

AS TALLINNA KAUBAMAJA

Annual Report for the year 2001

(translation of Estonian original)

The main activities of AS Tallinna Kaubamaja and group companies are retail and wholesale. At the end of 2001 Tallinna Kaubamaja group employs more than 1400 employees.

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<i>Auditor:</i>	<i>AS PricewaterhouseCoopers</i>
<i>Bank</i>	<i>Hansapank Eesti Ühispank Teder & Rask Helda Truusa</i>
<i>Law office</i>	
<i>Lawyer</i>	
<i>Subsidiaries and associated companies</i>	
<i>AS A-Selver</i>	<i>Share capital: 22,0 MEEK Ownership: 100%</i>
<i>Tartu Kaubamaja AS</i>	<i>Share capital: 8,3 MEEK Ownership: 100%</i>
<i>Tallinna Kaubamaja Suomi OY</i>	<i>Share capital: 0,9 MFIM Ownership: 100%</i>
<i>Tallinna Kaubamaja Kinnisvara AS</i>	<i>Share capital: 0,4 MEEK Ownership: 100%</i>
<i>AS Rävala Parkla</i>	<i>Share capital: 10,0 MEEK Ownership: 50,0%</i>

The Annual Report consists of the managements' report, financial statements, the auditors' opinion, and the profit allocation report.

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MANAGEMENT REPORT

The Group

The consolidated results of Tallinna Kaubamaja Group include 100% subsidiaries AS A-Selver, AS Tartu Kaubamaja, Tallinna Kaubamaja Kinnisvara AS and Tallinna Kaubamaja Suomi OY and associated company Rävåla Parkla AS (50%).

The consolidated net sales for the year 2001 were 1,45 billion kroons; 92,7 million euros (including parent company 577 million kroons; 36,9 million euros). The increase in net sales was 22% during the year, which is 2% higher than the increase in Estonian retail market. The market share of Tallinna Kaubamaja Group in the retail market increased by 2% up to 6,77% by the end of 2001.

The audited net profit of Tallinna Kaubamaja Group was 35,8 million kroons; 2,29 million euros.

The total assets of Tallinna Kaubamaja Group were 698,7 million kroons; 44,66 million euros as at 31 December 2001, showing the increase of 14,9 million kroons; 0,95 million euros. During the year 2001 the investments to tangible fixed assets were 67,8 million kroons; 4,33 million euros (including land 31,1 million kroons; 1,99 million euros, investments related to opening of Tondi Selver 19,1 million kroons; 1,22 million euros and investments into information technology 9,8 million kroons; 0,63 million euros). Current liabilities have been increased by 62,7 million kroons; 4 million euros and non-current liabilities have been decreased by 60,9 million kroons; 3,89 million euros, amounting to 266,8 and 33 million kroons; 17,05 and 2,1 million euros respectively. The owners' equity was 398,9 million kroons; 25,49 million euros as at 31 December 2001.

The average number of employees was 1 346 in 2001 and the total personnel expenses were 97,4 million kroons; 6,22 million euros from which 1 769 thousand kroons; 113,1 thousand euros was paid to the chairman of the board and to members of the supervisory board.

In order to improve the efficiency of the client service the flexibility of employee working schedules was improved. Improving the quality of service as one of the competitive advantages has remained a continuous priority of the Tallinna Kaubamaja Group.

The number of loyal customers has increased by 58% during 2001, reaching 69 000 private persons by the end of the year. The strategy of retaining customers has proved to be successful and therefore the Group plans to concentrate on the maximization of profitability of clients through the client satisfaction. Different special offers have been made to best customers. Starting from 2002 the loyal customer brochure will be replaced by general interest magazine Hooaeg (the Season).

Andres Järving who was previously the member of the supervisory board replaced the previous chairman of supervisory board Jüri Kõo starting 21 September 2001. Jüri Kõo continues as a member of the supervisory board.

Tallinna Kaubamaja and Tartu Kaubamaja

Major changes have taken place in Tallinna Kaubamaja and Tartu Kaubamaja in 2001. Since the autumn season Tallinna and Tartu Kaubamaja have partially redirected to cheaper supply chains and better conditions have been negotiated with existing suppliers because of the tightened competitive situation and customers' different purchasing behavior from management initial prognoses. Above described improvements allow the same quality goods to be offered at lower prices. As a result of these measures the assortment of goods has been changed to meet more precisely the expectations of target clients.

The shop in shop principle in cooperation with AS Baltika has been introduced from April 2001 in order to improve the stock management and minimize the risks related to inventories. According to that principle AS Baltika is responsible for the completion of collections offered to customers and bears all risks related to stock. A similar agreement has been concluded with Anobioni Hulgimüügi OÜ, a supplier of stationery and school supplies and the management plans to continue with this trend.

AS Tallinna Kaubamaja acquired 216 000 shares of Tartu Kaubamaja in April 2001 and became 100% shareholder of AS Tartu Kaubamaja.

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According to an agreement of cooperation Tallinna Kaubamaja is sponsoring the Tallinn Zoo and Estonian Nukuteater.

Main plans of Tallinna Kaubamaja in 2002 are related to the possible expansion to the shopping center at Viru Väljak. The major objective is also the continuous improvement of stock management. Management is looking for new solutions in stock logistics area.

The main priority of Tartu Kaubamaja is to maintain its leading position in Tartu retail market and continue the development activities in order to start the retail activities in a new building in Hansakvartal.

A-Selver

More attention has been paid to the development of Selver due to the increasing competition in Estonian retail market. The separate management team was established, Urmo Vallner was elected as a chairman of board at 1st March. Previously Urmo Vallner has worked as CFO of Tallinna Kaubamaja Group.

New Tondi Selver was opened at 17 May, the store space of A-Selver and Tallinna Kaubamaja Group was enlarged by 1320 m².

A-Selver has agreed with Tallinna Kaubamaja Kinnisvara at 30 November to rent 1310 m² store space in the new shopping center with total space of 4700 m² space in Tallinn at Paldiski street 56.

The main objectives of A-Selver in 2002 are the development of the existing retail chain, expansion of the chain in Tallinn and other towns in Estonia, implementation of structural changes for more effective labor resource use. Two new shops are planned to be opened in 2002 – Merimetsa Selver in June and Mai Selver in Pärnu in May. Mai Selver will be opened at the location of previous Viiburi shopping center and is the first Selver outside of Tallinn. The store space in Mai Selver will be 1470 m², the assortment of goods will cover grocery and commodity goods, as well as the enlarged assortment of consumer goods.

Tallinna Kaubamaja Kinnisvara

Two main investment projects were started in 2001:

Real estate was acquired in Tartu at Riia 1, Vanemuise 2 ja Küüni 14 (Hansakvartal) in order to start the development of multifunctional center. The main operator will be AS Tartu Kaubamaja. The archeological explorations were carried out in 2001.

A development of Merimetsa Selver was started in Tallinn at Paldiski street 56. For that purpose an additional land plot was acquired next to the plot already owned at Paldiski street 58b. This was necessary for better accessibility and parking conditions. Part of the real estate was sold to AS Neste Eesti that will build an automated gas station next to Selver building. In 2001 a detailed plan was agreed for that area block and construction was started. The planned opening of Merimetsa Selver is in June 2002.

The privatization of the real estate in Tallinn at Veerenni street 65 was concluded. The real estate was acquired using the preemptive right. As the Tallinna Kaubamaja Group does not need the abovementioned real estate for its development of the sales space, it was sold in February 2002.

Minor investments to the main building of Tallinna Kaubamaja at Gonsiori street 2 and to the building of Punane Selver at Punane street 46 were made in order to improve the stores' space.

Main objectives of Tallinna Kaubamaja Kinnisvara are the completion of the building for Merimetsa Selver and finding new projects for expansion of Selver store chain. New property has been acquired in Tallinn at Vesivärava 37. The development of Hansakvartal is continued in Tartu. Management is looking for opportunities for enlargement of Pirita Selver and for improving the efficiency of usage of Gonsiori 2 building.

The new chairman of the board of AS Tallinna Kaubamaja Kinnisvara is Peeter Kütt since 9 November 2001.

