

Annual  
report  
**2008**

Beginning of financial year:	1.1.2008
End of financial year:	31.12.2008
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## Brief description

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AS Trigon Property Development is a real estate development company which was set up after the de-merger of AS Viisnurk and is legal successor of Viisnurk AS.

AS Trigon Property Development currently owns one real estate development project involving a 40-hectare area in the City of Pärnu, Estonia. Commercial real estate will be developed in this area.

The Group's shares are listed in the Main List of Tallinn Stock Exchange. The majority owner of AS Trigon Property Development is OÜ Trigon Wood with 59.62%. The entity with the ultimate control over the Group is TDI Investments KY that is registered in Finland and is owned by Scandinavian private investors.

## Management report

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### Overview of business areas

At 29 June 2007, the de-merger plan of AS Trigon Property Development (former Viisnurk AS) was signed pursuant to which the manufacturing unit, i.e. the construction materials division and furniture division were spun off from AS Trigon Property Development. This resolution was adopted at the General Meeting of Shareholders at 6 August 2007. After the de-merger, the main activity of AS Trigon Property Development continued to be real estate development. The balance sheet date of de-merger was 19 September 2007.

The financial statements for 2008 of Trigon Property Development have been prepared after the de-merger, showing the results of continuing operations (real estate development) of 2008.

### Investments

As at the end of 2008, AS Trigon Property Development owned one development project involving a 40 hectare area in the City of Pärnu, Estonia. Commercial real estate will be developed in this area.

### Personal

The continuing operations of AS Trigon Property Development had no employees as at 31 December 2008 and 31 December 2007.

### Financial ratios

	<i>EEK thous</i>	<i>EEK thous</i>	<i>thous EUR</i>	<i>thous EUR</i>
<b>Balance sheet</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Total assets	124 474	137 707	7 955	8 801
Return on assets	-10.59%	27.03%	-10.59%	27.03%
Equity	121 139	134 319	7 742	8 584
Return on equity	-10.88%	27.71%	-10.88%	27.71%
Debt ratio	2.68%	2.46%	2.68%	2.46%
<b>Share (31.12)</b>				
Closing price of the share (EEK/EUR)	6.10	25.50	0.39	1.63
Earnings per share (EEK/EUR)	-2.93	8.27	-0.19	0.53
Price-to-earnings (PE) ratio	-2.08	3.08	-2.08	3.08
Book value of the share (EEK/EUR)	26.93	29.85	1.72	1.91
Price-to-book ratio	0.23	0.85	0.23	0.85
Market capitalisation	27 444	114 726	1 755	7 333

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 capitalisation = closing price of the share \* number of shares

## Share

### Share price

In 2008, the opening price of share was 25.50 Estonian kroons/1.63 euros. The highest price of the year was 25.97 Estonian kroons/1.66 euros and the lowest price was 3.29 Estonian kroons/0.21 euros. The closing price of year 2008 was 6.10 Estonian kroons/0.39 euros. A total of 233 781 shares were traded in 2008 and the total sales amounted to 4.19 million Estonian kroons/0.27 million euros.

In 2007, the opening price of share was 47.41 Estonian kroons/3.03 euros. The highest price of the year was 105.77 Estonian kroons/6.76 euros and the lowest price was 14.55 Estonian kroons/0.93 euros. The closing price of year 2007 was 25.50 Estonian kroons/1.63 euros. A total of 1 354 664 shares were traded in 2007 and the total sales amounted to 58.49 million Estonian kroons/3.74 million euros.

The following table provides an overview of the movements of the Group's share price and the daily trading volumes on Tallinn Stock Exchange (EEK):



### Shareholders

The distribution of share capital by the number of shares acquired as at 31.12.2008.

	Number of shareholders	% of shareholders	Number of shares	% of share capital
1-99	89	19,02%	2 720	0,06%
100-999	196	41,88%	69 087	1,54%
1 000-9 999	159	33,97%	376 662	8,37%
10 000-99 999	20	4,27%	529 490	11,77%
100 000-999 999	3	0,64%	838 910	18,65%
1 000 000-9 999 999	1	0,21%	2 682 192	59,62%
<b>TOTAL</b>	<b>468</b>	<b>100%</b>	<b>4 499 061</b>	<b>100%</b>

List of shareholders with over 1% holdings as at 31.12.2008.

Shareholder	Number of shares	Ownership %
OÜ Trigon Wood	529 490	11,77%
ING Luxemburg S.A.	455 000	54,24%
Skandinaviska Enskilda Banken Ab kliendid	224 310	26,74%
Unicredit Bank Austria AG	159 600	19,02%
RBC Dexia Investor Services Bank/Danske Fund - Baltic	84 000	10,01%
Skandinaviska Enskilda Banken Finnish kliendid	71 834	8,56%
Kessu Kaubandus OÜ	55 400	6,60%
Toivo Kuldmäe	49 231	5,87%

## Risks

### Interest rate risk

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

### Foreign exchange risk

Foreign exchange risk is the Group's risk of incurring major losses due to exchange rate fluctuations. Group's monetary assets are nominated in Estonian kroons. The Group's liabilities are nominated in Estonian kroons and in euros. In consequence the Group faces the foreign exchange risk regarding possible revaluation/devaluation of Euro against Estonian kroon.

### Operating environment risk

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

### Fair value

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

## Group structure

### Shares of subsidiaries

	OÜ VN Niidu Kinnisvara (Estonia)
Country of location	
Number of shares 31.12.2007 (pcs)	1
Ownership percentage 31.12.2007	100
Number of shares 31.12.2008 (pcs)	1
Ownership percentage 31.12.2008	100

OÜ VN Niidu Kinnisvara was set up for the development of registered immovables located in the area of Niidu Street, Pärnu. At the time of preparing the financial statements, it is the only subsidiary of AS Trigon Property Development.

## Corporate Governance Report

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

The listed shall comply with the Recommendations starting from 1 January 2006 (“*comply or explain*” principle).

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

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

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

### Article 1.3.2

*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 participated in the General Meeting held on 06.06.2008. The Members of the Supervisory Board and an auditor were not present at the meeting. No auditors were present at the meeting since there were no agenda items which could require comments of the auditor.

### Article 1.3.3

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

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

### Article 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 Kempí is a sole member of the Management Board. In consideration of Issuer's business activities the Group finds one member of the Management Board sufficient.

A Service Contract has not been concluded with Aivar Kempí since he is currently the only Member of the Management Board and his rights and obligations are stipulated by the law.

### Article 2.2.2

*The member of the Management Board shall not be at the same time a member of more than two management boards of a company and shall not be the Chairman of the Supervisory Board of another company.*

The Member of the Board Aivar Kempí is a member of more than two management boards of a company. However, the Supervisory Board holds the opinion, considering the business activity of the Company, it does not damage neither the Company's nor Shareholders' interests. Aivar Kempí ensures the best possible management for the Company.

### Article 2.2.3

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

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

### Article 3.2.2

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

The Supervisory Board of the Company is currently composed of three members, two of them may not be considered independent under the Recommendations. Ülo Adamson and Joakim Johan Helenius are the members of the Management Board of OÜ Trigon Wood, the controlling shareholder of the Company. Gleb Ognýannikov may be considered as independent under the Recommendations. The Company believes that exceptional experience and knowledge of the aforementioned persons will contribute to the effective and profitable management of the Company and acting in the best interest of the Shareholders.

### Article 3.2.6

*If a member of the Supervisory Board has attended less than half of the meetings of the Supervisory Board, this shall be indicated separately in the Corporate Governance Recommendations Report.*



The Member of the Supervisory Board Gleb Ognyanikov has attended less than half of the meetings of the Supervisory Board.

