AS Trigon Capital 2007 consolidated Annual Report

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Main activities

AS Trigon Capital Group companies operate in areas of: development of investment properties, management of investment funds, advising and services related to mergers and acquisitions, segregated mandates management, investment advice and general business management services.

Auditor

AS PricewaterhouseCoopers
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The financial year

1 January 2007 – 31 December 2007

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Table of contents

Preface to the 2007 Annual Report of AS Trigon Capital

The main activities of the companies in AS Trigon Capital Group include advisory services on issues concerning investments and general business activities, mergers and acquisitions, management of investment funds and provision of portfolio management and securities intermediation services.

Joakim Johan Helenius (55.7% of the shares with voting power) is the main beneficial shareholder having control over the Group and Thominvest Oy (28.25% of shares with voting power) has significant influence over AS Trigon Capital Group.

The Annual Report of AS Trigon Capital Group consists of the management report prepared by the Management Board, the consolidated financial statements, the independent auditor's report and the profit allocation proposal. The notes to the consolidated financial statements contain additional disclosures on the separate financial statements of the parent company in accordance with the requirements of the Accounting Act of the Republic of Estonia.

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

Management Report

Overview of the financial year

The year 2007 was a year of great progress for the Trigon Capital Group. The Group had a record year to which all its component parts contributed. Today the Group consists of five business units; Asset Management, Agriculture related investments, Property related investments, Direct Corporate investments and Corporate Finance advisory services.

The record operating and net profits of the Trigon Capital Group booked in 2007 were achieved whilst maintaining a very conservative balance sheet. The operating profits amounted to EUR 28.9 million (2006: EUR 6.7 million), the net profit including investment gains amounted to EUR 60.6 million (2006 EUR 7.7 million). At year-end 2007 the Group had consolidated loan liabilities of EUR 2.4 million (2006: no liabilities) and cash of EUR 9.2 million (2006: EUR 7.6 million). The consolidated equity of the Group was EUR 80.3 million (2006: EUR 18.6 million).

The Group management consists of the members of the Management Board and Supervisory Board of the parent company of the Group. Total remuneration paid during 2007 to the key management members of the Group amounted to EUR 1.0 million (2006: EUR 0.9 million). Total salaries and bonuses paid to employees amounted to EUR 5.5 million (2006: EUR 2.1 million). As at December 31, 2007, the Group employed 63 persons (2006: 52 persons).

Future trends and risks

In 2008 Trigon Capital Group will continue to grow its five business units in accordance with its overall strategy of offering innovative high-value products and services to its clients. The Group will also continue to manage its own balance sheet investments in a way that supports the development of its investment management operations whilst avoiding excessive leveraging. The Group will also look to continue its expansion into the wider global emerging markets universe through niche products building on industry expertise gained in its focus sectors.

Thanks to its strong balance sheet the Group is well positioned to take advantage of opportunities presenting themselves as a result of the weak conditions prevailing in the global financial markets. Whilst the Group is exposed to market risk overall these risks are also alleviated by the strong balance sheet of the Group. Management is working hard to ensure that risks relating to the fast expansion of the Group, such as compliance, reporting and risk management, are managed through the development and implementation of appropriate control systems.

The Group's primary economic environment is the Euro zone. However, due to specialization in emerging markets with emphasis on Central and Eastern Europe, the Group is exposed to fluctuations or possible changes in exchange rates of the regional currencies. The Group has an obligation to report to the Estonian Financial Supervisory Authority in respect to the concentration of risks including currency risk. The Group actively monitors assets and liabilities denominated in foreign currencies so as to manage its currency risks.

Group structure

Trigon Capital Group consists of the parent company, AS Trigon Capital (Estonia) and subsidiaries. In 2007, the parent company owned 100% of the following subsidiaries: AS Trigon Securities, AS Trigon Funds, AS Trigon Alternative Funds and AS Trigon Property Advisors in Estonia, TC Capital OY in Finland, Trigon Capital Latvia A/S in Latvia, UAB Trigon Capital in Lithuania, Trigon Capital Sp. Z.o.o. in Poland, Trigon Capital d.o.o in Croatia, TWM Limited Ltd., and TC Farming Ltd. in Cyprus and TWM Limited OOO in Russia. The Group had 77.3% ownership in TC Logistics Ltd. (Cyprus) and TC Logistic Partners OOO and Logistic Park Tosno OOO in Russia. The Group provides full management service for several companies where it has minority stakes. The largest investment in that portfolio is Trigon Agri A/S (Denmark), which was established in 2007, through taking over the Trigon Farming group of companies, and listed on First North Stockholm (alternative investment market of the NASDAQ OMX exchanges) on May 18, 2007.

In 2007, the Group completed liquidation procedures started in 2006 of AS Trigon Investment Management, AS ERGO-Trigon Fund Company, BRF Holding OÜ (which was acquired in 2006) and in the Group's Latvian subsidiaries SIA Alnis Ventures and SIA Trigon Lielveikali Latvia. During the year, the Group also started internal restructuring with the aim to separate various operating activities into separate legal entities, thus enabling improved management and control in these companies. In 2008, the Group established two new subsidiaries: AS Trigon Agri Advisors, which will provide management services to Trigon Agri A/S based on the management agreement between these two companies and AS Trigon Property Advisors, which will manage various property investment vehicles of the Group.

Ülo Adamson

Member of the Management Board

Consolidated Financial Statements

Management Board's confirmation of the consolidated financial statements

The Management Board confirms the correctness and completeness of AS Trigon Capital 2007 consolidated financial statements as presented on pages 7 to 57.

The Management Board of AS Trigon Capital confirms that

- the accounting policies, accounting methods and measurement bases used in preparing the consolidated financial statements are in compliance with International Financial Reporting Standards (IFRS) as adopted in the European Union;
- the consolidated financial statements present a true and fair view of the financial position, the results of operations as well as cash flows of the parent company and the Group;
- AS Trigon Capital and its subsidiaries are going concern.

Ülo Adamson

Member of the Management Board

Tallinn, 15 April 2008

Consolidated balance sheet

In thousands of Euros

	Note	31.12.2007	31.12.2006
ASSETS			
Current assets			
Cash and bank	4	9 168,5	7 757,7
Receivables and prepayments	5	2 686,0	3 491,0
Total current assets		11 854,5	11 248,7
Non-current assets			
Long-term receivables and prepayments	6	14 833,6	2 226,5
Available-for-sale financial assets	7	1 199,2	641,4
Financial assets through profit and loss			
Investments in associates	8	27 872,8	5 133,8
Derivatives	9	11 656,7	
Total financial assets through profit and loss		39 529,5	5 133,8
Investment property	10	18 894,0	3 957,5
Property, plant and equipment	11	2 298,5	948,3
Total non-current assets		76 754,7	12 907,5
TOTAL ASSETS		88 609,2	24 156,2
LIABILITIES			
Current liabilities	13	5 390,5	3 150,8
Deferred tax liabilities	25	2 959,6	-
Long-term liabilities	13	-	2 368,1
TOTAL LIABILITIES		8 350,1	5 518,9
OWNERS' EQUITY			
Minority interest		3 317,1	-
Equity attributable to owners of the parent company			
Share capital	16	158,4	158,4
Share premium	16	3 759,5	3 759,5
Statutory reserve capital		13,2	13,2
Property revaluation reserve	12	-	95,7
Unrealised exchange rate differences		(39,1)	69,9
Retained earnings		73 050,0	14 540,6
TOTAL EQUITY		80 259,1	18 637,3
TOTAL LIABILITIES AND OWNERS' EQUITY		88 609,2	24 156,2

The notes on pages 12 - 57 are an integral part of these consolidated financial statements.

Consolidated income statement

In thousands of euros

	Note	2007	2006
Revenue			
Revenue from investment management and advisory services	18	31 552,4	14 049,1
Revenue from consulting services	17	1 799,0	2 147,2
Revenue from commissions	19	705,9	1 552,9
Other operating income	20	901,4	255,8
Total revenue		**34 958,7**	**18 005,0**
Gain from property investments' revaluation	20	12 483,0	523,6
Total operating income		**47 441,7**	**18 530,6**
Operating expenses			
Personnel costs	21	(5 525,4)	(2 123,7)
Operating expenses	22	(11 066,2)	(9 617,3)
Other business expenses	23	(1 898,3)	
Depreciation	11	(39,0)	(21,4)
Total operating expenses		**(18 528,9)**	**(11 762,4)**
Operating profit		**28 912,8**	**6 768,2**
Financial income and expenses, net			
Interest received and other financial income		175,9	222,2
Interest paid and other financial expenses	24	(400,1)	(96,5)
Gain from financial assets through profit and loss			
Revaluation of associates	7	23 265,1	847,7
Gain from derivative instruments		11 656,7	
Total gain from financial assets through profit and loss		34 921,8	973,4
Net loss from currency exchange differences		(13,9)	(26,7)
Total financial income and expenses, net		**34 683,8**	**946,7**
Profit before income tax		**63 596,6**	**7 714,9**
Deferred income tax expense		(2 959,7)	-
Net profit for the year		**60 636,9**	**7 714,9**
Attribution of the net profit:			
Profit attributable to majority shareholders		58 509,3	7 714,9
Minority interests		2 127,6	-
		60 636,9	7 714,9

The notes on pages 12-57 are an integral part of these consolidated financial statements.

Consolidated statement of changes in owners' equity.

In thousands of euros

	Share capital	Share premium	Statutory reserve	Revaluation reserve of available for sale financial assets	Revaluation reserve of fixed assets	Currency translation reserve	Retained earnings	Equity attributable to parent company's shareholders	Minority share	TOTAL owners' equity
As at 1 January 2006	158,4	3 759,5	13,2	1,3	-	68,2	6 825,7	10 826,2	0,3	10 826,5
Net profit for the year	-	-	-	-	-	-	7 714,9	7 714,9	-	7 714,9
Revaluation reserve of PP&E	-	-	-	-	95,7	-	-	95,7	-	95,7
Sales of investments	-	-	-	(1,3)	-	-	-	(1,3)	-	(1,3)
Sale of subsidiary	-	-	-	-	-	-	-	-	(0,3)	(0,3)
Currency translation differences	-	-	-	-	-	1,7	-	1,7	-	1,7
As at 31 December 2006	158,4	3 759,5	13,2	-	95,7	69,9	14 540,6	18 637,3	-	18 637,3
As at 1 January 2007	158,4	3 759,5	13,2	-	95,7	69,9	14 540,6	18 637,3	-	18 637,3
Net profit for the year	-	-	-	-	-	-	58 509,4	58 509,4	-	58 509,4
Revaluation reserve of PP&E	-	-	-	-	(95,7)	-	-	(95,7)	-	(95,7)
Minority share	-	-	-	-	-	-	-	-	3 317,1	3 317,1
Currency translation differences	-	-	-	-	-	(109,0)	-	(109,0)	-	(109,0)
As at 31 December 2007	158,4	3 759,5	13,2	-	-	(39,1)	73 050,0	76 942,0	3 317,1	80 259,1

Additional information regarding the owners' equity is provided in Note 16.

The notes on pages 12-57 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

In thousands of euros	Note	2007	2006
Cash flow from operating activities			
Net profit		60 636,9	7 714,9
Depreciation and impairment losses of PP&E	11	39,0	(35,6)
Fair value gain from associate companies		(20 588,6)	(847,7)
Interest income		(175,9)	(222,1)
Interest expense		390,9	96,5
Revaluation of investment property	10	(13 952,9)	(525,6)
Revaluation of loans given		1 019,8	0,0
Gain from derivatives		(11 656,7)	0,0
Change in working capital		0,0	0,0
Change in receivables		(11 881,4)	(977,5)
Change in payables		5 200,1	950,7
Cash flow generated from operations		9 031,2	6 153,6
Interest and other financial income received		175,9	214,0
Interest and other financial cost paid		(390,9)	(96,5)
Total cash flow from operating activities		8 816,2	6 271,1
Cash flow from investing activities			
Acquisition of available-for-sale assets		0,0	(254,1)
Proceeds from sales of available-for-sale assets		2,3	23,6
Acquisition of subsidiary	26	(61,7)	(10,9)
Sale of subsidiary	26	0,0	5,1
Acquisition of associates	8	(9 298,1)	(2 888,4)
Sales of associates		6 311,0	226,6
Acquisition of property, plant and equipment	11	(1 579,3)	(49,3)
Acquisition of investment property	8	(3 016,4)	(3 814,5)
Proceeds from sales of PP&E		2,0	0,0
Proceeds from sales of property investments	8	0,0	607,1
Loans given		(1 202,1)	(4 477,9)
Repayments of loans given		198,8	2 269,0
Total cash flow from investing activities		(8 643,5)	(8 363,7)
Financing cash flow			
Loan received	13	6 500,0	2 748,2
Loans repaid		(6 500,0)	(380,1)
Paid-in capital by the minority shareholder of a subsidiary	27	1 227,1	0,0
Total cash flow from financing		1 227,1	2 368,1
Exchange rate differences		11,0	5,2
Change in cash and cash equivalents		**1 410,8**	**280,7**
Cash at the beginning of the year	4	7 757,7	7 477,0
Change in cash and cash equivalents		1 410,8	280,7
Cash at the end of the year	4	**9 168,5**	**7 757,7**

The notes on pages 12-57 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements of Trigon Capital Group

Note 1 Accounting polices

1.1. General information

AS Trigon Capital Group companies' main activities include management of investment funds, provision of advisory and general management services, consulting of mergers and acquisitions, investing in real estate and agricultural sectors, provision of portfolio management and securities intermediation services.

AS Trigon Capital (the parent company of the Group) is registered and located in Estonia. The registered address of the parent company of the Group is Pärnu mnt. 15, Tallinn.

These consolidated financial statements have been authorised for issue by the Management Board of the parent company and they cannot be amended or withdrawn. The consolidated financial statements will be made available to the public when the Central Commercial Register of Estonia publishes them on its website.

The consolidated financial statements of AS Trigon Capital have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union. The main accounting principles used in preparation of these financial statements have been disclosed below. The accounting principles have been consistently applied for all comparative periods, unless disclosed separately.

The consolidated financial statements have been prepared using the historical cost convention except as disclosed in the accounting policies below from which the main are: cash and cash equivalents, financial assets at fair value through profit or loss, available-for-sale financial assets and investment property.

All numerical information presented in these financial statements is presented in thousand of Euros (EUR), unless referred to differently in a given note.

Preparation of the financial statements in accordance with International Financial Reporting Standards as adopted in the European Union requires management to make estimates. Although these estimates have been made considering all available information and to the best of management's knowledge, they may not coincide with subsequent actual results. Changes in management's estimates are reported in the income statement of the period in which the change occurred. More detailed information about the management estimates is presented in Note 2.

1.2. Changes in accounting principles in 2006

Starting from 1 January 2006 the Group reclassified some of its investee companies from the available for sale financial assets to the associates due to the significant influence the Group has on these companies through the management service agreements. The Group uses exception allowed in the International Financial Reporting Standards for venture capital companies and classifies associates as financial assets through profit and loss.

1.3. The primary financial statements of the parent company

In accordance with the Estonian Accounting Law, the primary separate financial statements of the consolidating entity (parent company) need to be disclosed in the notes to the consolidated financial statements. The accounting principles used in preparation of the parent company's separate financial statements are provided in Note 32.

1.4. Consolidation

The parent company of the consolidation group AS Trigon Capital is a public limited company registered in the Republic of Estonia. AS Trigon Capital has subsidiaries in Estonia, Latvia, Lithuania, Finland, Poland, Cyprus and Croatia. The Finnish subsidiary has a representative office in St. Petersburg, Russia and the Cypriot company has subsidiary in Leningrad oblast in Russia.

