Annual Report 2021

Beginning of financial year: 22.06.2021
End of financial year: 31.12.2021

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Fond type: contractual fund

Fund manager: EfTEN Capital AS
Commercial register number: 11505542

EfTEN UNITED PROPERTY FUND

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Management report

EfTEN United Property Fund (hereinafter the Fund) was established on 26.04.2021 and the Fund started its day-to-day operations after obtaining the authorisation from the Financial Supervision Authority on 22.06.2021. The Fund is the first contractual closed-end public investment fund managed by EfTEN Capital. EfTEN United Property Fund is primarily aimed at retail investors wishing to invest in Baltic real estate. Therefore, the fund issues units on a monthly basis (allowing for regular investment) and small amounts (starting from EUR 10) can be invested in the fund.

At the end of 2021, the fund had almost 4,500 investors who had invested EUR 15.6 million. In its first year of operation, the Fund made five investments:

(i) in July and September, acquired shares of EfTEN Kinnisvarafond II AS on the secondary market based on NAV;

(ii) in August, financed the Uus-Järveküla residential development by Invego OÜ by acquiring an 80% stake in Tohvri-Kivi OÜ and by providing a long-term loan to the subsidiary for development purposes;

(iii) in August, acquired shares of EfTEN's residential fund EfTEN Residential Fund;

(iv) in November, acquired shares of EfTEN Kinnisvarafond A, based on NAV;

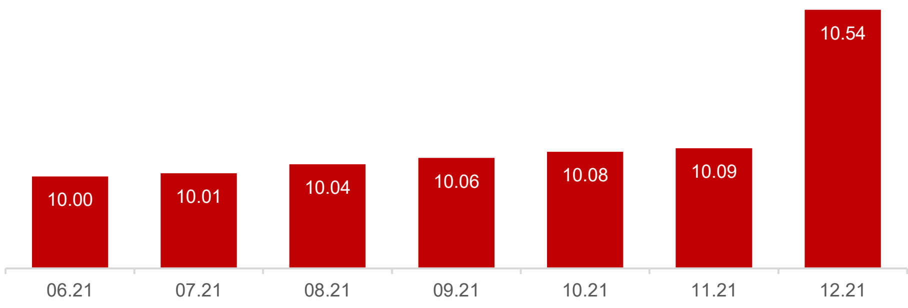
(v) in November, invested in EfTEN's new commercial real estate fund EfTEN Real Estate Fund 5.

In total, the investments of EfTEN United Property Fund were spread over 26 different real estate properties on a look-through basis at year-end.

The Fund invests in the Baltic real estate market, which means that developments in real estate prices and market activity in the region have a significant impact on the Fund's activities. Last year, the Baltic real estate market attracted new investors in both the commercial and residential real estate sectors. This led to widespread price increases in most real estate sub-sectors. At the same time, however, rental prices for commercial real estate remained essentially unchanged and new construction became significantly more expensive due to the surge in construction prices.

The net asset value of EfTEN United Property Fund share increased by 5.4% in 2021. More than 4% of this was due to the revaluation to fair value of the Fund's subsidiary's real estate properties. The investment properties owned by the subsidiary, that are not recognised at fair value by subsidiary itself, are valued by the independent appraiser Colliers International Advisors OÜ to determine the fair value of the Fund's investments.

Fund share's net asset value dynamics June - December 2021



In the second quarter of 2022, EfTEN United Property Fund shares are planned to be listed on Nasdaq Tallinn. The listing is expected to take place in May.

In terms of investments, as of the balance sheet date, the Fund has entered into two binding agreements: (i) to invest an additional EUR 6.3 million in EfTEN Real Estate Fund 5 and (ii) to invest an additional EUR 130 thousand in EfTEN Residential Fund. Subsequent to the balance sheet date, in January 2022, the Fund entered into an additional investment agreement with EfTEN Residential Fund and as of the date of this report, the balance of the binding agreement with this fund amounts to EUR 1.4 million. As the investment period of both of these funds is still several years, it is likely that these additional investments will only be partially realised in 2022.

In addition, in early 2022, the Fund established a subsidiary in Lithuania, which entered into an agreement for the acquisition of an office building at Menulio 7, in Vilnius. The building is a 9-storey office building constructed between 2006 and 2008. The building has 3,710 m2 of lettable space, plus a car park. The expected annual rental income is EUR 460 thousand. The Fund plans to finance half of the transaction with equity and half with a bank loan. The purchase of the office building is scheduled to take place on or around 28.02.2022.

Key financial indicators of the Fund	**As of 31.12.2021 or for the reporting period**
€ thousand	
Cash received on the subscription of shares in the fund	15,603
Net asset value of the fund	16,379
Fund's asset value per share, EUR	10.54
Growth in the Fund's net asset value during the reporting period	5.4%
Result of the Fund	776
Investments in subsidiaries	628
Investments in underlying funds	7,297
Loans given	2,500

Kristjan Tamla

EFTEN Capital AS

Head of Retail Division

Signatures of the EfTEN United Property Fund’s fund manager’s management to Annual Report 2021

The management of fund manager EfTEN Capital AS has prepared the Annual Report of EfTEN United Property Fund for the financial year 2021, covering the period from 22.06.2021 to 31.12.2021, consisting of the Management Report, the Annual Financial Statements, the Fund’s Investment Report as at 31.12.2021 and the Independent Auditor's Report.

/digitally signed/

Viljar Arakas

Member of the Management Board

/digitally signed/

Maie Talts

Member of the Management Board

Tallinn, 25.02.2022

Annual Financial Statements

Statement of comprehensive income

	Notes	22.06.2021 - 31.12.2021
€ thousand		
Income		
Interest income	7	77
Net profit / loss from assets recognised in fair value through profit or loss	4	726
Investments in subsidiaries		627
Underlying funds		99
Total income	**7**	**803**
Costs		
Operating expenses		
Management fee	2,6	-13
Costs of administering the Fund		-12
Other operating expenses		-2
Total operating expenses		**-27**
Operating profit		**776**
Profit before income tax		**776**
INCREASE IN THE NET ASSET VALUE OF THE FUND ATTRIBUTABLE TO THE SHAREHOLDERS	**6**	**776**
Ordinary and diluted earnings per share (EUR)	6	0.84

Notes on pages 10 to 31 are an integral part of these financial statements.

Statement of financial position

	Notes	31.12.2021	22.06.2021
€ thousand			
ASSETS			
Current assets			
Cash and cash equivalents	3	2,743	0
Other receivables and accrued income	3	3,215	0
Total current assets		**5,958**	**0**
Non-current assets			
Financial assets at fair value through profit or loss	3	7,925	0
Investments in subsidiaries		628	0
Underlying funds		7,297	0
Loans given	3	2,500	0
Total non-current assets		**10,425**	**0**
TOTAL ASSETS		**16,383**	**0**
LIABILITIES			
Current liabilities		4	0
Total liabilities, excluding net asset value of the fund attributable to shareholders		**4**	**0**
NET ASSET VALUE OF THE FUND			
Net asset value of the fund attributable to shareholders	5	**16,379**	**0**
Total liabilities and net asset value of the fund attributable to shareholders		**16,383**	**0**

Notes on pages 10 to 31 are an integral part of these financial statements.

