
East Capital Baltic Property Fund Aktiebolag

Corporate Identity Number 556674-0915

Financial year 1 July 2015 - 30 June 2016

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

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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 2015- 30 June 2016.

Information regarding the operations

This is the Company's tenth 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 Baltics 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 Baltics 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 Baltics 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 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. Together with the prolongation, it was approved to reduce the management fee from 2.5% to 1.75%.

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

Net rental revenue for the Group in the financial year 2015/16 was EUR 9.92m, a decrease of 1% compared to last financial year including Nurmenuku property divested in October 2015, but an increase of 2% on a comparable level excluding Nurmenuku's sales revenue. Operating profit for the period amounts to EUR 7.7m (EUR 6.3m excluding property revaluation). The operating profit remains stable compared with previous financial year. Interest expenses of EUR -1.7m have further decreased benefiting from low market rates. The Group reports a profit amounting to EUR 6.4m for the financial year (EUR 5.0m excluding property revaluations).

After the sale of Nurmenuku property, the Group had EUR 9.9m of cash at 30 June 2016. The Group intends to distribute the net proceeds of approximately EUR 5.0m from Nurmenuku sale transaction to investors during Q3 or early Q4 of 2016.

In the external valuation of the property portfolio carried out at financial year end, the portfolio was valued at EUR 104.94m, a 1.4% increase compared to previous external valuation in June 2015 (excluding divested properties).

As of 30 June 2016, the Group has EUR 71m in bank loans, representing a loan-to-value ratio of 68%. During the financial year, altogether four loan agreements were extended with loan terms matched to the fund term; and another three were prolonged automatically as per previously signed agreements. Amortisation will be stopped in four properties for the financial year 2016/17 and will be significantly reduced thereafter compared to previous years, enhancing the free cash flow in the Group. As of 30.06.2016, four loans in the portfolio representing 26% of total loan portfolio have either outstanding interest rate hedge or fixed interest rate.

The loan agreement covering seven of the properties in the portfolio remains in force. The maturities of these loans is June 2018 (should the life term of the Company be extended until such date). The Company guarantees interest and swap payments for one of the properties up to a maximum amount of EUR 300,000 during this period. The remaining six properties (each property a "Borrower") have an obligation to service principal amortizations, interest and swap payments (excluding the last principal payment) of the other Borrowers, if needed. The seven properties have also received a grace period for fulfillment of individual financial covenants during the period.

Significant events during the financial year

The Investment Manager'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 amortization 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

An Extraordinary General Meeting will be held on 13 September 2016 to approve the dividend to shareholders of total EUR 5,069,200.

On 2nd of March 2016 EPF Neli OÜ signed a merger agreement with group companies (ABPF Nurmenuku (Est) AB, ABPF Pirita Top Spa (Est) AB, ABPF Go Spa (Est) AB, ABPF Tammsaare (Est) AB, ABPF Kereses Keskus (Est) AB, ABPF Jõhvitsent (Est) AB, ABPF Jewecent (Est) AB, ABPF Portus (Est) AB, ABPF Favorind (Est) AB, ABPF Papiniidu (Est) AB and ABPF Tännassilma (Est) AB) with the merger balance sheet date on 1 July 2015. On 15th of August 2016 the cross-border merger was entered into the Estonian Commercial Register.

Future development, risks and factors of uncertainty

The life term of the Company has been extended until June 30, 2017 with a possibility to extend by a further twelve 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'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 Company'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.

Due to the Extraordinary General Meeting held on 13 September 2016 and given that the decision regarding dividends of 5 069 200 EUR, the disposable profit is decreased with corresponding amount.

Proposed appropriation of profits

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

Share premium	49,915,090
Retained earnings	-24,874,570
Net result for the year	-1,047,772
	23,992,748

Decrease due to extra dividend	-5,069,200
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The Board recommends that the earnings will be distributed as follows:

To be carried forward	18,923,548
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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
Revenue	2	9,922	10,037
Direct expenses	3	-1,848	-1,732
Gross profit		8,074	8,305
Administrative expenses	4,25	-1,928	-1,816
Changes in value of investment properties	11	1,450	-3,749
Other income		115	7
Result from operating activities		7,711	2,747
Other interest income and similar profit/loss items	6	458	408
Other interest expenses and similar profit/loss items	7	-1,702	-1,940
Profit before tax		6,467	1,215
Tax expense	8	-63	147
Profit for the year / Total Comprehensive income for the year		6,404	1,362
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	1162.20	247.03

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

The Notes on pages 11 to 27 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			
Equipment	10	11	10
Investment properties	11	104,940	109,900
Total non-current assets		104,951	109,910
Current assets			
Accounts receivables - trade	24	644	611
Other receivables	14	123	135
Accrued income and prepaid expenses		65	59
Cash and cash equivalents		9,891	4,191
Total current assets		10,723	4,996
Total assets		115,674	114,906
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	16	17	17
Other paid-in capital		49,915	49,915
Retained earnings including profit/loss for the year		-8,115	-14,519
Total equity		41,817	35,413
LIABILITIES			
Non-current liabilities			
Loans and borrowings	17	39,140	42,364
Derivatives	18	-	264
Other liabilities		266	522
Deferred tax liabilities	15	807	750
Total non-current liabilities		40,213	43,900
Current liabilities			
Loans and borrowings	17	31,830	33,760
Accounts payable - trade		1,022	981
Derivatives	18	277	470
Other liabilities		56	29
Current tax liabilities		73	99
Accrued expenses and deferred income	19	386	254
Total current liabilities		33,644	35,593
Total liabilities		73,857	79,493
Total equity and liabilities		115,674	114,906
Pledged assets	21		
Contingent liabilities	22		

