

Annual
report
2019

Translation of the Estonian original

Beginning of the financial year:	1.1.2019
End of the financial year:	31.12.2019
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Brief description

AS Trigon Property Development is a real estate development company.

AS Trigon Property Development currently owns one real estate development project involving a 21-hectare area in the City of Pärnu, Estonia. Commercial real estate is planned to be developed on this area.

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

As at 31.12.2019 OÜ Pärnu Holdings owns 41.73% of the shares of Trigon Property Development AS directly and 17.88% through Nordic Fibreboard AS. The biggest shareholders of OÜ Pärnu Holdings are OÜ Stetind (46.99%) and AS Trigon Capital (45.18%) by the time of compiling these financial statements.

Management Board's confirmation

The Management Board confirms that:

1. the management report presented on pages 4 to 10 presents a true and fair view of the business developments and results, as well as of the financial position of the Company, and includes a description of the main risks and doubts regarding the Company.
2. the accounting policies and the presentation of information of the 2019 financial statements of AS Trigon Property Development presented on pages 11 to 25 are in compliance with the International Financial Reporting Standards as adopted by the European Union;
3. the financial statements present a true and fair view of the financial position, the results of the operations and the cash flows of the Company;
4. the Company is a going concern.



Rando Tomingas

Member of the Management Board

28 April 2020

Management report

Overview of business areas

The main business activity of Trigon Property Development AS is real estate development. As at 31.12.2019, AS Trigon Property Development owned one development project with an area of 21 hectares in the City of Pärnu, Estonia. An industrial and logistics park is planned to be developed on this area. The Company's objective is to find companies willing to bring their business activities (industry, logistics) to the development project area of AS Trigon Property Development in Pärnu, which would add value to the land plots owned by the Company. The realisation of the value of the land is planned through the selling of land plots or through the development of real estate with the intention of creating a rental income-generating project.

In the third quarter of 2019 a 0.5-hectare property at the price of 75 000 euros was sold. In December 2019 the Company signed a preliminary agreement for selling 0.7-hectare property at the price of 78 000 euros.

In the fourth quarter of 2018 a 0.5-hectare property at the price of 70 000 euros was sold.

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



Management

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

Economic environment

In 2019 Estonian GDP increased by 4.3% according to Statistics Estonia. The main contributor to the economic growth was information and communication sector, followed by wholesale and retail trade, and professional, scientific and technical activities. Manufacturing had a positive impact on the economic growth in the middle of the year, and on back of the record crop harvest the second half of the year was extremely good for the agricultural sector. The only notable negative impact came from the energy sector. Even before the spread of the coronavirus economists forecasted a slower growth for the economy for 2020. It has now clear that the coronavirus will have a significant impact on the economy and with a high probability we will see a decrease in Estonian GDP for 2020. It is difficult to predict how much the economy could shrink as it depends on many uncertain factors, such as the size and efficiency of government aid and the length of the state of emergency. In general, it is believed that the negative impact on economy will be temporary and the economy should be more or less recovered by next year.

In 2019 there were 1017 property transactions with unbuilt land in Pärnu county, a 2.7% decrease compared to 2018. The total transaction value reached EUR 34.6 million (+25% yoy). The combined value of transactions with commercial and industrial land property increased by 12% compared to 2018.

Financial ratios

Statement of financial position	2019	2018
Total assets	2,193,388	1,797,962
Return on assets	16.16%	-1.59%
Equity	2,143,461	1,789,049
Return on equity	16.53%	-1.60%
Debt ratio	2.28%	0.50%
Net profit / loss for the period	354,404	-28,649
Share (31.12)	2019	2018
Closing price of the share	0.494	0.525
Earnings per share	0.07877	-0.00637
Price-to-earnings (PE) ratio	6.27	-82.45
Book value of the share	0.48	0.40
Price-to-book ratio	1.04	1.32
Market capitalisation	2,222,536	2,362,007

Return on assets = net profit / total assets

Return on equity = net profit / equity

Debt ratio = liabilities / total assets

Earnings per share = net profit / number of shares

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

Book value of the share = equity / number of shares

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

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

Seasonality and the risks of the operating activities

The main business activity of the Company is real estate development, which by its nature is not significantly seasonal. Real estate development activities and the sales of development properties depend largely on the economic environment, which means that the operating activities are cyclical and highly correlated with the business cycle developments. The positive economic environment is expected to increase the demand for investment property of Trigon Property Development AS and potentially increase the value of these assets over time. The management assesses that current economic environment and its short-term outlook has turned negative due to the measures taken to fight with the spread of coronavirus which does not allow the economy to function normally. The risk

to the Company is that the economic environment will persist or turn even more negative, which could potentially result in decreased demand for and value of the assets of the Company.

