EAST CAPITAL

Annual Report

East Capital Baltic Property Fund Aktiebolag

Corporate Identity Number 556674-0915

Financial year 1 July 2020 - 30 June 2021

The Board of Directors and the Managing Director hereby presents the Annual Report

Administration Report

The Board of Directors of East Capital Baltic Property Fund AB ("the Company"), Corporate Identity Number 556674-0915, domiciled in Stockholm with the address PO Box 1364, 111 93 Stockholm, hereby presents the Annual Report for the financial year 1 July 2020 - 30 June 2021.

Information regarding the operations

This is the Company's fourteenth financial year. As all operational activities are performed in East Capital Baltic Property Fund AB's group companies ("the Group") and the Company itself only hold the shares of the Group companies, all further information relates to the Group's activities.

The Company's operations are based in Stockholm, Sweden and the Group companies' mainly in the Baltic States. The Group's operations comprise acquisition and management of commercial properties in the Baltic region. The vast majority of property management activities are outsourced to East Capital Real Estate AS ("Investment Manager"), a wholly-owned subsidiary of East Capital Holding AB, Corporate Identity No. 556584-9899, a Swedish asset manager specialized in emerging and frontier markets.

East Capital Real Estate AS owns 66.63% of the share capital via ordinary shares with strong voting rights, representing 95.23% of the total number of votes in the Company. The Company is not included in the East Capital Holding Group due to the fact that East Capital Real Estate AS has no power to influence how the subsidiary's distributable earnings are appropriated, see note 26. Other shareholders have preferential series A shares. The largest owner of preferential shares is East Capital Baltic Property Investors AB (publ), which holds 72.78% of the total number of preferential shares.

The original term of the Company was seven years from 2005 with a possibility to extend the life term by up to two years. At an extraordinary general meeting ("EGM") on 20 May 2013, the shareholders approved an extension of the life term until 30 June 2016, with a possibility to extend by a further two years, one year at the time. At an EGM of East Capital Baltic Property Investors AB on 9 June 2017, consent was given to the extension of the term of the shareholders agreement of East Capital Baltic Property Fund AB for up to five years, until July 2022.

The management team is actively working on orderly and value positive or neutral exits of the fund's properties. However, it is unlikely that such exits can be made of all properties before the fund's maturity in June 2022.

The board of directors intend to present a proposal for extension of the mandate at an extraordinary general meeting during the first quarter of 2022.

The Company's reporting currency is Euro (EUR).

The Company has no employees and did not pay any salaries during the financial year.

Financial information

Net rental revenue for the Group in the financial year 2020/21 was EUR 6.61m. The rental income for a comparable portfolio (excluding divested properties) remained flat versus the financial year 2019/20. During the year, the hotel and retail properties in the portfolio suffered rental income losses due to restrictions to business from the Covid pandemic, while the office and industrial properties remained mostly stable.

The Group reports a net profit for the financial year of EUR 4.73m, including a property revaluation gain of EUR 1.30m. The net profit excluding revaluations of EUR 3.5m is comparable to 2019/20.

The Group had EUR 4.64m of cash at 30 June 2021.

At financial year end, the Fund's property portfolio totals at EUR 83.27m, including investment properties with EUR 72.19m gross fair market value from their latest external valuation, and Papiniidu property in its net sale value of EUR 11.08m. The external valuation carried out at financial year end resulted in increased portfolio value by 1.8% (excluding Papiniidu property), compared to the previous external revaluations completed in June 2020. The properties have mostly restored their valuations of June 2019, ie prior to the pandemic, except for the Tallinn Seaport Hotel and Jõhvi Tsentraal commercial centre, whereas the operating income from these properties has not recovered in full.

The Net Asset Value increased to EUR 420.45 per share for East Capital Baltic Property Investors AB, representing a 9.21% increase for the financial year 2020/21. The operational increase, excluding the year-end positive property revaluation as well as the loss incurred in Laracija property sale in September 2020, was ca 7.80% for the year.

As of 30 June 2021, the Group has EUR 39.89m in bank loans, representing a loan-to-value ratio of 48%.

The syndicated bank loan, granted to EPF Neli OÜ in June 2018 and covering most of the property portfolio, has a maturity in July 2022, matching the Fund's term. The Fund has one other short-term loan, covering the Zemitana property, which was extended by another year until May 2022.

Significant events during the financial year

The fund's rental income for the financial year 2020/21 was EUR 6.6m. The rental income for a comparable portfolio, excluding divested properties, remained flat compared to the 2019/20 financial year. For the first half of the 2020/21 financial year, the Covid-19 infection rates in the Baltic states remained low, no major restrictions were in force and the rental income in most properties was restored to pre-covid levels. During the period January - June 2021, new restrictions were imposed, which affected mostly the hotel and retail properties in the portfolio. Most Covid-related restrictions in the Baltic countries were lifted again during Q2 2021, in conjunction with infection rate drop and vaccination rate increase.

The rental income in the office and industrial properties remained mostly stable. Rents in Aiandi 13 office increased by 20% during the year, benefiting from full occupancy achieved in December 2019. Vacancy ranged between 10-15% in Jin office in Vilnius, however the occupancy was restored to 100% during summer 2021, after financial year end. Rental income also increased in Metal property as occupancy has improved to 84%. In Tänassilma industrial property, one tenant has returned part of its office area in accordance with their lease agreement, and the complex now includes 12% of vacant areas.

Kerese and Papiniidu commercial centres, balancing a good mix of retail and office tenants, maintained their rents, and increased them compared to 2019/20 financial year, as well as compared to previous years. Jewe Keskus and Jõhvi Tsentraal centres located in Jõhvi are more focused on retail and were subject to government restrictions imposed to retail activities during spring 2021. However, in Jewe Retail Centre, rental income increased by a strong 25% y-o-y, after reconstruction project completed in December 2019. The vacancy in Jewe Centre is only 6%, with improved tenant mix and longer lease length achieved in the upgrade project. On the other hand, vacancy had increased to almost 40% in Jõhvi Tsentraal commercial centre, both from the pandemic effects on retail segment as well as the competition situation in the Jõhvi town. In spring 2021, the management team signed a new lease with Jysk household store to open a 1,000 sqm store in the centre, which will reduce the vacancy to 30%, significantly enhance the centre's tenant mix and attract new tenants. The Jysk store was opened in August 2021. The management team is also preparing to renovate the centre façade and sketching drawings to improve the centre layout.

Gospa hotel in the island of Saaremaa enjoys the momentum of domestic tourism, emerged in summer 2020 and continuing to date. The hotel sales in the period June 2020 to December 2020 were strong and remained only 5% below the results of the same period in 2019. During first half of 2021, the hotel was subject to restrictions, however reported record strong sales again in June 2021, the first month in 2021 when all restrictions have been lifted. During the financial year 2020/21, the rental income collected from the property increased by 6% compared to the financial year 2019/20 but remains ca 14% less than prior to the pandemic.

The occupancy and sales in Tallinn Seaport Hotel, located in the Tallinn passenger port, remained suppressed, as demand from foreign tourist has not recovered fully. Passenger cruise traffic has now been restored with both Stockholm and Helsinki, and the sales are expected to pick up during the summer season. The rent discount, in place for 2020, was extended until end of June 2021, but contractual rent is in effect again starting from July 2021.

The average rental level for the portfolio for financial year 2020/21 was EUR 6.3 sqm/month and portfolio economic vacancy concluded at 8%.

The Fund's strategic target remains to optimise the portfolio and focus on properties in Estonia. During 2019-2020, the Investment Manager has successfully divested the two properties in Klaipeda, Lithuania and besides the Estonian portfolio, the Fund currently holds one office property in Riga and one in Vilnius. In spring 2021, the Investment Manager has negotiated the sale of the Papiniidu commercial centre in Pärnu, housing the Bauhof DIY store as an anchor tenant. The property was sold at EUR 11.2m, a price slightly higher than its book value from June 2020 as well as its most recent appraisal. As of 30 June 2021, the property was included in the fund's balance sheet as an asset held for sale in its net sales value of EUR 11.08m. The sale was completed at the beginning of July.

The annual general meeting of the fund was held on 10 December 2020, where the annual report for 2019/20 was approved and the Investment Manager presented the portfolio performance update and forecast. Due to current uncertainties in the markets, no dividend payment was recommended to be paid out for the financial year 2019/20.

Significant events after the end of the financial year

In July 2021, the sale of Papiniidu commercial property in Pärnu, Estonia, was finalized. No other significant events after the end of the financial year. The uncertainties due to the Corona pandemic persist, but are mitigated as vaccinations continue and companies have adjusted their business models to the changed consumer habits and pandemic related changes.

