Consolidated Annual Report 2023

EfTEN Residential Fund usaldusfond

Commercial register number: 16050037

Beginning of financial year: 01.01.2023

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MANAGEMENT REPORT

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

EfTEN Residential Trust Fund is a real estate fund investing in residential investment property in the Baltics. As of 31.12.2023, the Fund has invested a consolidated amount of 39.7 million euros in five real estate objects in Tallinn, Riga, Vilnius and Kaunas.

In the spring of 2023, the foundation's 96-apartment rental building in Kaunas was completed. Due to the good location of the building (in the immediate vicinity of the campus of the Kaunas Medical University), finding tenants was successful, and by the end of the year 93 apartments had been rented out. In July, the fund acquired a rental building with 102 apartments in Riga. It is an existing apartment building that is planned to be completely renovated. According to the budget, the total cost of the investment is 7.2 million euros (approx. 1,900 euros per rentable square meter), which is significantly lower than the average market price of Riga apartments. Construction work continued in Vilnius on the foundation's largest rental building with 145 apartments, the completion of which is planned for the summer of 2024. At the moment, there are no plans to start the construction activities of the development of rental houses with 95 apartments in Riga (project 'Bultu'), and the fund management company is considering the realization of the plot of land acquired for the development.

Since its establishment, EfTEN Residential Fund has raised 27 million euros in capital and earned 5.45 million euros in net profit (of which 0.27 million in 2023). The fund has signed binding contracts for raising capital in the amount of 35.1 million euros, i.e. it is possible for the fund to raise capital in the amount of 8.1 million euros based on the existing contracts. According to today's plans, it will be used to complete the construction of the rental house in Vilnius and to renovate the rental house in Riga.

Financial overview

In 2023, EfTEN Residential Fund earned 1,186 thousand euros of consolidated sales revenue (2022: 713 thousand euros) and 418 thousand euros of consolidated EBITDA (2022: 319 thousand euros). The net profit of the Group for the reporting year was a total of 269 thousand euros (2022: 1,306 thousand euros), including 304 thousand euros of profit from the revaluation of investment property (2022: 1,013 thousand euros).

As of 31.12.2023, the Fund’s total assets amounted to 43,712 thousand euros (31.12.2022: 30,350 thousand euros).

	31.12.2023	31.12.2022
€ millions		
Investment property	39.701	26.958
Other long-term receivables	0.712	0.187
Current assets, excluding cash	0.391	0.206
Total assets	43.712	30.350
Net asset value (NAV)	32.066	28.347
Capital contributions, cumulatively	27.011	23.161
Unrestricted capital	8.089	11.939

Key financial ratios

12 months	31.12.2023	31.12.2022
ROE, % (net profit of the period / average equity of the period) x 100	0.9	5.8
ROA, % (net profit of the period / average assets of the period) x 100	0.7	5.2
ROIC, % (net profit of the period / average invested capital of the period) x 100[1]	1.1	7.3
EBITDA (€ thousand)	418	319
EBIT (€ thousand)	592	1,300
Comprehensive income (€ thousand)	269	1,306
Liquidity ratio (current assets / current liabilities)	4.8	4.7

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

Investment property portfolio

As of 31.12.2023, the Fund's subsidiaries have made the following investment properties:

Subsidiary	Investment property portfolio	Location	Time of acquisition	Acquisition cost, € thousands	Fair value, € thousands	Number of rental units
EfTEN K141 OÜ	Kadaka Metsapark	Tallinn, Estonia	9.2020	10,376	14,270	114
EfTEN Living Dole SIA (previous name Tallinas 3 SIA)	Bultu Residential	Riga, Latvia	7.2021	648	648	130
EfTEN Zeimenos UAB	Kaunas Residential	Kaunas, Lithuania	11.2021	9,729	10,700	96
EfTEN Talino UAB	Rewo	Vilnius, Lithuania	6.2022	10,673	11,240	145
EfTEN Living Daugava SIA	Daugava	Riga, Latvia	7.2023	2,843	2,843	102
Total				**34,269**	**39,701**	**587**

As of 31.12.2023, 114 apartments were rented out in the Kadaka Metsapark rental building (2022: 113 apartments), from which the rental income was 770 thousand euros (2022: 658 thousand euros).

The construction of the Kaunas Residential rental house was completed in April 2023. As of 31.12.2023, 93 apartments had been rented out, from which a rental income of 350 thousand euros was received during 2023.

As of 31.12.2023, 102 apartments were rented out in the Daugava rental house, from which 42 thousand euros of rental income was received during the year.

The first stage rental building of the Rewo project in Vilnius with 145 apartments will be completed in the 3rd quarter of 2024.

