

Annual
report
2015

Translation of the Estonian original

| | |
|----------------------------------|--------------------------------|
| Beginning of the financial year: | 1.1.2015 |
| End of the financial year: | 31.12.2015 |
| Business name: | AS Trigon Property Development |
| Commercial Registry No: | 10106774 |
| Address: | Viru väljak 2 10111 Tallinn |
| Phone: | +372 6679 200 |
| Fax: | +372 6679 201 |
| E-mail: | info@trigonproperty.com |
| Website: | www.trigonproperty.com |



Table of contents

| | |
|--|-----------|
| BRIEF DESCRIPTION | 3 |
| MANAGEMENT BOARD'S CONFIRMATION | 3 |
| MANAGEMENT REPORT | 4 |
| CONSOLIDATED FINANCIAL STATEMENTS | 9 |
| Consolidated statement of financial position | 9 |
| Consolidated statement of comprehensive income | 10 |
| Consolidated cash flow statement | 11 |
| Consolidated statement of changes in equity | 12 |
| Notes to the financial statements | 13 |
| 1 <i>General information</i> | 13 |
| 2 <i>Summary of significant accounting policies</i> | 13 |
| 3 <i>Finance risk management</i> | 18 |
| 4 <i>Critical accounting estimates and judgements</i> | 20 |
| 5 <i>Receivables and prepayments</i> | 20 |
| 6 <i>Investment property</i> | 20 |
| 7 <i>Borrowings</i> | 22 |
| 8 <i>Payables and prepayments</i> | 22 |
| 9 <i>Equity</i> | 22 |
| 10 <i>Expenses related to investment property</i> | 23 |
| 11 <i>Administrative and general expenses</i> | 23 |
| 12 <i>Earnings per share</i> | 23 |
| 13 <i>Subsidiary</i> | 23 |
| 14 <i>Segment report</i> | 23 |
| 15 <i>Related party transactions</i> | 24 |
| 16 <i>Contingent liabilities</i> | 24 |
| 17 <i>Supplementary disclosures on the parent company of the Group</i> | 24 |
| INDEPENDENT AUDITOR'S REPORT | 28 |
| PROFIT ALLOCATION PROPOSAL | 30 |
| SIGNATURES OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD TO THE 2015 CONSOLIDATED ANNUAL REPORT | 31 |
| TRIGON PROPERTY DEVELOPMENT AS SALES REVENUE ACCORDING TO THE EMTAK 2008 | 32 |

Brief description

AS Trigon Property Development is a real estate development company.

AS Trigon Property Development currently owns one real estate development project involving a 32.8-hectare area in the City of Pärnu, Estonia. Commercial real estate will be developed on this area.

The Group is listed in Nasdaq OMX Tallinn Stock Exchange. On November 6, 2012, the Listing and Surveillance Committee of NASDAQ OMX Tallinn decided to delist AS Trigon Property Development shares from the Main List starting November 21, 2012, and to admit the shares simultaneously to trading in the Secondary List.

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 Board's confirmation

The Management Board confirms that:

1. the management report presented on pages 4 to 8 presents a true and fair view of the business developments and results, of the financial position, and includes the description of major risks and doubts for the Parent company and consolidated companies as a group.
2. the accounting policies and presentation of information of the 2015 consolidated financial statements of AS Trigon Property Development presented on pages 9 to 27 are in compliance with International Financial Reporting Standards as adopted by the European Union;
3. the financial statements present a true and fair view of the financial position, the results of the operations and the cash flows of the Group;
4. the Group is going concern.



Aivar Kemp

Member of the Management Board

19 February 2016

Management report

Overview of business areas

The main business activity of Trigon Property Development AS is real estate development. As at 31.12.2015 AS Trigon Property Development owned one development project involving a 32.8-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. In 2015 a 0.5-hectare part of the property was sold. In 2014 an investment property at Kase 18 Pärnu was sold. 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 31.12.2015 | Shareholding as of 31.12.2014 |
|------------------------|----------|----------------------------------|----------------------------------|
| 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

| Statement of financial position | 2015 | 2014 |
|---------------------------------|-------------|-------------|
| Total assets | 2,427,544 | 2,587,790 |
| Return on assets | -0.38% | 9.76% |
| Equity | 2,415,109 | 2,424,431 |
| Return on equity | -0.39% | 10.41% |
| Debt ratio | 0.51% | 6.31% |
| Share (31.12) | 2015 | 2014 |
| Closing price of the share | 0.590 | 0.500 |
| Earnings per share | -0.00207 | 0.05612 |
| Price-to-earnings (PE) ratio | -284.75 | 8.91 |
| Book value of the share | 0.54 | 0.54 |
| Price-to-book ratio | 1.10 | 0.93 |
| Market capitalisation | 2,654,446 | 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 5th of June 1997, the shares of Trigon Property Development AS have been listed in 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 0.500 euros at the end of 2014 was closed in the end of December 2015 at 0.590 euros, increasing by 18%. In total of 174,365 shares were traded in 12 months 2015 and the total sales amounted to 96,984 euros.