The statutory financial statements of the companies in the consolidation group are prepared in accordance with legislation of their countries of location and these may differ from the financial statements presented to the Group for consolidation. Where necessary, the accounting principles of subsidiaries have been harmonised for the purpose of preparing the consolidated financial statements, to ensure consistency in accounting principles in the Group's consolidated financial statements. Subsidiaries are fully consolidated from the date at which control is transferred to the Group. They are de-consolidated from the date at which control ceases.

In the consolidated financial statements, the financial statements of all subsidiaries under the control of the parent company (except for subsidiaries acquired for resale) are combined on a line-by-line basis. All intragroup receivables and liabilities, transactions between group companies and the resulting unrealised profits and losses have been fully eliminated (unrealised losses have also been eliminated unless the transaction provides evidence of an impairment loss). Minority interests in the net income and in equity of the entities that are controlled by the parent company are presented as a separate item within owners' equity in the consolidated balance sheet and in a separate line in the consolidated income statement.

The Group does not treat transactions with minority interest as related party transactions. The gains and losses which have arisen in the sales transactions with minority interest are reported in the income statement. Goodwill may arise on acquisitions of minority interest, which is the excess of the consideration paid over the share of the net asset value of the acquired subsidiary.

The full list of subsidiaries of the Group is provided in note 26 to the consolidated financial statements.

1.5. Foreign currency transactions and assets and liabilities denominated in a foreign currency

1.5.1. Functional and presentation currency

The subsidiaries use in their accounting the respective functional currencies of each company, which is the currency of the primary economic environment of that subsidiary. The functional currency of the parent company and subsidiaries located in Estonia is Estonian kroon, which is the currency of the primary economic environment in which these entities operate. The current consolidated financial statements have been prepared in Euros, which is the presentation currency of these financial statements.

1.5.2. Transactions and balances

Transactions carried out in a currency other than the functional currency of the consolidation group companies are recognised at the exchange rate of the date of transaction. Foreign currency transactions are recorded based on the foreign currency exchange rates of the Bank of Estonia (Central Bank) prevailing at the dates of the transactions.

Monetary financial assets and liabilities and non-monetary financial assets and liabilities measured at fair value denominated in foreign currencies as at the balance sheet date are translated into Estonian kroons based on the foreign currency exchange rates of the Bank of Estonia prevailing at the balance sheet date. The gains and losses arising from the translation of monetary assets and liabilities denominated in foreign currencies are reported in the income statement line "gains/losses on investments". The changes in fair value of available-for-sale monetary financial assets (investments) denominated in foreign currencies are recognised as follows – the effect of exchange rate changes in the line "gains/losses on investments" and other changes in the carrying amount of the investment in the revaluation reserve of fair value in equity. The effect of exchange rate changes of non-monetary assets such as equity instruments which are recognised at fair value through profit or loss are included in the income statement line "gains/losses on securities". The effect of exchange rate changes on non-monetary assets such as equity instruments which are classified as available-for-sale financial assets are included in the fair value revaluation reserve in equity.

1.5.3. Foreign entities

The exchange rate gains/losses from the intra-group transactions are eliminated on consolidation.

In preparing the consolidated financial statements, the balance sheets of foreign subsidiaries of AS Trigon Capital are translated into Estonian kroons using the Bank of Estonia official exchange rates prevailing on the balance sheet date and then translated into euros. The income statements of foreign subsidiaries are translated using the weighted average official exchange rates of the Bank of Estonia (unless the weighted average cannot be considered a reasonable rounding-off of the cumulative effect of exchange rates prevailing at the dates of transactions, in which case income and expenses are translated at the date at which the transaction is completed).

Exchange rate differences arising from the translation of the financial statements of foreign subsidiaries are included within equity as currency translation reserve. If a subsidiary or part of a subsidiary is sold, the accumulated currency differences related to that subsidiary are recorded in the income statement within the total profit or loss related to sale of the subsidiary.

1.6. Cash and cash equivalents

Cash and cash equivalents are reported in the financial statements at their fair value.

For the purposes of the balance sheet and the cash flow statement, cash and cash equivalents comprise of cash on hand, bank account balances, overnight deposits and short-term deposits with maturities of 3 months or less, which are available for use without any major restrictions. The cash flow statement is prepared under the indirect method.

1.7. Financial assets

Purchases and sales of financial assets are recognised at the settlement date in the balance sheet. Financial assets are derecognised upon their transfer at the settlement date. Recognition of the financial assets is ceased when the Group does not have rights to benefit from future cash inflows related to the financial asset or all risks and rewards incident to the asset are transferred.

Depending on the management's intention and the purpose for which the financial assets were acquired, the financial assets are classified in the following categories:

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

The management of the Group determines classification of a financial asset into one of these categories at the initial recognition. The Group has not classified during the reporting period or comparative period financial assets as held-to-maturity.

1.7.1. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include the financial assets which are designated to that group at initial recognition and financial assets held for trading purposes (i.e. a financial asset acquired or incurred principally for the purpose of reselling or repurchasing in the near term or a derivative financial instrument which is not designated as a hedging instrument) and other financial assets which have been designated to that category at initial recognition by the Group.

Upon initial recognition, financial assets are classified as at fair value through profit or loss when:

- they are associates, for which the fair value can be determined with sufficient reliability (Note 1.9); or
- this classification reduces discrepancies arising from valuation; or
- when the fair value of certain financial assets such debt or equity instruments is assessed together with the documented risk policies and investment strategies and the reporting to management occurs on the same bases.

The financial assets recognised at fair value through profit or loss are initially measured at their settlement date at their cost which is the fair value of the consideration paid or received for the financial investment (excluding transactions costs). After initial recognition, the financial assets in this category are measured at fair value. The changes in the fair value of these assets are reported consistently either as gains or losses in the income statement of the reporting period.

Shares quoted and actively traded on a stock exchange are measured at their market value, whereby the last bid quotation of the trade performed on a stock exchange at a given day is used as the basis. Shares not quoted but actively traded on a stock exchange are revalued to their market price on the basis of the price of the last purchase transaction. If this price is not reliable, then the asset is revalued to fair value, using generally accepted evaluation techniques and all information available on the fair value of the investment.

Bonds actively traded on a stock exchange are measured at market value determined by using the average of bid and ask prices accepted by an information provider in use. For actively non-tradable debt securities, a price is determined on the basis of a quote by the market maker or under the yield curve method, using the effective interest rate. Changes in fair value of investments are recognised in the income statement for the period. Realised profits and losses from the sale of investments are recognised under the FIFO method. Interest income received on debt securities is included within the change in fair value in the income statement.

Derivative financial instruments are recognised in the fair value, which is estimated using generally accepted valuation models (like mark-to-market, Black-Scholes or Monte Carlo). The valuation method is selected based on the substance of the derivative instrument, rights and obligations inherent to the instrument, probability scenarios, time of realisation of the instrument and other criteria which could materially affect the valuation of the instrument. The fair value of derivative financial instruments is re-assessed at each balance sheet date and the change in fair value is recorded in the income statement.

1.7.2. Loans and receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recognised at their fair value including transactions costs. After initial recognition, the Group recognises loans and receivables at amortised cost (less any potential impairment losses), calculating interest income in subsequent periods by using the effective interest rate method. When it is probable that the Group is unable to collect all amounts due according to the original terms of receivables, a provision is made for the impairment of these receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount. The recoverable amount is the expected future cash flows discounted at the market rate of interest for similar borrowers. The collection of each specific receivable is assessed on an individual basis, taking into consideration all known information on the solvency of the debtor. Any impairment losses are charged to the income statement. Doubtful receivables are written down in the balance sheet to the collectible amount. Irrecoverable receivables are removed from the balance sheet.

Loans and receivables are classified as current assets, unless their due dates are longer than 12 months after the balance sheet date. Such assets are classified as non-current assets.

1.7.3. Available-for-sale financial assets

Long-term financial assets include strategic financial investments which have normally been acquired for a period longer than one year. Available-for-sale financial assets are non-derivative financial assets that the Group intends to sell in the near term and that are not designated in any of the above-mentioned categories. Financial assets in this category are classified as non-current, unless the Group intends to dispose them within 12 months after the balance sheet date. After initial recognition, the Group measures available-for-sale financial assets at their fair value, without any deduction for transaction costs it may incur on sale or other kind of disposal.

Listed shares which are actively traded on a stock exchange are valued at the market value based on the latest bid price on stock exchange. Shares which are not listed, but are actively traded, are valued at market valued based on last purchase price available. If that price can not be determined reliably, the position is valued at fair value using generally accepted valuation methods (e.g. comparable transactions, discounted cash flows, option pricing techniques etc.) taking into account all available information regarding the factors determining the fair value. In those extremely rare cases when the fair value of investments in equity instruments can not be measured reliably and in case of such derivatives that are linked to and must be settled by delivery of unquoted equity instruments, such investments are reported at amortised cost (i.e. initial cost less any accumulated impairment losses).

With regard to available-for-sale financial assets, interest calculated under the effective interest rate method and the gains/losses from foreign exchange rates are reported in the income statement. Dividends received on available-for-sale financial assets are reported in the income statement when the Company has the right to receive them.

When available-for-sale financial assets are derecognised, the profits previously recognised on this asset are removed from the equity reserve in the balance sheet and the remaining part is reported in the income statement line "gains/losses on investments".

1.7.4. Impairment of financial assets

The Group assesses at least at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is impaired and the respective impairment losses are recognised only if there is objective evidence that occurred after the initial recognition of the asset (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.

In assessing loans and receivables, several risks have been estimated conservatively. The collection of each receivable is assessed on an individual basis, taking into consideration all known information on the solvency of the debtor. The Group assesses whether there is objective evidence which would indicate impairment, considering for example, the following situations: financial difficulties of the buyer, bankruptcy or inability to meets its financial obligations to the Group. To calculate the estimated loan losses, the probability of collection of the loan principal and interest in subsequent periods as well as the discounted present value of estimated collections, discounted at the original interest rate of the financial asset, and discounted estimated collections from the realisation of guarantees (when the loan is secured, except for loan losses which have not been incurred yet) are assessed, which all combined help assess the amount of the loan loss. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the future expected cash flows. An allowance account totalling the estimated and actual loan losses is set up. The expense relating to the allowance is recognised in the income statement. Doubtful receivables are written down to their recoverable amount.

If the circumstances used as the basis for assessing receivables change (improved credit rating of the client) and the change can objectively be related to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement in the line Impairment losses of loans and receivables. Irrecoverable receivables are taken off the allowance account in the balance sheet.

Available-for-sale financial assets which are recognised in cost because the fair value can not be determined reliably are tested for impairment at each balance sheet date taking into account all available information regarding each investment. Impairment loss is recognised when it is possible to estimate with sufficient reliability that the present value of future cash flows from the investment is less than the carrying value at the balance sheet date.

1.8. Subsidiaries

A subsidiary is an entity controlled by the parent company. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than 50% of the voting power of subsidiary or otherwise has power to govern the financial and operating policies of the subsidiary. The purchase method of accounting is used to account for the acquisition of a subsidiary. The cost of acquisition is measured by the acquirer as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued for the purpose of gaining control in the acquiree by the acquirer at the date of exchange, plus any costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities (net assets acquired) assumed in a business combination are initially measured at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Such subsidiaries which already at the time of acquisition meet the criteria for non-current assets available for sale (i.e. are likely to be sold within the next 12 months from the time of acquisition), are recognised as follows: the assets of the subsidiary are recorded in the consolidated balance sheet as non-current assets available for sale; the liabilities are recorded as liabilities related to non-current assets available for sale at the lower of fair value less costs to sell and the carrying amount.

1.9. Associates

An associate is an entity over which the Group has significant influence, but which is not controlled by the Group. Generally significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of the investee or participates in establishing the associate's operating or financial policies. All entities managed by the Group by means of the management agreement and where the Group participates in management, operational or financial decisions are considered to be associate companies.

Since the Group is a venture capital organisation, investments into associates are at initial recognition recorded in fair value through profit and loss according to the exemption permitted in IAS 28. This method implies that the associates are recognised in a similar way to other financial assets through profit and loss at initial recognition in cost, which is the fair value of consideration paid at acquisition of the asset. Investments into associates are later recorded at fair value at each balance sheet date and the changes in fair value are recorded in the income statement.

Listed shares which are actively traded on a stock exchange are valued at the market value based on the latest bid price on stock exchange. Shares which are not listed, but are actively traded, are valued at market valued based on last purchase price available. If that price can not be determined reliably, the position is valued at fair value using generally accepted valuation methods (e.g. comparable transactions, discounted cash flows, option pricing techniques etc.) taking into account all available information regarding the factors determining the fair value of the investment.

If the Company has financed the activities of the associate with debt in addition to equity, and the value of the associate has decreased substantially, the receivable from that associate is evaluated as part of the net investment in that associate and the impairment loss is recognised both on equity investment component and the receivable, if the equity investment has been already fully written off. The list of associate companies and additional information about the fair value of associates is provided in note 2.3 and 8.

1.10. Goodwill

Goodwill is the excess of the cost of the holding and the fair value of the net assets acquired in a business combination, reflecting that portion of cost which was paid for such assets of the acquiree that cannot be separated and separately accounted for. Goodwill is determined upon the acquisition of a new economic entity as the difference between the purchase price and the fair value of the acquired net assets (identifiable assets and liabilities acquired). Goodwill which arose in the acquisition of a subsidiary is recognised in a separate line as an intangible asset in the consolidated financial statements. Goodwill which arose in the acquisition of an associate or a joint venture is included within the carrying amount of the investment.

At the date of acquisition, goodwill is recognised at its cost in the balance sheet. Goodwill is subsequently measured at its cost less any impairment losses. Goodwill which arose in a business combination is not subject to amortisation. For the purpose of assessing impairment, the recoverable amount is assessed for each individual asset or the smallest possible group of assets for which it is possible to distinguish cash flows (cash generating unit). At each balance sheet date (or more frequently, if an event or change in circumstances indicates that goodwill may have become impaired), an impairment test is carried out and if necessary, goodwill is written down to its recoverable amount (if it is below the carrying amount). During the impairment test, the carrying amount of the asset is compared with the recoverable amount. For the purpose of an impairment test, goodwill is allocated to the cash-generating units and to find the recoverable amount, the present value of the future expected cash flows of the cash-generating unit is determined. An impairment loss is recognised in the amount by which the recoverable amount is less than the carrying amount.

Goodwill arising on the acquisition of foreign subsidiaries is translated using the foreign exchange rates of the Bank of Estonia prevailing on the balance sheet date.

1.11. Investment property

Investment property includes real estate properties (land, buildings and facilities) which are held for the purpose of earning rental income or for price appreciation and which are not used in the operating activities of the Groups' companies. Investment property is initially recognised at cost which includes all directly attributable expenditure and transaction fees and is subsequently carried at its fair value which is the market value determined annually by external assessors holding respective licenses and who have sufficient experience. Expert opinion is based on the method of comparable market transactions which have occurred recently or if the latter is not available, using the discounted cash flow method.

Market value is the estimated amount for which an asset should be transferred at the date of evaluation from the seller to the buyer (both willing to complete a transaction) in an arm's length transaction after meeting all requirements regarding sales activities.

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

Depreciation is not calculated for investment property recognised under the fair value method. Changes in fair value are reported as other operating income or expenses in the income statement for the period.

Investment property items, for which the fair value cannot be determined reliably, are measured at cost less any accumulated depreciation and any accumulated impairment losses. The depreciation rate for the Group's such items is 2%.

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

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

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

1.12. Property, plant and equipment

Assets used in the business activities of the Company with a useful life of over one year are considered to be items of property, plant and equipment. An item of property, plant and equipment is initially recognised at its cost which consists of the purchase price (incl. customs duties and other non-refundable taxes) and other expenditures directly related to the acquisition that are necessary for bringing the asset to its operating condition and location. Non-current assets leased under operating lease terms are accounted for as off-balance sheet items.

