other undertakings

The Group owns 100% of all subsidiaries and only the members of the management board of the Group's parent company belong to the control bodies of the subsidiaries. Therefore, the Group has full control over its subsidiaries both in the distribution of profits and in the adoption of management decisions

c) Business combinations and acquisitions of assets

Purchases of real estate are generally treated as acquisitions of assets. According to the management, there are no business combinations if the real estate object has individual tenants, the Group does not acquire any other assets or rights in addition to the real estate object and does not hire former employees. The Group does not acquire the business process management know-how of a real estate object but manages all acquired objects centrally.

2.2.2 Investment company

The management of the Group has assessed the compliance of its activities with the definition of an investment company and considers that the Usaldusfond EfTEN Real Estate Fund 4 does not meet the definition of an investment company, as it has the characteristics of a real estate company rather than a purely investment company. Although EfTEN Real Estate Fund 4 investors also expect both capital growth and a profit from current economic activities from their capital investment, EfTEN Real Estate Fund 4 also takes a significant part of the development risks in its investments, which are characteristic of a traditional real estate company. An investment firm should also make direct investments in companies that are measured at fair value in accordance with IFRS 10. In the case of the parent company of EfTEN Real Estate Fund 4, the fair value measurement is indirect - the fair value is measured at the assets located in the subsidiaries of EfTEN Real Estate Fund 4 and thus the fair value of the subsidiary, which may not be the final market price of the subsidiary. The Group's economic activities are also assessed on the basis of rental income, profit margins, volume of assets and other financial indicators characterizing real estate companies, which cannot be done only on the basis of the fair value of the subsidiary.

Consolidation

The consolidated financial statements present the financial information of Usaldusfond EfTEN Real Estate Fund 4 and its subsidiaries, consolidated on a line-by-line basis. The subsidiaries are consolidated from the date on which control is transferred to the Group, and subsidiaries are deconsolidated from the date that control ceases.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The subsidiaries use the same accounting policies in preparing their financial statements as the parent company. All inter-company transactions, receivables and payables and unrealised gains and losses from transactions between the Group companies have been fully eliminated in the financial statements. Unrealised losses are not eliminated if it constitutes asset impairment by substance.

New subsidiaries (business combinations) are accounted for in the consolidated financial statements using the acquisition method.

The cost of a business combination accounted for using the acquisition method is allocated to the fair value of assets, liabilities and contingent liabilities as at the date of acquisition. The difference between the cost of the acquisition and the fair value of acquired assets, liabilities and contingent liabilities is recognised as goodwill. If fair value exceeds cost, the difference (negative goodwill) is immediately recognised as income of the period.

Segment reporting

The Group allocates raised capital and available resources for investments in accordance with the Group's investment policy, analysing the reasonable allocation of risks by real estate sector.

In disclosing information on segments, the Group adheres to the principles of grouping used in the Group's internal accounting and reporting. Independent business segments are sub-sectors of commercial real estate, which differentiate from one another by type of rented space and have different yield rates (rental income per sqm, acquisition price of one sqm. capitalisation rates).

The Group's three business segments and three geographical segments are presented in the table below:

Business segment / country	Estonia	Latvia	Lithuania
Office premises	Kadrioru Business center	-	River Hall
Warehouse and production premises	-	Dominante Logistics center	SBA Logistics center
Retail premises	-	-	Ryo Mall
			River Mall

The main indicators used by management in making business decisions are sales revenue, net operating income (sales revenue less selling and distribution expenses), EBITDA and operating profit. It is also important to monitor the volume of real estate investments by segments. The Group analyses all indicators on a monthly basis.

Investment in subsidiaries in the parent company's unconsolidated balance sheet

In the parent company's unconsolidated balance sheet (presented in Note 19), investments in subsidiaries are recognized using the fair value method. Dividends paid by subsidiaries are recognized when the Parent Company's right to receive payment is established.

Revenue recognition

Revenue is income arising in the course of the Company's ordinary activities. Revenue is measured in the amount of transaction price. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange of transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a good or service to a customer.

The Group's revenue includes rental income, administration fees, marketing fees, and utility and administrative agency fees.

Lease income from operating leases is recognised on a straight-line basis over the lease term. If the Group agrees with the tenants during the lease-free period, the said expense is also recognised on a straight-line basis over the lease term, reducing rental income.

Administrative fees and marketing fees are recognised in the period in which the control over the services is transferred to the customer, i.e. during the service period.

Some management fees may include different service components. In this case, the Group assesses whether they give rise to a number of implementation obligations. If such different implementation obligations exist, then the total transaction fee is allocated to each obligation to execute on the basis of a separate selling price. If there is no separate selling price, it is derived from the expected cost-plus margin.

The Group acts as an agent for resale of utility and administrative expenses, and therefore such income is not shown in gross amount but is offset by the related expense.

Financing component

Company does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Company does not adjust any of the transaction prices for the time value of money

Cash and cash equivalents

Cash and cash equivalents are cash and short-term (up to 3 months from the moment of acquisition) high-liquidity investments that are readily convertible into a known amount of cash for up to three months from the actual transaction date and which are subject to an insignificant risk of changes in market value. Such assets are cash, demand deposits and term deposits with a maturity of up to three months.

Financial assets

(i) Classification
The Company classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.
As at 31 December 2020 and 31 December 2019, the Group did not have any financial assets carried at fair value through profit or loss.

The classification depends on the business model of the Group's companies in managing financial assets and the contractual terms of cash flows.

(ii) Recognition and derecognition
Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Regular purchases and sales of financial assets are recognised on the trade date, the date the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership

(iii) Measurement
At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL),transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company’s business model for managing the asset and the cash flow characteristics of the asset. All Company’s debt instruments are classified in amortised cost measurement category.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income/expenses.

As at 31 December 2020 and 31 December 2019, all the Company’s financial assets were classified in this category:

- cash and cash equivalents;
- trade receivables.
- contractual assets;
- other financial assets.

Assets that do not meet the criteria of acquisition cost or change in fair value through comprehensive income are recognized at fair value through profit or loss. Gains or losses arising from changes in fair value through profit or loss are recognized in the income statement in the income statement in the income statement as financial income and expenses. Such fair value gains and losses also include contractual interest earned on the respective instruments.

Equity instruments
The Group has no investments in equity instruments.

(iv) Impairment

The Company assesses on a forward-looking basis the expected credit losses (“ECL”) associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

For trade receivables and contract assets without a significant financing component the Company applies a simplified approach permitted by IFRS 9 and measures the allowance for impairment losses at expected lifetime credit losses from initial recognition of the receivables. The Company uses a provision matrix in which allowance for impairment losses is calculated for trade receivables falling into different ageing or overdue periods.

Real estate investments

Investment property is property (land or a building or both) held or developed to earn rental income or for capital appreciation rather than for use in the production or supply of goods or services for administrative purposes. In addition, investment property includes properties, which are held over an extended period for an undetermined future use.

An investment property is initially recognised in the balance sheet at cost, including any directly attributable expenditure (e.g. notary fees, property transfer taxes, professional fees for legal services, and other transaction costs without which the transaction would not have taken place). After initial recognition, investment property is measured at fair value at each balance sheet date.