**Article 5.2**

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

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

**Article 5.6**

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

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

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

## Management Board's confirmation to the management report

The management board confirms that the management report presented on pages 4 to 10 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.

Aivar Kemp  
Member of the Management Board  
27 April 2009

## Consolidated Financial Statements

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### Declaration of the Management Board

The Management Board confirms the correctness and completeness of the consolidated financial statements of AS Trigon Property Development for the year 2008 as presented on pages 11 -40.

The Management Board confirms that:

1. the accounting policies used in the preparation of the annual financial statements are in compliance with International Financial Reporting Standards (IFRS) as adopted in the European Union;
2. the consolidated financial statements present a true and fair view of the financial positions, the results of operations and cash flows of the Group;
3. Group entities are going concern.



Aivar Kemp  
Member of the Management Board  
27 April 2009

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## Consolidated balance sheet

	EEK thous 31.12.2008	EEK thous 31.12.2007	EUR thous 31.12.2008	EUR thous 31.12.2007
Cash	69	372	4	24
Receivables and prepayments	125	84	8	5
<b>Total current assets</b>	<b>194</b>	<b>456</b>	<b>12</b>	<b>29</b>
Investment property (note 5)	124 280	137 251	7 943	8 772
<b>Total non-current assets</b>	<b>124 280</b>	<b>137 251</b>	<b>7 943</b>	<b>8 772</b>
<b>TOTAL ASSETS</b>	<b>124 474</b>	<b>137 707</b>	<b>7 955</b>	<b>8 801</b>
Borrowings (note 6)	1 026	392	65	25
Payables and prepayments	155	450	10	29
<b>Total current liabilities</b>	<b>1181</b>	<b>842</b>	<b>75</b>	<b>54</b>
Long-term borrowings (note 6)	2 154	2 546	138	163
<b>Total non-current liabilities</b>	<b>2 154</b>	<b>2 546</b>	<b>138</b>	<b>163</b>
<b>Total liabilities</b>	<b>3 335</b>	<b>3 388</b>	<b>213</b>	<b>217</b>
Share capital at nominal value (note 7)	44 991	44 991	2 875	2 875
Share premium	3 537	3 537	226	226
Statutory reserve capital	4 499	4 499	288	288
Retained earnings	68 112	81 292	4 353	5 195
<b>Total equity</b>	<b>121 139</b>	<b>134 319</b>	<b>7 742</b>	<b>8 584</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>124 474</b>	<b>137 707</b>	<b>7 955</b>	<b>8 801</b>

The notes to the consolidated financial statements presented on pages 16-40 are an integral part of these financial statements

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## Consolidated income statement

	EEK thous 2008	EEK thous 2007	EUR thous 2008	EUR thous 2007
<b>Continuing operations</b>				
Rental income (note 14)	468	342	30	22
Expenses related to investment property (note 8)	-180	-180	-12	-12
<b>Gross profit</b>	<b>288</b>	<b>162</b>	<b>18</b>	<b>10</b>
Administrative and general expenses (note 9)	-378	-631	-24	-40
Change in fair value value of investment property (note 5)	-13 259	26 332	-847	1 683
Other income	226	0	15	0
<b>Operating loss (profit)</b>	<b>-13 123</b>	<b>25 863</b>	<b>-838</b>	<b>1 653</b>
Net financial income	-57	-38	-4	-2
<b>Loss (profit) from continuing operations</b>	<b>-13 180</b>	<b>25 825</b>	<b>-842</b>	<b>1 651</b>
Profit from discontinued operations (note 10)	0	11 875	0	758
<b>Loss (profit) before income tax</b>	<b>-13 180</b>	<b>37 700</b>	<b>-842</b>	<b>2 409</b>
Corporate income tax (note 7)	0	-475	0	-30
<b>NET LOSS (PROFIT) FOR THE PERIOD</b>	<b>-13 180</b>	<b>37 225</b>	<b>-842</b>	<b>2 379</b>
Basic earnings per share (note 11)	-2.93	8.27	-0.19	0.53
Diluted earnings per share (note 11)	-2.93	8.27	-0.19	0.53

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## Consolidated cash flow statement

	EEK thous 2008	EEK thous 2007	EUR thous 2008	EUR thous 2007
<b>Cash flows from operating activities</b>				
<b>Cash used in operations (note 13)</b>	<b>-219</b>	<b>-103</b>	<b>-14</b>	<b>-6</b>
Interests paid	-39	-38	-2	-2
Paid income tax (note 7)	0	-475	0	-30
<b>Total cashflows from operating activities related to continuing activities</b>	<b>-258</b>	<b>-616</b>	<b>-16</b>	<b>-38</b>
Cash flows from operating activities related to discontinued operations	0	10 003	0	639
<b>Total cash flows from operating activities</b>	<b>-258</b>	<b>9 387</b>	<b>-16</b>	<b>601</b>
<b>Cash flows from investing activities</b>				
Capital expenditure on investment property	-288	0	-18	0
Cash flows from investing activities related to discontinued operations	0	-14 924	0	-954
<b>Total cash flows from investing activities</b>	<b>-288</b>	<b>-14 924</b>	<b>-18</b>	<b>-954</b>
<b>Cash flows from financing activities</b>				
Received loans (note 6)	635	0	40	0
Repayment of loans (note 6)	-392	-391	-26	-26
Payment of dividends (note 7)	0	-5 399	0	-345
Cash flows from financing activities related to discontinued operations	0	2 558	0	163
<b>Total cash flows from financing activities</b>	<b>243</b>	<b>-3 232</b>	<b>14</b>	<b>-208</b>
<b>NET DECREASE IN CASH BALANCE</b>	<b>-303</b>	<b>-8 769</b>	<b>-20</b>	<b>-561</b>
Total cash flows related to discontinued operations	0	-2 363	0	-152
Cash and bank related to discontinued operations at beginning of the period	0	6 360	0	407
Cash transferred to discontinued operations	0	-3 997	0	-255
<b>Cash and bank related to discontinued operations at the end of period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NET DECREASE IN CASH RELATED TO CONTINUING OPERATIONS</b>	<b>-303</b>	<b>-12 766</b>	<b>-20</b>	<b>-816</b>
<b>OPENING BALANCE OF CASH</b>	<b>372</b>	<b>13 138</b>	<b>24</b>	<b>840</b>
<b>CLOSING BALANCE OF CASH</b>	<b>69</b>	<b>372</b>	<b>4</b>	<b>24</b>

The notes to the consolidated financial statements presented on pages 16-40 are an integral part of these financial statements.

