Annual report 2016

Translation of the Estonian original

Beginning of the financial year:	1.1.2016
End of the financial year:	31.12.2016
Business name:	AS Trigon Property Development
Commercial Registry No:	10106774
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TRIGON Property Development

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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 22.39-hectare area in the City of Pärnu, Estonia. Commercial real estate is planned to be developed on this area.

The Group is listed on the 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 from November 21, 2012, and to admit the shares simultaneously to trading in the Secondary List.

OÜ Trigon Wood controls 59.62 % of the votes represented by shares in AS Trigon Property Development. Currently, the biggest shareholders of OÜ Trigon Wood are AS Trigon Capital (30.13%), Veikko Laine Oy (26.49%), the clients of SEB Finland (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 11 presents a true and fair view of the business developments and results, as well as of the financial position of the parent company and the consolidated subsidiaries as a whole, and includes a description of the main risks and doubts regarding the Group.
2. the accounting policies and the presentation of information of the 2016 consolidated financial statements of AS Trigon Property Development presented on pages 12 to 30 are in compliance with the 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 a going concern.

Aivar Kempi

Member of the Management Board

22 March 2017

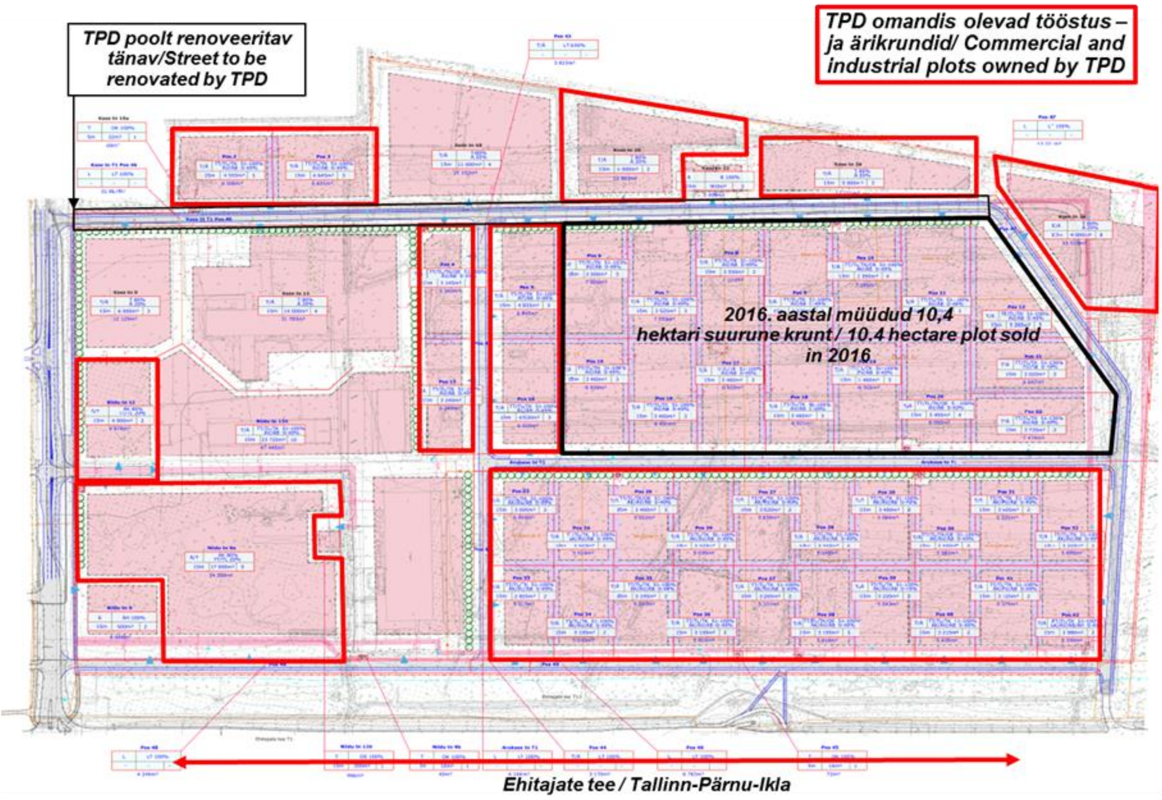
Management report

Overview of business areas

The main business activity of Trigon Property Development AS is real estate development. As at 31.12.2016, AS Trigon Property Development owned one development project with an area of 32.8 hectares in the City of Pärnu, Estonia. An industrial and logistics park is planned to be developed on this area. The Group's objective is to find companies willing to bring their business activities (industry, logistics) to the development project area of AS Trigon Property Development in Pärnu, which would add value to the land plots owned by the Group. The realisation of the value of the land is planned through the selling of land plots or through the development of real estate with the intention of creating a rental income-generating project.