Statement of changes in the net asset value of the fund attributable to shareholders

	Notes	31.12.2021
€ thousand		
Net asset value of the fund as at 22.06.2021		**0**
Subscription of shares		15,603
Total transactions with shareholders	**5**	**15,603**
Increase in net asset value attributable to unitholders		776
Total net asset value of the fund attributable to shareholders 31.12.2021	**5**	**16,379**
Number of shares outstanding at the end of the reporting period, pcs.		1,553,562.391
Net asset value per share at the end of the reporting period	**5**	**10.54**

Notes on pages 10 to 31 are an integral part of these financial statements.

Statement of cash flows

(direct method)

	Notes	22.06.2021 - 31.12.2021
€ thousand		
Cash flows from operating activities		
Acquisition of subsidiaries		-2
Acquisition of shares in real estate funds		-7,197
Loans given	9	-2,500
Operating expenses paid		-22
Total cash flows from operating activities		**-9,721**
Cash flows from financing activities		
Proceeds from subscription of shares	5	12,464
Total cash flows from financing activities		**12,464**
Total cash flows		**2,743**
Cash and cash equivalents at the beginning of the period		**0**
Change in cash and cash equivalents		2,743
Cash and cash equivalents at the end of the period	**3**	**2,743**

Notes on pages 10 to 31 are an integral part of these financial statements.

Notes to the financial statements

Note 1 General information

The EfTEN United Property Fund (the Fund) was established on 26 April 2021 and commenced operations on 22 June 2021. The Fund is a contractual public closed-end investment fund. The objective of the Fund is to provide the holders of the fund's shares with the opportunity to participate in the development of the Baltic real estate market and real estate related infrastructure and technology companies through an actively managed investment portfolio. The Fund intends to have an investment portfolio diversified between real estate, various real estate related sub-sectors (including real estate related infrastructure companies) and real estate related financial instruments in the three Baltic States, considering capital layers with different risk level.

EfTEN United Property Fund is managed by EfTEN Capital AS, A. Lauteri 5, Tallinn.

The financial statements reflect the Fund's business activities during its first period of operation from 22.06.2021 to 31.12.2021.

The financial statements are presented in thousands of Euros, unless otherwise stated.

These financial statements have been approved by the Management Company on 25.02.2022.

Note 2 Summary of significant accounting policies

2.1 Basis for the report

The financial statements of EfTEN United Property Fund have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS EU). The principles of financial reporting for investment funds are set out in the Investment Funds Act, the Accounting Act and the Regulation of the Minister of Finance No. 8 "Requirements for Fund Reports Subject to Disclosure" of 18 January 2017. The report has been prepared taking into account the procedure for determining the net asset value of the fund established under § 54(11) of the Investment Funds Act and other specific provisions of the aforementioned Regulation.

New standards, interpretations and amendments

New or amended standards and interpretations have been issued that become mandatory for the Fund from 1 January 2022 or later periods and have not been early adopted by the Fund.

Standards coming into force in the next reporting periods

Title	Content of the amendment	Effective date
Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework" – narrow scope amendments IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. 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	**01.01.2022**

	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. IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. 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 Fund will analyse and disclose the effect of this change after its implementation.	

Standards not yet adopted

Title	Content of the amendment	Effective date
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary and the shares of the subsidiary are transferred during the transaction. The Fund will analyse and disclose the effect of this amendment after implementation.	Date of implementation to be determined by IASB; not yet adopted by the European Union.
Classification of liabilities as current or non-current – Amendments to IAS 1	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	For reporting periods starting on or after 1 January 2022; not yet adopted by the European Union.

	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. The Fund will analyse and disclose the impact of this amendment upon implementation.	
Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1	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 Fund will analyse and disclose the impact of this change once implemented.	For reporting periods starting on or after 1 January 2023; not yet adopted by the European Union.
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies	IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Fund will analyse and disclose the impact of this amendment upon implementation.	For reporting periods starting on or after 1 January 2023; not yet adopted by the European Union.
Amendments to IAS 8: Definition of Accounting Estimate	The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The Fund will analyse and disclose the impact of this amendment after implementation.	For reporting periods starting on or after 1 January 2023; not yet adopted by the European Union.
Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12	The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Fund will analyse and disclose the impact of this amendment when it is implemented.	For reporting periods starting on or after 1 January 2023; not yet adopted by the European Union.

2.2 Management decisions and assessments

The preparation of financial statements in accordance with IFRS requires management to make judgements, assumptions and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge as facts, actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on a continuous basis, and changes in estimates are recognised in the period in which the change occurs and in each subsequent period affected by the change in estimate.

Areas where there is a higher than normal risk of adjustment due to estimation uncertainty are described below.

a) Investment entity

The terms of the Fund and the agreements with investors require that the Fund primarily provides investors with a return (i.e. capital growth and dividends) on real estate related investments. In order to provide the clearest understanding of the Fund's returns, the Fund measures the results of the subsidiaries' operations and their equity value at fair value. The Fund is a contractual public closed-end investment fund, the objective of which is to offer unit-holders of the Fund the opportunity to participate in the development of the Baltic real estate market and real estate-related infrastructure and technology companies through an actively managed investment portfolio. The terms and conditions of the fund allow investors to raise capital on a monthly basis and to make distributions with fewer restrictions than other types of companies (e.g. equity funds).

Consequently, the Fund meets the definition of an investment entity (IFRS 10 para 31). In accordance with the requirements of IFRS 10 p. 31, an investment entity does not consolidate the subsidiaries it owns, but recognises them at fair value through profit or loss in accordance with IFRS 9.

b) Investments in subsidiaries: fair value measurement

The Fund's investments in subsidiaries are measured at fair value at each balance sheet date. As the Fund's subsidiary is not quoted on a stock exchange, the Fund bases the determination of the fair value of the subsidiary on the assets and liabilities of the subsidiary at the balance sheet date, which are largely measured at fair value. The principal assets of the subsidiary are cash and cash equivalents, trade receivables and property held as inventories. The main liabilities are trade payables, loan payables and other minor liabilities. Real estate owned by the subsidiary is measured at fair value at each balance sheet date.

The properties owned by the Fund's subsidiary are valued by an independent appraiser, Colliers International Advisors OÜ. The properties are valued using the discounted cash flow method, taking into account investments in property development and the expected proceeds from the sale of the properties. The discount rates and exit yields used to determine the fair value are differentiated according to the location and risk level of the properties.

c) Investments in underlying funds: fair value measurement

The Fund's investments in underlying funds are valued at fair value at each balance sheet date. In the case of an unlisted underlying fund, the Fund will base the fair value of the underlying on the assets and liabilities of the underlying at the balance sheet date, which are largely valued at fair value. The underlying real estate properties are valued by an independent appraiser, Colliers International Advisors, within the underlying fund itself and, to the extent that the amortised cost of the other assets and liabilities of the underlying fund does not differ materially from their fair value, the fair value of the underlying fund is based on the net asset value of the underlying fund at the reporting date.