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## Consolidated statement of changes in equity

<i>thous EEK</i>	Share capital	Share premium	Statutory reserve capital	Currency translation reserve	Retained earnings	Total
<b>Balance 31.12.2006</b>	<b>44 991</b>	<b>11 332</b>	<b>4 499</b>	<b>0</b>	<b>128 811</b>	<b>189 633</b>
Currency translation differences	0	0	0	24	0	24
Net profit for 2007	0	0	0	0	37 225	37 225
Dividends paid (note 7)	0	0	0	0	-5 399	-5 399
De-merger of the company	0	-7 795	0	-24	-79 345	-87 164
<b>Balance 31.12.2007</b>	<b>44 991</b>	<b>3 537</b>	<b>4 499</b>	<b>0</b>	<b>81 292</b>	<b>134 319</b>
Net loss for 2008	0	0	0	0	-13 180	-13 180
<b>Balance 31.12.2008</b>	<b>44 991</b>	<b>3 537</b>	<b>4 499</b>	<b>0</b>	<b>68 112</b>	<b>121 139</b>

<i>thous EUR</i>	Share capital	Share premium	Statutory reserve capital	Currency translation reserve	Retained earnings	Total
<b>Balance 31.12.2006</b>	<b>2 875</b>	<b>724</b>	<b>288</b>	<b>0</b>	<b>8 233</b>	<b>12 120</b>
Currency translation differences	0	0	0	2	0	2
Net profit for 2007	0	0	0	0	2 379	2 379
Dividends paid (note 7)	0	0	0	0	-345	-345
De-merger of the company	0	-498	0	-2	-5 072	-5 572
<b>Balance 31.12.2007</b>	<b>2 875</b>	<b>226</b>	<b>288</b>	<b>0</b>	<b>5 195</b>	<b>8 584</b>
Net loss for 2008	0	0	0	0	-842	-842
<b>Balance 31.12.2008</b>	<b>2 875</b>	<b>226</b>	<b>288</b>	<b>0</b>	<b>4 353</b>	<b>7 742</b>

The notes to the consolidated financial statements presented on pages 16-40 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 subsidiaries (together Group) are active in real estate development. The parent company of the Group is a limited liability company (Estonian: aktsiaselts) that is registered and located in Estonia. The registered address of the company is Viru väljak 2, Tallinn.

The Management Board of AS Trigon Property Development authorised these consolidated financial statements for issue at 27 April 2009, and they cannot be amended or withdrawn. The financial statements will be published through the electronic channels of Tallinn Stock Exchange.

The 2008 consolidated financial statements of AS Trigon Property Development have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The financial statements have been prepared in thousands of Estonian kroons. For the benefit of the reader, the financial information has also been presented in thousands of euros as supplementary information. The official exchange rate of the Bank of Estonia (EUR 1 = EEK 15.6466) has been used to translate the Estonian kroons to euros.

The Group is listed in list 1 of Tallinn Stock Exchange. The majority owner of Trigon Property Development AS is Trigon Wood OÜ. The ultimate controlling party of the Group is TDI Investments KY, registered in the Republic of Finland and belonging to the Scandinavian investors.

### 2 Summary of significant accounting policies

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

#### 2.1 Basis of preparation

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

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

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

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

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## 2.2 Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates („the functional currency“). The functional currency of AS Trigon Property Development is Estonian kroon (EEK). These consolidated financial statements have been presented in Estonian kroons (EEK) and euros (EUR). Estonian kroon is pegged to Euro at the rate of EEK 15.6466 to € 1. All financial information presented in euros has been translated using the aforementioned exchange rate. Thus, no translation differences arise from the use of this presentation currency.

## 2.3 Principles of consolidation and accounting for subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. According to the purchase method, the identifiable assets and liabilities of the acquired subsidiary are recognised at their fair values at the acquisition date, irrespective of the extent of any minority interest, and the excess of the cost of acquisition over the fair value of the identified net assets of the acquired subsidiary is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

In the consolidated financial statements, the financial information of all subsidiaries under the control of the parent company is combined on a line-by-line basis. All intragroup receivables and liabilities and the Group's intra-company transactions and the resulting income and losses as well as unrealised gains on these transactions have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Minority interests in the net income and equity is included within equity in the consolidated balance sheet separately from the equity attributable to the shareholders of the parent company and as a separate item in the consolidated income statement.

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

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

## 2.4 Cash and cash equivalents

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

## 2.5 Financial assets and liabilities

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

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accounting period and comparable period the group has not classified any financial assets into categories „at fair value through profit or loss“, „available for sale“ and „held to maturity“.

#### Measurement

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

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

#### Loans and receivables

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

#### Impairment of financial assets

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

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

#### Financial Liabilities

Financial liabilities (trade payables, borrowings, accrued expenses and other short and long-term borrowings) are initially recognised at their fair value and subsequently measured at amortised cost using the effective interest rate method. Upon the initial recognition of such financial liabilities which are not accounted for at fair value through profit or loss, the transactions costs directly related to the acquisition are deducted from their fair value.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised as part of the cost of that asset. All other borrowing costs are charged to period expenses.

#### *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.

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Investment property comprises freehold land.

Investment property is measured initially at its cost, including related transaction costs.

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 are incurred.

Investment property that is being redeveloped for continuing use as investment property continues to be measured at fair value.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete. At that time, it is reclassified and subsequently accounted for as investment property. Investment property that is continuously developed for being used as an investment property, is disclosed as an investment property during the development.

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

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

## 2.7 Operating lease and finance lease

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

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

## 2.8 Provisions and contingent liabilities

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

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

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

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## 2.9 Corporate income tax

According to the Income Tax Act of Estonia, the annual profit earned by entities is not taxed in Estonia. Corporate income tax is paid on dividends, fringe benefits, gifts, donations, reception fees, non-business related disbursements and adjustments of the transfer price. From 1 January 2008, the tax rate on the net dividends paid out of retained earnings is 21/79 (in 2007: 22/78 and in 2006: 23/77). 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. A deferred 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 included within lease income.

## 2.11 Cash flow statement

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

## 2.12 Statutory reserve capital

Statutory reserve capital is formed from annual net profit allocations as well as other provisions which are entered in reserve capital pursuant to legislation 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.

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## 2.14 Discontinued operations

Discontinued operations are part of the Group's business which the Group has decided to transfer or discontinue according to a specific plan. This part may represent a major line of business or a geographical area of operations, a separate major line of business or a geographical area of operations, or a subsidiary which has been acquired for the purpose of selling. Profit and cash flows from discontinued operations are shown separate from continuing operations. Assets and liabilities of discontinued operations as at 30.09.2007 are disclosed in the note 10. Cash flows from the discontinued operations are showed as net amount of operating, investing and financing activities in cash flow statement. Profit from discontinued operations is showed as net amount in income statement.

## 2.15 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 27.04.2009 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.

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

*New standards, amendments to standards and interpretations which are effective for reporting periods beginning on or after 1 January 2009 and which the Group has not adopted early*

*IFRS 8 "Operating Segments"* (effective for annual periods beginning at or after 1 January 2009). The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a securities commission or another regulatory agency for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes. The Group is currently assessing the impact of the standard on segment reporting in the financial statements.

*IAS 1 "Presentation of Financial Statements"* (revised September 2007; effective for annual periods beginning at or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by the statement of comprehensive income which also includes all non-owner changes in equity, such as revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Group expects the revised IAS 1 to impact the presentation of its financial statements but not the recognition or measurement of specific transactions and balances, and accounting balances.

*IFRS 3 "Business Combinations"* (revised January 2008; effective for business combinations for which the acquisition date is at or after the beginning of the first annual reporting period beginning at or after 1 July 2009, the revised standard has not been adopted by the EU). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 contains more detailed guidelines in respect of the application of the purchase method in business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to premeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An

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acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Group is currently assessing the impact of the standard on the financial statements.

*IFRIC 15 "Agreements for the Construction of Real Estate"* (effective for annual periods beginning at or after 1 January 2009; the interpretation has not been adopted by the EU). The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions. The Group is currently assessing the impact of the standard on the financial statements.

Improvements to International Financial Reporting Standards (issued May 2008). In 2007, the International Accounting Standards Board decided to initiate an annual improvements project as a method for making necessary, but non-urgent, amendments to IFRS. The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The Group's estimates that the amendments will not have a material impact on the financial statements, except:

- *IAS 40 "Investment Property" (and accompanying amendments to IAS 16)*. The revised standard will apply to property under construction or development for future use as investment property. If the fair value model is used, such properties shall also be measured at fair value. If the fair value of investment property under construction cannot be determined reliably, the asset shall be reported at cost until the earlier of: the date at which the construction is completed and the date at which the fair value can be determined. The Group will change its accounting policy accordingly and will apply the amendment prospectively from 1 January 2009.