Future development, risks and factors of uncertainty

During the remaining fund term until July 2022, the investment team will aim to maximize cashflow to the fund holders, while also taking the necessary steps to enhance the portfolio in its composition and quality, to allow for the best possible divestment of its holdings during this period. In line with the strategic target to focus the portfolio to the strongest properties, sale process continues for the Latvian and Lithuanian property and some of the Estonian properties.

In 2020, Baltic economies were affected by the global health and economic crisis and the GDP contraced by 2.9% in Estonia, 3.6% in Latvia and 0.9% in Lithuania y-o-y compared to 2019. The unemployment rate during 2020 increased to close to 10%. In the beginning of 2021, the Baltic economies started to recover quickly and are expected to reach 3-5% GDP growth in 2021. Inflation will increase building on the strong economic recovery. Employment rates are quickly increasing, and the shortage of labour already experienced before the crisis re-emerged in spring 2021. Unemployment rates are expected to drop to 5-7% already in 2022.

The Fund's long-term view on the Baltic economies remains positive, as experience has shown that agile Baltic markets can quickly adapt to changing conditions and recover from the unstabilities. All three countries have sound public finances with low debt levels, and the governments have planned for additional government borrowing, to support a quick economic and social recovery.

Despite a pause in the real estate activites in 2Q 2020, the year overall resulted in investment volumes excess of EUR 1.0bn, comparable to previous years. In 2021, the real estate market has shown strong activity in the industrial, as well as office sector, and prime yields are compressing in both segments. Investors are also looking into new and niche investment products, such as residential rental, student and senior housing, and data centres.

There are no significant environmental risks regarding the properties as there are no high environmental risk (chemical, or other environmentally sensitive production and/or handling) tenants in the portfolio.

Proposed appropriation of profits

The following profits are at the disposal of the Annual General Meeting (amount in EUR):

Share premium	38,218,038
Retained earnings	-28,515,113
Net result for the year	235,284
	9,938,209

The Board of Directors recommends that the earnings will be distributed as follows:

Dividends	4,418,553
To be carried forward	5,519,656
Total	**9,938,209**

In the opinion of the Board of Directors, the distribution of profits is justifiable in view of the requirements that the nature, scope and risks of the business impose on the size of equity, the company's consolidation requirements, liquidity and position in accordance with the Swedish Companies Act 17, § 3.

For information regarding the Company's results of operations and financial position, refer to the following Income Statement and balance sheet, with accompanying notes.

Statement of comprehensive income

EUR thousands	Note	1 Jul 2020 - 30 Jun 2021	1 Jul 2019 - 30 Jun 2020
Revenue	2	6,606	6,881
Direct expenses	3	-979	-3,859
Gross profit		**5,627**	**3,022**
Administrative expenses	4,25	-1,077	-1,131
Changes in value of investment properties	11	1,299	-4,740
Other income		-	18
Operating profit		**5,849**	**-2,831**
Other interest income and similar profit/loss items	6	183	204
Other interest expenses and similar profit/loss items	7	-1,035	-1,118
Profit before tax		**4,997**	**-3,745**
Tax expense	8	-272	28
Profit for the year / Total Comprehensive income for the year		**4,725**	**-3,717**
Earnings per share – Ordinary Shares			
- basic and diluted (EUR)	9	0.00	0.00
Earnings per share – Preferential Shares series A			
- basic and diluted (EUR)	9	857.49	-674.62

Profit for the year / Total comprehensive income is attributable to the company shareholders.

The Notes on pages 12 to 28 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

EUR thousands	Note	30 Jun 2021	30 Jun 2020
ASSETS			
Non-current assets			
Equipment	10	6	10
Investment properties	11	72,191	81,970
Other non-current		12	17
Total non-current assets		**72,209**	**81,997**
Current assets			
Assets held for sale	11	11,078	3,650
Accounts receivables - trade	24	215	369
Other receivables	14	341	488
Accrued income and prepaid expenses		49	59
Cash and cash equivalents		4,638	3,025
Total current assets		**16,321**	**7,591**
Total assets		**88,530**	**89,588**
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	16	17	17
Other paid-in capital		38,217	38,217
Retained earnings including profit/loss for the year		8,250	3,525
Total equity		**46,484**	**41,759**
LIABILITIES			
Non-current liabilities			
Borrowings	17	-	37,805
Derivative instruments	18	-	215
Other liabilities		476	684
Deferred tax liabilities	15	304	594
Total non-current liabilities		**780**	**39,298**
Current liabilities			
Borrowings	17	39,885	6,922
Derivative instruments	18	250	210
Accounts payable - trade		282	955
Other liabilities		499	119
Current tax liabilities		92	70
Accrued expenses and deferred income	19	258	255
Total current liabilities		**41,266**	**8,531**
Total liabilities		**42,046**	**47,829**
Total equity and liabilities		**88,530**	**89,588**

The Notes on pages 12 to 28 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

EUR thousands	Note	1 Jul 2020 - 30 Jun 2021	1 Jul 2019 - 30 Jun 2020
Cash flow from operating activities			
Operating profit/loss before financial items		5,849	-2,831
Adjustments:			
- Depreciation	10	1	2
- Changes in fair value of investment properties	11	-1,299	4,740
- Other adjustments		4	1
Increase/decrease in assets related to operating activities		361	53
Increase/decrease in liabilities related to operating activities		-809	87
Income tax paid		-221	-54
Cash flows from operating activities		**3,886**	**1,998**
Cash flows from investing activities			
Proceeds from sale of properties	11	3,650	2,490
Investments in investment equipments	10	-	-3
Loans granted		-36	-32
Cash flows from investing activities		**3,614**	**2,455**
Cash flows from financing activities			
Proceeds from borrowings	17	-	2,500
Repayment of borrowings	17	-4,867	-7,205
Repayment of shareholders contribution		-	-1,105
Interest paid		-1,020	-1,115
Cash flows from financing activities		**-5,887**	**-6,925**
Net decrease in cash and cash equivalents		**1,613**	**-2,472**
Cash and cash equivalents at the beginning of the year		3,025	5,498
Exchange rate differences in cash and cash equivalents		-	-1
Cash and cash equivalents at the end of the year		**4,638**	**3,025**

Cash and cash equivalents in the Cash Flow Statement correspond with ‘Cash and cash equivalents’ in the Consolidated Statement of Financial position, and comprise of bank balances.

The Notes on pages 12 to 28 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

EUR thousands	Share capital	Paid in capital	Retained earnings, including total comprehensive income	Total equity
Opening equity, 1 July 2019	**17**	**39,322**	**7,242**	**46,581**
Repayment of shareholders` contribution		-1,105	-	-1,105
Profit for the year / Total Comprehensive income for the year	-	-	-3,717	-3,717
Closing equity, 30 June 2020	**17**	**38,217**	**3,525**	**41,759**
Opening equity, 1 July 2020	**17**	**38,217**	**3,525**	**41,759**
Profit for the year / Total Comprehensive income for the year	-	-	4,725	4,725
Closing equity, 30 June 2021	**17**	**38,217**	**8,250**	**46,484**

Reconciliation to Net Asset Value	
Consolidated equity above	46,484
Interest rate swap not in NAV balance	250
Net Asset Value 30 June 2021	**46,734**

As at 30 June 2021, outstanding interest swaps are valued at fair value in the legal annual accounts, while reported net in Net Asset Value at the same time as the interest expense is reported based on that the derivatives will be held until maturity. The negative value of future interest swap payments included in the Statement of Financial Position in the annual report as at 30 June 2021 is EUR 0.25m (30 June 2020: EUR 0.43m).

The Notes on pages 12 to 28 are an integral part of these consolidated financial statements.

Income statement - Parent Company

EUR thousands	Note	1 Jul 2020 - 30 Jun 2021	1 Jul 2019 - 30 Jun 2020
Revenue	2,25	286	295
Gross profit		**286**	**295**
Administrative expenses	4	-677	-827
Result from operating activities		**-391**	**-532**
Write-down/reverse write-down of shares in subsidiaries	13	-521	-477
Dividends		909	216
Interest income from group companies	25	-	11
Other interest income and similar profit/loss items	6	6	1
Profit/loss before tax		**3**	**-781**
Year-end appropriations	26	232	259
Tax expense	8	-	-
Profit for the year		**235**	**-522**

Statement of comprehensive income - Parent Company

EUR thousands	1 Jul 2020 - 30 Jun 2021	1 Jul 2019 - 30 Jun 2020
Net profit for the year	235	-522
Other comprehensive income	-	-
Total comprehensive income for the year	**235**	**-522**

The Notes on pages 12 to 28 are an integral part of these consolidated financial statements.