Share price and trading statistics on the Tallinn Stock Exchange from 01.01.2015 to 31.12.2015:



The distribution of share capital by the number of shares acquired as at 31.12.2015.

| | Number of shareholders | % of shareholders | Number of shares | % of share capital |
|---------------------|------------------------|-------------------|------------------|--------------------|
| 1-99 | 86 | 21.88% | 2,552 | 0.06% |
| 100-999 | 145 | 36.90% | 47,075 | 1.05% |
| 1 000-9 999 | 135 | 34.35% | 354,467 | 7.88% |
| 10 000-99 999 | 23 | 5.85% | 782,275 | 17.39% |
| 100 000-999 999 | 3 | 0.76% | 630,500 | 14.01% |
| 1 000 000-9 999 999 | 1 | 0.25% | 2,682,192 | 59.62% |
| TOTAL | 393 | 100% | 4,499,061 | 100% |

List of shareholders with over 1% holdings as at 31.12.2015.

| Shareholder | Number of shares | Ownership % |
|---|------------------|-------------|
| OÜ TRIGON WOOD | 2,682,192 | 59.62% |
| AS HARJU KEK | 224,000 | 4.98% |
| M.C.E.FIDARSI OSAÜHING | 206,500 | 4.59% |
| MADIS TALGRE | 200,000 | 4.45% |
| JAMES KELLY | 95,550 | 2.12% |
| KIRSCHMANN OÜ | 95,165 | 2.12% |
| Central Securities Depository of Lithuania | 72,260 | 1.61% |
| OÜ SUUR SAMM | 69,979 | 1.56% |
| Skandinaviska Enskilda Banken Swedish Clients | 67,844 | 1.51% |
| TOIVO KULDMÄE | 49,231 | 1.09% |

Personal

AS Trigon Property Development had no employees as at 31 December 2015 and as at 31 December 2014. Total labour costs in 2014 were 10,255 euros and in 2015 there were no labour costs.

Corporate Governance Report

General

Corporate Governance Recommendations (Recommendations) are a set of guidelines and advisable rules recommended to be followed in terms of management and control 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 1st of January 2006 (“*comply or explain*” principle).

The Recommendations regulate, among other matters, the convening and the procedure of the General Meeting of Shareholders; requirements for the compositions, duties and activities of the Management and Supervisory Board, 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 laws and legal regulations in its business activities. As a public company, TPD is guided by Nasdaq OMX Baltic Stock Exchange (Tallinn Stock Exchange) requirements and the principle of equal treatment of shareholders and investors. Therefore TPD follows the guidelines of Recommendations in general.

The Recommendations are available:
<http://www.nasdaqbaltic.com/files/tallinn/bors/press/HYT.pdf>

General Meeting of Shareholders

The highest governing body of TPD is the general meeting of shareholders (General Meeting). According to the Commercial Code and Recommendations, TPD convenes the General Meeting by publishing the respective notice via Tallinn Stock Exchange, on the web page of TPD and in the national daily newspaper. Simultaneously the following is published: General Meeting agenda approved by the Supervisory Board, draft resolutions with regards to each agenda item, documents to be submitted for exercising voting rights and other essential information. Both the notice and aforementioned information is published in Estonian and in English.

18.06.2015 ordinary General Meeting was held and the shareholders approved Annual Report 2014, profit allocation proposal and elected auditor for 2015. No extraordinary General Meeting were held in 2015.

TPD herein presents requirements of Recommendations with “*comply or explain*” principle i.e. explains the requirements of the Recommendations that were partly or wholly not complied with.

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 Kempfi to chair the General Meeting held on the 18th of June in 2015 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 at the General Meeting.

The member of the Management Board and one member of Supervisory Board participated in the General Meeting held on 18.06.2015. 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 not be replied by the participating Supervisory Board member or Management Board. At the same time, TPD had agreed with the auditors that they will be available via phone should the shareholders wish (for example, ask questions). Shareholders had no questions to the auditors.

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.

TPD did not make participation in the General Meeting possible by means of communications equipment since no such technical solutions are available to TPD.

Supervisory Board

Supervisory Board plans the activities of TPD, guides and supervises the Management Board. TPD Supervisory Board comprises of 3 members. No transactions with Supervisory Board members or their related parties were executed in 2015. No remuneration was paid to Supervisory Board members in 2015, therefore no respective information in this regard is to be published. No conflict of interest events occurred in 2015 between TPD and the other activities of the Supervisory Board members.