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FINANCIAL STATEMENTS
Management Board's Confirmation of the Financial Statements

The Management Board confirms the completeness and correctness of the financial statements of AS Tallinna Kaubamaja for the year 2001 and the consolidated financial statements of Tallinna Kaubamaja Group for the year 2001 set out on pages 5-24:

Raul Puusepp
Chairman of the Management Board

Tallinn, 11 March 2002

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BALANCE SHEET

thousand EEK/EUR

ASSETS	Note	31.12.2001				31.12.2000			
		Group		Parent		Group		Parent	
		EEK	EUR	EEK	EUR	EEK	EUR	EEK	EUR
Current assets									
Cash and bank	1	76 199	4 870	57 270	3 660	29 701	1 898	19 251	1 230
Trade receivables	2	5 100	326	1 720	110	7 132	456	3 341	214
Other receivables	3	3 063	196	22 892	1 463	28 239	1 805	34 293	2 192
Accrued income		83	5	83	5	172	11	172	11
Prepaid expenses	5	2 496	160	1 334	85	2 255	144	790	50
Inventories	6	170 693	10 909	81 437	5 205	175 661	11 227	89 578	5 725
Total current assets		257 633	16 466	164 735	10 529	243 160	15 541	147 425	9 422
Non-current assets									
Long-term financial assets									
<i>Shares of subsidiaries</i>	7	0	0	341 101	21 800	0	0	313 976	20 067
<i>Shares of associated companies</i>	8	2 844	182	2 844	182	2 742	175	2 742	175
<i>Long-term receivables from associated companies</i>	9	12 028	769	12 028	769	12 028	769	12 028	769
<i>Other long-term receivables</i>		0	0	0	0	993	63	0	0
Total long-term financial assets		14 872	951	355 973	22 751	15 763	1 007	328 746	21 011
Tangible fixed assets									
<i>Land and buildings</i>	11	360 567	23 044	0	0	339 205	21 679	0	0
<i>Plant and equipment</i>		70 469	4 504	16 547	1 058	64 301	4 110	18 439	1 178
<i>Other equipment</i>		141 514	9 044	80 414	5 139	129 957	8 306	78 454	5 014
<i>Accumulated depreciation</i>		-151 123	-9 659	-75 109	-4 800	-110 327	-7 051	-68 877	-4 402
<i>Construction in progress</i>		4 062	260	0	0	896	57	0	0
<i>Prepayments to suppliers for tangible fixed assets</i>		2 459	157	30	2	584	37	0	0
Total tangible fixed assets		427 949	27 351	21 882	1 398	424 615	27 138	28 016	1 791
Intangible assets	12	-1 713	-110	0	0	302	19	0	0
Total non-current assets		441 108	28 192	377 855	24 149	440 680	28 165	356 762	22 801
TOTAL ASSETS		698 741	44 658	542 590	34 678	683 840	43 705	504 187	32 223
LIABILITIES AND OWNERS' EQUITY									
Debt liabilities									
Customer advances for goods and services	13,22	131 053	8 376	88 036	5 627	84 239	5 384	49 333	3 153
Supplier payables		3 161	202	1 519	97	1 196	76	670	43
Other payables	15	108 552	6 938	41 746	2 668	90 198	5 765	37 128	2 373
Total current liabilities		266 796	17 051	143 677	9 183	204 149	13 047	108 867	6 958
Long-term debt liabilities									
Total non-current liabilities	13	33 032	2 111	0	0	93 930	6 003	17 895	1 144
Total liabilities		299 828	19 162	143 677	9 183	298 078	19 051	126 762	8 102
Minority interest									
Minority interest		0	0	0	0	8 337	533	0	0
Owners' equity									
Share capital	16	67 882	4 338	67 882	4 338	67 882	4 338	67 882	4 338
Statutory legal reserve		7 269	465	7 269	465	6 704	428	6 704	428
Other reserves		0	0	0	0	565	36	565	36
Revaluation reserve of fixed assets		160 964	10 287	160 964	10 287	169 719	10 847	169 719	10 847
Retained earning		127 040	8 119	127 040	8 119	72 166	4 612	72 166	4 612
Net profit for the financial year		35 758	2 285	35 758	2 285	60 389	3 860	60 389	3 860
Total owners' equity		398 913	25 495	398 913	25 495	385 762	24 655	377 425	24 122
TOTAL LIABILITIES AND OWNERS' EQUITY		698 741	44 658	542 590	34 678	683 840	43 705	504 187	32 223

Accounting principles on pages 10-12 and Notes to the Financial Statements on pages 13-24 are the inseparable parts of the Annual Report.

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INCOME STATEMENT

thousand EEK/EUR

	Note	2001				2000			
		Group		Parent		Group		Parent	
		EEK	EUR	EEK	EUR	EEK	EUR	EEK	EUR
Operating income									
Net sales	17	1 449 973	92 670	577 070	36 882	1 189 770	76 040	590 558	37 744
Other operating income	18	24 777	1 584	50 767	3 245	10 077	644	37 767	2 414
Total operating income		1 474 750	94 254	627 837	40 126	1 199 847	76 684	628 325	40 157
Operating expenses									
Cost of goods sold		-1 084 086	-69 286	-418 432	-26 743	-859 392	-54 925	-416 593	-26 625
Other operating expenses	19	-154 732	-9 889	-114 488	-7 317	-109 266	-6 983	-94 951	-6 068
Personnel expenses	20	-129 744	-8 292	-61 468	-3 929	-115 408	-7 376	-69 950	-4 471
Depreciation and value adjustment of fixed assets	11	-53 056	-3 391	-16 637	-1 063	-39 599	-2 531	-18 320	-1 171
Depreciation of goodwill	12	-140	-9	0	0	-140	-9	0	0
Amortisation of badwill	12	352	22	0	0	0	0	0	0
Other expenses		-5 589	-357	-4 290	-274	-2 109	-135	-1 093	-70
Total operating expenses		-1 426 995	-91 202	-615 316	-39 326	-1 125 912	-71 959	-600 907	-38 405
Operating profit		47 755	3 052	12 521	800	73 935	4 725	27 418	1 752
Financial income									
Financial income on shares in subsidiaries	7	0	0	26 641	1 703	0	0	35 699	2 282
Financial income on shares in associates	8	102	7	102	7	0	0		
Interest income		833	53	4 356	278	1 086	69	2 088	133
Other financial incomes		871	56	871	56	1 459	93	1 459	93
Total financial income		1 806	115	31 970	2 043	2 545	163	39 246	2 508
Financial expenses									
Financial expenses on shares in subsidiaries	7	0	0	-1 429	-91	0	0	-264	-17
Financial expenses on shares in associates		0	0	0	0	-723	-46	-723	-46
Interest expenses	21	-13 762	-880	-7 154	-457	-13 004	-831	-5 076	-324
Other financial expenses		-151	-10	-150	-10	-234	-15	-213	-14
Total financial expenses		-13 913	-889	-8 733	-558	-13 960	-892	-6 274	-401
Profit before taxes		35 649	2 278	35 758	2 285	62 520	3 996	60 389	3 859
Profit before minority interest		35 649	2 278	35 758	2 285	62 520	3 996	60 389	3 859
Minority interests		109	7	0	0	-2 131	-136	0	0
NET PROFIT		35 758	2 285	35 758	2 285	60 389	3 860	60 389	3 860

Basic earnings per share (kroons) 5,27 0,34 8,90 0,57

Diluted earnings per share (kroons) 5,27 0,34 8,90 0,57

Accounting principles on pages 10-12 and Notes to the Financial Statements on pages 13-24 are the inseparable parts of the Annual Report.

