Consolidated Annual Report 2022

EfTEN Real Estate Fund 5 usaldusfond

Commercial register number: 16363147

Beginning of financial year: 11.11.2021

End of financial year: 31.12.2022

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MANAGEMENT REPORT

The Fund manager's comment on EfTEN Real Estate Fund 5's first financial year

Usaldusfond EfTEN Real Estate Fund 5 is a real estate fund founded in November 2021, which invests in cash flow generating commercial properties. In December 2021, the Fund's Lithuanian subsidiary EfTEN Saltoniskiu UAB acquired an office building in Vilnius for a purchase price of 25.037 million euros. The Fund has signed binding contracts for raising capital in the total amount of 32.9 million euros, of which 13.0 million euros have been received for investments by the Fund as of 31.12.2022.

In November 2022, the fund's subsidiary company refinanced its bank loan and returned the capital to investors in the total amount of 1.6 million euros.

Financial overview

In the period from November 2021 to 31.12.2022, the Fund earned a consolidated rental income of 2.0 million euros and a net rental income (NOI) of 1.7 million euros. The consolidated net profit of the first year of operation of the fund is a total of 2.8 million euros, including the gain from the change in the value of investment property in the amount of 2.18 million euros.

	11.11.2021-31.12.2022
€ millions	
Rental revenue, other fees from investment properties	2.027
Expenses related to investment properties, incl. marketing costs	-0.334
Net rental income	**1.693**
Net rental income margin	*84%*
Interest expense and interest income	-0.273
Net rental income minus interest expense and interest income	**1.420**
Management fees	-0.201
Other income and expenses	-0.070
Profit before change in the value of investment property and income tax expense	**1.149**

As of 31.12.2022, the EfTEN Real Estate Fund 5's consolidated total assets amounted to 28.3 million euros, and 96% of the assets are investment properties.

	31.12.2022
€ millions	
Investment property	27.220
Other non-current assets	0.065
Current assets, excluding cash	0.062
Total assets	28.308
Net debt (cash and deposits minus short-term and long-term bank loans)	-12.184
Net asset value (NAV)	14.245
Capital contributions, cumulatively	13.000
Capital returns, cumulatively	-1.600
Unrestricted capital	21.500

Key financial ratios

Per 12 months	**31.12.2022**
ROE, % *(net profit of the period / average equity of the period) x 100*	20.8
ROA, % *(net profit of the period / average assets of the period) x 100*	10.7
ROIC, *% (net profit of the period / average invested capital of the period) x 100*	21.9
Revenue (€ thousand)	2,027
Rental income (€ thousand)	2,005
EBITDA (€ thousand)	1,429
EBITDA margin, %	70.5
EBIT (€ thousand)	3,605
Comprehensive income (€ thousand)	2,845
Liquidity ratio (*current assets / current liabilities*)	1.8
DSCR (*EBITDA/(interest expenses + scheduled loan payments)*)	2.2

Real estate portfolio

As of 31.12.2022, the fund's subsidiary has made the following real estate investment:

Investment property, as of 31.12.2022	Group's ownership, %	Acquisition cost, € *thousands*	Fair value of investment property *€ thousands*	Net leasable area	Utilization, %	Average length of rental agreements	Number of tenants
Saltoniskiu office building in Vilnius	100	25,037	27,220	8,449	89	3.5	13

Net asset value

As of 31.12.2022, the net asset value of the fund is 14.25 million euros. In its first year of operation, the fund made capital contributions in total amount of 13 million euros, and in December 2022, the fund returned capital to investors in the total amount of 1.6 million euros.

As of 31.12.2022, the fund has 16 investors. The owners of more than 10% of the fund are listed in the table below:

Investor	**31.12.2022**
EfTEN United Property Fund	36.47%
LHV pension funds	27.96%
Swedbank pension funds	16.11%

Management

Usaldusfond EfTEN Real Estate Fund 5 was registered in the commercial register in November 2021, after which the fund started its operations.

According to the management agreement and the fund's partnership agreement, the fund's fund manager 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 Viies GP OÜ) has 2 members: Viljar Arakas and Tõnu Uustalu, and during the reporting period 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.

Applying sustainability principles to investing

Information regarding compliance with the SFDR regulation is disclosed in the Note on page 33 of this report, and the fund's sustainable investment principles are disclosed on the Fund's website at www.eften.ee.

