Consolidated Annual Report 2024

EfTEN Residential Fund usaldusfond

Commercial register number: 16050037

Beginning of financial year: 01.01.2024

End of financial year: 31.12.2024

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MANAGEMENT REPORT

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

The Baltic residential real estate rental market stabilized in 2024. The number of available rental properties, which had increased rapidly in the previous year, began to decline again. One reason was deteriorating real estate affordability caused by increased interest rates. Consequently, renting an apartment became (at least temporarily) more affordable compared to purchasing property. However, higher financing costs also slowed down investments in new rental apartments. According to various estimates, rental prices in the capitals of the Baltic states increased by a few percent by the end of 2024 compared to the same period a year earlier. Nevertheless, rental price growth has clearly lagged behind general increases in the cost of living in recent years.

As of 31.12.2024, the Fund's real estate portfolio comprises three income-generating residential properties located in Tallinn, Vilnius, and Kaunas; one residential building under development in Riga; and one property in Riga where construction has not yet commenced, and the Fund's management company is considering selling the land plot originally acquired for development.

In 2024, the Fund completed a rental property with 146 apartments in Vilnius, with 116 apartments under rental agreements by year-end. The 114-apartment Kadaka Metsapark rental property in Tallinn had no vacancies at the end of 2024, while the 96-apartment building in Kaunas had three vacancies.

Since its establishment, EfTEN Residential Fund has raised EUR 35.1 million in capital and distributed EUR 940 thousand to investors from profits earned in 2023 and 2024. The Fund's net asset value stood at EUR 39.19 million as of 31.12.2024. By the end of 2024, all the fund's equity had been fully invested, with further investments to finalize development to be financed through refinancing owner loans related to the completed rental property in Vilnius.

Financial overview

In 2024, EfTEN Residential Fund generated consolidated sales revenue of 1,899 thousand euros (2023: 1,186 thousand euros) and consolidated EBITDA of 812 thousand euros (2023: 418 thousand euros). The Group's net loss for the reporting year totalled 429 thousand euros (2023: net profit of 269 thousand euros), including a loss of 840 thousand euros (2023: profit of 304 thousand euros) from the revaluation of investment properties. The revaluation loss on investment properties in 2024 is mainly related to more conservative cash flow projections for rental buildings in Kaunas and Vilnius. The Fund's investment properties are valued using the discounted cash flow method. If the comparable transactions method were used to value the property portfolio, the Fund's management estimates that the fair value of the investment properties would be approximately 20% higher.

As of 31.12.2024, the Fund's total assets amounted to 50,976 thousand euros (31.12.2023: 43,712 thousand euros).

	31.12.2024	31.12.2023
€ millions		
Investment property	47.428	39.701
Other long-term receivables	1.221	0.712
Current assets, excluding cash	0.084	0.391
Total assets	50.976	43.712
Net asset value (NAV)	39.186	32.066
Capital contributions, cumulatively	35.100	27.011
Unrestricted capital	0.000	8.089

Key financial ratios

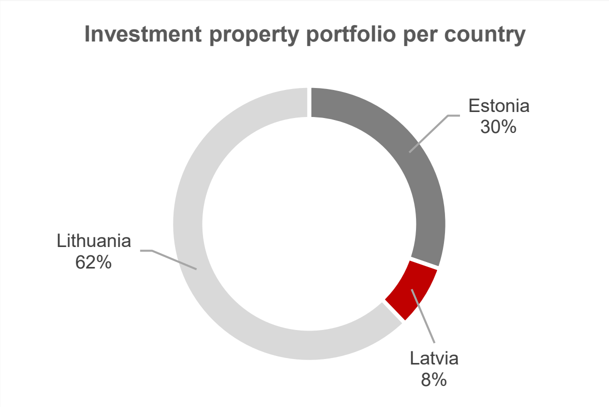
12 months	31.12.2024	31.12.2023
ROE, % (net profit of the period / average equity of the period) x 100	-1.2	0.9
ROA, % (net profit of the period / average assets of the period) x 100	-0.9	0.7
ROIC, % (net profit of the period / average invested capital of the period) x 100[1]	-1.4	1.1
Revenue (€ thousands)	1,899	1,186
Rental income (€ thousands)	1,873	1,162
EBITDA (€ thousand)	812	418
EBIT (€ thousand)	-230	592
Comprehensive profit/loss (€ thousands)	-429	269
Liquidity ratio (current assets / current liabilities)	1.8	4.8