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

Environmental and social impacts

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

Share

Since 5 June 1997, the shares of Trigon Property Development AS have been listed on the Tallinn Stock Exchange. Trigon Property Development AS has issued 4,499,061 registered shares, each with the book value of 0.511 euros. The shares are freely transferable, no statutory restrictions apply. There are no restrictions on transfer of securities to the company as provided by contracts between the company and its shareholders.

The share, with a price of 0.525 at the end of 2018, closed at 0.494 euros at the end of December 2019. In 2019, a total of 37,264 shares were traded and the total sales amounted to 15,976 euros.

The share price and the trading statistics on the Tallinn Stock Exchange from 01.01.2019 to 31.12.2019:



The distribution of the share capital by the number of shares acquired as at 31.12.2019.

	Number of shareholders	% of shareholders	Number of shares	% of share capital
1-99	89	25.43%	2,444	0.05%
100-999	135	38.57%	42,360	0.94%
1 000-9 999	100	28.57%	277,399	6.17%
10 000-99 999	20	5.71%	609,964	13.56%
100 000-999 999	5	1.43%	1,689,254	37.55%
1 000 000-9 999 999	1	0.29%	1,877,640	41.73%
TOTAL	350	100%	4,499,061	100%

List of shareholders with over 1% holdings as at 31.12.2019.

Shareholder	Number of shares	Ownership %
Pärnu Holding OÜ	1,877,640	41.73
Nordic Fibreboard LTD OÜ	804,552	17.88
Harju KEK AS	224,000	4.98
Madis Talgre	223,950	4.98
M.C.E.Fidarsi OÜ	223,000	4.96
Kirschmann OÜ	213,752	4.75
James Kelly	99,004	2.20
Suur Samm OÜ	64,692	1.44
Avraal AS	56,000	1.24
Toivo Kuldmäe	49,231	1.09

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

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

Staff

AS Trigon Property Development had no employees as at 31 December 2019 and as at 31 December 2018. There were no labour costs in 2019 or 2018.

Corporate Governance Report

General

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

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

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

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

AS Trigon Property Development (TPD) follows the laws and legal regulations in its business activities. As a public company, TPD is guided by Nasdaq Tallinn Stock Exchange requirements and the principle of equal treatment of shareholders and investors. Therefore TPD follows the guidelines of Recommendations in general.

The Recommendations are available:

<http://www.nasdaqbaltic.com/files/tallinn/bors/press/HYT.pdf>

General Meeting of Shareholders

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

23.05.2019 ordinary General Meeting was held where 59,67% of votes represented by shares were present. At the General Meeting the shareholders approved Annual Report 2018, covering of loss proposal and elected auditor for 2019. At the meeting the management board gave an overview of the activities during past year.

TPD herein presents requirements of Recommendations with “*comply or explain*” principle i.e. explains the requirements of the Recommendations that were partly or wholly not complied with in 2019.

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

The shareholders elected the member of Management Board Rando Tomingas to chair the ordinary General Meeting held on the 23rd of May in 2019 because the member of the Management Board has the best overview of the company’s activities and the every-day manager of the company ensured the smooth course of the meeting.

Article 1.3.2: All Members of the Management Board, the Chairman of the Supervisory Board and if possible, the members of the Supervisory Board and at least one of the auditors shall participate at the General Meeting.

The member of the Management Board, chairman of the Supervisory Board (Joakim Helenius) and a second member of the Supervisory Board (Torfinn Losvik) participated in the ordinary General Meeting held on 23.05.2019. An auditor and a third member of the Supervisory Board were not present at the meeting. The Supervisory Board is convinced that presence of a two members is sufficient. No auditors were present at the meeting since there were no agenda items which could not be replied by the Management Board. At the same time, TPD had agreed with the auditors that they will be available via phone should the shareholders wish (for example, ask questions). Shareholders had no questions to the auditors.

Article 1.3.3: The Company shall make participation in the General Meeting possible by means of communications equipment (Internet) if the technical equipment is available and where doing so is not too cost prohibitive for the Issuer.

TPD did not make participation in the General Meeting possible by means of communications equipment since no such technical solutions are available to TPD and none of the shareholders have ever asked for a possibility to participate by means of communications equipment.

Considering the aforementioned descriptions of general meetings held in 2019, TPD has largely complied in 2019 with the Recommendations in informing the shareholders, convening and holding the general meeting.