Subsequent expenditure incurred for items of property, plant and equipment is recognised as a non-current asset when it is probable that the Company will derive economic benefits from the asset and the cost of the asset can be measured reliably. Other maintenance and repair costs are expensed when incurred.

The gain from sales of property, plant and equipment is determined as a difference between the amount received from sales of the item and the carrying value of the item and it is recognised as gain or loss from sale of property, plant and equipment in the income statement. For the items of property, plant and equipment accounted by revaluation method, the revaluation reserve in the equity is realised when the item is sold and the respective portion of the reserve is recognised directly in the retained earnings in the equity. The part exceeding the portion in the reserve is recognised as the gain or loss of the period in the income statement.

1.12.1. Cost method

After initial recognition, the groups of property, plant and equipment such as “Passenger cars”, “Personal computers”, “Furniture” and “Other fixtures” are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.12.2. Revaluation method

After initial recognition, a group of similar assets within property, plant and equipment for which fair value can be measured reliably (land and buildings) is revalued to its fair value less any accumulated depreciation at the date of revaluation. The fair value of land and buildings is generally determined by licensed assessors using market information. The amount of the revaluation gain is included within the revaluation reserve and the amount of the revaluation loss (which exceeds the previous gain) is charged to expenses. Previous accumulated depreciation is eliminated in the course of the revaluation and the revalued value is considered its “new cost”. Each year, the revaluation reserve is decreased by the difference in the depreciation charge which arises from the difference between the cost of land and buildings and the revalued amount and is added to retained earnings. The revaluation reserve of non-current assets is part of restricted equity and shall not be distributed to shareholders.

1.12.3. Depreciation

Depreciation of property, plant and equipment is determined under the straight-line method, taking into consideration the actual useful lives of assets. The difference between the cost of the asset and its residual value is depreciated into cost over the useful life of the asset. Accordingly, depreciation on motor vehicles and computer technology is 20% per year, on furniture and other non-current assets is 30% per year and real estate properties (facilities) is 3% per year. If an item of property, plant and equipment consists of identifiable components with different useful lives, these components are recorded as separate property, plant and equipment items and separate depreciation rates are set for them in accordance with their estimated useful lives.

Depreciation is commenced when the asset is ready to be used for the purpose intended by the management and is ceased when its residual value exceeds its carrying amount; the asset is removed from use or upon reclassification into "non-current assets held for sale". At each balance sheet date, the validity of depreciation rates, depreciation method and residual value is assessed.

1.12.4. Impairment of property, plant and equipment

When an asset's carrying amount is greater than its estimated recoverable amount (higher of an asset's net selling price and its value in use), it is written down to its recoverable amount and the impairment loss is included in the income statement.

1.13. Impairment of assets (except for financial assets)

Assets with indefinite useful livers are not subject to depreciation but are tested annually for impairment. For intangible assets with indefinite useful life the impairment is tested by comparing their carrying amounts with recoverable amounts annually, or more frequently if an event indicates that the asset could be impaired. Assets that are subject to depreciation and land are reviewed for any evidence of impairment. Whenever such evidence occurs, the recoverable amount of the asset is assessed and compared with its carrying amount. An impairment loss is recognised in the amount by which the asset's carrying amount exceeds its recoverable amount in the income statement as impairment loss. The recoverable amount of the asset 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 units).

At each subsequent balance sheet date, impaired assets are reviewed to determine whether it is probable that the recoverable value of the assets has increased meanwhile (except for goodwill whose impairment losses are not reversed (See Note 1.10.). The reversal of an impairment loss is recorded as a reduction of the impairment loss in the income statement.

1.14. Accounting for leases

Finance leases are leases where all significant risks and rewards of ownership are transferred to the lessee; all other leases are considered as operating leases.

1.14.1. Group as a lessee

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of minimum lease payments. Each lease payment is allocated between the liability and finance costs. The finance costs are charged to the income statement over the lease term to obtain a constant periodic rate of interest on the remaining balance of the liability for each period (effective interest rate method).

Assets acquired under finance leases are depreciated similarly to acquired non-current assets over the shorter of the useful life of the asset and the lease term (when the transfer of the asset is not sufficiently certain).

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

1.14.2. Group as a lessor

Assets leased out under operating leases are included within property, plant and equipment in the balance sheet. Operating lease payments are recognised as income on a straight-line basis over the lease term.

1.15. Financial liabilities

All financial liabilities (supplier payables, borrowings, accrued expenses, bonds and other short and long-term borrowings) are initially recorded at the proceeds received, including all expenditure directly attributable to acquisition. After initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method. The difference between the cost and the redemption value is reported as interest income in the income statement over the term of the instrument using the effective interest rate.

Financial liabilities are classified as current when their due date is within twelve months after the balance sheet date or the Company does not have an unconditional right to defer payment for later than 12 months after the balance sheet date. Borrowings with a due date within 12 months after the balance sheet date but which are refinanced as non-current after the balance sheet date but before the annual report is authorised for issue are recognised as current. Borrowings that the lender has the right to recall at the balance sheet date due to violation of loan covenants set out in the loan contract are also classified as current.

Liabilities with a due date later than one year are recognised as non-current liabilities. Information on the maturity dates of borrowings is disclosed in the notes dealing with risk management (note 3) and in note 13.

A financial liability or its portion is removed from the balance sheet when the liability arising from the contract expires or becomes invalid.

1.16. Provisions and contingent liabilities

Commitments arising from an obligating event occurred before the balance sheet date that have either a legal or contractual basis or that have arisen from the Company's current operating practice that require the surrender of assets, whose realisation is more probable than not and whose cost can reliably be estimated but whose timing or amount are not definitely known are recognised as provisions in the balance sheet. Provisions are recognised based on management's estimates regarding the amount and timing of the expected outflows. A provision is recognised in the balance sheet in the amount which according to management is necessary as at the balance sheet date for meeting the obligation or transferring it to the third party. When a provision is settled later than 12 months after the balance sheet date, it is measured at the discounted value (at the present value of payments relating to the provisions), unless the effect of discounting is immaterial. The expense of provisions and the carrying amount of provisions are included within expenses in the accounting period.

Provisions are not set up for covering future expenses.

Other contingent liabilities whose settlement is less probable than non-settlement or whose accompanying costs cannot be measured with sufficient reliability, are disclosed in the notes to the financial statements as contingent liabilities. Where an entity is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability.

Contingent liabilities may change over time contrary to initial expectations. Therefore, they are assessed continuously to identify whether it is probable that due to the liability, the Group may need to give up the asset. When it is probable that as a result of the liability recognised as a contingent liability the Company needs to give up an asset, the Group will recognise the provision in the financial statements of the period in which the change in probability occurred (except in very rare cases when the cost relating to the liability cannot be estimated reliably).

1.17. Payables to employees

Payables to employees contain the liability arising from the bonus policy of Trigon Capital Group with regard to performance-based pay, which is approved by a directive of the Management Board.

Payables to employees also include the holiday pay liability calculated in accordance with employment contracts and the laws in force as at the balance sheet date.

The liability related to the payment of holiday pay and bonuses together with social security and unemployment insurance payments is included within current liabilities in the balance sheet and as personnel costs in the income statement.

1.18. Net settlements of assets and liabilities

Net settlements between financial assets and liabilities are not performed in the balance sheet unless the Group has a legal right for it and it is probable that the collection and payment occur on a net basis.

1.19. Share capital

Issued shares and other equity instruments have been included within equity in the consolidated financial statements. Costs directly related to issuing shares are shown as a reduction of the equity item Share premium. Upon purchasing the Company's treasury shares by the Groups' companies, the payments made for shares less direct transaction costs are recognised as a reduction of equity until the issue, sale or deletion of shares. Upon selling or issuing treasury shares, the amounts received less direct transaction costs are recognised directly in equity.

1.20. Statutory reserve capital

Reserve capital is formed to comply with the requirements of the Commercial Code. Reserve capital is formed from annual net profit allocations. When the reserve capital is less than one tenth of share capital at least one-twentieth of the net profit shall be allocated to reserve capital during each financial year. Upon the resolution of the General Meeting of Shareholders, reserve capital may be use to cover a loss (if other reserves set up from the net profit or retained earnings are not sufficient), as well as to increase share capital. Payments shall not be made to shareholders from reserve capital.

1.21. Recognition of revenue and expenses

The revenue of Trigon Capital Group is primarily generated from advisory fees, management fees of investment funds and securities portfolios, brokerage fees and rents earned form property investments.

Revenue is recognised when there is reasonable assurance that future economic benefits associated with the transaction will flow to the Group and the amount of revenue can reliably be estimated.

Revenue from the provision of services is recognised at the fair value of the consideration received.

Expenses are recognised when the Group has incurred an obligation with regard to the respective expense and/or the Group has received goods or services and the latter has occurred earlier.

Revenue from service fees is recognised on an accrual basis upon the provision of respective services. Investment management and other advisory fees are recognised on an accrual basis on the basis of respective contracts. Other service fees and other revenue are recognised on an accrual basis at the time of completing the respective transactions. If a service is rendered over a longer period of time, revenue from the provision of a service is recorded using the stage of completion method. Revenue from the sale of services is recognised on the basis of the stage of completion of the rendered services at the balance sheet date under the assumption that outcome of a service contract (contract revenue and costs) can be estimated reliably; it is probable that the economic benefits associated with the transaction will flow to the enterprise; the stage of completion at the balance sheet date can be determined reliably and the costs incurred for the completion of the transaction and the necessary costs can be estimated reliably. Fees or parts of a fee relating to performance are recognised when the criteria related to the respective performance have been met. Contract revenue and profit are recognised in the proportion and in the accounting periods in which the contract costs associated with the service contract incurred. Fees or parts of a fee relating to performance are recognised according to management estimate when all significant criteria related to the respective performance have been met.

Interest income and expenses are recognised in the income statement for all instruments reported at amortised cost, using the effective interest rate method. The effective interest rate method is the method for calculating the amortised cost of financial assets or financial liabilities and for allocating interest income and interest expenses over the respective period. The effective interest rate is a rate which exactly discounts the future expected cash flows to the carrying amount of a financial asset or a financial liability over the expected useful life of the financial instrument. In order to calculate the effective interest rate, the

Company assesses cash flows taking account of all contractual terms. If financial assets or a group of similar financial assets have become impaired, interest income is recognised using the same interest rate which was used for discounting future expected cash flows to find the amount of an impairment loss.

Interest income also includes similar income on financial assets recognised at fair value through profit or loss (trading bonds, derivate financial instruments, etc.).

Dividend income is recognised when the right to receive payment is established (usually at the time of declaring the dividends).

Other incomes and expenses are recognised on an accrual basis of accounting.

1.22. Taxation and deferred income tax

Corporate income tax of the Group companies is determined is accordance with the tax legislation of the countries of location.

According to the Income Tax Act of Estonia, the annual profit earned by entities is not taxed in Estonia. Corporate income tax is paid on dividends, fringe benefits, gifts, donations, reception fees, non-business related disbursements and adjustments of the transfer price. From 1 January 2008, the tax rate on the net dividends paid out of retained earnings is 21/79 (in 2007: 22/78 and in 2006: 23/77). On certain conditions the further division of dividends received can be done without additional income tax expense arising. The Income Tax Act stipulates a further reduction of the income tax rate until 2011: in 2009, the tax rate will be 20/80, in 2010: 19/81 and from 2011, the tax rate will be 18/82 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 as an income tax expense in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. A deferred income tax liability arises at the 10th day of the month following the payment of dividends. Due to the peculiarity of the taxation system, the companies registered in Estonia do not have any differences between the tax bases of assets and their carrying amounts and hence, no deferred income tax assets and liabilities arise. A contingent income tax liability which would arise due the payment of dividends out of retained earnings is not reported in the balance sheet. The maximum income tax liability which would accompany the payment of dividends out of retained earnings is disclosed in the notes to the financial statements.

The tax assets, tax liabilities, tax expenses and tax income of foreign subsidiaries are classified as realised (payable to tax authorities) income tax and deferred income tax. The current income tax asset is presented in current assets; current income tax payable is presented within current liabilities and the deferred tax assets or liabilities within non-current assets or non-current liabilities respectively. In accordance with the local income tax laws the profit earned by the Group companies located outside Estonia is taxed after adjustment with various temporary and permanent differences.

Deferred income tax liabilities and assets of foreign subsidiaries are recognised under the balance sheet liability method according to which the deferred tax amounts due to temporary differences are reported in the balance sheet. Temporary differences are the differences between the tax bases of assets and liabilities and their book values. The main temporary differences arise from depreciation, tax loss carry forwards, and unrealized gains from investments. A tax rate which is expected to prevail in the period of disposing the asset or the settlement of the liability is used to determine the deferred income tax amount on temporary differences. The latter is based on the tax rate which substantially prevails or exists at the balance sheet date.

Deferred tax assets are recognised on all tax deductible temporary differences if it is likely that the company will have in future taxable income which could be reduced by these temporary differences.

Deferred tax is not calculated on initial recognition of assets and liabilities other than those recognised in course of the business combination, as the initial recognition does not influence accounting or taxable profit (or loss).

Profits earned by companies are taxed with a 15% rate in Latvia and Lithuania, a 26% rate in Finland , a 19% rate in Poland, a 24% rate in Russia and a 20% rate in Croatia. For Cypriot companies 10% tax applies on some cases. Additional information in respect of income taxes is provided in note 25.

1.23. Related parties

For the purpose of these financial statements, parties with control or significant influence over the financial and operating policies of the other party are considered as related parties. Not only the mutual relation and legal form of the transactions but also their economic substance has been taken into consideration when defining related parties.

The Group considers the following parties to be related parties: the owners of Trigon Capital Group, associate companies, those employees of the Group companies and members of the governing bodies of the Group with significant influence over the financial and operating activities of the Group, close family members and entities controlled by the persons mentioned above as its related parties. In addition, the investment funds managed by the subsidiary AS Trigon Funds and companies, the financial and operating activities of which are under the significant influence of the Group through management contracts are also considered as related parties.

1.24. Asset management services

The Group offers asset management services. Such assets which have been granted by third parties for the Group to be managed and which do not belong to the Group, are not accounted for in the balance sheet. Service fees are derived from the management and holding of such assets and the Group is not exposed to any related credit and market risks.

1.25. New International Financial Reporting Standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations

Certain new International Financial Reporting Standards, amendments to existing standards and the interpretations of the standards have been published by the time of compiling these financial statements which became mandatory for the Group's accounting periods beginning at or after 1 January 2007. An overview of these standards and the Group management estimate of the potential impact of applying the new standards and interpretations are given below:

1.25.1. Standards, amendments to published standards and interpretations effective from January 1, 2007 which have material effects on the financial statements

IAS 1 (amendment) – Presentation of Financial Statements: Capital Disclosures

The amendment is effective from 1 January 2007. The standard requires additional disclosures in the financial statements and presents additional requirements for the parent company's capital and capital management.

IFRS 7 Financial Instruments – Disclosures and supplementary amendment IAS 1, Presentation of Financial Instruments.

The amendment became effective from 1 January 2007. IFRS 7 introduces new requirements for notes in order to improve the disclosures in the financial statements. It requires qualitative and quantitative disclosures regarding the risks arising from financial instruments, containing specific minimum requirements for credit risk, liquidity risk and market risk (incl. also sensitivity analysis of these risks). This supersedes IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions and adds supplementary requirements in addition to those set out in IAS 32 Financial Instruments: Presentation. Abovementioned standard is applicable to all companies. Implementation of that has no influence on accounting principles. The Group has made some changes in presentation of financial statements and added information in disclosures, including comparatives.

1.25.2. Amendments to published standards and interpretations effective from January 1, 2007 and which have been adopted first time in the current financial statements.