Net asset value

The net asset value of the Fund as of 31.12.2023 is 32,066 thousand euros (2022: 28,347 thousand euros), and as of the end of 2023 EfTEN Residential Fund has made capital contributions of 27,011 thousand euros (2022: 23,161 thousand euros).

As of 31.12.2022 the Fund has a total of 27 investors (2022: the same). The owners of more than 10% of the fund are listed in the table below:

Investor	31.12.2023	31.12.2022
Compensa Life Vienna Insurance Group	42.74%	42.74%
LHV pensions funds	14.24%	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	2023	2022
€ thousands			
Revenue	4,5	1,186	713
Cost of services sold	6	-287	-100
Marketing costs	7	-39	-7
Net rental income	**4**	**860**	**606**
General and administrative expenses	8	-563	-327
Gain / loss from revaluation of investment properties	11	304	1,013
Other operating income and expenses		-9	8
Operating profit	**4**	**592**	**1,300**
Interest income		73	0
Interest expenses		-314	0
Profit before income tax	**4**	**351**	**1,300**
Income tax expense		-82	6
Net profit for the financial year		**269**	**1,306**
Total comprehensive income for the financial year	**4**	**269**	**1,306**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2023	31.12.2022
€ thousands			
ASSETS			
Cash and cash equivalents	9	2,908	2,999
Receivables and accrued income	10	386	205
Prepaid expenses		5	1
Total current assets		**3,299**	**3,205**
Non-current receivables		49	0
Deferred tax asset		0	17
Investment property	4,11	39,701	26,958
Property, plant and equipment	12	618	124
Intangible assets		45	46
Total non-current assets		**40,413**	**27,145**
TOTAL ASSETS		**43,712**	**30,350**
LIABILITIES AND NET ASSET VALUE			
Borrowings	13	93	0
Payables and prepayments	14	597	687
Total current liabilities		**690**	**687**
Borrowings	13	9,683	0
Other non-current liabilities	14	1,199	1,307
Deferred income tax liability		74	9
Total non-current liabilities		**10,956**	**1,316**
Total liabilities		**11,646**	**2,003**
Total net asset value of the Fund owned by limited and general partners		**32,066**	**28,347**
TOTAL LIABILITIES AND TOTAL NET ASSETS		**43,712**	**30,350**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2023	2022
€ thousands			
Net profit		**269**	**1,306**
Adjustments of net profit:			
Interest income and expenses		241	0
Gain / loss on revaluation of investment property	11	-304	-1,013
Depreciation and impairment loss	6,8	130	32
Income tax expense		82	-6
Total adjustments with non-cash changes		**149**	**-987**
Cash flow from operations before changes in working capital		**418**	**319**
Change in receivables and prepayments related to operating activities		-53	236
Change in liabilities and payables related to operating activities		-161	-584
Total cash flow generated from operating activities		**204**	**-29**
Purchase of property, plant and equipment and intangible assets	12	-623	-56
Sale of property, plant and equipment		1	3
Purchase of investment property	11	-12,663	-9,515
Interest received		73	0
Total cash flow generated from investing activities		**-13,212**	**-9,568**
Received loans	13	9,800	0
Scheduled loan repayments		-8	0
Interest paid on bank loans		-325	0
Interest paid to investors	15	-400	0
Capital contributions	16	3,850	10,480
Total cash flow generated from financing activities		**12,917**	**10,480**
TOTAL CASH FLOW		**-91**	**883**
Cash and cash equivalents at the beginning of period	**9**	**2,999**	**2,116**
Change in cash and cash equivalents		-91	883
Cash and cash equivalents at the end of period	**9**	**2,908**	**2,999**

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

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS OF THE FUND

	2023	2022
€ thousands		
Net asset value of the Fund owned by limited and equity partners at the beginning of the period	**28,347**	**16,561**
Capital contributions	3,850	10,480
Capital returns		0
Net change in capital	**3,850**	**10,480**
Transfer of dividends and interest to fund investors	-400	0
Comprehensive income for the financial year	269	1,306
Net asset value of the Fund owned by limited and equity partners at the end of the period	**32,066**	**28,347**

Additional information on capital contributions is provided in Note 16.

The notes on pages 8-28 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 established in September 2020 and it is a real estate fund investing in cash-generating residential real estate.