*Improving Disclosures about Financial Instruments - amendment to IFRS 7 "Financial Instruments: Disclosures"* (effective for annual periods beginning on or after 1 January 2009; the interpretation has not been adopted by the EU). The amendment requires additional disclosures about measurement of fair value and liquidity risk. An entity shall disclose an analysis of financial instruments using a three-level fair value hierarchy. The amendment (a) explains that the liquidity analysis of liabilities by contractual maturities shall include financial guarantees issued in the maximum amount of the guarantee and in the earliest period in which the guarantee can be collected; and (b) requires disclosure of remaining contractual maturities of financial derivatives when information about contractual maturities is material for understanding the timing of cash flows. In addition, an entity shall disclose an analysis of financial assets held for the hedging purposes by maturities when this information is useful for the readers of the financial statements in order to understand the nature and scope of liquidity risk. The Group is currently assessing the impact of the amendment on its financial statements.

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IAS 27, *Consolidated and Separate Financial Statements* (revised January 2008; effective for annual periods beginning on or after 1 July 2009; not yet adopted by the EU). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value.

*Other new standards or interpretations. The Group has not adopted early the following new standards or interpretations which are not relevant for the Group's financial statements:*

IAS 32 and amendment to IAS 1 - *Puttable Financial Instruments and Obligations Arising on Liquidation* (effective for annual periods beginning at or after 1 January 2009).

IAS 23 "*Borrowing Costs*" (revised March 2007; effective for annual periods beginning at or after 1 January 2009).

*Vesting Conditions and Cancellations - Amendment to IFRS 2 "Share-based Payment"* (revised January 2008; effective for annual periods beginning at or after 1 January 2009).

IFRIC 12 "*Service Concession Arrangements*" (effective for annual periods beginning at or after 1 January 2008).

IFRIC 13 "*Customer Loyalty Programmes*" (effective for annual periods beginning at or after 1 July 2008; if adopted by the EU, IFRIC 13 is effective for annual periods beginning at or after 31 December 2008, earlier application is permitted).

IFRIC 14, IAS 19 "*The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*" (effective for annual periods beginning at or after 1 January 2008, if adopted by the EU, IFRIC 14 is effective for annual periods beginning at or after 31 December 2008, earlier application is permitted).

IFRIC 16 "*Hedges of a Net Investment in a Foreign Operation*" (effective for annual periods beginning at or after 1 October 2008; the interpretation has not been adopted by the EU).

IFRIC 17 "*Distribution of Non-Cash Assets to Owners*" (effective for annual periods beginning at or after 1 July 2009; the interpretation has not been adopted by the EU).

*Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate – IFRS 1 and amendment to IAS 27* (issued in May 2008; effective for annual periods beginning at or after 1 January 2009).

*Eligible Hedged Items - amendment to IAS 39 "Financial Instruments: Recognition and Measurement"* (effective with retrospective application for annual periods beginning at or after 1 July 2009).

IFRS 1 "*First-time Adoption of International Financial Reporting Standards*" (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning at or after 1 July 2009; the amended standard has not been adopted by the EU).

IFRIC 18 "*Transfers of Assets from Customers*" (effective for annual periods beginning at or after 1 July 2009; the interpretation has not been adopted by the EU).

Other than the aforementioned circumstances, new standards and interpretations will not have a material effect on the Group's financial statements.

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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, cash flow and 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 and other liabilities and 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

The Group operates in Estonia and is exposed to foreign exchange risk arising from exposures with respect to the Estonian kroon (EEK) and Euro. Foreign exchange risk may arise from future commercial transactions, recognised monetary assets and liabilities and net investments in foreign operations.

The Group did not implement any currency risk management policies, other than aiming to negotiate all major investments and payments to be made either in Estonian kroons or in Euros. The Estonian kroon's exchange rate is fixed against the Euro at 1 EUR = 15.6466 EEK. As a member state of the European Union, Estonia has an obligation to adopt the Euro. Both the Estonian government and the central bank have set the objective to join the Euro zone as soon as possible, i.e., as soon as Estonia meets all the necessary conditions.

Consequently the Group faces the foreign exchange risk regarding possible revaluation/devaluation of Euro against Estonian kroon. Group's monetary assets are nominated in Estonian kroons. The Group's liabilities in the amount of 2 682 thousand Estonian kroons/171 thousand euros are nominated in Estonian kroons and in the amount of 653 thousand Estonian kroons/42 thousand euros in euros. As at 31 December 2007 Group's monetary assets and liabilities were nominated in Estonian kroons.

The Group is currently not exposed to currency risk from any other currency.

###### (ii) Price risk

The Group is open to real estate price risk and real estate rent price risk. The Group is not exposed to the price risk with respect to financial instruments as it does not hold any equity securities.

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

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

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

##### (b) **Credit risk**

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers or contractors, including outstanding receivables and committed transactions. The Group's policy is to collaborate only with institutions whose main investors are internationally known financial organisations. Prepayments to the Tax Authority are considered not credit risk bearing. The maximal open position of the Group to credit risk as at

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31.12.2008 is 194 thousand Estonian kroons/12 thousand euros. The maximal open position of the Group to credit risk as at 31.12.2007 is 456 thousand Estonian kroons/29 thousand euros.

(c) **Liquidity risk**

To finance the potential investments needed to be made and to repay the liabilities in 2009, the Group is planning to sell partly the investment property owned by Group and borrow from bank if needed. 62 thousand Estonian kroons/4 thousand euros of the Groups short-term liabilities will be paid in January 2009, 70 thousand Estonian kroons/4 thousand euros in April 2009 and 196 thousand Estonian kroons/13 thousand euros in May 2009. Long-term borrowings in the amount of 2 154 thousand Estonian kroons/138 thousand euros will be paid during 2010-2015 (391 thousand Estonian kroons/25 thousand euros per year).

In 2008 the Group financed its expenses by short-term borrowing, which maturity date is in 2009, but which will be extended and increased if needed.

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 that period external financing in the form of bank loans is planned to be used.

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

The Group estimates that the fair values of the assets and liabilities denominated in the balance sheet at amortised cost do not differ significantly from their carrying values as at 31.12.2008 and 31.12.2007. The financial assets and liabilities disclosed in the balance sheet are settled in cash and the accounting has taken into consideration the influence of time value of money on assets and liabilities.

3.4 **Impact of the ongoing global financial and economic crisis**

The ongoing global financial and economic crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2007 (often referred to as the "Credit Crunch") has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and very high volatility in stock and currency markets. The uncertainties in the global financial markets have also led to failures of banks and other corporates, and to bank rescues in the United States of America, Western Europe, Russia and elsewhere. The full extent of the impact of the ongoing global financial and economic crisis is proving to be difficult to anticipate or completely guard against.

**Impact on liquidity**

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

**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.

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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.

In relation to the Group's strong balance position the Management strongly believes that in spite of the global liquidity crisis the Group is sustainable in the current circumstances.

#### 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.

#### 5 Investment property

	<i>EEK thous</i>	<i>EUR thous</i>
<b>Restated balance as of 31.12.2006</b>	<b>128 130</b>	<b>8 189</b>
Incl. continued operations	110 130	7 039
Incl. discontinued operations	18 000	1 150
Gains from change in fair value 2007	26 332	1 683
Reclassification from property, plant and equipment 2007 related to discontinued operations	2 762	176
Reclassification from property, plant and equipment 2007	789	50
De-merger of the Group	-20 762	-1 326
<b>Balance as at 31.12.2007</b>	<b>137 251</b>	<b>8 772</b>
Additonal expenditures	288	18
Loss from change in fair value 2008	-13 259	-847
<b>Balance as at 31.12.2008</b>	<b>124 280</b>	<b>7 943</b>

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

The costs related to the management of investment property totalled 180 thousand kroons/12 thousand euros in 2008 and 2007.