In 2016, the Group signed a preliminary sales-purchase agreement for the sale of a 10.4-hectare industrial property at 8.14 EUR/m2. The final sale-purchase agreement was executed in March 2017. According to the real right contract, Trigon Property Development AS is obliged to build a road to the sold land plot.

In 2016, a new detailed planning was made for the property, under which the proportion of business property with respect to all the land has increased compared to the previous planning. New established detailed planning has also increased the flexibility regarding the partial selling of the property as compared to the previous detailed planning since the plots are smaller and there is flexibility to change the size of the plots as required.



Management

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

Group structure

Until 30 June 2016, the Group had one 100% subsidiary: VN Niidu Kinnisvara OÜ, which was set up for the development of the land located in the area of Niidu Street in Pärnu. On 1 July 2016, Trigon Property Development AS was merged with VN Niidu Kinnisvara OÜ. On 21 October 2016, the merger of Trigon Property Development AS and VN Niidu Kinnisvara OÜ was entered into the Commercial Register.

Economic environment

Statistics Estonia reports that in 2016, the Estonian gross domestic product (GDP) increased by 1.6% compared to 2015 and reached 20.9 billion euros in current prices. The biggest contributors to the economic growth were information and communication, trade and transportation activities, while more than half of the categories of economic activity had a positive effect on economic growth. After declining in 2015, the export of goods and services increased by 3.6% in real terms in 2016. At the same time, the real import of goods and services increased by 4.9%.

In 2016, the Pärnu county property market saw an increase in both the number of property transactions as well as their combined value, according to the Land Board of the Republic of Estonia. While the number of transactions in Pärnu county during 2016 increased by 3.6% compared to 2015, reaching 3,255 transactions, the combined value of transactions increased by 20.4%, reaching 135.17 million and representing about 4.7% of the entire Estonian property market. The combined value of transactions with commercial and industrial property increased by 50% compared to 2015, representing 26% of the combined value of all transactions in Pärnu county in 2016.

Financial ratios

Statement of financial position	**2016**	**2015**
Total assets	2,364,947	2,427,544
Return on assets	-2.73%	-0.38%
Equity	2,350,650	2,415,109
Return on equity	-2.74%	-0.39%
Debt ratio	0.60%	0.51%

Share (31.12)	**2016**	**2015**
Closing price of the share	0.592	0.590
Earnings per share	-0.01433	-0.00207
Price-to-earnings (PE) ratio	-41.32	-284.75
Book value of the share	0.52	0.54
Price-to-book ratio	1.13	1.10
Market capitalisation	2,663,444	2,654,446

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

Seasonality and the risks of the operating activities

The main business activity of the Company is real estate development, which by its nature is not significantly seasonal. Real estate development activities and the sales of development properties depend largely on the economic environment, which means that the operating activities are cyclical and highly correlated with the business cycle developments. The management assesses the impact of the current economic environment to the business activity as positivne, which is reflected in strong growth in the volume of real estate transactions in the region of Pärnu. The positive environment is expected to increase the demand for investment property of Trigon Property Developmant AS and potentially increase the value of these assets over time. The change of the economic environment from positive to negative can be considered as a risk, which could potentially result in decreased demand for and value of the assets of the Company.

The Company's assets are accounted for in euros, settlements are also in euros, the shares are listed and traded in euros. Thus, there are no risks regarding foreign exchange rates and stock exchange rates. However, the risks which are or may be considered as most important by the assessment of the Group are described in note 3.

Environmental and social impacts

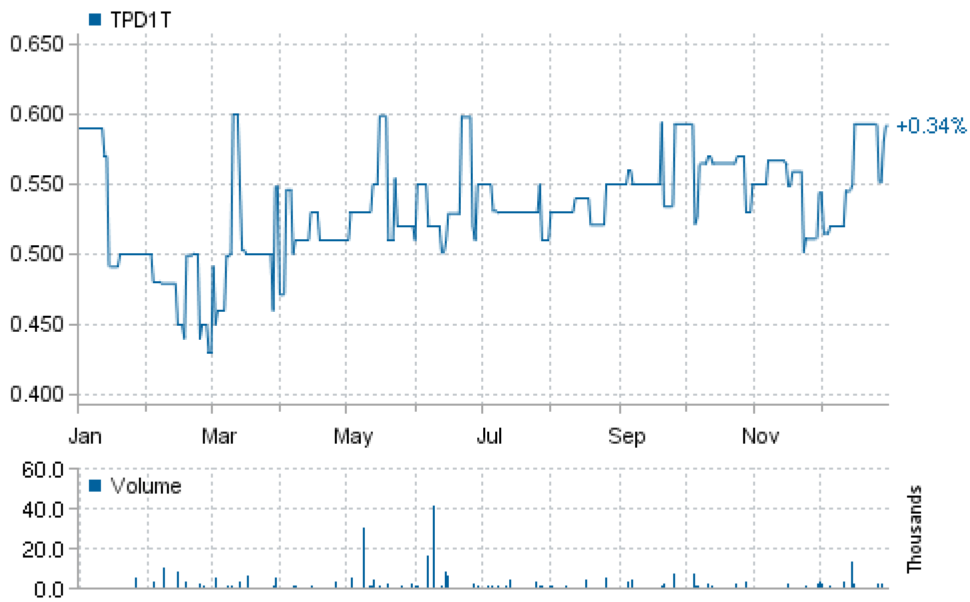
The development activities of the Company, based on the valid detailed planning, has no significant impact on the environment regarding environmental protection. Development activities follow the environmental conditions set out in the detailed planning as well as relevant recommendations. Development activities are based on an environmentally friendly production. The direction taken is the development of lighter activities with a business property function, which according to the Group's estimates, improve the region's quality of life, including the access to services and has a positive impact both socially and environmentally.