TPD herein presents requirements of Recommendations with “*comply or explain*” principle.

Article 3.2.2: At least half of the members of the Supervisory Board of the Issuer shall be independent. If the Supervisory Board has an odd number of members, then there may be one independent member less than the number dependent members.

Two members of the Supervisory Board couldn’t be considered as independent in 2015. Ülo Adamson and Joakim Johan Helenius are the members of the Management Board of OÜ Trigon Wood, the controlling shareholder of TPD and two members are also members of governing bodies of AS Trigon Capital, shareholder of OÜ Trigon Wood, group companies as at 31.12.2015. As long as composition of the Supervisory Board does not comply with the independence requirement set by the Recommendations, TPD may consider changing the composition of the Supervisory Board. However, the experience and knowledge of the current Supervisory Board members has so far ensured the effective management of TPD.

Management Board

TPD Management Board comprises of 1 member. No remuneration was paid to Management Board member in 2015, therefore no respective information in this regard is to be published. No transactions with Management Board member or his related parties were executed. Management Board answers to and cooperates with the Supervisory Board, participates at the General Meetings, replies to shareholders' inquiries and runs TPD on a daily basis. No conflict of interest events have occurred as the other activities of the Management Board member are not related to property in Pärnu where TPD owns land.

The following in the Recommendations were not complied with and below explanations are presented.

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 Kempis is the only member of the Management Board, but enlargement of the Board is not ruled out in the future.

No service contract is concluded with Aivar Kempis 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.

Publishing financial reports and other information

During 2015, TPD published interim reports and Annual Report 2014. The Annual Report is audited by AS PricewaterhouseCoopers. The audit is done in compliance with international standards on auditing.

TPD herein presents with "comply or explain" principle the requirements of Recommendations which were not complied with.

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.

TPD did not publish a separate financial calendar 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 Tallinn Stock Exchange Regulations require that an issuer publishes all essential information through the stock exchange system. Only previously published information is discussed in meetings with analysts and press conferences and therefore TPD has foreseen 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.

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

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 General Meeting.

Consolidated Financial Statements

Consolidated statement of financial position

| EUR | 31.12.2015 | 31.12.2014 |
|---|------------------|------------------|
| Cash | 100,540 | 144,536 |
| Receivables and prepayments (note 5) | 17,004 | 93,254 |
| Total current assets | 117,544 | 237,790 |
| Investment property (note 6) | 2,310,000 | 2,350,000 |
| Total non-current assets | 2,310,000 | 2,350,000 |
| TOTAL ASSETS | 2,427,544 | 2,587,790 |
| Borrowings (note 7) | 0 | 12,516 |
| Payables and prepayments (note 8) | 12,435 | 26,293 |
| Total current liabilities | 12,435 | 38,809 |
| Long-term borrowings (note 7) | 0 | 124,550 |
| Total non-current liabilities | 0 | 124,550 |
| Total liabilities | 12,435 | 163,359 |
| Share capital at nominal value (note 9) | 2,699,437 | 2,699,437 |
| Share premium | 226,056 | 226,056 |
| Statutory reserve capital | 287,542 | 287,542 |
| Retained earnings | -797,926 | -788,604 |
| Total equity | 2,415,109 | 2,424,431 |
| TOTAL LIABILITIES AND EQUITY | 2,427,544 | 2,587,790 |

The notes to the consolidated financial statements presented on pages 13-27 are an integral part of these financial statements.

Initsialiseeritud ainult identifitseerimiseks
Initialled for the purpose of identification only
Initsiaalid/initials L.M.
Kuupäev/date 19.02.2016
PricewaterhouseCoopers, Tallinn

Consolidated statement of comprehensive income

| EUR | 2015 | 2014 |
|---|----------------|----------------|
| Rental income (note 14) | 0 | 3,420 |
| Expenses related to investment property (note 10) | -11,963 | -13,530 |
| Gross profit (loss) | -11,963 | -10,110 |
| Administrative and general expenses (note 11) | -31,891 | -42,761 |
| Changes in fair value of investment property (note 6) | 36,776 | 315,960 |
| Operating profit (-loss) | -7,078 | 263,089 |
| Net financial expense | -2,244 | -10,613 |
| NET PROFIT (-LOSS) FOR THE PERIOD | -9,322 | 252,476 |
| TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD | -9,322 | 252,476 |
| Basic earnings per share | -0.00207 | 0.05612 |
| Diluted earnings per share | -0.00207 | 0.05612 |

The notes to the consolidated financial statements presented on pages 13-27 are an integral part of these financial statements.

