

Consolidated Annual Report 2021

Usaldusfond EfTEN Real Estate Fund 4

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**EFTEN
REAL
ESTATE
FUND 4**



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MANAGEMENT REPORT

Fund manager's Viljar Arakas comment on the results of 2021

The fund's result in 2021 met the fund manager's expectations. We managed two waves from the corona crisis - in the spring and autumn of 2021 - as expected. Looking at the results of the RYO shopping centre, it must be acknowledged that regional shopping centres are much more resilient to the crisis than centres in the capitals. As a small additional investment, we opened a separate Burger King building in the RYO parking garage in 2021.

After the balance sheet date, on February 23, 2022, the fund completed the acquisition of the Jauna Teika office complex. The fund invested 57.2 million euros in equity and 55% of the project will be financed with a bank loan.

All other real estate investments in the fund are performing as expected.

Overview of financial results

The consolidated sales revenue of the EFTEN Real Estate Fund 4 (hereinafter the "Fund") in 2021 totalled 15.104 million euros (2020: 9.450 million euros), increasing by 60% compared to 2020. Net rental income (NOI) totalled 14.345 million euros in 2021 (2020: 8.821 million euros), increasing by 63% year-on-year. The increase in sales revenue and NOI in 2021 is related to the acquisition of the logistics centres in Berg and Arginta at the beginning of 2021 and the acquisition of the SBA logistics and production complex at the end of 2020.

	2021	2020	Change	
			€	%
<i>€ million</i>				
Rental revenue, other fees from investment properties	15.104	9.450	5.654	60%
Expenses related to investment properties, incl. marketing costs	-0.759	-0.629	-0.130	21%
Net rental income	14.345	8.821	5.524	63%
<i>Net rental income margin</i>	95%	93%	0.016	2%
Interest expense and interest income	-1.965	-0.963	-1.002	104%
Net rental revenue less finance costs and income	12.380	7.858	4.522	58%
Management fees	-1.185	-0.729	-0.456	63%
Other income and expenses	-0.540	-0.416	-0.124	30%
Profit before change in the value of investment property, change in the success fee liability and income tax expense	10.655	6.713	3.942	59%

The volume of the Group's assets as of 31.12.2021 was 262.592 million euros (31.12.2020: 165.012 million euros), including the fair value of investment properties accounted for 76% of the volume of assets (31.12.2020: 86%).

	31.12.2021	31.12.2020	Change	
			€	%
<i>€ million</i>				
Investment properties	198.260	142.229	56.031	39%
Other non-current assets	0.293	14.138	-13.845	-98%
Current assets, excluding cash	1.093	0.799	0.294	37%
Total assets	262.592	165.012	97.580	59%
Net debt (cash and deposits minus short-term and long-term bank loans)	-19.952	-55.609	35.657	-64%
Net asset value (NAV)	163.957	90.476	73.481	81%
Capital contributions, cumulatively	149.438	85.500	63.938	75%
Unrestricted capital	0.000	63.938	-63.938	-100%

Key financial ratios

12 months	31.12.2021	31.12.2020
ROE, % (net profit of the period / average equity of the period) x 100	11.4	5.9
ROA, % (net profit of the period / average assets of the period) x 100	6.8	3.1
ROIC, % (net profit of the period / average invested capital of the period) * 100	12.4	6.2
Revenue (€ thousand)	15,104	9,450
Rental income (€ thousand)	14,757	9,124
EBITDA (€ thousand)	12,704	7,731
EBITDA margin, %	84%	82%
EBIT (€ thousand)	19,190	6,447
Comprehensive income (€ thousand)	14,513	4,516
Liquidity ratio (current assets / current liabilities)	4.9	1.6
DSCR, (EBITDA/(interest expenses + scheduled loan payments))	2.3	3.2

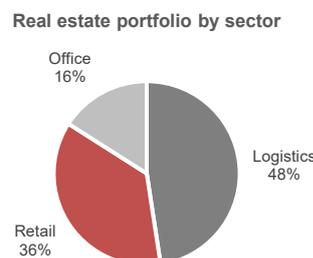
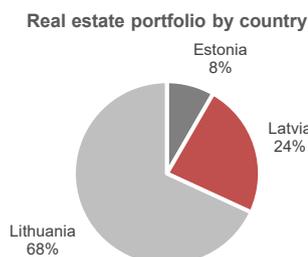
¹ The average invested capital for the period is the average involved capital of the EFTEN Real Estate Fund 4.

Real estate portfolio

The Group invests in commercial real estate with a strong and long-term tenant base. As of the end of 2021, the Group has 8 (31.12.2020: 6) commercial real estate investments with a fair value of EUR 198.260 million (2020: EUR 142.229 million) and an acquisition cost of EUR 189.401 million (2020: EUR 141.544 million), including an advance payment in the amount of EUR 1.500 million by the Fund for acquisition of EFTEN Plaza SIA property, in September 2021.

In 2021, the Group's subsidiaries acquired two new real estate investments - the Berg logistics centre in Latvia in January and the Argina logistics centre in Vilnius, Lithuania, in April.

As of 31.12.2021, the Group's real estate portfolio is divided by countries and sectors as follows:



Investment property, as of 31.12.2021	Group's ownership	Acquisition cost, € thousands	Fair value of investment property, € thousands	Net leasable area	Rental revenue per annum (€ thousand)	Direct Yield1	Primary net yield2	Occupancy, %	Average length of rental agreements	Number of tenants
Dominante logistics centre	100	16,694	16,350	37,665	1,209	7.2%	7.4%	74	3.5	4
SBA logistics and production centre	100	28,571	31,340	44,048	2,141	7.5%	6.8%	100	13.9	1
Bergi logistics centre	100	29,711	30,090	49,978	2,737	9.2%	9.1%	97	1.5	3
Arginta logistics centre	100	15,441	15,870	16,301	1,104	7.2%	7.0%	100	9.3	1
Total logistics		90,416	93,650	147,992	7,191	8.0%	7.7%	92	7.0	9
River Mall shopping centre	100	18,326	18,760	9,793	1,313	7.2%	7.0%	100	7.9	34
Ryo shopping centre	100	48,077	53,000	23,679	4,159	8.7%	7.8%	98	3.1	111
Total retail		66,403	71,760	33,472	5,472	8.2%	7.6%	98	4.3	145
Kadrioru business centre	100	16,854	16,350	6,582	967	5.7%	5.9%	84	1.9	22
River Hall business centre	100	14,229	15,000	8,786	992	7.0%	6.6%	89	2.4	12
Total office		31,083	31,350	15,368	1,959	6.3%	6.2%	87	2.1	34
Total real estate portfolio		187,901	196,760	196,832	14,622	7.8%	7.4%	93	5.3	188

¹ The direct return on investment property is the ratio of the actual net rental income (calculated for 12 months) to the acquisition cost of investment property and subsequent capitalized expenses as of 31.12.2021.

² The primary net return on investment properties is the ratio of the actual net rental income (calculated for 12 months) to the fair value of investment properties as of 31.12.2021.

Comparable rental income by business segment € thousands	Fair value 31.12.2021	Rental income 2021	Rental income 2020	Rental income change	
				€	%
Office	31,350	2,054	2,196	-142	-6%
Logistics	16,350	1,307	1,202	105	9%
Retail	71,760	5,588	5,548	40	1%
Total comparable assets and rental income	119,460	8,949	8,946	3	0%
Acquired assets and rental income	78,800	5,808	178	5,630	
Total real estate portfolio assets and rental income	198,260	14,757	9,124	5,633	62%

Comparable rental income by geographical segments € thousands	Fair value 31.12.2021	Rental income 2021	Rental income 2020	Rental income change	
				€	%
Estonia	16,350	1,036	1,159	-123	-11%
Latvia	16,350	1,307	1,202	105	9%
Lithuania	86,760	6,606	6,585	21	0%
Total comparable assets and rental income	119,460	8,949	8,946	3	0%
Acquired assets and rental income	78,800	5,808	178	5,630	
Total real estate portfolio assets and rental income	198,260	14,757	9,124	5,633	62%

As of 31.12.2021, the Group has a total of 188 tenants. 52.6% of the lease agreements entered into as of the balance sheet date are the contractual income of 7 customers.

