

Annual  
report  
**2011**

Translation of the Estonian original

Beginning of the financial year:	1.1.2011
End of the financial year:	31.12.2011
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## Brief description

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AS Trigon Property Development is a real estate development company.

AS Trigon Property Development currently owns one real estate development project involving a 36-hectare area in the City of Pärnu, Estonia. Commercial real estate will be developed on this area.

The Group is listed in list 1 (main equity list) of Nasdaq OMX Tallinn Stock Exchange. In total OÜ Trigon Wood is controlling 59.62 % of votes represented by shares in AS Trigon Property Development. The biggest shareholders of OÜ Trigon Wood are AS Trigon Capital (30.13%), Veikko Laine Oy (26.49%), SEB Finnish Clients (10.96%), Hermitage Eesti OÜ (12.64%) and Thominvest Oy (11.94%).

## Management report

### Overview of business areas

The main business activity of Trigon Property Development AS is real estate development. As at 31.12.2011 AS Trigon Property Development owned one development project involving a 36-hectare area in the City of Pärnu, Estonia. Commercial real estate will be developed on this area. The property has been rented out to third parties until the beginning of the construction works. To finance the development the Group is planning to sell parts of the investment property. Trigon Property Development AS is considering expansion of business activity and analysing acquisition opportunities for various new projects.

### Management

The law, the articles of association, decisions and goals stated by the shareholders and supervisory board are followed when managing the company. According to the Commercial Code a resolution on amendment of the articles of association shall be adopted, if at least two-third of the votes represented at a general meeting is in favour of the amendment.

### Group structure

Shares of subsidiaries

	Location	Shareholding as of 31.12.2011	Shareholding as of 31.12.2010
OÜ VN Niidu Kinnisvara	Estonia	100%	100%

OÜ VN Niidu Kinnisvara was set up for the development of the land located in the area of Niidu Street in Pärnu.

### Financial ratios

	EUR 2011	EUR 2010
<b>Statement of financial position</b>		
Total assets	2,440,010	4,175,656
Return on assets	-71.41%	-0.60%
Equity	2,164,025	3,906,557
Return on equity	-80.52%	-0.64%
Debt ratio	11.31%	6.44%
<b>Share (31.12)</b>		
Closing price of the share	0.29	0.50
Earnings per share	-0.38731	-0.00559
Price-to-earnings (PE) ratio	-0.75	-89.51
Book value of the share	0.48	0.87
Price-to-book ratio	0.60	0.58
Market capitalisation	1,304,728	2,249,531

Return on assets = net profit / total assets

Return on equity = net profit / equity

Debt ratio = liabilities / total assets

Earnings per share = net profit / number of shares

Price-to-earnings (PE) ratio = closing price of the share / earnings per share

Book value of the share = equity / number of shares

Price-to-book ratio = closing price of the share / book value of the share

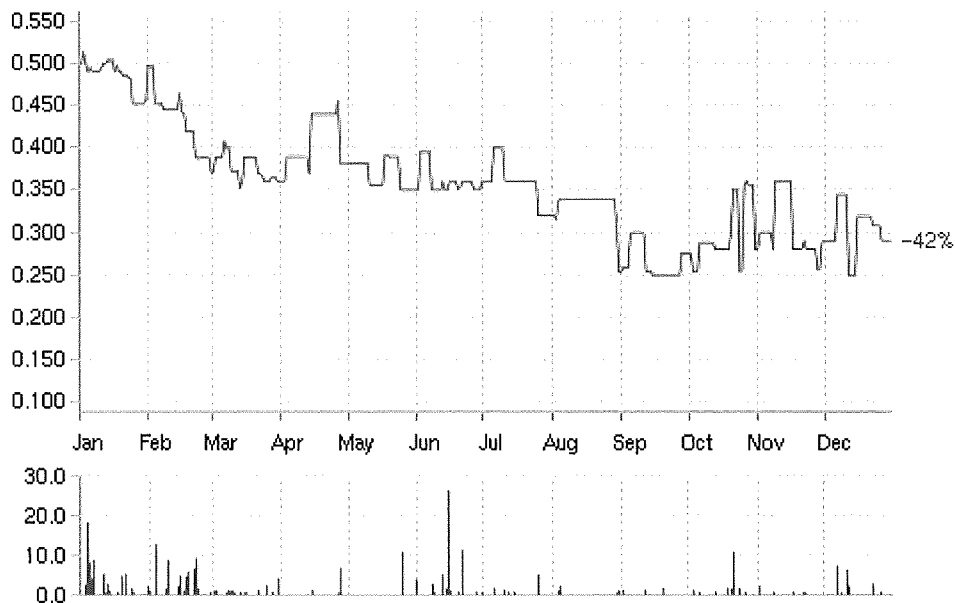
Market capitalization = closing price of the share \* number of shares

## Share

Since 5<sup>th</sup> of June 1997, the shares of Trigon Property Development AS have been listed in the main list of securities of the Tallinn Stock Exchange. Trigon Property Development AS has issued 4,499,061 registered shares, each with the nominal value of 0.60 euros. The shares are freely transferable, no statutory restrictions apply. There are no restrictions on transfer of securities to the company as provided by contracts between the company and its shareholders.

The share with a price of 0.5 euros at the end of 2010 was closed in the end of December 2011 at 0.29 euros, which is a 42% decrease as compared to the closing price at the beginning of the year. In total of 709,707 shares were traded in 2011 and the total sales amounted to 264,494 euros.

Share price and trading statistics on the Tallinn Stock Exchange from 01.01.2011 to 31.12.2011:



The distribution of share capital by the number of shares acquired as at 31.12.2011.

	Number of shareholders	% of shareholders	Number of shares	% of share capital
1-99	91	17.64%	2,858	0.06%
100-999	190	36.82%	67,196	1.49%
1 000-9 999	205	39.73%	503,081	11.18%
10 000-99 999	24	4.65%	554,174	12.32%
100 000-999 999	5	0.97%	689,560	15.33%
1 000 000-9 999 999	1	0.19%	2,682,192	59.62%
<b>TOTAL</b>	<b>516</b>	<b>100%</b>	<b>4,499,061</b>	<b>100%</b>

List of shareholders with over 1% holdings as at 31.12.2011.