The fair value of investment property reflects market conditions at the balance sheet date. The fair value of investment property is determined based on the valuation performed by qualified appraisers. In determining the fair value, the method of discounted cash flows is used. In order to calculate the present value of a property’s future cash flows, the appraiser has to forecast the property’s future rental income (including rent per 1 square meter and the occupancy rate) and operating expenses. Depending on the terms of the lease (whether and how easily the lease can be terminated by the lessee), the appraiser will base the projections on either the property’s existing cash flows or the market’s current average cash flows for similar properties. The present value of the future net cash flow is found by applying a discount rate, which best reflects the current market assessments of the time value of money and the risks specific to the asset. The discount rate is selected based on the market’s average capital structure, not asset structure. The discounted cash flow method is used to determine the value of investment properties that generate stable rental income.

Gains and losses arising from changes in the value of investment property are recognised in profit or loss in the period in which they arise (in other income and other expenses, respectively).

An investment property is derecognised from the balance sheet on disposition or when the property is permanently withdrawn from use and the asset is expected to generate no future economic benefits. Gains and losses arising from the derecognition of investment property are recognised in profit or loss in the period of derecognition (in other income and other expenses, respectively).

When the purpose of use of an investment property changes, the asset is reclassified in the balance sheet. From the date of the change, the accounting policies of the Group where the item has been transferred are applied. For a transfer from investment property to property, plant and equipment, the property’s deemed cost for subsequent accounting is its fair value at the date of transfer.

Financial liabilities

All financial liabilities (trade payables, borrowings, accrued expenses and other current and non-current liabilities) are initially measured at cost that also includes all directly attributable expenditure incurred in the acquisition. Subsequent measurement is at amortised cost. Exceptions are financial liabilities acquired for the purpose of resale that are measured in fair value.

The amortised cost of current financial liabilities generally equals their nominal value; therefore, current financial liabilities are carried in the balance sheet in their net realisable value. For determining the amortised cost of non-current financial liabilities, they are initially recognised at the fair value of the consideration received (less transaction costs), and subsequently interest expense is recognised on the liabilities using the effective interest rate method. Interest expenses on financial liabilities are recognised on the line "finance income" and "finance costs" in the income statement on an accrual basis. Interest expenses on financing the development of assets from the start of the development period until the acceptance of completed assets (real estate projects carried as inventories, investment properties, and items of property, plant and equipment) are capitalised and added to the carrying amount of the asset as borrowing costs.

A financial liability is classified as current if it is due within 12 months from the balance sheet date or if the Group does not have an unconditional right to postpone payment of the liability more than 12 months after the balance sheet date. Loans with due date within 12 months after the balance sheet date which are refinanced as non-current after the balance sheet date but before the financial statements are authorised for issue, are recognised as current. Borrowings that the lender has the right to recall at the balance sheet date as a consequence of a breach of contractual terms are also recognised as current.

A financial liability is removed from the statement of financial position when it is settled or cancelled or expires.

Success fee liability

Usaldusfond EfTEN Real Estate Fund 4, EfTEN Capital AS and EfTEN Neljas GP OÜ (a 100% subsidiary of EfTEN Capital AS) have entered into a trust fund agreement, according to which EfTEN Capital AS has the right to receive a success fee for amounts exceeding investors' contributions and preferential yield (8% on contributions per year). 80% of payments exceeding investors' contributions and preferential yield is paid to investors and 20% to EfTEN Capital AS. The Fund recognizes a potential contingent success fee liability at each balance sheet date, taking into account the contributions made to the Group, the profit earned and the Group's net asset value by the balance sheet date. The potential calculation of the success fee liability is based on the assumption that the Fund, together with its subsidiaries, can be sold for at least the amount of the Group's net asset value. The success fee liability is paid to the Management Company after all the initially contributed capital and preferential yield have been returned to the Fund's investors.

Period expenses from the change in success fee are recognized in the Group 's operating profit (see also Note 14).

Provisions and contingent liabilities

Provisions are recognized in the balance sheet only when the enterprise has a legal or constructive obligation as a result of events that have occurred at the balance sheet date, the fulfilment of which is likely to require the disposal of assets in a reliable manner in the future.

Contingent liabilities also include liabilities arising from events that occurred at the balance sheet date, the realization of which is not probable in the opinion of the management.

Lease accounting

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are treated as operating leases.

In the case of an operating lease, the lessor recognizes the leased asset in its balance sheet. Receivable and payable operating lease payments are accrued on a straight-line basis over the lease term as income or expense.

Income tax

Parent company

The fund is registered as a trust fund under the Investment Funds Act. The trust fund is a tax - transparent company under the Income Tax Act, therefore the trust is not treated as a taxable person. Tax transparency means that income received from the Fund's subsidiaries is attributed directly to the Fund's investors and is taxed as if they had earned income directly from the subsidiaries. The income of the subsidiaries of the Fund is taxed in accordance with the tax laws of the country where the subsidiary is located.

Subsidiaries registered in Estonia

According to the Income Tax Act, the company's profit for the financial year is not taxed in Estonia, but the profit allocations (dividends) paid out. The tax rate on (net) dividends is 20/80). Income tax on dividends is recognized in the income statement as an expense when the dividends are declared (liability arises).

From 2019, tax rate of 14/86 can be applied to dividend payments. The more beneficial tax rate can be used for dividend payments in the amount of up to the average dividend payment during the three preceding years that were taxed with the tax rate of 20/80.

Due to the nature of the taxation system, a company registered in Estonia does not incur deferred income tax assets or liabilities, except for a possible deferred income tax liability from the company's investments in subsidiaries, associates and joint ventures and branches.

Latvian subsidiaries

In Latvia, from 1 January 2018, profits made after 2017 will be taxed at a rate of 20/80. The transitional rules of the Act allow for a reduction in the profit payable on dividends if the company has unused tax losses or certain provisions as of 31 December 2017. ˇ

As a result of the implementation of the Income Tax Act effective from 2018, there are no longer differences between the tax accounting and carrying amounts of assets and liabilities in Latvia, and therefore deferred income tax assets and liabilities to Latvian subsidiaries are not recognized. All deferred income tax assets and liabilities assumed in previous periods were derecognised in 2017 and the corresponding income tax expense / income was recognized in the income statement.

Lithuanian subsidiaries

The net profit of companies is taxed with a 15% income tax in Lithuania. Taxable income is calculated from the company’s profit before income tax, adjusted in income tax returns by temporary or permanent income or expense adjustments under the requirements of the local income tax legislation.

For Lithuanian subsidiaries, the deferred income tax assets or liabilities are determined for all temporary differences between the tax bases of assets and liabilities and their carrying amounts at the balance sheet date. Deferred tax assets are recognised in the balance sheet only when it is probable that future taxable profit will be available against which the deductions can be made.

Recognition of deferred income tax liability in consolidated financial statements

The Group's deferred income tax liability arises for companies located in countries where the profit for the financial year is taxed.