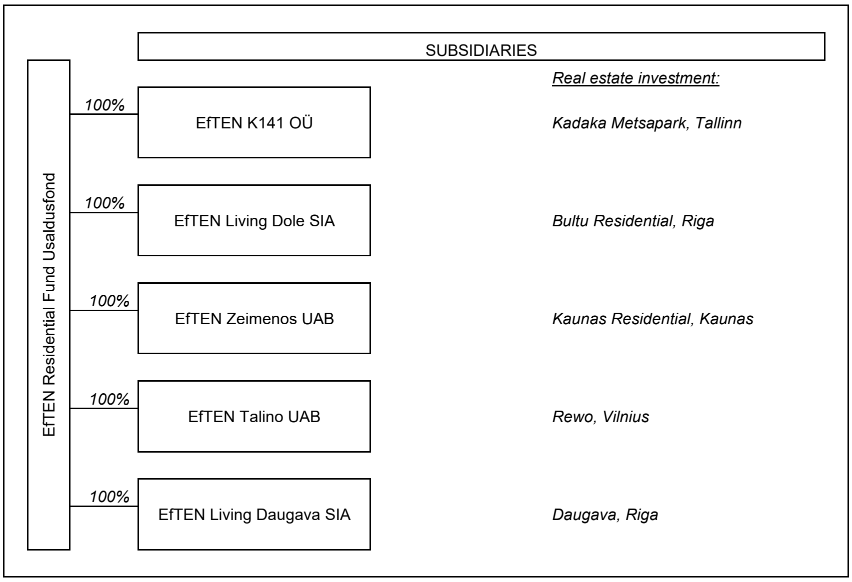
The Fund is a close-ended, alternative investment fund and the investment region is the Baltic states.

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

The annual financial statements of EfTEN Residential Fund for the period 01.01.2023 to 31.12.2023 have been signed by the Management Board on 8 March 2023.

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

The structure of the EfTEN Residential Fund usaldusfond group as of 31.12.2023 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.

EfTEN Residential Fund usaldusfond and its subsidiary's consolidated annual financial statements have been prepared based on International Financial Reporting Standards (IFRS), as adopted by the European Union.

The annual financial statements of the group are presented in thousands of euros.

The financial statements have been prepared using the acquisition cost method, unless otherwise stated (for example, investment property is recorded at fair value).

The report has been prepared based on the principle of business continuity.

2.1 Changes in accounting policies and presentation

1.2.1 Application of new or revised standards and interpretations

From January 1, 2023, the following new or revised standards and interpretations became mandatory for the Group:

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies
(Effective for accounting 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 has taken the new requirements into account when preparing this annual report.

Amendments to IAS 8: Definition of Accounting Estimates
(Effective for accounting 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 above-mentioned changes did not have a significant impact on the Group's financial statements.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12
(Effective for reporting periods beginning on or after January 1, 2023.)

IAS 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 above-mentioned changes did not have a significant impact on the Group's financial statements.

The standards will come into force in the following reporting periods and standards not yet adopted

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1
(Effective to reporting periods beginning on or after January 1, 2024; not yet adopted by the European Union)

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 impact of the said change after its implementation.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback
(Applicable to accounting periods beginning on or after January 1, 2024; not yet adopted by the European Union)

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 impact of the said change after its implementation.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Financial Arrangements
(Applies to accounting periods beginning on or after January 1, 2024; not yet adopted by the European Union)

In response to financial statement users' concerns about insufficient or misleading disclosure of financing arrangements, the IASB issued amendments to IAS 7 and IFRS 7 in May 2023 to require disclosure of supplier finance arrangements. These changes require disclosure of financial arrangements with corporate suppliers that would allow users of financial statements to assess the impact of those arrangements on the company's liabilities and cash flows and the company's liquidity risk. The purpose of the additional disclosure requirements is to increase the transparency of suppliers' financial arrangements. The changes do not affect the recognition or measurement principles, only the disclosure requirements. The new disclosure requirements will take effect for reporting periods beginning on or after January 1, 2024.

The Group will analyse and disclose the impact of the said 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
(Effective date to be determined by the IASB; not yet adopted by the European Union)

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 impact of the said change after its implementation.

2.2 Summary of material 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.

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 properties are valued at their fair value as of each balance sheet date. The Group's investment properties are evaluated by Colliers International Advisors OÜ. The group's independent appraiser evaluates investment properties individually using the discounted cash flow method. All of the Group's investment properties earn (or will earn upon completion) rental income, which is why the method used best shows the fair value of the investment properties among the alternatives (for example, the comparative method). The cash flow forecasts of all objects are updated when finding the fair value, and the discount rates and exit yields are differentiated depending on the location of the objects, the technical condition and the risk level of the tenants. Compared to last year, both the discount rates used in the evaluations of the fund's real estate portfolio and the exit yield have increased in connection with the rise in EURIBOR and the market situation of real estate transactions. If the discount rates were between 6.7% and 8.8% last year, as of 31.12.2023 they are 6.5%-8.9%. Output yields are in the range of 5.5%-6.3% at the end of 2023, (2022: 5.0% to 6.0%). Additional information regarding the assumptions and sensitivity used in the evaluations is provided in Note 11.

b) 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.

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.

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**
Rental houses	Kadaka Metsapark, Tallinn	Bultu Residential, Riga	Kaunas Residential, Kaunas
		Daugava, Riga	Rewo, Vilnius

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 unconsolidated balance sheet of the parent company (Note 19), investments in subsidiaries are recorded using the fair value method.