The Notes on pages 11 to 27 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/loss before financial items		7,711	2,747
Adjustments for:			
- Depreciation	10	-3	4
- Changes in fair value of investment properties	11	-1 450	3,749
- Profit/loss from divestments		-115	-
- Other changes		-	31
Increase/decrease in assets related to operating activities		-	-49
Increase/decrease in liabilities related to operating activities		122	-1,675
Interest received		1	2
Cash flows from operating activities		6,266	4,809
Cash flows from investing activities			
Investments in investment properties	11	-	-970
Proceeds from investment properties	11	6,525	-
Loans granted		-33	-38
Cash flows from investing activities		6,492	-1,008
Cash flows from financing activities			
Proceeds from borrowings		4,501	2,121
Repayment of borrowings	17	-9,839	-3,489
Interest paid		-1,717	-1,905
Cash flows from financing activities		-7,055	-3,273
Net decrease in cash and cash equivalents		5 703	528
Cash and cash equivalents at the beginning of the year		4,191	3,660
Exchange rate differences in cash and cash equivalents		-3	3
Cash and cash equivalents at the end of the year		9,891	4,191

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 11 to 27 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 2014	17	49,915	-15,881	34,051
Profit for the year / Total Comprehensive income for the year	-	-	1,362	1,362
Closing equity, 30 June 2015	17	49,915	-14,519	35,413
Opening equity, 1 July 2015	17	49,915	-14,519	35,413
Profit for the year / Total Comprehensive income for the year	-	-	6,404	6,404
Closing equity, 30 June 2016	17	49,915	-8,115	41,817

Reconciliation to Net Asset Value

Consolidated equity above	41,817
Revaluation of loan value to property value	3,551
Interest rate swap not in NAV balance	277
Net Asset Value 30 June 2016	45,645

In the Statement of Financial position in this annual report, all properties are valued according to market valuations and all external loans are reported with the full amount owed to the banks also in cases when the outstanding loan relating to a property is higher than the property value. However, as the loans are provided to the individual holding companies owning the properties, with no further recourse from other companies within the group, the holding companies could not be liable for a higher amount than the property value. Therefore, in the Net Asset Value, no loan is valued at a higher value than the corresponding property value. The downward adjustment relating to the loans included in Net Asset Value was EUR 3.6m as at 30 June 2016 compared to EUR 4.1m as at 30 June 2015. As at 30 June 2016, 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 2016 is EUR 0.3m (30 June 2015: EUR 0.7m).

The Notes on pages 11 to 27 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
Revenue	2,25	450	431
Gross profit		450	431
Administrative expenses	4	-1,287	-1,313
Result from operating activities		-837	-882
Write-down/reverse write-down of shares in subsidiaries	13	-826	-1,209
Interest income from group companies	25	407	484
Other interest income and similar profit/loss items	6	-	11
Other interest expense and similar profit/loss items	7	-3	-30
Profit/loss before tax		-1,259	-1,626
Year-end appropriations	26	212	218
Tax expense	8	-	-
Profit for the year		-1,047	-1,408

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	-1,047	-1,408
Other comprehensive income	-	-
Total comprehensive income for the year	-1,047	-1,408

The Notes on pages 11 to 27 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			
Shares in subsidiaries	13	5,927	5,927
Receivables from Group companies	12, 25	-	13,599
Total non-current assets		5,927	19,526
Current assets			
Receivables from Group companies	14, 25	18,850	6,326
Other receivables		95	95
Cash and cash equivalents		155	118
Total current assets		19,100	6,539
Total assets		25,027	26,065
EQUITY AND LIABILITIES			
Shareholder's equity			
<i>Restricted equity</i>			
Share capital, 16,510 shares	16	17	17
Total restricted equity		17	17
<i>Non-restricted equity</i>			
Shareholders' contribution		49,915	49,915
Retained earnings		-24,875	-23,467
Profit for the year		-1,047	-1,408
Total equity		24,010	25,057
LIABILITIES			
Current liabilities			
Liabilities to Group companies	25	79	77
Accounts payable - trade		859	787
Other liabilities		-	42
Current tax liabilities		38	67
Accrued expenses and deferred income		41	35
Total current liabilities		1,017	1,008
Total equity and liabilities		25,027	26,065
Pledged assets	21	None	None
Contingent liabilities	22	300	300

The Notes on pages 11 to 27 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/-loss for the year		-837	-882
Increase/decrease in assets related to operating activities		-170	-374
Increase/decrease in liabilities related to operating activities		9	-1,785
Interest paid	7	-	-24
Paid income tax		-	-
Cash flow from operating activities		-998	-3,065
Cash flows from investing activities			
Loans granted to Group companies		-35	-39
Repayments of loans granted from Group companies		515	1,923
Interest received		558	1,173
Cash flows from investing activities		1,038	3,057
Net decrease in cash and cash equivalents			
		40	-8
Cash and cash equivalents at the beginning of the year		118	120
Exchange rate differences in cash and cash equivalents		-3	6
Cash and cash equivalents at the end of the year		155	118

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		Total equity
	Share capital	Shareholders` contribution	Retained earnings, including net loss for the year	
Opening equity, 1 July 2014	17	49,915	-23,467	26,465
Total comprehensive income	-	-	-1,408	-1,408
Closing equity, 30 June 2015	17	49,915	-24,875	25,057
Opening equity, 1 July 2015	17	49,915	-24,875	25,057
Total comprehensive income	-	-	-1,047	-1,047
Closing equity, 30 June 2016	17	49,915	-25,922	24,010

The Notes on pages 11 to 27 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 31 October 2016. 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 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 investment properties, 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 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 assumptions, 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.