The Group's deferred income tax liability also arises from investments in Estonian and Latvian subsidiaries and associates, unless the Group can control the timing of the reversal of taxable temporary differences and their reversal is not probable in the foreseeable future. Examples of reversals of taxable temporary differences are the payment of dividends, the sale or liquidation of an investment and other transactions. As the Group controls the dividend policies of its subsidiaries, it is also able to control the timing of the reversal of temporary differences associated with that investment. If the parent has decided not to distribute the profit of the subsidiary in the foreseeable future, it does not recognize a deferred income tax liability. If the parent estimates that the dividend will be paid in the foreseeable future, the deferred income tax liability is measured at the planned dividend payment, provided that there are sufficient funds and equity to pay the dividend at the reporting date. In measuring deferred income tax liabilities, the Group uses tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable temporary differences when they are expected to reverse.

Paid-in capital

The Fund's investors have committed an investment obligation to the Fund and the maximum amount of the commitment is given in Note 15. Pursuant to the agreement between the Fund and investors (partnership agreement), the Fund requires investors to pay the investment obligation as necessary by submitting a written application to the investors. The Fund's investors (limited partners) are liable to the Fund with a maximum investment obligation and, in accordance with the Commercial Code, are liable for the obligations assumed by the Fund up to the maximum amount of the investment obligation. The Management Company (general partner) has also made the maximum investment obligation, but pursuant to the Commercial Code, the general partner is liable to the Fund with all its assets. Investors' contributions (limited partners and general partners) are recognized as a liability in the financial statements, as upon liquidation of the Fund there is an obligation to return to investors their proportionate share of the Fund's net assets, investors' contributions to the Fund are not registered as capital and investors' liabilities are not identical.

3 Subsidiaries

Company name	Location country	Real estate investment	Subsidiary’s equity, € in thousands		Group’s ownership, %	
			31.12.2020	31.12.2019	31.12.2020	31.12.2019
Parent company						
Usaldusfond EfTEN Real Estate Fund 4	Estonia					
Subsidiaries						
EfTEN Ryo UAB	Lithuania	Ryo Shopping center	24,392	23,682	100	100
Kadrioru Ärikeskus OÜ	Estonia	Kadrioru Business center	2,177	2,350	100	100
EfTEN River UAB	Lithuania	River Mall, River Hall	14,691	14,408	100	100
EfTEN Logistics SIA	Latvia	Dominant Logistics center	3,869	4,163	100	100
Evenmor UAB	Lithuania	SBA Logistics Center	3,321	-	100	-
Kaldera UAB	Lithuania	SBA Logistics Center	636	-	100	-
Total			**49,086**	**44,603**		

All subsidiaries are engaged in the acquisition and rental of investment property. None of the subsidiaries’ shares are listed on the stock exchange.

Acquisitions in 2020

In January 2020, the Fund's subsidiary EfTEN Logistics SIA acquired a 100% subsidiary EfTEN Logistics 1 SIA, paying 10,810 thousand euros for its share in the subsidiary and taking over owner's loans in the total amount of 5,906 thousand euros. In November 2020, EfTEN Logistics SIA and EfTEN Logistics 1 SIA merged.

01.01.2020	Fair value
€ thousand	
Cash	238
Receivables and advance payments	281
Investment property (Note 11)	16,500
Owners' loans and interest liabilities on owner loans	-5,906
Other liabilities	-303
Fair value of net assets	**10,810**
Acquisition cost	10,810
Takeover of owners' loans	5,906
Goodwill	**0**

In December 2020, the Fund acquired two wholly owned subsidiaries in Lithuania (Evenmor UAB and Kaldera UAB), paying a total of 4,315 thousand euros for the participations and taking over owner's loans in the total amount of 7,429 thousand euros. The merger of the subsidiaries is planned in the first half of 2021.

The fair value of Evenmor UAB at the time of acquisition was as follows:

07.12.2020	Fair value
€ thousand	
Cash	620
Deferred income tax claim	69
Receivables and advance payments	156
Investment property (Note 11)	19,543
Bank loans (Note 12)	-12,018
Owner's loans and interest liabilities on owner loans	-4,465
Deferred income tax liability (Note 9)	-402
Other liabilities	-83
Fair value of net assets	**3,420**
Acquisition cost	3,420
Takeover of equity loans	4,465
Goodwill	**0**

The fair value of Kaldera UAB at the time of acquisition was as follows:

07.12.2020	Fair value
€ thousand	
Cash	9
Receivables and advance payments	183
Investment property (Note 11)	8,906
Bank loans (Note 12)	-4,308
Owner's loans and interest liabilities on owner loans	-2,964
Other liabilities	-931
Fair value of net assets	**895**
Acquisition cost	895
Takeover of equity loans	2,964
Goodwill	**0**

In December 2020, the fund made an advance payment for the acquisition of a 100% stake in Bergi SIA in the amount of 13,901 thousand euros (see also Note 19).

Acquisitions in 2019

In 2019, the Fund established two subsidiaries (Kadrioru Ärikeskus OÜ and EfTEN Logistics SIA), paying a total of 6,182 thousand euros in the equity of the subsidiaries. In addition, the Fund granted loans to these companies in the total amount of 18,375 thousand euros during the reporting period. During the reporting period, the Fund acquired 100% ownership form the third parties in EfTEN Ryo UAB (owner of Ryo Shopping Center) and in EfTEN River UAB (owner of River Hall and River Mall).

The fair value of EfTEN Ryo UAB at the time of acquisition was as follows:

30.11.2018	Fair value
€ thousand	
Cash	2,041
Receivables and advance payments	51
Investment property (Note 11)	47,000
Bank loans (Note 12)	-24,500
Deferred income tax liability (Note 9)	-3,118
Other liabilities	-913
Fair value of net assets	**20,561**
Acquisition cost	20,561
Goodwill	**0**

The fair value of EfTEN River UAB at the time of acquisition was as follows:

31.07.2019	Fair value
€ thousand	
Cash	459
Receivables and advance payments	68
Investment property (Note 11)	31,644
Other non - current assets	92
Bank loans (Note 12)	-16,100
Deferred income tax liability (Note 9)	-2,714
Other liabilities	-543
Fair value of net assets	**12,906**
Acquisition cost	12,906
Goodwill	**0**

As at 31 December 2019, the fund's subsidiary EfTEN Logistics SIA had made an advance payment for the acquisition of a 100% stake in EfTEN Logistics 1 SIA in the amount of 16,716 thousand euros.

