EAST CAPITAL

Annual Report

East Capital Baltic Property Investors AB (publ)

Corporate Identity Number 556674-0923

Financial year 1 July 2015 - 30 June 2016

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

Administration Report

The Board of Directors of East Capital Baltic Property Investors AB (publ) (solo "the Company"; consolidated "the Group"), Corporate Identity Number 556674-0923, domiciled in Stockholm with the address PO Box 1364, 111 93 Stockholm, hereby presents the Annual Report for the financial year 1 July 2015 – 30 June 2016.

Information regarding the operations

The Company's operations are based in Stockholm, and comprise of investing in the East Capital Baltic Property Fund AB (556674-0915) ("the Fund"), a Swedish limited liability company with emphasis on the acquisition and management of properties in the Baltic region. The majority of property management activities are outsourced to East Capital Baltics AS, a fully owned subsidiary of East Capital Holding AB (556584-9899), a Swedish asset management company specialized in emerging and frontier markets.

The Company holds 4,010 preference shares of series A in the East Capital Baltic Property Fund AB, which corresponds to 72.78 percent of the total number of preference shares. The Company holds 24.29 percent of the share capital and 3.47 percent of the votes.

The Company's operations are primarily governed by the shareholders' agreement which has been entered into with East Capital Baltics AS and other shareholders concerning the administration of the Fund. Under the shareholders' agreement, the Company commits to pay shareholders' contributions to the Fund in order to execute property investments or in order to finance the day-to-day administration. The shareholders' agreement further stipulates that the original term of the Fund was seven years from 2005 with a possibility to extend the life term by up to two years. At an 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 on 21 April 2016, the shareholders approved a further extension by twelve months, until 30 June 2017.

In accordance with the articles of association, the Company shall be liquidated within a period of six months if the Fund is decided to be liquidated.

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

The Company has no employees and did not pay any salaries during the financial year, nor has any remuneration been paid to the Board of Directors.

Financial information

The Group result for the financial year was EUR 4.2m (EUR 0.7m). The result is mainly attributable to unrealised value changes of the holdings in the Fund. The unrealised value changes were EUR 4.2m in 2015/2016 and EUR 0.8m in 2014/2015.

Significant events during the financial year

The associated company East Capital Baltic Property Fund AB is since 2007 fully invested, meaning that the Company no longer has any remaining obligations towards the Fund.

The Fund's focus during the last years has been to improve rental income for the portfolio properties by reducing vacancies and increasing rents, where possible. The average rental level for the portfolio for financial year 2015/16 was EUR 7.0 sqm/month, remaining on comparable level with previous financial year.

Portfolio vacancy for the period July 2015- June 2016 was 4%. The single-tenant buildings (hotels, industrial properties) in the portfolio continue to operate at full occupancy. Retail properties operate with low vacancies, standard in the market. In Kerese commercial centre in Narva, a grocery store operator changed during the year and a lease with a new operator was signed during the financial year and a new smaller concept store more suitable to the location was opened after financial year end in August 2016. In the office properties situated in the secondary locations, vacancy is between 5-15% due to the inactive office market. The Investment Manager pursues to decrease vacancies in these properties (as well as across the portfolio) to increase free cash flow.

The hotels in the portfolio generate good turnovers, following the renovations and upgrade done during the previous years. Tallinn Seaport Hotel (former City Hotel Portus) is operating with a new operator since March 2015 and has exceeded the turnover of previous operator in most months after opening period. GoSpa hotel in Estonia, in the island Saaremaa continues its stable operations with turnover during July 2015 - June 2016 exceeding same period a year before by 4%. In both hotels, turnover rent is calculated and paid twice during the year - in December and June.

In June 2016, three maturing loans were extended with loan terms matching the Company's life term and one loan for twelve months until May 2017. Three other loans with automatic extension signed in the financial year 2014/15 were prolonged until June 2017 together with prolongation of the Company's life term. Amortization holiday was agreed for three of the loans for the financial year 2016/17 with amortizartion reduced significantly thereafter. Additionally, amortization has been stopped from August 2016 until loan maturity for one other property in the Group. Interest margin was decreased for two properties in the portfolio.

On 30 October 2015, the Nurmenuku shopping centre property in Tallinn, Estonia, was sold for EUR 6.525m, a price above its book value of EUR 6.41m. Nurmenuku shopping centre was the first investment in the portfolio, acquired in October 2005. The property generated a total internal rate of return of 23% during the 10 year holding period.