Shareholder	Number of shares	Ownership %
OÜ TRIGON WOOD	2,682,192	59.62%
ING LUXEMBOURG S.A.	173,350	3.85%
Skandinaviska Enskilda Banken Ab Clients	169,860	3.78%
OÜ SUUR SAMM	125,160	2.78%
Central Securities Depository of Lithuania	112,140	2.49%
SWEDBANK AB / UAB PRUDENTIS	109,050	2.42%
E.N.Co Holdings OÜ	52,327	1.16%
TOIVO KULDMÄE	49,231	1.09%

## **Personal**

AS Trigon Property Development had one employee as at 31 December 2011 and no employees as at 31 December 2010. Total labour costs in 2011 were 2,613 euros.

## **Risks**

### **Interest rate risk**

Interest rate risk is the risk that the interest rates of the Group's liabilities differ significantly from the market interest rates. The interest rate risk of AS Trigon Property Development is limited to the difference between the fixed interest rates of the Group's long-term borrowings and the market interest rates. At the time of preparing these financial statements, the market interest rates were higher than the interest rates of the Group's borrowings; therefore the fair value of the loan assumed by the Group is lower than its carrying amount.

### **Operating environment risk**

The Group is exposed to the risk of real estate prices and real estate rental prices. The Group is not exposed to the market risk arising from financial instruments, as it does not hold any securities or derivative agreements.

### **Fair value**

The fair values of accounts payable, short-term loans and borrowings do not materially differ from their book values. The fair value of long-term loans and borrowings is presented in Note 6.

## Corporate Governance Report

Corporate Governance Recommendations (Recommendations) are a set of guidelines and advisable rules recommended to be followed primarily by listed companies whose shares have been admitted to trading on a regulated market operating in Estonia.

The listed companies must comply with the Recommendations starting from 1<sup>st</sup> of January 2006 (“*comply or explain*” principle).

The Recommendations regulate, among other matters, the calling and the procedure of the General Meeting of Shareholders; requirements for the compositions, duties and activities of the Management and Supervisory Board; continuous disclosure requirements and financial reporting.

As the principles set out with the Recommendations are merely just recommendations in the nature, a Company is not obligated to comply with all of them. However it shall explain in the Corporate Governance Report the reasons of its non-compliance.

AS Trigon Property Development (TPD) follows the law and legal regulations in its business activities. As a public company, TPD is guided by Nasdaq OMX Tallinn Stock Exchange requirements and the principle of equal treatment of shareholders and investors. Therefore TPD follows the guidelines of Recommendations in general. The reasons for current non-compliance with particular guidelines are provided below.

### Article 1.3.1

*The Chairman of the Supervisory Board and members of the Management Board cannot be elected as Chair of the General Meeting.*

The shareholders elected the member of Management Board Aivar Kempri to chair the General Meeting held on the 29<sup>th</sup> of June in 2011 because the member of the Management Board has the best overview of the company’s activities and the every-day manager of the company ensured the smooth course of the meeting.

### Article 1.3.2

*All Members of the Management Board, the Chairman of the Supervisory Board and if possible, the members of the Supervisory Board and at least one of the auditors shall participate in the General Meeting.*

The member of the Management Board and one member of Supervisory Board participated in the General Meeting held on 29.06.2011. The other two members of the Supervisory Board and an auditor were not present at the meeting. The Supervisory Board is convinced that presence of one member is sufficient. No auditors were present at the meeting since there were no agenda items which could require comments of the auditor.

### Article 1.3.3

*The company shall make participation in the General Meeting possible by means of communications equipment (Internet) if the technical equipment is available and where doing so is not too cost prohibitive for the Issuer.*

The Issuer did not make participation in the General Meeting possible by means of communications equipment since it would be too costly for the Company.

### Article 1.3.4

*Profit allocation shall be resolved separately at the General Meeting.*

During the General Meeting in 2011 the matters of approval of annual report and profit distribution proposal were discussed and resolved under the same agenda item but the resolution was expressed separately.

#### Article 2.2.1

*The Management Board shall have more than one (1) member; a service contract shall be concluded with the member of the management board.*

Aivar Kempfi is a sole member of the Management Board, but enlargement of the Board is not ruled out.

A Service Contract has not been concluded with Aivar Kempfi since he is currently the only Member of the Management Board and his rights and obligations are stipulated by the law. In case more members of the Management Board are appointed, service contracts shall be concluded.

#### Article 2.2.3

*Remuneration of members of the Management Board including bonus schemes shall be such that they motivate the member to act in the best interest of the Issuer and refrain from acting in their own or another person's interest.*

In agreement with Group's Supervisory Board no remuneration is paid to the Chairman of the Management Board in relation to Group's limited volume of Group's business activities.

#### Article 2.2.7

*Basic wages, performance pay, severance packages, other payable benefits and bonus schemes of a Management Board member as well as their essential features (incl. features based on comparison, incentives and risk) shall be published in clear and unambiguous form on website of the Issuer and in the Corporate Governance Recommendations Report. Information published shall be deemed clear and unambiguous if it directly expresses the amount of expense to the Issuer or the amount of foreseeable expense as of the day of disclosure.*

The Issuer does not publish the information about the fees paid to the Member of the Board, since in its opinion the information is quite delicate and could damage privacy of the Member of the Board; its publication is not essential for estimation of management quality and may damage company competitiveness. Therefore, the Issuer has decided not to publish the fees paid to the Member of the Board. Currently, the Member of the Board does not receive any fees. Nevertheless, the fees paid to the Member of the Board will be published in the Annual Report in the case such fees are paid.

#### Article 3.2.2

*At least half of the members of the Supervisory Board of the Issuer shall be independent*

The member of the Supervisory Board of the Company may not be considered independent under the Recommendations. Ülo Adamson and Joakim Johan Helenius are the members of the Management Board of OÜ Trigon Wood, the controlling shareholder of the Company and all three members are also members of governing bodies of AS Trigon Capital, shareholder of OÜ Trigon Wood, group companies. As long as composition of the Supervisory Board does not comply with the independence requirement set by the Recommendations, the Issuer may consider changing the composition of the Supervisory Board. However, the Company believes that exceptional experience and knowledge of the aforementioned persons will contribute to the effective management of the Company and acting in the best interest of the Shareholders.



## Article 5.2

*The Issuer shall publish the disclosure dates of information subject to disclosure throughout a year at the beginning of the fiscal year in a separate notice, called financial calendar.*

The Group did not publish a separate notice however information subject to disclosure was published not later than dates set by the law.

## Article 5.6

*The Company shall disclose the dates and places of meetings with analysts and presentations and press conference organized for analysts, investors or institutional investors on its website.*

The Nasdaq OMX Tallinn Stock Exchange Regulations require that a Group publishes all essential information through the stock exchange system. Only previously published information is discussed in meetings with analysts and press conferences and therefore the Group has no need to disclose meetings schedule.