If the underlying fund is listed on a stock exchange, the fair value of the underlying shall be based on the closing price on the last stock exchange trading day of the reporting period.

Further information on the assumptions and sensitivities used in the asset valuations can be found in Note 4.

Segment reporting

The fund allocates the capital employed and the available funds to investments in accordance with the fund's investment policy, analysing a reasonable risk distribution across the real estate sub-sectors.

Disclosure of segment information shall be based on the grouping principles used in the Fund's internal accounting and reporting. Stand-alone business segments are considered to be real estate sub-sectors that are distinguished from each other in terms of expected return and risk level. Business segments are expected to have different rates of return (return on investment, interest rates) and different business segments are often affected by different risks.

The Fund's business segments are presented in the following table:

Business segment	List of investments
Commercial property	Stake - EfTEN Real Estate Fund 5 trust fund
	EfTEN Kinnisvarafond AS shares
	EfTEN Kinnisvarafond II AS shares
Residential property	Stake - EfTEN Residential Fund
Real estate development	Stake - Tohvri-Kivi OÜ
	Loan given to Tohvri-Kivi OÜ

The main indicators used by management to make business decisions are segment revenue and segment profit. It is also important to monitor the volume of investment by segment. The Group analyses all indicators on a monthly basis.

All the Fund's investments and assets as at 31.12.2021 are located in Estonia.

Impact of climate change on the fair value of the Fund's investments

The Fund's management has assessed the potential impact of climate change on the fair value of the Fund's investments and considers that, at the time of writing, climate change has no impact on the fair value of the Fund's investments. In assessing potential future environmental risks, it cannot be excluded that climate change may have an impact on, for example, the cost of financing investments or the market value of assets when they are sold in the future. These risks will be monitored by the Fund's management on an ongoing basis and disclosed in the Fund's subsequent reports.

2.3 Classification of financial assets and liabilities

The Fund classifies financial assets and financial liabilities into the following categories:

- financial assets at fair value through profit or loss - shares in subsidiaries, investment fund shares and units;

- financial assets at amortised cost - cash and cash equivalents, time deposits, interest and dividend receivable, loans receivable;

- financial liabilities at amortised cost - amounts payable on transactions recognised at the trade date, liabilities to the management company and to the custodian bank.

Recognition and derecognition

The Fund recognises a financial asset or financial liability when the Fund becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets in an arm's length transaction are recognised on the trade date, which is the date on which the Fund commits to purchase or sell the asset. The Fund recognises a financial asset or financial liability on initial recognition at its fair value plus, in the case of a financial asset or financial liability not recognised at fair value through profit or loss, transaction costs (such as fees) directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction fees for financial assets and financial liabilities at fair value through profit or loss are recognised as an expense in profit or loss.

Financial assets are derecognised when the rights to the cash flows from the financial asset expire or are transferred and the Fund transfers substantially all risks and rewards of ownership. A financial liability (or part of a financial liability) is removed from the statement of financial position when, and only when, it is extinguished (i.e. when the obligation specified in the contract is discharged or cancelled or expires).

Further measurement

Other receivables

Other receivables are initially recognised at fair value and subsequently measured at amortised cost. The remaining receivables are held for collection.

The Fund measures at each reporting date any allowance for doubtful accounts for other receivables at an amount equal to the expected credit losses over the life of the receivable if the credit risk has increased significantly since initial recognition. If, at the reporting date, there has been no significant increase in credit risk since initial recognition, the Fund shall measure a loss allowance equal to 12 months of expected credit losses. An example of an impairment may be the bankruptcy or reorganisation of a counterparty. If the credit risk increases to the extent that the receivables have to be written down, interest income is calculated on the basis of the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management when any contractual payment is more than 30 days past due. All contractual payments that are more than 90 days past due are written down.

Equity instruments

The Fund consistently values all equity investments at fair value. Dividends received on such investments are recognised as other income in the income statement when the Fund becomes entitled to receive distributions. Changes in the fair value of financial assets are recognised in the income statement. Write-downs (and reversals of write-downs) of equity investments measured at fair value through profit or loss are not recognised separately from other changes in fair value.

Financial assets: debt instruments

Subsequent recognition of debt instruments depends on the Fund's business model for managing financial assets and the contractual terms of the cash flows of the financial asset.

At fair value through profit or loss: Assets that do not meet the criteria of cost or fair value through profit or loss are carried at fair value through profit or loss. Gains and losses on debt instruments at fair value through profit or loss are recognised in the income statement in the period in which the change in fair value occurs in the line Net profit / loss at fair value through profit or loss. Such fair value gains and losses also include contractual interest earned on the related instruments.

Amortised cost: Assets that are held to collect contractual cash flows and for which the cash flows consist solely of principal and interest accrued on the unpaid principal balance are carried at amortised cost. Interest income on these assets is recognised as interest income in the income statement using the effective interest method. On derecognition, the resulting gain or loss is recognised in the profit and loss account under other income/expenses.

Loans and receivables from other parties

Loans and receivables from other parties

Subsequent to acquisition, loans and receivables are stated at their amortised cost, calculated using the internal rate of interest. The amortised cost is determined over the useful life of the financial asset, taking into account any discounts and premiums on acquisition and any directly attributable transaction costs.

If there is any objective evidence that the recoverable amount of an asset has decreased below its carrying amount, the financial assets carried at amortised cost are written down by the difference between the carrying amount and the recoverable amount. The recoverable amount is the present value of the future cash flows expected to arise from the financial asset, discounted at the internal rate of interest fixed at initial recognition.

In the case of a significant financial asset, the impairment loss is assessed individually for each item. If 180 days or more have elapsed from the due date for collection of the receivable, the receivable is considered as unlikely to be collected and is charged at 100 % as an expense. If the decrease in the value of an asset occurs more quickly, the receivables are written down earlier.

However, if a written-down receivable is recovered or another event occurs that reverses the write-down, the reversal of the write-down is presented as a reduction in the income statement as a reduction of the expense item in which the write-down was initially recognised.

Interest income on loans and advances shall be recognised in the income statement under financial income.

A financial asset is derecognised when the entity loses the right to the cash flows from the financial asset and when the obligation to transfer substantially all the risks and rewards of the financial asset are transferred to a third party without significant delay.

Impairment of assets

The entity estimates the expected credit loss on debt instruments carried at amortised cost and fair value through profit or loss on the basis of forward-looking information. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of expected credit losses takes into account (i) an unbiased, probability-weighted measure that assesses a range of possible outcomes, (ii) the time value of money and (iii) reasonable and supportable information about past events, current conditions and projections of future economic conditions that is available at the end of the reporting period without undue cost or effort.

For trade receivables and contract assets that do not have a significant financing component, the entity applies the simplified approach permitted by IFRS 9 and accounts for the allowance for doubtful debts as an expected credit loss for the length of the receivable on initial recognition. The entity uses a discounting matrix where the discount is calculated on the basis of claims with different expiry dates.

Financial liabilities

All financial liabilities (debts to suppliers, borrowings, accrued charges, bonds issued and other current and non-current liabilities) are initially recognised at cost, which includes all expenses directly linked to the acquisition. Subsequent recognition is by the amortised cost method (except for financial liabilities acquired for resale, which are measured at fair value).