Balance sheet - Parent Company

EUR thousands	Note	30 Jun 2021	30 Jun 2020
ASSETS			
Non-current assets			
Shares in subsidiaries	13	5,927	5,927
Total non-current assets		**5,927**	**5,927**
Current assets			
Receivables from Group companies	14, 25	4,008	4,219
Other receivables		63	127
Cash and cash equivalents		151	261
Total current assets		**4,222**	**4,607**
Total assets		**10,149**	**10,534**
EQUITY AND LIABILITIES			
Shareholder's equity			
Restricted equity			
Share capital, 16,510 shares	16	17	17
Total restricted equity		**17**	**17**
Non-restricted equity			
Shareholders' contribution		38,217	38,217
Retained earnings		-28,516	-27,994
Profit for the year		235	-522
Total equity		**9,953**	**9,718**
LIABILITIES			
Current liabilities			
Liabilities to Group companies	25	20	20
Accounts payable - trade		139	783
Current tax liabilities		18	-
Accrued expenses and deferred income		19	13
Total current liabilities		**196**	**816**
Total equity and liabilities		**10,149**	**10,534**

The Notes on pages 12 to 28 are an integral part of these consolidated financial statements.

Cash flow statement-
Parent Company

EUR thousands	Note	1 Jul 2020 - 30 Jun 2021	1 Jul 2019 - 30 Jun 2020
Cash flow from operating activities			
Operating profit/-loss for the year		-391	-532
Increase/decrease in assets related to operating activities		22	58
Increase/decrease in liabilities related to operating activities		-613	443
Cash flow from operating activities		**-982**	**-31**
Cash flows from investing activities			
Loans granted to Group companies		-37	-32
Repayment of loans granted from Group companies	12	-	869
Dividends received		909	216
Interest received		-	19
Cash flows from investing activities		**872**	**1,072**
Cash flows from financing activities			
Repayment of shareholders contribution		-	-1,105
Cash flows from financing activities		**-**	**-1,105**
Net decrease in cash and cash equivalents		**-110**	**-64**
Cash and cash equivalents at the beginning of the year		261	326
Exchange rate differences in cash and cash equivalents		-	-1
Cash and cash equivalents at the end of the year		**151**	**261**

Cash and cash equivalents in the Cash Flow Statement correspond with ‘Cash and cash equivalents’ in the Balance Sheet and comprise of bank balances.

Change in equity-
Parent Company

EUR thousands	Restricted equity	Non-restricted equity		
	Share capital	Shareholders` contribution	Retained earnings, including net loss for the year	Total equity
Opening equity, 1 July 2019	**17**	**39,322**	**-27,994**	**11,345**
Repayment of shareholders` contribution	-	-1,105	-	-1,105
Total comprehensive income	-	-	-522	-522
Closing equity, 30 June 2020	**17**	**38,217**	**-28,516**	**9,718**
Opening equity, 1 July 2020	**17**	**38,217**	**-28,516**	**9,718**
Total comprehensive income	-	-	235	235
Closing equity, 30 June 2021	**17**	**38,217**	**-28,281**	**9,953**

The Notes on pages 12 to 28 are an integral part of these consolidated financial statements.

Notes to the financial statements

Note 1 Accounting principles

Compliance with standards and legislation
These consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) with the interpretative statements from the International Financial Reporting Interpretations Committee (IFRIC), as approved by the Commission of the European Communities for application within the EU. Furthermore, the Swedish Financial Reporting board recommendation RFR 1 has been applied.

The Parent Company applies the same accounting principles as the Group, except in the instances presented below in the section "Parent Company's accounting principles." Discrepancies arising between the Company's and the Group's principles are due to restrictions on the application of IFRS in the Company as a consequence of the Swedish Annual Accounts Act and the Income Tax Act.

The annual report and the consolidated financial statements were approved for issue by the Board on 10 November 2021. The Statement of Comprehensive Income and statement of financial position of the Group and Parent Company Income Statement and Parent Company Balance Sheet will be submitted to the shareholders' meeting for adoption on 2 December 2021.

Functional currency and presentation currency
The Parent Company's functional currency is euro (EUR), which is also the presentation currency for the Parent Company and the Group. Thus, all financial statement are presented in EUR. All amounts, unless stated otherwise, are rounded off to the nearest thousand. Note that certain figures may not total exactly due to rounding off.

Estimates and assumptions in the financial statements
Preparation of the financial reports in accordance with IFRS requires management to make estimates and assumptions affecting application of the accounting principles and the reported amounts of assets, liabilities, revenue and expenses. Actual outcome may differ from these estimates and assumtions, and the latter is reviewed regularly. The estimations and assumptions are based on historical experience and on a number of other factors which seem to be reasonable under the prevailing conditions. The results of these estimations and assumptions are subsequently used to assess the reported values of assets and liabilities which would not otherwise be clearly apparent from other sources.

Changes in estimations are reported in the period in which the change is made if the change effects only this period, or in the period in which the change is made and in subsequent periods if the change affects both the period in question and future periods. The key sources of estimation uncertainty that have a significant risk of causing material restatements to the financial statements is described below:

Determination of the fair value of investment property
At each balance sheet date, investment properties are measured at their fair values. The Group's investment property is values by Colliers International Advisors. The independent appraiser of the Group values the investment properties on an individual basis using the discounted cash flow method. The investment properties owned by the Group generate rental revenue, therefore the applied method best indicates the fair value of the investment properties among the alternatives (comparison method for example). The estimates of the cash flows of properties have been updated to determine the fair value and the discount rates and exit yield have been differentiated depending on the location of the property, their technical condition and the tenant risk level.

Additional information on the assumptions used in valuation of fair value can be found in Note 11.

The accounting principles presented below have been consistently applied to all periods presented in the Group's financial statements, unless otherwise stated below. Furthermore, the Group's accounting policies have been consistently applied by Group companies.

New and revised IFRS applicable to the current year
The following new or amended standards or interpretations published by the IASB are considered relevant to the Group and have been applied for the financial year starting 1 July 2020.
Amendments to IFRS 3 Business combinations results in a simplified assessment of whether an acquisition is an acquisition of an asset or a business. If the fair value in all material respects is concentrated to an identifiable asset or group of assets, the acquisition can be treated as an asset acquisition. If not, the acquisition is tested against the criteria for business combinations. All of the Group's property acquisitions have been classified as asset acquisitions, and the Company regards the change of the standard as a simplification and reinforcement of future assessments. The change in accounting policies has not had any impact on the current financial statements. No other new or changed standards have had a material impact on the Group's financial statements.

New and amended standards for future application
No new or changed standards are expected.

Consolidation

The consolidated financial statements present the financial information of East Capital Baltic Property Fund AB and its subsidiaries, consolidated on a line-by-line basis.
The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. A particular set of activities and assets are recognised as an acquistion of assets (i.e. not as a business) if either an optional concentrat ion test is met, which it is if substantially all of the fa ir va lue of the gross assets acquired is concentrated in a single identif iable asset or group of similar identifiable assets, or if the set of activities and assets is not a business because they do not include an input or substantive process or does not have the ability to produce outputs.

The consideration transferred in a business combination is generally measured at fair value, as are the identifiable net assets acquired. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The financial statements of subsidiaries are consolidated from the date of the acquisition until the date when control ceases.

Transactions eliminated on consolidation
Intra-Group balances and any unrealised income and expenses or gains and losses from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

Foreign currencies

Transactions in foreign currencies
Transactions in currencies other than EUR (the functional currency of all entities in the group) are translated into EUR using the exchange rate prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated to EUR at the rate of exchange on the reporting date. Exchange rate differences arising on currency translations are recognised in profit or loss. Non-monetary assets and liabilities are recognised at the exchange rate on the historical transaction date. Non-monetary assets and liabilities reported at fair value are translated into EUR at the exchange rate prevailing at the date of measurement, and changes in exchange rates are subsequently recognised in the same manner as other changes in value attributable to assets or liabilities.

Financial reports of foreign operations
The assets and liabilities and the revenues and expenses of foreign entities, including goodwill and fair value adjustments arising on consolidation, are in EUR therefore no exchange differences are recognised in other comprehensive income and in cumulative shareholders' equity of foreign entities.

Income

Rental income
All investment properties are leased under operating lease agreements. Rental income is accounted for in the period to which the income is related. Rental income is recognised in profit or loss on a straight-line basis, in accordance with the conditions of the lease agreements. Rents paid in advance are, consequently, recognised as 'Prepaid rental income'. Discounts provided as compensation, for example gradual occupancy, are recognised in the period in which they are provided. Other discounts are allocated over the duration of the rental agreement. Income from premature settlement of a rental agreement is recognised as income in the period in which the compensation is received.