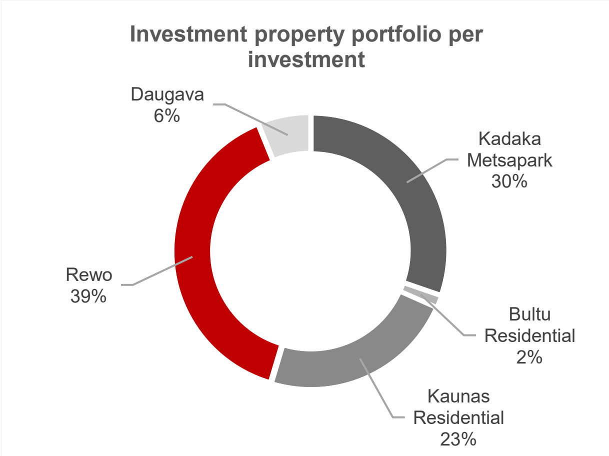
[1] The average invested capital for the period is the average capital raised by the EfTEN Residential Fund trust fund.

Investment property portfolio

As of 31.12.2024, the Fund's subsidiaries have made the following investment property investments:

						Vacant apartments		Rental income	
Investment property	**Location**	**Time of acquisition**	**Acquisition cost, € thousands**	**Fair value, € thousands**	**Number of rental units**	**31.12.24**	**31.12.23**	**2024**	**2023**
Kadaka Metsapark	Tallinn, Estonia	9.2020	10,376	14,360	114	0	0	802	770
Bultu Residential	Riga, Latvia	7.2021	648	648	130	under development	under development	0	0
Kaunas Residential	Kaunas, Lithuania	11.2021	9,809	10,900	96	3	3	725	350
Rewo	Vilnius, Lithuania	6.2022	18,657	18,600	146	30	under development	317	0
Daugava	Daugava, Riga	7.2023	3,346	2,920	102	under development	37	29	42
			42,836	**47,428**	**588**	**33**	**40**	**1,873**	**1,162**





Net asset value

The net asset value of the Fund as of 31.12.2024 is 39,186 thousand euros (2023: 32,066 thousand euros) and as of the end of 2024 EfTEN Residential Fund has made capital contributions of 35,100 thousand euros (2023: 27,011 thousand euros). As of the end of 2024, all raised capital has been invested.

As of 31.21.2024 the Fund has a total of 27 investors (2023: same). The owners of more than 10% of the Fund are listed in the table below:

Investor	31.12.2024	31.12.2023
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	2024	2023
€ thousands			
Revenue	4,5	1,899	1,186
Cost of services sold	6	-477	-287
Marketing costs	7	-58	-39
Net rental income	**4**	**1,364**	**860**
General and administrative expenses	8	-758	-563
Gain / loss from revaluation of investment properties	11	-840	304
Other operating income and expenses		4	-9
Operating profit/loss	**4**	**-230**	**592**
Interest income		100	73
Interest expenses		-534	-314
Profit/loss before income tax	**4**	**-664**	**351**
Income tax expense		235	-82
Net profit/loss for the financial year		**-429**	**269**
Comprehensive income/loss for the financial year	**4**	**-429**	**269**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2024	31.12.2023
€ thousands			
ASSETS			
Cash and cash equivalents	9	2,243	2,908
Receivables and accrued income	10	72	386
Prepaid expenses		12	5
Total current assets		**2,327**	**3,299**
Non-current receivables		52	49
Deferred tax asset		242	0
Investment property	4,11	47,428	39,701
Property, plant and equipment	12	896	618
Intangible assets		31	45
Total non-current assets		**48,649**	**40,413**
TOTAL ASSETS		**50,976**	**43,712**
LIABILITIES AND NET ASSET VALUE			
Borrowings	13	93	93
Payables and prepayments	14	1,213	597
Total current liabilities		**1,306**	**690**
Borrowings	13	9,589	9,683
Other non-current liabilities	14	813	1,199
Deferred income tax liability		82	74
Total non-current liabilities		**10,484**	**10,956**
TOTAL LIABILITIES		**11,790**	**11,646**
Total net asset value of the Fund owned by limited and general partners		**39,186**	**32,066**
TOTAL LIABILITIES AND TOTAL NET ASSETS		**50,976**	**43,712**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2024	2023
€ thousands			
Cash flows from operating activities			
Net profit/loss		**-429**	**269**
Adjustments of net profit/loss:			
Interest income		-100	-73
Interest expenses		534	314
Gain/loss on revaluation of investment property	11	840	-304
Depreciation and impairment loss	6,8	202	130
Income tax expense		-235	82
Total adjustments with non-cash changes		**1,241**	**149**
Cash flow from operations before changes in working capital		**812**	**418**
Change in receivables and prepayments related to operating activities		-25	-53
Change in liabilities and payables related to operating activities		-39	-161
Total cash flow generated from operating activities		**748**	**204**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets	12	-477	-623
Sale of property, plant and equipment		10	1
Acquisition of investment property	11	-7,966	-12,663
Interest received		100	73
Total cash flow generated from investing activities		**-8,333**	**-13,212**
Cash flows from financing activities			
Received loans	13	0	9,800
Scheduled loan repayments		-97	-8
Interest paid		-532	-325
Capital contributions	16	8,089	3,850
Interest paid to investors	15	-540	-400
Total cash flow generated from financing activities		**6,920**	**12,917**
TOTAL CASH FLOW		**-665**	**-91**
Cash and cash equivalents at the beginning of period	**9**	**2,908**	**2,999**
Change in cash and cash equivalents		-665	-91
Cash and cash equivalents at the end of period	**9**	**2,243**	**2,908**