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CASH FLOW STATEMENT

thousand

<i>EEK/EUR</i>		2001				2000			
	Note	Group		Parent		Group		Parent	
		EEK	EUR	EEK	EUR	EEK	EUR	EEK	EUR
CASH FLOW FROM OPERATING ACTIVITIES									
Net profit		35 758	2 285	35 758	2 285	60 389	3 860	60 389	3 860
Profit/loss of minority interest		-109	-7	0	0	2 131	136	0	0
Interest expenses		13 762	880	7 154	457	13 004	831	5 076	324
Interest income		-833	-53	-4 356	-278	-1 086	-69	-2 088	-133
Depreciation and value adjustment to non-current assets	11	52 844	3 377	16 637	1 063	39 739	2 540	18 320	1 171
Profit and loss from sale and liquidation on non-current assets		1 311	84	1 381	88	-271	-17	-202	-13
Impact of equity method	8	-102	-7	-25 314	-1 618	723	46	-34 712	-2 219
Sale of long-term financial assets		0	0	0	0	-1 459	-93	-1 459	-93
Income tax paid		0	0	0	0	-3 307	-211	-2 642	-169
Change in receivables and inventories		16 913	1 081	4 693	300	-67 962	-4 344	-8 649	-553
Change in operating liabilities related		15 266	976	-4 521	-289	21 243	1 358	-24 772	-1 583
NET CASH FROM OPERATING ACTIVITIES:		134 808	8 616	31 432	2 009	63 144	4 036	9 260	592
CASH FLOW FROM INVESTING ACTIVITIES									
Acquisition of shares	7	-6 000	-383	-6 000	-383	0	0	0	0
Sale of short-term financial assets		0	0	0	0	2 536	162	2 536	162
Loans granted to associated companies		0	0	0	0	-835	-53	-835	-53
Other loans granted	9	18 300	1 170	18 300	1 170	-17 090	-1 092	-17 090	-1 092
Fixed assets acquired and renovated (excl finance lease)	11	-64 628	-4 130	-14 556	-930	-90 739	-5 799	-15 825	-1 011
Interest received		923	59	4 445	284	923	59	1 925	123
Tangible fixed assets sold	11	2 381	152	2 214	142	1 032	66	310	20
NET CASH FROM INVESTING ACTIVITIES:		-49 024	-3 133	4 403	281	-104 173	-6 658	-28 979	-1 852
CASH FLOW FROM FINANCING ACTIVITIES									
Loans received and bonds issued	22	120 501	7 701	120 501	7 701	167 230	10 688	119 500	7 637
Repayment of loans and redemption of bonds	22	-131 802	-8 424	-100 781	-6 441	-99 120	-6 335	-75 132	-4 802
Finance lease payments	14	-3 981	-254	-110	-7	-4 584	-293	-389	-25
Dividends paid	16	-10 182	-651	-10 182	-651	-6 788	-434	-6 788	-434
Interest paid		-13 821	-883	-7 244	-463	-13 318	-851	-5 471	-350
NET CASH FROM FINANCING ACTIVITIES:		-39 286	-2 511	2 184	140	43 420	2 775	31 720	2 027
TOTAL CASH FLOW		46 498	2 972	38 019	2 430	2 391	153	12 001	767
Cash and cash equivalents at the beginning of period	1	29 701	1 898	19 251	1 230	27 310	1 745	7 250	463
Cash and cash equivalents at the end of period	1	76 199	4 870	57 270	3 660	29 701	1 898	19 251	1 230
Change in cash and cash equivalents		46 498	2 972	38 019	2 430	2 391	153	12 001	767

Accounting principles on pages 10-12 and Notes to the Financial Statements on pages 13-24 are the inseparable parts of the Annual Report.

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STATEMENT OF CHANGES IN EQUITY

Group

		<i>thousand kroons</i>					
		Share capital	Revaluation reserve	Reserves	Retained earnings	Profit for the financial year	Total
	31.12.1999	67 882	0	5 554	46 364	34 305	154 105
Retained earnings of 1999		0	0	1 715	32 590	-34 305	0
Dividends					-6 788	0	-6 788
Revaluation reserve of fixed assets		0	169 719	0	0	0	169 719
Profit for the financial year		0	0	0	0	60 389	60 389
	31.12.2000	67 882	169 719	7 269	72 166	60 389	377 425
Retained earnings of 2000		0	0	0	60 389	-60 389	0
Dividends		0	0	0	-10 182	0	-10 182
Revaluation reserve of fixed assets		0	-8 755	0	4 668	0	-4 087
Profit for the financial year		0	0	0	0	35 758	35 758
	31.12.2001	67 882	160 964	7 269	127 040	35 758	398 913

		<i>thousands euros</i>					
		Share capital	Revaluation reserve	Reserves	Retained earnings	Profit for the financial year	Total
	31.12.1999	4 338	0	355	2 963	2 192	9 849
Retained earnings of 1999		0	0	110	2 083	-2 192	0
Dividends		0	0	0	-434	0	-434
Revaluation reserve of fixed assets		0	10 847	0	0	0	10 847
Profit for the financial year		0	0	0	0	3 860	3 860
	31.12.2000	4 338	10 847	465	4 612	3 860	24 122
Retained earnings of 2000		0	0	0	3 860	-3 860	0
Dividends		0	0	0	-651	0	-651
Revaluation reserve of fixed assets		0	-560	0	298	0	-261
Profit for the financial year		0	0	0	0	2 285	2 285
	31.12.2001	4 338	10 287	465	8 119	2 285	25 495

Parent

		<i>thousand kroons</i>					
		Share capital	Revaluation reserve	Reserves	Retained earnings	Profit for the financial year	Total
	31.12.1999	67 882	0	5 554	46 364	34 305	154 105
Retained earnings of 1999		0	0	1 715	32 590	-34 305	0
Dividends		0	0	0	-6 788	0	-6 788
Revaluation reserve of fixed assets		0	169 719	0	0	0	169 719
Profit for the financial year		0	0	0	0	60 389	60 389
	31.12.2000	67 882	169 719	7 269	72 166	60 389	377 425
Retained earnings of 2000		0	0	0	60 389	-60 389	0
Dividends		0	0	0	-10 182	0	-10 182
Revaluation reserve of fixed assets		0	-8 755	0	4 668	0	-4 087
Profit for the financial year		0	0	0	0	35 758	35 758
	31.12.2001	67 882	160 964	7 269	127 040	35 758	398 913

		<i>thousand euros</i>					
		Share capital	Revaluation reserve	Reserves	Retained earnings	Profit for the financial year	Total
	31.12.1999	4 338	0	355	2 963	2 192	9 849
Retained earnings of 1999		0	0	110	2 082	-2 192	0
Dividends		0	0	0	-434	0	-434
Revaluation reserve of fixed assets		0	10 847	0	0	0	10 847
Profit for the financial year		0	0	0	0	3 860	3 860
	31.12.2000	4 338	10 847	465	4 612	3 860	24 122
Retained earnings of 2000		0	0	0	3 860	-3 860	0
Dividends		0	0	0	-651	0	-651
Revaluation reserve of fixed assets		0	-560	0	298	0	-261
Profit for the financial year		0	0	0	0	2 285	2 285
	31.12.2001	4 338	10 287	465	8 119	2 285	25 495

The revaluation decrease in amount of 4 087 thousand kroons (261 thousand euros) took place in 2001. The revaluation decrease concerned the earlier revaluation surplus. More detailed information on share capital is provided in Note 16.

Accounting principles on pages 10-12 and Notes to the Financial Statements on pages 13-24 are the inseparable parts of the Annual Report.

Accounting methods and principles used in preparing the financial statements

Accounting principles

AS Tallinna Kaubamaja (hereinafter Tallinna Kaubamaja) is the business entity registered in the Republic of Estonia on 18 October 1994. The shares of AS Tallinna Kaubamaja are quoted on Tallinn Stock Exchange.

The consolidated financial statements of Tallinna Kaubamaja Group for the year ended on 31 December 2001 involve the parent company and its subsidiaries (hereinafter Group) and the share of Group in the associated company.

The Group's consolidated financial statements and the annual report of Tallinna Kaubamaja have been prepared in accordance with International Accounting Standards (IAS).

Bases of preparing the financial statements

The financial statements have been prepared in Estonian kroons rounded to the closest thousand. The data provided in the financial statements have been presented under the historical cost convention, excluding the fixed asset group "land and buildings" which are recorded in the market value from the year 2000.

Consolidation

Subsidiaries are the companies controlled by the parent company. The control exists when the parent company has direct or indirect authority to determine the financial and operating principles and gain profit from the activities of investment object. The existence of control is expected when the parent company has direct or indirect share of over 50%. The activities of the subsidiary are recorded in the financial statements from the start of the control up to its termination.