Revenue recognition

The Group's sales income includes rental income, management fees, marketing fees and the profit of mediating utility and administrative expenses (revenues are offset against related expenses).

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.

Financial assets

Impairment of financial assets

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.

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.

As of 31 December 2023 and 31 December 2022, all the Group’s financial assets were classified in this category:

- cash and cash equivalents;
- short-term deposits;
- trade receivables.

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.

Property, plant and equipment

Property, plant and equipment are initially considered at their acquisition cost, which consists of the purchase price and expenses directly related to acquisition, which are necessary to bring the asset to its working condition and location. Property, plant and equipment are recorded in the balance sheet at their acquisition cost, from which accumulated depreciation and possible discounts resulting from a decrease in value have been deducted.

The straight-line method is used for depreciation. Depreciation rates are determined separately for each property, plant and equipment item, depending on its useful life. Depreciation rates for property, plant and equipment are as follows:

Other tangible assets 5-7 years

Furniture 5-7 years

Office equipment 3 years

If there are signs that the life or final value of the asset has changed significantly, changes in the asset's depreciation are made on a prospective basis.

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.

Income tax

Estonian subsidiaries

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, € thousand		Group's ownership, %	
			31.12.2023	31.12.2022	31.12.2023	31.12.2022
Parent company						
EfTEN Residential Fund Usaldusfond	Estonia					
Subsidiaries						
EfTEN K141 OÜ	Estonia	Kadaka Metsapark, Tallinn	7,317	5,180	100	100
EfTEN Living Dole SIA	Latvia	Bultu Residential, Riga	-77	-31	100	100
EfTEN Zeimenos UAB	Lithuania	Kaunas Residential, Kaunas	4,660	1,376	100	100
EfTEN Talino UAB	Lithuania	Rewo, Vilnius	2,184	846	100	100
EfTEN Living Daugava SIA	Latvia	Daugava, Riga	635	0	100	0
TOTAL			**14,719**	**7,371**		

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.

In May 2023, EfTEN Residential Fund established a 100% subsidiary company EfTEN Living Daugava SIA, paying the share capital of the subsidiary company 3 thousand euros.

In May 2022, EfTEN Residential Fund established a 100% subsidiary EfTEN Talino UAB, paying 2.5 thousand euros for the share capital of the subsidiary.

4 Segment reporting

SEGMENT RESULT

	Estonia		Latvia		Lithuania		Non- allocated		Total	
per year	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
€ thousands										
Revenue (Note 5), incl	794	713	42	0	350	0	0	0	1,186	713
Net rental income	757	616	8	-5	95	-5	0	0	860	606
EBITDA	**640**	**507**	**-71**	**-15**	**-102**	**-129**	**-49**	**-44**	**418**	**319**
Operating profit	**-371**	1,248	**-71**	-15	**1,095**	119	**-61**	-52	**592**	**1,300**
Net financial expense									-241	0
Profit before income tax expense									**351**	**1,300**
Income tax expense									-82	6
NET PROFIT FOR THE FINANCIAL YEAR									**269**	**1,306**

SEGMENT ASSETS

	Estonia		Latvia		Lithuania		Total	
As of the balance sheet data	**31.12.23**	**31.12.22**	**31.12.23**	**31.12.22**	**31.12.23**	**31.12.22**	**31.12.23**	**31.12.22**
€ thousands								
Investment property (Note 11)	**14,270**	**15,250**	**3,491**	**583**	**21,940**	**11,125**	**39,701**	**26,958**
Other long-term assets							712	187
Net debt (liabilities minus cash)							-8,738	996
Other short-term assets							391	206
NET ASSETS							**32,066**	**28,347**

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	**2023**	**2022**
€ thousands		
Rental income from residential units (Note 11)	1,162	658
Other sales revenue	24	55
Total revenue by areas of activity (Note 4)	**1,186**	**713**

Revenue by geographical area	**2023**	**2022**
€ thousands		
Estonia	794	713
Latvia	42	0
Lithuania	350	0
Total revenue by geographical area (Note 4)	**1,186**	**713**

6 Cost of services sold

Cost of services sold	**2023**	**2022**
€ thousands		
Repair and maintenance of rental premises	-30	-65
Property insurance	-3	-2
Land tax and property tax	-58	-6
Utility costs for vacant spaces	-29	0
Depreciation	-117	-23
Improvement costs	-2	0
Other costs	-47	-4
Allowance for doubtful accounts	-1	0
Total cost of services sold (Note 11)	**-287**	**-100**

7 Marketing expenses

Marketing expenses	**2023**	**2022**
€ thousands		
Rental commissions	-19	-1
Advertising, promotional events	-20	-6
Total marketing expenses	**-39**	**-7**