FINANCIAL STATEMENTS OF THE CONSOLIDATION GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	11.11.2021-31.12.2022
€ thousands		
Revenue	4,5	2,027
Cost of services sold	6	-166
Marketing costs	7	-168
Net rental income	**4**	**1,693**
General and administrative expenses	8	-272
Gain from revaluation of investment properties	12	2,183
Other operating income		1
Operating profit	**4**	**3,605**
Interest expenses	13	-273
Profit before income tax	**4**	**3,332**
Income tax expense	9	-487
Net profit for the financial year		**2,845**
Total comprehensive income for the financial year	**4**	**2,845**

The notes on pages 8-28 are integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2022
€ thousands		
ASSETS		
Cash and cash equivalents	10	961
Receivables and accrued income	11	62
Total current assets		**1,023**
Investment property	4,12	27,220
Property, plant and equipment		65
Total non-current assets		**27,285**
TOTAL ASSETS		**28,308**
LIABILITIES AND EQUITY NET VALUE		
Borrowings	13	434
Payables and prepayments	14	124
Total current liabilities		**558**
Borrowings	13	12,703
Other long-term debt	14	321
Deferred income tax liability	9	481
Total non-current liabilities		**13,505**
Total liabilities (except for net asset value of the fund owned by limited and general partners)		**14,063**
Total net asset value of the Fund owned by limited and general partners	**16**	**14,245**
TOTAL LIABILITIES AND EQUITY NET VALUE		**28,308**

The notes on pages 8-28 are integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	11.11.2021-31.12.2022
€ thousands		
Net profit		**2,845**
Adjustments of net profit:		
Interest expenses	13	273
Gain on revaluation of investment property	12	-2,183
Depreciation, amortisation and impairment		8
Income tax expense	9	487
Total adjustment with non-cash changes		**-1,415**
Cash flow from operations before changes in working capital		**1,430**
Change in receivables and payables related to operating activities		377
Total cash generated from operating activities		**1,807**
Purchase of property, plant and equipment		-73
Acquisition of investment property	12	-25,037
Total cash generated from investing activities		**-25,110**
Loans received	13	13,500
Scheduled loan repayments	13	-355
Interest paid from bank loans		-281
Capital contributions	16	13,000
Capital returns	16	-1,600
Total cash generated from financing activities		**24,264**
TOTAL CASH FLOW		**961**
Cash and cash equivalents at the beginning of period		**0**
Change in cash and cash equivalents		961
Cash and cash equivalents at the end of period	**10**	**961**

The notes on pages 8-28 are integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS OF THE FUND

	Notes	11.11.2021-31.12.2022
€ thousands		
Net asset value of the Fund owned by limited and general partners at the beginning of the period		**0**
Capital contributions	16	13,000
Capital returns	16	-1,600
Net change in equity	**16**	**11,400**
Comprehensive income for the reporting period		2,845
Net asset value of the Fund owned by limited and general partners at the end of the period		**14,245**

The notes on pages 8-28 are integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

EfTEN Real Estate Fund 5 usaldusfond (hereinafter also referred to as the 'Fund') is a real estate fund established in November 2021 that invests in cash-generating commercial real estate.

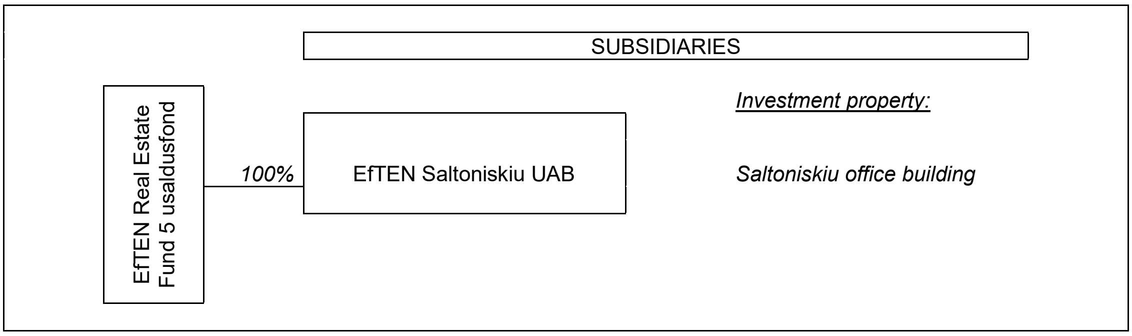
The fund is a closed-end, alternative investment fund and the investment region is the Baltic States.

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

EfTEN Real Estate Fund 5 usaldusfond consolidated financial statements for the extended financial year (for the period from 11 November 2021 to 31 December 2022) have been signed by the Management Board on 10 March 2023. The first consolidated annual report of the fund has been prepared for an extended period.

The fund is a company registered and operating in Estonia.

The structure of EfTEN Real Estate Fund 5 usaldusfond Group as at 31.12.2022 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 Consolidated 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 consolidated 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 consolidated report are described in more detail below. The consolidated annual financial statements of the fund are presented in thousands of euros.

In the preparation of the consolidated financial reports, the cost method has been used as a basis, unless otherwise stated (for example, investment property is carried at fair value).