4 *Segment reporting*

SEGMENT RESULT

	Office		**Logistics**		**Retail**		**Unallocated**		**Total**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
€ thousand										
Sales revenue (Note 5), incl.	**2,198**	**1,713**	**1,436**	**0**	**5,816**	**5,970**	**0**	**0**	**9,450**	**7,683**
Estonia	1,159	1,389	0	0	0	0	0	0	1,159	1,389
Latvia	0	0	1,223	0	0	0	0	0	1,223	0
Lithuania	1,039	324	213	0	5,816	5,970	0	0	7,068	6,294
Net operating income, incl.	**2,149**	**1,576**	**1,221**	**0**	**5,451**	**5,435**	**0**	**0**	**8,821**	**7,011**
Estonia	1,127	1,269	0	0	0	0	0	0	1,127	1,269
Latvia	0	0	1,082	0	0	0	0	0	1,082	0
Lithuania	1,022	307	139	0	5,451	5,435	0	0	6,612	5,742
Operating profit, incl.	**1,266**	**2,038**	**262**	**0**	**4,199**	**7,069**	**-166**	**-166**	**5,561**	**8,941**
Estonia	765	963	0	0	0	0	-166	-166	599	797
Latvia	0	0	204	0	0	0	0	0	204	0
Lithuania	501	1,075	58	0	4,199	7,069	0	0	4,758	8,144
EBITDA, incl.	**1,920**	**1,400**	**901**	**0**	**5,076**	**4,938**	**-166**	**-166**	**7,731**	**6,172**
Estonia	985	1,117	0	0	0	0	-166	-166	819	951
Latvia	0	0	843	0	0	0	0	0	843	0
Lithuania	935	283	58	0	5,076	4,938	0	0	6,069	5,221
Operating profit									**5,561**	**8,941**
Net financial expense									-77	-2,372
Profit before income tax expense									**5,484**	**6,569**
Income tax expense (Note 9)									-968	-955
NET PROFIT FOR THE YEAR									**4,516**	**5,614**

SEGMENT ASSETS

	Office		Logistics		Retail		Total	
At end of year	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
€ thousand								
Investment property (Note 11)								
Estonia	16,480	16,700	0	0	0	0	16,480	16,700
Latvia	0	0	16,020	0	0	0	16,020	0
Lithuania	14,400	14,300	28,459	0	66,870	67,500	109,729	81,800
Total investment property	**30,880**	**31,000**	**44,479**	**0**	**66,870**	**67,500**	**142,229**	**98,500**
Other non - current assets							14,138	16,929
Net debt							-66,690	-52,355
Other current assets							799	640
NET ASSETS							**90,476**	**63,714**

In 2020 and 2019, the business segments did not enter into transactions with each other. The main income of the Group is derived from investment properties located in the same countries as the subsidiary that owns the investment property.

13.2% of the Group's consolidated rental income in 2020 was received from Trialto Latvia SIA, which leases retail and office space in the Dominante logistics center in Latvia. The share of income of other tenants in the consolidated income is less than 10%.

5 *Sales revenue*

Area of activity	**2020**	2019
€ thousand		
Rental income from office space	2,197	1,648
Rental income from retail space	5,547	5,747
Rental income from warehouse and logistics space	1,380	0
Other sales revenue	326	288
Total sales revenue by industry (Notes 4, 11)	**9,450**	**7,683**

Sales revenue by geographical area	**2020**	2019
€ thousand		
Estonia	1,159	1,389
Latvia	1,223	0
Lithuania	7,068	6,294
Total sales revenue by geographical area (Notes 4, 11)	**9,450**	**7,683**

6 *Cost of services sold*

	2020	2019
€ thousand		
Repair and maintenance of rental space	-108	-53
Property insurance	-10	0
Land tax and real estate tax	-155	-15
Other administrative expenses	-14	-66
Utility costs for vacant premises	-11	-4
Depreciation of property, plant and equipment	-8	0
Improvement costs	-11	-38
Wage costs, incl. taxes	-147	-88
Other expenses	-2	0
Allowance of doubtful receivables	-19	-1
Total cost of services sold (Note 11)	**-485**	**-265**

7 Marketing costs

€ thousand	2020	2019
Commission expense on rental premises	-11	-69
Advertising, advertising events	-133	-338
Total marketing costs	**-144**	**-407**

8 General and administrative expenses

€ thousand	2020	2019
Management services (Note 17)	-729	-527
Office expenses	-11	-12
Wage costs, incl. taxes	-8	0
Consulting costs, legal aid, accounting service, evaluation service, audit	-357	-316
Regulator costs	-34	-14
Other general administrative expenses	-48	-7
Depreciation costs	-4	-26
Total general administrative expenses	**-1,191**	**-902**

9 Income tax

€ thousand	2020	2019
Deferred income tax expense on dividends[1]	-60	-125
Deferred income tax expense for Lithuanian companies	-834	-764
Lithuanian corporate income tax expense on profits	-74	-66
Total income tax expense	**-968**	**-955**

[1]In connection with the decision of the IFRS Interpretations Committee on the recognition of deferred income tax liability IAS12, the Group has made adjustments to the income tax expense of previous periods and to the deferred income tax liability. See Note 2.1 for more information.

As of 31.12.2020 and 31.12.2019, the Group has deferred income tax liability in the following amounts:

€ thousand	Deferred income tax liability related to real estate investments	Deferred income tax liability related to dividends	Total
Change in deferred income tax liability in the income statement in 2019	765	125	890
Deferred income tax liability from business combinations (Note 3)	5,832	0	5,832
Balance 31.12.2019	**6,597**	**125**	**6,722**
Change in deferred income tax liability in the income statement in 2020	834	60	894
Income tax paid on dividends	0	-125	-125
Deferred income tax liability from business combinations (Note 3)	307	0	307
Balance 31.12.2020	**7,738**	**60**	**7,798**

10 Receivables and accrued income

Current receivables and accrued income

	31.12.2020	31.12.2019
€ thousand		
Trade receivables		
Outstanding amounts of buyers	675	557
Allowance for doubtful accounts	-38	0
Total trade receivables (Note 15)	**637**	**557**
Accrued income		
Advances and refunds of VAT	0	16
Advances on other taxes	126	10
Other accrued income	22	41
Total accrued income	**148**	**67**
Total receivables (Note 15)	**785**	**624**

Long - term receivables

	31.12.2020	31.12.2019
€ thousand		
Prepayments for acquisitions of subsidiaries (Note 3, Note 18)	13,901	16,716
Total long-term receivables	**13,901**	**16,716**

11 Real estate investments

As of 31.12.2020, the Group has made investments in the following real estate investments:

Name	Location	Net rental area (m2)	Year of construction	Time of acquisition	Acquisition cost	Market value 31.12.2020	Value increase	Percentage of the market value of the fund's assets
€ thousand								
Kadriorg Business center	Tallinn, Estonia	6,582	2016	12.2018	16,854	16,480	-2%	10%
Ryo Shopping center	Panevėžys, Lithuania	24,264	2005/2015	12.2018	47,190	48,800	3%	30%
River Hall business center	Kaunas, Lithuania	8,600	2016/2018	08.2019	14,063	14,400	2%	9%
River Mall Shopping center	Kaunas, Lithuania	9,800	2016/2018	08.2019	18,326	18,070	-1%	11%
Dominante Logistics center	Riga, Latvia	37,503	2007	01.2020	16,652	16,020	0%	10%
SBA Logistics and Production center	Klaipeda, Lithuania	44,048	2020	12.2020	28,459	28,459	0%	17%
Total		**130,797**			**141,544**	**142,229**	**1%**	**86%**

During the reporting periods (in 2020 and in the period from 17.10.2018 to 31.12.2019) the following changes have taken place in the Group's investment properties:

	Total real estate investments
Acquisitions and developments in the period 17.10.2018-31.12.2019	**17,056**
Acquisitions from business combinations in the period 17.10.2018 - 31.12.2019 (Note 3)	**78,644**
Profit / loss from the change in fair value in the period 17.10.2018 - 31.12.2019	**2,800**
Balance as of 31.12.2019 (Note 4)	**98,500**
Acquisitions and developments in 2020	**895**
Acquisitions from business combinations in 2020 (Note 3)	**44,949**
Profit / loss from change in fair value in 20201	**-2,115**
Balance at 31.12.2020 (Note 4)	**142,229**

[1] The decline in the value of investment property in 2020 was mainly caused by the more conservative cash flow projections in 2021 and 2022 resulting from the Covid-19 crisis.