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

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS OF THE FUND

	2024	2023
€ thousands		
Net asset value of the Fund owned by limited and general partners at the beginning of the period	**32,066**	**28,347**
Capital contributions	8,089	3,850
Net change in capital	**8,089**	**3,850**
Transfer of dividends and interest to fund investors	-540	-400
Comprehensive income/loss for the financial year	-429	269
Net asset value of the Fund owned by limited and general partners at the end of the period	**39,186**	**32,066**

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 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 REF GP OÜ.

The annual financial statements of EfTEN Residential Fund for the period 01.01.2024 to 31.12.2024 was signed by the Management Board on 6 March 2025.

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

The structure of the EfTEN Residential Fund usaldusfond group as of 31.12.2024 is as follows (see also Note 3):

EfTEN Residential Fund Usaldusfond	SUBSIDIARIES	*Investment property:*
100%	EfTEN K141 OÜ	*Kadaka Metsapark, Tallinn*
100%	EfTEN Living Dole SIA	*Bultu Residential, Riga*
100%	EfTEN Zeimenos UAB	*Kaunas Residential, Kaunas*
100%	EfTEN Talino UAB	*Rewo, Vilnius*
100%	EfTEN Living Daugava SIA	*Daugava, Riga*

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

In accordance with the Investment Funds Act, the consolidated financial statements of the Fund are prepared using the accounting principles and disclosures set out in the International Financial Reporting Standards (hereinafter IFRS) adopted by the European Commission, taking into account the procedure for determining the net asset value of the Fund set out in the regulation established on the basis of subsection 54 (11) of the Investment Funds Act. The requirements provided 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, 2024, the following new or revised standards and interpretations became mandatory for the Group:

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

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 above-mentioned changes had no impact on the Group's financial statements.

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

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 above-mentioned changes had no impact on the Group's financial statements.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements

In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements.

The above-mentioned changes had no impact on the Group's financial statements.

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

(effective to reporting periods beginning on or after 1 January 2025; not yet adopted by the European Union)

Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7

On 30 May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 to:

(a) clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;

(b) clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;

(c) add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and

(d) update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

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

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB has issued IFRS 18, the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;

- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and

- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'. IFRS 18 will apply for reporting periods beginning on or after 1 January 2027 and also applies to comparative information.

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

IFRS 19 Subsidiaries without Public Accountability: Disclosures

The International Accounting Standard Board (IASB) has issued a new IFRS Accounting Standard for subsidiaries. IFRS 19 permits eligible subsidiaries to use IFRS Accounting Standards with reduced disclosures. Applying IFRS 19 will reduce the costs of preparing subsidiaries' financial statements while maintaining the usefulness of the information for users of their financial statements. Subsidiaries using IFRS Accounting Standards for their own financial statements provide disclosures that maybe disproportionate to the information needs of their users. IFRS 19 will resolve these challenges by:

- enabling subsidiaries to keep only one set of accounting records – to meet the needs of both their parent company and the users of their financial statements;

- reducing disclosure requirements – IFRS 19 permits reduced disclosure better suited to the needs of the users of their financial statements.

The Group will analyse and disclose the impact of this change after 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 and International Financial Reporting Interpretations Committee Interpretations 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) Determination of the fair value of investment property

Investment properties are valued at their fair value as of each balance sheet date. The Group's investment properties are valued by Colliers International Advisors OÜ. The Group's independent valuer values 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 reflects the fair value of the investment property among alternatives (for example, the comparative method). Cash flow forecasts for all properties have been updated when determining fair value, and discount rates and exit yields have been differentiated depending on the location, technical condition and risk level of the properties. Compared to the previous year, both the discount rates and exit yields used in the valuations of the Fund's real estate portfolio have increased due to the increase in EURIBOR and the market situation in real estate transactions. While discount rates ranged from 6.5% to 8.9% last year, these are 6.5%-8.4% as of 31.12.2024. Exit yields are between 5.5%-6.5% at the end of 2024 (2023: 5.5% to 6.3%). Additional information on the assumptions and sensitivities used in the valuations 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 knowledge 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 18), 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).