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

Income from property sales
Income from the sale of properties is generally recognised on the date of taking possession, provided the risks and benefits of ownership have not been transferred to the purchaser on a prior date. Control of the asset may have been transferred on a date prior to the date of taking possession and, if such is the case, income from the sale is recognised on this earlier date. In determining the date on which revenue is to be recognised, consideration is taken for agreements between the parties regarding risks and benefits, as well as for engagement in the day-to-day management of the property. In addition, circumstances which could affect the outcome of the transaction and which lie outside the control of the purchaser's and/or the seller's control are also considered.

Criteria for revenue recognition are applied to each transaction, individually.

Financial income and expenses
Financial income and expenses comprise interest income from bank balances, receivables, interest-bearing securities, interest expenses on borrowings, dividends, exchange rate differences, unrealised and realised gains on financial investments, and derivative instruments used within the financial operations.

Interest income on receivables and interest expenses on liabilities are calculated applying the effective interest method. The effective interest is the amount of interest which makes the current value of all estimated future receipts and payments during the expected fixed-interest term equal to the reported value of the receivable or liability. The interest component of financial leasing is recognised in the profit or loss via the application of the effective interest method. Interest income includes the allocated amount of transaction costs and any discounts, premiums and other differences between the original value of the receivable and the amount to be received on maturity.

Interest expenses include the allocated amount of share issue expenses and similar direct transaction costs for loans raised. The portion of interest expenses referring to interest accrued during the production time for large new construction, expansion and renovation projects is capitalised and, consequently, reduces financial costs. Interest is calculated on the basis of the average weighted borrowing costs for the Group.

Financial assets

Classification
The company classifies its financial assets in the following measurement categories:
· those to be measured subsequently at fair value (either through OCI or through profit or loss), and
· those to be measured at amortised cost.
The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the assets. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risk and rewards of ownership.

Measurement on initial recognition

At initial recognition, the Group measures a financial assets at its fair value plus, in the case of financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. All Group's debt instruments (mainly bank balances and to some extent operating receivables) are classified in amortised cost measurement category.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income/expenses.

Impairment
The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its amounts carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of ECL reflects: (i) an unbiased and probably weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecast of future conditions.

For trade receivables and contract assets without a significant financing component the Group applies simplified approach permitted by IFRS 9 and measures the allowance for impairment losses at expected lifetime credit losses of the receivables. The Group uses a provision matrix in which allowance for impairment losses is calculated for trade receivables falling into different ageing or overdue periods.

Cash and cash equivalents
Cash and cash equivalents include cash and immediately available bank balances. Overdraft facilities are classified among borrowings under current liabilities. Cash and bank balance are recognised at nominal value.

Derivatives
Derivatives measured at fair value in the Statement of Financial position are measured at fair value based on a comparison of the contracted swap rate with the current market swap rate for the remaining tenor. The present value is calculated by discounting the cash flow differences between the contracted swap rate and the market swap rate multiplied by the outstanding principal amount on each coupon date. The value corresponds to the value which the swap would have if cancelled on the valuation date.

Equipment

Equipment is reported at acquisition cost, less accumulated depreciation and any write-downs. Acquisition cost includes the purchase price and costs directly attributable to putting the asset in place and in a condition in which it can be utilised according to the intentions of the acquisition.

Depreciation

Depreciation takes place on a straight-line basis over the estimated useful life of the asset. Depreciation is based on the original acquisition cost, less estimated residual value and taking into consideration impairment.

The following periods of depreciation are applied:

Alarm systems	4 years
Equipment	4-5 years

Investment property

Investment property is property (land or building or both) held or developed to earn rental income or for capital appreciation rather than for use in production or supply of goods or services for administrative purposes.

An investment property is initially recognised in the balance sheet as cost, including any direct 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 flow 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 occupancy rate) and operating expenses. Depending on the terms of the leas (weather 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 risk specific to the asset. The discount rate is selected 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.

Both unrealised and realised changes in value are reported in the profit or loss. Changes in value are recognised net.

An investment property is derecognised from the balance sheet on disposition or when the property is permanently withdrawn from use and the asset is expected to generate no future economic benefits.

Fianacial liabilities

On initial recognition, financial liabilities are recognized at fair value less, in the case of financial liabilities not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial liability. Transaction costs of financial liabilities carried at FVPL (the only financial instruments of the Group at FVPL are derivatives in the form of interest rate swaps) are expensed in profit or loss. Subsequent measurement is at amortized cost, except for derivates with a negative value (which are at FVPL).

The amortised cost of current financial liabilities of an operating nature generally equals their nominal value. The amortised cost of borrowings and any non-current financial liabilities that are not borrowings is recognised using the effective interest rate method.

A financial liability is classified as current if it is due within 12 months from the balance sheet date or if the Group dose not have an unconditional right to postpone payment of the liability more than 12 months after the balance sheet date. Loans with due date 12 months after the balance sheet date which are refinanced as non-current after balance sheet date but before the financial statements are authorised for issue, are recognised as current. Borrowings that the lender has the right to recall at the balance sheet date as a consequence of a breach of contractual terms are also recognised as current.

A financial liability is removed from the statement of financial position when it is settled or cancelled or expires.

Provisions

A provision is recognised in the Statement of Financial position when the Group has an existing legal or constructive obligation as a result of past events, when it is likely that an outflow of resources will be required to settle the obligation and when the amount can be estimated reliably. When the point in time at which payment is to take place has a material effect, the amount of the provision is calculated via discounting of the expected future cash flow to an interest rate before taxes which reflects the relevant market assessments of the effect of the time value of money and, if applicable, the risks associated with the liability.

A provision for restructuring is reported when the Group has established an explicit, formal restructuring plan and restructuring has either begun or been publicly announced. No provision is established for future operating expenses.

Costs for environmental efforts associated with previous operations and which do not contribute to current or future income are carried as an expense as they arise.

Current and deferred income tax

The Group's deferred income tax liability also arises from investments in Estonian and Latvian subsidiaries and associates, unless the Group can control the timing of the reversal of taxable temporary differences and their reversal is not probable 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 planned dividend payment, provided that there are sufficient funds and equity to pay the dividend at the reporting date. In measuring deferred income tax liabilities, the Group uses tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable temporary differences when they are expected to reverse.

Deferred tax assets attributable to deductible temporary differences and loss carry forwards are recognised only to the extent it is likely that they will be utilised and will result in lower tax payments in the future. The value of deferred tax assets is reduced when it is no longer considered likely that they can be utilised. Deferred tax assets and deferred tax liabilities in the same country are reported net.

Earnings per share

Earnings per share are calculated for both ordinary and preferential shares, as both types of shares are entitled to dividends from reported profits. The pro rata right to the earnings serves as a basis for the allocation of the profit for the year to the two types of shares. The result allocated to each type of share is divided by the number of shares of the respective type.

Contingent liabilities

A contingent liability is recognised when there is a possible obligation relating to past events and which existence is confirmed by one or more uncertain future events, or when there is an obligation that is not recognised as a liability or provision as it is not probable that an outflow of resources will be required.

Leases

Business as a lessor

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

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

The operating lease agreements refer to the rental agreements related to the Group's investment properties.

Cash Flow Statement

The cash flow statement has been prepared in accordance with the indirect method. This implies that the net profit/loss is adjusted for transactions which have not resulted in payments during the period, and for any income or expenses attributable to cash flow from investing or financing activities.

PARENT COMPANY'S ACCOUNTING PRINCIPLES

The Parent Company applies the same accounting principles as the Group, unless otherwise specified below. The variances arising between the Parent Company's and the Group's principles result from limitations in the possibility of applying IFRS in the Parent Company as a result of the Swedish Annual Accounts Act (SFS 1995:1554) and the Income Tax Act.

The Parent Company has prepared its annual report in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2, Accounting for Legal Entities, as well as the pronouncements of the Swedish Financial Reporting Board for listed companies. Application of RFR 2 stipulates that, in its preparation of the annual report for the legal entity, the Company apply all of the IFRS and interpretive statement approved by the European Union to the extent possible within the framework of the Swedish Annual Accounts Act and with consideration for the relationship between reporting and taxation. The recommendation states which exceptions from and additions to IFRS which must be undertaken.

Swedish tax legislation allows companies to postpone tax payments by carrying out provisions to untaxed reserves in the Statement of Financial position via the Statement of Comprehensive Income item "Appropriations". In the consolidated Statement of Financial position, these provisions are treated as temporary differences, that is to say allocated between consolidated Statement of Comprehensive Income and equity. Changes in untaxed reserves are reported in the consolidated Statement of Comprehensive Income, allocated between deferred tax and profit/loss for the year.