The Group's income statement and balance sheet include the following income and expenses and balances related to investment properties:

As at 31 December or per year	2020	2019
Rental income earned on investment properties (Note 5)	9,124	7,395
Costs directly related to the management of investment properties (Note 6)	-485	-265
Book value of investment properties pledged as collateral for loan liabilities	126,209	98,500

All real estate investments that generate rental income for the Usaldusfond EfTEN Real Estate Fund 4 are pledged as collateral for long-term bank loans, except for the Dominante logistics center, for the acquisition of which no loan was taken.

The lease agreements concluded between Usaldusfond EfTEN Real Estate Fund 4 and the tenants comply with the terms of non-cancellable operating lease agreements. The revenue from these leases is distributed as follows:

Payments under non-cancellable operating leases	**31.12.2020**	31.12.2019
€ thousand		
up to 1 year	10,765	7,198
2-5 years	27,574	18,436
Over 5 years	30,742	10,995
Total	**69,081**	**36,629**

Assumptions and basis for determining the fair value of investment properties

The Group's investment properties are valued by an independent appraiser. The fair value of investment properties reported in the Group's financial statements as of 31.12.2020 and 31.12.2019 has been obtained using the discounted cash flow method. The following assumptions have been used to determine fair value:

In 2020:

Sector	Fair value	Evaluation method	Estimated rental income per year	Discount rate	Exit yield	Average rental price €/m2
€ thousand						
Office	30,880	Discounted cash flows	2,148	8.0%-8.2%	7.0%	12.9
Logistics	44,479	Discounted cash flows	3,560	8.5%-9.25%	7.44%-8.5%	3.7
Retail	66,870	Discounted cash flows	5,874	8.2%-9.0%	7.75%-8.5%	14.9
Total	**142,229**		**11,582**			

In 2019:

Sector	Fair value	Evaluation method	Estimated rental income per year	Discount rate	Exit yield	Average rental price €/m2
€ thousand						
Office	31,000	Discounted cash flows	2,164	7.9%-8.0%	7.0%	11.9
Retail	67,500	Discounted cash flows	5,871	7.9%-9.0%	7.75%-9.0%	14.4
Total	**98,500**		**8,035**			

Independent expert estimates of the fair value of investment properties are based on the following:

- Rental income: prices and real growth rates resulting from existing leases are used;
- Vacancy: the actual vacancy of an investment property, taking into account the risks associated with the object;
- Discount rate: calculated on the basis of the weighted average cost of capital (WACC) related to investment property;
- Exit yield: based on the estimated level of return at the end of the expected storage period, taking into account the foreseeable market situation and the risks associated with the object.

Fair value sensitivity analysis

The table below illustrates the sensitivity of the fair value of investment properties recognized in the Group's balance sheet as of **31.12.2020** to the most important valuation assumptions.:

Sector	Fair value	Sensitivity to management estimate				Independence of sensitivity in estimate	
		Sales revenue +10%	Sales revenue -10%	Discount rate +50bp	Discount rate - 50bp	Exit yield +50bp	Exit yield - 50bp
€ thousand							
Office	30,880	*660*	*-650*	*-630*	*640*	*-1,520*	*1,760*
Logistics	44,479	*590*	*-570*	*-870*	*910*	*-1,880*	*2,150*
Commercial	66,870	*1,040*	*-940*	*-1,260*	*1,370*	*-2,570*	*2,980*
TOTAL	**142,229**	**2,290**	**-2,160**	**-2,760**	**2,920**	**-5,970**	**6,890**

At 31.12.2019

Sector	Fair value	Sensitivity to management estimate				Independence of sensitivity in estimate	
		Sales revenue +10%	Sales revenue -10%	Discount rate +50bp	Discount rate - 50bp	Exit yield +50bp	Exit yield - 50bp
€ thousand							
Office	31,000	*930*	*-920*	*-640*	*650*	*-1,540*	*1,770*
Commercial	67,500	*2,500*	*-2,400*	*-1,300*	*1,400*	*-2,500*	*2,900*
TOTAL	**98,500**	**3,430**	**-3,320**	**-1,940**	**2,050**	**-4,040**	**4,670**

Level three inputs have been used to determine the fair value of all of the Group's investment properties.

12 Borrowings

As of 31.12.2020, the Group has the following borrowings:

Lender	Lender 's country of origin	Loan amount as per agreement	Loan balance as at 31.12.2020	Contract term	Interest rate of the loan agreement as of 31.12.2020	Loan collateral	Value of collateral	Percentage of the fund's net asset value
Swedbank	Estonia	9,200	8,763	25.11.23	1.60%	Mortgage - Kadriorg Business center	16,480	9.7%
Swedbank	Lithuania	24,500	23,005	28.11.23	2.10%	Mortgage - RYO Shopping center	48,800	25.4%
Swedbank	Lithuania	16,100	14,992	17.07.24	2.45%	Mortgage - River Shopping center	32,470	16.6%
Luminor	Lithuania	11,960	16,695	06.12.23	2.55%	Mortgage - SBA Logistics and Production center	28,459	18.5%
Total		**61,760**	**63,455**				**126,209**	**70.1%**

As at 31 December 2019, the Group had the following borrowings:

Lender	Lender 's country of origin	Loan amount as per agreement	Loan balance as at 31.12.2020	Contract term	Interest rate of the loan agreement as of 31.12.2020	Loan collateral	Value of collateral	Percentage of the fund's net asset value
Swedbank	Estonia	9,200	8,901	25.11.23	1.60%	Mortgage - Kadriorg Business center	16,700	14.0%
Swedbank	Lithuania	24,500	23,509	28.11.23	2.10%	Mortgage - RYO Shopping center	49,200	36.9%
Swedbank	Lithuania	16,100	15,826	17.07.24	2.45%	Mortgage - River Shopping center	32,600	24.8%
Total		**49,800**	**48,236**				**98,500**	**75.7%**

Short-term loan borrowings	31.12.2020	31.12.2019
€ thousand		
Repayments of long-term bank loans in the next period	4,072	2,121
Discounted contract fees for bank loans	-28	-47
Total short-term loan liabilities	**4,044**	**2,074**

Long-term borrowings	31.12.2020	31.12.2019
€ thousand		
Total long-term borrowings (Note 15)	**63,368**	**48,188**
incl. short-term portion of liabilities	4,044	2,074
incl. the long-term portion of liabilities, incl	59,324	46,114
Bank loans	*59,383*	46,114
Discounted contract fees for bank loans	-59	0

Bank loans are broken down by maturity as follows:

Repayments of bank loans by maturity	31.12.2020	31.12.2019
€ thousand		
Under 1 year	4,072	2,121
2-5 years	59,383	46,114

Loan liabilities cash flow	2020	2019
€ thousand		
Balance at the beginning of the period	**48,188**	**0**
Bank loans received through business combinations and acquisitions	16,238	40,598
Bank loans received	457	9,200
Bank loan annuity payments	-1,515	-1,563
Change in discounted contract fees	0	-47
Balance at end of period	**63,368**	**48,188**

Additional information on borrowings is also provided in Note 15.

