AS Järvevana

Annual Report

(Translation of the Estonian Original)

Beginning of financial year: 01.01.2013

End of financial year: 31.12.2013

Commercial Register no.:	10068022
Address:	Järvevana tee 9G 11314 Tallinn
Phone:	+372 680 5400
Fax:	+372 680 5401
E-mail:	merko@merko.ee
Auditor:	AS PricewaterhouseCoopers
Supervisory Board:	Tõnu Toomik, Teet Roopalu, Jaan Mäe
Director:	Toomas Annus

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MANAGEMENT REPORT

General information

The company was formed after the demerger from AS Järvevana (former AS Merko Ehitus), as a result of which the complete set of assets related to the business activities of the construction company was separated and transferred to the new AS Merko Ehitus, including all concluded construction contracts, subcontracts and supply contracts, machinery, equipment and employees, all professional know-how and cash flows from uninterrupted, continuous economic activities, except for liabilities arising from the criminal case no. 05913000055, including compensations for damage, penalties and other payables, legal expenses and liquid assets to cover potential liabilities arising from the criminal proceedings in the amount of EUR 15.9 million. The company does not have ordinary economic activities and the only objective of its activities is to protect the interests of the company and shareholders in the long-lasting criminal proceedings related to the land swap.

Operating activities

The company does not have active business operations and its only income is finance income earned on the investment of the company's liquid funds. Between 01.01.2013 and 31.12.2013, AS Järvevana earned finance income in the amount of EUR 0.15 million. The most significant cost article is the legal costs related to the criminal proceedings of the land swap, which made up 30% of the administrative expenses in 2013. A claim against AS Merko Ehitus arising from a collaboration agreement totalled EUR 13.44 million of the company's assets (http://www.merko.ee/upload/File/Restruktureerimise%20dokumendid/Koost%F6%F6leping%20ENG.pdf). As at 31 December 2013, one person was employed by AS Järvevana, its Director Toomas Annus, whose remuneration in 2013 amounted to EUR 0.04 million. The Supervisory Board of AS Järvevana consists of 3 members. In 2013, the members of the Supervisory Board were paid remuneration in the amount of EUR 0.01 million. No other compensation was paid to management in 2013. Upon premature termination or non-extension of the authority of the members of the Supervisory Board, no severance pay is paid to the members of the Supervisory Board. The company's activities do not have a seasonal or cyclical nature.

Business risks

Credit risk. As the company does not have ordinary economic activities and related receivables, credit risk arising from accounts receivable is insignificant for the company. As at 31.12.2013, the company did not have any overdue receivables.

As at 31.12.2013, the receivable from AS Merko Ehitus in the amount of EUR 13.44 million arising from the demerger represents the largest credit risk for the company. Management estimates that the credit capacity of AS Merko Ehitus is currently good (as at 31.12.2013, the company's equity ratio was 50.9%, the quick ratio was 1.1). The company's cash is mainly held in Swedbank's overnight deposits.

Interest risk. Due to the company's capital structure, the company does not have interest bearing liabilities and interest risk for the company represents a possible decline in the return on assets. As at 31.12.2013, AS Järvevana had interest bearing assets in the amount of EUR 10.54 million, including short-term bank deposits with maturities of three months or less in the amount of EUR 2.39 million and a loan in the amount of EUR

8.15 million granted to AS Merko Ehitus. As the company does not have any direct operating activities, the amount and regularity of interest income is relevant for it.

Liquidity risk. Based on the company's structure of assets, its liquidity measures are very good, and the company's management is looking for investment alternatives with longer maturities and better returns for the company's assets.

Foreign exchange risk. As the company operates in Estonia, which has adopted the euro from 1 January 2011, the foreign exchange risk for the company is insignificant.

Legal risks. Due to different interpretations of contracts, regulations and laws, there is a risk that some buyers, contractors or supervisory authorities deem the company's activities to be in conflict with laws or contracts. Legal risk is one of the largest and most indefinite risks for AS Järvevana's activities. As at 31.12.2012, the company had set up a provision for possible expenses arising from the criminal case related to the land swap in the amount of EUR 1.12 million. No additional provisions were formed in 2013.

At 3 April 2009, the Public Prosecutor's Office submitted a statement of charges (dated 31.03.2009) against AS Järvevana and Toomas Annus in criminal case no. 05913000055 concerning the land swap (http://www.nasdaqomxbaltic.com/market/?pg=news&news_id=232810).

The judicial proceedings concerning the statement of charges no. 1-09-4486 commenced at Harju County Court at 12 November 2009.

An overview of the proceedings:
http://www.nasdaqomxbaltic.com/market/?pg=details&instrument=EE3100003559&list=3&tab=news&news_id=238437. In the statement of charges, AS Järvevana has been incriminated with five episodes of giving a bribe in accordance with § 298 of the Penal Code and the proceedings were conducted at the court of first instance of Harju County Court. The subject of proof concerning bribery charges has three elements, the absence of even one of which precludes the necessary elements of criminal offence: (i) promising or giving of a material reward to an official; (ii) illegal act by an official in favour of a person giving a bribe; (iii) equivalence relation between the first and second element, i.e. giving of a reward to an official for a favourable act. Evidence also needs to be produced against AS Järvevana in the matter that (i) the act was committed by a senior executive of a legal person, and (ii) the act was committed in the interests of the legal person. AS Järvevana has not concluded any land swap transactions described in the statement of charges. These transactions were concluded and hypothetical benefits could have been reaped by independent subsidiaries as legal persons who have not been charged. Even according to the statement of charges, AS Järvevana has never swapped plots of land. It is also evident that the acts could not have been illegal because they had been permitted under § 19 of the Nature Conservation Act which rules out the qualification of a bribery. It has been proven (and established by the judgement of the court of first instance) that more than 180 legal transactions have been performed on the same bases and by the same procedure by different persons. With the statement of charges and judgment, an absence of damage and civil action was established.

At 19 June 2012, the final hearing of the land swap criminal case was held at Harju County Court, where the court fully acquitted AS Järvevana and Toomas Annus in the criminal case no. 1-09-4486 and ruled that the state would have to pay EUR 611,810 to cover the legal aid expenses of AS Järvevana.

The court categorically established that AS Järvevana and Toomas Annus have not committed any criminal offences; all relevant land swap transactions were legitimate, that the Estonian Internal Security Service and the Public Prosecutor's Office have committed a significant breach of the law, the Constitution and the European Convention for the Protection of Human Rights and Fundamental Freedoms. This carefully deliberated judgement was reached as a result of three years of comprehensive and direct proceedings, which, inter alia, included the hearing of approximately 120 witnesses. The judgment of acquittal was unanimous and it was also supported by lay judges, who had observed the process for years.

The Public Prosecutor's Office filed an appeal against the judgment of acquittal to the Tallinn Circuit Court, therefore the judgment of the court of first instance has not taken effect. AS Järvevana and Toomas Annus presented comprehensive arguments against the appeal on 374 pages.