Supervisory Board

Supervisory Board plans the activities of TPD, guides and supervises the Management Board. TPD Supervisory Board comprises of 3 members, according to the Articles of Association up to 7 members may be elected in the Supervisory Board. No remuneration was paid to Supervisory Board members in 2019, therefore no respective information in this regard is to be published. No conflict of interest events occurred in 2019 between TPD and the other activities of the Supervisory Board members.

A company connected with the Supervisory Board member Alo Lepp has provided real estate consultation services to TPD but TPD is in the opinion that there is no basis for emergence of conflict of interest.

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

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

Two members of the Supervisory Board couldn't be considered as independent in 2019 in the meaning of the Recommendations. Joakim Johan Helenius and Torfinn Losvik are the members of the Management Board of OÜ Trigon Wood, the shareholder owning 41,73% of all shares of TPD, and Torfinn Losvik is a member of the Management Board of Nordic Fibreboard LTD OÜ, the shareholder owning 17,88% of all shares of TPD. Regardless of the above, TPD is in the opinion that there is no basis for emergence of conflict of interest and taking into account the background and experience of the current Supervisory Board members there are no deficiencies in the activities of the Supervisory Board.

Management Board

According to the Articles of Association up to 7 members may be elected to the Management Board of TPD. In order to elect a member of the Management Board, his or her consent is required. According to the Articles of Association, a member of the Management Board shall be elected for a specified term of up to three years. Extension of the term of office of a member of the Management Board shall not be decided earlier than one year before the planned date of expiry of the term of office, and not for a period longer than the maximum term of office prescribed by the law or Articles of Association. Currently, the Management Board of TPD has one member. As of 05.06.2018 the Management Board member is Rando Tomingas.

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

No remuneration was paid to Management Board member in 2019, therefore no respective information in this regard is to be published. No transactions with Management Board member or his related parties were executed. Management Board answers to and cooperates with the Supervisory Board, participates at the General Meetings, replies to shareholders' inquiries and runs TPD on a daily basis. No conflict of interest events have occurred as the other activities of the Management Board member are not related to property in Pärnu where TPD owns land.

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

Article 2.2.1: The Management Board shall have more than one (1) member; a service contract shall be concluded with the member of the management board.

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

No service contract is concluded with Rando Tomingas since he is currently the only Member of the Management Board and is not receiving remuneration and his rights and obligations are stipulated by the law. In case more members of the Management Board are appointed, service contracts shall be concluded.

Publishing financial reports and other information

During 2019, TPD published interim reports and Annual Report 2018. The Annual Report is audited by AS PricewaterhouseCoopers. The audit is done in compliance with international standards on auditing.

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

Article 5.2: The Issuer shall publish the disclosure dates of information subject to disclosure throughout a year at the beginning of the fiscal year in a separate notice, called financial calendar.

TPD did not publish a separate financial calendar however information subject to disclosure was published not later than dates set by the law.

Article 5.6: The Company shall disclose the dates and places of meetings with analysts and presentations and press conference organized for analysts, investors or institutional investors on its website.

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

Article 6.1.1: Together with the annual report, the Supervisory Board shall make available to shareholders the written report concerning the annual report.

No report was published simultaneously with the notice of General Meeting; however, the shareholders may obtain the report by contacting the Management Board.

Article 6.2.1: If there is a desire to appoint an auditor who has audited Issuers reports on previous financial year the Supervisory Board shall pass judgment on their work.

No judgment was published simultaneously with the notice of General Meeting. The Supervisory Board proposed to the General Meeting to continue with the same auditor and by that expressed its positive judgment about the auditor. At the General Meeting the Management Board member gave an overview about the auditor’s work.

Financial Statements

Statement of financial position

<i>EUR</i>	31.12.2019	31.12.2018
Cash	150,007	73,296
Receivables and prepayments (note 5)	7,381	3,192
Total current assets	157,388	76,488
Investment property (note 6)	2,036,000	1,721,474
Total non-current assets	2,036,000	1,721,474
TOTAL ASSETS	2,193,388	1,797,962
Payables and prepayments (note 7)	49,927	8,913
Total current liabilities	49,927	8,913
Total liabilities	49,927	8,913
Share capital at book value (note 8)	2,299,020	2,299,020
Share premium	226,056	226,056
Statutory reserve capital	287,542	287,542
Accumulated loss	-669,157	-1,023,569
Total equity	2,143,461	1,789,049
TOTAL LIABILITIES AND EQUITY	2,193,388	1,797,962

The notes to the financial statements presented on pages 15-25 are an integral part of these financial statements.