Initsialiseeritud ainult identifitseerimiseks
Initialled for the purpose of identification only
Initsiaalid/initials L.M.
Kuupäev/date 19.02.2016
PricewaterhouseCoopers, Tallinn

Consolidated cash flow statement

| EUR | 2015 | 2014 |
|--|-----------------|-----------------|
| Cash flows from operating activities | | |
| Net profit (-loss) for the period | -9,322 | 252,476 |
| <u>Adjustments for:</u> | | |
| Change in fair value of investment property (note 6) | -36,776 | -315,960 |
| Interest charge | 2,244 | 10,613 |
| Changes in working capital: | | |
| Change in receivables and prepayments related to operating activities (note 5) | 76,250 | -92,241 |
| Change in liabilities and prepayments related to operating activities (note 8) | 6,373 | -2,701 |
| Interests received | 8 | 0 |
| Interests paid | -22,483 | -7,366 |
| Total cash flows used in operating activities | 16,294 | -155,179 |
| Cash flows from investing activities | | |
| Capital expenditure on investment property (note 6) | -8,224 | -4,040 |
| Disposal of investment property (note 6) | 85,000 | 300,000 |
| Total cash flows from investing activities | 76,776 | 295,960 |
| Cash flows from financing activities | | |
| Received loans (note 7) | 0 | 109,420 |
| Repayment of loans (note 7) | -137,066 | -107,031 |
| Total cash flows from financing activities | -137,066 | 2,389 |
| CHANGE IN CASH BALANCE | -43,996 | 143,170 |
| | | |
| OPENING BALANCE OF CASH | 144,536 | 1,366 |
| CLOSING BALANCE OF CASH | 100,540 | 144,536 |

The notes to the consolidated financial statements presented on pages 13-27 are an integral part of these financial statements.

Initsialiseeritud ainult identifitseerimiseks
 Initialled for the purpose of identification only
 Initsiaalid/initials L.M.
 Kuupäev/date 19.02.2016
 PricewaterhouseCoopers, Tallinn

Consolidated statement of changes in equity

| EUR | Share capital | Share premium | Statutory reserve capital | Retained earnings | Total |
|-------------------------------------|------------------|----------------|---------------------------|-------------------|------------------|
| Balance 31.12.2013 | 2,699,437 | 226,056 | 287,542 | -1,041,080 | 2,171,955 |
| Total comprehensive income for 2014 | 0 | 0 | 0 | 252,476 | 252,476 |
| Balance 31.12.2014 | 2,699,437 | 226,056 | 287,542 | -788,604 | 2,424,431 |
| Total comprehensive loss for 2015 | 0 | 0 | 0 | -9,322 | -9,322 |
| Balance 31.12.2015 | 2,699,437 | 226,056 | 287,542 | -797,926 | 2,415,109 |

Additional information regarding the owners' equity is provided in Note 9.

The notes to the consolidated financial statements presented on pages 13-27 are an integral part of these financial statements.

Initsialiseeritud ainult identifitseerimiseks
Initialled for the purpose of identification only
Initsiaalid/initials L.M.
Kuupäev/date 19.02.2016
PricewaterhouseCoopers, Tallinn

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 on 19.02.2016. Pursuant to the Commercial Code of the Republic of Estonia, the financial statements are subject to approval by the Supervisory Board and the General Meeting of Shareholders. The financial statements will be published through the electronic channels of Tallinn Stock Exchange.

The 2015 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 consolidated financial statements have been prepared in euros (EUR).

The Group is listed in secondary 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.

| |
|---|
| Initsialiseeritud ainult identifitseerimiseks |
| Initialled for the purpose of identification only |
| Initsiaalid/initials <u>L.M.</u> |
| Kuupäev/date <u>19.02.2016</u> |
| PricewaterhouseCoopers, Tallinn |

2.2 Functional and presentation currency

The 2015 consolidated financial statements have been presented in euros (EUR). Functional currency of Group is euro.

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.

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 13.

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.

Initsialiseeritud ainult identifitseerimiseks
Initialled for the purpose of identification only
Initsiaalid/initials L.M.
Kuupäev/date 19.02.2016
PricewaterhouseCoopers, Tallinn

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.

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.

Initsialiseeritud ainult identifitseerimiseks
Initialed for the purpose of identification only
Initsiaalid/initials L.M.
Kuupäev/date 19.02.2016
PricewaterhouseCoopers, Tallinn

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

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. When measuring provisions, risks and uncertainties are taken into consideration. Provisions are discounted when time value of money has significant impact and future events are taken into consideration, however no profits are recorded from disposal of assets. 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. Since 01.01.2015 the tax rate on the net dividends paid out of retained earnings is 20/80 (until 31.12.2014 21/79). In certain circumstances, it is possible to distribute dividends without any additional income tax expense. The corporate income tax 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. An 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.