The 14 sessions of the Tallinn Circuit Court took place in January and February 2013. The prosecutors applied for annulling the judgement of acquittal and, as an alternative, making a new judgement of conviction or sending the case to the court of first instance to reopen the matter. AS Järvevana applied for leaving the judgement of acquittal unchanged. Tallinn Circuit Court gave the counsel an opportunity to become acquainted with some of the materials (insufficient for excercising the right of defence) forming the basis for surveillance, that the court of first instance considered necessary according to the judgement, but which the county court did not allow due to the force of threatening of the judge stated in the judgement. It is noteworthy that according to the judgement of the court of the first instance, the Prosecutor's Office threatened the judge in relation to the latter's intention of introducing to the counsel the materials forming the basis for the surveillance reasoning it being a state secret, but the regulations assigned by the court of appeal did not entail any state secrets. Unfortunately, the counsel was not allowed to get acquainted with all the surveillance files, which precluded equal proceeding and which was in contradiction with the protection guarantees provided for in the case Leas vs Estonia of the European Court of Human Rights.

At 19 June 2013, Tallinn Circuit Court rendered a judgement, which was strictly contrary to that of the Harju County Court, annulling completely the judgement of acquittal and convicted AS Järvevana pursuant to the Penal Code § 298 (3) punishing it with a pecuniary punishment in the sum of EUR 798,000 (seven hundred and ninety eight thousand) which is additionally subject to taxes imposed by law. Prior judicial practice has not recognised pecuniary punishments of such magnitude.

At 19 July 2013, AS Järvevana submitted an appeal in cassation to the judgement of conviction.

The counsel applied for a full annulment of the judgement of conviction of the Tallinn Circuit Court of 19 June 2013 and, as an alternative: (i) enforcing the judgement of acquittal of the Harju County Court of 19 June 2012; or (ii) sending the case to the court of first instance or to the court of appeal to reopen the case; or (iii) rendering a new judgement of acquittal, or (iv) terminating the procedure on the basis of the Code of Criminal Procedure § 274´´ in connection with expiry of reasonable time of processing, as the procedure has been going on in relation to the accused ever since 2 September 2004 when the surveillance was started.

AS Järvevana has thoroughly analysed the judgement of the court of appeal and has come to a conclusion that it is mostly based on propositions of the prosecutors with the mistakes included therein, *inter alia* additions copied into the judgement misrepresenting the evidence, giving a reason to claim that the substance of evidence has not been studied, but the judge has rather been content with the unilateral dysmorphic vision of the Prosecutor's Office. The majority of arguments and evidence of the counsel have not been reflected in the judgement and, in this sense, there are obvious reasoningdeficiencies in the judgement. It has been pointed out in the appeal in cassation that building up the judgement on the basis of the statements and evidence of one party alone is not in accordance with honest, equal and competitive principles of proceeding, let alone misrepresenting the evidence by a significant violation of the proceeding. There are detailed references in the appeal in cassation of the pages where the circuit court has directly misrepresented the evidence as a significant violation of the proceeding, whereas in order to reason the contradictions the actual information reflected in evidence has been presented in the form of tables as appendices to the appeal in cassation.

AS Järvevana has relied on the positions of the Supreme Court that the principle of direct proceedings were valid in full only in the court of first instance where more than a hundred witnesses testified in the course of cross-examination. As a result of a long-term, thorough and direct proceeding, the court of first instance came to a unanimous conscience that AS Järvevana and Toomas Annus were not guilty, thereby calling the entire accusation into question. AS Järvevana is convinced that a 14-day indirect proceeding could not overrule the conscience of the court of first instance formed on the basis of the years of direct proceeding. When reading the judgement, it remains ambiguous for AS Järvevana on the basis of which evidence the conclusion has been made that its senior official has promised or given a bribe. It also remains incomprehensible why was convicted AS Järvevana, which according to the judgement, never swapped lands or was a party to such transactions or had been an addressee of administrative acts.

At 17 December 2013, the Criminal Chamber of the Supreme Court accepted the lawyers' cassations submitted against the decision of Tallinn Circuit Court in the criminal case of land swap. The Criminal Chamber of the Supreme Court will discuss the appeals in cassation on 19 March 2014 and will publish its decision no later than 21 April 2014.

In case of entry into force of the judgement of conviction and entry into the punishment register, the legal risk is pecuniary punishment, which pursuant to the Income Tax Act is taxable with income tax, and restrictions in participation in public procurement proceedings.

The Supervisory Board and Management Board of AS Järvevana are convinced that the activities of the company and its management have been correct and in compliance with the legislation of the Republic of Estonia, and hopes for the annulment of the judgement of conviction. We emphasise that the judgement of acquittal of the county court and the judgement of conviction of the circuit court have not entered into force and, according to the Constitution § 22, AS Järvevana shall be considered innocent until a conviction by a court against it enters into force.

Share and shareholders

The largest shareholders of AS Järvevana as at 31.12.2013

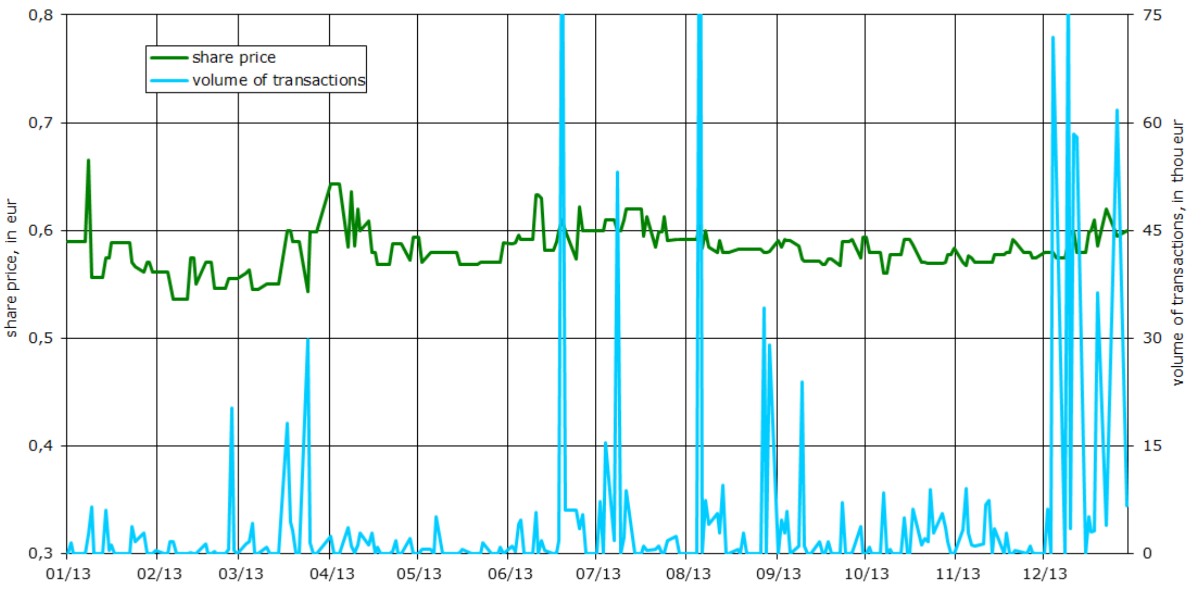
	Number of shares	% of shares
AS Riverito	12,742,686	71.99%
OÜ Seitse Samuraid	357,500	2.02%
Compensa Life Vienna Insurance Group SE	263,806	1.49%
Tenlion OÜ	246,230	1.39%
Customers of Clearstream Banking Luxembourg S.A.	155,438	0.88%
OÜ Watermelon	150,000	0.85%

