Consolidated Annual Report 2021

EfTEN Residential Fund usaldusfond

Commercial register number: 16050037

Beginning of financial year: 11.09.2020

End of financial year: 31.12.2021

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EFTEN RESIDENTIAL FUND

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MANAGEMENT REPORT

Fund manager's comment on EfTEN Residential Fund's first annual report

We are pleased to announce that the first apartments in the Kadaka Metsapark rental house were completed in December and the fund received its first rental income in the amount of 5 thousand euros. At the time of preparing this report, February 2022, lease agreements have been concluded for 79.6% of the total rental space, according to which the fund will receive rental income in the first quarter of 2022.

In December 2021, Colliers International evaluated the Kadaka Metsapark project for the first time, as a result of which the fund's net asset value increased by 4.115 million euros. We are pleased that we, as fund managers, have managed to create a lot of value during the development process, partly due to the fact that the conclusion of the construction contract fell at a favourable time for investors (before the rapid rise in construction prices).

The zero cycle of the building is developing in the Kaunas rental house project. Completion of the building and delivery to tenants is planned for the first half of 2023.

In the Bultu project in Riga, we have completed the acquisition of a land plot from the city of Riga, and in December we also acquired a neighbouring plot, as well as procuring the entire technical project. We plan to start construction at the end of 2022 the earliest, more likely in the spring of 2023, which means that completion will fall in the spring of 2024. A total of 130 new apartments are planned to be built.

In conclusion, as at the end of 2021, we have a rental house project in each of the Baltic countries, with a total of 339 apartments.

Overview of financial results

EfTEN Residential Fund (hereinafter the “Fund”) is a real estate fund investing in residential real estate in the Baltics. The Fund was established on 11 September 2020 and as of 31.12.2021 the Fund has made three real estate investments in Estonia, Latvia and Lithuania in the total amount of 12,812 thousand euros through its subsidiaries. In the first reporting period, the Fund has entered into capital raising agreements in the total amount of 35,100 thousand euros, of which 12,684 thousand euros have been received by the Fund as of 31.12.2021 for making investments. The net profit of the fund for the first year of operation is 3,877 thousand euros and the volume of assets is 19,635 thousand euros.

	31.12.2021
€ millions	
Investment property	16.927
Other long-term receivables	0.150
Current assets, excluding cash	0.442
Total assets	19.635
Net asset value (NAV)	16.561
Capital contributions, cumulatively	12.684
Unrestricted capital	22.416

Key financial ratios

12 months	31.12.2021
ROE, % *(net profit of the period / average equity of the period) x 100*	46.8
ROA, % *(net profit of the period / average assets of the period) x 100*	39.5
ROIC, *% (net profit of the period / average invested capital of the period) * 100*	61.1
EBITDA (€ thousand)	-0,239
EBIT (€ thousand)	3,880
Comprehensive income (€ thousand)	3,877
Liquidity ratio (current assets / current liabilities)	1.6

[1] The average invested capital for the period is the average invested capital of the EfTEN Residential Fund.

Real estate portfolio

As of 31.12.2021, the Fund's subsidiaries have made the following investment properties:

Subsidiary	Real estate portfolio	Location	Time of acquisition	Acquisition cost, € thousands	Fair value, € thousands	Number of rental units
EfTEN K141 OÜ	Kadaka Metsapark	Tallinn, Estonia	9.2020	10,445	14,560	113
Tallinas 3 SIA	Bultu Residential	Riga, Latvia	7.2021	352	352	130
EfTEN Zeimenos UAB	Kaunas Residential	Kaunas, Lithuania	11.2021	2,015	2,015	96
Total				**12,812**	**16,927**	**339**

The first apartments in the Kadaka Metsapark rental house were completed in December 2021. As of 31.12.2021, 30 apartments had been rented out in the building, from which rental income of 4.7 thousand euros was received in December. Kadaka Metsapark was finally completed in January 2022, and at the time of preparing this report, 79.6% of all rental space in the building has been leased.

At the end of 2021, the construction of a rental building in Kaunas also started. The completion date of the building is in the first quarter of 2023.

Net asset value

The net asset value of the Fund as of 31.12.2021 is 16,561 thousand euros.