8 General and administrative expenses

General and administrative expenses	2023	2022
€ thousands		
Management fee (Note 17)	-373	-195
Office expenses	-40	-27
Wages and salaries, incl. taxes	-5	-1
Consulting expenses, legal aid, accounting services, evaluation services, audit	-117	-79
Regulator costs	-15	-16
Depreciation	-13	-9
Total general and administrative expenses	**-563**	**-327**

9 Cash and cash equivalents

	31.12.2023	31.12.2022
€ thousands		
Demand deposits	1,310	2,999
Overnight deposits[1]	1,598	0
Total cash and cash equivalents (Note 15)	**2,908**	**2,999**

[1]Overnight deposits carry interest at a variable rate. As of 31.12.2023, the interest rate was 3.702% per annum.

10 Receivables and accrued income

Short-term receivables and accrued income

	31.12.2023	31.12.2022
€ thousands		
Trade receivables	49	33
Total trade receivables (Note 15)	**49**	**33**
Other short-term receivables	0	3
Total other short-term receivables	**0**	3
Advances and refunds of value added tax	330	169
Other accrued income	7	0
Total accrued income	**337**	**169**
Total receivables and accruals (Note 15)	**386**	**205**

11 Investment property

As of 31.12.2023, the Group has made investments in the following investment properties:

Name	Location	Date of acquisition	Acquisition cost	Market value at 31.12.2023	Increase in value	Share of market value of the Fund's asset
€ thousands						
Kadaka Metsapark	Tallinn, Estonia	9.2020	10,376	14,270	38%	33%
Bultu Residential	Riga, Latvia	7.2021	648	648	0%	1%
Kaunas Residential	Kaunas, Lithuania	11.2021	9,729	10,700	10%	24%
Rewo	Vilnius, Lithuania	6.2022	10,673	11,240	5%	28%
Daugava	Riga, Latvia	7.2023	2,843	2,843	0%	7%
Total			**34,269**	**39,701**	16%	91%

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:

	Investment property under development	Completed investment property	**Total investment property**
Balance as at 31.12.2021	**16,927**	**0**	**16,927**
Acquisitions and developments during the period	9,092	0	**9,092**
Capitalized improvements during the period	0	286	**286**
Reclassification	-14,560	14,560	**0**
Adjustment of input VAT calculated on the acquisition of investment property (Note 14)	0	-360	**-360**
Profit/loss from change in value during the period	249	764	**1,013**
Balance as at 31.12.2022 (Note 4)	**11,708**	**15,250**	**26,958**
Acquisitions and developments during the period	9,036	3,398	**12,434**
Capitalized improvements during the period	0	5	**5**
Reclassification	-6,580	6,580	**0**
Profit/loss from change in value during the period	567	-263	**304**
Balance as at 31.12.2023 (Note 4)	**14,731**	**24,970**	**39,701**

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	**2023**	**2022**
Rental income from investment properties (Note 5)	1,162	658
Costs directly associated with the management of investment property (Note 6)	-287	-100
Payables related to acquisition of investment property (Note 14)	1,340	1,666
Prepayments made for investment property	0	330
The book value of real estate investments pledged as collateral for loan obligations (Note 13)	24,970	0

Assumptions and basis for determining the fair value of investment properties

The Group's investment properties are evaluated by an independent appraiser. The fair value of investment properties reflected in the Group's report as of 31.12.2023 and 31.12.2022 has been obtained using the discounted cash flow method.

The following assumptions have been used in finding the fair value:

In year 2023:

Real estate investment	**Fair value**	**Evaluation method**	**Estimated rental income per year**	**Discount rate**	**Exit yield**	**Average rental income per rental apartment per calendar month, €**
€ thousands						
Kadaka Metsapark	14,270	Discounted cash flows	801	6.5%	5.5%	609
Kaunas Residential	10,700	Discounted cash flows	600	8.9%	6.3%	707
Rewo project	11,240	Discounted cash flows	318	8.9%	5.8%	731
Total	**36,210**		**1,719**			

In year 2022:

Real estate investment	**Fair value**	**Evaluation method**	**Estimated rental income per year**	**Discount rate**	**Exit yield**	**Average rental income per rental apartment per calendar month, €**
€ thousands						
Kaunas Residential	6,580	Discounted cash flows	711	8.8%	6.0%	632
Kadaka Metsapark	15,250	Discounted cash flows	802	6.7%	5.0%	606
Total	**21,830**		**1,513**			

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, considering 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. considering 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 31.12.2023 to the most important valuation assumptions:

Investment property	**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	14,270	1,510	-1,510	-300	310	-920	1,100
Kaunas Residential	10,700	1,210	-1,220	-220	220	-600	700
Rewo project	11,240	1,980	-1,990	-340	340	-1,090	1,280
TOTAL	**50,480**	**4,700**	**-4,720**	**-860**	**870**	**-2,610**	**3,080**

As at 31.12.2022:

Investment property	**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							
Kaunas Residential	6,580	*1,120*	*-1,120*	*-180*	*190*	*-560*	*670*
Kadaka Metsapark	15,250	*1,600*	*-1,610*	*-320*	*330*	*-1,090*	*1,330*
TOTAL	**21,830**	**2,720**	**-2,730**	**-500**	**520**	**-1,650**	**2,000**

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

12 Property, plant and equipment

	Other property, plant and equipment	**Total**
€ thousands		
Residual value 31.12.2021	**113**	**113**
Acquisition cost 31.12.2021	113	*113*
Accumulated depreciation 31.12.2021	*0*	*0*
Acquisitions and developments	34	34
Depreciation cost	-23	-23
Residual value 31.12.2022	**124**	**124**
Acquisition cost 31.12.2022	147	*147*
Accumulated depreciation 31.12.2022	*-23*	*-23*
Acquisitions and developments	611	611
Sales	-1	-1
Depreciation cost	-117	-117
Residual value 31.12.2023	**618**	**618**
Acquisition cost 31.12.2023	758	*758*
Accumulated depreciation 31.12.2023	*-140*	*-140*

13 Borrowings

As at 31.12.2023, the Group has the following borrowings:

Lender	Lender's country of origin	Contractual loan amount, in € thousands	Loan balance as of 31.12.2023, in € thousands	Maturity date	Interest rate of the loan agreement as of 31.12.2023	Loan collateral	Collateral value, in € thousands	Share of the net value of the fund
Swedbank	Estonia	5,000	5,000	18.01.28	5.52%	Mortgage - Kadaka Metsapark	14,270	15.6%
Swedbank	Lithuania	4,800	4,792	30.06.28	5.72%	Mortgage - Kaunas Residential	10,700	14.9%
Total		**9,800**	**9,792**				**24,970**	**30.5%**

Short-term borrowings	**31.12.2023**	**31.12.2022**
€ thousands		
Repayments of long-term bank loans in the next period	97	0
Discounted contract fees for bank loans	-4	0
Total short-term borrowings	**93**	**0**

Long-term borrowings	**31.12.2023**	**31.12.2022**
€ thousands		
Total long-term borrowings	**9,776**	**0**
incl. current portion of borrowings	93	0
incl. non-current portion of borrowings, incl.	9,683	0
Bank loans	*9,695*	*0*
Discounted contract fees on borrowings	*-12*	*0*

Bank loans are divided according to repayment terms as follows:

Repayments of bank loans according to repayment terms	**31.12.2023**	**31.12.2022**
€ thousands		
Up to 1 year	97	0
2-5 years	9,695	0
Total bank loan repayments	**9,792**	**0**

Cash flows of borrowings	**31.12.2023**	**31.12.2022**
€ thousands		
Balance at beginning of period	**0**	**0**
Bank loans received	9,800	0
Annuity payments on bank loans	-8	0
Change of discounted contract fees	-16	0
Balance at end of period	**9,776**	**0**

Additional information on borrowings is provided in Note 15.

14 Payables and prepayments

Current liabilities and prepayments

	31.12.2023	**31.12.2022**
€ thousands		
Payables to suppliers from fixed asset transactions (Note 11)	151	359
Other payables to suppliers	61	112
Total payables to suppliers	**212**	**471**
Other payables	1	0
Total other payables	**1**	**0**
Value added tax	128	119
Corporate income tax	18	0

Land tax, real estate tax	48	0
Total tax liabilities	**194**	**119**
Interest liabilities	5	0
Tenants' security deposits	172	90
Other accrued liabilities	13	4
Total accrued liabilities	**190**	**94**
Prepayments received	0	3
Total prepayments	**0**	**3**
Total payables and prepayments	**597**	**687**

Additional information on payables is provided in Note 15.

Non-current payables

	31.12.2023	**31.12.2022**
€ thousands		
Debts from property, plant and equipment transactions (Note 11)	263	263
Tenant security deposits	10	0
Other non-current liabilities (Note 11)	926	1,044
Total other non-current payables	**1,199**	**1,307**

Other non-current payables are related to the adjustment of the construction input value added tax of EfTEN K141 OÜ. In 2022, the EfTEN Residential Fund's subsidiary reduced the obligation to adjust input value added tax and the acquisition cost of investment property in the net amount of 360 thousand euros (Note 11). Based on the proportion of the actual turnover, VAT was paid to the state budget in the amount of 118 thousand euros (2022: the same).