From 15.09.2009, the shares of AS Järvevana are included in the secondary list of NASDAQ OMX Tallinn Stock Exchange. During the demerger of AS Merko Ehitus, the company's business name was changed to AS Järvevana and from 04.08.2008, the shares of AS Järvevana are traded under the symbol of JRV1T. In 12 months of 2013, 530 transactions were performed with the shares of AS Järvevana in the course of which 2,053,695 shares were traded and the total monetary value of transactions was EUR 1,204,647. The lowest transaction price was EUR 0.54 and the highest transaction price was EUR 0.67 per share. The closing price of the shares as at 31.12.2013 was EUR 0.60.

Structure of shareholders as at 31.12.2013

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1-100	241	30.47%	11,543	0.07%
101-1,000	254	32.11%	107,838	0.61%
1,001-10,000	198	25.03%	801,598	4.53%
10,001 – 100,000	91	11.50%	2,751,361	15.54%
100,001 – 1,000,000	6	0.76%	1,284,974	7.26%
1,000,001 - …	1	0.13%	12,742,686	71.99%
Total	791	100%	17,700,000	100%

Dynamics of the price and trading volume of the shares of Järvevana on NASDAQ OMX Tallinn Stock Exchange in 2013.



Corporate Governance Code

From 2006, the Corporate Governance Code (CGC) which lays down the best practices for managing entities and treating shareholders applies to the issuers of equity securities which are listed on NASDAQ OMX Tallinn Stock Exchange. The CGC principles are recommended to the publicly traded companies and the entities are free to decide whether to follow the main CGC principles or not. The Corporate Governance Code is based on the principle of *follow or explain* according to which an entity shall explain its standpoints and activities with regard to those CGC provisions which it does not follow.

AS Järvevana places great value on the equal treatment of its shareholders, the transparency of the company's management processes as well as the reliability of its activities. This report deals with those CGC principles which AS Järvevana does not follow for technical, economic or other reasons.

I General Meeting of Shareholders

The company's highest governing body is the General Meeting of Shareholders, the authorities of which are regulated by legislation and the articles of association of the company.

The company shall announce the time, place, and agenda of the General Meeting as well as the recommendations of the Supervisory Board with regard to the items on the agenda in a national daily newspaper and through the stock exchange system. The General Meeting shall be held at the place shown in the notice, on a working day and between 9 a.m. and 6 p.m. enabling most of the shareholders to participate in the General Meeting of Shareholders. Any shareholder or his authorised representative may participate at the General Meeting. No picture taking or filming is allowed at the General Meeting, because it may disturb the privacy of shareholders. Participation in the General Meeting cannot be accomplished through the means of communication because there are no reliable ways to identify shareholders and to ensure the privacy of participating shareholders.

On behalf of the company, the Chairman of the Management Board shall participate at the General Meeting of AS Järvevana, members of Supervisory Board shall be involved, if necessary.

II Management Board

The Management Board of AS Järvevana consists of one member and the Management Board represents the company and manages its daily operations. A three-year service contract has been concluded with the member of the Management Board and the remuneration of the member of the Management Board is disclosed in the company's annual report. Neither share options nor other bonus schemes have been used to motivate the director. Upon premature termination or non-extension of the service contract and under the condition that the member of the Management Board shall not compete with the company, severance pay shall be paid to the member of the Management Board equalling twenty-four-month base remuneration of the member of the Management Board.

III Supervisory Board

The General Meeting of Shareholders shall elect the Supervisory Board. The Supervisory Board shall determine the company's operating strategy, endorse the transactions as authorised by the articles of association, elect the members of the Management Board and monitor the performance of the Management

Board during the time the General Meetings are not held. The Supervisory Board of AS Järvevana has three members: Teet Roopalu, Jaan Mäe and Chairman of the Supervisory Board, Tõnu Toomik. The General Meeting of Shareholders shall approve the remuneration of the members of the Supervisory Board. The remuneration of the current Supervisory Board was approved by the General Meeting of Shareholders held at 3 June 2008. Upon premature termination or non-extension of the service contract, no termination benefits are paid to the members of the Supervisory Board.

IV Collaboration of the Management and Supervisory Boards

To ensure that the company’s interests are met as best as possible, the Management and Supervisory Boards shall collaborate extensively. At least once a month, a joint regular meeting of the Management Board and the Supervisory Board shall take place, in which the Management Board shall inform the Supervisory Board of significant issues in the company’s business operations and the risks impacting them.

V Disclosure of information

In disclosing information, AS Järvevana shall follow the rules and regulations of NASDAQ OMX Tallinn Stock Exchange and immediately disclose important information regarding the company’s activities to the shareholders after obtaining reasonable assurance as to its correctness and that the disclosure of such information shall not harm the interests of the company and its business partners.

During the year, AS Järvevana shall not publish the dates for disclosing information, the so-called financial calendar, because the disclosure of reliable dates would incorporate an additional time factor into the dates and endanger the timeliness of disclosures. AS Järvevana shall generally disclose important information regarding the company after the end of the trading day.

AS Järvevana does not have ordinary business operations and the success of the company’s activities will depend on the development of the proceedings regarding the charges filed against the company. Management estimates that an objective coverage of the court proceedings is complicated and may hinder successful arrangement of the work of defence, as a result of which management does not consider it necessary to participate in the presentations and press conferences arranged by analysts and investors. All objective and relevant information related to the company’s activities shall be made available through the stock exchange system and the shareholders are able to obtain additional information at the General Meeting of Shareholders.

VI Election of an auditor and auditing the financial statements

The company’s financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

In selecting an auditor, the company shall consider the auditor’s independence, competence, reliability and the price of the service offered. The company shall not publish the fees paid for the provision of auditing and consulting services, because such activities may significantly impair the company’s ability to obtain the service for a competitive price in the future.

When proposing to elect a new auditor, the Supervisory Board shall also present at the General Meeting its rationale for the change. In extending the contract with the auditor who audited the company in the previous financial year, the Supervisory Board shall acknowledge with its choice that the auditor has fulfilled the expectations laid on him/her and the Supervisory Board is content with the quality of the service provided.

Audit committee

The responsibility of the audit committee is advising the Supervisory Board in supervision related issues. The Committee executes supervision in the areas of: a) accounting procedures, b) preparation and approval of the financial budget and reports, c) management of financial risks, d) performance of external audit, e) functioning of an internal control system and f) legality of the activities.

The Company's Supervisory Board has set up a 3-member audit committee and appointed Aire Ojandu and Alar Lagus as its members and Teet Roopalu as its Chairman. A member of the committee is elected for a term of three years, but at the decision of the Supervisory Board, a member of the committee may be removed before the expiration of his term of office.