Significant events after the end of the financial year

No significant events have occurred after year end.

Future development, risk and factors of uncertainty

The life term of the Fund has been extended until June 30, 2017 with a possibility to extend by a further twelwe months. The target remains to actively divest properties, individually or as a portfolio when market timing allows while continuing to strengthen tenant quality and improve operating income. Should the sale process be unsuccessful in achieving a price close to net asset value, the board will consider asking for shareholder approval to transform the fund into a permanent vehicle and to possibly seek a listing on a public exchange.

The Company result mainly depend on the the future development, risks and factors of uncertainties in the Fund. The following relate to the Fund:

The Fund's long-term view on the Baltic real estate market is positive. Baltic economies remain stable as well as the key real estate market indicators. The investment market, where transaction volumes peaked in 2015, has sustained activity also in 2016. Despite the slight yield compression, the Baltics remain a appealing investment target considering the solid economic background, favourable financing conditions and attractive returns. In addition to long-term investors, several new international investors have entered the Baltic investment market in the recent years, increasing the liquidity in the market.

The Investment Manager maintains good relations with major financing banks in the Baltics. During the financial year 2015/16, all maturing loans were extended. Amortization will be reduced significantly following the amortization holiday agreed for three of the loans for financial year 2016/17 and one loan until maturity. Interest rate for the portfolio remains favourable with interest margin decreased for two properties during the financial year, in addition to revisions of the risk margins in the previous years.

Low market interest rates have and will improve the Fund's net profit. At the end of financial year, 26% of the loan portfolio is covered with interest rate hedges or has fixed interest rates.

Currency and devaluation risk have been eliminated following the adoption of euro in Estonia, Latvia and Lithuania.

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	40,115,608
Retained earnings	-11,470,724
Net result for the year	4,208,242
	32,853,126

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

To be carried forward	32,853,126

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 2015 - 30 Jun 2016	1 Jul 2014 - 30 Jun 2015
Administrative expenses	2	-37	-36
Profit from participation in associated companies	8	4,227	750
Result from operating activities		**4,190**	**714**
Other financial income / -expenses	4	10	-3
Profit before tax		**4,200**	**711**
Tax expense	5	8	8
Profit for the year / Total Comprehensive income for the year		**4,208**	**719**
Earnings per share, EUR	6		
-basic and diluted		52.34	8.95

Profit/loss for the year/total Comprehensive income is attributable to the company shareholders.

The Notes on pages 10 to 18 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

EUR thousands	Note	30 Jun 2016	30 Jun 2015
ASSETS			
Non-current assets			
Investments in associates	8	33,008	28,781
Deferred tax assets		68	51
Total non-current assets		**33,076**	**28,832**
Current assets			
Other receivables		11	1
Cash and cash equivalents		1	1
Total current assets		**12**	**2**
Total assets		**33,088**	**28,834**
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	9	135	135
Shareholders' contribution		40,116	40,116
Retained earnings including profit/loss for the year		-7,262	-11,470
Total shareholder's equity		**32,989**	**28,781**
LIABILITIES			
Current liabilites			
Accounts payable		4	-
Other liabilities		87	44
Accrued expenses and deferred income		8	9
Total current liabilites		**99**	**53**
Total liabilities		**99**	**53**
Total equity and liabilites		**33,088**	**28,834**

The Notes on pages 10 to 18 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

EUR thousands	Note	1 Jul 2015 - 30 Jun 2016	1 Jul 2014 - 30 Jun 2015
Cash flow from operating activities			
Operating profit before financial items		4,190	711
Adjustments for:			
-Revaluation of associated company	8	-4,227	-750
Increase/decrease in liabilities related to operating acrivities		4	-
Cash flow from operating activities		**-33**	**-39**
Cash flows from financing activities			
Proceeds from borrowings		33	38
Cash flows from financing activities		**33**	**38**
Net decrease in cash and cash equivalents		**-**	**-1**
Cash and cash equivalents at the beginning of the period		1	2
Exchange rate differences in cash and cash equivalents		-	-
Cash and cash equivalents at the end of the period		**1**	**1**

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

Consolidated statement of changes in equity

EUR thousands	Share capital	Paid in capital	Retained earnings, including total comprehen-sive income	Total equity
Opening equity, 1 July 2014	**135**	**40,116**	**-12,189**	**28,062**
Profit for the year/Total Comprehensive income	-	-	719	719
Closing equity, 30 June 2015	**135**	**40,116**	**-11,470**	**28,781**
Opening equity, 1 July 2015	**135**	**40,116**	**-11,470**	**28,781**
Profit for the year/Total Comprehensive income	-	-	4,208	4,208
Closing equity, 30 June 2016	**135**	**40,116**	**-7,262**	**32,989**

The Notes on pages 10 to 18 are an integral part of these consolidated financial statements.