Rental income from operating leases is recognised on a straight-line basis over the lease term. If the Group agrees with the lessee to a rent-free period, this expense is also recognised on a straight-line basis over the lease term, reducing rental income.

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

Some management fees may include different service components. In such cases, the Group assesses whether they give rise to multiple performance obligations. If such different performance obligations exist, the total transaction fee is allocated to each performance obligation based on a separate selling price. If no separate selling price exists, 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 Group estimates the expected credit losses for debt instruments carried at amortized cost based on future information. The applied impairment methodology depends on whether the credit risk has increased significantly.

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 2024 and 31 December 2023, 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 fixed 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, which includes all directly attributable costs of acquisition. Subsequent measurement is at amortised cost (except for financial liabilities acquired for the purpose of resale, which are measured at fair value).

Income tax

Subsidiaries registered in Estonia

According to the Income Tax Act, a company's profit for the reporting year is not taxed in Estonia, but rather the profit distributions (dividends) paid out. The tax rate on (net) dividends was 20/80 until 31.12.2024, and from 01.01.2025 it will be 22/78. The income tax on the payment of dividends is recognised as an expense in the income statement when the dividends are declared (liability arises).

Due to the nature of the taxation system, a company registered in Estonia does not have deferred tax assets or liabilities, except for a possible deferred tax liability on the company's investments in subsidiaries, associates, joint ventures and branches.

Latvian subsidiaries

In Latvia, from 1 January 2018, profits generated after 2017 will be taxed at a tax rate of 20/80 when distributed. The transitional rules of the law allow for a reduction in profits payable from dividends if the company has unused tax losses or certain provisions as of 31 December 2017.

As a result of the implementation of the Income Tax Law effective from 2018, there are no longer any differences between the tax accounting and carrying amounts of assets and liabilities in Latvia, and therefore no deferred tax assets or liabilities are recognised in respect of Latvian subsidiaries. All deferred tax assets and liabilities recognised in prior periods were derecognised in 2017 and the corresponding income tax expense/income was recognised in the income statement.

Lithuanian subsidiaries

In Lithuania, the net profit of a company is subject to a 15% tax rate (from 01.01.2025: 16%). 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 the profits are taxed. Deferred tax is recognized based on temporary differences that arise between the carrying amount of assets and liabilities and their tax bases.

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	Equity, *€ thousand* 31.12.2024	Equity, *€ thousand* 31.12.2023	Group's ownership, % 31.12.2024	Group's ownership, % 31.12.2023
Parent company						
EfTEN Residential Fund Usaldusfond	Estonia					
Subsidiaries						
EfTEN K141 OÜ	Estonia	Kadaka Metsapark, Tallinn	7,759	7,317	100	100
EfTEN Living Dole SIA	Latvia	Bultu Residential, Riga	-135	-77	100	100
EfTEN Zeimenos UAB	Lithuania	Kaunas Residential, Kaunas	4,737	4,660	100	100
EfTEN Talino UAB	Lithuania	Rewo, Vilnius	2,468	2,184	100	100
EfTEN Living Daugava SIA	Latvia	Daugava, Riga	97	635	100	100
			14,926	**14,719**		

All subsidiaries are engaged in the acquisition, development and leasing of investment properties. None of the subsidiaries are listed on the stock exchange.

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

4 Segment reporting

SEGMENT RESULT

	Estonia		Latvia		Lithuania		Non-allocated		Total	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
€ thousands										
Revenue (Note 5), incl	828	794	29	42	1,042	350	0	0	1,899	1,186
Net rental income	791	757	-25	8	598	95	0	0	1,364	860
EBITDA	**681**	**640**	**-141**	**-71**	**338**	**-102**	**-66**	**-49**	812	418
Operating profit/loss	**747**	-371	**-567**	-71	**-331**	1,095	**-79**	-61	-230	592
Net financial expense									-434	-241
Profit/loss before income tax expense									**-664**	**351**
Income tax expense									235	-82
NET PROFIT FOR THE FINANCIAL YEAR									**-429**	**269**

SEGMENT ASSETS

As of year end	Estonia 2024	Estonia 2023	Latvia 2024	Latvia 2023	Lithuania 2024	Lithuania 2023	Total 2024	Total 2023
€ thousands								
Investment property (Note 11)	**14,360**	**14,270**	**3,568**	**3,491**	**29,500**	**21,940**	**47,428**	**39,701**
Other long-term assets							1,221	712
Net debt (liabilities minus cash)							-9,547	-8,738
Other short-term assets							84	391
NET ASSETS							**39,186**	**32,066**