The property has been rented out until the beginning of construction works under operating lease agreements. Revenue from the leasing of investment property totalled 468 thousand kroons/30 thousand euros in 2008 and 342 thousand kroons/22 thousand euros in 2007. Based on the effective lease agreements, the future-minimum lease payments under non-cancellable operating leases expected to be collected in 2009 are 219 thousand Estonian kroons/14 thousand euros (31 December 2007: 226 thousand Estonian kroons/14 thousand euros). All operating lease agreements can be cancelled within one year.

The investment property was evaluated by independent qualified appraisers of Colliers International at the end of financial year 2008 and 2007. The evaluation was based on discounted cash flow estimates due to the fact that there were no transactions with similar properties done recently as the real estate market has been very illiquid in comparison with the previous period.

The estimation was based on the following presumptions: rental income growth 0-3,5% per annum (2009 and 2010 0%, 2011 2%, 2012-2015 3%, 2016 3,5%), growth of construction costs 0-4,35% per annum (2009 ja 2010 0%, 2011 1%, 2012 1,5%, 2013 3,41%, 2014 4,25%, 2015 4,07%, 2016 4,35%), vacancy of the rentable area after the completion of the corresponding total area and the start of offering 7,5%, discount rate in development stage 16,3% and in the rental period 10,5%. The planned capacity of rental area is 141 114 square meters from which 90% is planned to be for warehouse and 10% for offices. First areas are planned to be rented out in 2011. The valuation is made using 8 year's occurred and planned cash flows from the period of 2009-2016. The sensitivity to the presumptions of the valuation is the following:

	Effect	
	EEK thous	EUR thous
Increase of the discount factor in the period of development by order of 1%	-18 427	-1 178
Decrease of the discount factor in the period of development by order of 1%	18 168	1 161
Increase of the rent prices by order 10%	59 694	3 815
Decrease of the rent prices by order 10%	-59 694	-3 815
Increase of construction costs by order of 10%	-47 266	-3 021
Decrease of construction costs by order of 10%	47 266	3 021
Decrease of vacancy by order of 1% (4%)	5 702	364
Increase of vacancy by order of 1% (6%)	-5 702	-364
Increasing the proportion of offices from 10% to 20%	-2 719	-174

Management of the Company has tested the value of the evaluation that based on discounted cash flow estimates respecting the transactions with the similar properties done in Pärnu (which has been done in very limited quantity) and came to conclusion that value of the property investment measured in this annual report is rather conservative in comparison with the prices of transactions done.

According to the Group's investment strategy with similar investment property items, the Management Board assessed that the developed investment property will be rented out and therefore the Group will continue to record the immovable as investment property after the development stage. Thus, the Group has not reclassified the investment property as an item of property, plant and equipment in the development stage and will continue to record it as investment property.

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The real estate estimate 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, it represents a major risk which could lead to a significant change in the carrying amount of investment property in future periods.

As at 31 December 2008 and 31 December 2007, investment properties were encumbered with mortgages for the benefit of Estonian Government in the amount of 6 186 thousand kroons/395 thousand euros. Mortgages were set as collateral for long-term bank loans (Note 6). As at 31 December 2008, the carrying amount of investment properties encumbered with mortgages was 124 280 thousand kroons/7 943 thousand euros and as at 31 December 2007, 137 251 thousand kroons/8 772 thousand euros.

## 6 Borrowings

As at 31.12.2008

EEK thous	Total	Due date			
		1 year or less	1-2 years	3-5 years	More than 5 years
5 875 thous EEK - fixed interest 39 thous EEK per year	2 546	392	392	1 175	587
31 thous EUR - interest rate 6% per year	485	485	0	0	0
10 thous EUR - interest rate 6% per year	150	150	0	0	0
<b>TOTAL</b>	<b>3 181</b>	<b>1 027</b>	<b>392</b>	<b>1 175</b>	<b>587</b>

As at 31.12.2008

EUR thous	Total	Due date			
		1 year or less	1-2 years	3-5 years	More than 5 years
5 875 thous EEK - fixed interest 39 thous EEK per year	163	25	25	75	38
31 thous EUR - interest rate 6% per year	31	31	0	0	0
10 thous EUR - interest rate 6% per year	9	9	0	0	0
<b>TOTAL</b>	<b>203</b>	<b>65</b>	<b>25</b>	<b>75</b>	<b>38</b>

As at 31.12.2007

EEK thous	Total	Due date			
		1 year or less	1-2 years	3-5 years	More than 5 years
5 875 thous EEK - fixed interest 39 thous EEK per year	2 938	392	392	1 175	979
<b>TOTAL</b>	<b>2 938</b>	<b>392</b>	<b>392</b>	<b>1 175</b>	<b>979</b>

As at 31.12.2007

EUR thous	Total	Due date			
		1 year or less	1-2 years	3-5 years	More than 5 years
5 875 thous EEK - fixed interest 39 thous EEK per year	188	25	25	75	63
<b>TOTAL</b>	<b>188</b>	<b>25</b>	<b>25</b>	<b>75</b>	<b>63</b>

Borrowings include the instalment payment for land on which interest in the fixed amount of 39 thousand kroons/2 thousand euros per annum is paid. The repayment date of the loan is 2015. Investment property with the carrying amount of 124 280 thousand kroons/7 943 thousand euros as at 31 December 2008 and 137 251 thousand kroons/8 772 thousand euros as at 31 December 2007

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has been set as collateral for the borrowings. Using the fair market interest rate of 7% per annum, the fair value of the loan is 1 989 thousand kroons/127 thousand euros.

Short-term borrowings include loans in the amount of 485 thousand Estonian kroons/31 thousand euros and 150 thousand Estonian kroons/9 thousand euros with the repayment dates respectively 31 December 2009 and 20 November 2009.

Borrowing terms have not been violated during the accounting period nor as at the balance sheet date.

## 7 Equity

	Number of shares <i>pcs</i>	Share capital <i>EEK</i>	Share capital <i>EUR</i>
Balance 31.12.2007	4 499 061	44 990 610	2 875 424
Balance 31.12.2008	4 499 061	44 990 610	2 875 424

The share capital of AS Trigon Property Development is 44 990 610 kroons/2 875 424 euros. The share capital consists of 4 499 061 ordinary shares with the nominal value of 10 kroons/0.64 euros which have been approved by the shareholders, issued and fully paid for. The maximum share capital stipulated in the articles of association is 177 480 800 kroons/11 343 090 euros. Each ordinary share grants one vote to its owner at the General Meeting of Shareholders and the right to receive dividends.

In 2007, the Group paid dividends to the shareholders in the amount of 5 398 873 kroons/345 051 euros, i.e. 1 kroon 20 cents/7.67 euro cents per share. The income tax on dividends amounted to 475 378 kroons/30 382 euros.

As at 31 December 2008 the retained earnings amounted to 68 112 thousand kroons/4 353 thousand euros (as at 31 December 2006: 81 292 thousand kroons/5 195 thousand euros). At the balance sheet date it is possible to pay out 53 808 thousand kroons/3 439 thousand euros as dividends. The corresponding corporate income tax on dividends would amount to 14 304 thousand kroons/914 thousand euros. As at 31 December 2007 it was possible to pay out 64 221 thousand kroons/4 104 thousand euros as dividends and the corresponding corporate income tax would have amounted to 17 071 thousand kroons/1 091 thousand euros.