Income statement - Parent Company

EUR thousands	Note	1 Jul 2015 - 30 Jun 2016	1 Jul 2014 - 30 Jun 2015
Administrative expenses	2	-36	-36
Unrealised changes in value of shares in associated companies	8	4,227	750
Result from operating activities		**4,191**	**714**
Financial income / -expenses	4	9	-3
Profit before tax		**4,200**	**711**
Tax expense	5	8	8
Net profit for the year		**4,208**	**719**

Statement of comprehensive income - Parent Company

EUR thousands	1 Jul 2015 - 30 Jun 2016	1 Jul 2014 - 30 Jun 2015
Net profit for the year	**4,208**	**719**
Other comprehensive income	-	-
Total comprehensive income for the year	**4,208**	**719**

The Notes on pages 10 to 18 are an integral part of these consolidated financial statements.

Balance sheet - Parent Company

EUR thousands	Note	30 Jun 2016	30 Jun 2015
ASSETS			
Non-current assets			
Participations in group companies	7	10	10
Participations in associated companies	8	33,008	28,781
Deferred tax assets		68	51
Total non-current assets		**33,086**	**28,842**
Current assets			
Other receivables		2	1
Cash and cash equivalents		-	-
Total current assets		**2**	**1**
Total assets		**33,088**	**28,843**
EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital, 135 392 shares	9	135	135
Total restricted equity		**135**	**135**
Non-restricted equity			
Share premium reserve		40,116	40,116
Retained earnings		-11,471	-12,190
Profit/loss for the year		4,208	719
Total non-restricted equity		**32,853**	**28,645**
Total equity		**32,988**	**28,780**
LIABILITIES			
Current liabilities			
Accounts payable		4	-
Other liabilities		86	54
Accrued expenses and prepaid income		10	9
Total current liabilities		**100**	**63**
Total liabilities		**100**	**63**
Total equity and liabilities		**33,088**	**28,843**
Pledged assets and contingent liabilities		**None**	**None**

The Notes on pages 10 to 18 are an integral part of these consolidated financial statements.

Cash flow statement - Parent Company

EUR thousands	Note	1 Jul 2015 - 30 Jun 2016	1 Jul 2014 - 30 Jun 2015
Cash flow from operating activities			
Operating profit for the year		4,191	711
Adjustments for:			
-Revaluation of associated company	8	-4,227	-750
Increase/decrease in liabilities related to operating acrivities		4	-1
Income tax paid		-	-
Cash flow from operating activities		**-32**	**-40**
Cash flows from financing activities			
Proceeds from borrowings		32	38
Cash flows from financing activities		**32**	**38**
Net decrease in cash and cash equivalents		**-**	**-2**
Cash and cash equivalents at the beginning of the period		-	2
Cash and cash equivalents at the end of the period		**-**	**-**

Cash and cash equivalents in the Cash flow Statement correspond with 'Cash and cash equivalents' in the Balance Sheet, and comprise bank balances.

Change in equity- Parent Company

EUR thousands	Restricted equity	Non-restricted equity	
	Share capital	Retained earnings, including net loss for the year	Total equity
Opening equity, 1 July 2014	**135**	**27,926**	**28,061**
Loss for the year / Total Comprehensive income	-	719	719
Closing equity, 30 June 2015	**135**	**28,645**	**28,780**
Opening equity, 1 July 2015	**135**	**28,645**	**28,780**
Profit for the year / Total Comprehensive income	-	4,208	4,208
Closing equity, 30 June 2016	**135**	**32,853**	**32,988**

The Notes on pages 10 to 18 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), such as have been approved by the Commission of the European Communities for application within the EU. Furthermore, the Swedish Financial Reporting Board recommendation RFR 1, Complementary accounting rules for groups, 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 Parent Company's and the Group's principles are due to restrictions on the application of IFRS in the Parent 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 31 October 2016. The statement of comprehensive income and statement of financial position of the Group and Income Statement and Balance sheet of the Parent Company will be submitted to the shareholders' meeting for adoption on 1 December 2016.