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

5 Revenue

Areas of activity	2024	2023
€ thousands		
Rental income from residential units (Note 11)	1,873	1,162
Other sales revenue	26	24
Total revenue by areas of activity (Note 4)	**1,899**	**1,186**

Revenue by geographical area	2024	2023
€ thousands		
Estonia	828	794
Latvia	29	42
Lithuania	1,042	350
Total revenue by geographical area (Note 4)	**1,899**	**1,186**

6 Cost of services sold

Cost of services sold	2024	2023
€ thousands		
Repair and maintenance of rental premises	-76	-30
Property insurance	-11	-3
Land tax and property tax	-142	-58
Utility costs for vacant spaces	-37	-29
Depreciation	-189	-117
Improvement costs	0	-2
Other sales costs	-8	-47
Allowance for doubtful accounts	-14	-1
Total cost of services sold (Note 11)	**-477**	**-287**

7 Marketing expenses

Marketing expenses	2024	2023
€ thousands		
Rental commissions	-34	-19
Advertising, promotional events	-24	-20
Total marketing expenses	**-58**	**-39**

8 General and administrative expenses

General and administrative expenses	2024	2023
€ thousands		
Management fee (Note 17)	-554	-373
Office expenses	-52	-40
Wages and salaries, incl. taxes (Note 17)	-12	-5
Consulting expenses, legal aid, accounting services, evaluation services, audit	-109	-117
Regulator costs	-18	-15
Depreciation	-13	-13
Total general and administrative expenses	**-758**	**-563**

9 Cash and cash equivalents

	31.12.2024	31.12.2023
€ thousands		
Demand deposits	363	1,310
Overnight deposits[1]	1,880	1,598
Total cash and cash equivalents (Note 15)	**2,243**	**2,908**

[1]Overnight deposits bear variable interest. As of 31.12.2024, the interest rate was between 1.412% - 2.516% per annum.

10 Receivables and accrued income

Short-term receivables and accrued income

	31.12.2024	31.12.2023
€ thousands		
Trade receivables	72	49
Total trade receivables (Note 15)	**72**	**49**
Advances and refunds of value added tax	0	330
Other accrued income	0	7
Total accrued income	**0**	**337**
Total receivables and accruals (Note 15)	**72**	**386**

11 Investment property

As of 31.12.2024, the Group has made investments in the following investment properties:

Name	Location	Date of acquisition	Acquisition cost	Market value at 31.12.2024	Increase in value	Share of market value of the Fund's asset
€ thousands						
Kadaka Metsapark	Tallinn, Estonia	9.2020	10,376	14,360	38%	28%
Bultu Residential	Riga, Latvia	7.2021	648	648	0%	1%
Kaunas Residential	Kaunas, Lithuania	11.2021	9,809	10,900	11%	21%
Rewo	Vilnius, Lithuania	6.2022	18,657	18,600	0%	36%
Daugava	Riga, Latvia	7.2023	3,346	2,920	-13%	6%
Total			**42,836**	**47,428**	**11%**	**93%**

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

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

	Investment property under development	Completed investment property	Total investment property
Balance as at 31.12.2022	**11,708**	**15,250**	**26,958**
Acquisitions and developments	9,036	3,398	12,434
Capitalized improvements	0	5	5
Reclassification	-6,580	6,580	0
Profit/loss from change in fair value	567	-263	304
Balance as at 31.12.2023 (Note 4)	**14,731**	**24,970**	**39,701**
Acquisitions and developments	503	7,985	8,488
Capitalized improvements	0	79	79
Reclassification	-11,240	11,240	0
Profit/loss from change in fair value	-426	-414	-840
Balance as at 31.12.2024 (Note 4)	**3,568**	**43,860**	**47,428**

The Group's income statement and balance sheet reflect, among other things, the following income, expenses and balances related to investment properties:

As of December 31 or for the year	2024	2023
Rental income from investment properties (Note 5)	1,873	1,162
Costs directly associated with the management of investment property (Note 6)	-477	-287
Payables related to acquisition of investment property (Note 14)	1,239	1,340
The book value of real estate investments pledged as collateral for loan obligations (Note 13)	25,260	24,970

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 reported in the Group's financial statements as of 31.12.2024 and 31.12.2023 has been obtained using the discounted cash flow method.