15 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 amount of financial instruments

	Notes	**31.12.2023**	**31.12.2022**
€ thousands			
Financial assets – loans and receivables measured at adjusted cost			
Cash and cash equivalents	9	2,908	2,999
Trade receivables	10	49	33
Total financial assets at adjusted cost		**2,957**	**3,032**
Financial liabilities measured at amortised cost:			
Borrowings	13	9,776	0
Trade payables	14	212	471
Tenant security deposits	14	182	90
Interest liabilities	14	5	0
Accrued expenses	14	13	4
Total financial liabilities measured at amortised cost		**10,188**	**565**
Total financial liabilities		**10,188**	**565**

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.

As of 31.12.2023, all loan agreements of the group have been concluded on a floating interest basis, 100% of which is related to 1-month EURIBOR. 1-month EURIBOR fluctuated between 1.854% and 3.893% in 2023. Margins on loan agreements will be between 1.65% and 1.85% at the end of 2023.

As of 31.12.2023, the weighted average interest rate of the group's loan portfolio was 5.62%. None of the special terms of the loan agreement were violated in 2023 due to the increase in the interest rate.

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 in such a way that no more than 60% of the acquisition cost of the investment is involved in foreign capital when making real estate investments, and the group's debt coverage ratio is greater than 1.2. As of 31.12.2023, the share of the group's interest-bearing debt obligations of rental income-producing real estate investments was 25%.

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 31.12.2023	Under 1 month	2-4 months	4-12 months	2-5 years	Over 5 years	**Total**
€ thousands						
Interest-bearing liabilities	8	24	65	9,695	0	**9,792**
Interest payments	48	142	376	1,815	0	**2,381**
Interest liabilities	5	0	0	0	0	**5**
Trade payables	212	0	0	0	0	**212**
Tenant security deposits	15	88	69	10	0	**182**
Accrued expenses	13	0	0	0	0	**13**
Other non-current liabilities	0	0	0	579	347	**926**
Total financial liabilities	**301**	**254**	**510**	**12,099**	**347**	**13,511**

As at 31.12.2022	Under 1 month	2-4 months	4-12 months	2-5 years	Over 5 years	Total
€ thousands						
Trade payables	471	0	0	0	0	**471**
Tenant security deposits	6	67	17	0	0	**90**
Accrued expenses	4	0	0	0	0	**4**
Other non-current liabilities	0	0	0	475	569	**1,044**
Total financial liabilities	**481**	**67**	**17**	**475**	**569**	**1,609**

Statement of working capital

	31.12.2023	31.12.2022
€ thousands		
Cash and cash equivalents (Note 9)	2,908	2,999
Receivables and accrued income (Note 10)	386	205
Prepaid expenses	5	1
Total current assets	**3,299**	**3,205**
Current portion of non-current liabilities (Note 13)	-93	0
Current liabilities and prepayments (Note 14)	-597	-687
Total current liabilities	**-690**	**-687**
Total working capital	**2,609**	**2,518**

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:

	31.12.2023	31.12.2022
Undue	36	33
Past due, incl.	**13**	**0**
Up to 30 days	*7*	*0*
30-60 days	*4*	*0*
More than 60 days	*2*	*0*
Total trade receivables (Note 10)	**49**	**33**

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

	31.12.2023	31.12.2022
€ thousands		
Cash and cash equivalents (Note 9)	2,908	2,999
Trade receivables (Note 10)	49	33
Total maximum credit risk	**2,957**	**3,032**

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	31.12.2023	31.12.2022
Aa3	2,908	2,999
Total	**2,908**	2,999

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 loan obligations 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, considering 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 (incl. interest).

In 2023, the Fund paid forward to investors the interest received from subsidiaries in the amount of 400 thousand euros. According to the Fund's management, the existing investment portfolio allows investors to pay out a total of 540 thousand euros from the profit earned in 2023.

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 31.12.2023 or 31.12.2022, the group does not have assets at fair value that would belong to the Level 1 group when the value is determined. All real estate investments of the group are recorded at fair value and belong to the Level 3 group according to the valuation method.

16 Paid-in capital

The balance of the paid-in capital of the fund as of 31.12.2023 was 27,011 thousand euros (2022: 23,161 thousand euros). In 2023, the fund provided capital for investments in the amount of 3,850 thousand euros (2022: in the amount of 10,480 thousand euros). In 2023, the fund paid forward to investors the interest received from subsidiaries in the amount of 400 thousand euros.

As of 31.12.2023, financial responsibility agreements have been concluded between the Fund and the Fund's investors, according to which the investors 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, it is possible to raise another 8,089 thousand euros (2022: 11,939 thousand euros) of capital from the investors.

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

Investor	31.12.2023	31.12.2022
Compensa Life Vienna Insurance Group	42.74%	42.74%
LHV pension funds	14.24%	14.24%

17 Related party transactions

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

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

- the employees of the EfTEN Residential Fund usaldusfond 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 373 thousand euros (2022: 195 thousand euros) (Note 8). The EfTEN Residential Fund did not purchase or sell other goods or services to other related parties.