2.1 Changes in accounting policies and presentation

2.1.1 Adoption of New or Revised Standards and Interpretations

The following new or amended standards and interpretations became mandatory for the Group from January 1, 2022:

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 „fixed assets“ to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant or equipment 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 has to use IAS 2 to measure the cost of those items. Cost does not include depreciation of the asset being tested because it is not yet 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 „Provisions, contingent liabilities and contingent assets“ 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 „Business connections“ 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 “Financial instruments” 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.

"Rental agreements" 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 "First time application of international financial reporting standards" 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 above-mentioned changes did not have a significant impact on the Group's financial statements.

Standards adopted in the next reporting period

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

(applicable to reporting periods beginning on or after January 1, 2023)

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

(applicable to reporting periods beginning on or after January 1, 2023)

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

(applicable to reporting periods beginning on or after January 1, 2023)

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.

Standards not yet adopted

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 2024; not yet adopted by the EU)

These 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. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. 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.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

(effective for annual periods beginning on or after 1 January 2024; not yet adopted by the EU)

The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate.

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

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28

(applies to reporting periods beginning on or after January 1, 2024; not yet adopted by the EU)

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

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 accordance with International Financial Reporting Standards as adopted by the European Union requires management to make judgments and make decisions that affect the principles and values of the recognition of assets and liabilities at the balance sheet date, the way in which contingent assets and liabilities are presented based on the probability of their realization, and revenues and expenses in the reporting period.

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 areas where there is a higher risk of need for revision due to high uncertainty of the estimates, are described below.

a) Investment property: determination of the fair value

Investment property is measured at its fair value at each balance sheet date. The Group's investment properties are valued by Colliers International Advisors OÜ. The Group's independent appraiser evaluates investment properties individually using the discounted cash flow method. All of the Group's investment property earns rental income, which is why the method used best represents the fair value of the investment property among the alternatives (for example, the comparative method). The cash flow projections for all properties have been updated to determine the fair value, and discount rates and exit productivity have been differentiated depending on the location of the facilities, the technical condition and the risk level of the tenants.

Additional information regarding the assumptions used in the fair value assessment is provided in Note 12.

b) Assessments of the existence 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. Therefore, the Group has full control over its subsidiaries both in the distribution of profits and in the adoption of management decisions.

c) Business combinations and 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 5 usaldusfond 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 of EfTEN Real Estate Fund 5 usaldusfond expect both an increase in the value of their assets and a return on their current economic activity, EfTEN Real Estate Fund 5 usaldusfond also carries a significant part of its investment risks that are 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 5 usaldusfond, the fair value measurement is indirect - the fair value is the value of assets held in subsidiaries of EfTEN Real Estate Fund 5 usaldusfond, which results in the fair value of the subsidiary not necessarily being the ultimate market price of the subsidiary. The Group also estimates its financial performance on the basis of 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 5 usaldusfond and its subsidiaries, consolidated on a line-by-line basis. The subsidiaries are consolidated from the date on which control is transferred to the Group, and subsidiaries are deconsolidated from the date that control ceases.

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

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

The new subsidiaries (business combinations) are recognized 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).

As of 31.12.2022, the group has one business segment (office) and one geographical segment (Lithuania).

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.

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

In the separate balance sheet of the parent company (presented in Note 18), 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 an income generated in the course of Company’s ordinary business activities. Revenue is recognized at the transaction price. The transaction price is the consideration to which the Company is entitled for the delivery of the promised services to the customer less the amounts collected on behalf of third parties. An entity recognizes revenue when control of a good or service is transferred to a customer.

The Group's sales revenue includes rental income, administrative fees, marketing fees, and profits from utility and administrative expenses

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

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

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

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

Financing component

The Company does not have any contracts in which the period between delivery of the promised goods or services to the customer and receipt of payment from the customer is longer than one year. Consequently, the Company does not adjust the transaction price for the time value of money.

Cash and cash equivalents

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

Financial assets

(i) Classification
The Company classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.
As of 31.12.2022, the group did not have such financial assets that are recorded at fair value.

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 2022, 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 expected credit loss takes into account: (i) an impartial and probable weighted amount that is determined through the evaluation of a number of different possible outcomes, (ii) the time value of money, and (iii) reasonable information available at the end of the reporting period without excessive expense or effort on past events, current conditions and future economic 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 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 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 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, bonds issued 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 (except for 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 company 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 interim 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 discharged or cancelled or expires.

Provisions and contingent liabilities

A provision is recognised in the balance sheet only when the company has a present legal or factual obligation as a result of an event that occurred before the balance sheet date, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Present obligations arising from events that occurred before the balance sheet date, the realisation of which according to management's judgement is improbable, are also disclosed as contingent liabilities.

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.