Share

Since 5 June 1997, the shares of Trigon Property Development AS have been listed on 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 0.590 at the end of 2015, closed at 0.592 euros at the end of December 2016. In 2016, a total of 283,302 shares were traded and the total sales amounted to 146,288 euros.

The share price and the trading statistics on the Tallinn Stock Exchange from 01.01.2016 to 31.12.2016:



The distribution of the share capital by the number of shares acquired as at 31.12.2016.

	Number of shareholders	% of shareholders	Number of shares	% of share capital
1-99	83	22.55%	2,436	0.05%
100-999	137	37.23%	43,279	0.96%
1 000-9 999	120	32.61%	312,722	6.95%
10 000-99 999	23	6.25%	589,680	13.11%
100 000-999 999	4	1.09%	868,752	19.31%
1 000 000-9 999 999	1	0.27%	2,682,192	59.62%
TOTAL	368	100%	4,499,061	100%

List of shareholders with over 1% holdings as at 31.12.2016.

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	223,000	4.96
MADIS TALGRE	217,000	4.82
Kirschmann OÜ	204,752	4.55
JAMES KELLY	95,550	2.12
OÜ SUUR SAMM	67,779	1.51
TOIVO KULDMÄE	49,231	1.09

No specific control rights have been granted to the shareholders. There are no restrictions in voting rights stipulated in the articles of association that would be different from the law; there are no preference shares.

The Company does not have a separately approved dividend policy; therefore the distribution of the profit takes place in accordance with the Commercial Code and the articles of association whereby the General Meeting of the Company decides on the distribution and the payment method of profit.

Staff

AS Trigon Property Development had no employees as at 31 December 2016 and as at 31 December 2015. There were no labour costs in 2016 or 2015.

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.

Listed companies must comply with the Recommendations starting from 1 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 Boards, disclosure requirements for information and the financial reporting.

As the principles set out by the Recommendations are merely recommendations, 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 by 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). In accordance with 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 regard to each agenda item, information on how to present proposals relating to the agenda items before the General Meeting, documents to be submitted for exercising voting rights and other essential information. Both the notice and aforementioned information are published in Estonian and in English. The ordinary General Meeting is held once a year. The management board may convene extraordinary General Meetings in the cases set out in the law.

On 8 April 2016, the ordinary General Meeting was held, where 59.62% of votes represented by shares were present. At the General Meeting, the shareholders approved the Annual Report of 2015 and the covering of loss proposal, as well as elected the auditor for 2016. Additionally, the shareholders decided to recall Ülo Adamson and Heiti Riisberg from the Supervisory Board as of 8 April 2016 and to elect Martin Mets and Toomas Uibo as the new members of the Supervisory Board with the term of office of 5 years. During the General Meeting, the Management Board also gave an overview of the business activities of 2015.

On 7 September 2016, an extraordinary General Meeting was held where 69.31% of votes represented by shares were present. The shareholders approved the merger agreement of 21 July 2016 between TPD and its 100% subsidiary OÜ VN Niidu Kinnisvara, and decided that the merger of TPD and OÜ VN Niidu Kinnisvara is such that OÜ VN Niidu Kinnisvara is the company being acquired and TPD is the acquiring company, and OÜ VN Niidu Kinnisvara would be dissolved without liquidation proceedings.

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

Article 1.3.1: The Chairman of the Supervisory Board and members of the Management Board cannot be elected as the Chair of the General Meeting.

The shareholders elected a member of the Management Board, Aivar Kempi, to chair the ordinary General Meeting held on 8 April 2016 and the extraordinary General Meeting held on 7 September 2016 because the member of the Management Board had the best overview of the company's activities and would ensure 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 ordinary General Meeting held on 8 April 2016 and in the extraordinary General Meeting held on 7 September 2016. The other two members of the Supervisory Board and the auditor were not present in the meeting. The Supervisory Board is convinced that the presence of one member of the

Management Board is sufficient. No auditors were present at the meeting since there were no agenda items that could not be resolved 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 costly 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.