The Group's management is in the opinion that these amendments neither have a material impact on the Group's consolidated financial statements nor the applicable accounting policies in the period of their first-time adoption:

- IFRIC 7, Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies (effective for annual periods beginning on or after 1 May 2006)
- IFRIC 8, Scope of IFRS 2, (effective for annual periods beginning on or after 1 May 2006)
- IFRIC 9, Re-assessment of embedded derivatives, (effective for annual periods beginning on or after 1 June 2006)
- IFRIC 10, Interim Financial Reporting and Impairment, (effective for annual periods beginning on or after 1 November 2006)

1.25.3. Standards, amendments to published standards and interpretations effective from 1 January 2008 which have not been early adopted

IAS 1 (*), Presentation of Financial Statements – Capital disclosures.

The amended standard requires additional disclosures in the financial statements about parent company's capital and capital management. IAS 1 adoption did not have any impact on measurement or recognition principles. The Group made certain changes in presentation and new disclosures are made in these financial statements (comparatives provided). The Group will adopt the amendment from 1 January 2009.

IAS 27 (*), Consolidated and Separate Financial Statements.

The revised standard requires that the effects of transactions with minority shareholders be recognized directly in equity, on the condition that control over the entity is retained by the parent company. In addition, the standard elaborates on the accounting treatment of the loss of control over a subsidiary, i.e. it requires that the remaining shares be restated to fair value, with the resulting difference recognized in the income statement. The Group will adopt the amendment from 1 January 2009.

IFRS 3 (*), Business Combinations (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009).

The revised IFRS 3 includes the choice to disclose minority interests either at fair value or their share in the fair value of the net assets identified; a restatement of shares already held in an acquired entity to fair value, with the resulting differences to be recognized in the income statement; and additional guidance on the application of the purchase method, including the recognition of transaction costs as an expense in the period in which they were incurred, measuring goodwill in step acquisition, and recognizing post-acquisition changes in value of liability for contingent purchase consideration. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

(*) The amendment is not adopted by the European Union as of the date of authorising these financial statements.

1.25.4. Standards, amendments and interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following standards, amendments and interpretations to existing standards that are not yet effective and are relevant for the Group's operations.

- IAS 23 (revised) Borrowing costs (*) – effective from 1 January 2009, The revised standard requires capitalisation of borrowing costs.

- IAS 32 and IAS 1 Amendment (*) – Puttable financial instruments and obligations arising on liquidation (effective from January 1, 2009).
- Amendment to IFRS 2, Share-based Payment (*) – Vesting Conditions and Cancellations (effective for annual periods beginning on or after January 1, 2008).
- IFRS 8 – Business segments (effective from January 1, 2009)
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007)
- IFRIC 12, Service Concession Arrangements(*) (effective for annual periods beginning on or after January 1, 2008).
- IFRIC 13, Customer Loyalty Programmes (*) (effective for annual periods beginning on or after July 1, 2008)
- IFRIC 14 IAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (*) (effective for annual periods beginning on or after January 1, 2008).

(*) The standard, amendment or interpretation is not adopted by the European Union as of the date of authorising these financial statements.

Note 2 Management estimates used in preparation of the consolidated financial statements

In accordance with International Financial Reporting Standards, management is required to make judgements and estimates in certain areas which affect the assets and liabilities reported in financial statements. Management's judgements and estimates have been consistently reviewed and they are based on historical experience and other factors including estimated future events considered reasonable under current conditions. In addition to estimates, management passes judgements with regard to the application of accounting policies. The areas that have required major management's judgements having the most significant effect on the amounts reported in financial statements and estimates which may lead to major adjustments of carrying amounts of assets and liabilities in the following financial year include evaluation of investment property, evaluation of non-current assets under the revaluation method, evaluation of the fair value of available-for-sale financial assets and associates, evaluation of derivative financial instruments, evaluation of the receivable from a related party and evaluation of deferred income tax assets and liabilities.

2.1. Fair value of investment property

Investment properties are recognised in the Company's balance sheet at their fair value. The basis of the fair value estimate made by management is the estimate made by an independent expert with regard to the asset's market value. The management of the Group's parent company evaluates critically the assumptions and methods used at valuation correspond to the management's view of the future use, development stage and possible realisation of the property. In absence of an expert valuation, management uses alternative valuation techniques, such as comparable transactions in the same region in the same period, and makes appropriate adjustments in respect of known qualitative measures (location, usage requirements, development stage, size of the property etc.).

In the reporting period, investment properties have been assessed by an independent expert. As at the balance sheet date, the value of investment properties is EUR 18 894,0 (2006: 3 957,5) thousand (Note 10). The market value of investment properties depends on the overall macroeconomic situation, the relationship between demand and supply and prevailing interest rates. In addition, the fair value may be influenced by the location of the property, using rights of the property, possible alternatives and of the concept of the development and stage of the development. At the time of the transaction, the value of an investment property may to a certain extent differ from the fair value estimate of the management.

In the consolidated financial statements of the Group the investment properties are evaluated using the following valuation methods:

Investment	Valuation method	Period	Discount rate
Tosno (located in Leningrad oblast)	Discounted cashflows	66 months from the beginning of the construction	17.1%
Apartment in Split (Croatia)	Comparable transactions	Transactions in 2007	-
Biladre (Land in Saaremaa)	Comparable transactions	Transactions in 2007	-
Sunny-Trading (apartments in Tallinn)	Comparable transactions	Transactions in 2007	-

The value of the property investment in Tosno as of 31 December 2007 is estimated in amount of EUR 14 981,6 thousand. The property has been acquired in 2007 with the acquisition cost EUR 2 643,1 thousand (see note 11) and additional costs in amount of 22 994 thousand kroons (note 11) have been capitalised as part of the cost. During the year the registered purpose of land use has been changed and the change will be registered in local municipality in 2008. The Group has prepared a conceptual solution and ordered preliminary plans for construction, started negotiations to find possible future co-investors and tenants for the project. This has enabled the Group to increase the value of the property by EUR 12 334,7 thousand, which amount is recognised in the income statement as part of the total gain on property investments.

The property investment was valued by an independent valuer from Colliers International as of 23 August 2007. The value was estimated using discounted future cash flows, which is considered to be the best method for valuing property investments in development stage because that method takes into account conditions, estimates and assumptions related to the development. Using the discounted cashflow method is justified as there is sufficient probability that the presumptions and conditions will realise and estimations are made with sufficient exactness.

The management has decided to adjust the valuers' estimation with the effect of discounting as the time lag between the valuation and the end of the year was 4 months. Also, some inputs to the model were adjusted with the effects of changes on the property market in the end of 2007 and events having effect on the valuation (e.g. increase in construction prices). The management based its decision on the assumptions used by the independent valuer and on the effects of changes on the market on inputs and used the same valuing model as the valuer. Management has used the adjusted value to measure and record the investment property in the current financial statements.

The independent valuer used the following critical assumptions: construction costs on similar projects (773 USD/m^2 in average, being within range of 736 to 1006 USD/m^2 depending on future purpose of the construction), price acceleration for the construction costs(10% on the first year, 7% on the second, 6% on the third and following years),, assumed rents on properties with similar use (110 to 140 USD/m^2) and the rent rates prevailing on the market for the premises of similar purpose of use at the time of preparing the valuation (110 to 140 USD/m2) and rent acceleration during the project until the property is taken in to use (5% on the first three years and 4% on the following years), and amounts receivable from the sale of the project after approximately 6 years. The property is planned to sell by stages in order of completion of each stage. First premises are planned to be ready for renting at the end of 2008 and the whole project is planned to be completed by the end of 2013. The project involves development of 233 580 m^2 of warehouses, production, retail and office spaces. The fair value is estimated using 5% vacancy after the spaces are taken into use. The capitalisation rate for the finished project is estimated to be 8,2%.

The fair value of this particular property is significantly dependent on the assumptions and estimates described above. The value of the property is the most influenced by the assumptions used in the valuation. The most sensitive is the valuation model in respect of the following inputs: discount rate (both in development stage and final capitalisation rate), estimation of construction costs and estimated sales price. Would the discount rate used in discounting the future cash flows been 1% higher, the fair value of the investment property would have been EUR 2 040,2 thousand lower. If the construction costs were been estimated 10% higher, the fair value of the property would have been EUR 11 394,2 smaller. If the final capitalisation rate would be 0,1% higher, the fair value would decrease by EUR 1 631,1 thousand. If the estimated sales prices were 10% less, the value of the property as at 31 December 2007 would be EUR 13 468,5 thousand less.

Because the valuation model is highly sensitive in respect of the inputs used, the management has in addition to the expert valuation also compared the estimated value with other indicative available information, e.g. the sales advertisements of land plots during 2007 in internet portals which publish such information for the same region. Because the information about comparability of the information (whether the land has agricultural or business purpose of use, which kind of utility structures are connected to the land, how good is the location and how does it influence the value of the object, how does the size of the land plot influence the value etc.) is not available and the transaction prices are indicative only, the management has not based its judgement on that information, but used it only to support its decision. The sales prices for the land plots of comparable size and purpose of use are within the range from 25 to 80 USD/m^2. Because the carrying value of the investment property is also within the same range it gives additional assurance that the estimation of the fair value is correct in material respects and corresponds to the market value as of the balance sheet date.

The estimation of the fair value of the investment property is based on judgements, assumptions and previous experience adjusted with the current market conditions and other factors what the management re-assesses based on the best expertise and existing information. Because of that and based on the definition and taking into account that all assumptions may not realise, the valuation implies significant risk. This may result in significant change in the carrying value of property investments in future.

Had the value of the property investments been 10% higher, the net profit of the Group would have been EUR 1 889,7 thousand greater and had the value of the property investments been lower by 10%, the net profit would have been smaller by the same amount. Because some of the Group's associate companies are active in property investments and the fair value of these companies is related to the fair value of their property investments, the total openness of the Group in respect of the 10% value change in investment property amounts to EUR 3 680,9 thousand.

2.2. Assessment of property, plant and equipment under the revaluation method

The management has assessed the fair value of property, plant and equipment reported under the revaluation method (fair value less depreciation and accumulated impairment loss) using the opinion of an independent expert regarding the market value of the item. The market value has been determined under the method of comparable market transactions, which were adjusted with the specific characteristics of the property belonging to the Group, like exact location, purpose of use, size and design of the object). As at the balance sheet date, the carrying amount of property, plant and equipment recognised under the revaluation method is EUR 703,0 (2006: 882,0) thousand (Note 11). The impairment loss recognised during the period has been deducted from the revaluation reserve in the equity in amount of EUR 95,7 thousand and the remaining part has been recognised in the income statement in amount of EUR 92,0 thousand. Had the value of the property been 10% higher, the net profit of the Group would have been EUR 70,3 thousand and had the value of the property investments been lower by 10%, the net profit would have been smaller by the same amount.

2.3. Fair value and purchase analysis of available-for-sale financial assets and associates

Management has estimated the fair value of available-for-sale financial assets and associates using the following methodologies:

- Listed shares are valued at the bid price valid on the last trading day before the balance sheet date (Trigon Agri)
- price of share transactions concluded between independent parties (TDI Investments Ky)
- discounted future cash flows and the amortised residual market value approach (Chester Universal OÜ, Trigon Baltic Farming AS, Trigon Gardening AS, TC Valkeasaari Development Ltd, Rosamil OÜ, Martinson Trigon Venture Partners AS)

- residual value of the net assets of the investee (Martinson Trigon Venture Partners AS, Martinson Trigon AS, ST Coffee Advisors Ltd.)

Management has decided that the fair value estimation is not possible with sufficient reliability because of unquoted investments with no similar market transactions, future cash flows cannot be estimated with sufficient reliability and the amortised residual market value approach does not yield adequate results for Guideh OOO.

2.3.1 Associates

Additional information in respect of associates:

Associate company:	Carrying value of the investment (note 8)	Valuation method used
Property investment companies:		
Rosamil OÜ	9 374,4	Adjusted net assets value
Chester Universal OÜ	8 547,5	Adjusted net assets value
Valkeasaari Development	818,8	Adjusted net assets value
Agriculture:		
Trigon Agri	7 055,8	Bid price on 28 December 2007: 1,95 €/ pc.
Trigon Baltic Farming AS	1 193,2	Discounted cashflows
Other:		
Trigon Gardening AS	800,1	Adjusted net assets value
TDI Investments Ky	67,7	Last comparable transactions
Martinson Trigon Venture Partners AS	15,2	Adjusted net assets value
Total	**27 872,7**	

For property investment companies (Rosamil, Valkeasaari and Chester) the net assets of the company are materially affected by the fair value of the property investments (note 2.1). The property investments in these companies are valued by and independent valuer, which has used discounted future cash flow method for all these properties.

The management of the parent company of the Group has critically evaluated whether the valuation methods and assumptions used at valuation correspond with the managements' view of development stage, realisation potential and future use of the property developed by the associate company. Using the discounted cashflow method is reasonable because at the time of making the evaluation it is possible to assess the likelihood of realisation of the assumptions and inputs used in the valuation model and the exactness of those is sufficient. Because the property market in Estonia has been relatively illiquid and there has not been enough comparable transactions, using the cash flow method is appropriate for most of the property objects because at the time of determining the value the exactness of the realisation probability of the assumptions and conditions provided in the valuation model can be considered sufficient. At the time when the transaction with the property or the shares of the associate company will take place the price of transaction may differ from the estimation of fair value the management has made currently.

In the current financial statements, the gain in change of fair value of associate companies active in property development is recognised as follows: from Rosamil in amount of EUR 9 361,3 thousand, from Chester EUR 7 530,8 thousand and from Valkeasaari EUR 538,5 thousand (note 8).

In case of Chester the critical next stage has been achieved by getting indirect approval to the detailed planning of the land located in Saue parish. The municipal council has decided after the balance sheet date that the process of approval will continue after the preliminary project for traffic junctions is approved by the Estonian Road Administration and all other approvals to the project have been received. The associate company has ordered the project and the preparation of the project is started. The Group has created the conceptual framework for the project and prepared preliminary drawings, started negotiations with the potential additional investors, construction companies and future tenants.

The property has been valued by the external independent valuer Colliers International on 10 September 2007. The main assumptions used in preparing the valuation report were: rent acceleration of 5% per annum, increase of construction cost 4%, vacancy of the premises after these are finished and proposed for rent 5%, discount rate during the development stage 16,2% and during the rent stage 8%. The area available for rent is planned to be 202 355 square meters, which is divided 58% for retail, 27% warehouse and production and 15% offices. The first premises are planned to rent out by the end of 2010. The valuation is prepared using the forecast of cash flows for next 8 years from 2008 to 2015.

As of the end of the year it has become evident that the start of the project of Chester and respectively the cash flows will be postponed by approximately 6 months. The management has adjusted the independent valuers' estimate with the effects of the changes in circumstances as of 31 December 2007 and received a value approximately 3,97% less than the valuer. The management based its decision on the assumptions used by the independent valuer and changes described above. Management has used the adjusted value to measure and record the investment property in the current financial statements.

The fair value of that investment is highly dependant on the assumptions made and disclosed above. The property valuation is the most sensitive to the following assumptions: discount rate, rent prices, construction cost estimation and vacancy. Because the fair value of the shares of the associate company is directly related with the fair value of the investment property in that company (the fair value is estimated using adjusted net assets value), the same factors are influencing fair value of the investment in associate company. If the discount rate used at valuation would have been used 1% higher, the fair value of the investment in associate as of 31 December 2007 would have been lower by EUR 563,4 thousand. Would the acceleration of rent be 1% lower, the fair value of the investment in associate would have been EUR 1 054,5 thousand lower and respectively would the acceleration in rent have been 1% higher the fair value would have been EUR 1 112,1 thousand higher. Acceleration of the construction cost by 10% influences the fair value by EUR 902,3 thousand down.

In case of Rosamil the critical next stage has been achieved by changing the registered purpose of use of land. This has been changed from agricultural land to the business land and active negotiations with a possible investor for realising part of the investment property have been started and reached a stage of preliminary proposal for sale.