## Article 6.1.1

*Together with the annual report, the Supervisory Board shall make available to shareholders the written report concerning the annual report specified in § 333 subsection 1 of Commercial Code.*

No report was published simultaneously with the notice of General Meeting; however, the participating member of Supervisory Board gave an overview of the report.

## Article 6.2.1

*If there is a desire to appoint an auditor who has audited Issuers reports on previous financial year the Supervisory Board shall pass judgment on their work*

No judgment was published simultaneously with the notice of General Meeting; however, the participating member of Supervisory Board expressed judgment at the meeting.

In all other questions the Group's activity complies with the requirements.

## Consolidated Financial Statements

### Consolidated statement of financial position

EUR	31.12.2011	31.12.2010
Cash	12,492	78,044
Receivables and prepayments	2,518	812
<b>Total current assets</b>	<b>15,010</b>	<b>8,616</b>
Investment property (note 5)	2,425,000	4,167,039
<b>Total non-current assets</b>	<b>2,425,000</b>	<b>4,167,039</b>
<b>TOTAL ASSETS</b>	<b>2,440,010</b>	<b>4,175,656</b>
Borrowings (note 6)	25,032	31,806
Payables and prepayments (note 7)	55,244	16,553
<b>Total current liabilities</b>	<b>80,276</b>	<b>48,359</b>
Long-term borrowings (note 6)	195,709	220,740
<b>Total non-current liabilities</b>	<b>195,709</b>	<b>220,740</b>
<b>Total liabilities</b>	<b>275,985</b>	<b>269,099</b>
Share capital at nominal value (note 8)	2,699,437	2,875,424
Share premium	226,056	226,056
Statutory reserve capital	287,542	287,542
Retained earnings	-1,049,010	517,535
<b>Total equity</b>	<b>2,164,025</b>	<b>3,906,557</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,440,010</b>	<b>4,175,656</b>

The notes to the consolidated financial statements presented on pages 14-31 are an integral part of these financial statements

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## Consolidated statement of comprehensive income

EUR	2011	2010
Rental income (note 5)	22,480	27,290
Expenses related to investment property (note 9)	-14,479	-24,874
<b>Gross profit</b>	<b>8,001</b>	<b>2,416</b>
Administrative and general expenses (note 10)	-26,689	-16,260
Changes in fair value of investment property (note 5)	-1,712,039	0
<b>Operating loss</b>	<b>-1,730,727</b>	<b>-13,844</b>
Net financial income	-11,805	-11,288
<b>NET LOSS FOR THE PERIOD</b>	<b>-1,742,532</b>	<b>-25,132</b>
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>-1,742,532</b>	<b>-25,132</b>
Basic earnings per share	-0.38731	-0.00559
Diluted earnings per share	-0.38731	-0.00559

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## Consolidated cash flow statement

EUR	2011	2010
<b>Cash flows from operating activities</b>		
<i>Net loss for the period</i>	<b>-1,742,532</b>	<b>-25,132</b>
Adjustments for:		
Change in fair value of investment property (note 5)	1,712,039	0
Interest charge	11,805	11,288
<b>Changes in working capital:</b>		
Change in receivables and prepayments related to operating activities	-1,706	11,339
Change in liabilities and prepayments related to operating activities (note 7)	29,392	683
<b>Cash used in operations</b>	<b>8,998</b>	<b>-1,822</b>
Interests paid	-2,503	-2,503
<b>Total cash flows used in operating activities</b>	<b>6,495</b>	<b>-4,325</b>
<b>Cash flows from investing activities</b>		
Sales of investment property (note 5)	30,000	0
<b>Total cash flows from investing activities</b>	<b>30,000</b>	<b>0</b>
<b>Cash flows from financing activities</b>		
Received loans (note 6)	3,500	32,605
Repayment of loans (note 6)	-35,307	-25,032
<b>Total cash flows from financing activities</b>	<b>-31,807</b>	<b>7,573</b>
<b>CHANGE IN CASH BALANCE</b>	<b>4,688</b>	<b>3,248</b>
OPENING BALANCE OF CASH	7,804	4,556
CLOSING BALANCE OF CASH	12,492	7,804

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## Consolidated statement of changes in equity

EUR	Share capital	Share premium	Statutory reserve capital	Retained earnings	Total
<b>Balance 31.12.2009</b>	<b>2,875,424</b>	<b>226,056</b>	<b>287,542</b>	<b>542,667</b>	<b>3,931,689</b>
Total comprehensive loss for 2010	0	0	0	-25,132	-25,132
<b>Balance 31.12.2010</b>	<b>2,875,424</b>	<b>226,056</b>	<b>287,542</b>	<b>517,535</b>	<b>3,906,557</b>
Conversion of share capital	-175,987	0	0	175,987	0
Total comprehensive loss for 2011	0	0	0	-1,742,532	-1,742,532
<b>Balance 31.12.2011</b>	<b>2,699,437</b>	<b>226,056</b>	<b>287,542</b>	<b>-1,049,010</b>	<b>2,164,025</b>

Additional information regarding the owners' equity is provided in Note 8.

The notes to the consolidated financial statements presented on pages 14-31 are an integral part of these financial statements

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## Notes to the financial statements

### 1 General information

AS Trigon Property Development (The Company) and its subsidiary (together Group) are active in real estate development. The parent company of the Group is a limited liability company (Estonian: aktsiaselts) that is registered and located in Estonia. The registered address of the company is Viru väljak 2, Tallinn.

The Management Board of AS Trigon Property Development authorised these consolidated financial statements for issue at 27 April 2012, after which they cannot be amended or withdrawn. The financial statements will be published through the electronic channels of Tallinn Stock Exchange.

The 2011 consolidated financial statements of AS Trigon Property Development have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The financial statements have been prepared in euros (EUR).

The Group is listed in list 1 (main equity list) of Nasdaq OMX Tallinn Stock Exchange. In total OÜ Trigon Wood is controlling 59.62 % of votes represented by shares in AS Trigon Property Development. The biggest shareholders of OÜ Trigon Wood are AS Trigon Capital (30.13%), Veikko Laine Oy (26.49%), SEB Finnish Clients (10.96%), Hermitage Eesti OÜ (12.64%) and Thominvest Oy (11.94%).

### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of preparation

The consolidated financial statements of Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements have been prepared under the historical cost convention, except investment property, which is presented at fair value.