The Swedish tax code permit Group contributions to be rendered and received by Swedish corporations, subject to special restrictions, with the contribution becoming taxable for the recipient and tax deductible for the rendering entity. Group contributions are reported according to their economic substance. This entails that Group contributions rendered and received in order to minimise the Group's total tax are reported directly against retained earnings, less the current tax effect of the transaction.

Note 2 Revenue

EUR thousands	Group	2020/2021	2019/2020
Rental income		6,496	6,776
Other income		110	105
Total income		**6,606**	**6,881**

EUR thousands	Parent Company	Note	2020/2021	2019/2020
Service fees		25	286	295
Total income			**286**	**295**

All properties have generated rental income during the year.

Note 3 Direct expenses

EUR thousands	Group	Note	2020/2021	2019/2020
Maintenance and construction expenses			-584	-3,371
Insurance			-27	-29
Property tax			-104	-122
Depreciation cost		10	-1	-2
Public utilities			-177	-235
Other			-86	-100
Total direct expenses			**-979**	**-3,859**

Note 4 Administrative expenses

EUR thousands	Group	Note	2020/2021	2019/2020
Management fees			-552	-604
Consulting fees			-60	-117
Audit fees		5	-66	-65
Personnel expenses			-21	-20
Remuneration of the Board Member			-25	-49
Non recoverable VAT expenses			-70	-148
Bad dept			-23	-1
Other expenses			-260	-127
Total administrative expenses			**-1,077**	**-1,131**

EUR thousands	Parent Company	Note	2020/2021	2019/2020
Management fees		25	-552	-604
Remuneration of the Board Member			-25	-49
Audit fees		5	-25	-17
Non recoverable VAT expenses			-69	-148
Other expenses			-6	-9
Total administrative expenses			**-677**	**-827**

Note 5 Remuneration to auditors

EUR thousands	Group	2020/2021	2019/2020
KPMG audit services		-66	-65
Total		**-66**	**-65**

EUR thousands	Parent Company	2020/2021	2019/2020
KPMG audit services		-25	-17
Total		**-25**	**-17**

Note 6 Other interest income and similar profit/loss items

EUR thousands	Group	2020/2021	2019/2020
Net exchange rate differences		8	-
Fair value adjustment of interest swap		175	204
Total		**183**	**204**

EUR thousands	Parent Company	2020/2021	2019/2020
Net exchange rate differences		6	1
Total		**6**	**1**

Interest income mainly relates to cash and cash equivalents.

Note 7 Other interest expense and similar profit/loss items

EUR thousands	Group	2020/2021	2019/2020
Interest expense		-1,035	-1,118
Total		**-1,035**	**-1,793**

Interest expenses relate mainly to financial liabilities valued at amortised cost.

Note 8 Income tax

EUR thousands	Group		2020/2021	2019/2020
Income tax reported in the Statement of Comprehensive Income				
Current tax			-562	-154
Deferred tax (Note 15)			290	182
Total			**-272**	**28**
Reconciliation of effective tax				
Profit/loss before tax			4,997	-3,745
Tax according to current tax rate for Parent Company		21,4%	-1 069	801
Difference in tax rate in foreign operations:				
Estonia		0%	1 101	-625
Latvia		0%	-2	6
Lithuania		15%	1	-38
Non-deductible expenses:				
Lithuania		15%	-53	-67
Non taxable income:				
Lithuania		15%	41	47
Increase/decrease of deficit deduction without the corresponding activation of deferred tax:				
Lithuania		15%	-37	14
Sweden		21,4%	-33	-56
Tax from dividend payments:				
Estonia		20%	-221	-54
Total income tax			**-272**	**28**

The weighted average tax rate was 18% (2019/2020: 18%)
Effective tax rate in the Group per 30th june 2021 was 5,72 percentage (5,72).

EUR thousands	Parent Company		2020/2021	2019/2020
Current tax		21,4%	-	-
Total			**-**	**-**
Reconciliation of effective tax				
Profit/loss before tax			235	-522
Tax according to current tax rate for Parent Company		21,4%	-50	112
Non-deductible expenses:				
Write-down on participations in group companies		21,4%	83	41
Write-down internal debts		21,4%	-	-
Increase/decrease of deficit deduction without the corresponding activation of deferred tax		21,4%	-33	-153
Total income tax			**-**	**-**

The weighted average tax rate was 0% (2019/2020: 0%).
Effective tax rate in the Parent per 30th june 2021 was 0 percentage (0).

At 30 June 2021, the total unused tax losses amounted to EUR 2.10m (30 June 2020: EUR 0.88m), deferred tax assets have not been recognised.

Estonia – taxation of subsidiaries
According to the Income Tax Act, the annual profit earned by entities is not taxed in Estonia. Corporate income tax is paid on dividends. The tax rate on (net) dividends is 20/80. Income tax arising from dividend distribution is expected when dividends are declared (when the liability arises).

From 1st of January 2019, tax rate of 14/86 can be applied to dividend payments. The more beneficial tax rate can be used for dividend payments in the amount up to the average dividend payment during the three preceding years that were taxed with the tax rate 20/80. When calculating the average dividend payment of three preceding years, 2018 will be the first year to be taken into account.

Lithuania – taxation of subsidiaries

According to income tax regulations in Lithuania, the profit of the company is adjusted for temporary and permanent differences. The tax rate in Lithuania has been 15% during both 2017/2018 and in the previous year.

Latvia – taxation of subsidiaries
According to income tax regulations in Latvia until 31 December 2017, the profit of the company was adjusted for temporary and permanent differences and the tax rate until end of December 2017 was 15%. As of 1 January 2018, the income tax rate is 20%. Reinvested profit will be subject to 0 % tax and at the rate of 20 % will only have to be paid from the profit share which will be distributed or disbursed as dividends, or used for purposes not directly related to business development. When assessing the income tax base, the value of taxable objects is divided by the coefficient 0.8. Due to the change, the deferred income tax liability was eliminated from the balance sheet of the Group's Latvian subsidiaries.

Note 9 Earnings per share

EUR Group	2020/2021	2019/2020
Before and after dilution – Ordinary Shares		
Profit attributable to the Parent Company's ordinary shareholders (amount in EUR)	0	0
Weighted average number of outstanding ordinary shares	11,000	11,000
Earnings per ordinary share before and after dilution (amount in EUR)	**0.00**	**0.00**
Before and after dilution – Preferential Shares series A		
Profit attributable to the Parent Company's preferential shareholders (amount in EUR)	4,724,769	-3,717,186
Weighted average number of outstanding preferential shares	5,510	5,510
Earnings per preferential share series A before and after dilution (amount in EUR)	**857.49**	**-674.62**

Each type of share in the company carries entitlement to dividends in accordance with the following:
Firstly, the series A preferential shares entitle allocation of all dividends in an amount pro rata to the shareholder's contributions provided for investment purposes, until these contributions have been repaid. Secondly, the series A preferential shares entitle allocation of all dividends until these shareholders have received an amount corresponding to a 10% annual interest (compounded) on the shareholder's contributions referred to in the previous sentence. Thirdly, the ordinary shares entitle dividends corresponding to 60% of remaining distributable earnings and series A preference shares entitle dividends corresponding to 40% of remaining distributable earnings, up to a maximum allocation corresponding to a distribution of 20% to the ordinary shares and 80% to the series A preferential shares, in addition to the repayment of the shareholders' contributions referred to in the first sentence. Lastly, in respect of any remaining distributable earnings after the first three allocations, 20% is to be distributed to the ordinary shares and 80% to the series A preferential shares. The Group's accumulated profit/loss at the end of the accounting period is currently on a level at which all of the income is attributable to the preferential shares.

Complete terms for the distribution are set out in the Company's articles of association.