As at 31.12.2008, the Group had 468 shareholders (31.12.2007: 517 shareholders) of which the entities with more than a 5% holdings were:

- Trigon Wood OÜ with 2 682 192 shares or 59.62% (2007: 59.62%)
- ING Luxembourg S.A. with 455 000 shares or 10.11% (2007: 10.11%)

Members of the Management Board and Supervisory Board owned no shares as at 31.12.2008 and 31.12.2007.

## 8 Expenses related to investment property

Expenses related to investment property consist of land tax in the amount of 180 thousand Estonian kroons/12 thousand euros in 2008 and 2007.

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## 9 Administrative and general expenses

	<i>thous EEK</i> 2008	<i>thous EEK</i> 2007	<i>thous EUR</i> 2008	<i>thous EUR</i> 2007
Security transactions and stock exchange fees	152	116	10	8
Auditing	140	130	9	8
Legal services	64	6	4	0
Advertising expenses	14	124	1	8
Other expenses	5	0	0	0
Bank charges	3	3	0	0
Consulting fees	0	234	0	15
Notary fees and state fees	0	18	0	1
<b>TOTAL</b>	<b>378</b>	<b>631</b>	<b>24</b>	<b>40</b>

## 10 Discontinued operations

At 29.06.2007, the de-merger plan of AS Trigon Property Development was signed as a result of which the manufacturing unit - the construction materials division and the furniture division - was spun off from AS Trigon Property Development. This resolution was also approved at the General Meeting of Shareholders at 06.08.2007. The main operation of AS Trigon Property Development will continue to be real estate development. The balance sheet date of the de-merger was 19.09.2007 when the registration department of Pärnu County Court registered the Group's de-merger.

In this annual report, the discontinued operations include the assets and liabilities, income and expenses as well as cash flows related to the transferred operations which according to the de-merger plan of AS Trigon Property Development were spun off into the new entity AS Viisnurk. The results from continuing operations and discontinued operations are shown separately in the income statement and the cash flow statement.

Assets and liabilities of the discontinued operations at the date of de-merger and income and expenses of the discontinued operations until the de-merger are also disclosed. The cost of de-merger in the amount of 1 996 thousand Estonian kroons/128 thousand are recognized in owners equity.

Assets and liabilities transferred in the de-merger	<i>EEK thous</i> 30.09.2007	<i>EUR thous</i> 30.09.2007
Cash	3 997	255
Receivables and prepayments	32 516	2 079
Inventories	46 441	2 968
Investment property	20 762	1 327
Property, plant and equipment	62 514	3 995
Intangible assets	292	19
Current liabilities	33 305	2 128
Non-current liabilities	48 049	3 071
<b>Net assets transferred in the de-merger</b>	<b>85 168</b>	<b>5 444</b>
Share premium	7 795	498
Retained earnings	79 345	5 072
Currency translation reserve	24	2
Cost of de-merger	-1 996	-128
<b>Total assets transferred in the de-merger</b>	<b>85 168</b>	<b>5 444</b>

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	EEK thous 30.09.2007	EUR thous 30.09.2007
Cash	3 997	255
Receivables and prepayments	32 516	2 079
Inventories	46 441	2 968
<b>Total current assets</b>	<b>82 954</b>	<b>5 302</b>
Investment property	20 762	1 327
Property, plant and equipment	62 514	3 995
Intangible assets	292	19
<b>Total non-current assets</b>	<b>83 568</b>	<b>5 341</b>
<b>Total assets</b>	<b>166 522</b>	<b>10 643</b>
Borrowings	2 147	137
Payables and prepayments	31 134	1 990
Short-term provisions	24	1
<b>Total short-term provisions</b>	<b>33 305</b>	<b>2 128</b>
Long-term borrowings	45 002	2 876
Long-term provisions	3 047	195
<b>Total non-current liabilities</b>	<b>48 049</b>	<b>3 071</b>
<b>Total liabilities</b>	<b>81 354</b>	<b>5 199</b>
	EEK thous 9 months 2007	EUR thous 9 months 2007
Income	180 630	11 544
Expenses	-168 755	-10 786
<b>Profit before tax</b>	<b>11 875</b>	<b>758</b>

## 11 Earnings per share

	EEK 31.12.2008	EEK 31.12.2007	EUR 31.12.2008	EUR 31.12.2007
Basic earnings per share (basic EPS)	-2.93	8.27	-0.19	0.53
Diluted earnings per share	-2.93	8.27	-0.19	0.53
Book value of the share	26.93	29.85	1.72	1.91
Price to earnings ratio (P/E)	-2.08	3.08	-2.08	3.08
Closing price of the share of AS Trigon Property Development on Tallinn Stock Exchange	6.10	25.50	0.39	1.63

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

Basic EPS for 2008 = -13 180 thousand / 4 499 061 = -2.93 kroons/-0.19 euros

Basic EPS for 2007 = 37 225 thousand / 4 499 061 = 8.27 kroons/0.53 euros

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.

Price to earnings (P/E) ratio for 2008 = 6.10 / (-2.93) = -2.08

Price to earnings (P/E) ratio for 2007 = 25.50 / 8.27 = 3.08

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## 12 Subsidiary

The parent company has a 100% subsidiary VN Niidu Kinnisvara OÜ domiciled in Estonia. The subsidiary is recorded at cost in separate financial statements of parent company.

## 13 Adjustments of profit before tax for cash flow statement

	EEK thous 2008	EEK thous 2007	EUR thous 2008	EUR thous 2007
<b>Cash flows from operating activities</b>				
<b>Loss (profit) from continuing operations before tax</b>	<b>-13 180</b>	<b>25 825</b>	<b>-842</b>	<b>1 651</b>
<u>Adjustments for:</u>				
Change in fair value of investment property (note 5)	13 259	-26 332	847	-1 683
Interest charge	57	38	4	2
<b>Changes in working capital:</b>				
Change in receivables and prepayments related to operating activities	-41	-84	-3	-5
Change in liabilities and prepayments related to operating activities	-314	450	-20	29
<b>Cash used in operations</b>	<b>-219</b>	<b>-103</b>	<b>-14</b>	<b>-6</b>

## 14 Segment report

The Group's management has identified the following business segments by the areas of operations: Furniture division (FD) is engaged in the production and retail sales of household furniture (EMTAK: 31091).

Building material division (BMD) manufactures softboard and interior finishing boards (EMTAK: 16212).

Property investment division (PID) rents out land and develops property (EMTAK 68201).

Furniture division and building material division are shown as discontinued operations in this annual report.