The preparation of the financial statements in accordance with IFRS requires management to make assumptions and judgements, which affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and the related assumptions are based on the historical experience and several other factors that are believed to be relevant and that are based on circumstances which help define principles for the evaluation of assets and liabilities and which are not directly available from other sources. Actual results may not coincide with these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is changed if it affects only the current period, or current and future periods, if the revision affects both current and future periods.

Management decisions and accounting estimates related to the application of IFRS that have a significant effect on the financial statements and that may be subject to adjustment are presented in Note 4.

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## 2.2 Functional and presentation currency

### Change in functional and presentation currency

On 1 January 2011 Republic of Estonia joined euro-zone and exchanged its national currency Estonian kroon against euro. As a result the functional currency of the Parent company and its Estonian Group companies is euro (EUR) since 1 January 2011. Change in functional currency is recognized prospectively. As of 1 January 2011 the Parent company and its Estonian Group companies revalued opening balances in their books based on exchange rate 15.6466 Estonian kroons/euro.

These consolidated financial statements have been presented in euros (EUR). Estonian kroon is pegged to Euro at the rate of EEK 15.6466 to € 1. All financial information presented in euros has been translated using the aforementioned exchange rate. Thus, no translation differences arise from the use of this presentation currency.

## 2.3 Principles of consolidation and accounting for subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The consolidation is terminated from the date at which control ceases.

In the consolidated financial statements, the financial statements of all subsidiaries under the control of the parent company are combined on a line-by-line basis. All intragroup receivables and liabilities, transactions between group companies and the resulting unrealised profits and losses have been fully eliminated. Unrealised losses have also been eliminated unless the transaction provides evidence of an impairment loss.

Investments into subsidiaries are reported at cost (less any impairment losses) in the separate primary financial statements of the parent company.

Inter-company transactions, balances and unrealized gains and losses resulted from the transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Additional information about the subsidiary has been disclosed in Note 12.

## 2.4 Cash and cash equivalents

For the purposes of the balance sheet and the cash flow statement, cash and cash equivalents comprise cash on hand, bank account balances (except for overdraft) and term deposits with maturities of three months or less. Cash and cash equivalents are carried at amortised cost.

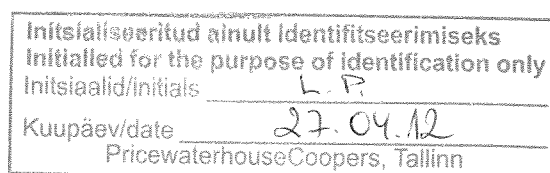
## 2.5 Financial assets and liabilities

### Classification

The Group classifies its financial assets in the following categories:

- at fair value through profit or loss,
- loans and receivables,
- available for sale financial assets and
- held to maturity financial assets.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. During the accounting period and comparable period the group has not classified any financial assets into categories „at fair value through profit or loss“, „available for sale“ and „held to maturity“.



### Measurement

Regular purchases and sales of financial assets are recognised on the settlement date. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Loans and receivables are initially recognized at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method, considering any allowances for impairment.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade receivables and loans to clients in the balance sheet.

### Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For valuation of loans and receivables several risks are prudently considered. The collection of each specific receivable is assessed on an individual basis, taking into consideration all known information on the solvency of the client. The Group assesses whether objective evidence of impairment exists considering such situations as: the clients' financial difficulties, bankruptcy or inability to fulfill their obligations to the Group. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the client's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. Irrecoverable receivables are removed from the balance sheet against the related allowance for loan impairment.

### Financial Liabilities

All Groups' financial liabilities are recorded as "other financial liabilities at amortised cost". Financial liabilities (trade payables, borrowings etc.) are initially recognised at their fair value less any transactions costs. The items are subsequently measured at amortised cost, differences between acquisition costs (less transaction costs) and redemption costs are recognised during the loan period, using effective interest rate method.

Financial liabilities is classified as current, unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

#### 2.6 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property comprises freehold land.

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Investment property is measured initially at its cost, including related transaction costs and is subsequently measured at fair value. After initial recognition investment properties are carried at their fair value which is either determined annually by independent valuers or management, based on the market value using comparable market transactions which have occurred recently (adjusting differences in assessment) or by using the discounted cash flow method. The amount of the revaluation gain or loss is included within the "gain/loss from property investment revaluation" in the statement of comprehensive income. Depreciation is not calculated for investment property recognised under the fair value method.

Subsequent expenditure is charged to the assets carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they incurred.

Property that is being constructed or developed for future use as investment property is classified as investment properties.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under IAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

Investment property held for sale without redevelopment is classified as non-current assets held for sale, under IFRS 5.

## 2.7 Operating lease and finance lease

Leases in which a significant portion of the risks and rewards of ownership are transferred to the lessee are classified as finance leases. All other leases are classified as operating leases.

Payments made or received under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Properties leased out under operating leases are classified as investment property.

## 2.8 Provisions and contingent liabilities

Provisions are recognised in the balance sheet when the Group has a present legal or contractual obligation arisen as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount has been reliably estimated.

The provisions are recognised based on the management's (or independent experts') estimates regarding the amount and timing of the expected outflows. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Other commitments that in certain circumstances may become obligations, but it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability are disclosed in the notes to the financial statements as contingent liabilities.

## 2.9 Corporate income tax

According to the Income Tax Act of Estonia, the annual profit earned by entities is not taxed in Estonia. Corporate income tax is paid on dividends, fringe benefits, gifts, donations, reception fees, non-business related disbursements and adjustments of the transfer price. From 1 January 2008, the tax rate on the net dividends paid out of retained earnings is 21/79. The corporate income tax

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arising from the payment of dividends is accounted for as a liability and as an income tax expense in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. A income tax liability arises at the 10th day of the month following the payment of dividends.

Due to the peculiarity of the taxation system, the companies registered in Estonia do not have any differences between the tax bases of assets and their carrying amounts and hence, no deferred income tax assets and liabilities arise. A contingent income tax liability which would arise due the payment of dividends out of retained earnings is not reported in the balance sheet. The maximum income tax liability which would accompany the payment of dividends out of retained earnings is disclosed in the notes to the financial statements.

#### 2.10 Revenue

Revenue is recognised at the fair value of the consideration received or receivable net of value-added tax, returns, rebates and discounts.

Revenue from the rendering of services is recognised in the period in which the services are rendered. If a service is rendered over a longer period of time, revenue is recorded using the stage of completion method.

Lease income from operating leases is recognized on a straight-line basis over the lease term. Lease incentives granted to lessees upon concluding lease agreements are deducted from lease income.