Considering the aforementioned descriptions of General Geetings held in 2016, TPD has largely complied with the Recommendations in informing the shareholders, and convening and holding the General Meeting.

Supervisory Board

The Supervisory Board plans the activities of TPD, and guides and supervises the Management Board. The Supervisory Board of TPD is comprised of 3 members; according to the articles of association, up to 7 members may be elected into the Supervisory Board. No transactions with Supervisory Board members or their related parties took place in 2016. No remuneration was paid to the Supervisory Board members in 2016; therefore, no respective information in this regard is to be published. No conflict of interest events occurred in 2016 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, there may be one independent member fewer than there are dependent members.

Two members of the Supervisory Board could not be considered independent in 2016 in the meaning of the Recommendations. Joakim Johan Helenius is the member of the Management Board of OÜ Trigon Wood, a shareholder of TPD with over 50% of votes assigned with shares, and, as at 31.12.2016, the Supervisory Board member, Martin Mets, was a member of the Management Board of AS Trigon Capital, a shareholder of OÜ Trigon Wood, and a member of the Management Board of several group companies of AS Trigon Capital. Regardless of the above, TPD is in the opinion that there is no basis for the emergence of conflict of interest and, taking into account the background and experience of the current Supervisory Board members, there are no deficiencies in the activities of the Supervisory Board.

Management Board

According to the articles of association, up to 7 members may be elected to the Management Board of TPD. In order to elect a member of the Management Board, his or her consent is required. According to the articles of association, a member of the Management Board shall be elected for a specified term of up to three years. Extension of the term of office of a member of the Management Board shall not be decided earlier than one year before the planned date of expiry of the term of office, and not for a period longer than the maximum term of office prescribed by the law or the articles of association. Currently, the Management Board of TPD has one member.

The Management Board member has the right to represent TPD by himself. The Management Board member is not authorised to issue shares or decide on the acquisition of own shares. Transactions, which are beyond the scope of everyday economic activities, may only be concluded by the Management Board with the consent of the Supervisory Board.

No remuneration was paid to the Management Board member in 2016; therefore, no respective information in this regard is to be published. No transactions with the Management Board member or his related parties took place. The 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 real estate.

In 2016, the Management Board concluded a sales agreement regarding the sale of several properties of OÜ VN Niidu Kinnisvara, a subsidiary of TPD, and the merger agreement on behalf of TPD with OÜ VN Niidu Kinnisvara. The Supervisory Board had given prior approval to the Management Board to execute both transactions.

The following in the Recommendations was not complied with and explanations regarding the non-compliance are presented below.

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 Kempi 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 Kempi since he is currently the only Member of the Management Board and does not receive remuneration, and his rights and obligations are stipulated by law. In case more members of the Management Board are appointed, service contracts shall be concluded.

Publishing financial reports and other information

During 2016, TPD published interim reports and the Annual Report of 2015. The Annual Report is audited by AS PricewaterhouseCoopers. The audit is done in compliance with international standards of auditing.

TPD herein presents in accordance with the "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 the year, at the beginning of the fiscal year in a separate notice, called financial calendar.

TPD did not publish a separate financial calendar; however, the information subject to disclosure was published no later than on the dates set by the law.

Article 5.6: On its website, the Company shall disclose the dates and places of meetings with analysts and of the presentations and press conferences organised for analysts, investors and institutional investors.

The Tallinn Stock Exchange Regulations require that an issuer publish all essential information through the stock exchange system. Only information published previously is discussed in meetings with analysts and press conferences and, therefore, TPD has foreseen no need to disclose meetings schedules.

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 wish to appoint an auditor who had audited the Issuers reports of 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	**31.12.2016**	**31.12.2015**
Cash	38,393	100,540
Receivables and prepayments (note 5)	5,022	17,004
Assets held for sale (note 17)	850,000	0
Total current assets	**893,415**	**117,544**
Investment property (note 6)	1,471,532	2,310,000
Total non-current assets	**1,471,532**	**2,310,000**
TOTAL ASSETS	**2,364,947**	**2,427,544**
Payables and prepayments (note 7)	14,297	12,435
Total current liabilities	**14,297**	**12,435**
Total liabilities	**14,297**	**12,435**
Share capital at nominal value (note 8)	2,699,437	2,699,437
Share premium	226,056	226,056
Statutory reserve capital	287,542	287,542
Accumulated loss	-862,385	-797,926
Total equity	**2,350,650**	**2,415,109**
TOTAL LIABILITIES AND EQUITY	**2,364,947**	**2,427,544**

The notes to the consolidated financial statements presented on pages 16-30 are an integral part of these financial statements.