Note 10 Equipment

EUR thousands Group	2020/2021	2019/2020
Acquisition cost		
Opening balance	**96**	**136**
Acquisitions	-	3
Disposals	-4	-
Reclassification to the expenses	-	-43
Accumulated acquisition cost	**92**	**96**
Depreciation and write-downs		
Opening balance	**-86**	**-84**
Depreciation for the year	-1	-2
Disposals	1	-
Accumulated depreciation and write-downs	**-86**	**-86**
Closing carrying value	**6**	**10**

Note 11 Investment properties

As at 30.06.2021, the Group has made investments in the following properties:

Name	Location	Type	Area (m2)	Market value at 30.06.2021	Share of market value of the Fund's assets
EPF Metal OÜ	Tallinn, Estonia	Industrial	8 943	4,790	7%
EPF Portus OÜ	Tallinn, Estonia	Hotel	4 225	6,130	8%
Jewe Keskuse OÜ	Jõhvi, Estonia	Retail	15 375	11,130	15%
Jõhvi Tsentraal OÜ	Jõhvi, Estonia	Retail, office	10 175	7,110	10%
Kerese Keskuse OÜ	Narva, Estonia	Retail, office	6 740	4,330	6%
Norbert AS	Kuressaare, Estonia	Hotel	6 758	10,300	14%
Tammsaare Ärimaja OÜ	Tallinn, Estonia	Office	13 086	12,130	17%
Tanassilma OÜ	Tallinn, Estonia	Industrial	13 257	8,910	12%
Zemitana Cennters SIA	Riga, Latvia	Office	4 643	2,261	3%
EPF Lit-two UAB	Vilnius, Lithuania	Office	3 768	5,100	7%
Total				**72,191**	**100%**

Reconciliation of carrying amount:

EUR thousands Group	
Opening balance, 1 July 2019	**90,360**
Classified as held for sale (measured in level 2 based on transaction price in Septembe	-3,650
Changes in value	-4,740
Closing balance, 30 June 2020	**81,970**
Opening balance, 1 July 2020	**81,970**
Classified as held for sale (measured in level 2 based on transaction price in early July)	-11,078
Changes in value	1,299
Closing balance, 30 June 2021	**72,191**

The fair value measurement for investment property of EUR 72.2m (2019/2020: 82.0m) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

The table above "Reconciliation of carrying amount" shows also a reconciliation from the opening balances to the closing balances for Level 3 fair values.

EUR thousands Group	2020/2021	2019/2020
Changes in value of investment properties		
Unrealised value changes	1,299	-4,740
Total changes in value	**1,299**	**-4,740**

During the financial year 2020/2021 and 2019/2020, a revaluation to a higher or a lower value has been made of all of the Group's investment properties.

As of 30 June 2021, the Group has classified Papiniidu property in Pärnu, Estonia as assets held for sale. The sale was completed at the beginning of July 2021. The sale price for the property was EUR 11.200m.

As of 30 June 2020, the Group classified Laracija property in Klaipeda, Lithuania as assets held for sale. Property sale agreement was signed on 8 September 2020 and the ownership was transferred on 30 October 2020. The sale price for the property was EUR 3.650m.

The Company has no additional commitments regarding the investment properties.

Valuation of the investment properties has been made by the Company's property manager, East Capital Real Estate AS, in accordance with the "European Private Equity & Venture Capital Association's Guidelines." The valuation has been conducted monthly, or at the request of the Company's Board of Directors. The most recent external valuation of the property portfolio was carried out in June 2021 by Colliers International. The fair value of investment properties is prepared using Income Approach (Discounted Cash Flow method), considering a five-year cash flow prognosis and the following assumptions: rent growth, vacancy rate, inflation rate, discount rate and exit yield.

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.

Significant unobservable inputs by country, 30 Jun 2021	Estonia	Latvia	Lithuania
Average rental income EUR/sq.m/month; year 1	6.6	4.95	10.3
Operating expenses	0.4	1.7	0.7
Average long-term income growth	0.6%	1.7%	2.1%
Average long-term vacancy rate	5.7%	12.3%	5.0%
Inflation rate	0.0%-2.0%	0.5-2.0%	1.65%-2.1%
Capital structure			
equity	50%-40%	50%	40%
loan	50%-60%	50%	60%
Return on equity	13.5%-16.5%	15.5%	17.0%
Interest rate	3.0%-4.0%	3.25%	3.0%
Average initial yield	7.1%	6.2%	7.1%
Average exit yield	8.0%	8.25%	8.0%

For sensitivity analysis, see Note 24.

Note 12 Other non-current receivables

EUR thousands	Parent Company	Note	30 Jun 2021	30 Jun 2020
Receivables from Group companies				
Interest-bearing loans				
Opening balance			-	**869**
Loan repayments			-	-869
Closing balance		25	-	-

Note 13 Subsidiaries

EUR thousands	Parent Company	30 Jun 2021	30 Jun 2020
Opening carrying value		**5,927**	**5,927**
Shareholders contributions		521	477
Write down shares		-521	-477
Closing carrying value		**5,927**	**5,927**

East Capital Baltic Property Fund AB has the following subsidiaries:

		Ownership share	Book value 30 Jun 2021	Book value 30 Jun 2020
EPF Neli OÜ, Corp. Identity No. 11240865, Tallinn, Estonia	1	100%	5,920	5,920
Tanassilma OÜ, Corp. Identity No. 11219954, Tallinn, Estonia	1	100%		
AS Norbert, Corp. Identity No. 10639832, Tallinn, Estonia	570,000	100%		
Tammsaare Ärimaja OÜ, Corp. Identity No. 11330077, Tallinn, Estonia	1	100%		
Kerese Keskuse OÜ, Corp. Identity No. 11346090, Tallinn, Estonia	1	100%		
Jõhvi Tsentraal OÜ, Corp. Identity No. 11365130, Tallinn, Estonia	1	100%		
JEWE Keskuse OÜ, Corp. Identity No. 11365199, Tallinn, Estonia	1	100%		
EPF Portus OÜ, Corp. Identity No. 11366112, Tallinn, Estonia	1	100%		
EPF Metal OÜ, Corp. Identity No. 11399264, Tallinn, Estonia	1	100%		
EPF Papiniidu OÜ, Corp. Identity No. 11404388, Tallinn, Estonia	1	100%		
ABPF Zemitana (Lat) AB, Corp. Identity No. 556691-4049, Stockholm, Sweden	1,000	100%	-	-
SIA EPF Latone, Corp. Identity No. 40003816265, Riga, Latvia	2,845	100%		
SIA Zemitana Centrs, Corp. Identity No. 44103022784, Riga, Latvia	9,147	100%		
ABPF Lithuainia AB, Corp. Identity No. 556693-7222, Stockholm, Sweden	1,000	100%	-	-
EPF Litone UAB, Corp. Identity No 300582233, Vilnius, Lithuania	100	100%		
Baldu Pasažas UAB, Corp. Identity No. 142183274, Klaipeda, Lithuania	1,000	100%		
Laracija UAB, Corp. Identity No. 163362686, Klaipeda, Lithuania	46,000	100%		
EPF Lit-two UAB, Corp.Identity No. 301114718, Vilnius, Lithuania	120,100	100%		
ABPF Jeruzalemes (Lat) AB, Corp. Identity No. 556702-2370, Stockholm, Sweden	1,000	100%	7	7
Jeruzalemes Centrs SIA, Corp. Identity No. 40003871977, Riga, Latvia	5,265,764	100%		
Total			**5,927**	**5,927**

Note 14 Other current receivables

EUR thousands	Group	30 Jun 2021	30 Jun 2020
VAT		92	8
Other receivables		249	480
Total		**341**	**488**

EUR thousands	Parent Company	Note	30 Jun 2021	30 Jun 2020
Receivables from Group companies				
Accrued receivables			3,537	3,782
Accounts receivable - service fee			471	437
Total			**4,008**	**4,219**

Interest on long-term interest-bearing loans has been 3% (3%).

Note 15 Deferred income tax

Deferred tax assets and liabilities are offset when there is a legal right to offset for current income tax assets and liabilities and when deferred taxes refer to the same tax authority.

EUR thousands	Reported deferred tax receivables and liabilities, Group	Deferred tax receivables		Deferred tax liability		Net	
		2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020
Investment properties		-	-	-682	-1,163	-682	-1,163
Loss carry forward		378	569	-	-	378	569
Tax receivables/ liabilities		**378**	**569**	**-682**	**-1,163**	**-304**	**-594**
Setoff		-378	-569	378	569	-	-
Tax receivables/ liabilities, net		**-**	**-**	**-304**	**-594**	**-304**	**-594**

EUR thousands	Change of deferred tax in temporary differences and deficit deduction, Group	Balance, 1 July 2020	Reported in Statement of Comprehensive Income	Balance, 30 June 2021
Group				
Investment properties		-1,163	481	-682
Change of loss carry-forward		569	-191	378
Total		**-594**	**290**	**-304**

Deferred tax assets are reported as fiscal tax loss carry-forward to the extent that it is probable that they can be utilised by future taxable profits.

Potential unrealised tax effects on profits in the Estonian subsidiaries amount to a maximum total of EUR 6.9m (2019/2020: EUR 6.3m).

Deferred tax liabilities relate to temporary differences between tax value and fair value on investment properties.