Statement of comprehensive income

<i>EUR</i>	2019	2018
Expenses related to investment property (note 9)	-11,621	-8,864
Gross loss	-11,621	-8,864
Administrative and general expenses (note 10)	-23,501	-21,445
Changes in fair value of investment property (note 6)	389,526	0
Other operating income	0	1,658
Operating profit / loss	354,404	-28,651
Net financial income (-expense)	8	2
NET PROFIT / LOSS FOR THE PERIOD	354,412	-28,649
TOTAL COMPREHENSIVE PROFIT / LOSS	354,412	-28,649
Basic earnings per share	0.07877	-0.00637
Diluted earnings per share	0.07877	-0.00637

The notes to the financial statements presented on pages 15-25 are an integral part of these financial statements.

Cash flow statement

EUR	2019	2018
Cash flows from operating activities		
<i>Operating profit / loss for the period</i>	354,404	-28,651
<u>Adjustments for:</u>		
Change in fair value of investment property (note 6)	-389,526	0
<i>Operating loss before changes in working capital:</i>	-35,122	-28,651
Change in receivables and prepayments related to operating activities (note 5)	-4,189	6,039
Change in liabilities and prepayments related to operating activities (note 7)	41,014	-52,200
Interests received	8	2
Total cash flows used in operating activities	1,711	-74,810
Cash flows from investing activities		
Disposal of investment property (note 6)	75,000	70,000
Total cash flows from investing activities	75,000	70,000
CHANGE IN CASH BALANCE	76,711	-4,810
OPENING BALANCE OF CASH	73,296	78,106
CLOSING BALANCE OF CASH	150,007	73,296

The notes to the financial statements presented on pages 15-25 are an integral part of these financial statements.

Statement of changes in equity

<i>EUR</i>	Share capital	Share premium	Statutory reserve capital	Accumulated loss	Total
Balance 31.12.2017	2,299,020	226,056	287,542	-994,920	1,817,698
Total comprehensive loss for the period	0	0	0	-28,649	-28,649
Balance 31.12.2018	2,299,020	226,056	287,542	-1,023,569	1,789,049
Total comprehensive profit for the period	0	0	0	354,412	354,412
Balance 31.12.2019	2,299,020	226,056	287,542	-669,157	2,143,461

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

The notes to the financial statements presented on pages 15-25 are an integral part of these financial statements.

Notes to the financial statements

1 General information

AS Trigon Property Development (The Company) is active in real estate development. The Company is a limited liability company (Estonian: aktsiaselts) that is registered and located in Estonia. The registered address of the company is Pärnu Rd 18, Tallinn.

The Management Board of AS Trigon Property Development authorised these financial statements for issue on 28 April 2020. Pursuant to the Commercial Code of the Republic of Estonia, the financial statements are subject to approval by the Supervisory Board and the General Meeting of Shareholders. The financial statements will be published through the electronic channels of Tallinn Stock Exchange.

The 2019 financial statements of AS Trigon Property Development have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

The Company is listed in the secondary list of Nasdaq OMX Tallinn Stock Exchange. As at 31.12.2019 OÜ Pärnu Holdings owns 41.73% of the shares of Trigon Property Development AS directly and 17.88% through Nordic Fibreboard AS. The biggest shareholders of OÜ Pärnu Holdings are OÜ Stetind (46.99%) and AS Trigon Capital (45.18%) by the time of compiling these financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these 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 financial statements of the Company 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.

2.2 Functional and presentation currency

The 2019 financial statements have been presented in euros (EUR). Functional currency of Company is euro.

2.3 Cash and cash equivalents

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

2.4 Financial assets and liabilities

Classification

The Company classifies its financial assets in those to be measured at amortised cost measurement category. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.

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

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset.

All Company's debt instruments are classified in amortised cost measurement category.

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income/(expenses). Foreign exchange gains and losses and impairment losses are presented as separate line items in the statement of profit or loss.

As at 31 December 2019 and 31 December 2018, all the Company's financial assets were classified in this category.

Equity instruments

The Company has no investments in equity instruments.

Impairment

The Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and

supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

For trade receivables without a significant financing component the Company applies a simplified approach permitted by IFRS 9 and measures the allowance for impairment losses at expected lifetime credit losses from initial recognition of the receivables. The Company uses a provision matrix in which allowance for impairment losses is calculated for trade receivables falling into different ageing or overdue periods.

Financial Liabilities

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

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

2.5 Investment property

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

Investment property comprises freehold land.

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

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

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

2.6 Provisions and contingent liabilities

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

The provisions are recognised based on the management's (or independent experts') estimates regarding the amount and timing of the expected outflows. When measuring provisions, risks and uncertainties are taken into consideration. Provisions are discounted when time value of money has significant impact and future events are taken into consideration, however no profits are recorded from disposal of assets. The increase in the provision due to passage of time is recognised as interest expense.