13 Debts and advances

Short-term debts and prepayments

	31.12.2020	31.12.2019
€ thousand		
Other payables to suppliers	711	353
Total payables to suppliers (Note 15)	**711**	**353**
Debts from securities transactions	16	0
Other debts	20	0
Total other debts	**36**	**0**
VAT	211	149
Corporate income tax	74	2
Personal income tax	4	0
Social tax	6	4
Land tax, real estate tax	90	27
Total tax arrears	**385**	**182**
Interest payable (Note 15)	8	2
Tenants' deposits (Note 15)	220	256
Other accrued liabilities (Note 15)	25	15
Total accrued liabilities	**253**	**273**

Other prepaid income	40	0
Total prepayments	**40**	**0**
Total debts and prepayments (Note 15)	**1,425**	**808**

Long-term debt

	31.12.2020	31.12.2019
€ thousand		
Tenants' deposits	1,397	1,042
Success fee liabilities (Note 14)	548	1,435
Total other long - term debt	**1,945**	**2,477**

14 Success fee liability

As of 31.12.2020, the Group has calculated the success fee liability as follows:

	31.12.2020	31.12.2019
€ thousand		
Balance at the beginning of the period	**1,435**	**0**
Decrease / increase in performance fee liability	-887	1,435
Balance at end of period	**548**	**1,435**

Usaldusfond EfTEN Real Estate Fund 4, EfTEN Capital AS and EfTEN Neljas GP OÜ (a 100% subsidiary of EfTEN Capital AS) have entered into a Usaldusfond agreement, according to which EfTEN Capital AS has the right to receive a success fee for amounts exceeding investors' contributions and preference (8% of contributions per year). 80% of investors' contributions and disbursements exceeding the preference rate are paid to investors and 20% to EfTEN Capital AS. The Fund recognizes a potential contingent performance fee liability at each balance sheet date, taking into account the contributions made by the Group, the profit earned and the Group's net asset value by the balance sheet date. The potential calculation of the success fee liability is based on the assumption that the Fund, together with its subsidiaries, can be sold for at least the amount of the Group's net asset value. The success fee liability is paid to the Management Company after all the initially contributed capital and preferred return have been returned to the Fund's investors.

Period costs from the change in success fee are recognized in the Group's operating profit.

15 Financial instruments, financial risk management

The main financial liabilities of the Group are loan liabilities taken to finance the Group's investment properties. The Group's balance sheet also includes cash and short-term deposits, trade receivables, other receivables and liabilities to suppliers.

The table below shows the distribution of the Group's financial assets and financial liabilities by type of financial instrument.

Carrying amounts of financial instruments

	Notes	31.12.2020	31.12.2019
€ thousand			
Financial assets - loans and receivables			
Cash and cash equivalents		7,846	5,840
Trade receivables	10	637	557
Total financial assets		**8,483**	**6,397**
Financial liabilities at amortized cost			
Loan liabilities	12	63,368	48,188
Debts to suppliers	13	711	353
Tenants' deposits	13	1,617	1,298
Interest payable	13	8	2
Accrued liabilities	13	25	15
Total financial liabilities at amortized cost		**65,729**	**49,856**
Total financial liabilities		**65,729**	**49,856**

The fair values of financial assets and financial liabilities measured at amortized cost that are presented in the table above do not differ materially from their fair values.

The Group's risk management is based on the principle that risks must be taken in a balanced manner, taking into account the rules established by the Group and implementing risk mitigation measures as appropriate, thereby achieving stable profitability of the Group and growth of fund shareholders' assets. When making new investment decisions, the solvency of future customers, the length of lease agreements, the possibility of tenant substitutability and the risks of rising interest rates are carefully assessed. The terms of the financing agreements are adjusted to correspond to the net cash flow of a specific real estate object, which ensures the preservation and growth of sufficient free cash of the Group even after the fulfilment of financial obligations.

The investment of the Group's assets is based on the risk expectations of the Group's investors, therefore excessive risk-taking is unacceptable and appropriate measures must be applied to manage the risks.

The Group considers financial risk to be the risk that arises directly from investing in real estate, including market risk, liquidity risk and credit risk, thereby reducing the company's financial strength or reducing the value of investments.

Market risk

Market risk is the risk that the fair value of financial instruments will fluctuate because of changes in market prices. The Group's financial instruments, which are mainly affected by changes in market prices, are borrowings. The main factor affecting these financial instruments is interest rate risk.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The change in market interest rates mainly affects the Group's long-term floating rate borrowings.

As at 31 December 2020, all of the Group's loan agreements have been concluded on the basis of floating interest, of which 86% (31 December 2019: 82%) are linked to the 3-month EURIBOR and 14% to the 1-month EURIBOR (31 December 2019: 18%). In 2020, the 3-month Euribor fluctuated between -0.526% and -0.379%. The margins of the loan agreements range from 1.6% to 2.55% at the end of 2020 (31.12.2019: 1.6% to 2.45%). The 0% floor of the EfTEN Real Estate Fund 4 loan portfolio is set to protect against negative EURIBOR, i.e. in the case of a negative EURIBOR, the loan margin on these loan liabilities does not decrease.

Liquidity risk

Liquidity risk arises from a potential change in financial position that would reduce the Group's ability to service its liabilities on time and correctly. The Group's liquidity is primarily affected by the following factors:

- Decreased rental income or volatility, which reduces the Group's ability to generate positive net cash flows;
- Vacancy in rental premises;
- Differences in the maturities of assets and liabilities and the flexibility to change them;
- Marketability of non-current assets;
- Volume and pace of real estate development activities;
- Financing structure.

The Group's objective is to manage net cash flows in such a way that no more than 70% of the acquisition cost of the investment is involved in making real estate investments and the Group's debt coverage ratio is higher than 1.2. As at 31 December 2020, the share of the Group's interest-bearing debt in investment properties generating rental income was 45% (31 December 2019: 49%) and the debt coverage ratio was 3.2 (2019: 2.6).