#### 2.11 Cash flow statement

The cash flow statement is prepared using the indirect method. Cash flows from operating activities are determined by adjusting the net profit for the financial year through elimination of the effect of non-monetary transactions, changes in the balances of assets and liabilities related to operating activities and revenue and expenses related to investing or financing activities.

#### 2.12 Statutory reserve capital

Statutory reserve capital is formed from annual net profit allocations. The amount of reserve capital is stipulated in the articles of association and it cannot be less than one tenth of share capital. During each financial year, at least one-twentieth of the net profit shall be entered in reserve capital. Increasing the statutory reserve capital from annual net profit allocations shall be finished if the reserve capital reaches to the amount that is stipulated in the articles of association.

Statutory legal reserve may be used to cover a loss, or to increase share capital. Payments shall not be made to shareholders from statutory legal reserve.

#### 2.13 Earnings per share

Basic earnings per share are calculated by dividing the net profit for the financial year attributable to the equity holders of the parent company by the period's weighted average number of outstanding ordinary shares. Diluted earnings per share are calculated by dividing the net profit of the financial year attributable to the equity holders of the parent company by the weighted average number of outstanding ordinary shares, adjusted for the effect of potential dilutive shares.

#### 2.14 Events after the balance sheet date

Significant circumstances that have an adjusting effect on the evaluation of assets and liabilities and that became evident between the balance sheet date and the date of approving the financial statements 27 April 2012 but that are related to the reporting period or prior periods, have been recorded in the financial statements. Non-adjusting events and the events that have a significant impact on the results of the next financial year have been disclosed in the notes to the financial statements (Note 15).

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2.15 *New International Financial Reporting Standards, amendments to existing standards and the interpretations of the standards by International Financial Reporting Interpretations Committee (IFRIC)*

**Adoption of New or Revised Standards and Interpretations**

There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact to the Group.

**New Accounting Pronouncements**

Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual periods beginning on or after 1 January 2012, and which the Group has not early adopted.

**IFRS 13, Fair Value Measurement** (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Group is currently assessing the impact of the standard on its financial statements.

There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

**3 Finance risk management**

**3.1 Financial risks and their management**

In its daily operations, the Group is exposed to different kinds of financial risks: market risk (including foreign exchange risk, price risk, interest rate risk, fair value interest rate risk), credit risk and liquidity risk. Financial risk is connected with the following financial instruments: trade receivables, cash equivalents, trade payables, other liabilities, loans payable and investment property. Accounting principles that are used to account for these assets and liabilities have been disclosed in the note 2. Risk management is executed by the Management and coordinated by the Supervisory Board.

**(a) Market risk**

**(i) Foreign exchange risk**

Foreign exchange risk is the Group's risk of incurring major losses due to exchange rate fluctuations. Group's monetary assets and liabilities are nominated in euros. The foreign exchange risk is not actual anymore, due to the fact that on 1 January 2011, the Republic of Estonia joined the Euro area and adopted the Euro as its national currency, replacing the Estonian kroon, using the conversion rate of 15.6466 EEK/EUR.

**(ii) Price risk**

The Group is open to real estate price risk and real estate rent price risk. The Group is not exposed to the price risk with respect to financial instruments.

**(iii) Cash flow and fair value interest rate risk**

As the Group has no significant interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.

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The Group's interest rate risk arises from borrowings (Note 6). Currently the only long-term borrowing that exists is the land instalment payable which yearly interest is fixed (Note 6). Group has two short-term borrowings with the interest rate of 7% per annum. Other receivables and payables are interest free and realizable in a year.

**(b) Credit risk**

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as prepayments and customer receivables, including outstanding receivables and committed transactions. The Group's policy is to collaborate only with institutions whose main investors are internationally known financial organisations. As at 31 December 2011 and 31 December 2010 the cash of the Company was deposited in Swedbank (credit rating A2 by Moody's Investor Service). Prepayments to the Tax Authority are considered not credit risk bearing. As at the date of the statement of financial position, the Group's exposure to credit risk 14,096 euros (31 December 2010: 8,445 euros) including cash in the bank and receivables.

**(c) Liquidity risk**

To finance the potential investments needed to be made and to repay the liabilities in 2012, the Group is planning to sell partly the investment property owned by Group or borrow from Trigon Capital AS. Agreement with Trigon Capital AS has been concluded and according to the agreement Trigon Capital AS would finance the Group if needed.

	31.12.2011		31.12.2010	
	1 year or less	2-5 years	1 year or less	2-5 years
Borrowings	25,032	195,709	31,806	220,740
Payables and prepayments	55,243	0	16,553	0
<b>KOKKU</b>	<b>80,275</b>	<b>195,709</b>	<b>48,359</b>	<b>220,740</b>

**3.2 Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group intends to retain the current capital structure until the beginning of real estate development. The Group's owners nor the management has not set any specific requirements for its capital management or expectations for shareholder return. For the development period external financing in the form of bank loans is planned to be used.

**3.3 Fair value of financial assets and financial liabilities**

The Group estimates that the fair values of the assets and liabilities denominated in the balance sheet at amortised cost do not differ significantly from their carrying values as at 31 December 2011 and 31 December 2010.

**3.4 Impact on liquidity**

The volume of wholesale financing has significantly reduced. Due to that the Group may not get sources of financing with reasonable price to meet the investment plans.

**3.5 Valuation of property measured at fair value**

The market in Estonia for many types of real estate has been severely affected by the recent volatility in global financial markets. As such the carrying value of land and buildings measured at fair value in accordance with IAS 40 has been updated to reflect market conditions at the reporting

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date. However, in certain cases, the absence of reliable market-based data has required the Group to amend its valuation methodologies which are described below.

The fair value of investment property accounted for using the fair value model in accordance with IAS 40 is updated to reflect market conditions at the end of the reporting period. Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is not a forced seller prepared to sell at any price. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition. In the absence of current prices in an active market, the Group considers information from a variety of sources, including:

- a) current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences;
- b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

#### 4 Critical accounting estimates and judgements

Management judgements and estimates are reviewed on an ongoing basis and they are based on historical experience and other factors such as forecasts of future events which are considered reasonable under current circumstances.

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below (Note 5).

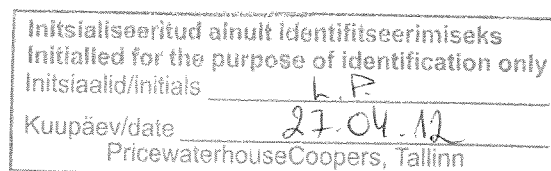
#### 5 Investment property

	<i>EUR</i>
Balance as at 31.12.2009	4,167,039
Balance as at 31.12.2010	4,167,039
Sales of investment property	-30,000
Loss from change in fair value 2011	-1,712,039
Balance as at 31.12.2011	2,425,000

Group currently owns one real estate development project involving a 36-hectare area in the City of Pärnu, Estonia.