Measurement basis for preparing the Parent Company and Group's financial reports

Assets and liabilities are reported at historic acquisition cost, except for certain financial assets, liabilities and investments, which are measured at fair value.

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 statements 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.

Estimations and assumptions are regularly taken under review. 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 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

Amendments to IFRS 10, 'Investment entities'

The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. The amendments to IFRS 10 define an investment entity and introduce an exception from the consolidation requirements for investment entities.

As a result of the adoption of the amendments to IFRS 10, management concluded that the associated companies meet the definition of an investment entity as per IFRS 10 and no adjustments are made to the financial statement. Associated companies are recognized at fair value through income statement.

Other new or revised IFRSs have had no material effect on the consolidated financial statements.

New and amended standards for future application

New and changed IFRSs to be applied in coming reporting years have not been early applied in these financial statements and are not planned to be early applied in coming reporting years.

An initial assessment of the two major new standards – IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, both with first application in annual reporting periods beginning on or after 1 January 2018 – indicates that there will be no material effects on the group's financial statements. The same assessment holds also for other new and changed IFRSs with future application.

Classification

Noncurrent assets and noncurrent liabilities consist predominantly of amounts expected to be used or paid more than 12 months after the statement of financial position date. Current assets and current liabilities consist predominantly of amounts expected to be utilised or paid within 12 months of the date of the statement of financial position.

In accordance with IFRS 5, "Non current assets held for sale", all non current assets are tested at each Statement of Financial position date for indications that the benefit of that asset is obtained through the asset's sale rather than through its continuous use in the business. Such assets will be presented separately in the Statement of Financial position as "assets for sale".

CONSOLIDATED ACCOUNTS

Subsidiary

Subsidiary is a company under the controlling influence of East Capital Baltic Property Investors AB (publ.). Controlling influence means the direct or indirect right to govern the financial and operating policies of an entity so as to obtain financial benefit. In assessing whether controlling influence exists, potential shares which convey voting rights and which can be converted or utilised without delay shall be taken into consideration. Subsidiaries are accounted for using the purchase method. In accordance with this method, an acquisition is treated as a transaction in which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities.

The consolidated cost is determined by an acquisition analysis at the time of the business combination. In such analysis, the cost of the business combination is established, as are the fair values of recognised identifiable assets, liabilities and contingent liabilities. The difference between the cost of the shares of the subsidiary and the fair value of the acquired assets, assumed liabilities and contingent liabilities constitute, if the difference is positive, consolidated goodwill. When the difference is negative, it is recognised directly in the Statement of Comprehensive Income. Transaction expenditure is expensed and the effects of restating liabilities related to conditional purchase prices are reported as a revenue or cost in Comprehensive Income.

The financial statement of subsidiary is 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 are translated into the functional currency using the exchange rate prevailing on the transaction date. The functional currency is the currency in the primary economic environment in which the companies operate. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the closing rate of exchange. Exchange rate differences arising on currency translations are recognised in comprehensive income. Non-monetary assets and liabilities are recognised at historical acquisition cost translated at the exchange rate on the transaction date. The values of non-monetary assets and liabilities reported at fair value are translated into the functional currency 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.

Income

Financial income and expenses

Financial income and expenses comprise interest income from bank balances, receivables and interest-bearing securities, and 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. Effective interest is the amount of interest making 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. 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. Interest is calculated based on the average weighted borrowing costs for the Group.

Financial instruments

Classification of financial assets and liabilities

All financial assets and liabilities are classified into the following categories:
a) Financial assets and liabilities at fair value through profit or loss
b) Held-to-maturity investments
c) Loans and receivables
Assets with fixed or determinable payments. Liquid assets, accounts receivable and receivables are included in this category.
d) Available-for-sale financial assets
e) Other financial liabilities
Includes financial liabilities not held for trading.

Accounting and valuation

Financial instruments are valued and recognised in the consolidated accounts in accordance with the stipulations of IAS 39. Borrowings and investments are recognised when the transaction is executed (settlement date accounting), while derivative instruments are recognised when the agreement has been entered into (trade date accounting). A financial asset or liability is recognised in the statement of financial position when the company becomes party to the terms and conditions of the instrument. Accounts receivable are recognised in the balance sheet when the invoice has been sent. Liabilities are recognised when the counterparty has performed and a contractual obligation of payment exists, regardless of whether an invoice has been received.