The Group's financing policy stipulates that loan agreements to raise debt capital are entered into on a long-term basis, taking into account the maximum length of lease agreements encumbering real estate objects. The table below summarizes the information on the maturity of the Group's financial liabilities (undiscounted cash flows):

At 31.12.2020	Less than 1 month	2-4 months	4 to 12 months	2 to 5 years	Over 5 years	Total
€ thousand						
Interest - bearing debt	335	1,008	2,716	59,396	0	**63,455**
Interest payments	122	362	935	2,668	0	**4,087**

Interest liabilities	8	0	0	0	0	**8**
Debts to suppliers	711	0	0	0	0	**711**
Tenants' deposits	119	26	74	1,199	198	**1,617**
Accrued liabilities	25	0	0	0	0	**25**
Total financial liabilities	**1,320**	**1,396**	**3,725**	**63,263**	**198**	**69,903**

At 31.12.2019	Less than 1 month	2-4 months	4 to 12 months	2 to 5 years	Over 5 years	**Total**
€ thousand						
Interest - bearing debt	174	525	1,412	46,124	0	**48,235**
Interest payments	88	263	686	2,951	0	**3,988**
Interest liabilities	2	0	0	0	0	**2**
Debts to suppliers	353	0	0	0	0	**353**
Tenants' deposits	28	35	194	767	275	**1,298**
Accrued liabilities	15	0	0	0	0	**15**
Total financial liabilities	**660**	**823**	**2,292**	**49,842**	**275**	**53,891**

Working capital statement

	31.12.2020	31.12.2019
€ thousand		
Cash and cash equivalents	7,846	5,840
Receivables and accrued income (Note 10)	785	624
Prepaid expenses	14	16
Total current assets	**8,645**	**6,480**
Current portion of long-term liabilities (Note 12)	-4,044	-2,074
Short-term debts and advances (Note 13)	-1,425	-808
Total current liabilities	**-5,469**	**-2,882**
Total working capital	**3,176**	**3,598**

Credit risk

Credit risk is the risk that counterparties will fail to meet their obligations to the Group. The Group is exposed to credit risk due to its business activities (mainly trade receivables) and transactions with financial institutions, including money in accounts and deposits.

The Group's activities to prevent the reduction of cash flows arising from credit risk and to minimize such risk consist in the daily monitoring and direction of customers' payment behaviour, which enables the implementation of operationally necessary measures. Also, in most cases, customer agreements provide for the payment of rent payments at the beginning of the calendar month, which provides sufficient time to monitor customer payment discipline and to have sufficient liquidity in cash accounts on the day of financing agreement annuity payments. Most leases stipulate an obligation to pay a security deposit, at the expense of which the Group has the right to write off debts arising from the insolvency of the lessee.

Group companies generally enter into lease agreements only with parties who have previously been declared creditworthy. The customer's analysis of this is done before concluding the lease agreement.

If it becomes apparent that there is a risk of the lessee becoming insolvent, the Group assesses each receivable individually and decides to record the receivables as doubtful. Generally, receivables overdue for more than 180 days are considered unlikely to be collected, unless the Group has sufficient assurance that the receivable will be received or a payment schedule has been entered into to receive the receivables.

Receivables from buyers are illustrated in the table below:

	31.12.2020	31.12.2019
Not past due date	504	488
Past due date, incl.	**171**	**69**
Up to 30 days	*103*	*59*
30-60 days	*56*	*4*
Over 60 days	*12*	*6*
Doubtful accounts	-38	0
Total trade receivables	**637**	**557**

The maximum credit risk of the Group is presented in the table below:

	31.12.2020	31.12.2019
€ thousand		
Cash and cash equivalents	7,846	5,840
Trade receivables	637	557
Total maximum credit risk	**8,483**	**6,397**

The bank account balances recognized in the Group's cash and cash equivalents are broken down by bank ratings (Moody's long-term) as follows:

Rating	**31.12.2020**	**31.12.2019**
Aa2	7,284	5,839
Aa3	561	0
Total	**7,845**	5,839

Capital management

The purpose of the fund's capital management is to ensure the fund's ability to continue as a going concern in order to ensure the return on investment for investors and to maintain optimal capital structure.

The fund invests in subsidiaries whose main cash flow is from investment properties and raises new capital to make investments. The fund invests both directly in the equity of subsidiaries and provides loans to subsidiaries for investments. The required amount of capital is calculated for each investment individually, taking into account the volume of net cash flows for a particular investment. The Fund does not invest in equity when acquiring subsidiaries less than 40% of the value of the subsidiary's assets. After the investment, the EBITDA of any real estate generating cash flow of the subsidiary may not be less than 120% of the loan annuity payments.

In 2020, the Fund paid dividends to investors in the amount of 2,900 thousand euros and interest in the total amount of 254 thousand euros (5% of the invested capital as of 31.12.2019).

According to the Fund's management, the existing investment portfolio allows the investors to pay a total of 4,182 cash flow to investors at the expense of the cash flow earned in 2020.

thousand euros, i.e. 5% of the fund's invested capital as of 31.12.2020.

Fair value

The valuation methods used in the analysis of the Group's assets and liabilities at fair value are defined as follows:

Level 1 - stock exchange prices on the traded market;

Level 2 - assets and liabilities related to prices determined directly or indirectly on a traded market;

Level 3 - prices on the non-tradable market.

As of 31.12.2020 and 31.12.2019, the Group does not have any assets at fair value that would belong to the Level 1 group in determining the value. All of the Group's investment properties are stated at fair value and belong to the Level 3 group according to the valuation method. All of the Group's loan liabilities and derivative securities entered into to hedge interest rate risk belong to the Level 2 group.

16 Contributed capital

The fund was established on 17.10.2018. The first contributions to the fund were made in the period 26.10.2018-09.11.2018 in the amount of 2,424 thousand euros, therefore, when compiling the fund's opening balance sheet (17.10.2018) the contributed capital had not yet been reflected in the balance sheet.

At the end of 2018 and in 2019, the Fund's investors made contributions to the Fund in the total amount of 60,100 thousand euros and the capital was returned to the Fund's investors in the amount of 2,000 thousand euros.

In 2020, the Fund's investors made contributions in the total amount of 25,400 thousand euros for the acquisition of new real estate investments, and 3,154 thousand euros of capital was returned to investors through the distribution of the profit and interest of the Group's companies.

The balance of contributed capital of the Fund as at 31.12.2020 was 83,500 thousand euros (31.12.2019: 58,100 thousand euros).

As of 31.12.2020 and 31.12.2019, financial liability agreements have been entered into between the Fund and the Fund's investors, according to which investors pay a total of 147,438 thousand euros to the Fund to acquire subsidiaries, i.e. as of the end of the reporting period investors can raise another 63,938 thousand euros.

The owners of more than 10% of the fund are listed in the table below:

Investor	31.12.2020	31.12.2019
Swedbank Latvia pension funds	21.7%	21.7%
EBRD	20.0%	20.0%
SEB pension funds	14.0%	14.0%
LHV pension funds	13.6%	13.6%
Swedbank Estonia pension funds	12.7%	12.7%

17 Transactions with related parties

EfTEN Real Estate Fund 4 considers the following as related parties:

- Usaldusfond EfTEN Real Estate Fund 4 members of the management board and companies owned by the members of the management board;

- EfTEN Real Estate Fund 4 employees and companies owned by employees;

- General partner of EfTEN Neljas GP OÜ

- EfTEN Capital AS (management company).