Assessments made by management in applying IFRS having a significant impact on the financial statements and assessments made that may result in material adjustments in the subsequent year's financial statements are described in more detail in the paragraph "*Critical accounting assumptions and estimations*".

New and revised IFRS applicable to the current year

Changes in IFRSs to be applied for the first time in the current reporting year have not had any effect on the group's 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 month after the statement of financial position date. Current assets and current liabilities consist predominantly of amounts expected to be utilised or paid within 12 month 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

Subsidiaries

Subsidiaries are companies under the controlling influence of East Capital Baltic Property Fund AB. 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 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 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 the Statement of 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.

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 the Statement of Comprehensive Income 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.

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 Statement of Comprehensive Income 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 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 the Statement of Comprehensive Income
- b) Held-to-maturity investments
- c) Loans and receivables. Assets with fixed or determinable payments; liquid assets, accounts receivables and receivables are included in this category.
- d) Available-for-sale financial assets
- e) Other financial liabilities. Includes financial liabilities not held for trading.

Recognition and derecognition

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. Acquisitions and sales of financial assets are recorded on the transaction date, which is the date on which the Company becomes obligated to acquire or sell the asset. Borrowings are recognised on the date on which the transaction is completed, the settlement date.

Accounts receivables are recognised in the statement of financial position when an invoice is sent. Rent receivables, however, are recognised when the respective rental period has commenced. Liabilities are recognised when the counterparty has fulfilled its undertaking and a contractual payment obligation exists, regardless of whether or not an invoice has been received. Accounts payable are recognised when the 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 of the risks and benefits associated with the 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 and financial liability are offset and recognised in the statement of financial position in a net amount 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.

Derivatives have been acquired to decrease risks relating to interest rate. These derivatives are initially recognised at their fair value on the contract conclusion date and subsequently will be revaluated according to a change in the fair value of the instrument. The derivatives with positive market value are recorded as an asset and the derivatives with negative values are recorded as liabilities.

Classification and measurement

Financial instruments are initially recognised at acquisition cost equivalent to the fair value of the instrument, plus, in the case of receivables and liabilities valued at accrued acquisition cost, the addition of transaction cost. Financial instruments are classified upon first recognition based on the purpose for which the instrument was acquired. The classification determines how the financial instrument is valued after first recognition, as described below.

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 short expected durations and valuation takes place at nominal amounts, with no discounting.

Loans

Loans are recognised at amortised cost, with application of the effective interest method.

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.

Fair value adjustments are reported in the Statement of Comprehensive income.

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 takes place according to plan, which 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 properties

Investment properties are properties held for the purpose of receiving rental income and / or recognising increases in value. Investment properties are initially recognised at acquisition cost, which includes expenditures directly attributable to the acquisition of the asset. Investment properties are subsequently recognised at fair value in the Statement of Financial position. Fair value is based on internal and, in certain instances external, valuations. Valuations normally take place annually. The fair value of properties is updated with purchases, sales and investments on an on-going basis, throughout the year. In addition, the fair value is assessed if there is any indication of a change depending on significant commencements or terminations of rental contracts or on important changes in yield requirements.

Both unrealised and realised changes in value are reported in the Statement of Comprehensive Income. Changes in value are recognised net in the Statement of Comprehensive Income.

Calculation of fair value

Fair value is mainly based on trades on an active market and is the transaction price to which an asset could be traded in the measurement date in an arm's length exchange motivated by normal business considerations. As these market transactions occur on an irregular basis, estimated values of the properties needs to be calculated. A discounted cash-flow model is used for calculating the fair value of each property. Future flows of revenue and specific risks for the property are taken into consideration.

To determine the fair value of the properties at each balancing date, a market valuation of all properties is done and at least one yearly valuation done by external valuator, Colliers International. The fair value of investment properties reflects among other things rental income from current tenancy agreements and assumptions regarding rental income from future tenancy agreements, based on present market conditions. The fair value also reflects the negative cash-flows such as expenses belonging to the possession of the property.

The discounted cash-flow method sums future income- and expense-flows for an investment property including proceeds from sale. The discount rate includes a number of risks that are expressed in per cent:

- Risk-free rate – long-term government bonds
- Beta - to cover possible loss; the insurance premium of real property as charged by stable insurance companies is used in the
- Risk premium – for the local markets in the Baltics
- Small companies premium – a premium depends on company's size and complex

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).

Additional costs

Additional costs are added to the carrying value only if it is likely that the future economic benefits associated with the asset will accrue to the Company and when the acquisition cost can be calculated reliably. All other additional costs are recognised as expenses in the period in which they arise. The decisive factor in an assessment of when an additional cost should be added to the carrying value is whether the cost refers to the replacement of an identified component, or part thereof, in which case the cost is capitalised. In cases in which a new component is created, the cost is also added to the carrying value. Repair costs are carried as an expense as such costs arise.

Impairment

The carrying values of the Group's assets, excluding financial assets and investment properties reported at fair value with changes in value reported in the Statement of Comprehensive Income, are tested 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, investment properties, 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 exempted above are tested in accordance with the respective standard.

If there is an indication that the carrying amount of an asset recognised in the Group is too high, 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 only up to the carrying amount that would have been recognised had the initial write-down not taken place, taking into consideration depreciation.

Equity

Asset management

The Company's investment target is to realise a long-term value increase in value of capital through the expected value growth in the investment area. Capital is defined as equity and amounts to EUR 41.8m (35.4m).

The Company's criteria for investing in portfolio companies include a target for the internal rate of return of at least 15 %. The manager will work actively with the investment to increase its value and to continuously assess possible exit alternatives during the holding period.

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.