As of 31.12.2021, the fund has a total of 27 investors. The owners of more than 10% of the fund are listed in the table below:

Investor	31.12.2021
Compensa Life Vienna Insurance Group	42.74%
LHV pension funds	14.24%

Governance

The EfTEN Residential Fund Usaldusfond was registered in the Commercial Register in September 2020, after which the fund started its operations.

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 REF GP OÜ) has 2 members: Viljar Arakas and Tõnu Uustalu and there have been no changes in the composition of the Management Board during the reporting period. 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	11.09.2020-31.12.2021
€ thousands		
Revenue	4,5	5
Cost of services sold		-16
Marketing costs		-6
Net rental income	4	**-17**
General and administrative expenses	6	-223
Gain / loss from revaluation of investment properties	9	4,115
Other operating income and expenses		5
Operating profit	4	**3,880**
Other financial income and expenses		-4
Profit before income tax	4	**3,876**
Income tax expense		1
Net profit for the financial year		**3,877**
Total comprehensive income for the financial year	4	**3,877**

The notes on pages 8-25 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2021	11.09.2020
€ thousands			
ASSETS			
Cash and cash equivalents	7	2,116	0
Receivables and accrued income	8	442	0
Total current assets		**2,558**	**0**
Long-term receivables		1	0
Investment property	4,9	16,927	0
Property, plant and equipment	10	113	0
Intangible assets		36	0
Total non-current assets		**17,077**	**0**
TOTAL ASSETS		**19,635**	**0**
LIABILITIES AND NET ASSET VALUE			
Borrowings and prepayments	11	1,552	0
Total current liabilities		**1,552**	**0**
Other long-term debt	11	1,522	0
Total long-term liabilities		**1,522**	**0**
Total liabilities		**3,074**	**0**
Total net asset value of the Fund owned by limited and general partners		**16,561**	**0**
TOTAL LIABILITIES AND TOTAL NET ASSETS		**19,635**	**0**

The notes on pages 8-25 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	11.09.2020-31.12.2021
€ thousands		
Net profit		**3,877**
Adjustments of net profit:		
Interest expenses and income		1
Impairment of financial assets		3
Gains / losses on revaluation of investment property	9	-4,115
Other changes		-5
Depreciation and impairment losses		1
Income tax expense		-1
Total adjustments with non-cash changes		**-4,116**
Cash flow from operations before changes in working capital		**-239**
Change in receivables and payables related to operating activities		27
Change in liabilities and prepayments related to operating activities		-95
Total cash flow generated from operating activities		**-307**
Purchase of property, plant and equipment		-150
Purchase of investment property	9	-7,168
Sale of investment property		97
Acquisition of subsidiaries		198
Loans granted		-205
Total cash flow generated from investing activities		**-7,228**
Loan repayments (other)		-115
Other interest paid		-7
Capital contributions	13	9,773
Total cash flow generated from financing activities		**9,651**
TOTAL CASH FLOW		**2,116**
Cash and cash equivalents at the beginning of period		**0**
Change in cash and cash equivalents		2,116
Cash and cash equivalents at the end of period	7	**2,116**

The notes on pages 8-25 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS OF THE FUND

	11.09.2020-31.12.2021
€ thousands	
Net asset value of the Fund owned by limited and general partners at the beginning of the period	**0**
Capital contributions	12,684
Net change in equity	**12,684**
Comprehensive income for the financial year	3,877
Net asset value of the Fund owned by limited and general partners at the end of the period	**16,561**

Additional information on capital contributions is provided in Note 13.

The notes on pages 8-25 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 *General information*

The EfTEN Residential Fund (hereinafter also referred to as the 'Fund') is a real estate fund investing in cash-generating residential real estate established in September 2020.