Tenant	Share of consolidated rental income
Innovo logistics UAB	14.4%
Do IT SIA	12.5%
Trialto Latvia SIA	7.7%
Arginta Group UAB	7.4%
Maxima LT UAB	3.8%
Orkla Latvija SIA	3.6%
Hakonlita, UAB	3.2%
Others	47.4%

Valuation of investment properties

EFTEN Real Estate Fund 4 regularly evaluates real estate investments twice a year - in June and December. The appraiser of the Group's real estate investments is Colliers International Advisors OÜ. The total value of investment properties increased by 3.3% in 2021 as a result of revaluations (2020: value decreased by 1.5%) and the Group earned a profit of 8.174 million euros from the change in the fair value of investment properties (2020: a loss of 2.115 million euros).

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 level of risk of the tenants. Compared to 2020, the exit yield and discount rates used in the valuations decreased for the largest objects. While in 2020 the level of exit yield used in portfolio valuations averaged 7.7%, in 2021 it was 7.35%. Discount rates also decreased slightly, from 8.53% in 2020 to 8.45% in 2021.

Net asset value

The net asset value of the Fund as of 31 December 2021 is 163,957 thousand euros (31.12.2020: 90,476 thousand euros). The fund has a total of 33 investors. The owners of more than 10% of the fund are listed in the table below:

Investor	31.12.2021
Swedbank Latvia pension funds	21.7%
EBRD	20.0%
SEB pension funds	14.9%
LHV pension funds	13.6%
Swedbank Estonia pension funds	12.7%

The fund pays out to investors to the extent that it complies with the limited partnership agreement. Periodic payments are based on dividends and interest received from subsidiaries. Subsidiaries pay dividends and interest in such a way that, after disbursements, the financial indicators of the subsidiaries meet the requirements of the special terms of the loan agreements and liquidity is provided for both working capital and additional investments.

Other information

The Group's financial instruments and financial risk hedging objective, as well as the risks related to changes in interest rates, are presented in Note 15 to the consolidated financial statements.

The structure of the consolidation group is presented in Note 1 to the consolidated financial statements.

Governance

The EFTEN Real Estate Fund 4 was registered in the commercial register in October 2018, after which the fund started its operations.

In 2021, one (regular) general meeting of investors was held and the annual report for 2020 was approved. There were no extraordinary investor meetings in 2021.

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 2021 there were no changes in the Management Board. The management board of the general partner supervises the activities of the management company related to the fund and the activities of the depositary to the extent and pursuant to the procedure prescribed in the depositary agreement, as well as performs other tasks arising from the partnership agreement.

FINANCIAL STATEMENTS OF THE CONSOLIDATION GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2021	2020
<i>€ thousands</i>			
Revenue	4.5	15,104	9,450
Cost of services sold	6	-564	-485
Marketing costs	7	-195	-144
Net rental income		14,345	8,821
General and administrative expenses	8	-1,763	-1,191
Gain / loss from revaluation of investment properties	11	8,174	-2,115
Success fee change	14	-1,604	886
Other operating income and expense		38	46
Operating profit		19,190	6,447
Interest expenses		-1,965	-963
Profit before income tax		17,225	5,484
Income tax expense	9	-2,712	-968
Net profit for the financial year		14,513	4,516
Total comprehensive income for the financial year	4	14,513	4,516

The notes on pages 10 to 36 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2021	31.12.2020
<i>€ thousands</i>			
ASSETS			
Cash and cash equivalents	15	62,946	7,846
Receivables and accrued income	10	1,038	785
Prepaid expenses		55	14
Total current assets		64,039	8,645
Long-term receivables	10	87	13,901
Investment property	4.11	198,260	142,229
Property, plant and equipment		197	228
Intangible assets		9	9
Total non-current assets		198,553	156,367
TOTAL ASSETS		262,592	165,012
LIABILITIES AND EQUITY NET VALUE			
Borrowings	12	11,959	4,044
Payables and prepayments	13	1,183	1,425
Total current liabilities		13,142	5,469
Borrowings	12	70,606	59,324
Other long-term debt	13	3,827	1,945
Deferred income tax liability	9	11,060	7,798
Total non-current liabilities		85,493	69,067
Total liabilities		98,635	74,536
Total net asset value of the Fund owned by limited and general partners		163,957	90,476
TOTAL LIABILITIES AND TOTAL NET ASSETS		262,592	165,012

The notes on pages 10 to 36 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2021	2020
<i>€ thousands</i>			
Net profit		14,513	4,516
<i>Adjustments of net profit:</i>			
Interest expenses		1,965	963
Gains / losses on revaluation of investment property	11	-8,174	2,115
Success fee change	14	1,604	-886
Depreciation and impairment losses	6.8	84	55
Income tax expense	9	2,712	968
Total adjustments with non-cash changes		-1,809	3,215
Cash flow from operations before changes in working capital		12,704	7,731
Change in receivables and payables related to operating activities		-746	26
Net cash flow generated from operating activities		11,958	7,757
Purchase of property, plant and equipment		-10	-45
Purchase of investment property	11	-5,607	-865
Acquisition of subsidiaries	3	-4,933	-24,798
Interest received		1	0
Net cash flow generated from investing activities		-10,549	-25,708
Loans received	12	464	457
Scheduled loan repayments	12	-3,494	-1,515
Interest paid		-2,201	-1,106
Interest paid to investors	15	-965	-254
Capital contributions	16	63,938	25,400
Capital returns	15	-4,006	-2,900
Income tax on dividends paid	9	-45	-125
Net cash flow generated from financing activities		53,691	19,957
NET CASH FLOW		55,100	2,006
Cash and cash equivalents at the beginning of period	15	7,846	5,840
Change in cash and cash equivalents		55,100	2,006
Cash and cash equivalents at the end of period	15	62,946	7,846

The notes on pages 10 to 36 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS OF THE FUND

	2021	2020
<i>€ thousands</i>		
Net asset value of the Fund owned by limited and general partners at the beginning of the period	90,476	63,714
Capital contributions	63,938	25,400
Net change in equity (Note 16)	63,938	25,400
Transfer of dividends and interest to the fund's investors (Note 16)	-4,971	-3,154
Gross profit for the year	14,513	4,516
Net asset value of the Fund owned by limited and general partners at the end of the period	163,957	90,476

Additional information on capital contributions is provided in Note 16.

The notes on pages 10 to 36 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

EFTEN Real Estate Fund 4 (hereinafter also referred to as the 'Fund') is a real estate fund established in October 2018 that invests in cash-generating commercial real estate.

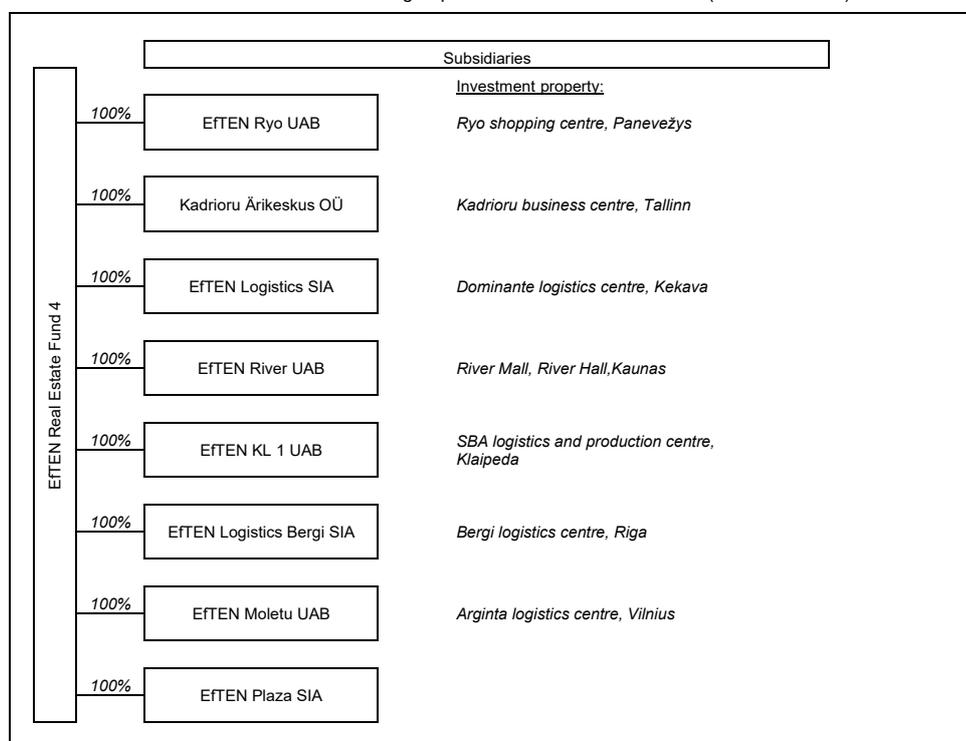
The fund is a closed-ended, alternative investment fund. The fund is guided by a core and core plus investment strategy. The investment region of the EFTEN Real Estate Fund 4 is the Baltic States.