Subsidiary in Lithuania

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

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

Recognition of deferred income tax liability in consolidated financial statements

The Group's deferred income tax liability arises in the case of companies located in Lithuania.

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. According 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 name	Country of domicile	Investment property	The subsidiary's equity, EUR thousands	Group's ownership, %
			31.12.2022	31.12.2022
Parent company				
EfTEN Real Estate Fund 5 usaldusfond	Estonia			
Subsidiaries				
EfTEN Saltoniskiu UAB	Lithuania	Saltoniskiu office building	12,738	100

The subsidiary is engaged in the acquisition, development and rental of investment property. The shares of the subsidiary are not listed on the stock exchange.

In December 2021, the Fund established a 100% stake in the company EfTEN Saltoniskiu UAB OÜ, paying 9,978 thousand euros for the share capital of the subsidiary. After the establishment, the subsidiary acquired an office building in Vilnius.

4 *Segment reporting*

SEGMENT RESULTS

11.11.2021 - 31.12.2022	Office	Unallocated	Total
€ thousands			
Revenue (Note 5), incl.	**2,027**	**0**	**2,027**
Lithuania	2,027	0	2,027
Net rental income, incl	**1,693**	**0**	**1,693**
Lithuania	1,693	0	1,693
Operating profit, incl	**3,626**	**-21**	**3,605**
Lithuania	3,626	0	3,626
EBITDA, incl.	**1,450**	**-21**	**1,429**
Lithuania	1,450	0	1,450
Operating profit			**3,605**
Net financial expense			-273
Profit before income tax expense			**3,332**
Income tax expense (Note 9)			-487
NET PROFIT FOR THE FINANCIAL PERIOD			**2,845**

SEGMENT ASSETS

As at 31.12.2022	Office	Total
€ thousands		
Investment property		
Lithuania	27,220	27,220
Total investment property (Note 12)	**27,220**	**27,220**
Other non-current assets		65
Net debt (liabilities minus cash)		-13,102
Other short-term assets		62
NET ASSETS		**14,245**

There were no transactions between business segments during the reporting period. The Group's main income is from investment property located in the same countries where the subsidiary that made the property investment is located.

5 *Revenue*

Areas of activity	11.11.2021-31.12.2022
€ thousands	
Rental income from office premises (Note 12)	2,005
Other sales revenue	22
Total revenue by areas of activity (Note 4)	**2,027**

Revenue by geographical area	11.11.2021-31.12.2022
€ thousands	
Lithuania	2,027
Total revenue by geographical area (Note 4)	**2,027**

6 *Cost of services sold*

Cost of services sold	**11.11.2021-31.12.2022**
€ thousands	
Repair and maintenance of rental premises	-114
Land tax and investment tax	-27
Improvement costs	-2
Other costs	-23
Total cost of service sold (Note 12)	**-166**

7 *Marketing costs*

Marketing costs	**11.11.2021-31.12.2022**
€ thousands	
Commission expenses on rental premises	-168
Total marketing costs	**-168**

8 General and administrative expenses

General and administrative expenses	**11.11.2021-31.12.2022**
€ thousands	
Management services (Note 17)	-201
Office expenses	-1
Wages and salaries, incl. taxes	-1
Consulting expenses, legal aid, accounting services, evaluation services, audit	-48
Regulator costs	-13
Depreciation	-8
Total general and administrative expenses	**-272**

9 Income tax

	11.11.2021-31.12.2022
€ thousands	
Deferred income tax expense of entities in Lithuania	-481
Income tax expenses on the profit of entities in Lithuania	-6
Total income tax expense (Note 4)	**-487**

As of 31.12.2022, the Group has deferred income tax liability in the following amounts:

	Deferred income tax liability related to investment property
€ thousands	
Deferred income tax liability	481
Balance as at 31.12.2022	**481**

10 Cash and cash equivalents

	31.12.2022
€ thousands	
Demand deposits	961
Total cash and cash equivalents (Note 15)	**961**

11 Receivables and accrued income

Short-term receivables and accrued income

	31.12.2022
€ thousands	
Receivables from customers	56
Total receivables from customers (Note 15)	**56**
Other taxes prepaid	6
Total accrued income	**6**
Total receivables and accrued income (Note 15)	**62**

12 Investment property

As of 31.12.2022, the Group has made investments in the following investment properties:

Name	Location	Net leasable area (m^2)	Year of construction	Date of acquisition	Acquisition cost	Market value as at 31.12.2022	Increase in value	Share of market value of the Fund's assets
€ thousands								
Saltoniskiu office building	Vilnius, Lithuania	8,449	2007	Dec. 21	25,037	27,220	9%	96%
Total		**8,449**			**25,037**	**27,220**	**9%**	**96%**

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

The following changes have occurred in the Group's investment property during the reporting period:

	Completed investment property	**Total investment property**
Acquisitions and developments in the period 11.11.2021-31.12.2022	25,037	**25,037**
Gain on change in fair value in the period 11.11.2021-31.12.2022	2,183	**2,183**
Balance as at 31.12.2022 (Note 4)	**27,220**	**27,220**

The income statement and balance sheet of the Group include, among other items, the following income and expenses and balances related to investment property:

As at 31 December or per year	**11.11.2021-31.12.2022**
Rental income from investment property (Note 5)	2,005
Costs directly related to the management of investment properties (Note 6)	-166
Carrying amount of investment property pledged as collateral to borrowings (Note 13)	27,220

Payments under non-cancellable operating leases	**31.12.2022**
€ thousands	
Up to 1 year	1,657
2-5 years	3,967
Over 5 years	0
Total	**5,624**

Assumptions and basis for determining the fair value of investment properties

An independent appraiser values the investment property of the Group. The fair value presented in the Group's financial statement as of 31.12.2022 was determined using the discounted cash flow method. The following assumptions have been used to determine fair value:

Sector	Fair value	Valuation method	Estimated rental income per year	Discount rate	Exit yield	Average rent, €/m^2
€ thousands						
Office	27,220	Discounted cash flows	1,707	8.4%	6.0%	18.2
Total	**27,220**		**1,707**			

Independent expert valuation as to the fair value of investment property is based on the following:
- Rental income: real growth rates and rents under current lease agreements are used;
- Vacancy rate: the actual vacancy rate of the investment properties, taking into account the risks associated with the property;
- Discount rate: calculated using the weighted average cost of capital (WACC) associated with the investment property;
- Exit yield: based on the estimated level of return at the end of the estimated holding period, taking into consideration the forecasted market condition and risks associated with the property.

Fair value sensitivity analysis

The table provided below illustrates as at 31 December 2022 the sensitivity of the fair value of investment property assessed using the discounted cash flow method reflected in the balance sheet of the Group to the most significant assumptions:

Sector	**Fair value**	**Sensitivity to management estimate**		**Sensitivity to discount rate and exit yield**			
		Revenue +10%	**Revenue -10%**	**Discount rate +50bp**	**Discount rate -50bp**	**Exit yield +50bp**	**Exit yield -50bp**
€ thousands							
Office	27,220	*2,870*	*-2,870*	*-570*	*590*	*-1,640*	*1,950*
TOTAL	**27,220**	**2,870**	**-2,870**	**-570**	**590**	**-1,640**	**1,950**

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

13 Borrowings

As at 31.12.2022, the Group has the following borrowings:

Lender	Country of lender	Loan amount as per agreement (€ *thousand*)	Loan balance as at 31.12.2022 (*€ thousand*)	Contract term	Interest rate as at 31.12.2022	Loan collateral	Value of collateral (*€ thousand*)	Loan balance share of the fund's net asset value
Swedbank	Lithuania	13,500	13,145	06.12.25	4.34%	Mortgage - Saltoniskiu office building	27,220	92.3%

Additional information on loan obligations is provided in Note 12.

Short-term borrowings	**31.12.2022**
€ thousands	
Repayments of long-term bank loans in the next period	437
Discounted contract fees for bank loans	-3
Total short-term borrowings	**434**

Long-term borrowings	**31.12.2022**
€ thousands	
Total long-term borrowings	**13,137**
incl. current portion of borrowings	434
incl. non-current portion of borrowings, incl.	12,703
Bank loans	*12,708*
Discounted contract fees on bank loans	*-5*

Bank loans are divided as follows according to repayment date:

Repayment of bank loans according to repayment dates	**31.12.2022**
€ thousands	
Less than 1 year	437
2-5 years	12,708
Total repayments of bank loans	**13,145**

Cash flows of borrowings	11.11.2021-31.12.2022
€ thousands	
Balance at the beginning of period	**0**
Bank loans received	13,500
Annuity payments on bank loans	-355
Change of discounted contract fees	-8
Balance as at the end of period	**13,137**

In the reporting period the interest cost of bank loans is 273 thousand euros.

Additional information on loan liabilities can be found in Note 15.

14 Payables and prepayments

Short-term payables and prepayments

	31.12.2022
€ thousands	
Other trade payables	81
Total trade payables	**81**
Value added tax	24
Land tax and real-estate tax	16
Total tax liabilities	**40**
Other accrued liabilities	3
Total accrued expenses	**3**
Total payables and prepayments	**124**

Long-term payables

	31.12.2022
€ thousands	
Tenants' security deposits	321
Total other long-term payables	**321**

Additional information on debts is provided in Note 15.

15 Financial instruments, management of financial risks

The main financial liabilities of the Group are loan liabilities taken to finance the Group's real estate investments. The Group's balance sheet also includes cash, trade receivables, other receivables and trade payables.