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Consolidated statement of comprehensive income

EUR	2016	2015
Expenses related to investment property (note 6)	-13,196	-11,963
Gross loss	**-13,196**	**-11,963**
Administrative and general expenses (note 10)	-49,672	-31,891
Changes in fair value of investment property (note 6)	-1,600	36,776
Operating loss	**-64,468**	**-7,078**
Net financial income (-expense)	9	-2,244
NET LOSS FOR THE PERIOD	**-64,459**	**-9,322**
TOTAL COMPREHENSIVE LOSS	**-64,459**	**-9,322**
Basic loss per share	**-0.01433**	**-0.00207**
Diluted loss per share	**-0.01433**	**-0.00207**

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Consolidated cash flow statement

EUR	2016	2015
Cash flows from operating activities		
Net loss for the period	***-64,459***	***-9,322***
Adjustments for:		
Change in fair value of investment property (note 6)	1,600	-36,776
Interest charge	-5	2,244
Operating loss before changes in working capital	***-62,864***	***-43,854***
Change in receivables and prepayments related to operating activities (note 5)	11,982	76,250
Change in liabilities and prepayments related to operating activities (note 7)	1,862	6,373
Interests received	5	8
Total cash flows from operating activities	**-49,015**	**38,777**
Cash flows from investing activities		
Capital expenditure on investment property (note 6)	-13,132	-8,224
Disposal of investment property (note 6)	0	85,000
Total cash flows from investing activities	**-13,132**	**76,776**
Cash flows from financing activities		
Repayment of loans	0	-137,066
Interests paid	0	-22,483
Total cash flows from financing activities	**0**	**-159,549**
CHANGE IN CASH BALANCE	**-62,147**	**-43,996**
OPENING BALANCE OF CASH	**100,540**	**144,536**
CLOSING BALANCE OF CASH	**38,393**	**100,540**

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Consolidated statement of changes in equity

EUR	Share capital	Share premium	Statutory reserve capital	Accumulated loss	Total
Balance 31.12.2014	**2,699,437**	**226,056**	**287,542**	**-788,604**	**2,424,431**
Total comprehensive loss for the period	0	0	0	-9,322	-9,322
Balance 31.12.2015	**2,699,437**	**226,056**	**287,542**	**-797,926**	**2,415,109**
Total comprehensive loss for the period	0	0	0	-64,459	-64,459
Balance 31.12.2016	**2,699,437**	**226,056**	**287,542**	**-862,385**	**2,350,650**

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

The notes to the consolidated financial statements presented on pages 16-30 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 on 27 March 2017. 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 2016 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 the secondary list of Nasdaq OMX Tallinn Stock Exchange. In total, OÜ Trigon Wood controls 59.62 % of the 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%), clients of SEB Finland (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 the 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

The 2016 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 12.

2.4 Cash and cash equivalents

For the purposes of the balance sheet and the cash flow statement, cash and cash equivalents are comprised of 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
- financial assets held to maturity.

The classification depends on the purpose for which the financial assets were acquired. The 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“ or “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 recognised 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.

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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 recongnised 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 valuators 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.

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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. 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.

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Lease income from operating leases is recognised 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 the share capital. During each financial year, at least one-twentieth of the net profit shall be entered into the 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 March 2017 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.

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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 related to 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 2016 and 31 December 2015 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 monitors the collection of these receivables. As at the date of the statement of financial position, the Group's exposure to credit risk is 38,393 euros (31.12.2015: 115,747 euros) including cash in the bank and receivables.

(c) Liquidity risk

To finance the potential investments needed to be made and to repay its liabilities in 2016, the Group partly sold the investment property owned by the Group in 2015. The cash received from disposal of investment property in 2015 and accounts receivable and cash in bank balance as at 31.12.2016 will secure the settlement of liabilities at due date and will support the development of investment property.

As at 31 December 2016, the Group has current liabilities in the amount of 14,297 euros (31.12.2015: 12,435 euros). Group had no non-current liabilities.

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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 to 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. Neither the Group's owners or the management has 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 2016, the Group was leading only the equity as the Groups' capital and there were no changes in 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 have any 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 2016 and 31 December 2015.

3.4 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.

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.

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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	**31.12.2016**	**31.12.2015**
Receivables	0	15,207
Tax prepayments	5,022	1,797
TOTAL	**5,022**	**17,004**

6 Investment property

	EUR
Balance as of 31.12.2014	**2,350,000**
Capital expenditure on investment property	8,224
Gain from change in fair value	36,776
Sales of investment property	-85,000
Balance as at 31.12.2015	**2,310,000**
Capital expenditure on investment property	13,132
Sales of investment property	
Loss from change in fair value	-1,600
Reclassification to assets held for sale	-850,000
Balance as at 31.12.2016	**1,471,532**

As at 31 December 2016, the Group 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 85,000euros.