The financial statements of parent company and subsidiaries are consolidated line by line in the Group report. Unrealised profits, receivables, liabilities, income and expenses from the transactions between the Group companies in the Group consolidated report have been eliminated.

The subsidiaries have been presented using the expanded equity method in the report of Tallinna Kaubamaja.

Associated companies

Associated companies are the investment objects, where the Group has direct or indirect authority but not control over determining the financial and operating principles. The presumption of material share is considered the 20-50% share in the company as the investment object. The share of Tallinna Kaubamaja and Group from the profits and loss of the associated company is recorded in the financial statements from the start of material control up to its termination. The associated companies have been recorded using the expanded equity method in the report of Tallinna Kaubamaja and the Group.

Cash and cash equivalents

Cash in hand, bank account balances (excl. overdraft), term deposits up to 3-month and liquid shares in the banks are recorded as cash and cash equivalents. Liquid shares in the banks' money market funds are presented in the fair value.

Trade receivables

Trade receivables are recorded in the balance sheet according to the probability of the receipt of the receivables assessed on an individual basis, considering the information available regarding the client's solvency. Doubtful receivables have been written down in the balance sheet to the amount that will probably be received. Uncollectible receivables have been written off from the balance sheet.

Inventories

Inventories are recorded at acquisition cost consisting of the purchase price, transportation costs and other direct costs related to acquisition. Inventories are accounted for by using the FIFO method.

Inventories are carried at the lower of cost and net realisable value. The write-down of inventories is recorded as the cost of goods sold in the income statement.

Unrealised food inventories in the canteen and unused requisites not acquired for resale are recorded as raw materials and work-in-progress.

The amounts paid to the suppliers for the purchases of goods, but which have not arrived for the balance sheet date, are recorded as prepayments.

Other long-term investments into shares and securities

Other long-term investments are the investments where the parent company has no control or material authority or the control or authority has been stopped or is temporary. Other financial assets are divided into short and long-term based on whether the estimated holding of investment lasts one year or more calculated as from the balance sheet date. The latter investments are recorded at the lower of acquisition cost or net realisable value. Dividends and interest received are recorded in the income statement as financial income.

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Fixed assets

Assets with a useful life of over 1 year and an acquisition cost of over 10,000 kroons are recognised to be fixed assets. Assets with a useful life of over 1 year but acquisition cost less than 10,000 kroons are fully expensed. Low-value items that have been expensed are accounted for off-balance sheet.

Tangible fixed assets are recorded at residual value in the balance sheet, presenting the acquisition cost and accumulated depreciation. The acquisition cost of fixed assets purchased includes in addition to purchase price the transport and installation costs and other expenses related to acquisition and taking the asset into use.

Depreciation is calculated based on the straight-line method. The depreciation rates are determined for each fixed asset item individually depending on its useful life.

The annual depreciation rates for the groups of fixed assets are as follows:

- Buildings and facilities 3-8 %
- Plant and equipment 20 %
- Computer hardware and software 35 %
- Transport means and equipment 25 %

Buildings and facilities includes capitalized repair works for leased buildings which is depreciated over their useful life or during the lease period, depending which is shorter

Land is not depreciated.

Since the year 2000 the fixed asset group "Land and buildings" is recorded based on the revaluation method. The revaluation is carried out by independent real estate experts. The revaluation surplus is recorded in the revaluation reserve and the revaluation decrease (exceeding the earlier valuation surplus) in the expenses. In the course of revaluation the earlier accumulated depreciation is eliminated and the revalued amount is considered so-called "new acquisition cost".

Intangible assets

Positive and negative goodwill arising on an acquisition of investment objects is accounted for as intangible assets. Goodwill is recognized if the acquisition cost differentiates from the fair value of net assets of investment object. The straight-line method is used for calculating the depreciation of intangible assets.

Negative goodwill is amortised to the revenues during the 5 year period.

Positive goodwill is depreciated to the expenses during the 5 year period

Organisation costs are not capitalised. Usually the research and development costs are expensed. The exception is the development costs that can be identified and that are likely to contribute to the generation of profit in the future periods.

Finance and operating leases

The leased assets, in case of which the risks and compensations related to assets have been transferred to the Group, are treated as finance lease. Other lease agreements are recorded as operating lease. The fixed assets leased under finance lease are depreciated based on the abovementioned depreciation principles so that the depreciation period is the estimated useful life of the asset. Interest expenses from the lease agreement are recorded as financial expenses in the income statement.

Operating lease payments are recorded as expenses during the lease period in equal parts in the income statement.

Provisions and contingent liabilities

The company's liabilities that arose in the reporting period or in previous periods, that have a legal or contractual basis, require the disposal of assets and whose cost can be determined reliably but whose final cost or payment date is not clearly fixed are recorded in the balance sheet as provisions. The management's estimates, experience and, if necessary, the evaluations of independent experts are taken as the basis for evaluating the provisions.

Promises, guarantees and other commitments that in certain circumstances may become liabilities are disclosed in the Notes to the financial statements as contingent liabilities.

Corporate income tax

According to Estonian Income Tax Law which took effect on 1 January 2000 dividends paid by the company to resident natural persons and non-residents are subject to income tax (26/74 of net dividend paid). Thus all temporary differences between the tax bases and carrying values of assets and liabilities ceased to exist.

The company's potential tax liability related to the distribution of its retained earnings as dividends is not recorded in the balance sheet. The amount of potential tax liability related to the distribution of dividends depends on whether and when the company pays out the dividends, and in which proportion the shares are owned by resident entities, resident natural persons and non-residents.

Since 1 January 2001 income tax from the payment of dividends is recorded as expenses at the moment of paying the dividends.

Foreign currency transactions

Foreign currency transactions are recorded based on the foreign currency exchange rates of the Bank of Estonia officially valid on the transaction date. Assets and liabilities denominated in foreign currency as at 31 December 2000 have been revalued into Estonian kroons based on the foreign currency exchange rates of the Bank of Estonia officially valid on the balance sheet date. Profits and losses from foreign currency transactions are recorded in the income statement as income or expenses of the period.

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Financial instruments

Financial instruments are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial instruments are presented in financial statements at amortised cost using the effective interest rate. The profits and losses from financial instruments are recognized in the income statement

Recognising revenue

Revenue from the sales of goods is recognised when the goods are sold and revenue from the sales of services is recorded upon rendering the service. Net sales includes the cost of goods and services sold during the reporting year less VAT, discounts and returned goods. Fine claims are recorded on the cash basis. Dividend income is recognised at the moment when the company's right to receive payment is established.

Main and side activities

A geographical segment is considered as a main segment of the Group. 100% of net sales takes place in Republic of Estonia, thus no segment reporting has been provided in the Notes of the Financial Statements. In preparing the financial statements retail, wholesale and catering are considered to be the main activities of the Group. All other activities are considered the side activities, the results of which are presented as other revenue and expenses or financial income and expenses. Retail sale makes over 95% of the total sales and total revenue from sales is earned in Estonia.

Loan and interest expenses

Expenses related to receiving the loan are expensed at the moment of receiving the loan. Interest expenses are recorded as expense in the income statement when incurred. Loan and interest expenses are not capitalised at the acquisition cost of tangible fixed assets.

Earnings per share

Basic earnings per share are found by dividing the net profit for the financial year with the average number of issued common shares. As the company has no potential common shares the diluted earnings per share is equal to the basic earnings per share.

Subsequent events

Material matters that have an effect on the evaluation of assets and liabilities and that became evident between the balance sheet date and the date of preparing the financial statements, but are related to transactions that took place in the reporting period or earlier periods, are recorded in the financial statements.

Subsequent events that have not been taken into consideration when evaluating the assets and liabilities but have material effect on the result of the next financial year are disclosed in the Notes to the financial statements.

Statutory legal reserve

The Commercial Code of Republic of Estonia requires that the companies should make the statutory legal reserve, the minimum size of which is 1/10 of the share capital. 1/20 of the approved net profit of the financial year is to be transferred to capital reserve as the annual statutory provision (upto fulfilment of reserve).