Note 16 Share capital

EUR thousands	Parent Company	30 Jun 2021	30 Jun 2020
Ordinary shares with a nominal value of EUR 1 per share		11	11
Preferential shares with a nominal value of EUR 1 per share		6	6
Share capital		**17**	**17**

There are a total of 11,000 (11,000 shares) ordinary shares with a nominal value of EUR 1 per share (EUR 1). There are also 5,510 preferential shares (5,510 shares) with a nominal value of EUR 1 per share (EUR 1). The maximum number of shares in accordance with the articles of association is 44,000 (44,000 shares). See note 9 for disclosures about the different rights of ordinary and preferential shares.

Asset management

According to the Board's policy, the Company's financial goal is to have a good capital structure with financial stability and thereby maintain the confidence of investors, lenders and the market, at the same time as this forms a basis for the on-going development of the operations. Capital is defined as equity. A financial goal for the Company is to give the investors a yearly dividend yield of 4-6%.

Capital is defined as equity and amounts to EUR 46.5m (30 June 2020: 41.8m).

Annual return on equity of at least 15% has been set up as a target for the Company. The result for the financial year resulted in a positive return on equity of 2.4 % (2019/2020: -5.4%).

Neither the Company nor any of the subsidiaries are under external capital requirements.

Note 17 Interest-bearing liabilities

EUR thousands	Group	30 Jun 2021	30 Jun 2020
Maturity date 1-5 years from Statement of Financial position date		-	37,805
Maturity date within one year from Statement of Financial position date		39,885	6,922
Total		**39,885**	**44,727**

During the financial year, the weighted average interest rates of the Group's bank loans were 2.5% (2.4%). Additional information on loan security and interest rates is presented in Notes 21 and 24, respectively.

All loans are denominated in EUR.

Some of the companies have covenants to follow as regards loan obligations. These consist of various ratios including: Loan To Value (interest-bearing debt/property value), Equity ratio (equity/total assets), Debt Service Coverage Ratio (operating profit/interest expenses + amortisations on interest-bearing debt), Interest Coverage Ratio (operating profit/interest expense on interest-bearing debt) and Total Debt/EBITDA (interest-bearing debt/operating profit).

Cash flows of borrowings:

EUR thousands	Group	30 Jun 2021	30 Jun 2020
Balance at the beginning of period		**44,727**	**49,406**
Bank loans received		-	2,500
Annuity payments on bank loans		-1,757	-1,939
Repayment of bank loans		-3,110	-5,266
Change of discounted contract fees		25	26
Balance at the end of period		**39,885**	**44,727**

Note 18 Derivatives

EUR thousands	Group	30 Jun 2021	30 Jun 2020
Liabilities held at fair value through profit and loss:			
Interest rate swap - non-current liability		-	215
Interest rate swap - current liability		250	210
Total		**250**	**425**
Opening balance		**425**	**629**
Fair value adjustment in the financial year		-175	-204
Closing balance		**250**	**425**

Derivative instruments are recognised in the group of financial assets and financial liabilities "at fair value through profit and loss". Two interest swap agreement held as at 30 June 2021 to hedge 98% of the interest rate risk from one loan agreement with floating interest rate, are fixed at 0.306% and 0.16% and had a negative value of as of 30 June 2021 EUR 0.25m (30 June 2020: EUR 0.43m).

The fair values of the interest rate swaps have been calculated by banks and valuation of these liabilities are classified as Level 2 in the fair value hierarchy.

Note 19 Accrued expenses and deferred income

EUR thousands	Group	30 Jun 2021	30 Jun 2020
Accrued auditing expenses		57	57
Accrued interest expense		5	6
Other accrued expenses		196	192
Total		**258**	**255**

Note 20 Operational leasing

Operational leasing: as the lessor

The operational leasing agreements refer to the rental agreements related to the Group's investment properties. Some of rental agreements have been signed with tenants with a fixed period of 1-3 years. Even if the rental agreement is signed for a longer time period, the agreements can be terminated with only three month notice. The information below includes rental income up until the end of the rental agreement, as both parties have entered the agreement with the purpose to fulfill it.

EUR thousands	Group	30 Jun 2021	30 Jun 2020
Within 1 year		4,492	5,638
Between 1 and 2 years		3,541	4,655
Between 2 and 3 years		3,130	3,743
Between 3 and 4 years		2,299	3,476
Between 4 and 5 years		1,319	2,876
More than 5 years		4,030	5,538
Total		**18,811**	**25,926**

Note 21 Pledged assets

EUR thousands	Group	30 Jun 2021	30 Jun 2020
Investment properties		110,891	109,480
Other		863	471
Total		**111,754**	**109,951**

The investment properties have been pledged as security for bank loans. These pledges are measured based on the fair value in Lithuania and based on the value fixed at the contracts in Estonia and Latvia.

Note 22 Contingent liabilities

No provision has been made in the consolidated accounts for income tax on profits in the Estonian subsidiaries, which, for future dividends, may trigger a tax expense. For more information on future tax exposure, please see Note 8 and 15.

Note 23 Financial assets and liabilities at fair value - categories and fair values

EUR thousands Group 2020/2021	Financial instruments at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Total book value
Accounts receivables - trade		215		215
Other receivables		341		341
Cash and cash equivalents		4,638		4,638
Total assets		**5,194**		**5,194**
Other non-current liabilities			476	476
Current interest-bearing liabilities			39,885	39,885
Derivatives	250			250
Accounts payables – trade			282	282
Other liabilities			499	499
Total liabilities	**250**		**41,142**	**41,392**

EUR thousands Group 2019/2020	Financial instruments at fair value through profit or loss	Loans and receivables	Other financial liabilities	Total book value
Accounts receivables - trade		369		369
Other receivables		488		488
Cash and cash equivalents		3,025		3,025
Total assets		**3,882**		**3,882**
Non-current interest-bearing liabilities			37,805	37,805
Other non-current liabilities			684	684
Current interest-bearing liabilities			6,922	6,922
Derivatives	425			425
Accounts payables – trade			955	955
Other liabilities			119	119
Total liabilities	**425**		**46,485**	**46,910**

EUR thousands Parent Company 2020/2021	Financial assets at amortised cost	Financial liabilities at amortised cost	Total book value
Other receivables	4,008		4,008
Cash and cash equivalent	151		151
Total assets	**4,159**		**4159**
Accounts payable - trade		139	139
Other liabilities		20	20
Total liabilities		**159**	**159**

EUR thousands Parent Company 2019/2020	Loans and receivables	Other financial liabilities	Total book value
Other receivables	4,219		4,219
Cash and cash equivalent	261		261
Total assets	**4,480**		**4,480**
Accounts payable - trade		783	783
Other liabilities		20	20
Total liabilities		**803**	**803**

The carrying amounts and fair values of financial assets and financial liabilities are in material respects equal. The fair value of derivatives/interest rate swaps is measured in level 2 of the fair value hierarchy.

Note 24 Financial risk management

As a net borrower, the Croup is exposed to financial risk, mainly liquidity risks, market risks and credit risks. The financial policy is determined by the Board. The operative responsibility for the Group's borrowing, cash management and financial risk exposure lies with the management company East Capital Real Estate AS, a wholly owned subsidiary of East Capital Holding AB. The financial policy is reviewed by way of reporting to the Board on a regular basis.

Liquidity risks

Liquidity risk arises from potential changes in the financial positions, reducing the Group's ability to meet its liabilities in due time and in 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.

Liquidity risks are managed on the basis of a five-year strategy, adjusted approximately every six months in accordance with the Group's investment plan. The short-term management of liquidity risk is based on the Group's budget and is adjusted after each acquisition or disposal of an investment object. In order to decrease liquidity risk, the maturity dates for most loans taken to finance property transactions correspond with the expected disposal dates for the respective properties.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and includes estimated interest payments.

EUR thousands	Carrying amount	Contractual cash flows				
		Total	2 months or less	2-12 months	1-2 years	2-5 years
Non-derivative financial liabilities						
Bank loans	40,844	40,844	542	40,302	-	-
Interest rate swaps	250	250	44	206	-	-
Trade payables	282	282	282	-	-	-
Total	**41,376**	**41,376**	**868**	**40,508**	**-**	**-**

Report of working capital :

EUR thousands	30 Jun 2021	30 Jun 2020
Assets held for sale	11,078	3,650
Accounts receivables - trade	215	369
Other receivables (Note 14)	341	488
Accrued income and prepaid expenses	49	59
Cash and cash equivalents	4,638	3,025
Total current assets	**16,321**	**7,591**
Short-term portion of long-term liabilities (Note 17)	39,885	6,922
Derivatives (Note 18)	250	210
Accounts payable - trade	282	955
Other liabilities	499	119
Current tax liabilities	92	70
Accrued expenses and deferred income (Note 19)	258	255
Total current liabilities	**41,266**	**8,531**
Total working capital	**-24,945**	**-940**

As at 30 June 2021, the Group's working capital is negative in the amount of EUR 24.9m (30 June 2020 EUR 0.9m). Current liabilities include bank loans in the amount of EUR 39.9m, with maturities within one year. In July 2021 the Group sold Papiniidu property in Pärnu, Tallinn and paid partially back short-term bank loan in the amount of EUR 6,17.m.