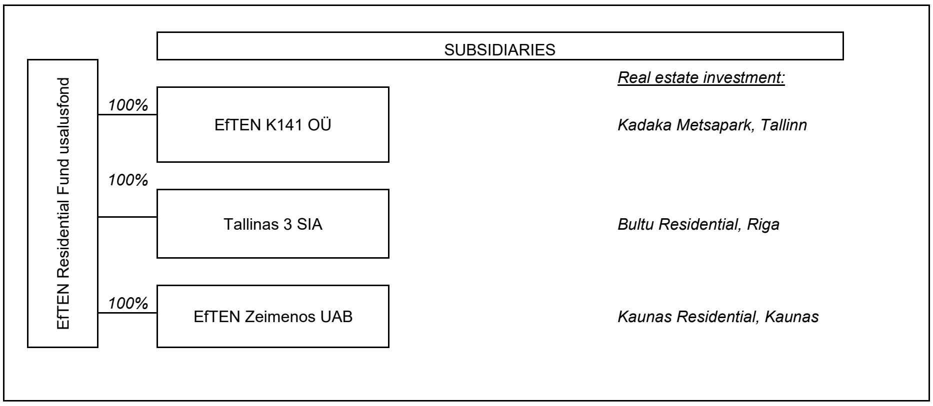
The fund is a close-ended, alternative investment fund and the investment region is the Baltic states.

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

The extended annual financial statements of EfTEN Residential Fund for the period 11.09.2020 to 31.12.2021 have been signed by the Management Board on 11 March 2022. The fund's first annual report has been prepared for an extended period since the fund was established in the second half of 2020.

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

The structure of the EfTEN Residential Fund trust fund 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

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

Amendments to the Conceptual Framework for Financial Reporting.

The revised conceptual framework includes a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance (e.g. the concept of liability) and clarifications on the role of key areas in financial reporting, such as diligence, conservatism, measurement uncertainty in the use of resources entrusted to management.

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

Definition of Business Practices - Amendments to IFRS 3

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

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

Definition of materiality – Amendments to IAS 1 and IAS 8

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

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

Standards not yet adopted

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

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

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

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

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

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

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

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

(effective for annual periods beginning on or after 1 January 2022).

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

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

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

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

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

2.2 Summary of the most important accounting principles

Management's critical estimates and judgements

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

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

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

2.2.1 Estimation uncertainty

Management makes its estimates based on experience and facts that have become known to it no later than the date of the annual report. 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) <u>Determination of the fair value of investment property</u>

Investment property is measured at its fair value at each balance sheet date. The Group's real estate investments are valued by Colliers International Advisors OÜ. The Group's independent appraiser evaluates investment properties individually using the discounted cash flow method. At the end of 2021, the Group's first rental building was completed - Kadaka Metsapark, which was valued using the discounted cash flow method. All of the Group's investment properties earn (or will earn) rental income, so the method used best represents the fair value of the investment property from the alternatives (for example, the comparative method). The cash flow projections for all properties are updated as part of each valuation, and discount rates and exit yields are differentiated depending on the location of the facilities, the technical condition and the level of risk of the tenants. As at the end of 2021, the estimated exit yield of Kadaka Metsapark was 5.0% and the discount rate was 6.7%.

See Note 15 for more information on the assumptions used and sensitivity in the appraisals.

b) <u>Assessments of control or significant influence in other entities</u>

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 Group does not acquire any assets or rights other than the property and does not employ any past employees. The Group 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 Group's management has assessed the compliance of its activities with the definition of an investment company and considers that EfTEN Residential Fund does not meet the definition of an investment company, as it has the characteristics of a real estate company rather than a purely investment company. Although investors in the EfTEN Residential Fund also expect both an increase in the value of their assets and a return on their current business from their capital investment, EfTEN Residential Fund takes a significant portion of the development risks in its investments that are more common in a traditional real estate company.

An investment firm should also make direct investments in companies that are measured at fair value in accordance with IFRS 10. In the case of the parent company of EfTEN Residential Fund, the fair value measurement is indirect - the fair value is measured at the assets located in the subsidiaries of EfTEN Residential Fund, thereby obtaining the fair value of the subsidiary, which may not be the subsidiary's final market price. The Group's economic activity is also assessed on the basis of rental income, profit margins, volume of assets and other financial indicators characterizing real estate companies, which cannot be done only on the basis of the fair value of the subsidiary.