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Business segment by area of operations - primary segment

EEK thous	2007			2008		Total	
	Discontinued operations		Continuing operations	Continuing operations		2007	2008
	FD	BMD	PID	PID			
Revenue	94 820	85 685	342	468	180 847	468	
Segment results of operations	2 941	12 596	26 494	-12 971	42 031	-12 971	
Unallocated expenses					-2 330	-152	
<b>Operating (loss) profit</b>					39 701	-13 123	
Net financial expenses					-2 001	-57	
<b>(Loss) profit before tax</b>					37 700	-13 180	
Corporate income tax					-475	0	
<b>Net (loss) profit for the financial year</b>					37 225	-13 180	
Segment assets	0	0	137 251	124 280	137 251	124 280	
Unallocated assets					456	194	
<b>Total assets</b>					137 707	124 474	
Segment liabilities	0	0	2 938	2 546	2 938	2 546	
Unallocated liabilities					450	789	
<b>Total liabilities</b>					3 388	3 335	

EUR thous	2007			2008		Total	
	Discontinued operations		Continuing operations	Continuing operations		2007	2008
	FD	BMD	PID	PID			
Revenue	6 060	5 476	22	30	11 558	30	
Segment results of operations	188	805	1 693	-829	2 686	-829	
Unallocated expenses					-149	-10	
<b>Operating (loss) profit</b>					2 537	-839	
Net financial expenses					-128	-4	
<b>(Loss) profit before tax</b>					2 409	-842	
Corporate income tax					-30	0	
<b>Net (loss) profit for the financial year</b>					2 379	-842	
Segment assets	0	0	8 772	7 943	8 772	7 943	
Unallocated assets					29	12	
<b>Total assets</b>					8 801	7 955	
Segment liabilities	0	0	188	163	188	163	
Unallocated liabilities					29	50	
<b>Total liabilities</b>					217	213	

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Geographical segment by location of customers - secondary segment

EEK thous	2007		2008		Total	
	Discontinued operations		Continuing operations	Continuing operations		
	FD	BMD	PID	PID	2007	2008
<b>EXPORTS</b>						
<i>European countries</i>						
Finland	45 096	43 463	0	0	88 559	0
Russia, Belarus, Ukraine	27 854	5 737	0	0	33 591	0
Germany	4 039	1 211	0	0	5 250	0
Sweden	0	2 289	0	0	2 289	0
Switzerland	48	0	0	0	48	0
Netherlands	51	194	0	0	245	0
Latvia, Lithuania	3 937	2 691	0	0	6 628	0
Other countries	155	396	0	0	551	0
<b>TOTAL</b>	<b>81 180</b>	<b>55 981</b>	<b>0</b>	<b>0</b>	<b>137 161</b>	<b>0</b>
Rest of the world	2 683	0	0	0	2 683	0
<b>TOTAL EXPORTS</b>	<b>83 863</b>	<b>55 981</b>	<b>0</b>	<b>0</b>	<b>139 844</b>	<b>0</b>
<b>DOMESTIC MARKET</b>	<b>10 957</b>	<b>29 704</b>	<b>342</b>	<b>468</b>	<b>41 003</b>	<b>468</b>
<b>TOTAL</b>	<b>94 820</b>	<b>85 685</b>	<b>342</b>	<b>468</b>	<b>180 847</b>	<b>468</b>

EUR thous	2007		2008		Total	
	Discontinued operations		Continuing operations	Continuing operations		
	FD	BMD	PID	PID	2007	2008
<b>EXPORTS</b>						
<i>European countries</i>						
Finland	2 882	2 778	0	0	5 660	0
Russia, Belarus, Ukraine	1 780	367	0	0	2 147	0
Germany	258	77	0	0	336	0
Sweden	0	146	0	0	146	0
Switzerland	3	0	0	0	3	0
Netherlands	3	12	0	0	16	0
Latvia, Lithuania	252	172	0	0	424	0
Other countries	10	25	0	0	35	0
<b>TOTAL</b>	<b>5 188</b>	<b>3 578</b>	<b>0</b>	<b>0</b>	<b>8 766</b>	<b>0</b>
Rest of the world	171	0	0	0	171	0
<b>TOTAL EXPORTS</b>	<b>5 360</b>	<b>3 578</b>	<b>0</b>	<b>0</b>	<b>8 938</b>	<b>0</b>
<b>DOMESTIC MARKET</b>	<b>700</b>	<b>1 898</b>	<b>22</b>	<b>30</b>	<b>2 621</b>	<b>30</b>
<b>TOTAL</b>	<b>6 060</b>	<b>5 476</b>	<b>22</b>	<b>30</b>	<b>11 558</b>	<b>30</b>

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## 15 Related party transactions

The following parties are considered to be related parties:

- Parent company Trigon Wood OÜ and owners of the parent company;
- Subsidiaries;
- 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 ultimate controlling party of the Group is TDI Investments KY, registered in republic of Finland and belonging to Scandinavian investors.

The remuneration paid to the members of the previous Management and Supervisory Board including taxes:

	<i>thous EEK</i> 2008	<i>thous EEK</i> 2007	<i>thous EUR</i> 2008	<i>thous EUR</i> 2007
Board member and other remuneration	0	1 293	0	83
Social security and unemployment insurance taxes	0	445	0	28
<b>TOTAL</b>	<b>0</b>	<b>1 738</b>	<b>0</b>	<b>111</b>

After the spin-off of the construction materials division and furniture division and re-election of the Management and Supervisory Board no remuneration has been paid to the Management or Supervisory board.

There are no potential liabilities to members of the Management Board of Supervisory Board.

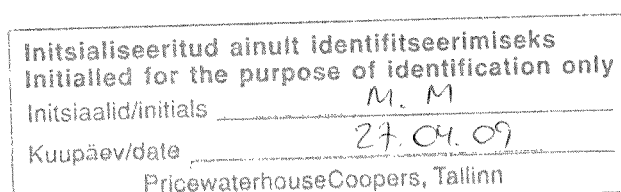
In 2008 Trigon Property Development AS bought services from entities under the control of the members of Management Board or Supervisory Board in the amount of 47 thousand Estonian kroons/3 thousand euros.

In 2007 Trigon Property Development AS bought services from entities under the control of the members of Management Board or Supervisory Board in the amount of 19 thousand Estonian kroons/1 thousand euros.

Group received loans in 2008 from entities under the control of the members of Management Board or Supervisory Board in the amount of 635 thousand Estonian kroons/40 thousand euros. These loans are payable in 2009. As at 31 December 2008 the accrued interest from the loans is 18 thousand Estonian kroons/1 thousand euros.

## 16 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).



Balance sheet

	<i>EEK thous</i>	<i>EEK thous</i>	<i>EUR thous</i>	<i>EUR thous</i>
	<b>31.12.2008</b>	<b>31.12.2007</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
Cash	1	159	0	10
Receivables and prepayments	340	83	22	5
<b>Total current assets</b>	<b>341</b>	<b>242</b>	<b>22</b>	<b>15</b>
Investment in subsidiary	128 056	128056	8 184	8184
<b>Total non-current assets</b>	<b>128 056</b>	<b>128 056</b>	<b>8 184</b>	<b>8 184</b>
<b>TOTAL ASSETS</b>	<b>128 397</b>	<b>128 298</b>	<b>8 206</b>	<b>8 199</b>
Borrowings	485	0	31	0
Payables and prepayments	151	443	10	28
<b>Total current liabilities</b>	<b>636</b>	<b>443</b>	<b>41</b>	<b>28</b>
<b>Total liabilities</b>	<b>636</b>	<b>443</b>	<b>41</b>	<b>28</b>
Share capital at nominal value	44 991	44 991	2 875	2 875
Share premium	3 537	3 537	226	226
Statutory reserve capital	4 499	4 499	288	288
Retained earnings	74 734	74 828	4 776	4 782
<b>Total equity</b>	<b>127 761</b>	<b>127 855</b>	<b>8 165</b>	<b>8 171</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>128 397</b>	<b>128 298</b>	<b>8 206</b>	<b>8 199</b>