A financial asset (or part thereof) is removed from the statement of financial position when the rights in the agreement are realised or expire, or when the company has transferred substantially all the risks and benefits associated with ownership. A financial liability (or part thereof) is removed from the statement of financial position when the obligation specified in the agreement is discharged or in any other manner extinguished. A financial asset or financial liability are offset and recognised with a net amount in the statement of financial position only when there is legal right to offset and when it is intended to settle the item with a net amount or to simultaneously realise the asset and settle the liability.

Participations in associated companies in investment operations

In accordance with IAS 39, participations in associated companies in investing operations are recognised in the consolidated accounts at fair value with changes in value reported in the statement of comprehensive income. This is based on the exemption in IAS 28, paragraph 1, and, consequently, share-based investments in which the Group has a significant influence are reported according to IAS 39.

The valuation is based on the ”International Private Equity and Venture Capital Valuation Guidelines,” which were created and published jointly by the risk capital organisations EVCA, BVCA and AFIC.

The fair value of shares in associated companies is equivalent to the Group’s share of the underlying NAV as of 30.06.2016. Associated companies’ consolidated financial statements are prepared in accordance with IFRS.

The table below provides an analysis of the basis of measurement used by the Company to fair value its financial instruments at fair value, categorised by the following fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Interest income and interest expenses

Interest income and interest expenses on financial instruments are recognised in the statement of comprehensive income in the period to which the amount refers. Interest income on receivables and interest expenses on liabilities are calculated using the effective interest method. Effective interest is the amount of interest making 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. Interest income includes allocated amounts of transaction costs and any discounts, premiums or other differences between the original value of the receivable and the amount received upon maturity.

Cash and bank balances

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.

Interest-bearing assets and securities

Interest-bearing assets and securities are valued on a current basis at amortised cost with application of the effective interest method.

Accounts receivable - trade

Accounts receivable - trade are valued on a current basis at amortised cost, as the accounts receivable have short expected durations and valuation takes place at nominal amounts, with no discounting. Receivables are recognised in the amounts which, according to individual assessments of the risk for bad debt losses, are expected to be received.

Accounts payable - trade

Accounts payable - trade are valued on a current basis at amortised cost. As the accounts payable have a short expected duration, valuation takes place at nominal amounts, with no discounting.

Impairment
The carrying values of the Group's assets and liabilities are tested at each statement of financial position date for indications of impairment. IAS 36 is applied for impairment testing of assets other than financial instruments, assets held for sale and disposal groups reported according to IFRS 5, and deferred tax assets. If there is any indication of impairment, the asset's recoverable amount is assessed in accordance with IAS 36 as the highest of value in use and net realisable value. The values of the assets excepted above are tested in accordance with the respective standard.

If there is an indication that an asset recognised in the Group has a high carrying value, an analysis is performed in which the recoverable amounts of individual or naturally connected types of assets are established as the higher of net realisable value and value in use. The value in use is measured as the expected future discounted cash flow. Impairment comprises the difference between the carrying amount and the recoverable amount. A write-down is reversed if there is a change in the conditions used to determine the recoverable amount. The amount of a reversal may increase the carrying amount only up to the carrying amount that would have been recognised had the initial write-down not taken place, taking into consideration depreciation.

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.

Income tax
Income tax comprises current and deferred tax. Income tax is reported in the statement of comprehensive income, except when the underlying transaction, such as a Group contribution, is reported directly against equity. In such cases, associated tax effects are reported in equity. Current tax is tax which is to be paid or received regarding the current year, and adjustments of previous years' current taxes. Deferred tax is calculated according to the balance sheet method on all temporary differences between the reported and tax values of assets and liabilities, applying the tax rates which have been determined or which have been announced as per the balance sheet date. Temporary differences are not considered in goodwill arising on consolidation or in differences attributable to subsidiaries and associated companies which are not expected to be taxed within the foreseeable future. In legal entities, untaxed reserves are reported including deferred income tax liabilities.

Deferred tax assets attributable to deductible temporary differences and tax loss carry-forward are recognised only to the extent it is likely that they will be utilised and result in lower tax payments in the future. Deferred tax assets and deferred tax liabilities in the same countries are reported net.

Contingent liabilities
A contingent liability is recognised when there is a possible obligation which arises from past events and whose existence is confirmed by one or more uncertain future events, or when there is a commitment which is not reported as a liability or provision due to the fact that it is unlikely that an outflow of resources will be required.