The expenses related to the management of investment property totaled 13,196 euros in 2016 and 11,963 euros in 2015 (note 9).

In 2016, a new detailed planning has been established for the property under which the proportion of business property in respect of all the land has increased compared to the previous planning. New established detailed planning has increased the flexibility for the partial selling of the property as compared to the previous detailed planning, the plots are smaller and there is the flexibility of changing the size of the plots, as required.

In 2016, the Group signed a preliminary sales-purchase agreement for the sale of a 10.4-hectare industrial property. The final sale-purchase agreement was executed in March 2017 at the price of 8.14 EUR/m2. The sold part of the land has been classified as assets held for sale as at 31.12.2016, look for more information in Note 17.

As the Company sells large part of industrial property, the average price of the remaining 22.4-hectare land, largely business property, increases compared to the average assumption 10.96 EUR/m2 used in the valuation of 2015. In 2016, the investment property was valued by the

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Management of the Company using the comparable transactions approach, which benchmarked the value of Niidu land area against the prices of transacted land plots along the Pärnu City. According to the statistics of Land Board the benchmark industrial and business land plot median prices ranged from EUR 7.2 to 39.1 per square meter, depending on the size, location and basic site infrastructure. Management estimates the sale of small business land plots has influenced the median price of business property and therefore substantially conservative price per square meter has used for valuation of the property. Considering the change of the proportion of industrial and business land with reference to new established detailed planning and based on comparable transaction, the Management has estimated the sales price to be at 12.90 EUR/m2. To evaluate the present value of the area as at 31.12.2016, the Management has estimated the sales period to be 4 years and has used a discount rate of 14.23%.

As at 31 December 2016, the evaluation resulted in a fair value of 1,471,532 euros.

In 2015, the investment property was valued by an 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. Valuable part of the property consists of industrial and business property and the valuer has found the proportional average price for the property. 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 transactions, 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. As at 31 December 2015, the evaluation resulted in a fair value of 2,310,000 euros.

According to IFRS 13, the valuation of fair value of real estate is considered level 3 investment. The main inputs are the sales price, the discount rate and the sales period in the discounted cash flow. Sensitivity of the main inputs to investment property fair value as of 31.12.2016:

Discount	Sales price, EUR / m2						
rate	11.06	11.64	12.26	12.90	13.55	14.22	14.93
12.20%	**1,270,000**	1,360,000	1,470,000	1,570,000	1,680,000	1,800,000	1,920,000
12.84%	1,240,000	**1,340,000**	1,440,000	1,540,000	1,650,000	1,760,000	1,880,000
13.52%	1,210,000	1,310,000	**1,410,000**	1,510,000	1,620,000	1,730,000	1,840,000
14.23%	1,180,000	1,280,000	1,380,000	**1,480,000**	1,580,000	1,690,000	1,800,000
14.94%	1,160,000	1,250,000	1,340,000	1,450,000	**1,550,000**	1,650,000	1,770,000
15.69%	1,130,000	1,220,000	1,310,000	1,410,000	1,510,000	**1,620,000**	1,730,000
16.47%	1,100,000	1,190,000	1,280,000	1,380,000	1,480,000	1,580,000	**1,690,000**

Sales period	**EUR**
+1 year	**1,294,000**
-1 year	**1,763,000**

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, investment properties were encumbered with mortgages for the benefit of the Republic of Estonia in the amount of 395 thousand euros. As at 31 December 2015, the carrying

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amount of investment properties encumbered with mortgages was 2,310,000 euros. As at 31 December 2016, there were no mortgages.

7 Payables and prepayments

EUR	**31.12.2016**	**31.12.2015**
Trade payables	11,297	7,035
Other payables	3,000	5,400
TOTAL	**14,297**	**12,435**

8 Equity

	Number of shares (pcs)	Share capital (EUR)
Balance 31.12.2015	4,499,061	2,699,437
Balance 31.12.2016	4,499,061	2,699,437

The share capital of AS Trigon Property Development amounts to 2,699,437euros, which is divided into 4,499,061 ordinary shares with the nominal value of 0.60 euros. 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 2016, the accumulated losses amounted to -862,385 euros. As at 31 December 2015, the accumulated losses amounted to -797,926 euros.

As at 31 December 2016, the Group had 368 shareholders (31 December 2015: 393 shareholders) of which the entities with more than a 5% holdings were:

- Trigon Wood OÜ with 2,682,192 shares or 59.62% (2015: 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 2016 and 31 December 2015.