Consolidation

The consolidated financial statements present the financial information of EfTEN Residential Fund 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**
Residential real estate	Kadaka Metsapark, Tallinn	Bultu Residential, Riga	Kaunas Residential, Kaunas

The main indicators used by the management in making business decisions is sales revenue, net operating income (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 15), 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 the resale of utility and administrative expenses, which is why such revenues are not recognized on a gross basis but are offset against the related expenses.

Financing component

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

Cash and cash equivalents

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

Financial assets

(i) Classification

The Company classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

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, all the Group'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 in the income statement as financial income and expenses. Such fair value gains and losses also include contractual interest earned on the respective instruments.

Equity instruments
The Group does not have any investments in equity instruments.

(i) 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 land or a building held or developed 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 and loss statement in other operating income or other operating expenses.

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 income statement for the respective period, in other operating income or other operating expense.

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.

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 31.12.2017.

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 13. 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, %
			31.12.2021	31.12.2021
Parent company				
EfTEN Residential Fund Usaldusfond	Estonia			
Subsidiaries				
EfTEN K141 OÜ	Estonia	Kadaka Metsapark, Tallinn	4,323	100
Tallinas 3 SIA	Latvia	Bultu Residential, Riga	-1	100
EfTEN Zeimenos UAB	Lithuania	Kaunas Residential, Kaunas	296	100

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

30.09.2020 EfTEN Residential Fund acquired a 100% ownership in EfTEN K141 OÜ. The non-monetary acquisition cost of the holding was 692 thousand euros and in addition the fund took over the former owner's loan receivables together with interest receivables in the total amount of 2,218 thousand euros. To cover the acquisition cost of the participation and the loan and interest receivables taken over, the fund increased the capital in the total amount of 2,910 thousand euros, to the extent of which the sellers of EfTEN K141 OÜ made a non-monetary contribution. The subsidiary is developing the first rental house of EfTEN Residential Fund - 'Kadaka Metsapark". The fair value of the subsidiary at the time of acquisition is presented in the table below:

€ thousands	Fair value
Cash	170
Receivables and prepayments	88
Investment property (Note 9)	2,926
Bank loans (Note 3)	-2,090
Interest payable	-128
Other liabilities	-274
Fair value of net assets	**692**
Acquisition cost	692
Goodwill	**0**

In June 2021, EfTEN Residential Fund acquired a 100% ownership in Tallinas 3 SIA, which owns the Bultu rental building development project in Riga. The acquisition cost of the holding was 4 thousand euros and the fair value of the subsidiary at the time of acquisition was as follows:

€ thousands	Fair value
Cash	35
Receivables and prepayments	10
Investment property for sale	92
Investment property (Note 9)	194
Borrowings	-320
Interest payable	-7
Fair value of net assets	**4**
Acquisition cost	4
Goodwill	**0**

12.11.2021 EfTEN Residential Fund established a 100% subsidiary EfTEN Zeimenos UAB, paying 2,5 thousand euros for the share capital of the subsidiary. After the establishment, the subsidiary acquired a property in Kaunas, where the fund's first Lithuanian rental house will be built.

4 Segment reporting

SEGMENT RESULTS

11.09.2020 - 31.12.2020	Estonia	Latvia	Lithuania	Non-allocated	Total
€ thousands					
Revenue (Note 5), incl	5	0	0	0	5
Net rental income	-16	-1	0	0	-17
EBITDA	-185	-2	-3	-48	-238
Operating profit	**3,933**	**-2**	**-3**	**-48**	**3,880**
Net financial expense					-4
Profit before income tax expense					**3,876**
Income tax expense (Note 9)					1
NET PROFIT FOR THE FINANCIAL PERIOD					**3,877**

SEGMENT ASSETS

As at 31.12.2021	Estonia	Latvia	Lithuania	Total
€ thousands				
Investment property (Note 11)	**14,560**	**352**	**2,015**	**16,927**
Other long-term liabilities				150
Net debt (liabilities less cash)				-958
Other short-term assets				442
NET ASSETS				**16,561**

There were no transactions between business segments during the reporting period. The main income of the Group is derived from investment properties located in the same countries as the subsidiary that owns the investment property. The income of any tenant in the Group does not exceed 10% of the consolidated rental income.