Earnings per share
Earnings per share is calculated for ordinary shares , as preferential shares are not 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 . The result allocated to ordinary share is divided by the number of ordinary shares.

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 do not result in receipts or payments during the period, and for any income or expenses attributable to cash flow from investing or financing activities.

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

The 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.

Subsidiaries and associated companies
Participations in subsidiaries and associated companies are recognised in the Parent Company at fair value with changes in value reported in the statement of comprehensive income.

Financial instruments
In accordance with IAS 39, participations in associated companies in investing operations are recognised in the consolidated accounts at fair value with changes in value reported in the statement of comprehensive income. This is based on the exemption in IAS 28, paragraph 1, and, consequently, share-based investments in which the Parent Company has a significant influence are reported according to IAS 39. The valuation is based on the "International Private Equity and Venture Capital Valuation Guidelines," which were created and published jointly by the risk capital organisations EVCA, BVCA and AFIC.

Private equity investments and financial investments
Holdings of shares and participations classified as fixed assets are reported, on an individual basis at the fair value.

Important accounting estimations and assessments
Participations in associated companies in investment operations
In accordance with IAS 28, paragraph 1, participations in associated companies are reported at fair value in the consolidated accounts. Consequently, consolidation according to the equity method no longer takes place, and associated companies are recognised at a value that is more accurate for the Group. In the associated company, East Capital Baltic Property Fund AB (publ) (consolidated), a fair value measurement is also made regarding its primary value-impacting balance sheet item, investment properties.

In assessing the fair value of investment properties, there is always a certain degree of uncertainty. The value is affected by many different factors, such as estimated rent levels, occupancy rates, the level of expected operating and maintenance costs, and yield requirements prevailing in the markets for different types of properties in different locations at the time of valuation. In addition, changes in the business environment can result in the need to reassess assumptions made during valuation.

Valuation is based on an five-year cash flow model in which the net earning capacity is discounted to a current value. The model is founded on annual cash flow based on existing income and expenses adjusted for expected changes in rent levels, occupancy rates and property costs. The total estimated fair value is subsequently calculated via a discounted cash flow over the five-year period. The value also includes a discounted cash flow from a potential sale during the 6th year and exercising of any rights associated with the property.

All relevant variables are assessed on the basis of market events such as transactions and changes in rent levels.

Deferred tax assets
Deferred tax assets attributable to tax loss carry-forward are recognised only to the extent it is likely that such assets can be utilised to reduce tax payments in the future. It is management's assessment that the Group, within the foreseeable future, will generate a fiscal surplus that will exceed the existing tax loss carry-forward. For this reason, deferred tax assets have been recognised in the full amount in the statement of financial position for both the Company and the Group.

Taxation of unrealised increases in the value of participations in associated companies
Participations in the associated company, East Capital Baltic Property Fund AB (publ), are considered to be shares held for business purposes. As dividends and profit from sales of shares held for business purposes are tax-free, the Group does not provide for any possible taxes on unrealised increases in the values of these participations.

Note 2 Administrative expenses

EUR thousands	Group	Note	2015/2016	2014/2015
Consulting fees			-21	-21
Audit fees		3	-10	-11
Other expenses			-6	-4
Total			**-37**	**-36**

EUR thousands	Parent company	Note	2015/2016	2014/2015
Consulting fees			-21	-21
Audit fees		3	-10	-11
Other expenses			-5	-4
Total			**-36**	**-36**

Note 3 Remuneration to auditors

EUR thousands	Group	2015/2016	2014/2015
Audit services			
KPMG		-10	-11
Total		**-10**	**-11**

EUR thousands	Parent company	2015/2016	2014/2015
Audit services			
KPMG		-10	-11
Total		**-10**	**-11**

Note 4 Financial income and expenses

EUR thousands	Group	2015/2016	2014/2015
Net exchange rate differences		10	-3
Total		**10**	**-3**

EUR thousands	Parent company	2015/2016	2014/2015
Net exchange rate differences		9	-3
Total		**9**	**-3**

Note 5 Income tax

EUR thousands	Group	2015/2016	2014/2015
Current tax		8	8
Total		**8**	**8**
Reconciliation of effective tax			
Profit/loss before tax		4,200	711
Tax according to current tax rate for Parent Company, 22%		-924	-156
Tax effect on non-taxable income/non tax-deductible expense		932	164
Total income tax		**8**	**8**

The weighted average tax rate was 0%

The non-taxable income refers to increases in the value of shares in and dividends from associated companies. As these shares are shares held for business purposes, dividends and profit from sales are non-taxable income.