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

Carrying amounts of financial instruments

	Notes	31.12.2022
€ thousands		
Financial assets – loans and receivables measured at amortised cost		
Cash and cash equivalents	10	961
Trade receivables	11	56
Total financial assets measured at amortised cost		**1,017**
Financial liabilities measured at amortised cost		
Borrowings	13	13,137
Trade payables	14	81
Tenant security deposits	14	321
Accrued expenses	14	3
Total financial liabilities measured at amortised cost		**13,542**
Total financial liabilities		**13,542**

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.

The 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 risk

Interest rate risk is the risk of changes in the future cash flows of financial instruments due to changes in market interest rates. The change in market interest rates mainly affects the long-term floating interest rate loan commitments taken by the Fund's subsidiaries, where the income from the subsidiary may decrease as a result of rising interest rates.

As of 31.12.2022, the group's loan agreement has been entered into on the basis of floating interest with 6-month EURIBOR. The 6-month EURIBOR fluctuated between minus 0.539% and 2.693% in 2022.

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 more than 60% of the cost of the investment and to maintain the Group's debt coverage ratio in excess of 1.3. As at 31.12.2022, the Group's interest-bearing liabilities accounted for 48% of cash flow generating investment property and the average debt coverage ratio (DSCR) of the last 12 months was 2.2.

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 31.12.2022	Under 1 month	2-4 months	4-12 months	Between 2-5 years	**Total**
€ thousands					
Interest-bearing liabilities	36	108	294	12,707	**13,145**
Interest payments	49	147	385	1,101	**1,682**
Trade payables	81	0	0	0	**81**
Tenant security deposits	0	0	0	321	**321**
Accrued expenses	3	0	0	0	**3**
Total financial liabilities	**169**	**255**	**679**	**14,129**	**15,232**

Report of working capital

	31.12.2022
€ thousands	
Cash and cash equivalents (Note 10)	961
Receivables and accrued income (Note 11)	62
Total assets	**1,023**
Short-term payables and prepayments (Note 14)	-124
Total current liabilities	**-558**
Total working capital	**465**

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 receivables are illustrated by the table below:

	31.12.2022
Undue	56
Total trade receivables (Note 11)	**56**

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

	31.12.2022
€ thousands	
Cash and cash equivalents (Note 10)	961
Trade receivables (Note 11)	56
Total maximum credit risk	**1,017**

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	31.12.2022
Aa2	961
Total (Note 10)	**961**

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 Group's capital includes borrowings and equity. The group considers loan obligations received as capital and the net value of the Fund's assets belonging to trust and general partners.

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 (including interest).

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 31.12.2022, the Group does not have any assets at fair value that would be included in the Level 1 group when determining the value. All of the Group's investment properties are stated at fair value and are classified in Level 3 according to the valuation method.

16 Paid-in capital

EfTEN Real Estate Fund 5 usaldusfond was established on 11 November 2021. The first contributions of the group were made after the establishment, therefore by preparing the group's initial balance sheet (as of 11.11.2021), the paid-in capital has not yet been recognised in the balance sheet.

During the reporting period, the Group's investors made contributions for the acquisition of new investment property in the amount of 13,000 thousand euros, and the capital was returned to the investors in the amount of 1,600 thousand euros. The balance of the paid-in capital of the group as of 31.12.2022 was 11,400 thousand euros.

As of 31.12.2022, financial responsibility agreements have been concluded between the group and the group's investors, according to which the investors pay a total of 32,900 thousand euros to the group for the acquisition of subsidiaries, i.e., as of the end of the reporting period, it is possible to raise another 21,500 thousand euros of capital from the investors.

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

Investors	31.12.2022
EfTEN United Property Fund	36.47%
LHV pension funds	27.96%
Swedbank pension funds	16.11%

17 Related party transactions

Usaldusfond EfTEN Real Estate Fund 5 considers the following as related parties:

- Members of the Management Board and companies owned by the members of the Management Board of EfTEN Real Estate Fund 5 usaldusfond;

- Employees and companies owned by the employees of EfTEN Real Estate Fund 5 usaldusfond;

- General partner EfTEN Viies GP OÜ;

- Persons who own more than 10% of the Fund's paid-in capital;

- EfTEN Capital AS (fund manager).

The Group purchased management services from EfTEN Capital AS in the amount of 201 thousand euros (Note 8). The EfTEN Real Estate Fund 5 usaldusfond did not purchase or sell any other goods or services to other related parties.

The group had no employees during the reporting period. No remuneration was calculated or paid to the members of the Group's Management Board during the reporting period. The members of the Management Board of the group work for EfTEN Capital AS, a company that provides management services to the group, and the expenses related to the activities of the members of the Management Board are included in the management service.