Revaluation reserve of fixed assets, other reserves

Revaluation reserve of fixed assets and other reserves are the parts of tied-up equity and is not to be allocated between the shareholders.

The revaluation surplus is reduced every year by the depreciation calculated on the difference occurring from revaluation. This amount is added to the retained earnings from previous periods.

Related parties

In the financial statements the share holders, subsidiaries, associates, members of the management and supervisory boards, employees, and other key persons and the companies under their control are considered as related parties

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Notes to the Financial Statements
(th. kroons)

Note 1 Cash and bank

	31 December 2001		31 December 2000	
	Group	Parent company	Group	Parent company
Cash in hand	474	2	1 640	123
Bank accounts	22 597	8 249	10 581	5 404
Cash in transit	6 128	2 019	5 480	1 724
The shares of the money market fund (1)	47 000	47 000	0	0
Short-term deposits (2)	0	0	12 000	12 000
Total cash and bank	76 199	57 270	29 701	19 251

(1) The shares of the money market fund were realised on 15.01.2002 and the revenue was 59 thousand kroons

(2) The short-term deposit was terminated on 04.01.2001 (interest rate 3,5%).

Note 2 Customer receivables

	31 December 2001		31 December 2000	
	Group	Parent company	Group	Parent company
Customer receivables	5 100	1 720	7 348	3 341
Allowance for doubtful receivables	0	0	-216	0
Total customer receivables	5 100	1 720	7 132	3 341

The receivables, in the amount 216 thousand kroons, shown at 31. December 2000 as doubtful were removed as bad debts from the balance sheet in 2001.

Note 3 Other receivables

	31 December 2001		31 December 2000	
	Group	Parent company	Group	Parent company
Receivables from parent company and subsidiaries (1)	0	3 076	0	1 080
Receivables related to option	0	0	5 611	5 611
Claim against group account	0	19 184	0	6 301
Supplier bonuses	2 936	616	2 974	2 974
Receivable from AS Silikaat (see Note 9)	0	0	18 300	18 300
Other short-term receivables	126	16	1 354	27
Total other receivables	3 063	22 892	28 239	34 293

(1) See Note 25 Transactions with related parties

Note 4 Accrued income

The interest receivables in amount of 83 th. kroons (172 th. kroons) are recorded as accrued income as at the balance sheet date.

Note 5 Prepaid expenses

	31 December 2001		31 December 2000	
	Group	Parent company	Group	Parent company
Prepaid lease payments (2)	993	0	1 083	0
Other prepaid expenses	382	262	438	163
Prepaid membership fees	340	340	334	334
Prepaid insurance payments	20	2	63	21
Prepaid electricity payments	61	56	54	54
Corporate income tax liability	0	0	0	0
VAT liability	674	674	218	218
Income tax liability of fringe benefits	26		65	0
Total	2 496	1 334	2 255	790

(1) The lease prepayment of Kadaka Selver for 2001 in amount of 993 th. kroons are recorded as prepaid lease payments.

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Note 6 Inventories

	31 December 2001		31 December 2000	
	Group	Parent company	Group	Parent company
Merchandise for resale	163 747	77 934	169 670	85 526
Raw materials	3 047	2 054	2 511	1 780
Work-in-progress	11	11	12	12
Prepayment to suppliers	3 888	1 438	3 468	2 260
Total inventories	170 693	81 437	175 661	89 578

The balance of inventories as at 31 December 2001 is divided between the group companies as follows:

	Tallinna Kaubamaja	Tartu Kaubamaja	A-Selver	Total
Merchandise for resale	77 934	26 703	59 110	163 747
Raw materials	2 054	156	837	3 047
Work-in-progress	11	0	0	11
Prepayment to suppliers	1 438	118	2 332	3888
Total inventories	81 437	26 977	62 279	170 693

The balance of inventories as at 31 December 2000 is divided between the group companies as follows:

	Tallinna Kaubamaja	Tartu Kaubamaja	A-Selver I	Total
Merchandise for resale	85 526	27 290	56 854	169 670
Raw materials	1 780	182	549	2 511
Work-in-progress	12	0	0	12
Prepayment to suppliers	2 260	139	1 069	3 468
Total inventories	89 578	27 611	58 472	175 661

2001	Tallinna Kaubamaja	Tartu Kaubamaja	A-Selver	Total
Write-down of inventories	9 634	3 784	4 386	17 804
Write-off of inventories	1 075	374	1 918	3 367
Shortage of stock count	2 863	841	6 414	10 118
Total	13 572	4 999	12 718	31 290

2000	Tallinna Kaubamaja	Tartu Kaubamaja	A-Selver	Total
Write-down of inventories	2 373	722	1 434	4 529
Write-off of inventories	421	210	621	1 252
Shortage of stock count	3 080	988	3 864	7 932
Total	5 874	1 920	5 919	13 713

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Note 7 Shares of subsidiaries

Subsidiaries of Tallinna Kaubamaja Group

Subsidiary	Location	Activity	Share
AS A-Selver	Tallinn Pärnu mnt.238	Retail trade	100%
Tartu Kaubamaja AS	Tartu Riia tn.2	Retail trade	100%
Tallinna Kaubamaja Suomi OY	Helsinki Kaisaniemenkatu 3	Retail trade	100%
Tallinna Kaubamaja Kinnisvara AS	Tallinn Gonsiori tn.2	Real estate management	100%

	AS Tartu Kaubamaja	AS A-Selver	AS Tallinna Kaubamaja Kinnisvara	Tallinna Kaubamaja Suomi OY
Number of shares 31 December 2000	613 412	22 000	40 000	900
Shares purchased and sold in the reporting year (pcs.)	216 000	0	0	0
Number of shares 31 December 2001	829 412	22 000	40 000	900
Share % 31 December 2001 / (31 December 2000)	100 / (73,96)	100/ (100)	100 / (100)	100 / (100)

	AS Tartu Kaubamaja	AS A-Selver	AS Tallinna Kaubamaja Kinnisvara	Tallinna Kaubamaja Suomi OY	Total
Acquisition cost at the beginning of year	9 849	22 000	46 285	2 420	81 550
Market value 31 December 2000			Not quoted on stock exchange		
Book value 31 December 2000	23 981	32 071	256 927	997	313 976
Purchases	6 000	0	0	0	6 000
Book value adjustment	0	0	-4 087	0	-4 087
Income from equity method in the reporting year	4 876	0	21 413	0	26 289
Depreciation of goodwill	-139	0	0	0	-139
Depreciation of badwill	352	0	0	0	352
Loss from equity method in the reporting year	0	-1 266	0	-24	-1 290
Book value 31 December 2001	35 070	30 805	274 253	972	341 101
Market value 31 December 2001			Not quoted on stock exchange		
Acquisition cost at the end of year	15 849	22 000	46 285	2 420	87 526

Owners' equity of subsidiaries as at 31 December 2001

	AS Tartu Kaubamaja	AS A-Selver	AS Tallinna Kaubamaja Kinnisvara	Tallinna Kaubamaja Suomi OY
Share capital	8 294	22 000	400	2 368
Share premium	2 042	0	205 969	0
Allocated loan	0	0	0	21 614
Statutory legal reserve	830	601	732	0
Revaluation reserve of fixed assets	0	0	12 701	0
Retained earnings (loss)	20 850	9 470	33 039	-22 986
Profit (loss) for the financial year	4 768	-1 266	21 412	-24
Total owners' equity	36 784	30 805	274 253	972
Share of Tallinna Kaubamaja in owners' equity	36 784	30 805	274 253	972

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Note 8 Shares of associated companies

Associated companies	Location	Activity	Share
AS Rävåla Parkla	Narva mnt. 63	Parking service	50%
AS Rävåla Parkla			
Number of shares at the beginning of year			501
Number of shares at the end of year			501
Share% at the end/ (beginning) of year			50 / (50)
Acquisition cost at the beginning of year			6 500
Book value at the beginning of year			2 742
Income from equity method in the reporting year			102
Book value at the end of year			2 844
Acquisition cost at the end of year			6 500

Shares of associated companies are not quoted on stock exchange.