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

2.7 Corporate income tax

According to the Income Tax Act of Estonia, the annual profit earned by entities is not taxed in Estonia. Corporate income tax is paid on dividends, fringe benefits, gifts, donations, reception fees, non-business related disbursements and adjustments of the transfer price. Since 01.01.2015, the tax rate on the net dividends paid out of retained earnings is 20/80. In certain circumstances, it is possible to distribute dividends without any additional income tax expense. The corporate income tax arising from the payment of dividends is accounted for as a liability and as an income tax expense in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. An income tax liability arises at the 10th day of the month following the payment of dividends.

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

From 2019, tax rate of 14/86 can be applied to dividend payments. The more beneficial tax rate can be used for dividend payments in the amount of up to the average dividend payment during the three preceding years that were taxed with the tax rate of 20/80. When calculating the average dividend payment of three preceding years, 2018 will be the first year to be taken into account.

2.8 Revenue

Revenue is income arising in the course of the Company's ordinary activities. Revenue is measured in the amount of transaction price. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange of transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a good or service to a customer.

Financing component

The Company does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Company does not adjust any of the transaction prices for the time value of money.

2.9 Cash flow statement

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

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

2.10 Statutory reserve capital

Statutory reserve capital is formed from annual net profit allocations, also from other allocations which are transferred according to law or articles of association. The amount of reserve capital is stipulated in the articles of association and it cannot be less than one-tenth of the share capital. During each financial year, at least one-twentieth of the net profit shall be entered into the reserve

capital. Increasing the statutory reserve capital from annual net profit allocations shall be finished if the reserve capital reaches to the amount that is stipulated in the articles of association.

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

2.11 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 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 company by the weighted average number of outstanding ordinary shares, adjusted for the effect of potential dilutive shares.

2.12 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 28 April 2020 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.

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

New IFRS standards and amendments and interpretations to existing standards have been published by the time of compiling these financial statements, which became effective for the Company's reporting periods beginning on or after 1 January 2018 and which Company has not early adopted.

Adoption of New or Revised Standards and Interpretations

New or revised standards or interpretations that became effective for the first time for the financial year on 1 January 2019 presumably do not have a material impact to the Company's financial statements.

New Accounting Pronouncements

There are no other new or revised standards or interpretations that are mandatory for the Company's annual periods beginning on or after 1 January 2020 that would be expected to have a material impact on the Company.

3 Finance risk management

3.1 Financial risks and their management

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

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the Company's risk of incurring major losses due to exchange rate fluctuations. Company's monetary assets, other assets and liabilities are nominated in euros.

(ii) Price risk

The Company is not exposed to the price risk with respect to financial instruments.

(iii) Cash flow and fair value interest rate risk

As the Company has no significant interest-bearing assets and liabilities, its income and operating cash flows are substantially independent of changes in market interest rates. The change in market interest rates has indirect influence to the change of fair value of investment property, but the influence to the change of fair value of investment property is difficult to quantitatively evaluate.

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as prepayments and customer receivables, including outstanding receivables and committed transactions. The Company's policy is to collaborate only with institutions whose main investors are internationally known financial organisations. As at 31 December 2019 and 31 December 2018 the cash of the Company was deposited in Swedbank (credit rating A2 by Moody's Investor Service). Prepayments to the Tax Authority are considered not credit risk bearing. Receivables from customers are considered short-term in nature and management monitors the collection of these receivables. As at the date of the statement of financial position, the Company's exposure to credit risk is 157,388 euros (31.12.2018: 76,488 euros) including cash in the bank and receivables.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial as at 31 December 2018 and 31 December 2019.

The loss allowance for receivables as at 31 December 2019 and 31 December 2018 (on adoption of IFRS 9) was determined immaterial.

(c) Liquidity risk

To finance the potential investments needed to be made in 2019 and 2018, the Company partly sold the investment property owned by the Company.

Accounts receivable and cash in bank balance as at 31.12.2019 will secure the settlement of liabilities at due date and will support the development of investment property.

As at 31 December 2019, the Company has current liabilities in the amount of 49,927 euros (31.12.2018: 8,913 euros). Company had no non-current liabilities.

3.2 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns to shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company intends to retain the current capital structure until the beginning of real estate development. Neither the Company's owners or the management has set any specific requirements for its capital management or expectations for shareholder return. For the development period, external financing in the form of bank loans is planned to be used.

At the date of the annual report 2019, the Company was leading only the equity as the Company's capital and there were no changes in the capital requirements. Quantitative data about capital and the changes are to be seen in the consolidated statement of changes in owners' equity. The Company does not have any other capital requirements beyond the general requirements of the Commercial Code. The respective requirements are not violated during the reporting period or during the comparison period.