The fund's investment activities are managed by EFTEN Capital AS. The general partner of the fund is EFTEN Neljas GP OÜ.

EFTEN Real Estate Fund 4 The financial statements for the year ended 31 December 2021 have been signed by the Management Board on 14 March 2022.

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

The structure of the EFTEN Real Estate Fund 4 group as of 31.12.2021 is as follows (see also Note 3):



2 Statement of compliance and general basis for the preparation of the consolidated accounts

According to the Investment Funds Act and the Regulation of the Minister of Finance no. 8 Requirements for the Fund's Financial Statements to be Disclosed (adopted on 18 January 2017) the accounting policies and disclosures set out in International Financial Reporting Standards (IFRS) as adopted by the European Commission, taking into account the procedure for determining the net asset value of the fund provided for in the regulation established on the basis of subsection 54 (11) of the Investment Funds Act and other specifications set out in the above Regulation. The requirements provided for in the Accounting Act have also been considered.

In compiling its report, the Fund has followed the requirements of IFRS to the extent that is not in conflict with the Investment Funds Act and Regulation no. 8 requirements. In case of conflict, the Fund has proceeded from the Investment Funds Act and Regulation no. 8 (Requirements for the Fund's Reports to be Disclosed). The accounting policies used in the preparation of this report 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 (for example, investment property is carried at fair value).

2.1 Changes in accounting policies and presentation

Adopt of new or revised standards and interpretations

From 1 January 2021, the Group did not become obliged to adopt new or amended standards and interpretations related to the disclosure of financial information in the Group's areas of activity.

The standards become effective in subsequent reporting periods

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

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

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 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 Group will analyse and disclose the effect of this change after its implementation.

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

The Group will analyse and disclose the effect of this change after its implementation.

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 will analyse and disclose the effect of this change after its implementation.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies

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

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 Group will analyse and disclose the effect of this change after its implementation.

Amendments to IAS 8: Definition of Accounting Estimates

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

The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

The Group will analyse and disclose the effect of this change after its implementation.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12

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

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 Group will analyse and disclose the effect of this change after its implementation.

2.2 Summary of significant accounting principles

Management's critical estimates and judgements

The preparation of consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses, and the disclosure of contingent assets and contingent liabilities.

Although estimates and underlying assumptions are reviewed on an ongoing basis and they are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances, actual results may differ from the estimates.

Information about management's critical judgements and estimates that have a material effect on the amounts reported in the financial statements is provided below.

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 each balance sheet date at its fair value. The Group's real estate investments are valued by Colliers International Advisors OÜ. The Group's independent valuer evaluates investment property on an individualized basis using the discounted cash flow method. All the Group's investment properties earn (or are beginning to earn) rental income, therefore the applied method best indicates the fair value of the investment properties among the alternatives (comparison method for example). The estimates of cash flows of 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 properties, their technical condition, and the tenant risk level. Compared to 2020, the exit productivity and discount rates used in the valuations decreased at most sites. While in 2020 the level of exit productivity used in portfolio valuations averaged 7.7%, in 2021 it was 7.35%. Discount rates also decreased slightly, averaging 8.53% in 2020 and 8.45% in 2021.

Additional information on the assumptions used in valuation of fair values can be found in Note 15.

b) Assessments of control or significant influence in other entities

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. Thus, 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 acquisition of assets

Purchases of real estate are generally treated as acquisitions of assets. The management estimates that there is no business combination if the property has individual tenants, the Fund does not acquire any assets or rights other than the property and does not employ any past employees. The Fund does not acquire the business process management know-how of the real estate object but manages all the acquired objects centrally.

2.2.2 Investment company

The management of the Group has assessed its activities to meet the definition of an investment company and considers that EFTEN Real Estate Fund 4 AS does not meet the definition of an investment company as it has the characteristics of a real estate company rather than a pure investment company. Although investors in EFTEN Real Estate Fund 4 AS expect both capital appreciation and operating profit from their capital investment, EFTEN Real Estate Fund 4 also carries a significant amount of development risk in its investments, which is typical of a typical real estate company. An investment firm should also make direct investments in companies that are measured at fair value in accordance with IFRS 10. For the parent company of EFTEN Real Estate Fund 4 AS, fair value measurement is indirect - the fair value is the value of assets held in subsidiaries, resulting in the fair value of the subsidiary not necessarily being the ultimate market price of the

subsidiary. The Group also estimates its financial performance based on rental income, profit margins, volume of assets and other financial indicators of the real estate business, which cannot be measured solely by the fair value of the subsidiary.

Consolidation

The consolidated financial statements present the financial information of EFTEN Real Estate Fund 4 AS 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. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

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.

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 geographical segments are presented in the following table:

	Estonia	Latvia	Lithuania
Office	Kadrioru business centre, Tallinn		River Hall business centre, Kaunas
Logistics		Dominante logistics centre, Kekava	SBA logistics and production centre, Klaipeda
		Bergi logistics centre, Riga	Arginta logistics centre, Vilnius
Retail			Ryo shopping centre, Panevežys
			River Mall shopping centre, Kaunas

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

Investments in subsidiaries in the separate balance sheet of the parent company

In the separate balance sheet of the parent company (presented in Note 19), the investments in subsidiaries are measured at fair value. Dividends paid by subsidiaries are recognised at the moment when the parent company obtains the right to these dividends.

Revenue recognition

Revenue is income arising during 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 several implementation obligations. If such different implementation obligations exist, then the total transaction fee is allocated to each obligation to execute based on 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.

Finance income

Interest income is recognised on an accrual basis, using the effective interest rate method. Dividend income is recognised when the right to receive payment has been established.

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.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the 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 of 31 December 2021, and 31 December 2020, 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 criterion 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 the fair value of debt instruments are recognized 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 Company does not have any 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.

Investment property

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

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 performance fees for amounts exceeding investors' contributions and preferred returns (8% of contributions per year). 80% of investors' contributions and disbursements exceeding the rate of preferred return 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 net asset value of the group at the balance sheet date. The potential calculation of the performance 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 performance fee obligation is paid to the Management Company after all the initially paid-in capital and preferred return have been returned to the Fund's investors.

Period costs from the change in performance 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 existed at the balance sheet date, and its fulfilment will probably require the asset to be disposed of in a reliable amount in the future.

Contingent liabilities also include liabilities arising from events occurring on the balance sheet date, the management of which, in the opinion of the management, is unlikely to materialize.

Leases

Leases, which transfer substantially all the risks and rewards incidental to ownership to the lessee, are classified as finance leases. Other leases are classified as operating leases.

Assets subject to operating leases are recognised in the lessor's balance sheet. Operating lease payments received and made are recognised as income and expenses, respectively, on a straight-line basis over the period of the lease.