The amortised cost of current financial liabilities is generally equal to their nominal value, and therefore current financial liabilities are carried in the balance sheet at the amount due. For the purpose of calculating amortised cost, long-term financial liabilities are initially recognised at the fair value of the consideration received (net of transaction costs), and subsequently interest is accrued on the liabilities using the effective interest method. Interest expense on financial liabilities is recognised on an accruals basis in the income statement under the headings financial and investment income and financial and investment expenses. Interest relating to the financing of the development of assets (property projects, investment properties, tangible fixed assets included in inventories) from the beginning of the development period until the acceptance of the finished asset is capitalised in the cost of the asset.

A financial liability is classified as current if it is due to be settled within 12 months of the balance sheet date or if the enterprise does not have an unconditional right to defer settlement beyond 12 months from the balance sheet date. Borrowings that are repayable within 12 months of the balance sheet date but are refinanced to long-term maturity after the balance sheet date but before the approval of the financial statements are classified as current. Similarly, loan commitments which the lender has the right to call at the balance sheet date on account of a breach of the loan agreement are also classified as current.

A financial liability is derecognised when the contractual obligation is discharged or cancelled or expires.

2.4 Fair value measurement

Fair value means the value at which the Fund's assets could be sold to a willing party, independent of the Fund, at the valuation date. In the case of financial assets and liabilities traded on a stock exchange (e.g. equities, funds, bonds, derivatives), the fair value is based on the closing price on the day of trading. The Fund records all investments in securities at fair value through profit or loss, except for those investments for which fair value cannot be determined. In accordance with IFRS 13 'Fair Value Measurement', the fair value of exchange traded financial assets and liabilities is the closing price.

The basis for determining the value of the Fund's assets is the "Rules for Calculation of the Net Asset Value of a Fund's Assets" approved by the Board of Directors of EfTEN Capital AS, which determine the principles for determining the net asset value of the Fund's financial assets and liabilities traded on regulated markets, those not traded on regulated markets and other financial assets and liabilities of the Fund.

The value of a share of a listed investment fund shall be determined in the same way as the value of a listed share. The value of a unit of an unquoted mutual fund shall be determined on the basis of the last known redemption price or, if no price is available, on the basis of the net asset value of the fund. The value of a listed debt security is determined on the basis of the last bid-price available on the regulated market. If the fair value of the instruments cannot be reliably estimated, they may be carried at cost or their fair value may be determined by the Management Company's Board of Directors using valuation techniques. The Management Company uses a variety of valuation techniques to determine its own fair value, including recent arm's length market transactions, references to other instruments that are approximately the same, discounted cash flow analysis and option pricing models and other valuation techniques, relying as much as possible on market information and as little as possible on company-specific inputs.

Asset valuation risk

The fund invests predominantly in assets that are not traded on a regulated market. As a result, at certain points in time (e.g. rapid changes in the economic environment and a significant reduction in the number of real estate transactions), it may be difficult to determine the fair value of all the Fund's investments. The Fund's direct investments in real estate (including SPVs) are valued by an independent real estate appraiser with a good reputation and long experience, in accordance with the Internal Rules for the Valuation of Real Estate published on the Management Company's website. The properties are valued regularly twice a year: at the end of the financial year and on 30.06. In addition, the Fund may commission ad hoc property valuations as required. The realisation of the risk associated with the valuation of assets may lead to a higher volatility of the Fund's returns than would be expected for this type of fund.

2.5 Netting

Financial assets and financial liabilities shall be offset and presented net in the balance sheet only if the Fund has the legal right and the intention to settle on a net basis, or to realise the assets and liabilities simultaneously. The Fund did not apply netting of assets and liabilities during the reporting or comparative period.

2.6 Interest

Interest income and expenses are recognised in the profit and loss account using the internal rate method. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to the carrying amount of the financial asset. In calculating the effective interest rate, the Foundation estimates the cash flows taking into account all the contractual terms of the financial instrument, but does not take into account future credit losses. Interest income on financial assets classified as loans carried at amortised cost is recognised separately under "Interest income".

2.7 Dividend income

Dividends will be accounted for on the first day on which the share is traded without dividend (ex-dividends date), taking into account the declared dividend rate, the number of shares held by the Fund on the date of fixing the list of shareholders and the applicable tax rate. The dividend claim will be removed from the assets when the corresponding amount of money is received by the Fund. Dividend income from financial assets designated at fair value through profit or loss is recognised in the income statement under a separate line "Dividend income".

2.8 Accrued income

Accrued income generally includes dividends receivable (see accounting policy "Dividends"), accrued but unearned income, including interest and receivables of an interest nature, and sales with a value date later than the balance sheet date.

2.9 Cash and cash equivalents

Cash and cash equivalents include balances on demand deposits in bank accounts, overnight deposits and fixed-term deposits up to 3 months.

2.10 Time deposits

Time deposits are deposits held with credit institutions. According to the Investment Funds Act, the open-ended Public Fund may invest in deposits with credit institutions with a maturity of up to 12 months. Interest accrued on fixed-term deposits but not received at the valuation date is recorded in the balance sheet under the item "Fixed-term deposits" and in the profit and loss account under the item "Interest income".

2.11 Determining the net asset value of the fund

The net asset value of the Fund is determined in accordance with the Investment Funds Act, the Procedure for Determining the Net Asset Value of Investment Funds established by the Minister of Finance, the internal rules of procedure of EfTEN Capital AS (the Management Company) and the Fund's Terms and Conditions. The net asset value (NAV) of the Fund is determined by calculating the market value of the total assets of the Fund and deducting the liabilities of the Fund. The NAV per unit is calculated by dividing the total net asset value by the number of units outstanding.

2.12 Management fees

A management fee of 1.5% per annum is paid to the Fund Manager out of the Fund for the management of the Fund. The management fee is calculated on the net asset value of the Fund, excluding investments in other investment funds managed by EfTEN Capital AS and deposits with credit institutions. The management fee shall be calculated on a monthly basis (on the basis of 1/12 per year). There is no success fee.

2.13 Subscription of shares

EfTEN United Property Fund will issue up to 10,000,000 shares in the period from 22.06.2021 to 31.05.2022. The shares will be offered only in Estonia and will not be offered in any other jurisdiction. The offer is open to all natural and legal persons in Estonia who have an open securities account with Nasdaq CSD. The minimum number of shares to be offered is 1 share. There is no maximum number.

In accordance with the terms and conditions of the Fund, the Fund will not redeem units from unit-holders at their request or exchange them for units or shares of other funds of the Management Company, i.e. the units of the Fund have no debt component.

The Fund's units are offered on a monthly basis from the first calendar day of the month until the last business day of the month. The price of the Fund's units offered in June 2021 was EUR 10 per unit at par value. As from 01.07.2021, the price of the units offered will be the net asset value of the unit for the previous calendar month. The Management Company determines and publishes on its website https://eftenunitedpropertyfund.ee/ the net asset value per unit on the last business day of the calendar month following the reporting period (calendar month).