Investment and financial activities cash flow statement is prepared using the direct method.

2.12 Statutory reserve capital

Statutory reserve capital is formed from annual net profit allocations, also from other allocations which are transferred according to law or articles of association. 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 19.02.2016 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.

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

New or revised standards and interpretations that are mandatory for the Group on 1 January 2015 does not have a material effect on the Group's financial statements.

New Accounting Pronouncements

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.

Initsialiseeritud ainult identifitseerimiseks
Initialled for the purpose of identification only
Initsiaalid/initials L.M.
Kuupäev/date 19.02.2016
PricewaterhouseCoopers, Tallinn

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. 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, other assets and liabilities are nominated in euros.

(ii) 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 and liabilities, its income and operating cash flows are substantially independent of changes in market interest rates. The change in market interest rates has indirect influence to the change of fair value of investment property, but the influence to the change of fair value of investment property is difficult to quantitatively evaluate.

(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 2015 and 31 December 2014 the cash of the Group was deposited in Swedbank (credit rating A2 by Moody's Investor Service). Prepayments to the Tax Authority are considered not credit risk bearing. Receivables from customers are considered short-term in nature and management is monitoring collection of these receivables. As at the date of the statement of financial position, the Group's exposure to credit risk is 115,747 euros (2014: 234,552 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 2015, the Group partly sold the investment property owned by Group. From disposal of investment property and the cash received, and accounts receivable and cash balance at year-end will secure the settlement of liabilities at due date and will support the development of investment property.

| | EUR | | EUR | |
|--------------------------|----------------|-----------|----------------|----------------|
| | 31.12.2015 | | 31.12.2014 | |
| | 1 year or less | 2-5 years | 1 year or less | 2-5 years |
| Borrowings | 0 | 0 | 12,516 | 124,550 |
| Payables and prepayments | 12,435 | 0 | 26,293 | 0 |
| TOTAL | 12,435 | 0 | 38,809 | 124,550 |

Initsialiseeritud ainult identifitseerimiseks
Initialled for the purpose of identification only
Initsiaalid/initials L.M.
Kuupäev/date 19.02.2016
PricewaterhouseCoopers, Tallinn

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.

At the date of the annual report 2015 the Group was leading only the equity as Groups' capital and there were no changes the capital requirements. Quantitative data about capital and the changes are to be seen in the consolidated statement of changes in owners' equity. The Group does not apply to other capital requirements beyond the general requirements of the Commercial Code. The respective requirements are not violated during the reporting period or during the comparison period.

3.3 Fair value of financial assets and financial liabilities

The Group's management 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 2015 and 31 December 2014.

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 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 6).

5 Receivables and prepayments

| EUR | 31.12.2015 | 31.12.2014 |
|-----------------|---------------|---------------|
| Receivables | 15,207 | 90,015 |
| Tax prepayments | 1,797 | 3,239 |
| TOTAL | 17,004 | 93,254 |

6 Investment property

| | EUR |
|--|------------------|
| Balance as of 31.12.2013 | 2,330,000 |
| Sales of investment property | -300,000 |
| Capital expenditure on investment property | 4,040 |
| Gain from change in fair value | 315,960 |
| Balance as at 31.12.2014 | 2,350,000 |
| Sales of investment property | -85,000 |
| Capital expenditure on investment property | 8,224 |
| Gain from change in fair value | 36,776 |
| Balance as at 31.12.2015 | 2,310,000 |

Group currently owns one real estate development project involving a 32.8-hectare area in the City of Pärnu, Estonia.

In 2015 a 0.5-hectare part of this property was sold for 85,000 EUR. In 2014 a 2 hectare investment property at Kase 18 Pärnu was sold for 300,000 EUR.

The expenses related to the management of investment property totalled 11,963 euros in 2015 and 13,530 euros in 2014 (note 10).

The property has been rented out until the beginning of construction works under operating lease agreements. Revenue from the leasing of investment property totalled 3,420 euros in 2014. In 2015 there were no revenue from the leasing of investment property.

In 2015 the investment property was valued by independent valuer Newsec Valuations EE using the comparable transactions approach 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 11 to 14.2 per square meter, depending on the location and basic site infrastructure. Based on comparable transaction the valuer has estimated the sales price at 10.96 EUR/m². To evaluate the present value of the area as of 31.12.2015, the valuer has estimated the sales period to be 5 years and discount rate 14.96% was used.