Owners' equity of associated company as at 31 December 2000

AS Rävåla Parkla	
Share capital	10 000
Share premium	3 000
Retained loss	-7 515
Profit for the financial year	204
Total owners' equity	5 689
Share of Tallinna Kaubamaja in owners' equity	2 844

Note 9 Other long-term receivables

Group

31 December 2001

	Receivable	Incl. long-term part	Interest rate	Repayment due date
Associated company AS Rävåla Parkla	12 028	12 028	8%	2010
Total long-term receivables	12 028	12 028		

31 December 2000

	Receivable	Incl. long-term part	Interest rate	Repayment due date
Associated company AS Rävåla Parkla	12 028	12 028	8%	2010.a.
AS Silikaat(1)	18 300	0	11,202%	20 September 2009
Lease prepayment to AS Pintaro	993	993	Without interest	30 November 2002
Total long-term receivables	31 321	13 021		

(1)AS Silikaat repaid the long-term loan in amount of 18,300 th. kroons to Tallinna Kaubamaja AS in January 2001. The lease prepayment of AS Pintaro has been treated this year as prepaid expenses.

Parent company

31 December 2001

	Loan balance	Incl. long-term part	Interest rate	Repayment due date
Associated company AS Rävåla Parkla	12 028	12 028	8%	2010
Total long-term receivables	12 028	12 028		

31 December 2000

	Loan balance	Incl. long-term part	Interest rate	Repayment due date
Associated company AS Rävåla Parkla	12 028	12 028	8%	2010
AS Silikaat	18 300	0	11,202%	20 September 2009
Total long-term receivables	30 328	12 028		

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Note 10 Stock option

The General Meeting of Shareholders of Tallinna Kaubamaja AS on 25 April 1998 decided to carry out the stock option to the Members of Management Board, management and Management Boards of subsidiaries. The option was realised in 2001. 27,729 shares were not realised as share option. In 2001 Tallinna Kaubamaja earned option income 871 thousand kroons that resulted from the change of the share price.

Note 11 Fixed assets

Group

	Land and buildings	Plant and equipment	Fixtures and fittings	Prepayments for fixed assets	Unfinished buildings	Total
Acquisition cost 31 December 2000	339 205	64 301	129 957	583	896	534 942
Accumulated depreciation 31 December 2000	-4 186	-32 936	-73 205	0	0	-110 327
Residual value 31 December 2000	335 019	31 365	56 752	583	896	424 615
Additions	27 032	10 588	23 662	2 421	4 062	67 765
incl. from prepayments	1 203	0	85	-529	-759	0
Change in revaluation of fixed assets	-4 087	0	0	0	0	-4 087
Sales and disposals	-1 583	-4 419	-12 105	-16	-137	-18 260
Depreciation of fixed assets sold and written off	117	4 209	7 934	0	0	12 260
Sale and write-off at residual value	-1 466	-210	-4 171	-16	-137	-6 000
Depreciation calculated	-11 169	-12 087	-29 800	0	0	-53 056
Residual value 31 December 2001	345 329	29 656	46 443	2 459	4 062	427 949
Acquisition cost 31 December 2001	360 567	70 470	141 514	2 459	4 062	579 072
Accumulated depreciation 31 December 2001	-15 238	-40 814	-95 071	0	0	-151 123
Residual value 31 December 2001 as eliminated revaluation of fixed assets	182 273	29 656	46 443	2 459	4 062	264 892

Parent company

	Plant and equipment	Fixtures and fittings	Prepayments for fixed assets	Total
Acquisition cost 31 December 2000	18 439	78 454	0	96 893
Accumulated depreciation 31 December 2000	-13 947	-54 930	0	-68 877
Residual value 31 December 2000	4 492	23 524	0	28 016
Additions	1 657	12 870	30	14 557
Sales and disposals	-3 549	-10 910	0	-14 459
Depreciation of fixed assets sold and written off	3 344	7 061	0	10 405
Sale and write-off at residual value	-205	-3 849	0	-4 054
Depreciation calculated	-2 071	-14 567	0	-16 638
Residual value 31 December 2001	3 873	17 978	30	21 881
Acquisition cost 31 December 2001	16 547	80 414	30	96 991
Accumulated depreciation 31 December 2001	-12 674	-62 436	0	-75 110

The Group has made major investments in 2001. Land in the value of 31 145 th. kroons has been purchased. Land was purchased in Tartu (Riia, K uuni and Vanemuise streets), in Tallinn (Paldiski road for establishing Merimetsa Selver). The equipment and furniture of sales halls in amount of 4 767 th. kroons have been renewed in the parent company, 9 760 th. kroons have been invested into information technology. Related to opening of Tondi Selver investments in total amount of 19 125 th. kroons have been made, of which 8 715 th. kroons were invested to several equipment and furniture of sales halls in amount of 6588 th. kroons was acquired and additions in amount of 3822 th. kroons were made in information technology. The parent company has sold the real estate located at P rnamae and part of the real estate at Paldiski road. Computer and office equipment have been written off. Five cars in the acquisition cost of 1 379 th. kroons were returned to Hansa Liising AS. Income from sale of fixed assets is 840 th. kroons.

The residual value of pledged assets is 269 107 th. kroons as at 31 December 2001 (see Note 23). The acquisition cost of fixed assets used, but completely amortized, is 50 846 th. kroons as at 31 December 2001 (31.12.2000 40 344 th. kroons). Fixed assets leased see Note 14.

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Note 12 Intangible assets

Goodwill in amount of 698 th. kroons incurred in the purchase of shares of Tartu Kaubamaja AS in 1998.

	Goodwill
Acquisition cost 31 December 2000	698
Accumulated depreciation 31 December 2000	(396)
Residual value 31 December 2000	302
Depreciation charged for 2001	(140)
Acquisition cost 31 December 2001	698
Accumulated depreciation 31 December 2001	(536)
Residual value 31 December 2001	162

Negative goodwill in amount of 2 228 th. kroons incurred in the additional purchase of shares of Tartu Kaubamaja AS in 2001.

	Negative goodwill
Acquisition cost 31 December 2001	-2 228
Depreciation charged for 2001	352
Accumulated depreciation 31 December 2001	352
Residual value 31 December 2001	-1 876

Total Goodwill as at 31 December 2001 **-1 713**

Lisa 13 Debt liabilities

Current debt liabilities	31 December 2001		31 December 2000	
	Group	Parent company	Group	Parent company
Short-term bonds	70 141	70 141	34 716	34 716
Loans	60 912	17 895	44 455	13 421
Finance lease (see Note 14)	0	0	4 440	568
Other short-term payables (1)	0	0	628	628
Total short-term liabilities	131 053	88 036	84 239	49 333

Long-term debt liabilities	31 December 2001		31 December 2000	
	Group	Parent company	Group	Parent company
Loans	33 032	0	93 930	17 895
Total long-term debt liabilities	33 032	0	93 930	17 895

(1) The instalment payable to Privatisation Agency incurred from the purchase of state property in amount of 628 th. kroons was paid in March 2001.

Short-term bonds

31 December 2001

	Loan balance	Due date	Interest rate
Tallinna Kaubamaja			
Issue of bond	30 141	5 December 2002	4,6%
Issue of bond	40 000	15 November 2002	6,70%
Total	70 141		

31 December 2000

	Loan balance	Due date	Interest rate
Tallinna Kaubamaja			
Issue of bond	21 345	7 December 2001	6,9%
Issue of bond	13 371	7 December 2001	7,18%
Total	34 716		

Interests on issues of bonds in amount of 4 238 th. kroons were paid in 2001 (1 591 th. kroons in 2000).