EUR thousands	Parent company	2015/2016	2014/2015
Current tax		8	8
Total		**8**	**8**
Reconciliation of effective tax			
Profit/loss before tax		4,200	711
Ta x according to current tax rate for Parent Company, 22%		-924	-156
Tax effect on non-taxable income/non tax-deductible expense		932	164
Total income tax		**8**	**8**

The weighted average tax rate was 0%

Note 6 Earnings per share

EUR	Group	2015/2016	2014/2015
Before and after dilution - ordinary shares			
Profit/loss attributable to the Parent Company's ordinary shareholders (Euro)		4,207,845	719,605
Weighted average number of outstanding ordinary shares		80,392	80,392
Earnings per share before and after dilution (Euro)		**52.34**	**8.95**

Series B shares do not entitle their holders any right to dividends. Consequently, all dividends go to the holders of the ordinary shares.

Note 7 Participation in group companies

EUR thousands	Parent company	30 Jun 2016	30 Jun 2015
Opening book value		10	10
Closing book value		**10**	**10**

Parent company has the following subsidiaries:

	Number of shares	Shares of equity and voting power	Book value 30 Jun 2016	Book value 30 Jun 2015
ABPF Investors AB, corp id no. 556674-0907, Stockholm, Sweden	1,000	100%	10	10
Total			**10**	**10**

Note 8 Participation in associated companies

EUR thousands	Group	30 Jun 2016	30 Jun 2015
Financial assets at fair value through profit or loss			
Opening balance		**28,781**	**28,031**
Unrealised changes in value		4,227	750
Closing balance		**33,008**	**28,781**

EUR thousands	Parent company	30 Jun 2015	30 Jun 2015
Financial assets at fair value through profit or loss			
Opening balance		**28,781**	**28,031**
Unrealised changes in value		4,227	750
Closing balance		**33,008**	**28,781**

	Number of shares	Shares of equity	Voting power	Fair value 30 Jun 2016	Fair value 30 Jun 2015
The group and the Parent company have the following associated companies:					
East Capital Baltic Property Fund AB (publ) corp id no. 556674-0915, Stockholm, Sweden	4,010	72.78 %	3,5%	33,008	28,781
Total				**33,008**	**28,781**

The associated company East Capital Baltic Property Fund AB (publ), reported for the period 1 July 2015- 30 June 2016 a positive result of EUR 6.4m and as of 30 June 2016 an equity of EUR 41.8m.

The Parent Company is considered to have a significant influence over East Capital Baltic Property Fund AB (publ) and thus it is accounted for as an associated company. The significant influence is exercised through the contractual arrangements with East Capital Baltics AS and the other shareholders of East Capital Baltic Property Fund AB (publ). In addition, the Parent Company's main business activities are related to its participation in East Capital Baltic Property Fund AB (publ).

The fair value of shares in associated companies is equivalent to the Group's share of the underlying NAV as of 30.06.2016, valuation of these assets are classified as Level 2 in the fair value hierarchy.

Note 9 Share capital

EUR thousands	30 Jun 2016	30 Jun 2015
Ordinary shares with a nominal value of EUR 1 per share	80	80
Series B shares with a nominal value of EUR 1 per share	55	55
Share capital	**135**	**135**

The total number of ordinary shares amounts to 80,392 (80,392) shares with a nominal value of 1 Euro (1 Euro) per share. The number of series B shares amounts to 55,000 (55,000) shares with a nominal value of 1 Euro (1 Euro) per share.

An Extraordinary General Meeting was held on September 27 2016 for approval on a share split, reduction of the share capital with redemption of shares and an increase of the share capital by way of a bonus issue. No retroactive adjustment has taken place since the redemption procedure is similar to a dividend and the number of shares remains the same before and after the transactions.

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 total equity. A financial goal for the Company is to return a yearly dividend yield of 4-6%.

Neither the Parent Company nor the subsidiary are under external capital requirements.