The property has been valued by the external independent valuer Colliers International at 10 September 2007. The management has decided to adjust the valuers' estimation with the effect of discounting as the time lag between the valuation and the end of the year was 4 months. Also, some inputs to the model were adjusted with the effects of changes on the property market in the end of 2007 and events having effect on the valuation. The management based its decision on the assumptions used by the independent valuer and on the effects of changes on the market on inputs and used the same valuing model as the valuer. Management has used the adjusted value to measure and record the investment property in the current financial statements.

The main assumptions used in preparing the valuation report were: rent acceleration 5% per annum, increase of construction cost 4%, vacancy of the premises after these are finished and proposed for rent 5%, discount rate during the development stage 16,2% and during the rent stage 8%. The total area under construction of the development project is planned 192 000 m^2 and the whole development is planned to use as production and warehousing space. The first rent income is planned to be received in the end of 2009. The valuation is based on 7 years cashflow prognoses for the period from 2008 to 2014.

The fair value of that investment is highly dependant on the assumptions made and disclosed above. The property valuation is the most sensitive to the following assumptions: discount rate, rent prices, construction cost estimation and vacancy. Because the fair value of the shares of the associate company is directly related with the fair value of the investment property in that company (the fair value is estimated using adjusted net assets value), the same factors are influencing fair value of the investment in associate company. If the discount rate used at valuation would have been used 1% higher, the fair value of the property as of 31 December 2007 would have been lower by EUR 107,5 thousand. Would the acceleration of rent be 1% lower, the fair value of the property would have been EUR 1 833,1 thousand lower and respectively would the acceleration in rent have been 1% higher the fair value would have been EUR

1 898,4 thousand higher. Acceleration of the construction cost by 10% influences the fair value by EUR 1 696,9 thousand down.

In case of Valkeasaari the development project has reached the stage of real construction of private houses and module houses. The development company has received proposals from construction companies and has started final negotiations.

The property has been valued by the external independent valuer Colliers International at 21 August 2007. The management has decided to adjust the valuers' estimation with the effect of discounting as the time lag between the valuation and the end of the year was 4,5 months. Also, some inputs to the model were adjusted with the effects of changes on the property market in the end of 2007 and events having effect on the valuation. The management based its decision on the assumptions used by the independent valuer and on the effects of changes on the market on inputs and used the same valuing model as the valuer. Management has used the adjusted value to measure and record the investment property in the current financial statements.

The main assumptions used in preparing the valuation report were: acceleration of construction costs 4% per annum, sales price of houses after finishing the construction 2 200 and 1 800 USD/m², discount rate 16,6%. The total area under development is 70 783 m². The first houses are planned to sell on second year after starting the construction (during 2010). The valuation has been done using the total duration of the project 4 years.

The fair value of that investment is highly dependant on the assumptions made and disclosed above. The property valuation is the most sensitive to the following assumptions: sales price of houses, discount rate and estimate of construction costs. Because the fair value of the shares of the associate company is directly related with the fair value of the investment property in that company (the fair value is estimated using adjusted net assets value), the same factors are influencing fair value of the investment in associate company. If the discount rate used at the estimation of the present value of future cash flows would have been 1% higher, the fair value of the investment in associate as of 31 December 2007 would have been EUR 75,5 thousand lower. Would the construction cost increase by 10% the fair value would be EUR 345,4 thousand less. The decrease in sales value of the houses by 10% would influence the fair value of the fair value of the property by EUR 428,8 thousand.

In case of investments in associate companies active in agriculture (Trigon Agri A/S and AS Trigon Baltic Farming) the fair value has been estimated using the quoted market price on an active market (for Trigon Agri) and using the discounted cash flow method (for Trigon Baltic Farming).

The estimation of fair value of Trigon Agri the bid price valid at the last trading day of OMX First North stock exchange (1,95 €) has been used as the market has been sufficiently active. The current financial statements include gain from change in fair value of Trigon Agri in amount of EUR 2 536,8 thousand and profit from sales of shares of Trigon Agri EUR 2 668,4 thousand (Note 8).

Trigon Baltic Farming AS value has been determined using the discounted cash flow method based on the estimation of the future cash flows from operations of the company. The management of the parent company of the Group has determined the fair value at EUR 7 158 thousand, which gives fair value of the share belonging to the Group at EUR 1 193,2 thousand.

The material factors influencing the assessment of the fair value is the final growth rate used in determination of the terminal value 5%. Would the final growth rate have been used 4% the fair value of the share of the company would have been EUR 121,2 thousand lower and if the final growth rate would have been used 6% the fair value of the share of the company would have been EUR 148,9 thousand higher. The other important factors for which the model is sensitive are increase of income from sales of milk (24% on the first year, 12% on the next and 7% after that). The large increase on the first year is caused by increase in the number of cattle. Also, the increase of income from sales on crops (rapeseed) by 12%, 10%, 7% and 5% and discount rate (14,76%) used are important. By changing the discount rate 1% higher the value of the investment for Group would decrease by EUR 305,1 thousand.

In respect of other investments the assumptions used did not have material effect on the fair value of the assets recognised in the Group's consolidated balance sheet and on the gain recognised in the consolidated income statement.

2.3.2 Available-for-sales financial assets

Additional information in respect of the other available for sale financial assets is provided below:

Other long-term investments:	**Carrying value of the investment (Note 7)**	**Valuation method used**
Padula Property OÜ	169,8	Cost of the equity instrument
Martinson Trigon AS	741,4	Fair value of the share [1)]
ST Coffee Advisors Ltd	275,8	Adjusted net assets
Guideh	12,2	Cost
Total	**1 199,2**	

[1)] Share of Trigon Capital in the total fair value of the investments of Martinson Trigon investment portfolio which has been determined using the comparative transactions.

2.4. Deferred income tax

Deferred income tax assets have arisen from the expected realisation of tax losses incurred by subsidiaries located in other countries in previous periods against future taxable profits. Deferred income tax assets are recognised to the extent which is expected to be realised. Management has performed analyses and made estimates in respect of the further development and outcome of the respective market which has been used as the basis for estimating the realisation of future expected tax losses. At the time of preparing the financial statements, the Company's management is of opinion that the realisation of deferred income tax assets is uncertain and therefore, no deferred income tax assets have been reported in the balance sheet (See Note 25). The deferred tax liability is recognised in respect of TC Logistics Ltd. (Note 25).

2.5. Valuation of warrants for shares of Trigon Agri A/S

AS Trigon Capital has warrants to purchase up to 14 906 515 shares of Trigon Agri A/S with the prices from 1,24 to 1,31 euros per share during the period from 2010 to 2012. These warrants have been granted to AS Trigon Capital as to the establishing shareholder. Warrants can not be assigned to any third party except for the related parties of AS Trigon Capital. In addition to that, AS Trigon Capital has taken contractual obligation not to realise the warrants until 2010.

The realisation of the warrants is not related to the continuing of the advisory agreement between A/S Trigon Agri and AS Trigon Agri Advisors or to the quality of the management service and therefore the change in fair value of the warrants is not amortised over the service period, but all change in value is recognised in 2007 profit.

The warrants are divided into six tranches:

(i) Group-IA warrants for purchasing 2 453 258 shares with the price per share EUR 1,24 during the period from 30 April 2011 to 31 May 2010;

(ii) Group-IB warrants for purchasing 2 453 257 shares with the price per share EUR 1,24 during the period from 30 April 2011 to 31 May 2011;

(iii) Group-IIA warrants for purchasing 2 500 000 shares during the period from 30 April 2011 to 31 October 2010,

(iv) Group-IIB warrants for purchasing 2 500 000 shares during the period from 30 April 2011 to 31 October 2011,

(v) Group-IIC warrants for purchasing twice 2 500 000 shares (total 5 000 000 shares) during the period from 30 April 2012 to 31 October 2012.

Group-I warrants are not conditional and these can be used without any restrictions. The first tranche of 2,453,258 warrants entitles to subscribe for one share at a subscription price of Euro 1.24 per share. The second tranche of also 2,453,257 warrants entitles to subscribe for one share at a subscription price of Euro 1.31 per share. The warrants in the third, fourth, fifth and sixth tranches can be exercised only when the sum of the share price (as a weighted average) and the total return on the investment of the shareholders of the Group since placing (divided by the total number of shares) has exceeded the specified threshold for 20 trading days during the exercise period. The threshold for the third tranche is 152 per cent of the respective offer price (i.e. Euro 1.25 per share), 175 per cent for the fourth tranche, 201 per cent of the fifth tranche and 249 per cent for the sixth tranche.

The first two tranches were granted in May 2006 and the following 4 tranches in May 2007. In 2006 financial statements the warrants were recorded in zero value because of the following reasons: the shares of Trigon Agri were listed in May 2007 and it was not possible to estimate fair value of the warrants reliably before that; the Trigon Agri Group did not have substantial operational history and revenues in 2006; material investments were in process of completion and because the success of planned initial public offering of the shares was not clear it was not possible to be sure that needed financing will be received and investments will be completed. As of the completion of 2007 annual report the Trigon Agri Group has operated more than a year and there exists sufficient information for valuing the warrants.

As at 31.12.2007 an independent valuer has estimated the value of the warrants to be EUR 11 657 thousand, which is recognised as derivative financial instruments in the balance sheet. The valuer has used Black and Scholes European type option valuation model for valuing Group – I options. For valuing the last three tranches of warrants the valuer has used Monte Carlo simulation modified with Box-Mueller transformation. The simulation estimates the value of the warrants as the most probable result of the various scenarios. The simulation used the following inputs: the closing price of the share on Stockholm stock exchange EUR 1,96 per share; long-term volatility 25% (derived from the volatility of Trigon Agri share and historical volatility of S&P food production companies' index); and interest rate 5%. The valuation is somewhat sensitive to the volatility rate used in the model. The 20 000 simulations run by the valuer did result in the value range from EUR 11 057 to 12 257 thousand with 95% probability and the value recognised in the balance sheet is the most probable result. Had the volatility rate used been 2% less, the most probable value of the warrants would have been EUR 11 417 thousand. Had the volatility rate used been 2% more the most probable value of the warrants would have been EUR 11 887 thousand.

2.6. Impairment of the receivable from an associate

Management has estimated that the receivable from an associate company ST Coffee Advisors is impaired and recorded it in estimated recoverable amount 283,4 thousand euros (Note 6). The estimation is based on the uncertainties related to the future of operations of ST Coffee Advisors related to the restructuring of the business. As of the time of preparing these financial statements the management of the Group has no assurance that the associate can generate sufficient positive operating cash flows which would enable it to meet its financial liabilities in full. In respect of valuation of associates see also Note 2.3.

Note 3 Risk management

In its daily operations, the Group is exposed to different kinds of risks. The management of these risks is an important and integral part of the Group's business operations. The ability of an organisation to identify, measure and control different risks is an important input to the profitability of the whole Group. Risk is defined by the management as a negative deviation from the expected financial outcome.

The most significant risk factors for AS Trigon Capital Group include market risk, operating risk relating to the concentration of assets or markets, credit risk and risk related to the global financial markets.

The basis for risk management in the Group is the requirements set by external regulatory institutions, following of general accounting standards and generally accepted accounting principles as well as internal regulations and risk policies of AS Trigon Capital Group. Risk management on the overall level includes identification, measurement and control of risks. The Management and Supervisory Boards of the parent company play the main role in managing risks and approving risk management procedures. During the period the Group was in compliance with the requirements set by the regulator to the concentration of risks and capital adequacy.

3.1. Market risk

Market risk arises from the possibility that the market prices and volatility of securities or other assets may change in an unfavourable direction.

None of AS Trigon Capital Group companies have a trading book, as a result of which the effect of market risk on the operations of the Group is limited. However, the Group has made long-term investments into various equity instruments not quoted on a stock exchange, whose value is mostly affected by the success of each entity's daily operations, but also general movements in the stock market. The Group has invested in real estate properties for which the change in fair value influences result of the Group.

Market risk affects the Group indirectly. As the services of AS Trigon Capital Group companies are closely related to investments made in the countries with emerging economies, being Central and Eastern Europe countries, Balkan countries, countries of the Persian Gulf etc. The Group's result is influenced by the movements of prices on the stock exchanges of the respective regions – their returns and volatility. As the Group's services are mostly related to the intermediation of shares and equity funds, the movements taking place in the region's equity markets are of high importance. Also, the operating activities of the Group are indirectly affected by interest rate risk and risk arising from changes in foreign exchange rates, as these factors also help determine the activity of investors. The Group's real estate property investments are open to political risk and agricultural investments to political risk and to the changes in soft commodities' prices.

3.2. Interest rate risk

Interest rate risk is a possibility that interest rates, the yield curve, volatility of interest rates etc. may change in an unfavourable direction.

The Group has invested in interest-bearing loan receivables (See Note 5), equity instruments (See Note 7) and associates (See Note 8), for which the fair value depends on the market interest rates (note 2.3.). The portion of interest bearing assets and liabilities in total assets and liabilities of the Group is relatively small and therefore the direct interest rate risk is not significant. Whereas Trigon Capital Group earns some interest income on the balance of its bank account and overnight deposits, which depends on general changes in market interest rate and are not fixed over the long term. As at 31 December 2006, the interest rates were as follows: bank account 0.2% (2006: 0.2%), overnight deposits in euros 3.663% (2006: 3.227%) and overnight deposits in Estonian kroons 5.25% (2006: 3.274%), short term deposits in euros 4,36% and 4,58% (there was no deposits in 2006).

The Group's borrowings were as follows:

Loan from Hansapank	Payable within 12 months	Payable later than 12 months	Loan maturity date	Average effective interest rate
31 December 2007	2 406 483,3	-	April 2008	6,49%
31 December 2006	1 26 548,7	2 405 332,9	April 2008	5,34%

The interest expense paid in 2007 totalled to EUR 400, 1 (2006: 96,5) thousand euros. The loan has floating interest rate calculated as 6 months EURIBOR + 1,2%. Because the deposits in banks are significantly larger than the borrowings and both have floating interests the Group does not have significant interest rate risks. Interest rate risk has indirect effect on the Group through discount rate used at valuation of the investments in fair value through profit and loss if the value of an investment is determined by discounted cashflow method (see also note 2.3).

3.3. Foreign exchange risk

Foreign exchange risk relates to the possibility that the value of assets or liabilities denominated in a given currency may change in an unfavourable direction (see Note 29).

Most of the Group's assets and liabilities are denominated in Estonian kroons, Latvian lats, Lithuanian litas or euros.

3.4. Operating risk

Operating risk relates to a potential loss arsing from inadequacy or inactivity of internal processes, activities of people or systems, or from external events, incl. legal risk. Legal risk arises if the entitled party cannot use its rights or wait for fulfilment of obligations because the obligated party does not fulfil the obligations it has assumed. To hedge the operating risks of the Group, the following principles have been established: specific transaction limits, four eye principle, segregation of duties, defined competency limits and approved procedure rules.

The Group's business operations depend to a certain degree on information technology. To manage risks related to information technology, the management has established internal procedures.

3.5. Credit risk

Credit risk represents a potential loss which arises from the inability of the counterparty to meet the obligations it has assumed to the Group. Credit risk relates primarily to the following transactions and balances: granting of loans and loan receivables, sale of services and receivables, cash and cash equivalents at banks, debt instruments.

AS Trigon Capital Group lowers credit risk with a careful choice of business partner. The major business partners of the Group are the investment funds managed or advised by the Group and companies the activities and financial position of which AS Trigon Capital Group has a good overview of.

As at the balance sheet date, the Group's exposure to credit risk was EUR 26 688,.7 thousand (31 December 2007: 13 475,1 thousand).

3.6. Liquidity risk

Liquidity risk relates to the Group's ability to meet its obligations on time and arises from differences between the maturities of assets and liabilities.

The Group's liquidity risk is managed at the parent company's level along with other group companies – cash flow estimates and budgeting, monitoring of the weighted average maturities of assets and liabilities. The loans granted by the Group and other receivables as well as their maturities are disclosed in Note 5 and 6 and financial obligations in Note 13.