On the 27th of July in 2011 a 1,000 m<sup>2</sup> legal share of immovable (1,000 m<sup>2</sup>/41,341 m<sup>2</sup>) at Niidu 9 Pärnu was sold for 30,000 EUR.

The expenses related to the management of investment property totalled 14,479 euros in 2011 and 24,874 euros in 2010.



The property has been rented out until the beginning of construction works under operating lease agreements. Revenue from the leasing of investment property totalled 22,480 euros in 2011 and 27,290 euros in 2010.

In 2011 the investment property was valued by independent valuer Colliers International using the comparable transactions approach (in 2010 and 2009 the discounted cash flow method was used) which benchmarked the value of Niidu land area against the prices of transacted land plots along the Pärnu City. The benchmark land plot prices ranged from EUR 15 to 39 per square meter, inclusive of basic site infrastructure (internal roads and access road, water / sewage, etc). Based on comparable transaction the valuer has estimated the sales price at 16 EUR/m<sup>2</sup> including infrastructure. To evaluate the present value of the area as of 31.12.2011, the valuer has estimated the sales period to be 8 years and has deducted the expenditures needed for the construction of infrastructure from the cash flow.

As at 31 December 2011 the evaluation resulting in a fair value of 2,425,000 euros

In 2010 the property market remained inactive but generally unchanged from 2009 and hence the valuator and the management agreed that no material change in value had occurred and thus used the 2009 valuation. In 2009 and 2010 the DCF valuations prepared by the independent valuer and by the management resulted in a value of EUR 4,167,039.

The following assumptions were used in 2011 preparing the valuation report of the investment property: annual growth of sales income 3%, growth of construction costs 5-10% (2012: 10%, 2013-2014: 5%) (in preparing the valuation report as at 31.12.2010 the following assumptions were used: annual growth of rental income 0-3,5%, growth of construction costs 0-5%, vacancy of the premises after completion of development activities 7.5%), the discount rate 10.2% (2010: 15.3% in the development stage and 11.6% in the rental stage after the development project's completion). The average construction and rental/sales prices in the region were used. The total square area available for selling is planned to be 353,711 square meters from which 100% is planned to be developed into commercial real estate. As it is very capacious development, there is significant risk for the evaluation of investment property. The first land plots are planned to be sold in 2012. The valuation is prepared using the forecast of cash flows for next 8 years between 2012 and 2019 (2010: 2011-2018).

The sensitivity to the presumptions of the valuation is the following:

EUR	Effect 31.12.2011
Increase of the discount factor in the period of development by order of 1pp	-138,432
Decrease of the discount factor in the period of development by order of 1pp	147,257
Increase of the sales prices by order 10%	399,864
Decrease of the sale prices by order 10%	-399,864
Increase of construction costs by order of 10%	-174,444
Decrease of construction costs by order of 10%	174,444

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EUR	Effect 31.12.2010
Increase of the discount factor in the period of development by order of 1pp	-551,258
Decrease of the discount factor in the period of development by order of 1pp	595,211
Increase of the rent prices by order 10%	4,290,177
Decrease of the rent prices by order 10%	-4,167,039
Increase of construction costs by order of 10%	-3,452,536
Decrease of construction costs by order of 10%	3,452,536
Decrease of vacancy by order of 1pp (6.5%)	404,569
Increase of vacancy by order of 1pp (8.5%)	-404,569

The property valuation is based on estimates, assumptions and historical experience adjusted with prevailing market conditions and other factors which management assesses to the best of its ability on an on-going basis. Therefore, based on the definition and taking into account that evaluation is based on a number of presumptions, which may not realize in assessed way, the valuation can be subject to significant adverse effects. This could lead to a significant change in the carrying amount of investment property in future periods. The fair value of the investment property, which is assessed using the described model is essentially dependent on whether this project could be accomplished and appropriate financing found in compliance with the presumptions made and schedule used in evaluation model.

As at 31 December 2011 and 31 December 2010, investment properties were encumbered with mortgages for the benefit of Estonian Government in the amount of 395 thousand euros. Mortgages were set as collateral for long-term bank loans (Note 6). As at 31 December 2011, the carrying amount of investment properties encumbered with mortgages was 2,425,000 euros and as at 31 December 2010, 4,167,039 euros.

## 6 Borrowings

As at 31.12.2011

EUR	Total	Current borrowings	Non-current borrowings
Instalment payment for land	87,611	25,032	62,579
Loans from related parties	133,130	0	133,130
<b>TOTAL</b>	<b>220,741</b>	<b>25,032</b>	<b>195,709</b>

As at 31.12.2010

EUR	Total	Current borrowings	Non-current borrowings
Instalment payment for land	112,642	25,032	87,610
Loans from related parties	139,905	6,775	133,130
<b>TOTAL</b>	<b>252,547</b>	<b>31,807</b>	<b>220,740</b>

As at 31 December 2011 long-term borrowings include the installment payment for land in the amount of 62,579 (2010: 87,610) euros, on which interest in the fixed amount of 2,503 euros per annum is paid. The repayment date of the loan is 2015. Using the fair market interest rate of 7% per annum, the fair value of the loan is 58,198 (2010: 81,477) euros. AS at 31. December 2011 long-term borrowings include loans from parent company in the amount of 133,130 (2010: 133,130) euros with the repayment date 31.12.2014 (2010: 31.12.2012) and the interest rate 7% (Note 14).

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As at 31 December 2011 short-term borrowings include the installment payment for land in the amount of 25,032 (2010: 25,032) euros, the repayment date of the loan is 20.11.2012 (2010: 20.11.2011).

Borrowing terms have not been breached during the accounting period or as at the balance sheet date.

## 7 Payables and prepayments

EUR	31.12.2011	31.12.2010
Payables	3,629	219
Prepayments	21,000	0
Interests	20,922	11,603
Other payables	9,693	4,731
<b>TOTAL</b>	<b>55,244</b>	<b>16,553</b>

As at 31st of December 2011 a prepayment for the preliminary sale of part of immovable at Niidu 9 Pärnu equal to 6,006/41,341 of total immovable is reflected.