3.3 Fair value of financial assets and financial liabilities

The Company's management estimates that the fair values of the assets and liabilities denominated in the balance sheet at amortised cost do not differ significantly from their carrying values as at 31 December 2019 and 31 December 2018.

3.4 Valuation of property measured at fair value

The market in Estonia for many types of real estate has been severely affected by the recent volatility in global financial markets. As such, the carrying value of land and buildings measured at fair value in accordance with IAS 40 has been updated to reflect market conditions at the reporting date. However, in certain cases, the absence of reliable market-based data has required the Company to amend its valuation methodologies.

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

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

4 Critical accounting estimates and judgements

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

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below (Note 6).

5 Receivables and prepayments

EUR	31.12.2019	31.12.2018
Receivables	7,000	3,192
Tax prepayments	381	0
TOTAL	7,381	3,192

6 Investment property

Balance as of 31.12.2017	1,791,474
Sales of investment property	-70,000
Balance as at 31.12.2018	1,721,474
Sales of investment property	-75,000
Change in fair value of investment property	389,526
Balance as at 31.12.2019	2,036,000

As at 31 December 2019, the Company owns one real estate development project involving a 21-hectare (31 December 2018: 22-hectare) area in the City of Pärnu, Estonia.

The expenses related to the management of investment property totaled 11,621 euros in 2019 and 8,864 euros in 2018 (note 9).

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

In the third quarter of 2019 a 0.5-hectare property at the price of 75,000 euros was sold. In December 2019 the Company signed a preliminary agreement for selling 0.7-hectare property at the price of 78,000 euros.

In the fourth quarter of 2018 a 0.5-hectare property at the price of 70,000 euros was sold.

In 2019, the investment property was valued by the external independent appraiser using the comparable transactions approach. Management estimates the fair value of the investment property more conservative using the lower price range of appraiser's evaluation and getting the average selling price of the investment property at 18.26 EUR/m². To evaluate the present value of the area as at 31.12.2019, the sales period has been estimated to be 4 years and discount rate 12%.

As at 31 December 2019, the evaluation resulted in a fair value of 2,036,000 euros.

In 2018, the investment property was valued by the Management of the Company using the comparable transactions approach. The basis of the comparison was the prices of transacted land plots along the Pärnu City. According to the statistics of Land Board the benchmark industrial, commercial and mixed use land plot median prices ranged from 6.45 to 16.03 euros per square meter, depending on the size, location and basic site infrastructure. Management estimates the sale of small business land plots has influenced the median price of business property and therefore substantially conservative price per square meter has used for valuation of the property. Considering the change of the proportion of industrial and business land with reference to new established detailed planning and based on comparable transaction, the Management has estimated the sales price to be at 11.7 EUR/m². To evaluate the present value of the area as at 31.12.2018, the Management has estimated the sales period to be 4 years and has used a discount rate of 14.23%.

As at 31 December 2018, the evaluation resulted in a fair value of 1,721,474 euros.

According to IFRS 13, the valuation of fair value of real estate is considered level 3 investment. The main inputs are the sales price, the discount rate and the sales period in the discounted cash flow. Sensitivity of the main inputs to investment property fair value as of 31.12.2019:

Discount rate	Sales price, EUR / m2						
	17.51	17.76	18.01	18.26	18.51	18.76	19.01
9.60%	2,040,000	2,090,000	2,130,000	2,170,000	2,210,000	2,250,000	2,290,000
10.40%	2,000,000	2,040,000	2,080,000	2,120,000	2,160,000	2,200,000	2,240,000
11.20%	1,960,000	2,000,000	2,040,000	2,080,000	2,120,000	2,160,000	2,200,000
12.00%	1,920,000	1,960,000	2,000,000	2,040,000	2,070,000	2,110,000	2,150,000
12.80%	1,880,000	1,920,000	1,960,000	1,990,000	2,030,000	2,070,000	2,110,000
13.60%	1,840,000	1,880,000	1,920,000	1,950,000	1,990,000	2,030,000	2,070,000
14.40%	1,800,000	1,840,000	1,880,000	1,910,000	1,950,000	1,990,000	2,030,000

Sales period	EUR
+1 year	1,820,000
-1 year	2,183,000

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

7 Payables and prepayments

EUR	31.12.2019	31.12.2018
Payables	1,594	2,925
Taxes payable	12,415	70
Other payables	5,918	5,918
Prepayments	30,000	0
TOTAL	49,927	8,913

Payables balance includes unpaid invoices to related parties, which are disclosed in Note 13.