Initsialiseeritud ainult identifitseerimiseks
Initialled for the purpose of identification only
Initsiaalid/initials L.M.
Kuupäev/date 19.02.2016
PricewaterhouseCoopers, Tallinn

As at 31 December 2015 the evaluation resulting in a fair value of 2,310,000 euros.

In 2014 the investment property was valued by independent valuer Newsec Valuations EE using the comparable transactions approach 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 10 to 14.2 per square meter, depending on the location and basic site infrastructure. Based on comparable transaction the valuer has estimated the sales price at 11.3 EUR/m². To evaluate the present value of the area as of 31.12.2014, the valuer has estimated the sales period to be 4 years and discount rate 18.53% was used.

As at 31 December 2014 the evaluation resulting in a fair value of 2,350,000 euros.

According to IFRS 13 the valuation of fair value of real estate is considered level 3 investment. Main inputs are sales price, the discount rate and sales period in the discounted cash flow. Sensitivity of the main inputs to investment property fair value as of 31.12.2015:

| Discount rate | Sales price, EUR / m ² | | | | | | |
|---------------|-----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 9.40 | 9.89 | 10.41 | 10.96 | 11.51 | 12.08 | 12.69 |
| 12.80% | 2,080,000 | 2,200,000 | 2,320,000 | 2,450,000 | 2,570,000 | 2,710,000 | 2,850,000 |
| 13.50% | 2,040,000 | 2,160,000 | 2,280,000 | 2,400,000 | 2,530,000 | 2,660,000 | 2,800,000 |
| 14.20% | 2,010,000 | 2,120,000 | 2,240,000 | 2,360,000 | 2,480,000 | 2,610,000 | 2,750,000 |
| 15.00% | 1,970,000 | 2,080,000 | 2,190,000 | 2,310,000 | 2,430,000 | 2,560,000 | 2,690,000 |
| 15.70% | 1,930,000 | 2,040,000 | 2,150,000 | 2,270,000 | 2,390,000 | 2,510,000 | 2,640,000 |
| 16.50% | 1,890,000 | 2,000,000 | 2,110,000 | 2,220,000 | 2,340,000 | 2,460,000 | 2,590,000 |
| 17.30% | 1,850,000 | 1,960,000 | 2,060,000 | 2,180,000 | 2,290,000 | 2,410,000 | 2,540,000 |

| Sales period | |
|--------------|-----------|
| +1 year | 1,761,000 |
| -1 year | 2,554,000 |

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 2015 and 31 December 2014, investment properties were encumbered with mortgages for the benefit of Estonian Republic in the amount of 395 thousand euros. Mortgages were set as collateral for borrowings (note 7) which was repaid as at 31 December 2015. As at 31 December 2015 the carrying amount of investment properties encumbered with mortgages was 2,310,000 euros and 31 December 2014 2,350,000 euros.

Initsialiseeritud ainult identifitseerimiseks
Initialled for the purpose of identification only
Initsiaalid/initials L.M.
Kuupäev/date 19.02.2016
PricewaterhouseCoopers, Tallinn

7 Borrowings

As at 31.12.2014

| EUR | Current | | Non-current | Interest rate | Currency | Due date |
|-----------------------------|------------------|---------------|----------------|---------------|----------|------------|
| | Total borrowings | borrowings | borrowings | | | |
| Instalment payment for land | 12 516 | 12 516 | 0 | 10% | EUR | 20.05.2015 |
| Loans from related parties | 124 550 | 0 | 124 550 | 7% | EUR | 31.12.2016 |
| TOTAL | 137 066 | 12 516 | 124 550 | | | |

In 2015 the Group repaid all the borrowings.

Loans from related parties received in 2014 have same terms as the previous loan.

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

8 Payables and prepayments

| EUR | 31.12.2015 | 31.12.2014 |
|-------------------|---------------|---------------|
| Payables | 7,035 | 1,802 |
| Interests payable | 0 | 20,231 |
| Other payables | 5,400 | 4,260 |
| TOTAL | 12,435 | 26,293 |

9 Equity

| | Number of shares pcs | Share capital EUR |
|--------------------|-------------------------|----------------------|
| Balance 31.12.2014 | 4,499,061 | 2,699,437 |
| Balance 31.12.2015 | 4,499,061 | 2,699,437 |

The share capital of AS Trigon Property Development is 2,699,437 euros 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 2015 the accumulated losses amounted to -797,926 euros. As at 31 December 2014 the accumulated losses amounted to -788,604 euros.

As at 31 December 2015, the Group had 393 shareholders (31 December 2014: 408 shareholders) of which the entities with more than a 5% holdings were:

- Trigon Wood OÜ with 2,682,192 shares or 59.62% (2014: 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 2015 and 31 December 2014.