EfTEN United Property Fund shall use its best efforts to admit the units to trading on Nasdaq Tallinn no later than 31.05.2022.

2.14 Consolidation exemption

As of 31.12.2021, EfTEN United Property Fund holds an 80% stake in Tohvri-Kivi OÜ, which in turn holds a 100% stake in Järveküla Majad OÜ.

EfTEN United Property Fund is an investment entity under the terms of IFRS 10, therefore the Fund does not consolidate its subsidiaries and does not apply IFRS 3 principles, but recognises the investment in the subsidiary at fair value in accordance with IFRS 9.

Investment in subsidiaries

In the Fund's financial statements, investments in subsidiaries are accounted for using the fair value method. The subsidiary is initially recognised at cost and subsequently measured at fair value through profit or loss. Dividends declared by subsidiaries are recognised when the Fund becomes entitled to receive them.

2.15 Events after the balance sheet date

The financial statements reflect significant events that occurred between the balance sheet date and the date of the preparation of the financial statements that affect the valuation of the assets but relate to events that occurred during the reporting period or in prior periods. For further information on events after the balance sheet date, see note 8 to the financial statements.

2.16 Income tax

The Fund is a contractual investment fund, which means that the income earned by the Fund is taxable only in limited cases.

Income earned by the Fund in Estonia is taxable in the following cases:

- on the transfer of immovable property situated in Estonia and on the transfer of rights and claims relating to immovable property;

- on the transfer of an Estonian subsidiary, if the Fund held at least 10% of the shares in the subsidiary;

- On the disposal of an interest in a real estate fund (including the realisation of real estate from a trust type fund of the real estate fund), where at the time of the transfer or during the two preceding years, more than 50% of the real estate fund's assets were directly or indirectly held in real estate located in Estonia (including real estate held by the real estate fund's subsidiaries and affiliates) and where the real estate fund held at least 10% of the real estate fund's equity;

- Interest income from a real estate fund whose assets at the time the interest was received or during the two years preceding the receipt of the interest comprised more than 50% of the real estate (including real estate owned by subsidiaries and associates of the real estate fund) located directly or indirectly in Estonia and in which the real estate fund held at least a 10% participation.

The income of the Fund listed above is taxed at a rate of 20/80.

Income earned by the fund in a foreign country is taxed in accordance with the legislation in force in the respective country.

Note 3 Financial risk management

The Fund's investment policy

The fund invests its assets to real estate and shares, bonds and loan agreements (direct investment) related to real estate and investment funds related to real estate (underlying funds). In addition, the fund’s cash may be placed in credit institution’s deposits and derivatives.

The Fund invests in the form of equity, equity participations and debt capital (debt securities), as well as through special purpose vehicles (SPVs) created for investment purposes and unquoted instruments.

For investments in underlying funds, the Fund gives preference to investment funds managed by EfTEN Capital. The Fund diversifies its investments across the three Baltic States (Estonia, Latvia and Lithuania) and across different sectors (commercial, residential and mixed-use real estate, infrastructure, etc.) and real estate-related sub-sectors (offices, logistics, retail, etc.).

The fund invests in the form of debt capital (bonds, loans) with the aim of spreading the level of risk of investments between different layers of capital. As a general rule, the Fund holds such investments to maturity, i.e. the Fund does not aim to trade actively on the secondary market in the form of debt. The proportion of investments made in the form of debt capital shall not exceed 30% of the net asset value of the Fund when acquired.

The Fund may use leverage through borrowings or debt securities issued. At the time of leverage, it may amount to a maximum of 65% of the current value of the Direct Investment. Leverage is generally used at the level of SPVs. The Fund may grant loans to SPVs or provide guarantees or other security to ensure the performance of the SPVs' obligations.

The Fund's assets will be invested in derivatives only for the purpose of hedging the leverage and currency exposures associated with real estate investments.

The proportion of the net asset value of the Fund's assets attributable to a single investment (other than debt securities) may not exceed 20% at the time of acquisition and 30% at any other time.

The proportion of the net asset value of the Fund represented by an investment in the form of debt capital (debt securities issued, loans granted) made by a single person may not exceed 10% of the net asset value of the Fund at the time of acquisition and the proportion of the net asset value of the Fund represented by an investment in the form of debt capital made by a group may not exceed 15% of the net asset value of the Fund.

The Fund shall place funds in deposits with credit institutions in order to secure its day-to-day operations and future real estate investments. Depending on the nature of the real estate investments, the proportion of deposits from credit institutions may fluctuate significantly in the short term.

The investment restrictions and risk diversification requirements laid down in the Terms and Conditions shall not apply during the first two years of the Fund's operation.

As at 31.12.2021, the Fund has the following financial assets and liabilities:

	Notes	31.12.2021
€ thousand		
Financial assets - loans and receivables at amortised cost		
Cash and cash equivalents		2,743
Loans granted	9	2,500
Interest claims		76
Other receivables and accrued income		3,139
Total financial assets - loans and receivables at amortised cost		**8,458**
Financial assets at fair value through profit or loss		
Investments in subsidiaries	4	628
Investments in underlying funds	4	7,297
Total financial assets at fair value through profit or loss		**7,925**
TOTAL FINANCIAL ASSETS		**16,383**
Financial liabilities at amortised cost		
Other accrued liabilities		4
Total financial liabilities at amortised cost		**4**
TOTAL FINANCIAL LIABILITIES		**4**

The fair value of financial assets and financial liabilities carried at amortised cost in the table above does not differ materially from their fair value.

The Fund's investment policy mainly exposes it to the following risks:

1. Market risk
2. Concentration risk
3. Liquidity risk
4. Credit risk
5. Capital risk

3.1 Market risk

Real estate price volatility risk

The Fund invests in the Baltic real estate market, which is why the Management Company assesses the risk associated with fluctuations in real estate prices in this region as higher than usual. The real estate sector is cyclical, with changes in the macroeconomic environment of a country generally being the main driver. All the Baltic States (Estonia, Latvia and Lithuania) are small open economies (exports of goods and services represent a very significant part of the economy) whose development is largely dependent on changes in the macroeconomic environment of the same main trading partners. The cyclical fluctuations of small open economies can be much larger in amplitude than the global average. In sum, this means that the Baltic countries may have higher than average house price volatility and that house price movements in the three countries may be highly correlated, i.e. house prices in Estonia, Latvia and Lithuania are more likely than average to move in the same direction. For example, according to Eurostat data (https://ec.europa.eu/eurostat/databrowser/view/PRC_HPI_A__custom_920794/default/table?lang=en), residential property prices in the Baltic countries fell by around 40% in the global economic crisis of 2008-2010, while the average fall in residential property prices in the European Union over the same period was around 5%. The materialisation of market risk (a simultaneous fall in Baltic real estate prices) could have a material adverse impact on the financial performance and return of the Fund.

Currency risk

The Fund does not consider currency risk to be a significant risk as all transactions are carried out in the functional currency, which is the euro, and the presentation currency is also the euro.