The meetings of the audit committee are held not less frequently than once every three months.

MANAGEMENT DECLARATION

Member of the Management Board confirms that according to his best knowledge the financial statements for 2013 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, present a true and fair view of the assets, liabilities, financial position and profit or loss of AS Järvevana, and the management report presents a true and fair view of the business development and results of AS Järvevana as well as its financial position, and it includes a description of key risks and uncertainties.

Toomas Annus   Member of the Management Board   14.03.2014

FINANCIAL STATEMENTS

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

in thousands of euros	*Note*	**2013**	**2012**
General and administrative expenses	2	(191)	(213)
Operating loss		(191)	(213)
Finance income and costs		147	192
incl. interest income		147	192
Net loss for the period		(44)	(21)
Comprehensive loss for the period		(44)	(21)
Earnings per share (basic and diluted, in EUR)	3	(0.00)	(0.00)

The notes set out on pages 15-27 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

in thousands of euros	*Note*	**31.12.2013**	**31.12.2012**
ASSETS			
Current assets			
Cash and cash equivalents	4	2,392	2,532
Trade and other receivables	5	13,490	13,584
Total current assets		15,882	16,116
Non-current assets			
Property, plant and equipment	7	14	24
Total non-current assets		14	24
TOTAL ASSETS		15,896	16,140
LIABILITIES			
Current liabilities			
Trade and other payables	8	21	221
Short-term provisions	9	1,118	1,118
Total current liabilities		1,139	1,339
TOTAL LIABILITIES		1,139	1,339
Equity			
Share capital	10	12,000	12,000
Statutory reserve capital		1,200	1,200
Retained earnings		1,557	1,601
Total equity		14,757	14,801
TOTAL LIABILITIES AND EQUITY		15,896	16,140

The notes set out on pages 15-27 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

in thousands of euros	Equity attributable to equity holders of the parent			
	Share capital	**Statutory reserve capital**	**Retained earnings**	**Total**
Balance as at 31.12.2011	12,000	1,131	1,691	14,822
Transfer to statutory reserve capital	-	69	(69)	-
Comprehensive loss for the period	-	-	(21)	(21)
Balance as at 31.12.2012	12,000	1,200	1,601	14,801
Comprehensive loss for the period	-	-	(44)	(44)
Balance as at 31.12.2013	12,000	1,200	1,557	14,757

The General Meeting of Shareholders held at 7 June 2012 decided to increase statutory reserve capital by EUR 68,764 on account of retained earnings.

The share capital of AS Järvevana consists of 17,700,000 registered shares without nominal value.

The notes set out on pages 15-27 are an integral part of these financial statements.

CASH FLOW STATEMENT

in thousands of euros

	Note	**2013**	**2012**
Cash flows used in operating activities			
Operating loss		(191)	(213)
Adjustments:			
depreciation, amortisation and impairment	7	10	11
change in accrued holiday pay accrual		4	4
Change in trade and other receivables related to operating activities	5	92	1,012
Change in trade and other payables related to operating activities		(204)	188
Total cash flows used in operating activities		(289)	1,002
Cash flows from (used in) investing activities			
Loans granted	6	-	(1,200)
Interest received		149	199
Total cash flows from (used in) investing activities		149	(1,001)
Net increase/decrease in cash and cash equivalents		(140)	1
Cash and cash equivalents at beginning of the period		2,532	2,531
Cash and cash equivalents at end of the period	4	2,392	2,532

The notes set out on pages 15-27 are an integral part of these financial statements.

NOTES

Note 1 Summary of significant accounting policies

1.1. General information

The financial statements of AS Järvevana for the year ended 31 December 2013 were signed by the Management Board at 14 March 2014.

Pursuant to the Commercial Code of the Republic of Estonia, the annual report prepared by the Management Board and approved by the Supervisory Board shall be approved at the General Meeting of Shareholders. Shareholders have the right not to approve the annual report prepared and presented by the Management Board and require preparation of a new annual report.

AS Järvevana is a public limited company registered in the Republic of Estonia (Commercial Register no.: 10068022, address: Järvevana tee 9G, Tallinn) and from 1 August 2008, it operates in Estonia. Until 1 August 2008, the company operated in Estonia, Latvia and Lithuania and its main activities were construction and real estate development. After the demerger, the company does not have active operating activities.

The shares of AS Järvevana are included in the Secondary List of NASDAQ OMX Tallinn Stock Exchange. In the course of the demerger process of AS Merko Ehitus, the company's business name was changed to AS Järvevana and from 4 August 2008, the shares of AS Järvevana are traded under the symbol of JRV1T.

1.2. Bases of preparation of the financial statements

The financial statements of Järvevana 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.

Several financial figures are based on management's estimates, including estimates of impairment losses of receivables and provisions. Management's estimates have been made to the best of its knowledge, but they may prove not to be accurate. The effect of changes in accounting estimates is reported in the financial statements in the period in which the change occurred.

Assets and liabilities are classified as current and non-current in the statement of financial position. Current assets include assets that are expected to be used within the next financial year. Current liabilities include liabilities the due date of which is within 12 months after the balance sheet date. The remaining assets and liabilities are classified as non-current.

Expenses are classified according to their function in the income statement.

The functional currency of the company is the euro. The primary financial statements and notes are presented in thousands of euros.

1.3. New International Financial Reporting Standards, amendments to published standards and interpretations of the International Financial Reporting Interpretations Committee (IFRIC)

a. Adoption of new or revised standards and interpretations

Presentation of Items of Other Comprehensive Income, amendments to IAS 1
The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The amended standard resulted in changed presentation of financial statements, but did not have any impact on measurement of transactions and balances.

New or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2013 are not expected to have a material impact to the company.

b. New accounting pronouncements

New or amended standards or interpretations, which are not yet effective, are not expected to have a material impact on the company.

1.4. Management estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge, actual results ultimately may differ from those estimates. However it can be confirmed that seasonality and cyclicality have no significant impact on the company's business activities in the course of a year. The areas involving a higher degree of management judgement or estimates, and where these have an impact on the financial statements of AS Järvevana, are disclosed below. Changes in management's estimates are reported in the income statement of the period of the change.

The key management estimates include:

Valuation of receivables
In valuation of receivables, each receivable is analysed separately. In determining the need for a complete or partial write-down of receivables, the debtor's financial position, the guarantees provided, the solutions offered to pay off the debt and the previous payment behaviour of the debtor are considered.

Formation of provisions
See section 1.14

1.5. Foreign currency

All currencies other than the functional currency euro are considered to be foreign currencies.
Foreign currency transactions are recorded based on the foreign currency exchange rates of the European Central Bank prevailing at the transaction date. Monetary assets and liabilities (receivables and loans to be settled in cash) denominated in foreign currencies as at the balance sheet date are translated into the functional currency based on the foreign currency exchange rates of the European Central Bank prevailing at the balance sheet date.

Foreign exchange gains and losses resulting from translation are recorded in the income statement of the reporting period.