Income taxes

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 to be paid on received during the current year, using the tax rates that have been enacted or substantively enacted by the statement of financial position date, and adjustments of current tax attributable to previous periods. Deferred tax is calculated according to the Statement of Financial position 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 Statement of Financial position 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 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.

Leasing

The Company as a lessor

All completed investment properties are let under operational lease agreements and generate rental income. Rental income in property management is recognised in the period to which the rent relates.

The Company as a lessee

Leasing agreements are classified in the consolidated accounts as either financial or operational lease agreements. Leasing agreements in which, in all material respects, all risks and benefits associated with ownership are retained by the lessor are classified as operational lease agreements. All other leasing agreements are classified as financial lease agreements. All of the Group's lease agreements are classified as operational lease agreements. In operational leasing, lease charges from use are recognised as a cost, which may differ from the amounts paid de facto as leasing fees during the year.

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 significance. 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.

Critical accounting estimations and assessments

Investment property

Investment properties are recognised in accordance with the fair value method, which entails that the properties are recognised in the Statement of Financial position at estimated fair value and that changes in value are recognised in the Statement of Comprehensive Income. 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 payments, and the yield requirement prevailing in the markets for various types of properties in different locations at the time of valuation. Furthermore, changes in the business environment can result in a need to reassess assumptions made during the valuation.

Valuation is based on a 5-year cash flow model in which 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 a 5-year period. This value also includes a discounted cash flow from a potential sale during the 6th year and exercising of any rights associated with the properties.

All relevant variables are assessed based on 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 foreign subsidiaries

The Group's operations in Estonia have generated a surplus for which no tax effects have been provided in the Statement of Financial position. In accordance with the Income Tax Act in Estonia, it is the dividend and not the profit that is the triggering factor for income tax. Income taxes on payment of dividends are recognised as a cost in the Statement of Comprehensive Income when the decision regarding dividends is taken. It is not certain that profits in the Estonian subsidiaries will be distributed to the Company in the form of dividends, and management therefore deem grounds for a provision to be lacking.

Note 2 Revenue

EUR thousands	Group	2015/2016	2014/2015
Rental income		9,725	9,866
Parking income		66	58
Other income		131	113
Total income		9,922	10,037

EUR thousands	Parent Company	Note	2015/2016	2014/2015
Service fees		25	450	431
Total income			450	431

All properties have generated rental income during the year.

Note 3 Direct expenses

EUR thousands	Group		2015/2016	2014/2015
Maintenance expenses			-1,405	-1,360
Insurance			-44	-47
Property tax			-241	-239
Depreciation cost			-3	-3
Other			-155	-83
Total direct expenses			-1,848	-1,732

Note 4 Administrative expenses

EUR thousands	Group	Note	2015/2016	2014/2015
Management fees			-1,061	-1,032
Consulting fees			-193	-147
Audit fees		5	-99	-94
Personnel expenses			-58	-59
Non recoverable VAT expenses			-163	-151
Other expenses			-354	-333
Total administrative expenses			-1,928	-1,816

EUR thousands	Parent Company	Note	2015/2016	2014/2015
Management fees		25	-1,061	-1,032
Consulting fees			-14	-31
Audit fees		5	-47	-42
Non recoverable VAT expenses			-163	-151
Other expenses			-2	-57
Total administrative expenses			-1,287	-1,313

Note 5 Remuneration to auditors

EUR thousands	Group		2015/2016	2014/2015
KPMG audit services			-97	-90
Ernst & Young other services			-2	-4
Total			-99	-94

EUR thousands	Parent Company		2015/2016	2014/2015
KPMG audit services			-47	-42
Total			-47	-42

Note 6 Other interest income and similar profit/loss items

EUR thousands	Group		2015/2016	2014/2015
Interest income			1	2
Net exchange rate differences			-	11
Fair value adjustment of interest swap			457	395
Total			458	408

EUR thousands	Parent Company		2015/2016	2014/2015
Net exchange rate differences			-	11
Total			-	11

Interest income mainly relates to cash and cash equivalents.

Note 7 Other interest expense and similar profit/loss items

EUR thousands	Group		2015/2016	2014/2015
Interest expense			-1,198	-1,460
Net exchange rate differences			-3	-6
Fair value adjustment of interest swap			-501	-474
Total			-1,702	-1,940

EUR thousands	Parent Company	2015/2016	2014/2015
Interest expense		-	-24
Net exchange rate differences		-3	-6
Total		-3	-30

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

Note 8 Income tax

EUR thousands	Group	2015/2016	2014/2015
Income tax reported in the Statement of Comprehensive Income			
Current tax		-	-
Deferred tax (Note 15)		-63	147
Total		-63	147

Reconciliation of effective tax			
Profit/loss before tax		6,467	1,215
Tax according to current tax rate for Parent Company	22%	-1,423	-267
Difference in tax rate in foreign operations:			
Estonia	0%	1,239	456
Latvia	15%	57	47
Lithuania	15%	15	-94
Non-deductible expenses:			
Latvia	15%	-5	-7
Lithuania	15%	-16	-267
Sweden	22%	-	-5
Non taxable income			
Latvia	15%	142	105
Lithuania	15%	138	183
Increase/decrease of deficit deduction without the corresponding activation of deferred tax:			
Latvia	15%	-2	-6
Lithuania	15%	-159	41
Sweden	22%	-49	-39
Reverse of tax allocation reserve			
Sweden		-	-
Total income tax		-63	147

The weighted average tax rate was -17% (2014/2015: 17%)

EUR thousands	Parent Company	2015/2016	2014/2015
Current tax	22%	-	-
Total		-	-
Reconciliation of effective tax			
Profit/loss before tax		-1,047	-1,408
Tax according to current tax rate for Parent Company	22%	230	310
Non-deductible expenses:			
Write-down on participations in group companies	22%	-176	-336
Other non-deductible expenses	22%	-6	-5
Non taxable income:			
Reverse write-down on participations in group companies	22%	-	70
Dividend from group company	22%	-	-
Increase of deficit deduction without the corresponding activation of deferred tax	22%	-48	-39
Total income tax		-	-

The weighted average tax rate was -0% (2014/2015: 0%).