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, which is why the trust fund is not considered 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 profit distributions (dividends) are paid out. The tax rate on (net) dividends is 20/80. Income tax on the payment of dividends is recognized as an expense in the income statement when the dividends are declared (liability arises).

From 2019, it will be possible to apply a tax rate of 14/86 to dividend payments. This more favourable tax rate can be used for dividend payments up to the average dividend payment of the previous three financial years, which is taxed at 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.

As a result of the implementation of the Income Tax Act in force since 2018, there are no longer any differences between the tax accounting and carrying amounts of assets and liabilities in Latvia and therefore no deferred income tax assets or liabilities are recognized for Latvian subsidiaries. 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

In Lithuania, the company's net profit is subject to a 15% income tax rate. Taxable income is calculated from corporate profits before income tax, which is adjusted in accordance with the requirements of local income tax laws in addition to income and expense additions permitted in the income tax returns.

For Lithuanian subsidiaries, a deferred tax asset or liability is recognized for the temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the balance sheet date. Deferred income tax assets are recognized in the balance sheet only when it is probable that future taxable profits will be available against which the deferred tax assets can be utilized.

Recognition of deferred tax liability in consolidated financial statements

The Group's deferred tax liability arises for companies located in countries where profits are taxed.

The Group's deferred income tax liability also arises from investments in Estonian and Latvian subsidiaries and associates, unless the Group is able to control the timing of the reversal of taxable temporary differences and it is unlikely that they will reverse 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 amount of the planned dividend payment, provided that there are sufficient funds and equity to distribute the profit in the foreseeable future. In measuring a deferred tax liability, the Group uses tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the temporary differences reverse.

Paid-in capital

The Fund's investors have made an investment obligation to the Fund and the maximum amount of the obligations is set out in Note 16. Pursuant to the agreement between the Fund and investors (partnership agreement), the Fund requires investors to pay the investment obligation as required by submitting a written application to investors. The Fund's investors (limited partners) are liable to the Fund with the 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 assumed 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 recorded as a liability in the financial statements, as upon liquidation of the Fund there is an obligation to return their proportionate share of the Fund's net assets, investors' contributions to the Fund are not registered as capital and investors' liabilities to the Fund are not identical.

3 Subsidiaries

Company's name	Country of domicile	Investment property	The subsidiary's equity, EUR thousand		Group's ownership interest, %	
			31.12.2021	31.12.2020	31.12.2021	31.12.2020
Parent company						
EFTEN Real Estate Fund 4	Estonia					
Subsidiaries						
EFTEN Ryo UAB	Lithuania	Ryo shopping centre, Panevežys	27,235	24,392	100	100
Kadrioru Ärikeskus OÜ	Estonia	Kadrioru business centre, Tallinn	2,209	2,177	100	100
EFTEN River UAB	Lithuania	River Mall, River Hall, Kaunas	16,517	14,691	100	100
EFTEN Logistics SIA	Latvia	Dominante logistics centre, Kekava	4,556	3,869	100	100
EFTEN KL 1 UAB	Lithuania	SBA logistics and production centre, Klaipeda	6,926	3,957	100	100
EFTEN Logistics Bergi SIA	Latvia	Bergi logistics centre, Riga	6,493	-	100	-
EFTEN Moletu UAB	Lithuania	Arginta logistics centre, Vilnius	6,885	-	100	-
EFTEN Plaza SIA	Latvia	Jauna Teika office complex was acquired after the balance sheet date, in February 2022	14,314	-	100	-

All subsidiaries are engaged in the acquisition and leasing of investment properties. The shares of any of the subsidiaries are not quoted on the stock exchange.

Acquisitions in 2021

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

The fair value of Bergi SIA at the time of acquisition is presented in the table below.

01.01.2021	Fair value
€ thousands	
Cash	1,153
Receivables and prepayments	32
Investment property (Note 11)	26,750
Bank loans (Note 3)	-14,000
Own loans and interest liabilities on owner loans	-7,962
Other liabilities	-34
Fair value of net assets	5,939
Acquisition cost	5,939
Takeover of owner - occupied loans	7,962
Goodwill	0

In March 2021, the Fund acquired a wholly owned subsidiary in Lithuania (EFTEN Moletu UAB). The acquisition cost of the subsidiary totalled 6,099 thousand euros. The subsidiary owns the Arginta logistics centre in Vilnius, Lithuania.

31.03.2021	Fair value
€ thousands	
Cash	31
Receivables and prepayments	1,076
Investment property (Note 11)	15,440
Other non - current assets	100
Bank loans (Note 3)	-8,500
Own loans and interest liabilities on owner loans	0
Deferred income tax liability (Note 9)	-761
Other liabilities	-1,287
Fair value of net assets	6,099
Acquisition cost	6,099
Goodwill	0

In June 2021, the Fund established one wholly-owned subsidiary in Latvia (EFTEN Plaza SIA), paying 4 thousand euros for the share capital of the subsidiary. In November 2021, the Fund paid an additional 14,500 thousand euros to the equity of the subsidiary and granted a loan of 42,675 thousand euros to the subsidiary. After the balance sheet date, in February 2022, EFTEN Plaza SIA acquired a wholly owned subsidiary of JT Offices SIA, which owns the Jauna Teika office complex in Latvia. EFTEN Plaza SIA paid a total of 131,157 thousand euros for the acquisition of the subsidiary.

The initial fair value of JT Offices SIA's net assets is presented in the table below:

Estimated contractual balance sheet of JT Offices SIA as of 30.11.2021	
<i>€ thousands</i>	
Cash	2,000
Receivables and prepayments	1,175
Investment property	129,507
Other liabilities	-1,525
Fair value of net assets	131,157
Acquisition cost	131,157
Goodwill	0

Following the transaction, the acquisition cost of JT Offices SIA will be adjusted according to the actual fair value of the subsidiary's assets and liabilities as of 25.02.2022.

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 shareholding in the subsidiary and taking over owner loans in the total amount of 5,906 thousand euros. In November 2020, EFTEN Logistics SIA and EFTEN Logistics SIA merged.

01.01.2020	Fair value
<i>€ thousands</i>	
Cash	238
Receivables and prepayments	281
Investment property (Note 11)	16,500
Owner's loans and interest on owner's loans	-5,906
Other liabilities	-303
Fair value of net assets	10,810
Acquisition cost	10,810
Takeover of owner's 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 holdings and taking over owner loans in the total amount of 7,429 thousand euros. The subsidiaries are planned to be merged 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
<i>€ thousands</i>	
Cash	620
Deferred income tax asset	69
Receivables and prepayments	156
Investment property (Note 11)	19,543
Bank loans (Note 12)	-12,018
Owner's loans and interest on owner's 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 owner's loans	4,465
Goodwill	0

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

07.12.2020	Fair value
<i>€ thousands</i>	
Cash	9
Receivables and prepayments	183
Investment property (Note 11)	8,906
Bank loans (Note 12)	-4,308
Owner's loans and interest on owner's loans	-2,964
Other liabilities	-931
Fair value of net assets	895
Acquisition cost	895
Takeover of owner's 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 10, 19).