Refinancing risk and interest rate risk

In addition to equity, the fund or the companies belonging to the fund often use debt capital (mainly bank loans) to make real estate investments. Loan capital agreements are generally for a fixed term, which means that the funds raised in the form of loan capital have to be refinanced at certain intervals (e.g. 5 years). The financial market in the Baltic States is banking-centric in nature. This means that banks are the main credit intermediaries, and the raising of debt or other forms of loan capital is limited. Dependence on a single financier may mean that the terms of the contract are less favourable to the Fund when refinancing funds raised in the form of debt, e.g. the cost of debt (interest rate) increases significantly and/or the volume of debt financing decreases.

Interest rate risk is the risk of changes in the future cash flows of financial instruments due to changes in market interest rates. Changes in market interest rates mainly affect the long-term floating rate debt obligations of the Fund and of the companies owned by the Fund. In order to hedge against the risk of rising interest rates, the companies in which the Fund has holdings have used interest rate swap contracts.

In accordance with the Fund's risk management policy, the Fund's manager monitors interest rate risk and sensitivity on a daily basis.

The realisation of refinancing and interest rate risk could have a material adverse effect on the Fund's financial performance and return.

3.2 Concentration risk

During the first years of the Fund's operation, some investments and/or cash flows from, for example, a tenant may constitute a large part of the Fund's portfolio and/or cash flows. As a result, unexpected negative developments with such an investment or tenant may have a material adverse effect on the Fund's financial performance and return in the first years of operation.

3.3 Liquidity risk

Liquidity risk is the risk that a fund may not have sufficient financial resources to meet its obligations in full when due, or may only be able to meet its obligations under significantly less favourable conditions.

Investment acquisition and disposal risk

The fund generally invests in assets that are not traded on a regulated market with low liquidity. In addition, the Baltic real estate market is characterised by a relatively small number of professional and highly leveraged investors. As a result, if the Fund wishes to liquidate its investments, it may not be able to find a buyer at the desired time and price. The realisation of liquidity risk may have a negative impact on the Fund's financial results and may reduce profits or lead to losses. During the first years of operation, the Management Company will focus primarily on building up the Fund's portfolio of investments, and it is therefore unlikely that liquidity risk will materialise during the Fund's first years of operation. The Fund will also have the capacity to enter into short-term borrowing arrangements to cover liquidity risk during the acquisition and disposal of investments. The Fund has not entered into any such loan agreements during the reporting period.

Risk of COVID-19 spill over effects

Since the early spring of 2020, the world's economies, including those of the Baltic States, and the real estate sector have been affected by the most widespread outbreak of the COVID-19 virus in decades. The national restrictions imposed to stop the spread of the virus have had an impact on the Baltic real estate market, particularly in the retail and hotel-oriented real estate segment. The lower than expected rental income resulting from the restrictions could have a negative impact on the financial performance and return of the Fund.

The table below illustrates the Fund's expected asset liquidity in the event of a liquidity risk materialisation.

As at 31.12.2021	Less than 7 days	7 days to 1 month	1-12 months	More than 12 months	**total**
€ thousand					
Total assets	5,882	0	7,296	3,205	**16,383**

As at 31.12.2021, the Fund's liabilities totalled EUR 4 thousand. The liabilities were due within 1 month after the balance sheet date.

In accordance with the Fund's risk management policy, the Fund Manager monitors liquidity risk on a daily basis.

3.4 Credit risk

Credit risk is the potential loss that could result from the inability of a counterparty to a financial instrument to meet its obligations.

Counterparty risk

Resulting from the inability of the counterparty to a transaction involving the Fund's assets to meet its obligations under the transaction. The Fund is exposed to this type of risk in particular through:

(1) direct investments in the form of debt (e.g. failure of the counterparty to make interest or principal payments);

(2) claims against tenants of real estate owned by the Fund (or the SPV) (e.g. the counterparty's failure to make rental payments);

(3) Fund assets held on deposit with credit institutions (e.g. insolvency of a credit institution). Often, these types of risks are linked to changes in the macroeconomic environment in the Baltic States - in the context of a general economic downturn, the counterparty's financial position deteriorates and they are unable to cover their obligations to the Fund. At the same time, such risks may be 'counterparty specific' - individual companies become insolvent even in favourable macroeconomic conditions. In the early years of a Fund's operation, due to the lower diversification of the Fund's investments, the counterparty risks may be higher than would be expected for this type of fund, and the realisation of the risk may have a material adverse effect on the Fund's financial results and performance. The activity of the Management Company to prevent the loss of counterparty cash flows and to minimise such risk consists in the consistent monitoring and management of the (payment) behaviour of clients, counterparties, which allows the implementation of the necessary measures in an operational manner.

The maximum credit risk of the fund is shown in the table below:

	31.12.2021
€ thousand	
Cash and cash equivalents	2,743
Loans given	2,500
Other receivables	3,215
Total maximum credit risk	**8,458**

The bank account included in the Fund's cash and cash equivalents is held with a bank rated Aa3 (Moody's long-term).

Loans granted as at 31.12.2021 include a loan granted to Tohvri-Kivi OÜ for a total amount of EUR 2,500 thousand (base currency is EUR). The loan matures on 18.08.2025 and bears an interest rate of 8% per annum until 18.12.2024. From 19.12.2024 onwards, the loan bears an interest rate of 15% per annum.

Other receivables as at 31.12.2021 included the amount due for the fund units subscribed in December 2021, which was credited to the fund account on 04.01.2022.

The Fund measures credit risk and expected credit loss using probability of default, default exposure and loss given default. In determining the expected credit loss, management takes into account both historical information and forward-looking information. Applying the requirements of IFRS 9, the expected credit loss is immaterial for the Fund and therefore no expected credit loss has been recognised in the financial statements.

In accordance with the Fund's risk management policy, the Fund Manager monitors credit risk on a daily basis.

3.5 Capital risk

Risk of slow and/or underinvestment of proceeds from the issue

The fund issues units on a regular basis, but invests the proceeds of the issue predominantly in instruments that are not traded on a regulated market with low liquidity. This means that the Fund may take longer than expected to invest the proceeds of the issue or may not find profitable investment opportunities. In such a case, the proceeds of the issue will be held in deposits with a credit institution, where their long-term return is likely to be lower than if they had been invested in income-producing real estate assets. Therefore, if the Fund is unable to find attractive investment opportunities over a longer period of time after the new units are issued, unit-holders may experience a lower return. The likelihood of the risk materialising depends in particular on two factors:

(i) the size of the subscriptions for units of the Fund during the offering period; and
(ii) how active the Baltic real estate market is during the offering period. The risk of a slow and/or underperforming investment is higher the more units are subscribed to the Fund and the lower the activity in the Baltic real estate market.

The capital of the Fund consists of the net asset value of its assets, i.e. the money raised from the issue of units and the income of the Fund. The Fund's capital changes periodically as new units are issued. In its first year of operation, EfTEN United Property Fund issued 1,553,563.391 units and raised a total of EUR 15,603 thousand through the issue of units, i.e. EUR 3,139 thousand was received in the Fund's account after the balance sheet date, in January 2022.

In accordance with the Fund's risk management policy, the Fund Manager monitors the Fund's capital through the net asset value of the Fund.