1.6. Financial assets

The purchases and sales of financial assets are recognised at the transaction date.
Depending on the purpose for which financial assets were acquired, financial assets are classified into the following categories at the group:

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

Management determines the classification of its financial assets at initial recognition.

The company does not have any held-to-maturity financial investments, financial assets at fair value through profit or loss and available-for-sale financial assets. The company does not have any derivative transactions either.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included within current assets except those with maturities longer than 12 months after the balance sheet date. Such assets are classified as non-current assets. Loans and receivables are initially recognised at fair value net of transaction costs. After initial recognition, the company carries loans and receivables at amortised cost (less any impairment losses), calculating interest income on the receivable in the following periods using the effective interest rate method.

Receivables are valued based on the collectible amounts. Each receivable is assessed separately considering all known information on the solvency of the party to the transaction. Receivables whose collection is improbable are written down during the reporting period.

1.7. Impairment of assets

Financial assets at amortised cost
The company assesses at each balance sheet date whether there is any indication that a financial asset or 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 (loss events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated. Objective evidence that a financial asset or a group of financial assets is impaired includes observable data that is available to the company regarding the following events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in payments;
- it is probable that the debtor will enter bankruptcy;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a financial asset or a group of financial assets, although the decrease cannot yet be measured reliably.

If there is objective evidence that an impairment loss has incurred for loans and receivables or held-to-maturity investments carried at amortised cost, 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 (excluding future credit losses that have already been recognised), discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can objectively be related to an event occurring after the impairment loss was recognised (such as an improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Non-financial assets
Assets that are subject to amortisation are reviewed for any indication of impairment. If any such indication exists, the recoverable amount of the asset is assessed and compared with the carrying amount. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets that suffered an impairment loss are reviewed for possible reversal of impairment at each reporting date and if necessary, the impairment loss is reversed.

1.8. Property, plant and equipment

An item of property, plant and equipment is an asset used for production, provision of services or administrative purposes over a period longer than one year. The cost consists of the purchase price of the asset and other expenditure incurred in bringing the asset to its operating condition and location.

An item of property, plant and equipment is carried in the statement of financial position at its cost less any accumulated depreciation. Subsequent expenditure incurred for items of property, plant and equipment is recognised as non-current assets when it is probable that future economic benefits associated with the asset will flow to the company and the cost of the asset can be measured reliably. Other repair and maintenance costs are recognised as expenses at the time they are incurred.
Depreciation is calculated on a straight-line basis over the following useful lives:

- machinery and equipment 2.5-4 years;
- other items of property, plant and equipment 2.5-5 years.

At each balance sheet date, the validity of applied depreciation rates, the depreciation method and the residual values applicable to assets is assessed.

If an item of property, plant and equipment consists of separately identifiable components with different useful lives, these components are accounted for as separate assets and accordingly, separate depreciation rates are set for them depending on their useful lives.

Items of property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition of items of property, plant and equipment are included either within other operating income or other operating expenses in the income statement.

1.9. Finance and operating leases

Leases of property, plant and equipment which transfer all significant risks and rewards of ownership to the lessee are classified as finance leases. All other leases are recognised as operating leases.
Operating lease payments are reported in the income statement as expenses on an accrual basis over the lease term.

1.10. Financial liabilities

All financial liabilities (trade payables and short and long-term borrowings) are initially recorded at their fair value and are subsequently stated at amortised cost, using the effective interest rate method. The amortised cost of the current financial liabilities normally equals their nominal value; therefore current financial liabilities are stated in the statement of financial position at their redemption value. To calculate the amortised cost of non-current financial liabilities, they are initially recognised at fair value of the proceeds received (net of transaction costs incurred) and an interest cost is calculated on the liability in subsequent periods using the effective interest rate method.

Financial liabilities are classified as current when they are due to be settled within twelve months after the balance sheet date; or the company does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Borrowings that are due within 12 months after the balance sheet date, but that are refinanced after the balance sheet date as non-current, are recognised as current ones. Also, borrowings are classified as current if at the balance sheet date, the lender had the contractual right to demand immediate repayment of the borrowing due to the breach of conditions set forth in the agreement.

1.11. Corporate income tax

According to the Income Tax Act of the Republic of Estonia, legal entities are not subject to income tax on profits earned. Corporate income tax is paid on fringe benefits, gifts, donations, costs of entertaining guests, dividends and payments not related to business operations. Thus there are no differences between the tax bases and the carrying amounts of assets which would give rise to a deferred income tax asset or liability. In 2013, the tax rate on dividends payable is 21/79 (in 2012: 21/79) of the amount paid out as net dividends. The corporate income tax arising from the payment of dividends is accounted for as a liability and an income tax expense in the period when dividends are announced.

1.12. Revenue

Revenue is recognised at the fair value of the consideration received or receivable.

Revenue arising from interest is recognised according to the effective interest method.

1.13. Cash and cash equivalents

In the statement of financial position and the cash flow statement, cash and cash equivalents comprise highly liquid funds with a low variation in value, such as cash on hand, cash in bank accounts and term deposits with maturities of three months or less.
The indirect method has been used for the preparation of the cash flow statement.

1.14. Provisions and contingent liabilities

Provisions are probable constructive or legal obligations which arise as a result of events occurring before the balance sheet date. Setting up of provisions or increasing existing provisions is recognised as an expense in the income statement of the reporting period.

Provisions are recognised in the statement of financial position based on the best estimate of the management board at the present value of the expenditure expected to be sufficient to settle the obligation. A pre-tax rate of discount is used, which reflects current market valuations of the time value of money and the risks associated with liabilities that are not already included in the best estimate of the related expenses.

Contingent liabilities are those liabilities the realisation of which is less probable than non-realisation and the amount of which cannot be determined reliably. Contingent liabilities are not recognised in the statement of financial position, but they are disclosed in the notes to the financial statements.

1.15. Statutory reserve capital

Reserve capital is formed to comply with the requirements of the Commercial Code. During each financial year, at least one-twentieth of the net profit shall be entered in reserve capital, until reserve capital reaches one-tenth of share capital. Reserve capital may be used to cover a loss, or to increase share capital. Payments shall not be made to shareholders from reserve capital.

1.16. Events after the balance sheet date

The financial statements of the reporting period include material circumstances affecting the valuation of assets and liabilities which became evident between the balance sheet date and the date of preparing the financial statements but that are related to transactions in the reporting period or previous periods. Material events after the balance sheet date not related to transactions in the reporting period or previous periods are not reported in the statement of financial position but if applicable, they are disclosed in the notes to the financial statements.

1.17. Dividends

The distribution of dividends to the company's shareholders is recognised as a liability in the financial statements in the period in which the payment of dividends is approved by the company's shareholders.
According to the profit allocation proposal, the management board has been proposed to not distribute dividends in 2014. No dividends were paid in 2013.