Note 10 Financial assets and liabilities at fair value

2015/2016 EUR thousands	Group	Financial assets through income statement	Other financial liabilities	Total carrying amount
Financial investments		33,008		33,008
Total		**33,008**		**33,008**
Other liabilities			87	87
Total			**87**	**87**

2014/2015 EUR thousands	Group			
Financial investments		28,781		28,781
Total		**28,781**		**28,781**
Other liabilities			44	44
Total			**44**	**44**

2015/2016 EUR thousands	Parent company	Financial assets through income statement	Other financial liabilities	Total carrying amount
Financial investments		33,008		33,008
Total		**33,008**		**33,008**
Other liabilities			86	86
Total			**86**	**86**

2014/2015 EUR thousands	Parent company	Financial assets through income statement	Other financial liabilities	Total carrying amount
Financial investments		28,781		28,781
Total		**28,781**		**28,781**
Other liabilities			54	54
Total			**54**	**54**

The carrying amount is a reasonable estimate of fair value.

Here follows a summary of the main methods and assumptions used for determining the fair value of the financial instruments listed in the tables above:
The fair value of shares in associated companies is equivalent to the Group's share of the underlying NAV as of 30.06.2016.

The fair value of accounts payable - trade with remaining terms of less than 12 months is considered to be equivalent to carrying amount. Accounts payable - trader with remaining terms exceeding 12 months are discounted in connection with the determination of fair value.

Note 11 Financial risks

The company is exposed to financial risk, mainly liquidity risks, interest rate risks, currency 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 Baltics 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 risk

The Group's expenses and cash flow are primarily known and addressed in the normal budget process. Liquidity risk is deemed to be low.

Market risk

Interest rate risk

Interest rate risk refers to the risk for changes in interest rates and the effects of this on the Group's borrowing costs. The Group has no interest-bearing loans, and, therefore, interest rate risk is very low.

Currency risk

The Group's functional and presentation currency is the Euro (EUR), which is also the denomination of almost all of the statement of financial position items and the cash flow.

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

Sensitivity analysis	Change in statement of financial position	
Amount in EUR thousands	Sweden	Total
Cash and bank balances as currency rate is changed +/- 1%	-	-

Credit risk

As the Group does not provide any credit or grant any loans, credit risk is essentially non-existent.

Note 12 Related party transactions

The Parent Company has a controlling influence over its subsidiary, see Note 7. Furthermore, as the Parent Company has a significant influence over East Capital Baltic Property Fund AB (publ), this is considered to be an associated company to the Parent Company and, therefore, is considered to be a related party to the Parent Company and the Group, see Note 8.

According to the management agreement between East Capital Baltics AS, East Capital Baltic Property Fund AB (publ) and the Parent Company, East Capital Baltics AS provides some services to the Parent Company, primarily related to the current management of excess liquidity and accounting. Compensation for these services is included in the management fee paid by East Capital Baltic Property Fund AB (publ) to East Capital Baltics AS, in total EUR 1.0m annually. This cost is borne solely by East Capital Baltic Property Fund AB (publ).

At financial year-end, East Capital Baltic Property Fund Investors AB has outstanding receivables of EUR 0 (EUR 0) from East Capital Baltic Property Fund AB (publ).
All companies related to East Capital are considered to be related parties. No other significant transactions have been made between the group and other related parties.

No remuneration has been paid to the Board of Directors of the company during the financial year.

The Chairman of the board, Kestutis Sasnauskas is employed by East Capital Private Equity AB and is a board member of the following affiliated companies; Rytu Invest AB, East Capital Alternative Investments (Cayman) Ltd, Cantik Enterprises Ltd, Henryland Group Ltd, East Capital Baltic Property Investors AB (publ),(Chairman), East Capital Baltic Property Fund AB, (Chairman), SN Intressenter AB, East Capital PCV Management. The board member, Ulf Sigfridsson, is employed by East Capital Private Equity AB, and is board member of the East Capital Baltic Property Fund AB. The board member Biljana Pehrsson is not employed by or hold any board positions in any affiliated companies.

The Manging director is Magnus Lekander, who is employed as General Counsel by East Capital International AB. Mr Lekander holds several positions as managing director or board member in a number of companies related to East Capital or its fund products. All these positions are held pursuant to Mr Lekander's employment wihtin East Capital.

Note 13 Significant events after the financial year

No significant events have occurred after year end.

Stockholm, 31 October 2016

Kestutis Sasnauskas
Chairperson of the Board

Torbjörn Odenhagen
Member of the Board

Ulf Sigfridsson
Member of the Board

Magnus Lekander
Managing Director

Our audit report was presented 2016
KPMG AB

Mårten Asplund
Authorised Public Accountant