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Loans

31 December 2001	Loan balance	Incl. 1-5 years	Up to 1 year	Due date	Next change of changing part of interest rate	Interest rate
Tallinna KM						
Hansapank (EUR)	17 895	0	17 895	15.12.2001	01.05.2002	2,75%+Euribor
A-Selver						
Hansapank (EUR)	26 014	10 014	16 000	31.12.2003	27.06.2002	2,75%+Euribor
TKM Kinnisvara (EUR)						
Hansapank (EUR)	33 035	6 018	27 017	15.01.2003	01.05.2002	2,75%+Euribor
Hansapank (EUR)	17 000	17 000	0	31.12.2003	16.05.2002	2,75%+Euribor
Total	93 944	33 032	60 912			

31 December 2000	Loan balance	Incl. 1-5 years	Up to 1 year	Due date	Next change of changing part of interest rate	Interest rate
Tallinna KM						
Hansapank (EUR)	10 000	0	10 000	22.01.2001	16.05.2001	2,75%+Euribor
Hansapank (EUR)	21 316	17 895	3 420	15.12.2002	01.05.2001	2,75%+Euribor
Tartu KM (DEM)						
A-Selver	500	0	500	31.05.2001	24.04.2001	2,75%+Libor
A-Selver						
Hansapank (EUR)	33 014	26 014	7 000	30.12.2003	27.06.2001	2,75%+Euribor
Hansapank (EUR)	1 521	0	1 521	30.08.2001	01.05.2001	2,75%+Euribor
TKM Kinnisvara (EUR)						
	72 035	50 021	22 014	15.01.2003	01.05.2001	2,75%+Euribor
Total	138 386	93 930	44 455			

Loan collaterals see Note 23 and liability movements in Note 22.

Note 14 Finance lease and operating leases

Finance leases

As at 31 December the Group leases no assets under finance lease terms. The leased assets have been purchased out in the reporting year. The interest expenses of finance lease was 245 (2000: 692) th. kroons in 2001, of which the share of parent company was 27 (2000: 110) th. kroons.

Finance lease liability

31 December 2000	Balance of receivable	Incl. short-term part	Due date	Interest rate
Tallinna Kaubamaja				
Hansa Liising	274	274	31.05.2001	11%
Hansa Liising	294	294	31.07.2001	9,9%
Tartu Kaubamaja	563	563	30.12.2001	8,49%
A-Selver	3 309	3 309	15.11.2001	9,75%-11,25%
Total	4 440	4 440		
Minimum amount of lease payments	4 687	4 687		

The Group leases the following assets under finance leases:

31 December 2001	Plant and equipment	Other equipment	TOTAL
Depreciation of 2001	1 688	1 020	2 708
31 December 2000			
Acquisition cost	8 921	6 190	15 111
Accumulated depreciation	4 949	2 701	7 650
Depreciation for 2000	2 116	479	2 595
31 December 2001			
Finance lease liability		0	4 440
Incl. due date			
Up to 1 year		0	4 440
2001			
Payments of reporting period		3 981	4 584
Interest expenses of reporting period		245	692

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Operating leases

The minimum amount of rental payments within a continuous period at 31. December 2001:

	Group	Parent company
Up to 1 year	8 957	0
1-5 years	46 353	71 492

The sum of the rental amounts of the sub-lessees within a continuous period is not material.

Leases and sub-leases

	2001		2000	
	Group	Parent company	Group	Parent company
Income from sub-lease	15 343	22 566	5 589	1 884
Expenses related to operation lease	44 546	58 456	26 475	42 425

Note 15 Other short-term payables

Group

	31 December 2001		31 December 2000	
	Group	Parent company	Group	Parent company
VAT	10 012	3 727	6 462	3 982
Personal income tax	3 477	1 624	3 523	2 301
Social tax	4 937	2 287	5 491	3 312
Fringe benefit tax	75	46	24	19
Payables to employees	5 077	2 215	12 526	8 191
Interest payable	410	242	470	75
Other accrued expenses	43	0	19	19
Payables to subsidiaries	0	2 235	0	3 837
Total	24 031	12 376	28 515	21 736

Note 16 Share capital

The share capital as at 31 December 2000 and 31 December 2001 of 67 882 th. kroons was divided into 6 788 200 common shares with a nominal value of 10 kroons. According to the Articles of Association the maximum number of common shares allowed is 271 528 000 th. kroons.

In 2001 the dividends in amount of 10 182 th. kroons has been announced and paid (in 2000 in amount of 6788 th. kroons).

Note 17 Net sales

	2001		2000	
	Group	Parent company	Group	Parent company
Retail sale	1 429 986	561 934	1 170 308	571 519
Wholesale	12 500	10 798	10 168	12 335
Sale of service and catering	7 487	4 338	9 294	6 704
Total	1 449 973	577 070	1 189 770	590 558

The intra-group transactions have been eliminated from the Group's consolidated net sales.

Note 18 Other revenue

	2001		2000	
	Group	Parent company	Group	Parent company
Group management service	0	22 324	0	31 370
Income from lease	15 343	22 566	5 589	1 884
Income from sale of fixed assets	840	479	262	202
Other revenue	8 394	5 309	4 053	4 201
Income from currency exchange	200	89	173	110
Total	24 777	50 767	10 077	37 767

Note 19 Other operating expenses

	2001		2000	
	Group	Parent company	Group	Parent company
Lease expenses	44 546	58 456	26 475	42 425
Exploitation expenses	15 304	7 436	12 427	7 050
Advertising expenses	23 741	14 367	14 603	13 540
Bank expenses	10 313	4 723	9 633	5 222
Security expenses	10 255	4 293	9 071	4 386
Heat and electricity	13 088	4 174	8 770	3 578
Materials	13 800	4 494	11 026	5 653
Computers and communication	8 428	5 169	6 720	4 279
Traveling expenses	2 926	2 346	2 620	2 463
Training expenses	2 370	1 620	1 612	1 612
Insurance expenses	417	165	947	731
Miscellaneous other operating expenses	9 544	7 245	5 362	4 012
Total	154 732	114 488	109 266	94 951

Outside the Group operating lease payments in total of 44 546 th. kroons (2000: 26 475 th. kroons) have been paid this year, of which 22 379 th. kroons (2000.a. 42 425 th. kroons) by the parent company.

Note 20 Personnel expenses

	2001		2000	
	Group	Parent company	Group	Parent company
Salary expense	97 388	46 151	86 710	52 519
Social tax	32 356	15 318	28 698	17 431
Total	129 744	61 469	115 408	69 950

	2001		2000	
	Group	Parent company	Group	Parent company
Average monthly salary expenses per employee (kroons)	6 029	7 135	7 225	7 270
Average number of employees in the reporting year	1346	539	1135	602

In estimating the personnel expenses provided in the income statement the company's liability to employees has been considered regarding earned vacation pay and premiums fixed for 2001, but yet unpaid.

Note 21 Interest expenses

	2001		2000	
	Group	Parent company	Group	Parent company
Bank loans	7 982	1 619	10 245	2 249
Finance lease	245	27	770	110
Bonds	5 306	5 306	1 591	1 591
Other interests	229	202	398	1 126
Total	13 762	7 154	13 004	5 076

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Note 22 Liabilities movements

	2001		2000	
	Group	Parent company	Group	Parent company
Opening balance	173 101	66 031	104 991	21 664
Loans taken				
Bank loans	8 000	8 000	60 014	10 000
Other loans	0	0	52 500	52 500
Issue of commercial papers	112 501	112 501	54 716	57 000
Total loans received	121 860	121 860	167 230	119 500
Loans paid				
Bank loans	52 442	21 420	26 620	2 632
Other loans	0	0	52 500	52 500
Issue of commercial papers	77 075	77 075	20 000	20 000
Total loans paid	129 517	98 495	99 120	75 132
Final balance	164 084	88 036	173 101	66 031

Note 23 Loan collateral and pledged assets

The following assets have been pledged by AS Tallinna Kaubamaja as collateral for the investment loans received by group companies:

1. Commercial pledge set on the assets of Tallinna Kaubamaja AS in amount of 58 410 th. kroons for the benefit off Hansapank.
2. Mortgage set on the real estate at Gonsiori2/Kaubamaja 1 in Tallinn (Register part No. 1324 of Tallinn real estate department) for the benefit of Hansapank with the mortgage amount of 89 500 th. kroons with the annual interest rate 20% with the additional receivables in amount of 8950 th. kroons.
3. Mortgage set on the real estate at Punane 46 in Tallinn (Register part No. 3122 of Tallinna real estate department) for the benefit of Hansapank with the mortgage amount of 5700 th. kroons with the annual interest rate 20% with the additional receivables in amount of 570 th. kroons.
4. Tallinna Kaubamaja has bailed the investment loan of Järve Selver in amount of 33 014 th. kroons from Hansapank, bailment agreement No. 00-059425 KÄ.
5. Tallinna Kaubamaja has guaranteed 50% of the loan granted by Nordea Bank Finland Plc Estonian Division to Rävåla Parkla in amount of 37 120 thousand kroons.