3.7. Changes on global financial markets

Since the second half of 2007 there has been a sharp rise in foreclosures in the US subprime mortgage market. The effects have spread beyond the US housing market as global investors have re-evaluated their exposure to risks, resulting in increased volatility and lower liquidity in the fixed income, equity, and derivative markets. The volume of financing has significantly reduced since August 2007. Such circumstances may affect the ability of the Group to obtain new borrowings and refinance its existing borrowings at terms and conditions that applied to similar transactions in recent periods. Debtors of the Group may also be affected by the lower liquidity situation which could in turn impact their ability to repay their amounts owed. Management is unable to reliably estimate the effects on the Group's financial position of any further possible deterioration in the liquidity of the financial markets and their increased volatility.

3.8. Risk related to concentration of assets or markets

This risk is related to the possibility that certain events or circumstances have a major effect on the Company as the Group's activities or the value of the Group's assets or liabilities is dependent on one or a small number of markets (for example, CEE) or types of assets (for example, shares).

The activities of AS Trigon Capital Group depend significantly on the developments taking place in the countries of CEE, because most of the Group's revenue is derived from consulting services or management of investments in this region, especially equity funds and other equity investments. In addition, the Group has made long-term investments into the investment property projects. The Group uses geographical diversification of the projects between those countries of CEE which have lower correlation of cyclicality in the economic development (e.g. Estonia, Croatia and Russia) to mitigate the risk. In respect of quantitative measures of risks related to the investment properties, see also Note 2.1.

Thus, the risk related to the concentration of the Group's activities and assets in the markets of New Europe and especially equity markets is relevant for AS Trigon Capital. To review and hedge risks, the portfolio management theories are applied.

AS Trigon Capital has reporting obligation regarding the concentration of risks to an external supervisory authority and prepares respective reports on a quarterly basis to the Financial Supervisory Authority.

3.9. Capital and capital management

The Group's targets on capital management are: guarantee the going concern of the Group to meet the requirements for shareholders' return on invested capital; use the external financing efficiently and in rational limits; follow the requirements set to the Group's capital by the financial supervisory authority.

To ensure the optimum capital structure, the Group may change the amount or rate of dividend payment to the shareholders, buy back the shares, issue new shares or to sell assets to decrease the borrowings in the balance sheet. The shareholders or the management of the Group have not set limits or mandatory targets to the capital structure or to the return on equity.

The Group is subject to restrictions on capital in respect of the risk concentrations and capital adequacy on consolidated basis because the Group's subsidiary AS Trigon Securities is active in investment services. The capital adequacy requirements are set to both to the Group on consolidated basis and to the investment company Trigon Securities separately. In 2007 the Group did not have issues with meeting the capital adequacy requirements. The equity of the investment company must be at each time at least equal to the minimum share capital established by the Securities Law (EUR 730 thousand) and 25 per cent of the stable general expenses of the investment company. The equity of the investment company is divided into three tiers: first tier, second and third tier. The Group has no equity of third tier (subordinated loans, preference shares). The first tier equity includes share capital contributed by the shareholders, reserves and audited retained earnings. The Group's first tier equity as of 31 December 2007 amounts to EUR 82 602,1 thousand (as of 31 December 2006: EUR 18 637,3 thousand). Trigon Securities' capital is fully included in the first tier in its separate reports.

3.10. Fair values of financial assets and liabilities at amortised cost

The Group estimates that the fair values of the assets (Notes 5-6) and liabilities (Note 13) denominated in the balance sheet at amortised cost do not differ significantly from their carrying amounts presented in the Group's consolidated balance sheet at 31 December 2007 and 31 December 2006. The carrying amount less an impairment provision of trade receivables and payables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Note 4 Cash and cash equivalents

	31.12.2007	31.12.2006
Cash on hand	1,3	2,6
Deposits on demand	1 788,1	1 552,7
Overnight deposits	1 979,1	6 202,4
Term deposits up to 3 months	5 400,0	-
Total cash and cash equivalents	**9 168,5**	**7 757,7**

The credit quality of cash at bank according to banks external credit rating (Moody's):

	31.12.2007	31.12.2006
AA	4 520,5	322,4
A	4 557,7	7 432,7
BA	189,0	-
Cash on hand	1,3	2,6
Total cash and cash equivalents	**9 168,5**	**7 757,7**

As at the year end 2007, the average interest rate of bank accounts was 0.20% (2006: 0.20% p.a.). The interest rate of the overnight deposit depends on the amount and currency to be deposited and was on average 3.6% (2006: 3.2 %) p.a. The average interest of the short-term deposit was 4.47% p.a.

Note 5 Receivables and prepayments

	31.12.2007	31.12.2006
Receivables from customers	1 970,8	1 699,2
Other short-term receivables	475,7	1 548,4
Accrued income	13,7	34,7
Tax prepayments	29,1	18,5
Prepaid expenses	196,7	190,2
Total other receivables	**2 686,0**	**3 491,0**

Trade receivables include receivables from the funds managed by the Group in the total amount of EUR 490,9 thousand (management, performance and service fees) (2006: 1 358,5 thousand) and receivables for other services in the amount of EUR 1 479,9 (2006: 340,5) thousand.

Other short-term receivables as at 31 December 2007 in the amount of EUR 475,8 (2006: 1 548,5) thousand include short-term loans in the amount of EUR 456,1 (2006: 390,6) thousand. The effective interest rate of these receivables is equal to the nominal interest rate and remains between 4% and 8%.

Accrued income as at 31 December 2007 in the total amount of EUR 13,7 (2006: 34,8) thousand includes accrued interests and as at 31 December 2006 includes the advisory fee of the investment fund Baltic Republic Funds recognised under the accrual basis of accounting in the amount of EUR 11,5 thousand and accrued interest in the amount of EUR 23,3 thousand.

The prepaid expenses include prepayments for insurances, rent and travel. The prepaid fees for 2008 supervision to the Estonian Financial Supervisory Authority are also included in prepayments.

The management considers all receivables as collectible over the next 12 months, as a result of which they are included within current assets. As at 31.12.2007 management has written off one receivable in amount of EUR 55,8 thousand and has recorded the impairment loss in income statement under various operating expenses. As at 31.12.2006 no receivables were written down, also no write-down expenses have been reported in the income statement for the year 2006, as all receivables have been collected on time and in full. Receivables from related parties are disclosed in Note 27.

Note 6 Long-term receivables

	31.12.2007	31.12.2006
Long-term receivables from associates	13 682,0	-
Long-term loans to related parties (Note 27)	2 126,8	2 209,0
Guarantee deposits	20 ,3	17,5
Total long-term receivables	**15 829,1**	**2 226,5**

Long-term receivables from associates includes accumulated success fee receivable from an associate in accordance with the management agreement with that company in amount of EUR 12 686,0 thousand, which is the fair value of the receivable using discount rate 12%.

Long-term loans in amount of EUR 2 126,9 (2006: 2 209,0) thousand includes the following loans: loan to associate company TC Valkeasaari Development Ltd. in amount of EUR 1 460,0 (2006: 900,0) thousand with the repayment date 13 April 2011; loan given to associate company Rosamil OÜ in amount of EUR 383,5 (2006: 319,6) thousand and a loan given to ST Coffee Advisors Ltd. As of 31.12.2007 the loan given to ST Coffee Advisors Ltd, which is carried at EUR 283,4 thousand. The amount of total loan given to that company is EUR 1 247,5 thousand. The management has performed impairment test in respect to the investment in ST Coffee Advisors Ltd (Note 8). Because the recoverable amount of ST Coffee Advisors is less than the carrying value the receivable from that company has been partly written off to the amount of EUR 283,4thousand and the impairment loss of EUR 964,0 thousand has been recognised in the income statement.

Note 7 Available-for-sale financial assets

	Ownership %			
	2007	**2006**	**31.12.2007**	**31.12.2006**
Martinson Trigon AS shares	-	5%	-	317,0
St Coffee Advisors LTD shares	47,8%	12,8%	275,8	309,6
Guideh shares	1,2%	1,2%	12,2	12,2
Nienta OÜ share	-	100%	-	2,6
Padula Property OÜ subordinated bonds	14,5%	-	169,8	-
Total financial assets at amortised cost			**457,8**	**641,4**
Martinson Trigon AS shares	5%	-	741,4	-
Total financial assets at fair value			**741,4**	-
Total available-for-sale financial assets			**1 199,2**	**641,4**

Financial assets recorded at amortised cost include unquoted investments whose fair value cannot be determined with sufficient reliability and thus are recognised at amortised cost. The cost of the investment has been used as the basis for determining amortised cost and it has been assessed for any evidence of impairment. At the time of preparing the financial statements, the management of the Group's parent company believes that available-for-sale financial investments have not become impaired.

In 2007 estimation of the fair value of Martinson Trigon's investments became sufficiently reliable and the management decided to change the accounting method to fair value. Comparatives are not adjusted. The Group achieved unrealised gain in amount of EUR 102,3 thousand as a result of change from cost to fair value of Martinson Trigon. The Group has potential success fees from some of Martinson Trigon's investments what are not included in 2007 income (Note 30), but are included in the fair value assessment.

In 2007 additional investment into St Coffee Advisors Ltd. in amount of EUR 242,0 thousand has been made and the total investment reached EUR 551,6 thousand. The management has performed impairment test in relation to the investment in ST Coffe Advisors which demonstrated that the recoverable amount of the investment is lower than the carrying value and the impairment loss has been recognised in amount of EUR 275,8 thousand. The carrying value after deducting the impairment loss remains EUR 275,8 thousand. The impairment loss is included in the income statement as other expenses.

In 2007 the Group sold its share in OÜ Nienta, which was acquired in 2006. OÜ Nienta has been inactive during the year and has not started its operations before the sale. The sales price was EUR 3,5 thousand and profit from sales was EUR 0,9 thousand.

Note 8 Associates

As at 31.12.2007, AS Trigon Capital Group had 10 associates.

Associate company	Owner-ship %	Acquisition cost 31.12.2007	Carrying value 31.12.2007	Fair value gain recorded in previous periods	Fair value gain recorded in 2007
1) Martinson Trigon Venture Partners AS	50%	63,9	15,2	(39,6)	(9,1)
2) Rosamil OÜ	50%	3,2	9 374,4	9,8	8 703,0
3) Trigon Gardening AS	36,71%	1 176,8	800,1	(243,6)	(133,2)
4) TC Valkeasaari Development Ltd	33,33%	1,8	818,8	278,6	639,2
5) Trigon Baltic Farming AS	16,67%	329,1	1 193,3	203,6	660,5
6) Chester Universal OÜ	14,5%	441,2	8 547,5	575,6	7 530,8
7) Trigon Agri A/S	6,06%	4 015,7	7 055,8	503,3	5 222,6
8) TDI Investments Ky	1,45%	67,7	67,7	-	-
9) BCB Baltic AB	0%	-	-	-	-
10) Trigon Dalmatian Properties AS	0%	-	-	-	-
TOTAL		**6 099,4**	**27 872,8**	**1 285,5,7**	**23 171,4**

As at 31.12.2006, AS Trigon Capital Group had 11 associates.

Associate company	Owner-ship %	Acquisition cost 31.12.2006	Carrying value 31.12.2006	Change in fair value in 2006 income statement	Change in fair value in retained earnings in 2006
1) Martinson Trigon Venture Partners AS	50%	63,9	24,4	(19,3)	-
2) Rosamil OÜ	50%	3,2	13,0	9,8	-
3) Trigon Gardening AS	36,71%	943,2	699,8	(220,1)	(23,4)
4) TC Valkeasaari Development Ltd	33,33%	1,8	280,4	278,6	-
5) Trigon Baltic Farming AS	16,67%	329,1	532,7	203,6	-
6) Chester Universal OÜ	14,5%	437,2	1 012,5	91,8	483,6
7) Trigon Farming AS	10,9%	2 000,0	2 503,3	503,3	-
8) TDI Investments Ky	1,45%	67,7	67,7	-	-
9) BCB Baltic AB	0%	-	-	-	-
10) Baltic Republics Fund	0%	-	-	-	-
11) Trigon Dalmatian Properties AS	0%	-	-	-	-
TOTAL		**3 846,1**	**5 133,8**	**847,7**	**460,2**

1) As at 31.12.2007 and 31.12.2006, the investment in associate includes a 50% holding in AS Martinson Trigon Venture Partners which is engaged in investment activities and investment-related consulting. That company is controlled by the other shareholder, which also owns 50% of the share capital.

2) From 22 May 2006, investment in OÜ Rosamil is reported as an associate which between 2 February 2006 and 21 May 2006 was a wholly-owned subsidiary of AS Trigon Capital. In the financial year, OÜ Rosamil issued new shares to investors through private placement at the nominal price totalling EUR 3.2 thousand. OÜ Rosamil is engaged in real estate development.

3) At 19.04.2006, in addition to the existing holding, AS Trigon Capital acquired 31.65% of AS Trigon Gardening and from that date, the 36.7% holding in AS Trigon Gardening is reported as an associate. AS Trigon Gardening owns and operates a gardening centre Hortes.

4) At 16 October 2006, the Company acquired 1/3 of the company TC Valkeasaari Development Ltd., registered in Cyprus.

5,6,7,8) AS Trigon Capital Group has holdings and significant influence through management contracts in the following companies:

- Chester Universal OÜ
- Trigon Agri A/S
- Trigon Baltic Farming AS
- TDI Investments KY

9, 10, 11) In addition to the aforementioned companies, associates also include the following companies which Trigon Capital Group through management contracts has significant influence over but no holdings in 2007 and 2006:

- BCB Baltic AB
- Baltic Republics Fund
- Trigon Dalmatian Properties AS

Changes in fair value of associates are reported in the income statement line "Gains from associates" in the amount of EUR 23 265,1 (2006: 847,7) thousand.

In 2007 occurred share swap between AS Trigon Farming and a Danish company Trigon Agri A/S and new share issue in amount of EUR 50 000 thousand. On 18 May 2007 the shares of Trigon Agri were listed on alternative list of Stockholm stock exchange First North, which made these shares tradable on a public equity market and the fair value of the shares became easily determinable as a bid price on the stock exchange. In addition, also the fair value of the warrants on Trigon Agri shares became determinable (Note 9).

During 2007 the Group purchased additional shares of Trigon Agri (from the share issue mentioned above) in amount of EUR 8 310,9 thousand and sold later part of these shares for EUR 6 311,0 thousand. The realised gain on sales of the shares was EUR 2 668,4 thousand and the unrealised gain on the revaluation of the unsold shares to the closing bid price was EUR 2 536,8 thousand. Trigon Capital owned 6,06% of the shares in Trigon Agri as of 31 December 2007.