Note 2 General and administrative expenses

in thousands of euros

	2013	2012
Staff costs	68	68
Legal advisory fees	58	74
Office expenses, communication and information services	30	36
Depreciation	10	11
Transportation expenses	6	7
Other expenses	19	17
Total general and administrative expenses	191	213

Note 3 Earnings per share

Basic earnings per share for profit attributable to equity holders of the parent have been derived by dividing the net profit attributable to shareholders by the weighted average number of shares.

	2013	2012
Net loss attributable to shareholders *(in thousands of euros)*	(44)	(21)
Weighted average number of ordinary shares *(thousand pcs)*	17,700	17,700
Basic earnings (-loss) per share *(in EUR)*	(0.00)	(0.00)

In 2012 and 2013, the company did not have any potential ordinary shares to be issued; therefore the diluted earnings per share equal the basic earnings per share.

Note 4 Cash and cash equivalents

in thousands of euros

	31.12.2013	31.12.2012
Short-term bank deposits (with maturities of 1-3 months)	2,392	2,532
Total cash and cash equivalents (Note 13)	2,392	2,532

As at 31.12.2013, the average interest on overnight deposits was 0.06% (31.12.2012: 0.06%).

Note 5 Trade and other receivables

in thousands of euros

	31.12.2013	31.12.2012
Tax prepayments excluding corporate income tax		
value-added tax	1	-
	1	-
Other short-term receivables		
short-term loans (Notes 6, 11, 13) *	8,145	8,145
interest receivables	10	12
incl. from entities of parent's consolidation group (Note 11)	10	12
other short-term receivables (Note 11, 13) **	5,288	5,380
	13,443	13,537
Prepayments for services		
prepaid insurance	3	2
prepaid legal advisory services	44	44
	46	47
Total trade and other receivables	13,490	13,584

The company has no ordinary business operations and its only income is finance income earned on the investment of the company's liquid funds.

* According to the demerger agreement between AS Järvevana and AS Merko Ehitus, the company granted a loan to AS Merko Ehitus in amount of EUR 7,989 thousand, the balance of which as at 31.12.2013 was EUR 6,945 thousand. The interest rate is 1.531% per annum from 1.08.2013. With the loan agreement concluded in 2012, the company granted an additional loan to AS Merko Ehitus in the amount of EUR 1,200 thousand, the outstanding balance of which was EUR 1,200 thousand and the loan interest was 1.531% p.a. as at 31.12.2013.

** In the demerger agreement AS Järvevana and AS Merko Ehitus agreed that AS Järvevana has the right to sell and AS Merko Ehitus the obligation to purchase 5 registered immovables with total transaction price of EUR 6,391 thousand. The respective right is recognised as a short-term receivable in the statement of financial position of AS Järvevana. Due to partial exercise of the option in 2012, the short-term receivable decreased by EUR 1,011 thousand and by EUR 92 thousand in 2013. As at 31.12.2013 the balance of the short-term receivable was EUR 5,288 thousand.

Note 6 Loans granted

in thousands of euros

	2013	2012
Loans granted to parent's consolidation group entities		
Loan balance at the beginning of the year (Notes 5, 11)	8,145	6,945
Granted	-	1,200
Loan balance at the end of the year	8,145	8,145
incl. current portion (Notes 5, 11, 13)	8,145	8,145

Average effective interest rate was 1.77% (2012:2.98%).

Note 7 Property, plant and equipment

in thousands of euros

	Machinery and equipment
Carrying amount 31.12.2011	35
Cost of assets written off	2
Accumulated depreciation of assets written off	(2)
Depreciation	(11)
Carrying amount 31.12.2012	24
Depreciation	(10)
Carrying amount 31.12.2013	14

Note 8 Trade and other payables

in thousands of euros

	31.12.2013	31.12.2012
Trade payables (Note 13)	2	5
Payables to employees (Note 13)	15	11
wages and salaries payable	4	4
holiday pay liability	11	7
Tax liabilities, except for corporate income tax	4	205
value added tax	-	201
personal income tax	1	1
social security tax	3	3
Total trade and other payables	21	221

Note 9 Short-term provisions

in thousands of euros

	2013	2012
Provision for costs associated with judicial proceedings		
Residual value at beginning of the year	1,118	1,118
Balance at end of the year (Note 13)	1,118	1,118
Total short-term provisions	1,118	1,118

Note 10 Share capital

At the General Meeting of Shareholders held at 28 June 2011, it was decided to translate the share capital of AS Järvevana from EEK 177,000,000 to EUR 11,312,361.79 and increase the share capital of AS Järvevana by way of a bonus issue on account of retained earnings by EUR 687,638.21 by means of increasing the book value of the shares of AS Järvevana, so that the new size of share capital is EUR 12,000,000. It was also decided to take shares without nominal value into use. The share capital of AS Järvevana consists of 17,700,000 registered shares without nominal value.

Additional information is disclosed in Note 13 under the section *Capital management*.

Note 11 Related party transactions

in thousands of euros

In the financial statements, the following entities have been considered as related parties:

- parent company AS Riverito;
- shareholders of AS Riverito with significant influence over AS Järvevana through AS Riverito;
- other shareholders with significant influence;
- other subsidiaries of AS Riverito, entities of parent's consolidation group;
- associates and joint ventures;
- key members of management (supervisory and management board) and their close relatives;
- entities sharing key management personnel with AS Järvevana.

Significant influence is presumed to exist when a person has more than 20% of the voting power.

The parent of AS Järvevana is AS Riverito. As at 31.12.2013 and 31.12.2012, AS Riverito owned 72% of the shares of AS Järvevana. The ultimate controlling party of the group is Mr Toomas Annus.

Goods and services

in thousands of euros	**2013**	**2012**
Purchased services		
Parent's consolidation group entities	16	15
Total purchased services	16	15

Loans granted

in thousands of euros	**2013**	**2012**
Loans granted		
Parent's consolidation group entities (Note 6)	-	1,200
Total loans granted	-	1,200

Interest income from loans granted

in thousands of euros	**2013**	**2012**
Interest income		
Parent's consolidation group entities	146	188
Total interest income	146	188

Balances with the related parties

in thousands of euros

	31.12.2013	**31.12.2012**
Trade and other receivables		
Short-term loans		
Parent's consolidation group entities (Notes 5, 6, 13)	8,145	8,145
Interest receivables		
Parent's consolidation group entities (Note 5, 13)	10	12
Other short-term receivables		
Parent's consolidation group entities (Note 5, 13)	5,288	5,380
Trade payables		
Parent's consolidation group entities	1	3

No allowances for impairment losses have been set up for receivables from related parties in 2013. Related party transactions have been concluded on an arm's length basis.

Remuneration of the members of the Supervisory and Management Boards

In 2013, the gross remuneration of the members of the Supervisory Board of AS Järvevana totalled EUR 8 thousand (2012: EUR 8 thousand) and the gross remuneration of the member of the Management

Board totalled EUR 38 thousand (2012: EUR 38 thousand). No other compensation was paid to management in 2013.

Termination benefits of members of the Supervisory and Management Boards

Upon premature removal or termination of authority of the members of the Supervisory and Management Boards, if a new agreement is not concluded, the company has the obligation to pay compensation totalling EUR 77 thousand.