## 8 Equity

	Number of shares pcs	Share capital EUR
Balance 31.12.2010	4,499,061	2,875,424
Balance 31.12.2011	4,499,061	2,699,437

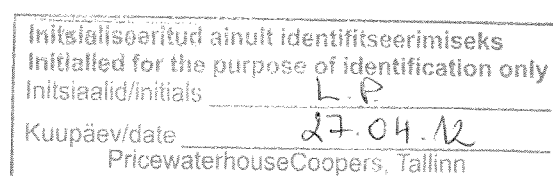
The share capital of AS Trigon Property Development is 2,699,437 euros. On the 28th of September in 2011 the conversion of share capital into euro and the consequential decrease of the share capital of AS Trigon Property Development were registered in the Commercial Register. Relevant resolutions were adopted by the Annual General Meeting of shareholders held on the 29th of June 2011. The new amount of registered share capital of AS Trigon Property Development is 2,699,437 euro which is divided into 4,499,061 ordinary shares with the nominal value of 0.60 euro. The maximum share capital stipulated in the articles of association is 10,797,744 euros. Each ordinary share grants one vote to its owner at the General Meeting of Shareholders and the right to receive dividends.

As at 31 December 2011 the retained earnings amounted to -1,049,010 euros. As at 31 December 2010 the retained earnings amounted to 517,535 euros. At the balance sheet date it was possible to pay out 408,853 euros as dividends. The corresponding corporate income tax on dividends would amount to 108,682 euros.

As at 31 December 2011, the Group had 516 shareholders (31 December 2010: 492 shareholders) of which the entities with more than a 5% holdings were:

- Trigon Wood OÜ with 2,682,192 shares or 59.62% (2010: 59.62%)

Members of the Management Board and Supervisory Board did not own directly any shares of Trigon Property Development AS as at 31 December 2011 and 31 December 2010.





## 9 Expenses related to investment property

EUR	2011	2010
Land tax	11,468	11,451
Evaluation	2,083	9,000
Other expenses	928	4,423
<b>TOTAL</b>	<b>14,479</b>	<b>24,874</b>

## 10 Administrative and general expenses

EUR	2011	2010
Auditing	11,269	7,740
Security transactions and stock exchange fees	7,858	6,623
Salary	2,613	0
Other expenses	4,674	1,623
Membership fees	275	275
<b>TOTAL</b>	<b>26,689</b>	<b>16,260</b>

## 11 Earnings per share

EUR	2011	2010
Basic earnings per share (basic EPS)	-0.38731	-0.00559
Diluted earnings per share	-0.38731	-0.00560
Book value of the share	0.48	0.87
Price to earnings ratio (P/E)	-0.75	-89.51
Closing price of the share of AS Trigon Property Development on Tallinn Stock Exchange	0.29	0.5

Basic earnings per share have been calculated on the basis of the net profit for the interim period and the number of shares.

Diluted earnings per share equal the basic earnings per share because the Group does not have any potential ordinary shares with the dilutive effect on the earnings per share.

## 12 Subsidiary

The parent company has a 100% subsidiary VN Niidu Kinnisvara OÜ domiciled in Estonia.

## 13 Segment report

The Group operates in one business segment - property investments. Property investment division rents out land and develops property in Estonia.

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<i>Rental income</i>	2011		2010	
	EUR	%	EUR	%
Client A	13,440	60%	12,463	46%
Client B	3,840	17%	7,669	28%
Client C	4,560	20%	4,857	18%
Client D	0	0%	2,301	8%
Client E	640	3%	0	0%
<b>TOTAL</b>	<b>22,480</b>	<b>100%</b>	<b>27,290</b>	<b>100%</b>

#### 14 Related party transactions

The following parties are considered to be related parties:

- Parent company Trigon Wood OÜ and owners of the parent company;
- Members of the Management board, the Management Board and the Supervisory Board of AS Trigon Property Development and their close relatives;
- Entities under the control of the members of the Management Board and Supervisory Board;
- Individuals with significant ownership unless these individuals lack the opportunity to exert significant influence over the business decisions of the Group.

The Group is listed in list 1 (main equity list) of Nasdaq OMX Tallinn Stock Exchange. In total OÜ Trigon Wood is controlling 59.62 % of votes represented by shares in AS Trigon Property Development. Biggest shareholders of OÜ Trigon Wood are AS Trigon Capital (30.13%), Veikko Laine Oy (26.49%), SEB Finnish Clients (10.96%), Hermitage Eesti OÜ (12.64%) and Thominvest Oy (11.94%).

In 2011 and 2010 no remuneration has been paid to the Management or Supervisory board. There are no potential liabilities to members of the Management Board or Supervisory Board.

In 2011 and 2010 no goods and services were bought from companies that are controlled by members of the Management Board and Supervisory Board of Trigon Property Development AS.

The group did not receive additional loan from parent company (in 2010, the loan was increased by EUR 25,830). As at 31 December 2011 the balance of loans from parent company was in the amount of 133,130 (2010: 133,130) euros and the accrued interest from these loans was 20,922 (2010: 11,603) euros. In 2011 interest 9,319 (2010: 8,758) euros were calculated.

In 2011 Group repayed loan from entities under the control of members of Supervisory Board in the amount 10,275 euros.

#### 15 Contingent liabilities

The tax authorities may at any time inspect the books and records within 3-6 years subsequent to the reported tax year, and may impose additional tax assessments and penalties to the Company. Tax audits were not conducted in 2011 and 2010. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

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## 16 Going concern of the Group

As at 31 December 2011 current liabilities of the Group exceeded current assets of the Group by 65,266 euros. Financial statements of the Group are prepared on a going concern basis. In management estimation the negative working capital will not cause economic difficulties for the Group in 2012 as according to the cash flow estimation the Group is able to cover all the current liabilities. According to the agreement initiated with Trigon Capital the company will immediately provide financial support to the Group in case of economic difficulties and make additional investments to ensure continuity of the Group's activity.

## 17 Supplementary disclosures on the parent company of the Group

In accordance with Estonian Accounting Act, information on the separate primary financial statements of the consolidating entity is to be disclosed in the notes to the consolidated financial statements. The separate financial statements have been prepared using the same accounting policies as for the consolidated financial statements, except for measurement of investment in subsidiaries, which in separate financial statements are reported at cost (less any impairment losses).