4 Segment reporting

SEGMENT RESULTS

	Office		Logistics		Retail		Non-allocated		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<i>€ thousands</i>										
Revenue (Note 5), incl	2,051	2,198	7,131	1,436	5,922	5,816	0	0	15,104	9,450
Estonia	1,034	1,159	0	0	0	0	0	0	1,034	1,159
Latvia	0	0	4,157	1,223	0	0	0	0	4,157	1,223
Lithuania	1,017	1,039	2,974	213	5,922	5,816	0	0	9,913	7,068
Operating income, net, incl.	1,941	2,149	6,914	1,221	5,490	5,451	0	0	14,345	8,821
Estonia	967	1,127	0	0	0	0	0	0	967	1,127
Latvia	0	0	3,945	1,082	0	0	0	0	3,945	1,082
Lithuania	974	1,022	2,969	139	5,490	5,451	0	0	9,433	6,612
Operating profit, incl	1,920	1,266	9,982	262	9,040	4,199	-148	-166	20,794	5,561
Estonia	697	765	0	0	0	0	-148	-166	549	599
Latvia	-83	0	4,180	204	0	0	0	0	4,097	204
Lithuania	1,306	501	5,802	58	9,040	4,199	0	0	16,148	4,758
EBITDA, incl.	1,623	1,920	6,146	901	5,083	5,076	-148	-166	12,704	7,731
Estonia	827	985	0	0	0	0	-148	-166	679	819
Latvia	-83	0	3,520	843	0	0	0	0	3,437	843
Lithuania	879	935	2,626	58	5,083	5,076	0	0	8,588	6,069
Operating profit									20,794	5,561
Net financial expense									-3,569	-77
Profit before income tax expense									17,225	5,484
Income tax expense (Note 9)									-2,712	-968
NET PROFIT FOR THE FINANCIAL PERIOD									14,513	4,516

SEGMENT ASSETS

As at the end of the year	Office		Logistics		Retail		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<i>€ thousands</i>								
Investment property								
Estonia	16,350	16,480	0	0	0	0	16,350	16,480
Latvia	1,500	0	46,440	16,020	0	0	47,940	16,020
Lithuania	15,000	14,400	47,210	28,459	71,760	66,870	133,970	109,729
Total investment property (Note 11)	32,850	30,880	93,650	44,479	71,760	66,870	198,260	142,229
Other non-current assets							293	14,138
Net debt (liabilities less cash)							-35,689	-66,690
Other short-term assets							1,093	799
NET ASSETS							163,957	90,476

In 2021 and 2020, the business segments did not make any 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. In 2021, 14.4% and 12.5% of the Group's consolidated rental income will be received from Innovo Logistics UAB, which leases logistics space in the SBA logistics centre in Lithuania, and Do It SIA, which leases logistics space in the Bergi logistics centre in Latvia. The share of income of other tenants in the consolidated income is less than 10%.

5 Revenue

Areas of activity	2021	2020
<i>€ thousands</i>		
Rental income from office premises (Note 11)	2,052	2,197
Rental income from retail premises (Note 11)	5,588	5,547
Rental income from warehousing and logistics premises (Note 11)	7,117	1,380
Other sales revenue	347	326
Total revenue by areas of activity (Note 4)	15,104	9,450

Revenue by geographical area	2021	2020
<i>€ thousands</i>		
Estonia	1,034	1,159
Latvia	4,157	1,223
Lithuania	9,913	7,068
Total revenue by geographical area (Note 4)	15,104	9,450

6 The cost of services sold

Cost of services sold	2021	2020
<i>€ thousands</i>		
Repair and maintenance of rental premises	-239	-108
Property insurance	-9	-10
Land tax and real-estate tax	-93	-155
Other administrative expenditure	0	-14
Utility costs for vacant premises	-44	-11
Depreciation of property, plant and equipment	-8	-8
Improvement costs	-7	-11
Wages and salaries, incl. taxes (Note 17)	-149	-147
Other costs	-14	-2
Impairment losses of doubtful receivables	-1	-19
Total cost of service sold (Note 11)	-564	-485

7 Marketing costs

Marketing costs	2021	2020
<i>€ thousands</i>		
Commission expenses on rental premises	-26	-11
Advertising, promotional events	-169	-133
Total marketing costs	-195	-144

8 General and administrative expenses

General and administrative expenses	2021	2020
<i>€ thousands</i>		
Management services (Note 17)	-1,185	-729
Office expenses	-14	-11
Wages and salaries, incl. taxes (Note 17)	-17	-8
Consulting expenses, legal aid, accounting services, evaluation services, audits	-402	-357
Regulator costs	-52	-34
Other general and administrative expenses	-17	-4
Depreciation	-76	-48
Total general and administrative expenses	-1,763	-1,191

9 Income tax

	2021	2020
<i>€ thousands</i>		
Deferred income tax expense on dividends	-474	-60
Deferred income tax expense for Lithuanian companies	-2,072	-834
Lithuanian corporate income tax expense on profits	-166	-74
Total income tax expense (Note 4)	-2,712	-968

As of 31.12.2021 and 31.12.2020, the Group has deferred income tax liability in the following amounts:

	Deferred income tax liability related to real estate investments	Deferred income tax liability related to dividends	Total
<i>€ thousands</i>			
Balance as at 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 as at 31.12.2020	7,738	60	7,798
Change in deferred income tax liability in the income statement in 2021	2,072	474	2,546
Income tax paid on dividends	0	-45	-45
Deferred income tax liability from business combinations (Note 3)	761	0	761
Balance as at 31.12.2021	10,571	489	11,060

10 Receivables and accrued income

Current receivables and accrued income

	31.12.2021	31.12.2020
<i>€ thousands</i>		
Trade receivables		
Receivables from customers	976	675
Allowance for doubtful accounts	-1	-38
Total trade receivables (Note 15)	975	637
Accrued income		
Advances on other taxes	0	126
Other accrued income	63	22
Total accrued income	63	148
Total receivables (Note 15)	1,038	785

Long - term receivables

	31.12.2021	31.12.2020
<i>€ thousands</i>		
Prepayments for the acquisition of subsidiaries (Note 3)	0	13,901
Requirements related to real estate development projects	87	0
Total long - term receivables	87	13,901

11 Investment property

As of 31.12.2021, the Group has made investments in the following investment properties:

Name	Location	Net rental area (m2)	Year of construction	Date of acquisition	Acquisition cost	Market value at 31.12.2021	Increase in value	Share of market value of the Fund's asset
<i>€ thousands</i>								
Kadrioru business centre	Tallinn, Estonia	6,582	2016	12.2018	16,854	16,350	-3%	8%
Ryo shopping centre	Panevėžys, Lithuania	23,679	2005/2015	12.2018	48,077	53,000	10%	27%
River Hall business centre	Kaunas, Lithuania	8,786	2016/2018	08.2019	14,229	15,000	5%	8%
River Mall shopping centre	Kaunas, Lithuania	9,793	2016/2018	08.2019	18,326	18,760	2%	9%
Dominante logistics centre	Riga, Latvia	37,665	2007	01.2020	16,694	16,350	-2%	8%
SBA logistics and production centre	Klaipeda, Lithuania	44,048	2020	12.2020	28,571	31,340	10%	16%
Bergi logistics centre	Riga, Latvia	49,978	2008	01.2021	29,711	30,090	1%	15%
Arginta logistics centre	Vilnius, Lithuania	16,301	2007/2018	03.2021	15,441	15,870	3%	8%
Total		196,832			187,901	196,760	5%	99%

In September 2021, the Fund made an advance payment for the acquisition of EFTEN Plaza SIA in the total amount of 1,500 thousand euros.

During the reporting periods in 2021 and 2020, the following changes have taken place in the Group's real estate investments:

	Finished real estate investments	Prepayments for real estate investments	Total real estate investments
Balance as at 31.12.2019	98,500	0	98,500
Acquisitions from business combinations in 2020	895	0	895
Capitalized improvements in 2020 (Note 3)	44,949	0	44,949
Gain / loss on change in fair value in 2020	-2,115	0	-2,115
Balance as at 31.12.2020 (Note 4)	142,229	0	142,229
Acquisitions from business combinations in 2021	4,167	0	4,167
Capitalized improvements in 2021 (Note 3)	42,190	1,500	43,690
Gain / loss on change in fair value in 2021	8,174	0	8,174
Balance as at 31.12.2021 (Note 4)	196,760	1,500	198,260

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	2021	2020
Rental income from investment properties (Note 5)	14,757	9,124
Costs directly related to the management of investment properties (Note 6)	-564	-485
Prepayments for investment property	1,500	0
Book value of investment properties pledged as collateral for loan liabilities	180,410	126,209

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

The lease agreements concluded between EFTEN Real Estate Fund 4 and the tenants comply with the terms of the uninterruptible operating lease agreements.