9 Expenses related to investment property

EUR	**2016**	**2015**
Land tax	11,218	10,763
Evaluation	0	1,200
Other expenses	1,978	0
TOTAL (Note 6)	**13,196**	**11,963**

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10 Administrative and general expenses

EUR	**2016**	**2015**
Consulting (Note 14)	19,305	12,220
Security transactions and stock	8,290	8,515
Legal expenses	8,215	0
Auditing	7,160	9,820
Accounting service (Note 14)	5,370	0
Other	1,332	1,336
TOTAL	**49,672**	**31,891**

In 2016 and 2015, the average number of employees was 0.

11 Earnings per share

EUR	**2016**	**2015**
Basic loss per share (basic EPS)	-0.01433	-0.00207
Diluted loss per share	-0.01433	-0.00207
Book value of the share	0.52	0.54
Price to earnings ratio (P/E)	-41.32	-284.75
Closing price of the share of AS Trigon Property Development on Tallinn Stock Exchange	0.592	0.590

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

Diluted earnings (loss) 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

Until 30 June 2016, the Group had one 100% subsidiary, VN Niidu Kinnisvara OÜ, which was set up for the development of the land located in the area of Niidu Street in Pärnu. On 1 July 2016, Trigon Property Development AS was merged with VN Niidu Kinnisvara OÜ. On 21 October 2016, the merger of Trigon Property Development AS and VN Niidu Kinnisvara OÜ was entered into the Commercial Register.

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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14 Related party transactions

The following parties are considered to be related parties:

- Parent company Trigon Wood OÜ and owners of the parent company with significant influence;
- 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.

The Group is listed in the secondary list of Nasdaq OMX Tallinn Stock Exchange. In total, OÜ Trigon Wood controls 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%), clients of SEB Finland (10.96%), Hermitage Eesti OÜ (12.64%) and Thominvest Oy (11.94%).

In 2016 and 2015, 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 2015, Group repaid the loan from its parent company in the amount 124,550 euros. In 2015, interest in the amount of 1,001 euros was calculated from this loan.

In 2016, the Group bought services from the companies under the control of the Members of the Supervisory Board in the amount of 19,305 euros (2015: 0 euros). In 2016, the Group bought services from the owners of the parent company in the amount of 5,370 euros (2015: 0 euros). As at 31 December 2016, the amount of 3,696 euros was unpaid to the related parties (2015: 0 euros).

15 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 2016 and 2015. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

16 Events after the balance sheet date

On 10 March 2017, Trigon Property Development AS entered into real right contract for sale of 10.44-hectare land at a price of 850 000 euros. According to the real right contract, Trigon Property Development AS is obliged to build a road to the sold land. More detailed information is shown in note 17.

17 Assets held for sale

In 2016, 10.4 hectares of land in the value of 850 000 euros was classified from investment property to assets held for sale as the preliminary sales-purchase agreement was signed. The land was sold in March 2017.

18 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

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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).

Statement of financial position of the parent company of the Group

EUR	**31.12.2016**	**31.12.2015**
Cash	38,393	545
Receivables and prepayments	5,022	0
Assets held for sale	850,000	0
Total current assets	**893,415**	**545**
Investment in subsidiary	0	2,530,348
Investment property	1,471,532	0
Total non-current assets	**1,471,532**	**2,530,348**
TOTAL ASSETS	**2,364,947**	**2,530,893**
Borrowings	0	106,700
Payables and prepayments	14,297	9,084
Total current liabilities	**14,297**	**115,784**
Total liabilities	**14,297**	**115,784**
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	-862,385	-797,926
Total equity	**2,350,650**	**2,415,109**
TOTAL LIABILITIES AND EQUITY	**2,364,947**	**2,530,893**

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Statement of comprehensive income of the parent company of the Group

EUR	2016	2015
Expenses related to investment property	-6,887	0
Gross loss	**-6,887**	**0**
Administrative and general expenses	-41,307	-16,800
Impairment of subsidiary	-14,832	10,720
Finance expenses	-1,433	-3,241
NET LOSS FOR THE PERIOD	**-64,459**	**-9,321**
TOTAL COMPREHENSIVE LOSS	**-64,459**	**-9,321**

Cash flow statement of the parent company of the Group

EUR	2016	2015
Cash flows from operating activities		
Net loss for the period	***-64,459***	***-9,321***
Adjustments for:		
Interest charge	1,433	3,241
Impairment of subsidiary	14,832	-10,720
Change in receivables and prepayments related to operating activities	-5,022	0
Change in liabilities and prepayments related to operating activities	7,457	4,380
Change in liabilities and prepayments related to the merger	51	0
Interest paid	0	-21,231
Interests received	3	3
Total cash flows from operating activities	**-45,705**	**-33,648**
Cash flows from investing activities		
Capital expenditure on investment property	**-11,532**	**0**
Total cash flows from investing activities	**-11,532**	**0**
Cash flows from financing activities		
Received loans	13,650	106,700
Repayment of loans	0	-124,550
Cash flows from merger of the subsidiary	81,435	0
Total cash flows from financing activities	**95,085**	**-17,850**
NET INCREASE IN CASH BALANCE	**37,848**	**-51,498**
OPENING BALANCE OF CASH	**545**	**52,043**
CLOSING BALANCE OF CASH	**38,393**	**545**