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Statement of financial position

EUR	31.12.2011	31.12.2010
Cash	2,086	6,635
Receivables and prepayments	912	2
<b>Total current assets</b>	<b>2,998</b>	<b>6,637</b>
Investment in subsidiary	2,230,764	3,968,473
<b>Total non-current assets</b>	<b>2,230,764</b>	<b>3,968,473</b>
<b>TOTAL ASSETS</b>	<b>2,233,762</b>	<b>3,975,110</b>
Payables and prepayments	16,608	9,085
<b>Total current liabilities</b>	<b>16,608</b>	<b>9,085</b>
Long-term borrowings	53,130	53,130
<b>Total non-current liabilities</b>	<b>53,130</b>	<b>53,130</b>
<b>Total liabilities</b>	<b>69,738</b>	<b>62,215</b>
Share capital at nominal value	2,699,437	2,875,424
Share premium	226,056	226,056
Statutory reserve capital	287,542	287,542
Retained earnings	-1,049,011	523,873
<b>Total equity</b>	<b>2,164,024</b>	<b>3,912,895</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,233,762</b>	<b>3,975,110</b>

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Statement of comprehensive income

EUR	2011	2010
Other income	10,000	0
<b>Gross profit</b>	<b>10,000</b>	<b>0</b>
Administrative and general expenses	-17,445	-15,250
Loss from impairment of subsidiary	-1,737,709	0
Finance expenses	-3,717	-3,543
<b>NET LOSS FOR THE PERIOD</b>	<b>-1,748,871</b>	<b>-18,793</b>
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>-1,748,871</b>	<b>-18793</b>

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Cash flow statement

EUR	2011	2010
<b>Cash flows from operating activities</b>		
<i>Net loss for the period</i>	<b>-1,748,871</b>	<b>-18,793</b>
<u>Adjustments for:</u>		
Interest charge	3,717	3,526
Loss from impairment of subsidiary	1,737,709	0
Change in receivables and prepayments related to operating activities	-910	8,728
Change in liabilities and prepayments related to operating activities	3,806	389
<b><i>Cash used in main operations</i></b>	<b>-4,549</b>	<b>-6,150</b>
<b>Total cash flows from operating activities</b>	<b>-4,549</b>	<b>-6,150</b>
<b>Cash flows from financing activities</b>		
Received loans	3,500	11,830
Repayment of loans	-3,500	0
<b>Total cash flows from financing activities</b>	<b>0</b>	<b>11,830</b>
<b>CHANGE IN CASH BALANCE</b>	<b>-4,549</b>	<b>5,680</b>
OPENING BALANCE OF CASH	6,635	955
CLOSING BALANCE OF CASH	2,086	6,635

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Statement of changes in equity

EUR	Share capital	Share premium	Statutory reserve capital	Retained earnings	Total
<b>Balance 31.12.2010</b>	<b>2,875,424</b>	<b>226,056</b>	<b>287,542</b>	<b>523,874</b>	<b>3,912,896</b>
Book value of holdings under control or significant influence					-3,968,473
Value of holdings under control of significant influence, calculated using the equity method					3,962,134
<b>Adjusted unconsolidated equity at 31.12.2010</b>					<b>3,906,557</b>
Conversion of share capital	-175,987	0	0	175,987	0
Total comprehensive loss for 2011	0	0	0	-1,748,871	-1,748,871
<b>Balance 31.12.2011</b>	<b>2,699,437</b>	<b>226,056</b>	<b>287,542</b>	<b>-1,049,010</b>	<b>2,164,025</b>
Book value of holdings under control or significant influence					-2,230,764
Value of holdings under control of significant influence, calculated using the equity method					2,230,764
<b>Adjusted unconsolidated equity at 31.12.2011</b>					<b>2,164,025</b>

According to the Estonian Accounting law the amount which can be distributed to the shareholders is calculated as follows: adjusted unconsolidated equity less share capital, share premium and reserves.

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## **INDEPENDENT AUDITOR'S REPORT**

(Translation of the Estonian original)\*

To the Shareholders of AS Trigon Property Development

We have audited the accompanying consolidated financial statements of AS Trigon Property Development and its subsidiary, which comprise the consolidated statement of financial position as of 31 December 2011 and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management Board's Responsibility for the Consolidated Financial Statements**

Management Board is responsible for the preparation, and true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation, and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of AS Trigon Property Development and its subsidiary as of 31 December 2011, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.





### Emphasis of Matter

We draw attention to Note 5 in the financial statements, which discloses significant assumptions and estimates used for determining the fair value of the investment property, forming 99.4% of the total assets of AS Trigon Property Development and its subsidiary. Our opinion is not qualified in respect of this matter.

AS PricewaterhouseCoopers

A handwritten signature in black ink, appearing to be 'Ago Vilu', written over a horizontal line.

Ago Vilu  
Auditor's Certificate No.325

A handwritten signature in black ink, appearing to be 'Lauri Past', written over a horizontal line.

Lauri Past  
Auditor's Certificate No.567

27 April 2012

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

## Loss allocation proposal

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The Management Board of Trigon Property Development AS proposes to the General Meeting of Shareholders to take the net loss for 2011 in the amount of 1,742,532 euros from future earnings.

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Aivar Kemp

Member of the Management Board

## Signatures of the Management Board and the Supervisory Board to the 2011 Consolidated Annual report

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The Management Board has prepared the Company's Consolidated Annual Report for 2011. The Consolidated Annual Report consists of the management report, financial statements, auditor's report and loss allocation proposal.

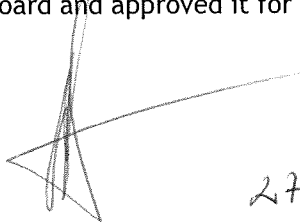


27.04.2012

Aivar Kemp

Member of the Management

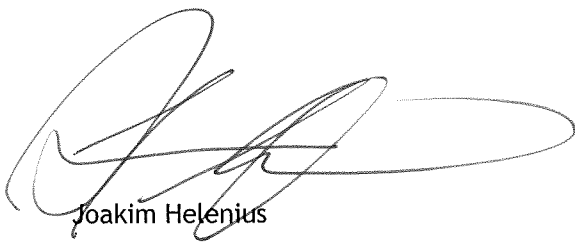
The Supervisory Board has reviewed the Consolidated Annual Report prepared by the Management Board and approved it for presentation at the General Meeting of Shareholders.



27.04.2012

Ülo Adamson

Member of the Supervisory Board



Joakim Helenius

Member of the Supervisory Board

27.04.2012



Heiti Riisberg

Member of the Supervisory Board

27.04.2012

## Trigon Property Development AS sales revenue according to the EMTAK 2008

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EMTAK	Main activity	2011
70221	Business and other management consultancy	10 000 euros
	Total sales revenue	10 000 euros