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

In 2024:

Sector	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	14,360	Discounted cash flows	823	6.5%	5.5%	621.0
Kaunas Residential	10,900	Discounted cash flows	745	8.0%	6.0%	682.0
Rewo project	18,600	Discounted cash flows	1,077	7.8%	5.3%	683.0
Daugava	2,920	Discounted cash flows	512	8.4%	6.5%	431.0
Total	**46,780**		**3,157**			

In 2023:

Sector	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**			

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 recognised using the discounted cash flow method as reported in the Group's balance sheet as of 31.12.2024 to the most significant valuation assumptions:

Sector	Fair value	Sensitivity to management estimate		Sensitivity to independent appraisal			
		Revenue +10%	Revenue -10%	Discount rate +50bp	Discount rate -50bp	Exit yield +50bp	Exit yield -50bp
€ thousands							
Kadaka Metsapark	14,360	1,520	-1,520	-300	310	-920	1,110
Kaunas Residential	10,900	1,200	-1,300	-200	200	-600	700
Rewo project	18,600	2,100	-2,200	-400	400	-1,300	1,500
Daugava	2,920	740	-740	-130	130	-370	430
TOTAL	**46,780**	**5,560**	**-5,760**	**-1,030**	**1,040**	**-3,190**	**3,740**

As of 31.12.2023:

Sector	Fair value	Sensitivity to management estimate		Sensitivity to independent appraisal			
		Revenue +10%	Revenue -10%	Discount rate +50bp	Discount rate -50bp	Exit yield +50bp	Exit yield -50bp
€ 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	**36,210**	**4,700**	**-4,720**	**-860**	**870**	**-2,610**	**3,080**

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 31.12.2022	**124**	**124**
Acquisition cost 31.12.2022	147	*147*
Accumulated depreciation 31.12.2022	*-23*	*-23*
Acquisitions and developments	611	611
Sales and liquidations	-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*
Acquisitions and developments	477	477
Sales and liquidations	-14	-14
Depreciation cost	-185	-185
Residual value 31.12.2024	**896**	**896**
Acquisition cost 31.12.2024	1,220	*1,220*
Accumulated depreciation 31.12.2024	*-324*	*-324*

13 Borrowings

As of 31.12.2024, the Group has the following borrowings:

Object	Lender	Lender's country of origin	Contractual loan amount	Loan balance as of 31.12.24	Maturity date	Interest rate of the loan agreement as of 31.12.24	Loan collateral	Collateral value	Share of the net value of the fund
Kadaka Metsapark	Swedbank	Estonia	5,000	5,000	18.01.28	4.51%	Mortgage - Kadaka Metsapark	14,360	12.8%
Kaunas Residential	Swedbank	Lithuania	4,800	4,695	30.06.28	4.72%	Mortgage - Kaunas Residential	10,900	12.0%
	Total		**9,800**	**9,695**				**25,260**	**24.7%**

Short-term borrowings	31.12.2024	31.12.2023
€ thousands		
Repayments of long-term bank loans in the next period	97	97
Discounted contract fees for bank loans	-4	-4
Total short-term borrowings	**93**	**93**

Long-term borrowings	31.12.2024	31.12.2023
€ thousands		
Total long-term borrowings	**9,682**	**9,776**
incl. current portion of borrowings	93	93
incl. non-current portion of borrowings, incl.	9,589	9,683
Bank loans	9,598	9,695
Discounted contract fees on borrowings	-9	-12

Bank loans are divided according to repayment terms as follows:

Repayments of bank loans according to repayment terms	**31.12.2024**	**31.12.2023**
€ thousands		
Up to 1 year	97	97
2-5 years	9,598	9,695
Total bank loan repayments	**9,695**	**9,792**

Cash flows of borrowings	**2024**	**2023**
€ thousands		
Balance at beginning of period	**9,776**	**0**
Bank loans received	0	9,800
Annuity payments on bank loans	-97	-8
Change of discounted contract fees	3	-16
Balance at end of period	**9,682**	**9,776**

Additional information on borrowings is provided in Note 15.

14 Payables and prepayments

Current liabilities and prepayments

	31.12.2024	**31.12.2023**
€ thousands		
Payables to suppliers from fixed asset transactions (Note 11)	267	151
Other payables to suppliers	110	61
Total payables to suppliers	**377**	**212**
Payables from fixed asset transactions (Note 11)	165	0
Other payables	1	1
Total other payables	**166**	**1**
Value added tax	248	128
Corporate income tax	8	18
Land tax, real estate tax	73	48
Total tax liabilities	**329**	**194**
Interest liabilities	4	5
Tenants' security deposits	325	172
Other accrued liabilities	10	13
Total accrued liabilities	**339**	**190**
Prepayments received	2	0
Total prepayments	**2**	**0**
Total payables and prepayments	**1,213**	**597**

Non-current payables

	31.12.2024	**31.12.2023**
€ thousands		
Debts from property, plant and equipment transactions (Note 11)	0	263
Tenant security deposits	6	10
Other non-current liabilities (Note 11)[1]	807	926
Total other non-current payables	**813**	**1,199**

[1]Other non-current debts are related to the adjustment of input VAT on the construction of EfTEN K141 OÜ.