EfTEN United Property Fund will use its best efforts to admit the units to trading on Nasdaq Tallinn no later than 31.05.2022.

Note 4 Fair value of financial assets

The balance sheet value of the Fund's financial assets and liabilities generally corresponds to their fair value, taking into account differences in the valuation techniques used.

The Fund's investments in subsidiaries and underlying funds are valued at fair value. As none of the Fund's subsidiaries or underlying funds are listed on a stock exchange, the Fund uses the following as a basis for calculating the fair value of its investment:

- the assets and liabilities of the subsidiary at the balance sheet date, with a significant portion of the assets being properties carried at fair value. If the subsidiary does not value the properties included in its assets at fair value (mainly because the properties are being developed for sale and are therefore included in inventories), the Fund values the subsidiary's properties separately by engaging an independent valuer. Other assets of the subsidiary comprise cash and cash equivalents, trade receivables and other minor assets, and liabilities comprise trade payables, loan payables and other minor liabilities, the carrying amounts of which do not differ materially from their fair values, so that the inputs used to determine the fair value of investment property are the most significant in determining the fair value of the subsidiary as a whole.
- of the consolidated assets and liabilities of the underlying funds at the balance sheet date, where a significant portion of the assets are investment property measured at fair value by an independent valuer. The investment properties of the underlying funds are valued individually by Colliers International Advisors OÜ using the discounted cash flow method. The cash flow projections for all properties are updated in the fair value calculation and the discount rates and exit yields are differentiated according to the location of the properties, their technical condition and the risk level of the tenants. The carrying amounts of the remaining underlying assets and liabilities do not differ materially from their fair values, so the inputs used to determine the fair value of investment property are the most significant in determining the fair value of the underlying fund as a whole.

A subsidiary of the Fund owns the Uus-Järveküla development project, the fair value of which has been determined using the discounted cash flow method. The main inputs to the cash flows of the development project are the proceeds from the sale of the properties, the costs associated with the sale and the construction costs. The cash flows of the project have been discounted using a discount rate of 10%.

The subsidiary's assets, liabilities and net assets at fair value are shown in the table below:

Tohvri-Kivi OÜ	31.12.2021	Adjustment to fair value	Fair value as at 31.12.2021
€ thousand			
Cash and cash equivalents	915	0	915
Inventory	3,130	860	3,990
Total current assets	**4,045**	**860**	**4,905**
Long-term financial investments	3	0	3
Total non-current assets	**3**	**0**	**3**
TOTAL ASSETS	**4,048**	**860**	**4,908**
Short-term loans	12	0	12
Other current liabilities	561	0	561
Total current liabilities	**573**	**0**	**573**
Long-term loans	3,440	0	3,440
Other long-term debts	110	0	110
Total long-term liabilities	**3,550**	**0**	**3,550**
TOTAL LIABILITIES	**4,123**	**0**	**4,123**
NET ASSETS	**-75**	**860**	**785**
Revenue	0	0	0
Net profit / -loss	**-67**	**860**	**793**

The change in the fair value of the subsidiary resulted in a gain of EUR 626 thousand in 2021.

	31.12.2021
€ thousand	
The Fund's share in Tohvri-Kivi Oü	80%
Acquisition cost of the Fund's investment	2
Fair value of the Fund's investment	628
Profit /- loss on change in fair value	626

The effect of changes in the construction price of the development project, the sale price of the land and the discount rate on the carrying amount of the subsidiary.

	Effect of a change in construction price		Effect of a change in selling price		Effect of a change in the discount rate	
€ thousand	**+1%**	**-1%**	**+1%**	**-1%**	**+0.5pp**	**-0.5pp**
Effect on the fair value of the development project	-250	250	300	-300	-140	150
Effect on the fair value of the subsidiary in the Fund's balance sheet	-200	200	240	-240	-112	120

The real estate investments of the underlying funds of EfTEN United Property Fund are valued in all Baltic countries by an independent appraiser, Colliers International Advisors OÜ. The following assumptions have been used in the valuation of the fair value of the real estate investments held by the underlying funds as at 31.12.2021:

Underlying fund	The Fund's share in the underlying fund	Fair value of the underlying fund in the Fund's balance sheet	Annual rental income	Discount rate	Exit yield
€ thousand					
EfTEN Real Estate Fund 5 trust fund	43.6%	5,685	1.461	7.5%	6.0%
EfTEN Kinnisvarafond AS	0.45%	515	18.410	7.8%-9.3%	6.5%-8%
EfTEN Kinnisvarafond II AS	0.71%	1,003	20.002	7.9%-8.6%	6.6%-7.75%
EfTEN Residential Fund trust fund	0.57%	94	784	6.7%	5.0%
Total		**7.297**			

The table below shows the impact of the discount rate, the exit yield and the change in sales proceeds used in the estimates on the value of the underlying funds in the Fund's balance sheet.

Sensitivity analysis of underlying real estate investments		Effect of a change in the discount rate		Effects of a change in exit yield		Effect of a change in revenue	
Underlying fund	**Fair value on the Fund's balance sheet**	**+0.5 pp**	**-0.5pp**	**+0.5 pp**	**-0.5pp**	**+10%**	**-10%**
EfTEN Real Estate Fund 5 trust fund	5,685	-220	229	-625	743	1,087	-1,082
EfTEN Kinnisvarafond AS	514	-17	17	-38	43	94	-95
EfTEN Kinnisvarafond II AS	1,003	-37	38	-89	103	161	-157
EfTEN Residential Fund trust fund	94	-6	7	-2	2	9	-9
Total	**7,296**	**-279**	**292**	**-753**	**891**	**1,351**	**-1,343**

In 2021, the Fund received a total gain of EUR 726 thousand from the change in the fair value of subsidiaries and underlying funds.

Name	Acquisition cost	Market value	Gain on change in fair value
€ thousand			
Subsidiaries			
Tohvri-Kivi OÜ	2	628	626
Underlying funds			
EfTEN Real Estate Fund 5 trust fund	5,662	5,685	23
EfTEN Kinnisvarafond AS	500	515	15
EfTEN Kinnisvarafond II AS	963	1003	40
EfTEN Residential Fund trust fund	72	94	22
Total underlying funds	**7,197**	**7,297**	**100**
Total securities	**7,199**	**7,925**	**726**

The Fund did not sell or pledge any of its assets during the reporting period.

Fair value

The following is an analysis of assets at fair value by valuation technique. Valuation techniques are defined as follows:

Level 1 - Exchange prices on a traded market;

Level 2 - Assets and liabilities directly or indirectly linked to prices set in a traded market;

Level 3 - prices in a non-trading market.

As at 31.12.2021, the Fund does not hold any assets at fair value that would be included in a Level 1 group for valuation purposes. All of the Fund's investments in subsidiaries and underlying funds are carried at fair value and are included in the Level 3 group according to the valuation methodology. Details of significant management judgements and estimates are disclosed in note 2.2.

Note 5 Net asset value of the Fund

As of 31.12.2021, EfTEN United Property Fund has issued 1,553,563.391 shares with a total value of EUR 15,603 thousand. The shares will be issued monthly at the net asset value of the shares of the month preceding the subscription.