Note 12 Contingent liabilities

As at 31.12.2013, it is possible to pay out dividends to shareholders from retained earnings in the amount of EUR 1,230 thousand and the corresponding income tax would amount to EUR 327 thousand. As at 31.12.2012, it would have been possible to pay out dividends to shareholders from retained earnings (taking into account the proposed decision to increase statutory reserve capital to the amount required by law) in the amount of EUR 1,265 thousand and the corresponding income tax would amount to EUR 336 thousand.

Tax authorities have the right to review the group's tax records within 6 years after submitting the tax declaration and upon detecting errors, impose additional taxes, interest and fines. The group's management estimates that there are not any circumstances which might lead the tax authorities to impose additional significant taxes on the group.

For contingent liabilities related to the criminal proceedings, please refer to subsection on legal risks in Note 13.

Note 13 Risks

Credit risk
Credit risk relates to potential losses which would occur if the parties to the contract are unable to fulfil their contractual obligations. Cash is mostly held in overnight deposits at Swedbank. Swedbank AS does not have a separate rating by Moody's. The parent company of Swedbank AS - Swedbank AB has an A1 rating by Moody's. Management estimates that the company is not exposed to significant credit risk.

Financial assets *in thousands of euros*	Allocation by due date		Carrying amount
	1-12 months	2-5 years	
31.12.2013			
Cash and cash equivalents (Note 4)	2,392	-	2,392
Other short-term receivables (Note 5,11)	5,288	-	5,288
Loans granted (Note 6,11)	8,145	-	8145
Interest receivables (Note 5)	10		10
Total	15,835	-	15,835
31.12.2012			
Cash and cash equivalents (Note 4)	2,532	-	2,532
Other short-term receivables (Note 5,11)	5,380	-	5,380
Loans granted (Note 6,11)	8,145	-	8,145
Interest receivables (Note 5)	12		12
Total	16,069	-	16,069

Of the loans granted, EUR 8,145 thousand (31.12.2012: EUR 8,145 thousand) and of the receivables, EUR 5,288 thousand (31.12.2012: EUR 5,380 thousand) are made up of loans to the parent's consolidation group entities, of whose economic activities the company has a good overview and therefore, no additional collateral has been required.

Interest risk
Due to the company's capital structure, the company does not have any interest bearing liabilities and interest risk for the company represents a possible decline in the return on assets. As at 31.12.2013, AS Järvevana had

interest bearing assets in the amount of EUR 10,537 thousand, including short-term bank deposits with maturities of three months or less in the amount of EUR 2,392 thousand and a loan in the amount of EUR 8,145 thousand to AS Merko Ehitus. As the company does not have any direct operating activities, the amount and regularity of interest income is relevant for it. One of the priorities of the company in 2014 is attainment of a better return on assets.

Foreign exchange risk
From 1 January 2011, Estonia adopted the euro as the national currency. The company's financial assets and financial liabilities are denominated in euros. Therefore, the company does not have significant foreign exchange risk.

Liquidity risk
The company's liquidity or solvency represents its ability to settle its liabilities to creditors on time. As at 31.12.2013, the company's current ratio was 13.9 (31.12.2012: 12.0) and the quick ratio 13.9 (31.12.2012: 12.0), because the company holds no inventory.

Financial liabilities *in thousands of euros*	Allocation by due date		Total	Carrying amount
	1-3 months	4-12 months		
31.12.2013				
Liabilities				
Trade payables (Note 8)	2	-	2	2
Payables to employees (Note 8)	15	-	15	15
Total	17	-	17	17
31.12.2012				
Liabilities				
Trade payables (Note 8)	5	-	5	5
Payables to employees (Note 8)	11	-	11	11
Total	16	-	16	16

Capital management
The Commercial Code of the Republic of Estonia specifies the following requirements for share capital of the entities registered in Estonia:

- the minimum share capital of a public limited company shall be at least EUR 25 thousand;
- the net assets of a public limited company shall be at least one half of the company's share capital but not less than EUR 25 thousand.

The size of share capital or its minimum and maximum amounts are set out in the articles of association of a public limited company whereas the minimum share capital shall equal at least ¼ of maximum share capital.

According to the current articles of association of AS Järvevana, the company's share capital consists of 17,700 thousand registered shares without nominal value and without amending the articles of association of the public limited company, changes can be made to the company's share capital within the range of EUR 6,000 – 24,000 thousand. As at 31.12.2013, the share capital of AS Järvevana was EUR 12,000 thousand (31.12.2012: 12,000 thousand) and the net assets were EUR 14,757 thousand (31.12.2012: 14,801 thousand) and therefore, the company's share capital and equity were in compliance with the requirements established in the Republic of Estonia.

Legal risk
At 3 April 2009, the Prosecutor's Office submitted a statement of charges (dated 31.03.2009) against AS Järvevana and Toomas Annus in criminal case no. 05913000055 related to land swap.

At 12 November 2009, the judicial proceedings concerning the "land swap case"and the statement of charges no. 1-09-4486 commenced at Harju County Court.

In the statement of charges, AS Järvevana has been incriminated with five episodes of giving a bribe in accordance with § 298 of the Penal Code and the proceedings were conducted at the court of first instance of

Harju County Court. The subject of proof concerning bribery charges has three elements, the absence of even one of which precludes the necessary elements of criminal offence: (i) promising or giving of a material reward to an official; (ii) illegal act by an official in favour of a person giving a bribe; (iii) equivalence relation between the first and second element, i.e. giving of a reward to an official for a favourable act. Evidence also needs to be produced against AS Järvevana in the matter that (i) the act was committed by a senior executive of a legal person, and (ii) the act was committed in the interests of the legal person. AS Järvevana has not concluded any land swap transactions described in the statement of charges. These transactions were concluded and hypothetical benefits could have been reaped by independent subsidiaries as legal persons who have not been charged. Even according to the statement of charges, AS Järvevana has never swapped plots of land. It is also evident that the acts could not have been illegal because they had been permitted under § 19 of the Nature Conservation Act which rules out the qualification of a bribery. It has been proven (and established by the judgement of the court of first instance) that more than 180 legal transactions have been performed on the same bases and by the same procedure by different persons. With the statement of charges and judgment, an absence of damage and civil action was established.

At 19 June 2012, the final hearing of the land swap criminal case was held at Harju County Court, where the court fully acquitted AS Järvevana and Toomas Annus in the criminal case no. 1-09-4486 and ruled that the state would have to pay EUR 611,810 to cover the legal aid expenses of AS Järvevana.

The County Court categorically established that AS Järvevana and Toomas Annus have not committed any criminal offences; all relevant land swap transactions were legitimate, that the Estonian Internal Security Service and the Public Prosecutor's Office have committed a significant breach of the law, the Constitution and the European Convention for the Protection of Human Rights and Fundamental Freedoms. This carefully deliberated judgement was reached as a result of three years of comprehensive and direct proceedings, which, inter alia, included the hearing of approximately 120 witnesses. The judgment of acquittal was unanimous and it was also supported by lay judges, who had observed the process for years.