Additional information on debts is provided in Note 15.

15 *Financial instruments, management of financial risks*

The Group's main financial liabilities are loan obligations, trade payables, tenant deposits, and its main financial assets are cash and trade receivables.

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

Carrying amount of financial instruments

	Notes	31.12.2024	31.12.2023
€ thousands			
Financial assets measured at amortized cost			
Cash and cash equivalents	9	2,243	2,908
Trade receivables	10	72	49
Total financial assets measured at amortized cost		**2,315**	**2,957**
Financial liabilities measured at amortized cost			
Borrowings	13	9,682	9,776
Trade payables	14	377	212
Tenant security deposits	14	331	182
Interest liabilities	14	4	5
Accrued expenses	14	10	13
Total financial liabilities measured at amortized cost		**10,404**	**10,188**
Total financial liabilities		**10,404**	**10,188**

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, considering 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 31.12.2024, all loan agreements of the Group have been concluded on a floating interest basis, 100% of which is linked to the 1-month EURIBOR. The 1-month EURIBOR fluctuated between 2.775% and 3.895% in 2024. The margins of the loan agreements will range from 1.65% to 1.85% at the end of 2024.

As of 31.12.2024, the weighted average interest rate of the Group's loan portfolio was 4.62%. No special terms of any loan agreement were breached in 2024 due to interest rate increases.

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 31.12.2024, the share of the Group's interest-bearing debt obligations of rental income-producing real estate investments was 20%.

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 of 31.12.2024	**Under 1 month**	**2-4 months**	**5 to 12 months**	**2 to 5 years**	**over 5 years**	**Total**
€ thousands						
Interest-bearing liabilities	8	24	65	9,598	0	**9,695**
Interest payments	39	115	306	1,032	0	**1,492**
Interest liabilities	4	0	0	0	0	**4**
Trade payables	377	0	0	0	0	**377**
Tenant security deposits	11	73	241	6	0	**331**
Accrued expenses	10	0	0	0	0	**10**
Other non-current liabilities	0	0	0	579	228	**807**
Total financial liabilities	**449**	**212**	**612**	**11,215**	**228**	**12,716**

As of 31.12.2023	**Under 1 month**	**2-4 months**	**5 to 12 months**	**2 to 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**

Statement of working capital

	31.12.2024	**31.12.2023**
€ thousands		
Cash and cash equivalents (Note 9)	2,243	2,908
Receivables and accrued income (Note 10)	72	386
Prepaid expenses	12	5
Total current assets	**2,327**	**3,299**
Current portion of non-current liabilities (Note 13)	-93	-93
Current liabilities and prepayments (Note 14)	-1,213	-597
Total current liabilities	**-1,306**	**-690**
Total working capital	**1,021**	**2,609**

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:

	31.12.2024	31.12.2023
€ thousands		
Undue	51	36
Past due, incl.	**31**	**13**
Up to 30 days	6	7
30-60 days	3	4
More than 60 days	22	2
Allowance for doubtful accounts	-10	0
Total trade receivables (Note 10)	**72**	**49**

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

	31.12.2024	31.12.2023
€ thousands		
Cash and cash equivalents (Note 9)	2,243	2,908
Trade receivables (Note 10)	72	49
Total maximum credit risk	**2,315**	**2,957**

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	31.12.2024	31.12.2023
€ thousands		
Aa3	2,243	2,908
Total	**2,243**	**2,908**

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 2024, the Fund repaid to investors the interest received from subsidiaries in the amount of 540 thousand euros. According to the Fund's management, the existing investment portfolio allows for payments to investors in the amount of 540 thousand euros from the profit earned in 2024.

Fair value

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

Lavel 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 31.12.2024 or 31.12.2023, 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 Fund's paid-in capital as of 31.12.2024 was 35,100 thousand euros (2023: 27,011 thousand euros). In 2024, the Fund raised capital for investments in the amount of 8,089 thousand euros (2023: 3,850 thousand euros). In 2024, the Fund repaid to investors the interest received from subsidiaries in the amount of 540 thousand euros.

As of 31.12.2024, financial responsibility agreements have been concluded between the Fund and the Fund's investors, according to which the investors will pay a total of 35,100 thousand euros to the Fund for the acquisition of subsidiaries. As of the end of 2024, all capital from investors has been raised for investments.

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

Investor	31.12.2024	31.12.2023
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).

The Group purchased management services from EfTEN Capital AS in the reporting period in the amount of 554 thousand euros (2023: 373 thousand euros) (see Note 8). EfTEN Residential Fund did not purchase or sell any other goods or services from other related parties.