5 Revenue

Areas of activity	**11.09.2020-31.12.2021**
€ thousands	
Rental income from residential units	5
Total revenue by areas of activity (Note 4,9)	**5**

Revenue by geographical area	**11.09.2020-31.12.2021**
€ thousands	
Estonia	5
Total revenue by geographical area (Note 4)	**5**

6 General and administrative expenses

General and administrative expenses	**11.09.2020-31.12.2021**
€ thousands	
Management fee (Note 14)	-149
Office expenses	-10
Consulting expenses, legal aid, accounting services, evaluation services, audit	-49
Regulator costs	-12
Other general and administrative expenses	-2
Depreciation	-1
Total general and administrative expenses	**-223**

7 Cash and cash equivalents

	31.12.2021
€ thousands	
Demand deposits	2,116
Total cash and cash equivalents (Note 12)	**2,116**

8 Receivables and accrued income

Short-term receivables and accrued income

	31.12.2021
€ thousands	
Trade receivables	18
Total trade receivables (Note 12)	**18**
Advances and refunds of VAT	423
Other accrued income	1
Total accrued income	**424**
Total receivables (Note 12)	**442**

9 Investment property

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

Name	Location	Date of acquisition	Acquisition cost	Market value at 31.12.2021	Increase in value	Share of market value of the Fund's asset
€ thousands						
Kadaka Metsapark	Tallinn, Estonia	9.2020	10,445	14,560	39%	74%
Bultu Residential	Riga, Latvia	7.2021	352	352	0%	2%
Kaunas Residential	Kaunas, Lithuania	11.2021	2,015	2,015	0%	10%
Total			**12,812**	**16,927**	32%	86%

Additional information on investment properties is provided in Note 4 'Segment reporting'.

The following changes have taken place in the Group's investment properties during the reporting periods:

	Real estate investments under development	**Total real estate investments**
Acquisitions and developments in the period 11.09.2020-31.12.2021	9,692	**9,692**
Acquisitions from business combinations in the period 11.09.2020-31.12.2021 (Note 3)	3,120	**3,120**
Profit / loss from changes in fair value in the period 11.09.2020-31.12.2021	4,115	**4,115**
Total as at 31.12.2021 (Note 4)	**16,927**	**16,927**

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	11.09.2020-31.12.2021
Rental income from investment properties (Note 5)	5
Costs directly associated with the management of investment property	-16
Payables related to acquisition of investment property	2,942
Prepayments made for investment property	173

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 the Kadaka Metsapark rental house recognized in the Group's report as of 31 December 2021 has been obtained using the discounted cash flow method. The rental house in Kaunas was acquired immediately before the balance sheet date and construction activities had not yet started, therefore the acquisition cost of this project does not differ significantly from its fair value. Also, as of 31.12.2021, construction activities had not started in the Bultu project in Riga.

The main inputs to the fair value of investment property calculated using the discounted cash flow method are presented in the table below:

Real estate investment	Fair value	Evaluation method	Estimated rental income per year	Discount rate	Exit yield	Average rental price€/.m2
€ thousands						
Kadaka Metsapark	14,560	Discounted cash flows	658	6.7%	5.0%	485

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:

Real estate investment	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
€ thousands							
Kadaka Metsapark	14,560	*1,550*	*-1,540*	*-310*	*320*	*-1,070*	*1,310*
TOTAL	**14,560**	**1,550**	**-1,540**	**-310**	**320**	**-1,070**	**1,310**

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

10 Property, plant and equipment

	Other tangible assets	Total
€ thousands		
Residual value 11.09.2020	**0**	**0**
Acquisition cost 11.09.2020	0	*0*
Accumulated depreciation 11.09.2020	*0*	*0*
Acquisitions and developments	113	113
Residual value 31.12.2021	**113**	**113**
Acquisition cost 31.12.2021	113	*113*
Accumulated depreciation 31.12.2021	*0*	*0*

11 Payables and prepayments

Short-term payables and prepayments

	31.12.2021
€ thousands	
Trade payables from non-current assets (Note 9)	1,420
Other payables to suppliers	46
Total payables to suppliers	**1,466**
VAT	42
Corporate income tax	2
Total tax liabilities	**44**
Tenant security deposits	38
Other accrued liabilities	4
Total accrued expenses	**42**
Total payables and prepayments	**1,552**

Additional information on debts is provided in Note 12.