Taking into consideration that if the short-term bank loan which matures in June 2022 is extended (EUR 31.6m), the Group's working capital would be positive in the amount of EUR 6.67m. Management believes that the loan will be extended and therefore that working capital is sufficient to meet the requirements of everyday business.

Market risk

Market risk is 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 risks

Interest rate risk is the risk of changes in the future cash flows of financial instruments due to changes in market interest rates. A change in market interest rates mainly influences the long-term floating rate borrowings of the Group.
The Group's long-term loans are primarily linked to EURIBOR and are therefore affected by fluctuations in the international financial market. The Group continually evaluates the potential risk for losses due to fluctuations in market interest rate levels with regard to the cost of hedging strategies. Sensitivity analysis for changes in interest rates:

Sensitivity analysis EUR thousands	Change in P/L Estonia	Latvia	Lithuania	Total
Interest expenses as interest rate is changed, +/-1%	-/+378	-/+21	-/+0	-/+399
Interest expenses from SWAP as interest rate is changed, +/- 1%	-/+2	-/+0	-/+0	-/+2

For hedging the interest rate risk, an interest swap contract was concluded in June 2018 in the total nominal amount EUR 40.42m (Note 18). Two interest swap agreement held as at 30 June 2021 to hedge 98% of the interest rate risk from one loan agreement with floating interest rate, are fixed at 0.306% and 0.16% and had a negative value of as of 30 June 2021 EUR 0.25m (30 June 2020: EUR 0.43m).

Currency risk

The majority of the Fund contracts are related to Euro (EUR). Consequently, the Group has no significant liabilities or receivables in any other currency than Euro (EUR). All longterm loan agreements have been drafted in Euro (EUR).

Taken the above into consideration, the Group's currency risk is low as Estonia, Latvia and Lithuania use the Euro.

The remaining exposure for other exchange rates than the EUR is limited and the sensitivity to fluctuations in currency rates is marginal.

Real Estate market risk

Sensitivity analysis property value EUR thousands	Change in P/L Estonia	Latvia	Lithuania	Total
+/-1%	+/-760	+/-23	+/-51	+/-834

Sensitivity on exit yield EUR thousands				
-50bps	3,530	106	240	3,876
+50bps	-3,090	-94	-200	-3,384

Sensitivity on discount rate EUR thousands				
-50bps	1,570	47	110	1,727
+50bps	-1,490	-45	-100	-1,635

Credit risks

Credit risk is the risk that counterparties will fail to meet their obligations to the Group. The Group is exposed to credit risk due to its business activities (mainly trade receivables) and transactions with financial institutions, including cash in bank accounts.

The Group's action to prevent and minimize cash flow from credit risk is to monitor and direct the customer's payment behavior on a day-to-day basis, enabling operational measures to be taken. Similarly, client contracts provide in most cases for payment of rent at the beginning of the calendar month, which gives sufficient time to monitor the payment discipline of the clients and to have sufficient liquidity in the cash accounts at the date of annuity payments on the finance contracts. Most leases also give rise to an obligation to pay a deposit, which the Group is entitled to settle as a result of the lessee's default.

Group companies generally only enter into lease agreements with counterparties previously recognized as creditworthy. The client's analysis of this is made before concluding the lease agreement.

An analysis of the client on this subject shall be made before the conclusion of the lease contract. If there is a risk that the lessee will become insolvent, the Group assesses each receivable individually and determines whether it is unlikely that the receivable will become receivable. In general, receivables that are overdue for more than 180 days are considered unlikely to be collected, unless the Group has a reasonable amount of receivables or has a payment schedule.

Ageing of debts: EUR thousands	Estonia	Latvia	Lithuania	Total	Share in %
Not expired	77	6	33	116	54%
Expired by 1-30 days	33	3	3	39	18%
Expired by 31-60 days	13	3	2	18	8%
Expired by 61-180 days	22	5	26	53	25%
Expired by 181 days or more	18	21	83	122	57%
Provision for bad debt	-15	-19	-99	-133	-62%
Total accounts receivables	**148**	**19**	**48**	**215**	**100%**

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

EUR thousands	30.06.2021	30.06.2020
Cash and cash equivalents	4,638	3,025
Trade receivables	215	369
Total maximum credit risk	**4,853**	**3,394**

Note 25 Transactions with related parties

The Company has, in addition to the close relationships specified for the Group, a controlling influence over its subsidiaries, see Note 13. Furthermore, all companies related to East Capital are considered to be related parties.
Transactions within the Group are all based on businesslike conditions.
The Company's receivables contain accrued interest from the loans EUR 2.0m (2019/2020: 2.0m). Remaining current receivable is EUR 2.0m (2019/2020: 2.2m).

EUR thousands	Group	Sales of services to related parties	Purchase of services from related parties	Liabilities with related parties per 30 Jun 2021	Liabilities with related parties per 30 Jun 2020
East Capital Real Estate AS		21	-629	-	2
Total		**21**	**-629**	**-**	**2**

EUR thousands	Parent Company	Sales of services to related parties	Purchase of services from related parties	Liabilities with related parties per 30 Jun 2021	Liabilities with related parties per 30 Jun 2020
East Capital Real Estate AS		-	-552	-	-
Subsidiary/Group company		286	-	20	20
Total		**286**	**-552**	**20**	**20**

The Chairman of the board Albin Rosengren is employed by East Capital (Dubai) Ltd and is a board member of the following affiliated companies: BN Securities AB, FBF Sweden AB, East Capital (Dubai) Ltd, East Capital Asset Management S.A., East Capital Holding AB, East Capital Financial Services AB, East Capital Baltic Property Investors AB (publ) (Chairman), East Capital Real Estate AS, (Chairman) and Monyx Asset Management AB (deputy).
The board member, Peter Elam Håkansson, is employed by East Capital Financial Services AB, and is board member of the following affiliated companies: Rytu Invest AB, (Chairman), Eastate AB, (Chairman), Cadre Invest S.A, (Chairman), East Capital Holding AB, (Chairman), BN Securities AB, (Chairman), East Capital Financial Services AB (Chaiman), East Capital International AB , East Capital Private Equity AB, East Capital Asset Management S.A, East Capital SICAV, East Capital (Lux) General Partner S. à r. l., East Capital Baltic Property Investors AB (publ), East Capital Real Estate AS and Espiria SICAV.
The board members Pami Philström and Magnus Sonnorp are not employed by or hold any board positions in any affiliated companies.

Note 26 Information about the parent company

East Capital Real Estate AS, Corporate Identity No. 11085028, domiciled in Tallinn, Estonia, owns 66.63% of the shares. Its complete address is: Tartu mnt 2, 10145, Tallinn, Republic of Estonia.

The shareholders' agreement between the partners in the Company regulates in detail how the Company's distributable earnings shall be allocated between the shareholders. However, despite its voting majority, East Capital Real Estate AS has not any power to influence how the subsidiary's distributable earnings are appropriated. According to IAS 27 Consolidated and Separate Financial Statements, a Parent Company loses its controlling influence if it does not have the power to govern a subsidiary's financial and operating policies to obtain benefit from its activities. If a controlling influence is lacking, so is the basis for consolidation with the Parent Company. With reference to IAS 27, the Company, with subsidiaries, will not be consolidated with East Capital Real Estate AS.

Year-end appropriations:

EUR thousands	Parent Company	Note	2020/2021	2019/2020
Group contribution:				
received			232	259
given			-	-
Total appropriations			**232**	**259**

Note 27 Significant events after the end of the financial year

In July 2021, the sale of Papiniidu commercial property in Pärnu, Estonia, was finalized. No other significant events after the end of the financial year. The uncertainties due to the Corona pandemic persist, but are mitigated as vaccinations continue and companies have adjusted their business models to the changed consumer habits and pandemic related changes.

Stockholm, ... November 2021

Albin Rosengren
Chairman of the Board

Magnus Sonnorp
Member of the Board

Peter Elam Håkansson
Member of the Board

Pami Pihlström
Member of the Board

Our audit report was presented .... November 2021
KPMG AB

Mårten Asplund
Authorised Public Accountant