8 Equity

	Number of	Share capital
Balance 31.12.2018	4,499,061	2,299,020
Balance 31.12.2019	4,499,061	2,299,020

The share capital of AS Trigon Property Development amounts to 2,299,020 euros as at 31 December 2019 and 31 December 2018, which is divided into 4,499,061 ordinary shares with the book value of 0.511 euros. The minimum share capital stipulated in the articles of association is 675,000 euros and the maximum share capital is 2,700,000 euros. Each ordinary share grants one vote to its owner at the General Meeting of Shareholders and the right to receive dividends.

As at 31 December 2019, the accumulated losses amounted to 669,157 euros. As at 31 December 2018, the accumulated losses amounted to 1,023,569 euros.

As at 31 December 2019, the Company had 350 shareholders (31 December 2018: 357 shareholders) of which the entities with more than a 5% holdings were:

- Pärnu Holdings OÜ with 1,877,640 (31.12.2018: 1,877,640) shares or 41.73% (2018: 41.73%)
- Nordic Fibreboard OÜ with 804,553 (31.12.2018: 804,553) shares or 17.88% (2018:17.88%)

Members of the Management Board and Supervisory Board did not own directly any shares of Trigon Property Development AS as at 31 December 2019 and 31 December 2018. Supervisory Board members Joakim Johan Helenius and Torfinn Losvik have indirect ownership through parent company OÜ Pärnu Holdings.

9 Expenses related to investment property

EUR	2019	2018
Land tax	8,621	8,864
Design	3,000	0
TOTAL (Note 6)	11,621	8,864

10 Administrative and general expenses

EUR	2019	2018
Security transactions and stock exchange	7,302	7,881
Advertising	1,874	384
Accounting service (Note 13)	3,240	3,240
Consulting (Note 13)	4,500	3,500
Auditing	5,700	5,720
Legal expenses	351	411
Other	534	309
TOTAL	23,501	21,445

In 2019 and 2018, the average number of employees was 0. Audit fees contain only fees for auditing the annual report.

11 Earnings per share

EUR	2019	2018
Basic earnings per share (basic EPS)	0.07877	-0.00637
Diluted earnings per share	0.07877	-0.00637
Book value of the share	0.48	0.40
Price to earnings ratio (P/E)	6.27	-82.45
Closing price of the share of AS Trigon Property Development on Tallinn Stock Exchange	0.494	0.525

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

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

12 Segment report

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

13 Related party transactions

The following parties are considered to be related parties:

- Parent company Pärnu Holdings OÜ and owners of the parent company with significant influence;
- Members of the Management board, the Management Board and the Supervisory Board of AS Trigon Property Development and their close relatives;
- Entities under the control of the members of the Management Board and Supervisory Board.

The Company is listed in the secondary list of Nasdaq OMX Tallinn Stock Exchange. As at 31.12.2019 OÜ Pärnu Holdings owns 41.73 % of the shares of Trigon Property Development AS directly and 17.88% through Nordic Fibreboard AS. The biggest shareholders of OÜ Pärnu Holdings are OÜ Stetind (46.99%) and AS Trigon Capital (45.18%) by the time of compiling these financial statements.

In 2019 and 2018, no remuneration has been paid to the Management or Supervisory board. There are no potential liabilities or severance compensations to members of the Management Board or Supervisory Board.

In 2019, the Company bought services from the companies under the control of the Members of the Supervisory Board in the amount of 2,400 euros (2018: 1,800 euros) (note 10). In 2019, the Company bought services from the owners of the parent company in the amount of 3,240 euros (2018: 3,240 euros) (Note 10). As at 31 December 2019, the amount of 1,212 euros was unpaid to the related parties (2018: 1,212 euros).

14 Contingent liabilities

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties to the Company. Tax audits were not conducted in 2019 and 2018. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

15 Subsequent events

In the beginning of 2020 coronavirus (Covid-19) started to aggressively spread all over the world, including Estonia, and caused problems to companies and their activities. The Company considers this pandemic to be a non-corrective event which happened after the balance sheet date. Coronavirus does not have a direct impact on Trigon Property Development's activities. However it is clear that coronavirus will have a negative impact on the economy as most of the countries have imposed restrictions and measures that disrupt the normal functioning of the economy. It is extremely difficult, if not impossible to forecast what the actual effect on the economy is and how long will it take for the economy to recover.



Independent Auditor's Report

To the Shareholders of AS Trigon Property Development

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of AS Trigon Property Development ("the Company") as at 31 December 2019, and 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.