18 Parent company's separate financial statements

Pursuant to the Accounting Act of the Republic of Estonia, information of the annual unconsolidated financial statements (primary statements) of the consolidating entity (Parent Company) shall be disclosed in the notes to the consolidated financial statements. In preparing the primary financial statements of the Parent Company, the same accounting policies have been used as in preparing the consolidated financial statements. The accounting policy for reporting subsidiaries has been amended in the separate primary financial statements disclosed as supplementary information in the annual report in conjunction with 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.

STATEMENT OF COMPREHENSIVE INCOME

Investors	11.11.2021-31.12.2022
€ thousands	
General and administrative expenses	-21
Operating profit	**-21**
Gain from subsidiaries	2,760
Other financial income	106
Profit before income tax	**2,845**
Net profit for the financial year	**2,845**
Comprehensive income for the financial year	**2,845**

STATEMENT OF FINANCIAL POSITION

	31.12.2022
€ thousands	
ASSETS	
Cash and cash equivalents	454
Receivables and accrued income	104
Total current assets	**558**
Non-current assets	
Shares of subsidiaries	12,738
Long-term receivables	950
Total non-current assets	**13,688**
TOTAL ASSETS	**14,246**
Debts	1
Total short-term liabilities	**1**
Total liabilities	**1**
Total net asset value of the Fund owned by limited and general partners	**14,245**
TOTAL LIABILITIES AND TOTAL NET ASSETS	**14,246**

STATEMENT OF CASH FLOWS

	11.11.2021-31.12.2022
€ thousands	
Cash flow from operating activities	
Net profit	**2,845**
Adjustments to net profit:	
Interest income	-106
Gain on change in fair value of subsidiaries	-2,760
Total adjustments	**-2,866**
Cash flow from operations before changes in working capital	**-21**
Change in other receivables and payables	1
Net cash flow generated from operating activities	**-20**
Cash flows from investing activities	
Acquisition of subsidiaries	-9,978
Loans granted	-2,550
Repayments of loans granted	1,600
Interest received	2
Cash flows from investing activities	**-10,926**
Cash flows from financing activities	
Capital returns	-1,600
Capital contributions	13,000
Net cash generated from financing activities	**11,400**
NET CASH FLOW	**454**
Cash and cash equivalents at the beginning of the period	**0**
Change in cash and cash equivalents	454
Cash and cash equivalents at the end of the period	**454**

STATEMENT OF CHANGES IN THE FUND'S NET ASSETS

	11.11.2021-31.12.2022
€ thousands	
Net asset value of the Fund owned by limited and general partners at the beginning of the period	**0**
Capital contributions	13,000
Capital returns	-1,600
Net change in equity	**11,400**
Comprehensive income for the financial year	2,845
Net asset value of the Fund owned by limited and general partners at the end of the period	**14,245**

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:

	31.12.2022
€ thousands	
Net asset value of the Fund owned by limited and general partners of the parent company at the end of the period	14,245
Value of subsidiaries in the parent company's separate balance sheet (minus)	-12,738
Value of subsidiaries calculated using the equity method (plus)	12,738
Total	**14,245**

Independent Auditor's Report

To the Fund unit holders of EfTEN Real Estate Fund 5 usaldusfond

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of EfTEN Real Estate Fund 5 usaldusfond and its subsidiary (together the "Group") as at 31 December 2022, and the Group's consolidated financial performance and consolidated cash flows for the year then ended (11 November 2021 until 31 December 2022) 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 2022;
- the consolidated statement of financial position as at 31 December 2022;
- 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 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 NOTE: Environmental and/or social characteristics of the fund (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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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:

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.

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.

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/signed/	/signed/
Rando Rand Auditor's certificate no. 617	Anna Belaja Auditor's certificate no. 723

10 March 2023
Tallinn, Estonia

Translation note:

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

Signatures of the Management Board on the consolidated annual report 2022

We hereby confirm the accuracy of the information provided in the 2022 annual report of EfTEN Real Estate Fund 5 usaldusfond.

/ digitally signed /

____

Viljar Arakas

Member of the Management Board of EfTEN Neljas GP OÜ

/ digitally signed /

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Tõnu Uustalu

Member of the Management Board of EfTEN Neljas GP OÜ

NOTE: Environmental and/or social characteristics of the fund

Product name: EfTEN Real Estate Fund 5 usaldusfond **Legal entity identifier: N/A**

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?

☐ Yes	☒ No
☐ It made **sustainable investments with an environmental objective:** ___%	☒ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of ___% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It made **sustainable investments with a social objective:** ___%	☐ It promoted E/S characteristics, but **did not make any sustainable investments**

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the

To what extent were the environmental and/or social characteristics promoted by this financial product met?