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Income statement

	EEK thous 2008	EEK thous 2007	EUR thous 2008	EUR thous 2007
<b>Continuing operations</b>				
Rental income	0	256	0	16
Other income	300	0	19	0
Expenses related to investment property	0	-119	0	-8
<b>Gross profit</b>	<b>300</b>	<b>137</b>	<b>19</b>	<b>8</b>
Administrative and general expenses	-377	-627	-24	-40
Change in value of investment property	0	19 870	0	1 270
<b>Operating loss (profit)</b>	<b>-77</b>	<b>19 380</b>	<b>-5</b>	<b>1 238</b>
Net financial income	-17	-19	-1	-1
<b>Loss (profit) from continuing operations</b>	<b>-94</b>	<b>19 361</b>	<b>-6</b>	<b>1 237</b>
Profit from discontinuing operations	0	13 361	0	854
<b>Loss (profit) before income tax</b>	<b>-94</b>	<b>32 722</b>	<b>-6</b>	<b>2 091</b>
Corporate income tax	0	-475	0	-30
<b>NET LOSS (PROFIT) FOR THE PERIOD</b>	<b>-94</b>	<b>32 247</b>	<b>-6</b>	<b>2 061</b>

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Cash flow statement

	EEK thous 2008	EEK thous 2007	EUR thous 2008	EUR thous 2007
<b>Cash flows from operating activities</b>				
<b>(Loss) profit before tax</b>	<b>-94</b>	<b>19 361</b>	<b>-6</b>	<b>1 237</b>
<b>Adjustments for:</b>				
Gain from change in fair value of investment property	0	-19 870	0	-1 270
Interest charge	17	19	1	1
<b>Operating loss before changes in working capital</b>	<b>-77</b>	<b>-490</b>	<b>-5</b>	<b>-32</b>
Change in receivables and prepayments related to operating activities	-259	-84	-16	-5
Change in liabilities and prepayments related to operating activities	-307	443	-20	28
<b>Cash used in main operations</b>	<b>-643</b>	<b>-131</b>	<b>-41</b>	<b>-9</b>
Interest payments	0	-19	0	-1
Paid income tax	0	-475	0	-30
<b>Cashflows from operating activities related to continuing activities</b>	<b>-643</b>	<b>-625</b>	<b>-41</b>	<b>-40</b>
Cash flows from operating activities related to discontinued operations	0	10 235	0	654
<b>Total cash flows from operating activities</b>	<b>-643</b>	<b>9 610</b>	<b>-41</b>	<b>614</b>
<b>Cash flows from investing activities</b>				
De-merger of company	0	-360	0	-23
Cash flows from investing activities related to discontinued operations	0	-14 244	0	-910
<b>Total cash flows from investing activities</b>	<b>0</b>	<b>-14 604</b>	<b>0</b>	<b>-933</b>
<b>Cash flows from financing activities</b>				
Received loans	485	0	31	0
Repayment of loans	0	-195	0	-13
Payment of dividends	0	-5 399	0	-345
Cash flows from financing activities related to discontinued operations	0	2 558	0	163
<b>Total cash flows from financing activities</b>	<b>485</b>	<b>-3 036</b>	<b>31</b>	<b>-195</b>
<b>NET DECREASE IN CASH BALANCE</b>	<b>-158</b>	<b>-8 030</b>	<b>-10</b>	<b>-514</b>
Total cash flows related to discontinued operations	0	-1 451	0	-93
Cash and bank related to discontinued operations at beginning of the period	0	3 478	0	222
Cash transferred to discontinued operations	0	-2 027	0	-129
<b>Cash and bank related to discontinued operations at the end of period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NET DECREASE IN CASH RELATED TO CONTINUING OPERATIONS</b>	<b>-158</b>	<b>-10 057</b>	<b>-10</b>	<b>-643</b>
<b>OPENING BALANCE OF CASH</b>	<b>159</b>	<b>10 216</b>	<b>10</b>	<b>653</b>
<b>CLOSING BALANCE OF CASH</b>	<b>1</b>	<b>159</b>	<b>0</b>	<b>10</b>

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Statement of changes in equity

EEK thous	Share capital	Share premium	Statutory reserve capital	Retained earnings	Total
<b>Balance 31.12.2006</b>	<b>44 991</b>	<b>11 332</b>	<b>4 499</b>	<b>126 027</b>	<b>186 849</b>
Book value of holdings under control or significant influence					-160
Value of holdings under control of significant influence, calculated using the equity method					2 945
<b>Adjusted unconsolidated equity at 31.12.2006</b>					<b>189 634</b>
Net profit for 2007	0	0	0	32 247	32 247
Dividends paid	0	0	0	-5 399	-5 399
De-merger of the company	0	-7 795	0	-78 047	-85 842
<b>Balance 31.12.2007</b>	<b>44 991</b>	<b>3 537</b>	<b>4 499</b>	<b>74 828</b>	<b>127 855</b>
Book value of holdings under control or significant influence					-128 056
Value of holdings under control of significant influence, calculated using the equity method					134 520
<b>Adjusted unconsolidated equity at 31.12.2007</b>					<b>134 319</b>
Net loss for 2008	0	0	0	-94	-94
<b>Balance 31.12.2008</b>	<b>44 991</b>	<b>3 537</b>	<b>4 499</b>	<b>74 734</b>	<b>127 761</b>
Book value of holdings under control or significant influence					-128 056
Value of holdings under control of significant influence, calculated using the equity method					121 434
<b>Adjusted unconsolidated equity at 31.12.2008</b>					<b>121 139</b>

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<i>thous EUR</i>	Share capital	Share premium	Statutory reserve capital	Retained earnings	Total
<b>Balance 31.12.2006</b>	<b>2 875</b>	<b>724</b>	<b>288</b>	<b>8 054</b>	<b>11 941</b>
Book value of holdings under control or significant influence					-10
Value of holdings under control of significant influence, calculated using the equity method					188
<b>Adjusted unconsolidated equity at 31.12.2006</b>					<b>12 119</b>
Net profit for 2007	0	0	0	2 061	2 061
Dividends paid	0	0	0	-345	-345
De-merger of the company	0	-498	0	-4 988	-5 486
<b>Balance 31.12.2007</b>	<b>2 875</b>	<b>226</b>	<b>288</b>	<b>4 782</b>	<b>8 171</b>
Book value of holdings under control or significant influence					-8 184
Value of holdings under control of significant influence, calculated using the equity method					8 597
<b>Adjusted unconsolidated equity at 31.12.2007</b>					<b>8 584</b>
Net loss for 2008	0	0	0	-6	-6
<b>Balance 31.12.2008</b>	<b>2 875</b>	<b>226</b>	<b>288</b>	<b>4 776</b>	<b>8 165</b>
Book value of holdings under control or significant influence					-8 184
Value of holdings under control of significant influence, calculated using the equity method					7 762
<b>Adjusted unconsolidated equity at 31.12.2008</b>					<b>7 743</b>

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## INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)\*

To the Shareholders of AS Trigon Property Development

We have audited the accompanying consolidated financial statements of AS Trigon Property Development and its subsidiary (the Group) which comprise the consolidated balance sheet as of 31 December 2008 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

### Management Board's Responsibility for the 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 accompanying consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.



Ago Vilu  
AS PricewaterhouseCoopers



Relika Mell  
Authorised Auditor

27 April 2009

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

## Loss allocation proposal

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The Management Board of Trigon Property Development AS proposes to the General Meeting of Shareholders to take the net loss for 2008 in the amount of 13 180 thousand Estonian kroons/842 thousand euros from retained earnings.

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Aivar Kemp

Member of the Management Board

## Signatures of the Management Board and the Supervisory Board to the 2008 Consolidated Annual report

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The Management Board has prepared the Company's Annual Report for 2008. The Annual Report consists of the management report, financial statements, auditor's report and profit allocation proposal. The Supervisory Board has reviewed the Annual Report prepared by the Management Board and approved it for presentation at the General Meeting of Shareholders.

Aivar Kempfi

Member of the Management

Ülo Adamson

Member of the Supervisory Board

Joakim Helenius

Member of the Supervisory Board

Gleb Ognyanikov

Member of the Supervisory Board