Selected financial information about associates as at 31.12.2007

Associate company	Assets	Liabili-ties	Owners' equity	Share capital	Income 2007	Costs 2007	Profit/ (loss) 2007
Martinson Trigon Venture Partners AS	168,6	138,2	30,4	127,8	301,0	-319,2	-18,2
Rosamil OÜ	18 725,1	538,8	18 186,3	6,4	17 438,0	-32,0	17 406,0
Trigon Gardening AS	4 504,1	2 701,5	1 802,6	302,9	3 147,0	-3 381,4	-234,4
TC Valkeasaari Development Ltd	6 603,2	4 159,2	2 444,0	5,6	45,0	-300,8	-255,8
Trigon Baltic Farming AS	6 333,7	5 086,7	1 247,0	1 359,9	4 342,7	-4 599,1	-256,4
Chester Universal OÜ	75 015,5	16 080,5	58 935,0	493,5	64 993,6	-13 141,3	51 852,3
Trigon Agri A/S	65 018,8	738,8	64 280,0	59 627,4	7 731,0	-7 815,0	-84,0
TDI Investments Ky	14 693,1	8 555,5	6 137,6	5 087,5	15 969,2	-15 717,5	251,7

Selected financial information about associates as at 31.12.2006

Associate company	Assets	Liabi-lities	Owners' equity	Share capital	Income 2006	Costs 2006	Profit/ (loss) 2006
Martinson Trigon Venture Partners AS	68,9	20,2	48,7	127,8	293,0	(331,7)	(38,7)
Rosamil OÜ	1 234,0	1 207,9	26,1	6,4	112,1	(92,4)	19,7
Trigon Gardening AS	4 668,6	2 869,2	1 799,3	302,9	2 458,5	(3 078,4)	(619,9)
TC Valkeasaari Development Ltd	3 445,2	2 843,3	601,9	5,6	1 043,2	(202,1)	841,1
Trigon Baltic Farming AS	6 419,7	4 916,3	1 503,4	1 359,9	4 284,3	(4 744,9)	(460,5)
Chester Universal OÜ	9 953,0	2 969,3	6 983,7	17,6	912,5	(279,2)	633,4
Trigon Farming AS	15 238,3	3 422,1	11 816,1	972,4	1 866,1	(2 436,9)	(570,8)
TDI Investments Ky	16 793,8	8 379,6	8 414,2	5 087,5	14 533,8	14 452,1	81,7

In addition to the associates presented in the table, AS Trigon Capital Group incorporates through significant influence arising from management contracts also the following associates: BCB Baltic AB and Trigon Dalmatian Properties AS, for which the financial data are not provided as the Group has no participation in the share capital of these companies.

Note 9 Derivative financial instruments

AS Trigon Capital has warrants to purchase up to 14 906 515 shares of Trigon Agri A/S with the prices from 1,24 to 1,31 euros per share during the period from 2010 to 2012. These warrants have been granted to AS Trigon Capital as the establishing shareholder. Warrants can not be assigned to any third party except for the related parties of AS Trigon Capital. The Management has received from an independent valuer a valuation opinion for these warrants which sets the fair value EUR 11 657 thousand (Note 2.5).

The first tranche of 2,453,258 warrants entitles to subscribe for one share at a subscription price of Euro 1.24 per share and can be exercised at any time between April 30, and May 31, 2010. The second tranche of also 2,453,257 warrants can be exercised at any time between April 30, and May 31, 2011, and each warrant in this tranche entitles to subscribe for one share at a subscription price of Euro 1.31 per share. Any warrants not exercised in either the first or second tranche will be null and void, and cannot be exercised in the later tranches. The third and fourth tranches of the warrants can be exercised during the six-month periods between April 30, and October 31, in 2010 and 2011, representatively, and both the fifth and sixth tranches can be exercised between April 30, and October 31, 2012. However, the warrants in the third, fourth, fifth and sixth tranches can be exercised only when the sum of the share price (as a weighted average) and the total return on the investment of the shareholders of the Group since placing (divided by the total number of shares) has exceeded the specified threshold for 20 trading days during the exercise period. The threshold for the third tranche is 152 per cent of the respective offer price (i.e. EUR 1.25 per share), 175 per cent for the fourth tranche, 201 per cent of the fifth tranche and 249 per cent for the sixth tranche.

Note 10 Investment property

	2007	2006
Rent income earned from the property investments (Note 12)	17,8	20,1
Operating expenses related to property investments	26,8	58,1
Net income from renting the investment property	(9)	**(38,0)**

Changes in investment property during the year:

	2007	2006
Carrying value at the beginning of the year	3 957,5	224,5
Acquisitions	3 016,4	3 814,5
Sales in sales value	-	(607,1)
Income from revaluation of investment property	12 355,1	525,6
Loss from revaluation of the investment property	(562,9)	
Carrying value at the end of the year	**18 894,0**	**3 957,5**
Incl. investment property at fair value	18 559,5	3 637,3
Incl. investment property at cost	334,5	320,2

As of 31.12.2007 no investment properties earned rent income. As of 31.12.2006 the carrying value of the investment property earning rent income was EUR 683,9 thousand.

The properties acquired in the previous periods – apartment on Gonsiori str. in Tallinn, land on Saaremaa, 7 apartments in Tallinn old town, Härgla manor in Rapla county (all previous in Estonia), apartment in Split (Croatia) and land near St. Petersburg in Russia.

In 2007 the group acquired land near St. Petersburg in Leningrad oblast, which had original registered purpose of use as agricultural land for EUR 2 643,1 thousand. In 2006 were acquired: land in Saaremaa for EUR 122,3 thousand; 8 flats in Tallinn old town for EUR 3 147,7 thousand, apartment in Split, Croatia for EUR 300,0 thousand and manor house in Rapla county, Estonia for EUR 320,2 thousand. In 2006 one of apartments in Tallinn was sold for EUR 607,1 thousand with profit from sales EUR 168,5 thousand.

Revaluation of investment properties (except for Härgla manor) is based on an estimate of an independent expert on the property's market value. The market value has been determined by a certified expert with sufficient experience, using the methods of discounted cash flows or method of comparable market transaction (note 10). The manor of Härgla is carried in the balance sheet at cost because the market value of this investment property could not be determined due to absence of similar transactions in the region and the Management Board cannot estimate the future expected cash flows with reasonable certainty either. The determination of the fair value is also made more difficult by unpredictable renovation costs.

As at 31.12.2007, a joint mortgage had been set on the apartments located in the Old City of Tallinn in the amount of EUR 2 738,0 (2006: 3 828,3) thousand to secure the loan assumed from AS Hansapank. As at 31.12.2007, the carrying amount of apartments pledged as collateral was EUR 3 297,8 thousand.

Note 11 Property, plant and equipment

	Property, plant and equipment at cost less depreciation							
	Cars (on finance lease)	Computers	Furniture	Other equipment	Prepayments[1]	Total	Land and buildings[2]	Total property, plant and equipment
As at 31 December 2005								
Acquisition cost	21,9	109,2	115,6	47,0	-	293,7	786,3	1 080,0
Accumulated depreciation	(16,8)	(86,0)	(113,9)	(29,7)	-	(246,4)	-	(246,4)
Impairment loss	-	-	-	-	-	-	(64,1)	(64,1)
Net book value	5,1	23,2	1,7	17,3	-	47,3	722,2	769,5
Changes in the acquisition cost								
Purchases	-	6,2	13,0	30,1	-	49,3	-	49,3
Write-offs	-	(39,6)	(31,7)	(5,6)	-	(76,9)	-	(76,9)
Currency translation difference	0,2	0,1	0,1	-	-	0,4	-	0,4
Depreciation								
Depreciation of the assets written off	-	35,0	31,8	1,3	-	68,1	-	68,1
Depreciation cost during the period	(4,3)	(7,9)	(2,0)	(7,2)	-	(21,4)	-	(21,4)
Currency translation difference	(0,2)	(0,1)	(0,1)	-	-	(0,4)	-	(0,4)
As at 31 December 2006								
Acquisition cost	22,1	75,9	97,0	71,5	-	266,5	722,2	988,7
Accumulated depreciation	(21,3)	(59,0)	(84,2)	(35,6)	-	(200,1)	-	(200,1)
Impairment loss	-	-	-	-	-	-	159,8	159,7
Net book value	0,8	16,9	12,8	35,9	-	66,4	882,0	948,4
Changes in the acquisition cost								
Purchases	-	18,7	54,3	27,9	1 469,6	1 570,5	8,8	1 579,3
Write-offs		(10,8)		(0,3)	-	(10,5)	-	(10,5)
Currency translation difference	1,5	1,1	0,8	0,4	-	3,8	-	3,8
Depreciation								
Depreciation of the assets written off	-	8,8	-	0,3	-	9,1	-	9,1
Depreciation cost during the period	(0,8)	(14,4)	(8,6)	(15,3)	-	39,1	-	39,1
Currency translation difference	(1,6)	(1,3)	(0,8)	(0,4)	-	(4,0)	-	(4,0)
As at 31 December 2007								
Acquisition cost	23,6	84,9	152,0	99,5	1 469,6	1 829,6	890,7	2 720,3
Accumulated depreciation	(23,6)	(66,0)	(93,6)	(51,1)	-	(84,9)	-	(84,9)
Impairment loss recognised in income statement							(92,0)	(92,0)
Impairment loss recognised in revaluation reserve in equity							(95,7)	(95,7)
Net book value	-	18,9	58,5	48,4	1 469,6	1 595,4	703,0	2 298,5

[1] Prepayments for property, plant and equipment includes prepayments for the self-developed investment property in amount of EUR 1 469,6 thousand.

[2] The apartment is accounted for using the revaluation method.

The net book value of the apartment when the cost less depreciation method had been used would have been EUR 715,6 (2006: 739,1) thousand (depreciation 3%) as at 31 December 2007. The apartment, which is accounted for using the revaluation method, has been evaluated by an independent expert and the last evaluation has been as of 31.12.2007. The expert used comparison method with known market transactions. The negative difference between the old previous carrying value and value estimated by the expert in total amount of EUR 187,7 thousand is recognised partly (in amount of EUR 95,7 thousand) as a decrease in revaluation reserve in equity and in amount of EUR 92,0 thousand in the income statement in the line various operating expenses as impairment loss from property, plant and equipment and property investments.

Note 12 Operating lease

In 2007 three apartments were leased out in the Old City of Tallinn under the operating lease terms. The operating lease income totalled EUR 17,8 thousand (in 2006: EUR 20,1 thousand). Information on the carrying amounts of investment properties is disclosed in Note 10.

The Group rents office premises and cars by means of the operating lease:

	2007	2006
Rent paid for cars during the year	57,2	39,9
Rent paid for offices during the year	229,3	97,5
Future period rent payments from non-cancellable rent agreements:	376,2	186,9
Incl. Up to 1 year	214,3	97,5
1-5 years	162,0	89,4

Note 13 Payables to suppliers and other short-term liabilities

	31.12.2007	31.12.2006
Loan liabilities	2 368,1	-
Accrued expenses (Note 14)	2 200,3	1 438,8
Payables to suppliers	274,4	218,0
Tax payables (Note 15)	108,2	51,3
Other short-term liabilities	439,5	1 442,7
Total payables to suppliers and other short-term liabilities	**5 390,8**	**3 1508**

Loan liability in amount of EUR 2 368,1 thousand is the loan taken from Hansapank by a Group company Sunny-Trading OÜ. The joint mortgage on the apartments located in Tallinn old town and belonging to Sunny-Trading is set as security to the loan. Loan interest is calculated as 6 month EURIBOR+1,2% (what is also the effective interest rate of the loan as there were no transaction cost related to that loan) and the repayment date of the loan is 10 April 2008. The same amount is recognised in 2006 as a long-term loan.

On 16 May 2007 AS Trigon Capital borrowed from Hansapank a short-term loan, which was returned to the bank in November and December 2007.

Other current liabilities include re-sale fees of the funds managed by AS Trigon Funds, which is a subsidiary of Trigon Capital Group.

The management of the Group's parent company estimates that all these financial liabilities will be settled within 12 months after the balance sheet date; therefore they are treated as current liabilities.

Liabilities to related parties have been disclosed in Note 29.

Note 14 Accrued expenses

	31.12.2007	31.12.2006
Unpaid bonuses to the employees and management (1)	2 032,0	916,9
Vacation pay accrual	112,5	59,8
Payable to employees	2,7	26,5
Other accrued expenses	53,0	193,7
Provisions (2)	0,0	242,0
Total accrued expenses	**2 200,2**	**1 438,9**

According to the managements' estimation all liabilities disclosed above will realise during the next 12 months after the balance sheet date and are therefore disclosed as current liabilities.

(1) The bonus accrual is calculated in accordance with the motivation policy of Trigon Capital Group and authorised by the Group management.

(2) Due to the potential income tax liability of the managed fund and its potential effect on the fees of AS Trigon Funds which is part of Trigon Capital Group, a provision has been set up in the amount of EUR 242,0 thousand. As of 31.12.2007 the managements' estimation regarding the circumstances causing the recognition of the provision has changed and emerging of the potential tax liability has become less than likely (Note 30 Contingent liabilities).

Note 15 Tax liabilities and tax prepayments

	Liability/ (prepay-ment) 31.12.2006	Adjustments and currency translation differences	Calculated in 2007	Paid in 2007	Liability/ (prepay-ment) 31.12.2007
Personal income tax withheld	17,4	0,1	541,9	528,2	31,2
VAT liability	(14,3)	(0,4)	167,0	153,5	(1,2)
Social security taxes	26,7	0,1	837,8	821,3	43,3
Other taxes	2,9	0,0	71,7	68,8	5,8
Total tax liabilities and prepayments	32,8	(0,2)	1 618,4	1 571,9	79,1
Incl. Tax liabilities (Note 13)	51,3	0,0	0,0	0,0	108,2
Tax prepayments (Note 5)	(18,5)	0,0	0,0	0,0	(29,1)

Note 16 Owners' equity

As at 31 December 2005, the share capital of AS Trigon Capital consisted of 247 780 equal registered shares with the nominal value of EUR 0,6 and total share capital was EUR 158 360,3. The share capital has been fully paid in cash.

There has not been changes in share capital during 2007 and the share capital of AS Trigon Capital has remained EUR 158 360,3 as of 31.12.2007.

According to the Statutes of AS Trigon Capital the minimum share capital is EUR 88 198,1 and maximum EUR 352 792,3.

As at 31.12.2006, the equity also includes a revaluation reserve in the amount of EUR 95,7 thousand, which has been used in full to cover impairment loss recognised on the revalued apartment and therefore the reserve has disappeared.

The mandatory legal reserve amounts to EUR 13,2 thousand and the reserve can not be distributed to the owners.

AS Trigon Capital shareholders as of 31 December:

	31.12.2007				31.12.2006		
	Country of origin	Number of shares	Share capital	Owner-ship %	Number of shares	Share capital	Owner-ship %
Joakim J. Helenius	Finland	138 000	88,2	55,7	138 000	88,2	55,7
Thominvest OY	Finland	70 000	44,7	28,3	70 000	44,7	28,3
Hermitage OY	Finland	24 780	15,9	10,0	24 780	15,9	10,0
Timo Jouhki	Finland	10 000	6,4	4,0	10 000	6,4	4,0
Sakari Kivisaari	Finland	5 000	3,2	2,0	5 000	3,2	2,0
Total		**247 780**	**158,4**	**100,0**	**247 780**	**158,4**	**100,0**

The potential income tax liability what would be recognised if the dividends would be distributed is disclosed in Note 25.

Note 17 Revenue from advisory services

Revenue from advisory service in amount of EUR 1 799,0 (2006: 2 147,2) thousand comprises revenue from investment and business related advisory services and advisory services related to mergers and acquisitions.

Revenue from advisory services by geographical location of clients:

	2007	2006
Hungary	556,0	45,0
Poland	440,4	395,4
Estonia	330,7	349,0
Czech Republik	141,0	21,6
Lithuania	128,5	0,0
Russia	117,5	896,8
Slovenia	78,0	0,0
Latvia	7,0	45,0
Slovakia	0,0	394,5
Total revenue from advisory services	**1 799,1**	**2 147,3**

Note 18 Revenue from investment management and advisory services

Revenue from investment management amounting in 2007 to EUR 31 548,1 thousand and in 2006 to EUR 14 049,1 thousand includes revenue from management and service fees of investment funds and securities portfolios as well as investment management services relating to venture capital investments.

Fees from investment funds EUR 18 369,8 thousand were received from Trigon Emerging Europe Bonds Fund, Trigon Central and Eastern European Fund, Trigon Second Wave Fund, Trigon New Europe Small Cap Fund and New Europe Top Picks Fund, all of which are registered in the Republic of Estonia. Fees from advisory services relating to venture capital investments in amount of EUR 14 178,4 thousand include fees from management and consultations of miscellaneous companies (See Notes 8 and 9).