In 2023, the Group had 1 employee (2022: no employees), to whom, together with accompanying taxes, fees totalling 5 thousand euros (2022: 1 thousand euros) were paid (Note 8). No fees were calculated or paid to the members of the Group's management board in 2023 or 2022. The members of the management board of the group work in the company EfTEN Capital AS, which provides management services to the group, and the expenses related to the activities of the members of the management board are part of the management service.

18 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

	31.12.2023	31.12.2022
€ thousands		
Revenue	0	14
Gross profit	**0**	**14**
General and administrative expenses	-61	-66
Operating profit	**-61**	**-52**
Gain/loss from subsidiaries	-743	819
Other financial income and expenses	1,119	569
Profit before income tax	**315**	**1,336**
Net profit for the financial year	**315**	**1,336**
Comprehensive income for the year	**315**	**1,336**

STATEMENT OF FINANCIAL POSITION

	31.12.2023	31.12.2022
€ thousands		
ASSETS		
Cash and cash equivalents	1,009	1,133
Receivables and accrued income	1,701	1,421
Total current assets	**2,710**	**2,554**
Investments in subsidiaries	14,796	7,402
Non-current receivables	14,598	18,382
Intangible assets	41	42
Total non-current assets	**29,435**	**25,826**
TOTAL ASSETS	**32,145**	**28,380**
Debts	2	2
Total current liabilities	**2**	**2**
Total liabilities	**2**	**2**
Total net asset value of the Fund owned by the limited and equity partners of the fund	**32,143**	**28,378**
TOTAL LIABILITIES AND NET ASSET VALUE	**32,145**	**28,380**

STATEMENT OF CASH FLOWS

	31.12.2023	31.12.2022
€ thousands		
Cash flow from operating activities		
Net profit	**315**	**1,336**
Net profit adjustments:		
Interest income and interest expense	-1,119	-569
Gain on change in fair value of subsidiaries	743	-819
Depreciation and impairment loss	12	9
Total adjustments	**-364**	**-1,379**
Cash flow from operating activities before changes in working capital	**-49**	**-43**
Change in other trade receivables and payables	1	-10
Total cash flow generated from operating activities	**-48**	**-53**
Cash flow generated from investing activities		
Acquisition of intangible assets	-12	-19
Acquisition of subsidiaries	-1,892	-1,963
Loans granted	-11,761	-8,097
Repayment of loans granted	9,700	0
Interest received	439	0
Total cash flows from investing activities	**-3,526**	**-10,079**
Cash flows from financing activities		
Interest paid to investors	-400	0
Capital contributions	3,850	10,480
Total cash flow generated from investing activities	**3,450**	**10,480**
TOTAL CASH FLOW	**-124**	**348**
Cash and cash equivalents at the beginning of the period	**1,133**	**785**
Change in cash and cash equivalents	-124	348
Cash and cash equivalents at the end of the period	**1,009**	**1,133**

STATEMENT OF CHANGES IN THE FUND 'S NET ASSETS

	31.12.2023	31.12.2022
€ thousands		
The net asset value of the Fund owned by limited and general partners at the beginning of the period	**28,378**	**16,562**
Capital contributions	3,850	10,480
Net change in equity	**3,850**	**10,480**
Transfer of interest	-400	0
Net profit for the year	315	1,336
Net asset value of the Fund owned by limited and general partners at the end of the period	**32,143**	**28,378**

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:

	31.12.2023	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	32,143	28,378
Value of subsidiaries in the parent company's separate balance sheet (minus)	-14,796	-7,402
Value of subsidiaries calculated using the equity method (plus)	14,719	7,371
Total	**32,066**	**28,347**

Independent Auditor's Report

To the Fund unit holders 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 usaldusfondi and its subsidiaries (together the "Group") as at 31 December 2023, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:
- the consolidated statement of comprehensive income for the year ended 31 December 2023;
- the consolidated statement of financial position as at 31 December 2023;
- 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.

AS PricewaterhouseCoopers
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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.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

AS PricewaterhouseCoopers

Rando Rand
Auditor's certificate no. 617

Signe Sokmann
Auditor's certificate no. 719

8 March 2024
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 to the consolidated annual report for 2023

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 2023.

/digitally signed/	/digitally signed/
____________________________	____________________________
Viljar Arakas	Tõnu Uustalu
EfTEN REF GP OÜ Management Board member	EfTEN REF GP OÜ Management Board member

Distribution of revenue according to the Estonian Classification of Economic Activities

	EMTAK code	2023	Sales revenue %	Main activity
€ thousands				
Fund management	66301	0	-	yes