Revenue from these leases is distributed as follows:

Payments under non - cancellable operating leases	31.12.2021	31.12.2020
<i>€ thousands</i>		
up to 1 year	13,018	10,765
2-5 years	28,319	27,574
Over 5 years	32,536	30,742
Total	73,873	69,081

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 all investment properties reported in the Group's financial statements as of 31.12.2021 and 31.12.2020 have been obtained using the discounted cash flow method. The following assumptions have been used to determine fair value:

In 2021:

Sector	Fair value	Evaluation method	Estimated rental income per year	Discount rate	Exit yield	Average rental price€/m2
<i>€ thousands</i>						
Office	32,850	Discounted cash flows	2,160	7.8%-8.2%	6.8%-7.0%	13.2
Logistics	93,650	Discounted cash flows	7,078	8.2%-9.3%	6.75%-8.0%	4.0
Retail	71,760	Discounted cash flows	6,186	8.2%-9.0%	7.75%-8.5%	15.7
Total	198,260		15 424			

In 2020:

Sector	Fair value	Evaluation method	Estimated rental income per year	Discount rate	Exit yield	Average rental price€/m2
<i>€ thousands</i>						
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			

Independent expert estimates for 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 deposit 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 31.12.2021 to the most important valuation assumptions:

Sector	Fair value	Sensitivity to management estimate			Sensitivity to independent appraisal		
		Revenue +10%	Revenue -10%	Discount rate +50bp	Discount rate -50bp	Exit yield +50bp	Exit yield -50bp
<i>€ thousands</i>							
Office	32,850	650	-660	-650	650	-1,580	1,800
Logistics	93,650	750	-720	-1,880	1,940	-4,520	5,230
Retail	71,760	1,050	-1,050	-1,370	1,490	-2,810	3,220
Total	198,260	2,450	-2,430	-3,900	4,080	-8,910	10,250

As at 31.12.2020

Sector	Fair value	Sensitivity to management estimate			Sensitivity to independent appraisal		
		Revenue +10%	Revenue -10%	Discount rate +50bp	Discount rate -50bp	Capitalisation rate +50bp	Capitalisation rate -50bp
<i>€ thousands</i>							
Office	30,880	660	-650	-630	640	-1,520	1,760
Logistics	44,479	590	-570	-870	910	-1,880	2,150
Retail	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

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

12 Borrowings

As at 31.12.2021, the Group has the following borrowings:

Lender	Country of lender	Loan amount as per agreement	Loan balance as at 31.12.2021	Contract term	Interest rate as at 31.12.2021	Loan collateral	Value of collateral	Loan balance's share of the fund's net asset value
Swedbank	Estonia	9,200	8,487	25.11.23	1.60%	Mortgage - Kadrioru business centre	16,350	5.2%
Swedbank	Lithuania	24,500	21,981	28.11.23	2.10%	Mortgage - RYO shopping centre	53,000	13.4%
Luminor	Lithuania	17,160	16,623	06.12.23	2.55%	Mortgage - SBA logistics and production centre	31,340	10.1%
SEB	Latvia	14,000	13,399	04.11.25	2.20%	Mortgage - Bergi logistics centre	30,090	8.2%
Luminor	Lithuania	8,500	8,273	30.03.24	2.65%	Mortgage - Arginta logistics centre	15,870	5.0%
Swedbank	Lithuania	16,100	14,135	17.07.24	2.45%	Mortgage - River shopping centre	33,760	8.6%
Total		89,460	82,898				180,410	50.6%

As at 31.12.2020, the Group has the following borrowings:

Lender	Country of lender	Loan amount as per agreement	Loan balance as at 31.12.2021	Contract term	Interest rate as at 31.12.2021	Loan collateral	Value of collateral	Loan balance's share of the fund's net asset value
Swedbank	Estonia	9,200	8,763	25.11.23	1.60%	Mortgage - Kadrioru business centre	16,480	9.7%
Swedbank	Lithuania	24,500	23,005	28.11.23	2.10%	Mortgage - RYO shopping centre	48,800	25.4%
Swedbank	Lithuania	16,100	14,992	17.07.24	2.45%	Mortgage - River shopping centre	32,470	16.6%
Luminor	Lithuania	17,160	16,695	06.12.23	2.55%	Mortgage - SBA logistics and production centre	28,459	18.5%
Total		66,960	63,455				126,209	70.1%

Short-term borrowings	31.12.2021	31.12.2020
<i>€ thousands</i>		
Recognition of the long-term portion of long-term bank loans as short-term ¹	8,211	0
Repayments of long-term bank loans in the next period	3,776	4,072
Discounted contract fees for bank loans	-28	-28
Total short-term borrowings	11,959	4,044

¹ As of 31.12.2021, the Group recognized as a short-term loan liability of the subsidiary Kadrioru Ärikeskus OÜ, the maturity date of which is 25.11.2023. The loan was recognized as short-term due to the decrease in EBITDA below the rate allowed in the special terms of the agreement.

Long-term borrowings	31.12.2021	31.12.2020
<i>€ thousands</i>		
Total long-term borrowings	82,565	63,368
incl. current portion of borrowings	11,959	4,044
incl. non-current portion of borrowings, incl	70,606	59,324
<i>Bank loans</i>	<i>70,911</i>	<i>59,383</i>
<i>Discounted contract fees on bank loans</i>	<i>-305</i>	<i>-59</i>

Bank loans are divided as follows according to repayment date:

Repayments of bank loans by maturity	31.12.2021	31.12.2020
<i>€ thousands</i>		
Up to 1 year	11,987	4,072
2-5 years	70,911	59,383
Total repayments of bank loans	82,898	63,455

Cash flows of borrowings	2021	2020
<i>€ thousands</i>		
Balance at the beginning of period	63,368	48,188
Bank loans received through business combinations and acquisitions (Note 3)	22,500	16,238
Bank loans received	464	457
Annuity payments on bank loans	-3,494	-1,515
Change of discounted contract fees	-273	0
Balance as at the end of period	82,565	63,368

Additional information on loan liabilities is also provided in Note 15

13 Payables and prepayments

Short-term payables and prepayments

	31.12.2021	31.12.2020
<i>€ thousands</i>		
Other payables to suppliers	329	711
Total payables to suppliers (Note 15)	329	711
Debts from securities transactions	14	16
Other debts	59	20
Total other debts	73	36
VAT	295	211
Corporate income tax	71	74
Personal income tax	0	4
Social tax	0	6
Land tax and real-estate tax	87	90
Other Tax liabilities	5	0
Total tax liabilities	458	385
Payables to employees	3	0
Interest liabilities (Note 15)	6	8
Tenant security deposits (Note 15)	220	220
Other accrued liabilities (Note 15)	70	25
Total accrued expenses	299	253
Prepayments received from buyers	24	40
Total prepayments	24	40
Total payables and prepayments (Note 15)	1,183	1,425

Long-term payables

	31.12.2021	31.12.2020
<i>€ thousands</i>		
Tenants security deposits (Note 15)	1,675	1,397
Success fee obligations (Note 14)	2,152	548
Total other long-term payables	3,827	1,945

14 Success fee obligation

As of 31.12.2021, the Group has calculated the success fee liability as follows:

	31.12.2021	31.12.2020
<i>€ thousands</i>		
Balance at the beginning of the period	548	1,434
Decrease / increase in success fee liability	1,604	-886
Balance at end of period (Note 13)	2,152	548

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 success fees for amounts exceeding investors' contributions and preferred returns (8% of contributions per year). 80% of investors' contributions and disbursements exceeding the rate of preferred return are 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 by the group, the profit earned and the net asset value of the group at 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 obligation is paid to the Management Company after all the initially paid-in 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, management of financial risks

The main financial liabilities of the Group are borrowings that have been raised to finance the investment properties of the Group. The balance sheet of the Group also contains cash and short-term deposits, trade receivables, other receivables and trade payables.

The table below indicates the division of the Group's financial assets and financial liabilities according to financial instrument type.