In 2024, the Group had 1 employee (2023: the same), to whom, together with accompanying taxes, fees totalling 12 thousand euros (2023: 5 thousand euros), were paid (see Note 8). No fees were calculated or paid to the members of the Group's Management Board in 2024 or 2023. The members of the Group's Management Board work for EfTEN Capital AS, a company providing management services to the Group, and the costs related to the activities of the Management Board member are included in 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.

STATEMENT OF COMPREHENSIVE INCOME

	2024	2023
€ thousands		
General and administrative expenses	-79	-61
Operating profit/loss	**-79**	**-61**
Gain/loss from subsidiaries	-1,491	-743
Financial income	1,198	1,119
Profit/loss before income tax	**-372**	**315**
Net profit/loss for the financial year	-372	**315**
Comprehensive/loss income for the year	**-372**	**315**

STATEMENT OF FINANCIAL POSITION

	31.12.2024	31.12.2023
€ thousands		
ASSETS		
Current assets		
Cash and cash equivalents	249	1,009
Receivables and accrued income	1,749	1,701
Total current assets	**1,998**	**2,710**
Non-current assets		
Investments in subsidiaries	15,062	14,796
Non-current receivables	22,235	14,598
Intangible assets	29	41
Total non-current assets	**37,326**	**29,435**
TOTAL ASSETS	**39,324**	**32,145**
LIABILITIES AND NET ASSETS VALUE		
Current liabilities		
Debts	3	2
Total current liabilities	**3**	**2**
TOTAL LIABILITIES	**3**	**2**
Total net asset value of the Fund owned by the limited and general partners of the fund	**39,321**	**32,143**
TOTAL LIABILITIES AND NET ASSET VALUE	**39,324**	**32,145**

STATEMENT OF CASH FLOWS

	2024	2023
€ thousands		
Cash flow from operating activities		
Net profit/loss	**-372**	**315**
Net profit adjustments:		
Interest income and interest expense	-1,198	-1,119
Gain/loss on change in fair value of subsidiaries	1,491	743
Depreciation and impairment loss	13	12
Total adjustments	**306**	**-364**
Cash flow from operating activities before changes in working capital	**-66**	**-49**
Change in other trade receivables and payables	1	1
Total cash flow generated from operating activities	**-65**	**-48**
Cash flow generated from investing activities		
Acquisition of intangible assets	0	-12
Acquisition of subsidiaries	0	-1,892
Loans granted	-8,837	-11,761
Repayment of loans granted	0	9,700
Interest received	593	439
Total cash flows from investing activities	**-8,244**	**-3,526**
Cash flows from financing activities		
Interest paid to investors	-540	-400
Capital contributions	8,089	3,850
Total cash flow generated from investing activities	**7,549**	**3,450**
TOTAL CASH FLOW	**-760**	**-124**
Cash and cash equivalents at the beginning of the period	**1,009**	**1,133**
Change in cash and cash equivalents	-760	-124
Cash and cash equivalents at the end of the period	**249**	**1,009**

STATEMENT OF CHANGES IN THE FUND'S NET ASSETS

	2024	2023
€ thousands		
The net asset value of the Fund owned by limited and general partners at the beginning of the period	**32,143**	**28,378**
Capital contributions	8,089	3,850
Net change in equity	**8,089**	**3,850**
Transfer of dividends and interest	-540	-400
Comprehensive profit/loss for the reporting year	-372	315
Net asset value of the Fund owned by limited and general partners at the end of the period	**39,321**	**32,143**

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:

	31.12.2024	31.12.2023
€ thousands		
Net asset value of the Fund owned by limited and general partners of the parent company at the end of the period	39,321	32,143
Value of subsidiaries in the parent company's separate balance sheet (minus)	-15,062	-14,796
Value of subsidiaries calculated using the equity method (plus)	14,926	14,719
Total	**39,186**	**32,066**

Independent Auditor's Report

To the unitholders of EfTEN Residential Fund usaldusfond

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of EfTEN Residential Fund usaldusfond and its subsidiaries (together the "Group") as at 31 December 2024, 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 2024;
- the consolidated statement of financial position as at 31 December 2024;
- 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, comprising material accounting policy information 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.

Translation note:

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

If, based on the work we have performed on the Management report and other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement in the Management report or in this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management Board and those charged with governance for the 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose 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

Original report is signed in Estonian language.

Rando Rand
Auditor's certificate no. 617

6 March 2025
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 2024

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 2024.

/signed digitally/

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Viljar Arakas

EfTEN REF GP OÜ Management Board member

March 6, 2025

/signed digitally/

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Tõnu Uustalu

EfTEN REF GP OÜ Management Board member

Distribution of revenue according to the Estonian Classification of Economic Activities

	EMTAK code	2024	Sales revenue %	Main activity
€ thousands				
Fund management	66301	0	-	yes