EfTEN Real Estate Fund 5 usaldusfond (hereinafter referred to as the Fund) includes several performance indicators and benchmarks in the Fund's documentation. This covers pre-acquisition sustainability performance assessment, sustainable portfolio management for assets acquired and/or (re)developed and reporting to investors. More specifically, the Fund is focused on long-term improvement of green lease management and cost-effective improvement of asset sustainability performance which is measured by life-time improvements in EPC ratings and BREAAM certificates. Currently, the whole portfolio meets the characteristics promoted in the Fund's documentation.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

How did the sustainability indicators perform?

The fund is in its investment phase with a limited portfolio that does not yet merit the full extent of performance measurement. Preparations are being made to validate and measure detailed indicators relevant to the Fund's promoted characteristics. Currently the portfolio is 100% covered with EPC ratings (average: rating C) and 100% covered with BREAAM In Use certificates (average: Very Good).

What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?

The Fund's objectives are Fund life-time improvements of asset environmental and sustainability performance where cost-effectively possible and feasible, while contributing to climate change mitigation and adaptation to the maximum extent possible. Objective fulfilment will be measured by sustainability indicators, sustainability and energy performance certification levels.

How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?

When accounting for avoidance of significant harm to any environmental or social objectives, the Fund relies on the EU Taxonomy "do no significant harm" test for real estate investments. As such, the Fund considers "do no significant harm" conditions fulfilled if the asset's climate mitigation criteria substantially align with the Taxonomy principles.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

How were indicators of negative impact on sustainability factors taken into account?

The Fund does not currently account for principal adverse impacts on sustainability factors due to limited data of underlying investments. As the Fund's investment portfolio matures and data becomes available, principal adverse impacts will be reconsidered and accounted for.

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

All Fund investments are real estate investments that are under the direct control of the Fund and its management company.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

What were the top investments of this financial product?

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 01.01.2022-31.12.2022

Largest investments	Sector	Assets %	Country
EfTEN Saltoniskiu UAB	**Real Estate**	**96%**	**Lithuania**

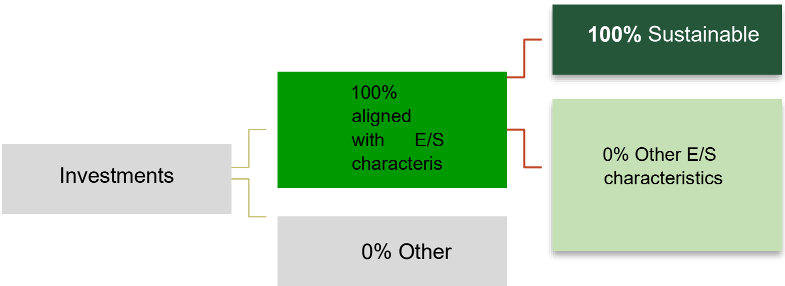
The Fund currently holds 1 asset – EfTEN Saltoniskiu UAB (Danske office building).

What was the proportion of sustainability-related investments?

All of the Fund's investments follow the criteria established in the Fund's documentation, including eligibility for promoted sustainability related activities. The fund does not have a minimum mandatory share rate for sustainability-related investments.

What was the asset allocation?

Asset allocation describes the share of investments in specific assets.



Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **Aligned with** E/S characteristics covers:

- The sub-category **Sustainable** covers environmentally and socially sustainable investments.

- The sub-category **Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

In which economic sectors were the investments made?

100% of the Fund's investments were made into commercial real estate, specifically an office building.

To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

Currently, 0% of the Fund's investments are fully aligned with the EU Taxonomy and therefore 0% of the Fund's investments' turnover, capital expenditure and operational expenditure can be allocated to Taxonomy-aligned activities

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflects the "greenness" of investee companies today.
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.
- **operational expenditure** (OpEx) reflects the green operational activities of investee companies.

What was the share of investments made in transitional and enabling activities?

No investments were made in transitional and enabling activities.

How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods

The Fund does not have a previous reference period for EU Taxonomy alignment comparison purposes.

What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

Currently, 100% of the Fund's investments are considered sustainable with an environmental objective not aligned with the EU Taxonomy. As alignment with the EU Taxonomy was not a prerequisite for investment, assets will instead be assessed and improved over time to allow alignment in the future.

What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?

No other investments were made.

What actions have been taken to meet the environmental and/or social characteristics during the reference period?

The Fund is currently in its investment stage and as such is focused on sourcing potential investments to fulfil its mandate. During this time every acquired asset is assessed and if necessary, initial capital expenditures for immediate improvements of the asset or amendments to the asset's tenant portfolio are made. In 2022 the focus was on achieving zero vacancy with a new tenant mix under new agreements with green lease clauses. Steps were also made to ensure sustainability data availability for future analysis and reporting, including re-evaluation of taxonomy alignment.