Note 24 Off-balance sheet assets and liabilities

As at 31 December 2001 the aggregate sum of the potential resignation benefits arising from the effective employment contracts does not exceed one million kroons.

Note 25 Transactions with related parties

In 2001 AS Tallinna Kaubamaja has purchased and sold its goods and rendered services to the following subsidiaries and associated companies:

	Purchases	Sales
AS A-Selver	16 095	50 969
AS Tartu Kaubamaja	1 932	13 348
AS Tallinna Kaubamaja Kinnisvara	34 513	1 734
Total	52 540	66 051

In 2000 AS Tallinna Kaubamaja has purchased and sold its goods and rendered services to the following subsidiaries and associated companies:

	Purchases	Sales
AS A-Selver	5 741	5 363
AS Tartu Kaubamaja	2 150	5 980
AS Tallinna Kaubamaja Kinnisvara	33 820	1 143
Total	41 711	12 486

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Balances with related parties:

	31 December 2001	31 December 2000
Current receivables		
AS Tartu Kaubamaja	512	342
A-Selver AS	1 137	737
AS Tallinna Kaubamaja Kinnisvara	1 427	0
Total current receivables	3 076	1 079
Non-current receivable Rävälä Parkla	12 028	12 028
Current liabilities		
AS Tartu Kaubamaja	472	259
A-Selver AS	842	2 656
Tallinna Kaubamaja Suomi OY	921	921
Total current liabilities	2 235	3 836

Group transactions with related parties in 2001:

Toomas Tamsar (chairman of board)	OÜ Balti Juhtimiskonverents (owns 25%) volume of contracts 191 th. kroons. Training is the object of the agreements.
Urmo Vallner (member of board of A-Selver)	AS Valgusreklam (owns 50%) volume of contracts 883 th. kroons. The objects of the agreements are production and maintenance of advertisements.
Ants Vasar (member of board)	AS Mercal A (owns 33%). Volume of contracts 1 249 th. kroons. The objects of the contracts is purchasing of goods

Tartu Kaubamaja AS, AS A-Selver and Tallinna Kaubamaja Kinnisvara AS have become the members of a joint bank account of Tallinna Kaubamaja AS. This group of companies have subsequently as a subgroup joined the joint bank account of AS NG Investeeringud (hereafter the main group), which also includes the following companies as members: AS Balbino, AS Liviko, Liviko Kaubanduse AS, AS Kitman, AS NG Kapital, AS Ühendatud Kapital and Rocca al Mare Kaubanduskeskuse AS. Starting from the autumn of 2001 Tallinna Kaubamaja Group's available cash resources have been placed at the custody of the main group at a maximum level of 14 million kroons, earning yearly interest of 6,95%. During the year 2001 Tallinna Kaubamaja Group's interest income from the placement of available cash resources was 412 thousand kroons (in 2000 0 kroons) and interest expenses were 82 thousand kroons (in 2000 19 thousand kroons). As of 31 December 2000 and 31 December 2001 Tallinna Kaubamaja Group had no receivables or payables to the main group at the balance sheet. According to the agreement of joint bank account the members of the group have a joint liability over the unpaid balances to the bank.

The management of Tallinna Kaubamaja estimate the prices used in related party transactions do not materially differ from the market prices.

Note 26 Interests of Members of Management Board and Supervisory Board

Andres Järving	Represent 797,4 th. shares of Tallinna Kaubamaja AS (AS NG Investeeringud owns 4 537 356 shares).
Jüri Käo	Represent 792,9 th. shares of Tallinna Kaubamaja AS (AS NG Investeeringud owns 4 537 356 shares)
Indrek Vanaselja	Represent 781,8 th shares of Tallinna Kaubamaja AS (AS NG Investeeringud owns 4 537 356 shares)
Enn Kunila	Represent 780,2 th shares of Tallinna Kaubamaja AS (AS NG Investeeringud owns 4 537 356 shares)

Note 27 Shareholders owning more than 5% of the shares of Tallinna Kaubamaja AS as at 31 December 2001

Shareholder	Number of shares	Percentage
AS NG Investeeringud	4537356	66.84%
Bank of Bermuda (Guernsey) Limited Clients Account	755424	11.13%
Nordea Bank Finland PLC Clients Accounts Trading	462500	6.81%

Note 28 Earnings per share

Only common shares have been issued in AS Tallinna Kaubamaja. Earnings per share have been calculated as follows (net profit/number of shares):

	2001	2000
Net profit	35 755	60 389
Average weighted number of shares of the year	6 788 200	6 788 200
Net earnings per share (in kroons)	5,27	8,90

Note 29 Credit, interest and currency risk management

In management of interest and currency risks the potential loss from changes in interest rates and currency rates are compared with the expenses incurred in hedging the risks with financial instruments. The Group has not used the financial instruments in hedging the interest and currency risks in 1999 and 2000 as according to the management's estimate the expenses related to hedging of risks have exceeded the loss from the change in interest rates and currency rates. Due to the nature of group activities Tallinna Kaubamaja is not open to material credit risks.

Note 30 Restrictions in allocation of net profit

As at 31 December 2001 the balance of statutory provisions not made was the following :

	Required amount of capital reserve	Provisions made	Provision not made
Tallinna Kaubamaja AS	6 788	7 269	0
AS Tartu Kaubamaja	830	830	0
A-Selver AS	2 200	601	1 599
Tallinna Kaubamaja Kinnisvara AS	40	732	0
AS Rävåla Parkla	1 000	0	1 000

The profit earned upto 31 December 1999 recorded as the retained earnings in the report could be fully paid out as dividends as the profit earned earlier have been fully taxed. In payment of profit for 2000 and 2001 the potential income tax is to be considered which is 26/74 of the amount paid.

The company's retained earnings as at 31 December 2001 were 162 798 (2000: 132 555) thousand kroons. The maximum possible tax liability which would become payable if retained earnings were fully distributed and all shareholders belonged to the taxable category is 26 212 (2000: 15 701) thousand kroons. Accordingly, it would be possible to pay out to shareholders at least 136 586 (2000: 116 854) thousand kroons as net dividends.

Note 31 Open market value

As at 31 December 2001 the book value of the company's assets and liabilities do not materially differ from their market value.

AUDITOR'S REPORT

(Translation of the Estonian original)

To the shareholders of Tallinna Kaubamaja AS

We have audited the financial statements of Tallinna Kaubamaja AS (the Company) for the year ended 31 December 2001 and the consolidated financial statements of Tallinna Kaubamaja AS and its subsidiaries (the Group) for the year ended 31 December 2001 as set out on pages 5 to 24. These financial statements are the responsibility of the Company's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2001 and of the results of their operations and their cash flows for the year then ended in accordance with International Accounting Standards.

Urmas Kaarlep
AS PricewaterhouseCoopers

Kersti Liibert
Authorised auditor

11 March 2002

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PROFIT ALLOCATION REPORT

The retained earnings of AS Tallinna Kaubamaja:

Retained earnings as of 31. December 2000	127 040 thousand kroons
Net profit 2001	35 758 thousand kroons
Total retained earnings	162 798 thousand kroons

The management board of AS Tallinna Kaubamaja proposes the following profit allocation to the general shareholders meeting:

1. Payment of dividends (10 kroons per share)	67 882 thousand kroons (incl. 57 850 thousand kroons the profit for the period 94-99)
2. Retained earnings	94 916 thousand kroons

Chairman of the management board

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Signatures of the Management Board and Supervisory Board to the 2001 Annual Report

Annual Report 2001 of AS Tallinna Kaubamaja, approved by the General Meeting of Shareholders on __ April 2002,
signed on _____

Chairman of the Management Board

Andres Järving

Chairman of the Supervisory Board

Jüri Kõo

Member of the Supervisory Board

Meelis Milder

Member of the Supervisory Board

Enn Kunila

Member of the Supervisory Board

Indrek Vanaselja

Member of the Supervisory Board