Long-term payables

	31.12.2021
€ thousands	
Other long-term liabilities (Note 9)	1,522
Total other long - term debt	**1,522**

12 Financial instruments, management of financial risks

The main financial liabilities of the Group are trade payables and the main financial assets are cash.

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

Carrying amounts of financial instruments

	Notes	**31.12.2021**
€ thousands		
Financial assets – loans and receivables		
Cash and cash equivalents	7	2,116
Trade receivables	8	18
Total financial assets		**2,134**
Financial liabilities measured at amortised cost:		
Debts to suppliers	11	1,466
Tenants' deposits	11	38
Accruals	11	4
Total financial liabilities measured at amortised cost		**1,508**
Total financial liabilities		**1,508**

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

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

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

The Group considers financial risk to be the risk that arises directly from investing in real estate, including market risk, liquidity risk and credit risk, thereby reducing the company's financial strength or reducing the value of its 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 that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The change in market interest rates mainly affects the long-term floating rate borrowings of the Fund's subsidiaries, where the income from the subsidiary may decrease as a result of higher interest rates.

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 Group's goal is to manage net cash flows so that no more than 60% of the acquisition cost of the investment is involved in making real estate investments and the Group's debt coverage ratio is higher than 1.2.

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.

As at 31 December 2021, the Group companies had not yet entered into financing agreements and all investments were made from own funds.

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	4-12 months	Between 2-5 years	Over 5 years	**Total**
€ thousands					
Trade payables	1,466	0	0	0	**1,466**
Tenant security deposits	0	38	0	0	**38**
Accrued expenses	4	0	0	0	**4**
Other long-term liabilities	0	169	677	676	**1,522**
Total financial liabilities	**1,470**	**207**	**677**	**676**	**3,030**

Report of working capital

	31.12.2021
€ thousands	
Cash and cash equivalents (Note 7)	2,116
Receivables and accrued income (Note 8)	442
Total current assets	**2,558**
Short-term debts and prepayments (Note 11)	-1,552
Total current liabilities	**-1,552**
Total working capital	**1,006**

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
Undue	17
Past due, incl.	**1**
Up to 30 days	*1*
Total trade receivables (Note 8)	**18**

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

	31.12.2021
€ thousands	
Cash and cash equivalents	2,116
Trade receivables (Note 15)	18
Total maximum Credit risk	**2,134**

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
Aa2	2,116
Total (Note 7)	**2,116**

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.

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 of 31.12.2021, the Group does not have any assets at fair value that would belong to the Level 1 group upon finding the value. All of the Group's investment properties are carried at fair value and belong to the Level 3 Group in accordance with the valuation method. All of the Group's loan liabilities and derivative securities entered into to hedge interest rate risk belong to the Level 2 group.

13 Paid-in capital

The fund was established on 11.09.2020. The first contributions to the fund were made in the period of 30.09.2020 in the amount of 2,911 thousand euros, therefore the paid-in capital is not yet reflected in the opening balance sheet during the compiling of opening balance sheet (11.09.2020).

The balance of the paid-in capital of the Fund as at 31 December 2021 was 12,684 thousand euros, including a non-monetary contribution in the amount of 2,910 thousand euros made in the autumn of 2020 in connection with the acquisition of EfTEN K141 OÜ (Note 3).

As of 31.12.2021, financial liability agreements have been entered into between the Fund and the Fund's investors, according to which investors will pay a total of 35,100 thousand euros to the Fund for the acquisition of subsidiaries, i.e. as of the end of the reporting period, investors can raise another 22,416 thousand euros.

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

Investor	31.12.2021
Compensa Life Vienna Insurance Group	42.74%
LHV pension funds	14.24%

14 Related party transactions

The EfTEN Residential Fund trusts consider the following to be related parties:

- members of the management board of the EfTEN Residential Fund and companies owned by the members of the management board;

- the employees of the EfTEN Residential Fund and the companies owned by the employees;

- General partner of EfTEN REF GP OÜ

- EfTEN Capital AS (management company).