At 30 June 2016, the total unused tax losses amounted to EUR 0.41m (30 June 2015: EUR 0.36m), deferred tax assets have not been recognised.

Estonia – taxation of subsidiaries

According to income tax regulations in Estonia, companies are not liable to pay taxes for profits provided that the profits remain in the company. However, in the event that dividends are distributed, the company is liable for taxes on the distributed amount (from 1 January 2015, the tax rate on dividends is 20/80 (until 31 December 2014, the tax rate on dividends was 21/79), reduced by dividends from the companies in which the participating interest exceeds 15%). As income tax is based on dividends and not on profits, deferred tax assets and liabilities on temporary differences referring to the company's income disappear.

A company's potential income tax liabilities relative to the distribution of its retained earnings are not taken into account in the Statement of Financial position. The amount of the potential income tax liability is reported in the Note on deferred income tax.

Income tax on distribution of dividends is taken up as an expense in the Statement of Comprehensive Income when the decision to pay out dividends is taken.

Latvia and Lithuania – taxation of subsidiaries

According to the respective countries' income tax regulations, the profit of the company, adjusted for temporary and permanent differences according to national regulations, forms the basis for income tax in Latvia and Lithuania. The tax rate in Latvia and Lithuania has been 15% during both 2015/2016 and in the previous year.

Note 9 Earnings per share

EUR	Group	2015/2016	2014/2015
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)		6,403,742	1,361,114
Weighted average number of outstanding ordinary shares		5,510	5,510
Earnings per preferential share series A before and after dilution (amount in EUR)		1 162.20	247.03

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	2015/2016	2014/2015
Acquisition cost			
Opening balance		98	94
Acquisitions		4	4
Accumulated acquisition cost		102	98
Depreciation and write-downs			
Opening balance		-88	-84
Depreciation for the year		-3	-4
Accumulated depreciation and write-downs		-91	-88
Closing carrying value		11	10

Note 11 Investment properties

Reconciliation of carrying amount:

EUR thousands	Group	
Opening balance, 1 July 2014		112,540
Additional investments		1 109
Changes in value		-3 749
Closing balance, 30 June 2015		109,900
Opening balance, 1 July 2015		109,900
Disposals		-6,410
Changes in value		1,450
Closing balance, 30 June 2016		104,940

The fair value measurement for investment property of EUR 104.9m (2014/2015: 109.9m) 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	2015/2016	2014/2015
Changes in value of investment properties			
Unrealised value changes		1,450	-3,749
Total changes in value		1,450	-3,749

During the financial year 2015/2016 and 2014/2015, a revaluation to a higher or a lower value has been made of all of the Group's investment properties.

In October 2015, the Nurmenuku shopping centre property was sold for EUR 6.525m which was above the latest valuation of EUR 6.41m. Nurmenuku shopping centre was the first investment in the portfolio, acquired in October 2005.

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 Baltics 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 May 2016 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 2016	Estonia	Latvia	Lithuania
Average rental income EUR/sq.m/month; year 1	7.1	9.2	6.4
Operating expenses	0.4	0.9	0.8
Average long-term income growth	2.0%	1.4%	3.5%
Average long-term vacancy rate	4.2%	3.5%	2.0%
Inflation rate	0.3%-2.9%	0.2%-2.0%	0.6%-2.5%
Capital structure			
equity	40%	35%	35%
loan	60%	65%	65%
Return on equity	18.0%	19.25%-19.5%	17.0%-18.0%
Interest rate	2.5%-3.0%	4.0%-4.75%	3.5%
Average initial yield	8.0%	7.7%	7.2%
Average exit yield	8.3%	8.0%	8.1%

For sensitivity analysis, see Note 24.

Note 12 Other non-current receivables

EUR thousands	Group	30 Jun 2016	30 Jun 2015
Opening balance		-	153
Other non current receivables decrease		-	-153
Closing balance		-	-

EUR thousands	Parent Company	Note	30 Jun 2016	30 Jun 2015
Receivables from Group companies				
Interest-bearing loans				
Opening balance			13,599	16,192
Conversion to shareholders contributions			-800	-670
Loan repayments			-515	-1,923
Reclassification as short-term loans		14	-12,284	-
Closing balance		25	-	13,599

Note 13 Subsidiaries

EUR thousands	Parent Company	30 Jun 2016	30 Jun 2015
Opening carrying value		5,927	6,439
Shareholders contributions		826	697
Reverse write down shares		-	318
Write down shares		-826	-1,527
Closing carrying value		5,927	5,927

East Capital Baltic Property Fund AB has the following subsidiaries:

	Number of shares	Ownership share	Book value 30 Jun 2016	Book value 30 Jun 2015
ABPF Tånassilma (Est) AB, Corp. Identity No. 556674-0949, Stockholm, Sweden 1)	1,000	100%	5,920	550
EPF Neli OÜ, Corp. Identity No. 11240865, Tallinn, Estonia	1	100%	-	-
Tånassilma OÜ, Corp. Identity No. 11219954, Tallinn, Estonia	1	100%	-	-
ABPF Nurmenuku (Est) AB, Corp. Identity No. 556674-2002, Stockholm, Sweden	1,000	100%	-	11
Nurmenuku Kaubanduskeskuse OÜ, Corp. Identity No. 10956923, Tallinn, Estonia	1	100%	-	-
ABPF Pirita Top Spa (Est) AB, Corp. Identity No. 556674-2036 Stockholm, Sweden	1,000	100%	-	11
EPF TOP Spa OÜ, Corp. Identity No. 11194533, Tallinn, Estonia	1	100%	-	-
ABPF Go Spa (Est) AB, Corp. Identity No. 556674-0899, Stockholm, Sweden	1,000	100%	-	11
AS Norbert, Corp. Identity No. 10639832, Tallinn, Estonia	570,000	100%	-	-
ABPF Tammsaare (Est) AB, Corp. Identity No. 556702-2388, Stockholm, Sweden	1,000	100%	-	1,057
Tammsaare Arimaja OÜ, Corp. Identity No. 11330077, Tallinn, Estonia	1	100%	-	-
ABPF Kerese Keskuse (Est) AB, Corp. Identity No. 556693-7503, Stockholm, Sweden	1,000	100%	-	248
Kerese Keskuse OÜ, Corp. Identity No. 11346090, Tallinn, Estonia	1	100%	-	-
ABPF Jõhvitsent (Est) AB, Corp. Identity No. 556693-7479, Stockholm, Sweden	1,000	100%	-	753
Jõhvi Tsentraal OÜ, Corp. Identity No. 11365130, Tallinn, Estonia	1	100%	-	-
ABPF Jewecent AB, Corp. Identity No. 556693-7453, Stockholm, Sweden	1,000	100%	-	389
JEWE Keskuse OÜ, Corp. Identity No. 11365199, Tallinn, Estonia	1	100%	-	-
ABPF Portus (Est) AB, Corp. Identity No. 556693-7446, Stockholm, Sweden	1,000	100%	-	695
EPF Portus OÜ, Corp. Identity No. 11366112, Tallinn, Estonia	1	100%	-	-
ABPF Favorind (Est) AB, Corp. Identity No. 556725-7737, Stockholm, Sweden	1,000	100%	-	11
EPF Metal OÜ, Corp. Identity No. 11399264, Tallinn, Estonia	1	100%	-	-
ABPF Papiniidu (Est) AB, Corp. Identity No. 556674-0881, Stockholm, Sweden	1,000	100%	-	2,184
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 Lithuania 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%	-	-
ABPF Duntas (Lat) AB, Corp. Identity No. 556693-6349, Stockholm, Sweden	1,000	100%	-	-
Duntas Nami SIA, Corp. Identity No. 40003669097, Riga, Latvia	6,087,845	100%	-	-
Total			5,927	5,927

1)

During 2015/2016 EPF Neli OÜ signed a merger agreement with group companies (ABPF Nurmenuku (Est) AB, ABPF Pirita Top Spa (Est) AB, ABPF Go Spa (Est) AB, ABPF Tammsaare (Est) AB, ABPF Kerese Keskus (Est) AB, ABPF Jõhvitsent (Est) AB, ABPF Jewecent (Est) AB, ABPF Portus (Est) AB, ABPF Favorind (Est) AB, ABPF Papiniidu (Est) AB and ABPF Tånassilma (Est) AB) with the merger balance sheet date on 1 July 2015. On 15th of August 2016 the cross-border merger was entered into the Estonian Commercial Register.

During the year East Capital Baltic Property Fund AB contributed an irrevocable and unconditional shareholders contribution to the ABPF Tånassilma (Est) AB by contributing all shares in the wholly-owned subsidiaries above and ABPF Tånassilma (Est) AB transferred same shares to its subsidiary EPF Neli OÜ to increase the share capital by non-monetary contribution.

Note 14 Other current receivables

EUR thousands	Group		30 Jun 2016	30 Jun 2015
VAT			13	81
Other receivables			110	54
Total			123	135

EUR thousands	Parent Company	Note	30 Jun 2016	30 Jun 2015
Receivables from Group companies				
Interest-bearing loans		12	12,284	-
Accrued receivables			5,617	5,546
Accounts receivable - service fee			949	780
Total			18,850	6,326

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	
		2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015
Investment properties	-	-	-1,747	-1,622	-1,747	-1,622	
Loss carry forward	940	872	-	-	940	872	
Tax receivables/ liabilities	940	872	-1,747	-1,622	-807	-750	
Setoff	940	872	940	872	-	-	
Tax receivables/ liabilities, net	-	-	-807	-750	-807	-750	

EUR thousands	Change of deferred tax in temporary differences and deficit deduction, Group	Balance, 1 July 2015	Reported in Statement of Comprehensive Income	Balance, 30 June 2016
Group				
Investment properties		-1,622	-125	-1,747
Change of loss carry-forward		872	68	940
Total		-750	-57	-807

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 4.6m (2014/2015: EUR 3.9m).

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 2016	30 Jun 2015
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).

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%.

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 -4.4 % (2014/2015: -5.6%).

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

Note 17 Interest-bearing liabilities

EUR thousands	Group		30 Jun 2016	30 Jun 2015
Maturity date 1-5 years from Statement of Financial position date			39,140	42,364
Maturity date within one year from Statement of Financial position date			31,830	33,760
Total			70,970	76,124

During the financial year, the weighted average interest rates of the Group's bank loans were 1.6% (1.6%). Additional information on loan security and interest rates is presented in Notes 21 and 24, respectively.

All loans are denominated in EUR.

Most 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).

In June 2016, three maturing loans were extended with loan terms matching Company's life term and one loan for twelve months until May 2017. Three other loans with automatic extension signed in the financial year 2014/2015 were prolonged until June 2017 together with prolongation of Company's life term. Amortization holiday was agreed for three of the loans for the financial year 2016/2017 with amortization 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.