Carrying amounts of financial instruments

	Notes	31.12.2021	31.12.2020
<i>€ thousands</i>			
Financial assets – loans and receivables			
Cash and cash equivalents		62,946	7,846
Trade receivables	10	975	637
Total financial assets		63,925	8,483
Financial liabilities measured at amortised cost:			
Borrowings	12	82,565	63,368
Trade payables	13	329	711
Tenant security deposits	13	1,895	1,617
Interest payables	13	6	8
Accrued expenses	13	73	25
Total financial liabilities measured at amortised cost		84,868	65,729
Total financial liabilities		84,868	65,729

The fair value of such financial assets and financial liabilities that are measured at amortised cost, presented in the table provided above, does not materially differ from their fair value.

Risk management of the Group is based on the principle that risks must be assumed in a balanced manner, by taking into consideration the rules established by the Group and by applying risk mitigation measures according to the situation, thereby achieving stable profitability of the Group and growth in the value of shareholder assets. In making new investments, extensive evaluation is undertaken on the solvency of potential customers, duration of lease contracts, possibility of replacing tenants and the risk of increases in the interest rates. The terms and conditions of financing agreements are adjusted to match the net cash flow of each property, ensuring the preservation of sufficient unrestricted cash for the Group and growth even after the financial liabilities have been met.

In investing the Group's assets, the risk expectations of the Group's investors are taken as a basis, therefore, excessive risk-taking is unacceptable and suitable measures need to be applied for the mitigation of risks.

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

Market risk

Market risk is a risk involving change in the fair value of financial instruments due to changes in market prices. The Group's financial instruments most influenced by changes in market prices are borrowings and interest rate derivatives. The main factor influencing these financial instruments is interest rate risk.

Interest rate risk

Interest rate risk is the risk of changes in the future cash flows of financial instruments due to changes in market interest rates. A change in market interest rates mainly influences the long-term floating rate borrowings of the Group.

As of 31.12.2021, all of the Group's loan agreements have been entered into on the basis of floating interest, of which 90% (31.12.2020: 86%) is linked to the 3-month EURIBOR and 10% to the 1-month EURIBOR (31.12.2020: 14%). In 2021, the 3-month Euribor fluctuated between -0.572% and -0.546%. Margins on loan agreements range from 1.6% to 2.65% at the end of 2021 (31.12.2020: 1.6% to 2.55%). EFTEN Real Estate Fund 4 has a 0% limit on its loan portfolio 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 potential changes in the financial position, reducing the Group's ability to meet its liabilities in due time and in a correct manner. Above all, the group's liquidity is affected by the following factors:

- Decrease or volatility of rental income, reducing the Group's ability to generate positive net cash flows;
- Vacancy of rental property;
- Mismatch between the maturities of assets and liabilities and flexibility in changing them;
- Marketability of long-term assets;
- Volume and pace of real estate development activities;
- Financing structure.

The objective of the Group is to manage its net cash flows, so as to not use debt in making real estate investments in excess of 70% of the cost of the investment and to maintain the Group's debt coverage ratio in excess of 1.2. As at 31.12.2021, the Group's interest-bearing liabilities accounted for 42% (31.12.2020: 45%) of rental income generating investment property and the average debt coverage ratio (DSCR) of the last 12 months was 2.3 (2020: 3.2).

The financing policy of the Group specifies that loan agreements for raising debt are entered into on a long-term basis, also taking into consideration the maximum duration of the lease agreements on these properties. The table below summarises the information on the maturities of the Group's financial liabilities (undiscounted cash flows):

As at 31.12.2021	Under 1 month	2-4 months	5-12 months	Between 2-5 years	Over 5 years	Total
<i>€ thousands</i>						
Interest-bearing liabilities	312	939	2,525	79,122	0	82,898
Interest payments	162	483	1,259	2,494	0	4,398
Interest payables	6	0	0	0	0	6
Trade payables	329	0	0	0	0	329
Tenant security deposits	30	41	148	1,213	462	1,895
Accrued expenses	73	0	0	0	0	73
Total financial liabilities	912	1,463	3,932	82,829	462	89,599

As at 31.12.2020	Under 1 month	2-4 months	5-12 months	Between 2-5 years	Over 5 years	Total
<i>€ thousands</i>						
Interest-bearing liabilities	335	1,008	2,716	59,396	0	63,455
Interest payments	122	362	935	2,668	0	4,087
Interest payables	8	0	0	0	0	8
Trade payables	711	0	0	0	0	711
Tenant security deposits	119	26	74	1,199	198	1,617
Accrued expenses	25	0	0	0	0	25
Total financial liabilities	1,320	1,396	3,725	63,263	198	69,903

Report of working capital

	31.12.2021	31.12.2020
<i>€ thousands</i>		
Cash and cash equivalents	62,946	7,846
Receivables and accrued income (Note 10)	1,034	785
Prepaid expenses	55	14
Total current assets	64,035	8,645
Short-term portion of long-term liabilities (Note 12)	-11,959	-4,044
Short-term payables and prepayments (Note 13)	-1,183	-1,425
Total current liabilities	-13,142	-5,469
Total working capital	50,893	3,176

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Group by failing to discharge an obligation. The Group is subject to credit risk due to its business operations (mainly arising from trade receivables) and transactions with financial institutions, including through cash on bank accounts and deposits.

The Group's activity in preventing reduction of cash flows due to credit risk and minimising such risk lies in the daily monitoring and guiding of clients' payment behaviour, so that appropriate measures could be applied on a timely basis. In addition, agreements with customers generally provide payment of rent at the beginning of the calendar month, giving sufficient time for monitoring the customers' payment discipline and ensuring existence of sufficient liquidity on bank accounts at the date of annuity payment of financing contracts. For hedging the risk, the Group has entered into a contract with one anchor tenant under which the tenant's financial institution has underwritten rental payments during the entire rent period. Most rent contracts also include the obligation to pay guarantee funds that entitle the Group to cover debts incurred in case of the tenant's insolvency.

The Group's companies generally only enter into rental contracts with parties that have been determined to be eligible for credit. The corresponding analysis of customers is carried out before entering into a rental contract.

If it becomes evident that there is a risk of a tenant becoming insolvent, the Group assesses each receivable individually and decides whether the receivables should be classified as doubtful. In general, receivables that have exceeded the payment term by more than 180 days are classified as doubtful, except in cases where the Group has sufficient certainty as to the collectability of the receivable or there is a payment schedule in place for the payment of the receivables.

Accounts receivable are illustrated by the table below:

	31.12.2021	31.12.2020
Undue	831	504
Past due, incl.	145	171
<i>Up to 30 days</i>	144	103
<i>30-60 days</i>	0	56
<i>Over 60 days</i>	1	12
Allowance for doubtful accounts	-1	-38
Total trade receivables (Note 10)	975	637

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

	31.12.2021	31.12.2020
<i>€ thousands</i>		
Cash and cash equivalents	62,946	7,846
Trade receivables (Note 10)	975	637
Total maximum Credit risk	63,925	8,483

The bank account balances presented as part of the cash and cash equivalents of the Group are divided according to the credit ratings of banks (Moody's long-term) as follows:

Rating	31.12.2021	31.12.2020
Aa2	61,515	7,284
Aa3	1,101	561
Baa1	330	0
Total	62,946	7,845

Capital management

The aim of the Group in capital management is to ensure the Group's going concern status to provide an investment return to shareholders and maintain an 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 of a specific investment. Upon acquisition of subsidiaries, the Fund invests not less than 40% of the value of the subsidiary's assets in its equity. After the investment has been made, the EBITDA of any real estate generating cash flow of the subsidiary may not be less than 120% of the loan annuity payments.

In 2021, the Fund repaid dividends received from subsidiaries in the amount of 4,006 thousand euros and interest in the total amount of 965 thousand euros (5% of the invested capital as of 31.12.2020).

According to the management of the fund, the existing investment portfolio allows making a total of 2,855 thousand euros in payments to investors from the cash flow earned in 2021.

Fair value

The valuation methods used to analyse the Group's assets and liabilities measured at fair value have been defined as follows:

Level 1 – quoted prices in active markets;

Level 2 – inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly;

Level 3 – unobservable inputs at the market.