In 2020, the Group purchased management services from EfTEN Capital AS in the amount of 729 thousand euros (2019: 527 thousand euros) (see Note 8). Usaldusfond EfTEN Real Estate Fund 4 did not buy or sell other goods or services to other related parties in 2020 or 2019.

In 2020 and 2019, the Group had six employees, who were paid a total of 155 thousand euros, including related taxes (2019: 88 thousand euros). No remuneration was calculated or paid to the members of the Group's Management Board in 2020 or 2019. The members of the Group's Management Board work for EfTEN Capital AS, a company that provides management services to the Group, and expenses related to the activities of a member of the Management Board are included in the management services.

18 Events after the balance sheet date

Acquisition of a subsidiary

In January 2021, EfTEN Real Estate Fund 4 acquired 100% of the shares in Bergi SIA. Bergi SIA owns a logistics center in Riga.

The fair value of Bergi SIA at the time of acquisition is presented in the table below. In December 2020, the Fund made an advance payment in the total amount of 13,901 thousand euros for the acquisition of a stake in Bergi SIA and the takeover of equity loans.

01.01.2021	Fair value
€ thousand	
Cash	1,153
Receivables and advance payments	32
Real estate investments	26,750
Bank loans	-14,000
Equity loans and interest liabilities on equity loans	-7,962
Other liabilities	-34
Fair value of net assets	**5,939**
Acquisition cost	5,939
Takeover of equity loans	7,962
Goodwill	**0**

19 *Parent company unconsolidated financial statements*

Pursuant to the Estonian Accounting Act, the separate unconsolidated primary financial statements of the consolidating entity (parent company) must be disclosed in the notes to the consolidated financial statements. The initial financial statements of the parent company have been prepared in accordance with the same accounting principles that have been applied in the preparation of the consolidated financial statements. The accounting policies for the recognition of subsidiaries in the separate primary financial statements of the parent company, which are presented in the notes to the consolidated financial statements, have been changed in accordance with the requirements of IAS 27 “Consolidated and Separate Financial Statements”.

In the separate primary financial statements of the parent company, which are presented in the notes to these consolidated financial statements, investments in subsidiaries are accounted for using the fair value method.

INCOME STATEMENT

	2020	2019
€ thousand		
Sales revenue	729	527
Gross profit	**729**	**527**
General administrative expenses	-895	-693
Operating profit	**-166**	**-166**
Profit from subsidiaries	3,054	6,953
Other financial income and expenses	1,627	-1,174
Profit before income tax	**4,515**	**5,613**
Net profit for the year	**4,515**	**5,613**
Gross profit for the year	**4,515**	**5,613**

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STATEMENT OF FINANCIAL POSITION

	31.12.2020	31.12.2019
€ thousand		
ASSETS		
Cash and cash equivalents	1,119	2,144
Receivables and accrued income	785	29
Total current assets	**1,904**	**2,173**
Fixed assets		
Shares and units in subsidiaries	49,086	44,602
Long - term receivables	40,068	18,375
Total fixed assets	**89,154**	**62,977**
TOTAL ASSETS	**91,058**	**65,150**
Debts	36	2
Total current liabilities	**36**	**2**
Performance fee obligation	548	1,435
Total long - term liabilities	**548**	1,435
Total liabilities	**584**	**1,437**
Total net asset value of the Fund owned by limited and general partners	**90,474**	**63,713**
TOTAL LIABILITIES AND NET ASSETS	**91,058**	**65,150**

CASH FLOW STATEMENT

	2020	2019
€ thousand		
Cash flow from business		
Net profit	**4,515**	**5,613**
Net profit adjustments:		
Interest income and interest expense	-741	-261
Gain on change in fair value of subsidiaries	-154	-4,953
Dividends received	-2,900	-2,000
Change in performance fee liability	-886	1,435
Total adjustment	**-4,681**	**-5,779**
Cash flows from operating activities before changes in working capital	**-166**	**-166**
Change in other business receivables and liabilities	7	2
Total cash flows from operating activities	**-159**	**-164**
Cash flows from investing activities		
Acquisition of subsidiaries	-25,644	-39,649
Loans granted	-600	-18,375
Dividends received	2,900	2,000
Interest received	232	232
Total cash flows from investing activities	**-23,112**	**-55,792**
Cash flows from financing activities		
Capital returns	-3,154	-2,000
Capital contributions	25,400	60,100
Total cash flows from financing activities	**22,246**	**58,100**
TOTAL CASH FLOWS	**-1,025**	**2,144**
Cash and cash equivalents at the beginning of the period	**2,144**	**0**
Change in cash and cash equivalents	-1,025	2,144
Cash and cash equivalents at the end of the period	**1,119**	**2,144**

STATEMENT OF CHANGES IN THE NET ASSET VALUE OF THE FUND

	2020	**17.10.2018-31.12.2019[1]**	**Total**
€ thousand			
The net asset value of the Fund owned by the general partners at the beginning of the period	**63,713**	**0**	**0**
Capital contributions	25,400	60,100	85,500
Capital returns	0	-2,000	-2,000
Net change in capital	**25,400**	**58,100**	**83,500**
Transfer of dividends and interest	-3,154	0	-3,154
Net profit for the year	4,515	5,613	10,128
Net asset value of the Fund owned by limited and general partners at the end of the period	**90,474**	**63,713**	**90,474**

The Fund's adjusted statement of changes in unconsolidated net asset value (to take account of the requirements established in the Commercial Code) is as follows:

	31.12.2020	31.12.2019
€ thousand		
Net asset value of the Fund owned by the fiduciary and general partners of the parent company at the end of the period	90,474	63,713
Value of subsidiaries and joint ventures in the parent company's separate balance sheet (minus)	-49,086	-44,602
Value of subsidiaries and joint ventures calculated using the equity method (plus)	49,088	44,603
Total	**90,476**	**63,714**

Independent Auditor's Report

To the Shareholders of Usaldusfond EfTEN Real Estate Fund 4

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Usaldusfond EfTEN Real Estate Fund 4 and its subsidiaries (together "the Group") as at 31 December 2020, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:
- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in the net asset value of the Fund for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The Management Board is responsible for the other information. The other information comprises the Management report and distribution of sales revenue according to the classification of economic activities in Estonian (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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Translation note:

This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management Board and those charged with governance for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.

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- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AS PricewaterhouseCoopers

/signed/	/signed/
Lauri Past Auditor's certificate no. 567	Rando Rand Auditor's certificate no. 617

8 March 2021
Tallinn, Estonia

Translation note:

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Management signatures to the 2020 consolidated financial statements

We hereby declare that the information provided in the annual report of Usaldusfond EfTEN Real Estate Fund 4 for the period ended 31 December 2020 are correct.

/digitally signed/

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Viljar Arakas

Member of the Management Board of EfTEN Neljas GP OÜ

/digitally signed/

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Tõnu Uustalu

Member of the Management Board of EfTEN Neljas GP OÜ

Distribution of sales revenue according to the classification of economic activities in Estonia

	EMTAK code	2020	Sales revenue %	Main activity
€ thousand				
Fund management	66301	729	100%	yes