Note 18 Derivatives

EUR thousands	Group	30 Jun 2016	30 Jun 2015
Liabilities held at fair value through profit and loss:			
Interest rate swap - non-current liability		-	264
Interest rate swap - current liability		277	470
Total		277	734
Opening balance			
		734	1 129
Fair value adjustment in the financial year		-457	-395
Closing balance		277	734

Derivative instruments are recognised in the group of financial assets and financial liabilities "at fair value through profit and loss". Interest swap agreement held as at 30 June 2016 to hedge 49% of the interest rate risk from one loan agreement with floating interest rate, are fixed at 5.45% and had a negative value of EUR 0.3m at year end. The derivatives mature within 1 year.

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 2016	30 Jun 2015
Accrued administration fees		4	44
Accrued auditing expenses		91	82
Accrued interest expense		70	71
Other accrued expenses		221	57
Total		386	254

Note 20 Operational leasing

Operational leasing: as the lessee:

The Group has no leasing agreements in which it stand as lessee.

Operational leasing: as the lessor non terminable agreements

Future minimum leasing fees attributable to non-terminable operational lease agreements are distributed as follows:

EUR thousands	Group	30 Jun 2016	30 Jun 2015
Within 1 year		2,576	2,827
Between 1 and 5 years		6,217	6,858
More than 5 years		5,911	4,250
Total		14,704	13,935

The operational leasing agreements refer to the rental agreements related to the Group's investment properties. The agreements are classified as non-terminable since both parties are entered into the agreement with the purpose to fulfill it. The agreements have to a limited extent been canceled prematurely.

Operational leasing: as the lessor terminable agreements

Future minimum leasing fees attributable to terminable operational lease agreements are distributed as follows:

EUR thousands	Group	30 Jun 2016	30 Jun 2015
Within 1 year		5,046	5,519
Between 1 and 5 years		8,279	10,711
More than 5 years		5,512	5,982
Total		18,837	22,212

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 above includes rental income up until the end of the rental agreement, as both parties have entered the agreement with the purpose to fulfill it. However as an uncertainty exist, the operational leasing from the terminable rental agreements are presented separately.

Note 21 Pledged assets

EUR thousands	Group	30 Jun 2016	30 Jun 2015
Investment properties		120,757	124,692
Financial pledge		15	15
Other		378	285
Total		121,150	124,992

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.

The loan agreement covering seven of the properties in the portfolio remains in force. The maturities of these loans is June 2018 (should the life term of the Company be extended until such date). The Company guarantees interest and swap payments for one of the properties up to a maximum amount of EUR 300,000 during this period. The remaining six properties (each property a "Borrower") have an obligation to service principal amortizations, interest and swap payments (excluding the last principal payment) of the other Borrowers, if needed. The seven properties have also received a grace period for fulfillment of individual financial covenants during the period.

Note 23 Financial assets and liabilities at fair value

EUR thousands	Group 2015/2016	Loans and receivables	Other financial liabilities	Total book value
Accounts receivables		644		644
Other receivables		123		123
Cash and cash equivalents		9,891		9,891
Total		10,658		10,658
Non-current interest-bearing liabilities			39,140	39,140
Other non-current liabilities			266	266
Current interest-bearing liabilities			31,830	31,830
Derivatives			277	277
Accounts payables – trade			1,022	1,022
Other liabilities			56	56
Total			72,591	72,591

EUR thousands	Group 2014/2015	Loans and receivables	Other financial liabilities	Total book value
Accounts receivables		611		611
Other receivables		135		135
Cash and cash equivalents		4,191		4,191
Total		4,937		4,937
Non-current interest-bearing liabilities			42,364	42,364
Other non-current liabilities			522	522
Current interest-bearing liabilities			33,760	33,760
Derivatives			734	734
Accounts payables – trade			981	981
Other liabilities			29	29
Total			78,390	78,390

EUR thousands	Parent Company 2015/2016	Loans and receivables	Other financial liabilities	Total book value
Other receivables		18,850		18,850
Cash and cash equivalent		155		155
Total		19,005		19,005
Current interest-bearing liabilities			79	79
Accounts payables – trade			859	859
Total			938	938

EUR thousands	Parent Company 2014/2015	Loans and receivables	Other financial liabilities	Total book value
Non-current receivables		13,599		13,599
Other receivables		6,326		6,326
Cash and cash equivalent		118		118
Total		20,043		20,043
Current interest-bearing liabilities			77	77
Accounts payables – trade			787	787
Other liabilities			42	42
Total			906	906

The carrying amount is a reasonable estimate of fair value. Interest rates for the loans at the balance sheet date meet the conditions of loan contracts. Other financial assets and liabilities amount to insignificant values and are also largely short-term.

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:

Based on the accounting and reporting principles applied, the carrying amounts of financial assets and financial liabilities do not significantly differ from their fair values.

The fair values of Parent Company's assets with a fixed interest rate are not significantly different from their carrying amounts because the fixed interest rate does not differ significantly from current market interest rates.

The fair value of accounts receivables and accounts payables with remaining terms of less than 12 month is considered to be equivalent to book value. Accounts receivables and accounts payables with remaining terms exceeding 12 months are discounted in connection with the determination of fair value.

Note 24 Financial risk management

As a net borrower, the Company is exposed to financial risk, mainly liquidity risks, interest rate risks, currency risks, credit risks and price 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 Baltic 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 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.

For payment term analysis for remaining contract periods of financial liabilities, see Note 17.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include 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 incl estimated interest	72,086	-72,086	-560	-32,291	-39,235	-
Trade payables	1,022	-1,022	-1,022	-	-	-
Total	73,108	-73,108	-1,582	-32,291	-39,235	-
Derivative financial liabilities						
Interest rate swaps	277	-277	-62	-215	-	-
Total	277	-277	-62	-215	-	-

Market risk

Interest rate risks

Interest rate risk refers to the risk for changes in interest rates and the effect of this on the Group's borrowing costs.