Our opinion is consistent with our additional report to the Audit Committee dated 28 April 2020.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2019;
- the statement of comprehensive income for the year then ended;
- the cash flow statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company are in accordance with the applicable law and regulations in the Republic of Estonia and that we have not provided non-audit services that are prohibited under § 59¹ of the Auditors Activities Act of the Republic of Estonia.

During 2019, we have not provided any non-audit services to the Company.

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Translation note:

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Our audit approach

Overview

Materiality Overall Company materiality is EUR 22 thousand, which represents approximately 1% of Company's total assets.

Key audit matters Key audit matter relates to assessment of fair value of investment property

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

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

Materiality

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

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

Overall Company materiality EUR 22 thousand

How we determined it Approximately 1% of Company's total assets

Rationale for the materiality benchmark applied We have applied this benchmark, as we considered total assets (that mainly consist of investment property measured at fair value) to be key performance indicator that determines the Company's value and is monitored by management and investors.

Key audit matters

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

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Key audit matter	How our audit addressed the key audit matter
<p><i>Assessment of fair value of investment property</i> (refer to Note 2 ‘Summary of significant accounting policies’, Note 3.4 ‘Valuation of property measured at fair value’ and Note 6 ‘Investment Property’ for further details).</p> <p>Majority of the Company’s assets consists of investment property (land plot) located in Pärnu, Estonia.</p> <p>The fair value of the land plot of EUR 2.0 million as at 31 December 2019 has been assessed by the management, taking into account the following key inputs:</p> <ul style="list-style-type: none"> the assessed fair value range by independent appraiser; changes in market prices during 2019 in Pärnu for similar land plots; price per square meter for 2019 sales transaction; expected sales period of remaining land plot. <p>Due to the magnitude and related estimation uncertainty, valuation of investment property is considered a key audit matter.</p>	<p>We assessed whether the Company’s accounting policies in relation to the measurement of investment property are in compliance with IFRS.</p> <p>We assessed the management’s expertise to perform property valuation and the effectiveness of their internal controls over information gathering procedures for making key assumptions and valuation calculations.</p> <p>We performed the following detailed tests related to the fair valuation of investment property:</p> <ul style="list-style-type: none"> reconciled the ownership of land plot with the Land Register; assessed the reasonableness of the key estimates and assessments made by the independent appraiser used by management, including the appropriateness of comparative transactions and discount rate used; evaluated the management’s reasons for the final assessment of the fair value from the fair value range assessed by independent appraiser; audited 2019 land sale transaction agreement and assessed its impact on expected sales price and sales period of unsold land plot; and read the disclosures in financial statements and sensitivity analysis performed by the management.

Other information

The Management Board is responsible for the other information. The other information comprises Brief description, Management Board’s confirmation, Management report, Profit distribution proposal, Signatures of the Management Board and Supervisory Board to the 2019 annual report and Trigon Property Development AS sales revenue according to the EMTAK 2008 (but does not include the financial statements and our auditor’s report thereon).

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

Appointment and period of our audit engagement

We were first appointed as auditors of the Company for the financial year ended 31 December 2006. Our appointment has been renewed by tenders and shareholder resolutions in the intermediate years, representing the total period of our uninterrupted engagement appointment for the Company of 14 years.

AS PricewaterhouseCoopers

Tiit Raimla

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

Verner Uibo

Auditor's certificate no.568

28 April 2020

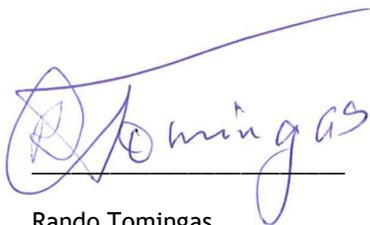
Tallinn, Estonia

Translation note:

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.

Profit distribution proposal

The Management Board of Trigon Property Development AS proposes to the General Meeting of Shareholders to add the net profit in the amount of 354,412 euros to accumulated losses.

A handwritten signature in blue ink, appearing to read "Rando Tomingas". The signature is written in a cursive style and is positioned above a horizontal line.

Rando Tomingas

Member of the Management Board

Signatures of the Management Board and the Supervisory Board to the 2019 Annual report

The Management Board has prepared the Company's Annual Report for 2019. The Consolidated Annual Report consists of the management report, financial statements, auditor's report and profit distribution proposal.



Rando Tomingas

Member of the Management

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

Torfinn Losvik

Member of the Supervisory Board

Joakim Helenius

Member of the Supervisory Board

Alo Lepp

Member of the Supervisory Board

Trigon Property Development AS sales revenue according to the EMTAK 2008

EMTAK	Main activity	2019	2018
70221	Business and other management consultancy	0 euros	0 euros
	Total sales revenue	0 euros	0 euros