Initsialiseeritud ainult identifitseerimiseks
Initialled for the purpose of identification only
Initsiaalid/initials L.M.
Kuupäev/date 19.02.2016
PricewaterhouseCoopers, Tallinn

10 Expenses related to investment property

| EUR | 2015 | 2014 |
|----------------|---------------|---------------|
| Land tax | 10,763 | 11,540 |
| Evaluation | 1,200 | 1,500 |
| Other expenses | 0 | 490 |
| TOTAL | 11,963 | 13,530 |

11 Administrative and general expenses

| EUR | 2015 | 2014 |
|---|---------------|---------------|
| Salary | 0 | 10,255 |
| Auditing | 9,820 | 7,778 |
| Security transactions and stock exchange fees | 8,515 | 7,396 |
| Consulting | 12,220 | 12,790 |
| Other | 1,336 | 4,542 |
| TOTAL | 31,891 | 42,761 |

In 2015 the average number of employees was 0 and in 2014 was 1.

12 Earnings per share

| EUR | 2015 | 2014 |
|--|----------|---------|
| Basic earnings per share (basic EPS) | -0.00207 | 0.05612 |
| Diluted earnings per share | -0.00207 | 0.05612 |
| Book value of the share | 0.54 | 0.54 |
| Price to earnings ratio (P/E) | -284.75 | 8.91 |
| Closing price of the share of AS Trigon Property Development on Tallinn Stock Exchange 31.12 | 0.590 | 0.500 |

Basic earnings per share have been calculated on the basis of the net profit (loss) 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.

13 Subsidiary

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

14 Segment report

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

Initsialiseeritud ainult identifitseerimiseks
Initialled for the purpose of identification only
Initsiaalid/initials L.M.
Kuupäev/date 19.02.2016
PricewaterhouseCoopers, Tallinn

15 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 secondary 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 2015 and 2014 no remuneration has been paid to the Management or Supervisory board. There are no potential liabilities or severance compensations to members of the Management Board or Supervisory Board.

In 2014 Group received additional loan from related parties in the amount of 109,420 euros. In 2015 Group repaid the loan from parent company in the amount 124,550 euros. As at 31 December 2015 the balance of loans from parent company was in the amount of 0 (2014: 124,550) euros and the accrued interest from these loans was 0 (2014: 20,231) euros. In 2015 interest 1,001 (2014: 8,110) euros were calculated.

16 Contingent liabilities

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties to the Company. Tax audits were not conducted in 2015 and 2014. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

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).

Initsialiseeritud ainult identifitseerimiseks
Initialled for the purpose of identification only
Initsiaalid/initials L.M.
Kuupäev/date 19.02.2016
PricewaterhouseCoopers, Tallinn

Statement of financial position of the parent company of the Group

| EUR | 31.12.2015 | 31.12.2014 |
|--------------------------------------|------------------|------------------|
| Cash | 545 | 52,043 |
| Total current assets | 545 | 52,043 |
| Investment in subsidiary | 2,530,348 | 2,519,628 |
| Total non-current assets | 2,530,348 | 2,519,628 |
| TOTAL ASSETS | 2,530,893 | 2,571,671 |
| Borrowings | 106,700 | 0 |
| Payables and prepayments | 9,084 | 22,691 |
| Total current liabilities | 115,784 | 22,691 |
| Long-term borrowings | 0 | 124,550 |
| Total non-current liabilities | 0 | 124,550 |
| Total liabilities | 115,784 | 147,241 |
| Share capital at nominal value | 2,699,437 | 2,699,437 |
| Share premium | 226,056 | 226,056 |
| Statutory reserve capital | 287,542 | 287,542 |
| Retained earnings | -797,926 | -788,605 |
| Total equity | 2,415,109 | 2,424,430 |
| TOTAL LIABILITIES AND EQUITY | 2,530,893 | 2,571,671 |

Statement of comprehensive income of the parent company of the Group

| EUR | 2015 | 2014 |
|--|---------------|----------------|
| Administrative and general expenses | -16,800 | -17,501 |
| Impairment of reversal of subsidiary | 10,720 | 274,329 |
| Net financial expenses | -3,241 | -4,352 |
| NET PROFIT (-LOSS) FOR THE PERIOD | -9,321 | 252,476 |
| TOTAL COMPREHENSIVE PROFIT (-LOSS) FOR THE PERIOD | -9,321 | 252,476 |

Initsialiseeritud ainult identifitseerimiseks
Initialled for the purpose of identification only
Initsiaalid/initials L.M.
Kuupäev/date 19.02.2016
PricewaterhouseCoopers, Tallinn