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

EUR	Share capital	Share premium	Statutory reserve capital	Accumulated loss	Total
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**
Total comprehensive loss for 2016	0	0	0	-64,459	**-64,459**
Balance 31.12.2016	**2,699,437**	**226,056**	**287,542**	**-862,385**	**2,350,650**
Book value of holdings under control or significant influence					0
Value of holdings under control of significant influence, calculated using the equity method					0
Adjusted unconsolidated equity at 31.12.2016					**2,350,650**

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

To the Shareholders of AS Trigon Property Development

(Translation of the Estonian original)*

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of AS Trigon Property Development (the Company) and its subsidiary (together the Group) as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

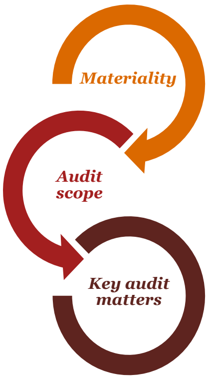
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Auditors Activities Act of the Republic of Estonia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Auditors Activities Act of the Republic of Estonia.

Our audit approach

Overview



Materiality

Overall Group materiality is EUR 24 thousand, which represents 1% of total assets.

Audit scope

A full scope audit was performed by PwC Estonia for all Group entities.

Key audit matter

- Assessment of fair value of investment property

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Management Board made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall group materiality	EUR 24 thousand
How we determined it	1% of total assets
Rationale for the materiality benchmark applied	We considered total assets (that mainly consist of investment property measured at fair value) to be key performance indicator that determines the Group's value and is monitored by management and investors.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*
Assessment of fair value of investment property (refer to Note 2 'Summary of significant accounting policies', Note 3.4 'Valuation of property measured at fair value' and Note 6 'Investment Property' for further details). Majority of the Group's assets consists of investment property (land plot) located in Pärnu, Estonia. The fair value of the land plot of EUR 1.5 million as at 31 December 2016 has been assessed by the management, taking into account the following key inputs: • Fair value of the same land plot assessed by an independent valuator as at 31 December 2015; • Changes in market prices during 2016 in Pärnu for similar land plots; • Changes in the detailed planning of the land plot as compared to 31 December 2015; • Price per square meter in a post-balance sheet sales transaction (respective assets classified as 'Assets held for sale' as at 31 December 2016), covering approximately 30% of the total land plot; • Expected sales period of remaining land plot. Due to the magnitude and related estimation uncertainty, valuation of investment property is considered a key audit matter.	We assessed whether the Group's accounting policies in relation to the measurement of investment property are in compliance with IFRS. We assessed the management's expertise to perform property valuation and the effectiveness of their internal controls over information gathering procedures for making key assumptions and valuation calculations. We performed the following detailed tests related to the fair valuation of investment property: • Reconciled the ownership of land plot with land register; • Assessed the reasonableness of the key estimates and assessments made by the management, including comparing them with the inputs used in the prior year's external valuation report and with the changes in real estate market; • Investigated the market prices in Pärnu for similar land plots; • Read the post-balance sheet sales transaction agreement and assessed its impact on expected sales price and sales period of unsold land plot; • Read the disclosures in financial statements and sensitivity analysis performed by the management. As a result of our work, we noted no material exceptions.

How we tailored our audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

During 2016 the only subsidiary of the Group (VN Niidu OÜ) was merged with the Company (refer to Note 12). Both the Company and its subsidiary (until the merger) have been fully audited by us.

Other information

The Management Board is responsible for the other information contained in the Group's Annual report 2016 in addition to the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management Board and those charged with governance for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

AS PricewaterhouseCoopers

Tiit Raimla
Certified auditor in charge, auditor's certificate no.287

Verner Uibo
Auditor's certificate no.568

28 March 2017

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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.*

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 64,459 euros to accumulated losses.

Aivar Kempi

Member of the Management Board

Signatures of the Management Board and the Supervisory Board to the 2016 Consolidated Annual report

The Management Board has prepared the Company's Consolidated Annual Report for 2016. The Consolidated Annual Report consists of the management report, financial statements, auditor's report and proposal for covering of loss.

Aivar Kempi

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.

Martin Mets

Member of the Supervisory Board

Joakim Helenius

Member of the Supervisory Board

Toomas Uibo

Member of the Supervisory Board

Trigon Property Development AS sales revenue according to the EMTAK 2008

EMTAK	Main activity	2016	2015
70221	Business and other management consultancy	0 euros	0 euros
	Total sales revenue	0 euros	0 euros