In 2021, the Fund issued shares as follows:

Month	Issue price per share	Number of shares issued	Cash received from the issue of shares
30.06.2021	10.00	271,797	2,718
31.07.2021	10.00	140,171	1,405
31.08.2021	10.01	105,854	1,076
30.09.2021	10.04	381,484	3,850
31.10.2021	10.06	223,149	2,261
30.11.2021	10.08	120,010	1,154
31.12.2021	10.09	311,097	3,139
Total		**1,553,562**	**15,603**

Note 6 Earnings per share

	22.06.2021 - 31.12.2021
Growth in net asset value attributable to shareholders, € thousand	776
Weighted average number of shares during the period, pcs.	928,165
Earnings per share, EUR	0.84

Note 7 Segment reporting

SEGMENT'S RESULT

	Commercial property	Residential property	Real estate development	Unallocated	Total
€ thousand					
Net gain/loss on assets at fair value through profit or loss	77	22	627	0	726
Interest income	0	0	77	0	77
Total revenue	**77**	**22**	**704**	**0**	**803**
Growth in net asset value attributable to shareholders	**77**	**22**	**704**	**-27**	**776**

SEGMENT'S ASSETS

	Commercial property	Residential property	Real estate development	Total
€ thousand				
Financial assets at fair value (Note 3)	7,203	94	628	7,925
Loans given (Note 3,9)	0	0	2,500	2,500
Interest receivables (Note 3,9)	0	0	77	77
Total investments	**7,203**	**94**	**3,205**	**10,502**
Net debt (cash minus total liabilities)				2,739
Other current assets				3,138
Net asset value				**16,379**

In the period 22.06.2021-31.12.2021 there were no transactions between the business segments. The main income of the Fund (approximately 91% of the increase in the Fund's net asset value) is generated by real estate development in Estonia, which is carried out by the Fund's subsidiary Tohvri-Kivi OÜ. The remainder of the growth in the Fund's net asset value is attributable to investments in underlying funds, see also Annex 3 and the "Statement of Investments of the Fund as at 31.12.2021".

Note 8 Events after the balance sheet date

In January 2022, a total of EUR 1,046 thousand of Fund units were subscribed and the Fund issued an additional 99 211.369 units. As at 31.01.2021, the Fund has issued shares for a total amount of EUR 16,649 thousand.

In January 2022, the Fund established a subsidiary EfTEN SPV1 UAB in Lithuania, paying EUR 2,500 thousand into the share capital of the subsidiary. In February 2022, the Fund paid an additional EUR 720 thousand into the share capital of the subsidiary and granted a loan of EUR 2,876 thousand for the acquisition of investment property. On 25.02.2022, the subsidiary acquired an office building in Vilnius, Lithuania.

Note 9 Related party transactions

EfTEN United Property Fund counts as related parties:

- Persons holding more than 10% of the paid-up capital of the Fund;

- a subsidiary of EfTEN United Property Fund;

- EfTEN Capital AS (the fund manager).

- The management of EfTEN Capital AS and companies controlled by the management..

During the reporting period, the Fund granted loans to subsidiaries for a total amount of EUR 2,500 thousand and received interest income of EUR 77 thousand on these loans. The loan is denominated in Euro and matures on 18.08.2025. The loan bears interest at 8% p.a. until 18.12.2024 and 15% p.a. from 19.12.2024.

As of 31.12.2021, the management of the Fund and the companies controlled by the management of the Fund held 25 716.715 EfTEN United Property Fund shares. The fund's management team consists of the members of the management board of the fund manager EfTEN Capital AS, the head of the retail division and the head of investments.

EfTEN United Property Fund does not pay any remuneration to the management of the fund. The management receives remuneration from the fund manager EfTEN Capital AS.

Fund's investment report as at 31.12.2021

Securities

Name	Location	Participation in investment	Acquisition cost	Market value	Share in the Fund's assets' market value
€ thousand					
Subsidiaries					
Tohvri-Kivi OÜ	Tallinn	80.0%	2	628	3.8%

Funds

Name	Type	Country of origin	Fund management company	Currency	Total average acquisition cost	Average share acquisition cost	Share in the fund	Total market value	Market value per share	Share in the Fund's net asset value
€ thousand										
Underlying funds										
EfTEN Real Estate Fund 5 trust fund	Trust fund	Estonia	EfTEN Capital AS	EUR	5,662	5,662	43.6%	5,685	5,685	34.7%
EfTEN Kinnisvarafond AS	Equity fund	Estonia	EfTEN Capital AS	EUR	500	0.0029	0.45%	515	0.0030	3.1%
EfTEN Kinnisvarafond II AS	Equity fund	Estonia	EfTEN Capital AS	EUR	963	0.0148	0.71%	1,003	0.0154	6.1%
EfTEN Residential Fund trust fund	Trust fund	Estonia	EfTEN Capital AS	EUR	72	72	0.57%	94	94	0.6%
Total underlying funds					**7,197**			**7 297**		**44.6%**

All funds whose shares and participations are held by EfTEN United Property Fund disclose their net asset value on a monthly basis.

Loans given

Borrower	Borrower's country of origin	Deadline	Interest rate	Contractual loan amount	Loan balance	Share in the Fund's assets' market value
€ thousand						
Tohvri-Kivi OÜ	Eesti	18.08.2025	8% until 18.12.2024 15% from 19.12.2024	2,500	2,500	15.3%

Other assets

Name	Market value	Share in the Fund's assets' market value
€ thousand		
Shares subscribed during the reporting period and received after the balance sheet date	3,139	19.2%
Interest receivables	77	0.5%
Total other assets	**3,215**	**19.6%**

Deposits

Credit institution	Type	Country of origin	Rating of the credit institution and name of the rating agency	Maturity date	Interest rate	Amount	Share in the Fund's net asset value
€ thousand							
Swedbank	On demand deposit	Estonia	Aa3	On demand	-	2,743	**16.7%**
TOTAL ASSETS						**16,383**	**100.0%**

Fund liabilities	**-4**	**-0.02%**
NET ASSET VALUE OF THE FUND	**16,379**	**100.00%**

The fund did not pay any custodian fees on investment transactions in 2021.

Independent Auditor's Report

To the Shareholders of EfTEN United Property Fund

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of EfTEN United Property Fund (the "Fund") as at 31 December 2021, and the Fund's financial performance and cash flows for the year (22 June 2021 until 31 December 2021) then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Fund's financial statements comprise:
- the statement of comprehensive income for the year ended as at 31 December 2021;
- the statement of financial position as at 31 December 2021;
- the statement of changes in the net asset value of the fund attributable to shareholders for the year then ended;
- the statements of cash flows for the year then ended;
- the notes to the 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 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 Fund 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 the Fund's investment report as at 31.12.2021 (but does not include the financial statements and our auditor's report thereon).

Our opinion on the 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 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 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 financial statements

The Management Board is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Board is responsible for assessing the Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- 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 Fund'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 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 Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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/

Lauri Past
Auditor’s certificate no. 567

/signed/

Rando Rand
Auditor’s certificate no. 617

25 February 2022
Tallinn, Estonia

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.