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. During 2015/2016, the Group has had interest rate swaps to hedge against increased interest rates relating to one property. Sensitivity analysis for changes in interest rates, cleared from unrealised fair value adjustments of interest rate swaps:

Sensitivity analysis EUR thousands	Change in P/L			
	Estonia	Latvia	Lithuania	Total
Interest expenses as interest rate is changed, +/-1%	-/+440	-/+166	-/+103	-/+709
Interest expenses from SWAP as interest rate is changed, +/-1%	-/+ 0	-/+3	-/+ 0	-/+3

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%	+/-795	+/-133	+/-122	+/-1,050

Sensitivity on exit yield				
EUR thousands	Estonia	Latvia	Lithuania	Total
-10%	5,980	1,000	960	7,940
+10%	-4,920	-830	-780	-6,530

Sensitivity on discount rate				
EUR thousands	Estonia	Latvia	Lithuania	Total
-10%	2,870	500	420	3,790
+10%	-2,780	-490	-410	-3,680

Political risk

The recent severe deterioration of the relationship between Russia and Ukraine due to the annexation of the Crimea peninsula and the civil war in Eastern Ukraine, has increased the geopolitical tensions in the whole region, including the Baltic States, as well as resulted in trade sanctions imposed by both EU, the US and Russia, affecting the Baltic economies negatively. Continued geopolitical tension could lead to further sanctions and an increase of political and national security risks in the Countries. These geopolitical risk concerns following the Ukraine crisis can also affect international investors' interest in the Baltic markets.

Credit risks

Credit risk refers to the risk of loss if the counterparty is not able to fulfill its obligations.

The Group does not have any significant concentration of credit risks. To manage credit risk, the Group companies regularly check clients' historical credit ratings, which enable the necessary measures to be taken in time.

As the Group utilises credit institutions to finance a large number of property transactions, credit risk management is also conducted in cooperation with banks. The maximum exposure to credit risks is the reported value of the financial assets in the Statement of Financial position. Subsequently, the Group deems that the maximum exposure is reflected in the amount of Accounts receivable - trade, reduced by provision for bad debts, and long-term receivables that have been capitalised in the Statement of Financial position. According to the Company's policy, reservations are made for accounts receivable, unless under payment plan, more than 90 days overdue at a rate of 50%, and for receivables more than 180 days overdue at a rate of 100%.

Ageing of debts: EUR thousands	Estonia	Latvia	Lithuania	Total	Share in %
Not expired	295	24	75	394	60%
Expired by 1-30 days	60	42	43	145	23%
Expired by 31-60 days	17	34	19	70	11%
Expired by 61-180 days	7	17	14	38	6%
Expired by 181 days or more	14	32	54	100	16%
Provision for bad debt	-14	-32	-57	-103	-16%
Total accounts receivables	379	117	148	644	100%

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 loan receivables from the Swedish subsidiaries of EUR 12.3m (2014/2015: 13.6m) with final maturity date on 30 June 2017. Agreed interest rate was 3% (2014/2015: 3%) for the financial year. Accrued interest for the loans is EUR 3.7m (2014/2015: 3.8m). Remaining current receivable is EUR 2.9m (2014/2015: 2.5m).

EUR thousands	Group	Sales of services to related parties	Purchase of services from related parties	Liabilities with related parties per 30 Jun 2016	Liabilities with related parties per 30 Jun 2015
	East Capital Baltics AS	16	1,141	862	796
	Total	16	1,141	862	796

EUR thousands	Parent Company	Interest income	Sales of services to related parties	Purchase of services from related parties	Liabilities with related parties per 30 Jun 2016	Liabilities with related parties per 30 Jun 2015
	East Capital Baltics AS	-	-	1,061	853	787
	Subsidiary/Group company	407	450	-	79	77
	Total	407	450	1,061	932	864

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), 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 East Capital Baltic Property Investors AB (publ). The board members Biljana Pehrsson and Pami Pihlström are not employed by or hold any board positions in any affiliated companies.

Note 26 Information about the parent company

East Capital Baltics 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 Baltics 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 Baltics AS.

Year-end appropriations:

EUR thousands	Parent Company	Note	2015/2016	2014/2015
Group tax received			213	226
given			-1	-8
Total appropriations			212	218

Note 27 Significant events after the end of the financial year

An Extraordinary General Meeting will be held on 13 September 2016 to approve the dividend to shareholders of total EUR 5,069,200.

On 2nd of March 2016 EPF Neli OÜ signed a merger agreement with group companies (ABPF Nurmenuku (Est) AB, ABPF Pirita Top Spa (Est) AB, ABPF Go Spa (Est) AB, ABPF Tammsaare (Est) AB, ABPF Kerese Keskus (Est) AB, ABPF Jõhvitsent (Est) AB, ABPF Jewecent (Est) AB, ABPF Portus (Est) AB, ABPF Favorind (Est) AB, ABPF Papiniidu (Est) AB and ABPF Tănassilma (Est) AB) with the merger balance sheet date on 1 July 2015. On 15th of August 2016 the cross-border merger was entered into the Estonian Commercial Register.

Stockholm, 31 october 2016

Kestutis Sasnauskas
Chairman of the Board

Biljana Pehrsson
Member of the Board

Ulf Sigfridsson
Member of the Board

Pami Pihlström
Member of the Board

Our audit report was presented 2016
KPMG AB

Mårten Asplund
Authorised Public Accountant