As at 31.12.2021 nor 31.12.2020, the Group had no assets measured at fair value that would be included within Level 1 of the fair value hierarchy. All of the Group's investment properties are measured at fair value and according to the valuation method are included within Level 3 of the fair value hierarchy. All of the Group's borrowings and the derivative contracts entered into to mitigate the interest risk are included within Level 2 of the fair value hierarchy.

16 Paid-in capital

In 2021, the Fund's investors made contributions in the total amount of 63,938 thousand euros (2020: 25,400 thousand euros) to acquire new real estate investments, and 4,971 thousand euros (2020: 3,154 thousand euros) of capital was returned to investors through the distribution of profits and interest of the Group's companies.

The balance of paid-in capital of the Fund as of 31.12.2021 was 149,438 thousand euros (31.12.2020: 85,500 thousand euros).

As of 31.12.2021 and 31.12.2020, 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 for the acquisition of subsidiaries, i.e. as of the end of the reporting period.

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

Investor	31.12.2021	31.12.2020
Swedbank Latvia pension funds	21.7%	21.7%
EBRD	20.0%	20.0%
SEB pension funds	14.9%	14.9%
LHV pension funds	13.6%	13.6%
Swedbank Estonia pension funds	12.7%	12.7%

17 Related party transactions

EFTEN Real Estate Fund 4 AS considers the following as related parties:

- Management Board members and companies owned by the Management Board members of EFTEN Real Estate Fund 4 AS;
- Supervisory Board members and companies owned by the Supervisory Board members of EFTEN Real Estate Fund 4 AS;
- Employees and companies owned by the employees of EFTEN Real Estate Fund 4 AS;
- General partner EFTEN Neljas GP OÜ;
- EFTEN Capital AS (the Fund Management Company).

The Group purchased management services from EFTEN Capital AS in 2021 in the amount of EUR 1 185 thousand (2020: EUR 729 thousand), (see Note 8). EFTEN Real Estate Fund 4 did not purchase or sell other goods or services to other related parties in 2021 or 2020.

In 2021, the Group had 8 employees (2021: 6 employees), for whom a total of 166 thousand euros (2020: 155 thousand euros) was calculated together with the related taxes (see Note 6.8). No remuneration was calculated or paid to the members of the Group's Management Board in 2021 or 2020. 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 February 2022, EFTEN Plaza SIA, a subsidiary of EFTEN Real Estate Fund 4, acquired 100% of the shares in JT Offices SIA. According to the estimated fair value of the net assets of JT Offices SIA, EFTEN Plaza SIA paid 131,157 thousand euros for the participation in the subsidiary. 75% of the acquisition was financed with a bank loan. JT Offices SIA owns the Jauna Teika office complex in Riga. The acquisition price of the participation is adjusted after the transaction according to the actual fair value of the net assets on the date of the transaction. The balance sheet of the acquired subsidiary at fair value at the date of acquisition is presented in Note 3.

19 Parent company separate 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 primary financial statements of the parent company have been prepared in accordance with the same accounting policies as used in the preparation of the consolidated financial statements. The accounting policies for subsidiaries have been changed in the parent's separate financial statements as annexed to the consolidated financial statements 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

	2021	2020
<i>€ thousands</i>		
Revenue	1,185	729
Gross profit	1,185	729
General and administrative expenses	-2,938	-895
Operating profit	-1,753	-166
Profit from subsidiaries	14,752	3,054
Other financial income and expenses	1,514	1,627
Profit before income tax	14,513	4,515
Net profit for the year	14,513	4,515
Gross profit for the year	14,513	4,515

STATEMENT OF FINANCIAL POSITION

	31.12.2021	31.12.2020
<i>€ thousands</i>		
ASSETS		
Cash and cash equivalents	28,095	1,119
Receivables and accrued income	3,924	785
Total current assets	32,019	1,904
Non-current assets		
Shares and units in subsidiaries	85,135	49,086
Long - term receivables	48,977	40,068
Total non-current assets	134,112	89,154
TOTAL ASSETS	166,131	91,058
Debts	22	36
Total current liabilities	22	36
Success fee liabilities	2,152	548
Total long - term liabilities	2,152	548
Total liabilities	2,174	584
TOTAL NET ASSET VALUE OF THE FUND OWNED BY LIMITED AND GENERAL PARTNERS	163,957	90,474
TOTAL LIABILITIES AND TOTAL NET ASSETS	166,131	91,058

STATEMENT OF CASH FLOWS

	2021	2020
<i>€ thousands</i>		
Cash flow from business		
Net profit	14,513	4,515
<i>Net profit adjustments:</i>		
Interest income and interest expense	-1,514	-741
Gain on change in fair value of subsidiaries	-10,745	-154
Dividends received	-4,006	-2,900
Change in success fee liability	1,604	-886
Total adjustments	-14,661	-4,681
Cash flow from operations before changes in working capital	-148	-166
Change in other trade receivables and payables	-1	7
Net cash flow generated from operating activities	-149	-159
Net cash flow generated from investing activities		
Acquisition of subsidiaries	-20,621	-25,644
Loans granted	-16,192	-600
Dividends received	4,006	2,900
Interest received	965	232
Net cash generated from investing activities	-31,842	-23,112
Cash flows from financing activities		
Capital returns	-4,971	-3,154
Capital contributions	63,938	25,400
Net cash generated from investing activities	58,967	22,246
NET CASH FLOW	26,976	-1,025
Cash and cash equivalents at the beginning of the period	1,119	2,144
Change in cash and cash equivalents	26,976	-1,025
Cash and cash equivalents at the end of the period	28,095	1,119

STATEMENT OF CHANGES IN THE FUND 'S NET ASSETS

	2021	2020
<i>€ thousands</i>		
The net asset value of the Fund owned by the general partners at the beginning of the period	90,474	63,713
Capital contributions	63,938	25,400
Net change in equity	63,938	25,400
Transfer of dividends and interest	-4,971	-3,154
Net profit for the year	14,513	4,515
Net asset value of the Fund owned by limited and general partners at the end of the period	163,957	90,474

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

	31.12.2021	31.12.2020
<i>€ thousands</i>		
Net asset value of the Fund owned by the fiduciary and general partners of the parent company at the end of the period	163,957	90,474
Value of subsidiaries in the parent company's separate balance sheet (minus)	-85,135	-49,086
Value of subsidiaries calculated using the equity method (plus)	85,135	49,088
Total	163,957	90,476



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 2021, 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 comprehensive income for the year ended 31 December 2021;
- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statements of cash flows for the year then ended;
- the consolidated statement of changes in net assets of the fund for the year ended 31 December 2021; 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.

Reporting on other information including the Management report

The Management Board is responsible for the other information. The other information comprises the Management report and distribution of revenue according to the Estonian Classification of Economic Activities (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, including the Management report.

AS PricewaterhouseCoopers
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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.

With respect to the Management report, we also performed the procedures required by the Auditors Activities Act. Those procedures include considering whether the Management report is consistent, in all material respects, with the consolidated financial statements and is prepared in accordance with the requirements of the Accounting Act.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management report for the financial year for which the consolidated financial statements are prepared is consistent, in all material respects, with the consolidated financial statements; and
- the Management report has been prepared in accordance with the requirements of the Accounting Act.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management report and other information that we obtained prior to the date of this auditor's report. 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.

Translation note:

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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.
- 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/

Lauri Past
Auditor's certificate no. 567

14 March 2022
Tallinn, Estonia

/signed/

Rando Rand
Auditor's certificate no. 617

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.

Signatures of the Management Board on the consolidated annual report for 2021

We hereby confirm the accuracy of the information provided in the annual report of EFTEN Real Estate Fund 4 2021.

/signed digitally/

/signed digitally/

Viljar Arakas

EFTEN Neljas GP OÜ board member

Tõnu Uustalu

EFTEN Neljas GP OÜ board member

Distribution of revenue according to the Estonian Classification of Economic Activities

	EMTAK code	2021	Sales Revenue %	Main activity
€ thousands				
Fund management	66301	1,185	100%	Yes