The Public Prosecutor's Office filed an appeal against the judgment of acquittal to the Tallinn Circuit Court, therefore the judgment of the court of first instance has not taken effect. AS Järvevana and Toomas Annus presented comprehensive arguments against the appeal on 374 pages. The 14 sessions of the Tallinn Circuit Court took place in January and February 2013. The prosecutors applied for annulling the judgement of acquittal and, as an alternative, rendering a new judgement of conviction or sending the case to the court of first instance to reopen the matter. AS Järvevana applied for leaving the judgement of acquittal unchanged. Tallinn Circuit Court gave the counsel an opportunity to become acquainted with some of the materials (insufficient for ecxercising the right of defence) forming the basis for surveillance, that the court of first instance considered necessary according to the judgement, but which the county court did not allow due to the force of threatening of the judge stated in the judgement. It is noteworthy that according to the judgement of the court of the first instance, the Prosecutor's Office threatened the judge in relation to the latter's intention of introducing to the counsel the materials forming the basis for the surveillance reasoning it being a state secret, but the regulations assigned by the court of appeal did not entail any state secrets. Unfortunately, the counsel was not allowed to get acquainted with all the surveillance files, which precluded equal proceeding and which was in contradiction with the protection guarantees provided for in the case Leas vs Estonia of the European Court of Human Rights.

At 19 June 2013, Tallinn Circuit Court rendered a judgement, which was strictly contrary to that of the Harju County Court, annulling completely the judgement of acquittal and convicted AS Järvevana pursuant to the Penal Code § 298 (3) punishing it with a pecuniary punishment in the sum of EUR 798,000 (seven hundred and ninety eight thousand). Prior judicial practice has not recognised pecuniary punishments of such magnitude.

At 19 July 2013, AS Järvevana submitted an appeal in cassation to the judgement of conviction.

The counsel applied for a full annulment of the judgement of conviction of the Tallinn Circuit Court of 19 June 2013 and, as an alternative: (i) enforcing the judgement of acquittal of the Harju County Court of 19 June 2012; or (ii) sending the case to the court of first instance or to the court of appeal to reopen the case; or (iii) rendering a new judgement of acquittal, or (iv) terminating the procedure on the basis of the Code of Criminal Procedure § 274´´ in connection with expiry of reasonable time of processing, as the procedure has been going on in relation to the accused ever since 2 September 2004 when the surveillance was started.

AS Järvevana has thoroughly analysed the judgement of the court of appeal and has come to a conclusion that it is mostly based on propositions of the prosecutors with the mistakes included therein, *inter alia*

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additions copied into the judgement misrepresenting the evidence, giving a reason to claim that the substance of evidence has not been studied, but the judge has rather been content with the unilateral dysmorphic vision of the Prosecutor's Office. The majority of arguments and evidence of the counsel have not been reflected in the judgement and, in this sense, there are obvious reasoning deficiencies in the judgement. It has been pointed out in the appeal in cassation that building up the judgement on the basis of the statements and evidence of one party alone is not in accordance with honest, equal and competitive principles of proceeding, let alone misrepresenting the evidence by a significant violation of the proceeding. There are detailed references in the appeal in cassation of the pages where the circuit court has directly misrepresented the evidence as a significant violation of the proceeding, whereas in order to reason the contradictions the actual information reflected in evidence has been presented in the form of tables as appendices to the appeal in cassation.

AS Järvevana has relied on the positions of the Supreme Court that the principle of direct proceedings were valid in full only in the court of first instance where more than a hundred witnesses testified in the course of cross-examination. As a result of a long-term, thorough and direct proceeding, the court of first instance came to a unanimous conscience that AS Järvevana and Toomas Annus were not guilty, thereby calling the entire accusation into question. AS Järvevana is convinced that a 14-day indirect proceeding could not overrule the conscience of the court of first instance formed on the basis of the years of direct proceeding. When reading the judgement, it remains ambiguous for AS Järvevana on the basis of which evidence the conclusion has been made that its senior official has promised or given a bribe. It also remains incomprehensible why was convicted AS Järvevana, which according to the judgement, never swapped lands or was a party to such transactions or had been an addressee of administrative acts.

At 17 December 2013, the Criminal Chamber of the Supreme Court accepted the lawyers' cassations submitted against the decision of Tallinn Circuit Court in the criminal case of land swap. The Criminal Chamber of the Supreme Court will discuss the appeals in cassation on 19 March 2014 and will publish its decision no later than 21 April 2014.

In case of entry into force of the judgement of conviction and entry into the punishment register, the legal risk is pecuniary punishment, which pursuant to the Income Tax Act is taxable with income tax, and restrictions in participation in public procurement proceedings.

The supervisory board and management board of AS Järvevana are convinced that the activities of the company and its management have been correct and in compliance with the legislation of the Republic of Estonia, and hopes for the annulment of the judgement of conviction. We emphasise that the judgement of acquittal of the county court and the judgement of conviction of the circuit court have not entered into force and, according to the Constitution § 22, AS Järvevana shall be considered innocent until a conviction by a court against it enters into force.

As at 31.12.2013, a provision has been set up for possible costs arising from legal disputes in the amount of EUR 1,118 thousand (31.12.2012: EUR 1,118 thousand), (Note 9).

Fair value
The carrying amounts of financial assets and financial liabilities do not significantly differ from their fair values.
The fair values of loans to related parties are based on cash flows discounted using a rate of 1.531% (2012: 1.937%). The discount rate equals to EURIBOR plus appropriate credit rating. The fair values are within level 2 of the fair value hierarchy.

Note 14 Number of shares owned by the members of the Supervisory and Management Board and their close relatives

As at 31.12.2013, neither the members of the Supervisory Board and Management Board of AS Järvevana nor their close relatives owned any shares of AS Järvevana, except for Toomas Annus and Tõnu Toomik through AS Riverito.

Note 15 Shareholders with more than 5% ownership

	Shares	Ownership %
AS Riverito	12,742,686	71.99

SIGNATURES OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD TO THE 2013 ANNUAL REPORT

The Management Board of AS Järvevana has prepared the management report, financial statements and the profit allocation proposal for 2013.

Toomas Annus	Member of the Management Board	14.03.2014

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

Tõnu Toomik	Member of the Supervisory Board	17.03.2014
Teet Roopalu	Member of the Supervisory Board	17.03.2014
Jaan Mäe	Member of the Supervisory Board	17.03.2014

INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholders of AS Järvevana

We have audited the accompanying financial statements of AS Järvevana (the Company), which comprise the statement of financial position as of 31 December 2013 and the statement of profit and loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2013, 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.

AS PricewaterhouseCoopers

Ago Vilu	Märten Padu
Auditor's Certificate No.325	Auditor's Certificate No.513

14 March 2014

* *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 ALLOCATION PROPOSAL
in euros

Total retained earnings as at 31.12.2013	**1,556,631**

Due to the need to ensure the Company's solvency in meeting potential liabilities, the Management Board proposes not to distribute the profit.

Toomas Annus Member of the Management Board 14.03.2014