During the reporting period, the Group purchased management services from EfTEN Capital AS in the amount of 149 thousand euros (see Note 6). The EfTEN Residential Fund did not purchase or sell other goods or services to other related parties.

The Group had no employees during the reporting period. In 2021, no remuneration was calculated or paid to the members of the Group's Management Board. 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.

15 Parent company's 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

	11.09.2020-31.12.2021
€ thousands	
Revenue	148
Gross profit	**148**
General and administrative expenses	-197
Operating profit	**-49**
Profit/loss from subsidiaries	3,621
Other financial income and expenses	309
Profit before income tax	**3,881**
Net profit for the year	**3,881**
Comprehensive income for the year	**3,881**

STATEMENT OF FINANCIAL POSITION

	31.12.2020	11.09.2020
€ thousands		
ASSETS		
Cash and cash equivalents	785	0
Receivables and accrued income	10,057	0
Total current assets	**10,842**	**0**
Non-current assets		
Investments in subsidiaries	4,620	0
Long - term receivables	1,080	0
Intangible assets	31	0
Total non-current assets	**5,731**	**0**
TOTAL ASSETS	**16,573**	**0**
Debts	11	0
Total current liabilities	**11**	**0**
Total liabilities	**11**	**0**
Total net asset value of the Fund owned by the limited and general partners of the fund	**16,562**	**0**
TOTAL LIABILITIES AND NET ASSET VALUE	**16,573**	**0**

STATEMENT OF CASH FLOWS

	11.09.2020-31.12.2021
€ thousands	
Cash flow from operating activities	
Net profit	**3,881**
Net profit adjustments:	
Interest income and interest expense	-309
Gain on change in fair value of subsidiaries	-3,621
Depreciation and amortisation	1
Total adjustments	**-3,929**
Cash flow from operating activities before changes in working capital	**-48**
Change in other trade receivables and payables	11
Total cash flow generated from operating activities	**-37**
Cash flow generated from investing activities	
Acquisition of intangible assets	-32
Acquisition of subsidiaries	-7
Loans granted	-8,915
Interest received	6
Total cash flow generated from investing activities	**-8,948**
Cash flows from financing activities	
Capital contributions	9,770
Total cash flow generated from investing activities	**9,770**
TOTAL CASH FLOW	**785**
Cash and cash equivalents at the beginning of the period	**0**
Change in cash and cash equivalents	785
Cash and cash equivalents at the end of the period	**785**

STATEMENT OF CHANGES IN THE FUND 'S NET ASSETS

	11.09.2020-31.12.2021
€ thousands	
The net asset value of the Fund owned by the general partners at the beginning of the period	**0**
Capital contributions	12,681
Net change in equity	**12,681**
Transfer of dividends and interest	
Net profit for the year	3,881
Net asset value of the Fund owned by limited and general partners at the end of the period	**16,562**

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

	31.12.2021
€ thousands	
Net asset value of the Fund owned by the fiduciary and general partners of the parent company at the end of the period	16,562
Value of subsidiaries in the parent company's separate balance sheet (minus)	-4,620
Value of subsidiaries calculated using the equity method (plus)	4,619
Total	**16,561**

Independent Auditor's Report

To the Shareholders of EfTEN Residential Fund usaldusfond

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of EfTEN Residential Fund usaldusfond 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 (11 September 2020 to 31 December 2021) 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 statement of cash flows for the year then ended;
- the consolidated statement of changes in net assets of the fund for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

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.

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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.

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

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- 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

/signed/

Rando Rand
Auditor's certificate no. 617

14 March 2022
Tallinn, Estonia

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

We hereby confirm the accuracy of the information presented in the annual report of the EfTEN Residential Fund usaldusfond for the year ended 31 December 2021.

/signed digitally/

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Viljar Arakas

EfTEN REF GP OÜ management board member

/signed digitally/

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Tõnu Uustalu

EfTEN REF GP OÜ management board member

Distribution of revenue according to the Estonian Classification of Economic Activities

	EMTAK code	2021	Sales Revenue %	Main activity
€ thousands				
Fund management	66301	148	100%	yes