Cash flow statement of the parent company of the Group

| EUR | 2015 | 2014 |
|---|----------------|----------------|
| Cash flows from operating activities | | |
| <i>Net profit (-loss) for the period</i> | -9,321 | 252,476 |
| <u>Adjustments for:</u> | | |
| Interest charge | 3,241 | 4,353 |
| Impairment of reversal of subsidiary | -10,720 | -274,329 |
| Change in receivables and prepayments related to operating activities | 0 | 1,013 |
| Change in liabilities and prepayments related to operating activities | 4,380 | -3,700 |
| Interest paid | -21,231 | 0 |
| Other cash flows | 3 | 0 |
| Total cash flows from operating activities | -33,648 | -20,187 |
| Cash flows from financing activities | | |
| Received loans | 106,700 | 71,420 |
| Repayment of loans | -124,550 | 0 |
| Total cash flows from financing activities | -17,850 | 71,420 |
| NET INCREASE IN CASH BALANCE | -51,498 | 51,233 |
| | | |
| OPENING BALANCE OF CASH | 52,043 | 810 |
| CLOSING BALANCE OF CASH | 545 | 52,043 |

Initsialiseeritud ainult identifitseerimiseks
Initialled for the purpose of identification only
Initsiaalid/initials L.M.
Kuupäev/date 19.02.2016
PricewaterhouseCoopers, Tallinn

Statement of changes in equity of the parent company of the Group

| <i>EUR</i> | Share capital | Share premium | Statutory reserve capital | Retained earnings | Total |
|--|------------------|------------------|---------------------------------|----------------------|------------------|
| Balance 31.12.2013 | 2,699,437 | 226,056 | 287,542 | -1,041,081 | 2,171,954 |
| Book value of holdings under control or significant influence | | | | | -2,245,299 |
| Value of holdings under control of significant influence, calculated using the equity method | | | | | 2,245,299 |
| Adjusted unconsolidated equity at 31.12.2013 | | | | | 2,171,954 |
| Total comprehensive income for 2014 | 0 | 0 | 0 | 252,476 | 252,476 |
| Balance 31.12.2014 | 2,699,437 | 226,056 | 287,542 | -788,605 | 2,424,430 |
| Book value of holdings under control or significant influence | | | | | -2,519,628 |
| Value of holdings under control of significant influence, calculated using the equity method | | | | | 2,519,628 |
| Adjusted unconsolidated equity at 31.12.2014 | | | | | 2,424,430 |
| Total comprehensive loss for 2015 | 0 | 0 | 0 | -9,321 | -9,321 |
| Balance 31.12.2015 | 2,699,437 | 226,056 | 287,542 | -797,926 | 2,415,109 |
| Book value of holdings under control or significant influence | | | | | -2,530,348 |
| Value of holdings under control of significant influence, calculated using the equity method | | | | | 2,530,348 |
| Adjusted unconsolidated equity at 31.12.2015 | | | | | 2,415,109 |

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.

Initsialiseeritud ainult identifitseerimiseks
Initialled for the purpose of identification only
Initsiaalid/initials L.M.
Kuupäev/date 19.02.2016
PricewaterhouseCoopers, Tallinn



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 2015 and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes comprising 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 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 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 present fairly, in all material respects, the financial position of AS Trigon Property Development and its subsidiary as of 31 December 2015, and 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 6 in the consolidated financial statements, which discloses significant assumptions and estimates used for determining the fair value of the investment property, forming 95% 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 blue ink, appearing to read 'Tiit Raimla'.

Tiit Raimla
Auditor's Certificate No. 287

A handwritten signature in blue ink, appearing to read 'Verner Uibo'.

Verner Uibo
Auditor's Certificate No. 568

19 February 2016

** 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.*

Proposal for covering of loss

The Management Board of Trigon Property Development AS proposes to the General Meeting of Shareholders to allocate the consolidated net loss in the amount of 9,321 euros to accumulated losses.



Aivar Kemp

Member of the Management Board

Signatures of the Management Board and the Supervisory Board to the 2015 Consolidated Annual report

The Management Board has prepared the Company's Consolidated Annual Report for 2015. The Consolidated Annual Report consists of the management report, financial statements, auditor's report and proposal for covering of loss.



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.

Ülo Adamson

Member of the Supervisory Board

Joakim Helenius

Member of the Supervisory Board

Heiti Riisberg

Member of the Supervisory Board

Trigon Property Development AS sales revenue according to the EMTAK 2008

| EMTAK | Main activity | 2015 | 2014 |
|-------|---|---------|---------|
| 70221 | Business and other management consultancy | 0 euros | 0 euros |
| | Total sales revenue | 0 euros | 0 euros |