In 2007 the Group has received EUR 11 867,6 thousand of success fee from advisory services to its associate. The success fee is 20% of the profit of the associate before management fees. Thus, the management and success fee receivable by Trigon Capital AS totals to 20% of the associate's net profit. The fee will be settled after the shares of the associate have been converted into shares of AS Trigon Property Development, which is presumed to take place in 2008.

Revenue from investment management and advisory services by geographical locations:

	2007	2006
Estonia	30 387,0	13 568,3
Denmark	898,1	0,0
Finland	167,5	167,5
Cyprus	100,0	102,2
Guernsey	0,0	211,2
Total revenue from investment management and advisory services	**31 548,1**	**14 049,2**

Note 19 Revenue from commissions

Revenue from commissions consists of management fees of securities portfolios and service fees of securities transactions in the total amount of EUR 705,8 (2006: 1 552,8) thousand as well as fund redemption and subscription fees in the amount of EUR 496,7 (2006: 419,1) thousand. All revenue was generated in Estonia.

Note 20 Other operating income

	2007	2006
Various operating income	781,9	27,3
Services provided	116,1	163,9
Revaluation gains of PP&E	-	64,1
Revenue from securities intermediation	3,3	0,6
Total other operating income	**901,3**	**255,9**

Net profit/loss from securities reflects profits/losses on short-term securities which have arisen as a result of the so-called warehousing services to the clients (Note 28).

Note 21 Personnel costs

	2007	2006
Bonuses	2 896,2	497,2
Salaries and compensations	1 788,4	1 003,8
Taxes on bonuses	386,7	294,1
Taxes on salaries and compensations	379,3	260,7
Fringe benefits	74,9	67,9
Total personnel costs	**5 525,5**	**2 123,7**

Remuneration paid to the key members of the management of AS Trigon Capital:

	2007	2006
Salaries and bonuses paid to:		
Members of the Management Board and Supervisory Board	1 057,5	895 2
Total	**1 057,5**	**895,2**

Note 22 Various operating expenses

	2007	2006
Sales expenses	7 950.4	5 964.0
Legal and communication expenses	879.5	2 022.6
Business trip expenses	438.9	345.7
Rents and related expenses	276.4	268.7
Communication expenses	274.3	221.4
Accounting and auditing	137.5	80.6
Insurance	97.4	99.1
Advertising	86.9	71.1
Office supplies	64.8	56.1
Staff educating	52.2	18.8
Information technology	40.1	40.0
Banking expenses	28.5	22.3
Other expenses	739.4	406.9
Total other operating expenses	**11 066.2**	**9 617.3**

Major part of the sales expenses were marketing expenses related to the marketing of the funds managed by AS Trigon Funds and AS Trigon Alternative Funds in amount of EUR 7 880,9 (2006: 5 742,7) thousand.

The legal and consultation expenses include market analyses and consultation purchased from third parties in amount of EUR 356,6 (2006: 1 305,0) thousand, legal expenses in amount of EUR 245,2 thousand and recruitment costs in amount of EUR 136,4 thousand .

Note 23 Other business expenses

	2007	2006
Impairment loss form loans to associates	1 239,9	-
Impairment loss from property, plant and equipment	658,4	-
Total other business expenses	**1 898,3**	**-**

Note 24 Interests and other financial expenses

	2007	2006
Other interests and finance costs	400,1	96,5
Total interest and finance cost	**400,1**	**96,5**

Interest and financial expenses include interest paid to Hansapank EUR 390,2 thousand and other interest expenses EUR 9,8 thousand.

Note 25 Income tax

In accordance with the Estonian Income Tax Law dividends are taxed when declared, not depending on the time of actual payment of dividends or for which period the dividends are declared.

The distributable equity of the Group as of 31 December 2007 amounted to EUR 73 050,0 (2006: 14 540,6) thousand and the amount of dividends what would have been possible to declare was EUR 57 709,5 (2006: 11 341,7) thousand taking into account the income tax payable in amount of EUR 15 340,5 (2006: 3 198,9) thousand. The subsidiaries outside Estonia did not have income tax liabilities due to the tax losses carried forward from the previous years, except for TC Logistics Ltd.

In respect of TC Logistics Ltd. the deferred income tax liability and the respective income tax expense in the consolidated income statement has been recognised in amount of EUR 2 127,6 thousand as at 31 December 2007. The deferred income tax is recognised from the temporary difference between the acquisition cost of the land plot owned by Tosno Logistics Park OOO (the tax base) and revalued amount (the accounting base) of that real estate property calculated with the effective income tax rate 24%.

Income tax carry-forwards of the subsidiaries of the Group located outside Estonia:

	Trigon Capital Latvia A/S	**UAB Trigon Capital**	**Trigon Capital Sp. Z.o.o.**	**TC Capital OY**	**Trigon Capital d.o.o.**
Loss carry-forwards as of 31.12.2006	-62,6	-242,4	-272,7	-344,4	-23,6
Profit/loss before income tax	1,8	60,3	253,0	-273,6	-105,6
Effects of temporary differences	2,4	0,0	-32,8	0,0	0,0
Expiration of the losses carried forward	0,0	2,3	-38,6	0,0	0,0
Loss carry-forwards as of 31.12.2007	-58,4	-179,8	-91,1	-618,0	-129,2
Maximum allowed time for carrying losses forward	Up to 5 years	Up to 5 years	Up to 5 years	Up to 10 years	Up to 5 years
Expiration time	2008 - 2009	2009 – 2011	2008- 2009	2010 - 2017	2011-2012
Income tax rate %	15	15	19	26	20

No deferred income tax asset is recognised in the balance sheet due to the uncertainties related to future profits and related realisation of the asset.

Note 26 Subsidiaries of the Group

	Country of domicile	Share capital in local currency 2007	Ownership % of Trigon Capital	Share capital in local currency 2006	Ownership % of Trigon Capital
AS Trigon Capital	Estonia	2 477 800 EEK	The parent company	2 477 800 EEK	The parent company
Subsidiaries					
Trigon Capital Latvia A/S	Latvia	135 300 LVL	100,0	135 300 LVL	100,0
UAB Trigon Capital	Lithuania	10 000 LTL	100,0	10 000 LTL	100,0
Trigon Capital Sp. Z.o.o.	Poland	3 250 000 PLN	100,0	3 250 000 PLN	100,0
AS Trigon Investment Management	Estonia	-	-	400 000 EEK	100,0
AS Trigon Property Advisors	Estonia	400 000 EEK	100,0	-	-
AS Trigon Securities	Estonia	2 900 000 EEK	100,0	2 900 000 EEK	100,0
AS Trigon Funds	Estonia	2 002 200 EEK	100,0	2 002 200 EEK	100,0
TC Capital OY	Finland	33 637 EUR	100,0	33 637 EUR	100,0
SIA Trigon Lielveikali	Latvia	-	-	2 000 LVL	100,0
SIA Alnis Ventures	Latvia	-	-	2 000 LVL	100,0
OÜ Biladre	Estonia	40 000 EEK	50,0	40 000 EEK	100,0
Trigon Capital d.o.o.	Croatia	50 000 HRK	100,0	50 000 HRK	100,0
Trigon Property Development AS	Estonia	400 000 EEK	100,0	400 000 EEK	100,0
ERGO-Trigon Fund Company AS	Estonia	-	-	400 000 EEK	100,0
Sunny-Trading OÜ	Estonia	40 000 EEK	100	40 000 EEK	100
Trigon Alternative Funds AS	Estonia	2 500 000 EEK	100	2 500 000 EEK	100
TWM Limited Ltd	Cyprus	1 000 CYP	100	1 000 CYP	100
TWM Limited OOO	Russia	5 700 000 RUB	100	5 700 000 RUB	100
TC Logistic Ltd	Cyprus	1 000 CYP	77,3	-	-
Logistic Park Tosno OOO	Russia	30 000 000 RUB	77,3	-	-
TC Logistics Partners OOO	Russia	10 000 RUB	77,3	-	-
TC Farming Ltd	Cyprus	1 000 EUR	100,0	-	-

The main activities of Trigon Capital Latvia A/S, UAB Trigon Capital, Trigon Capital Sp. Z.o.o. and TC Capital OY are providing of various consultation services in Latvia, Lithuania, Poland and Finland.

TC Capital OY is a principal partner in a partnership, which was established on 23 December 2003 and which started its activities in 2004, TDI Investments KY. All investment decisions are done by the investment committee, where each partner has representation and TC Capital does not therefore have control over that entity and the entity is not consolidated in Trigon Capital consolidated financial statements. The partners' equity in TDI Investments KY as of 31 December 2007 was EUR 6 137,6 (2006: 8 414,2) thousand and net profit for 2007was EUR 251,7 (2006: 81,7) thousand.

As of 31 December 2007 the Group has finished liquidation procedures in AS Trigon Investment Management, AS ERGO-Trigon Fund Company in BRF Holding OÜ (which was acquired in 2006) and in Latvian subsidiaries SIA Alnis Ventures and SIA Trigon Lielveikali Latvia.

AS Trigon Securities is an investment company providing portfolio management services, broker services and other investment services under a license from the Estonian Financial Supervisory Authority.

AS Trigon Alternative Funds is a licensed fund management company, which manages Trigon Active Alpha fund.

AS Trigon Funds, which is a 100% subsidiary of AS Trigon Securities is a licensed fund management company, which manages several investment funds and provides other services permissible for a fund management company.

OÜ Sunny-Trading is a property investment company which owns, manages and rents out flats in Tallinn old town.

TWM Limited Ltd is an intermediate holding company registered on Cyprus, which holds shares of a Russian company TWM Limited OOO (Trigon Wealth Management), which has licences for brokerage and portfolio management.

Sales of investments

On 13 September 2007 AS Trigon Capital sold 100% shares of a subsidiary Nienta OÜ. The sales price was EUR 3,5 thousand and the gain from sales was EUR 0,9 thousand.

Purchase of assets through acquisition of subsidiary

On 26 September 2007 AS Trigon Capital acquired 100% of the share capital of TC Logistics Ltd (registered on Cyprus) and sold to a related party immediately 22,7% of that company (note 27). Before that, Trigon Capital and the related party had financed TC Logistics with the loan financing in proportion 77,3/22,7. TC Logistics owns shares of a Russian company OOO Logisticheski Park Tosno, which single asset was a plot of land in a favourable location near St. Petersburg. The land's registered purpose of use was agricultural land at the moment of purchase. During 2007 AS Trigon Capital performed change in purpose of use and designed the project of future use of that land. As a result of these actions the fair value of the land was estimated by an independent valuer at 31 December 2007 to be EUR 16 444,8 thousand. The gain from increase in value of the property in amount of EUR 12 332,1 thousand is included in the investment property revaluation gain in the income statement.

Note 27 Related party transactions

Transactions with parties related to the parent company of the Group

In 2007 AS Trigon Capital Group has purchased consulting services from the companies related to the members of the supervisory board of the parent company in amount of EUR 179,7 (2006: 1 333,4) thousand. The Group had on 31 December 2007 outstanding payables for the services in amount of EUR 10,7 (2006: 24,3) thousand. The parent company has also compensated to the members of the supervisory board costs related to participating in meetings in amount of EUR 13,2 (2006: 0,6) thousand. The Group sold at cost a 22,7% stake in a subsidiary to a shareholder at the same time when the subsidiary was purchased from a third party at arm's length transaction (note 26).

Funds managed by the subsidiary of the Group

In 2007 the Group earned management fees from the funds managed by AS Trigon Funds and AS Trigon Alternative Funds in amount of EUR 18 369,8 (2006: 13 179,9) thousand, from which amount on 31 December 2007 was receivable EUR 490,9 (2006: 1 358,5) thousand.

Income earned from associate companies

AS Trigon Capital Group has management agreements with several venture capital companies. According to these agreements members of the management board or supervisory board of the parent company of Trigon Capital Group are also members of management board in the associate companies and therefore these companies are considered to be related parties for the Group. In 2007 the total revenue from associate companies was EUR 13 657,2 (2006: 3 802,6) thousand. As at 31 December 2007 receivables from associates amounted to EUR 13 716,7 (2006: 2 563,4) thousand.

Transactions with the parties related to the members of management boards of subsidiaries.

In 2007 the Group purchased services from the parties related to the members of management boards of subsidiaries in amount of EUR 142,1 (2006: 310,5) thousand. Receivable from those parties on 31 December 2007 was EUR 0 (2006: 19,2) thousand.

Compensation to the key members of the management of AS Trigon Capital

In 2007 the key members of management of AS Trigon Capital Group received in total EUR 1 057,5 (2006: 895,2) thousand.

Write-offs of receivables

As off 31 December 2007 a receivable from the associate company ST Coffee Advisors Ltd. has been written down to the recoverable amount. The impairment loss recorded was EUR 964,0 thousand. There were no write-offs of receivables from related parties during 2006.

Note 28 Transactions related to warehousing service

The following table does not include the associate companies. The information in respect of the associate companies recorded at fair value through profit or loss is disclosed in Note 8.

Transactions during the year

	2007	2006
Carrying value of financial assets at the beginning of the year	-	-
Shares purchased	895,1	431,9
Shares sold in sales price	(898,4)	(4 32,0)
Realised gain from sales of shares	3,3	0,1
Repo loans given during the period	-	(217,3)
Repo loans returned during the period	-	217,3
Interests received on repo loans	-	0,1
Option premiums received	0,5	12,9
Option premiums paid	(0,5)	(12,3)
Income earned from option premiums	-	0,6
Carrying value of financial assets at the end of the year	-	-

The shares purchased and sold during the period are related to providing the warehousing service in connection with brokerage service. In accordance with the internal policy introduced by the Group's parent company and applicable to all Group companies including Trigon Securities it is not allowed to have trading portfolios in Group companies. In addition, trading with securities on own account is excluded from the licence given to AS Trigon Securities by the Estonian Financial Supervisory Authority. All financial assets at fair value through profit or loss are acquired with client orders for short period when transferring the shares directly to the client's account is not possible. Such shares do not constitute trading portfolio. Each such transaction needs pre-trade approval from the head of the business unit.

All financial assets at fair value through profit or loss have been realisable within 12 months and were recorded as current assets. All shares and bonds acquired are designated to the group of financial assets at fair value through profit or loss on initial recognition. The Group has not used valuation techniques for estimating fair value because all financial assets have been actively traded on market.

Note 29 Currency positions

As at 31 December 2007:

	2007	EEK	USD	EUR	LVL	LTL	PLN	RUR	HRK
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
ASSETS									
Current assets									
Cash and bank	9 168,5	119,4	6,7	8 290,4	18,0	2,6	226,2	503,8	1,3
Short-term financial investments	2 460,3	1 807,5	1,7	409,6	0,2	85,5	155,8	0,0	0,0
Receivables	225,7	136,2	0,0	57,3	23,3	0,2	2,6	4,1	2,1
Total current assets	**11 854,5**	**2 063,1**	**8,4**	**8 757,3**	**41,5**	**88,3**	**384,6**	**507,9**	**3,4**
Non-current assets									
Long-term financial investments	29 071,9	19 829,6		9 242,3					
Investment property	18 894,0	3 498,8	14 975,2	420,0					
Long-term receivables	14 833,6	391,7		14 436,5		2,8			2,6
Fixed assets	13 955,2	783,4		11 656,7		0,4	1,0	1 471,8	41,9
Total non-current assets	**76 754,7**	**24 503,4**	**14 975,2**	**35 755,6**	**0,0**	**3,2**	**1,0**	**1 471,8**	**44,5**
TOTAL ASSETS	**88 609,2**	**26 566,5**	**14 983,6**	**44 512,9**	**41,5**	**91,5**	**385,6**	**1 979,7**	**47,9**
LIABILITIES									
Short-term liabilities									
Payables to suppliers and other short-term liabilities	8 350,2	2 419,8		2 862,5	7,7	12,7	38,0	3 004,2	5,4
Total short-term liabilities	**8 350,2**	**2 419,8**		**2 862,5**	**7,7**	**12,7**	**38,0**	**3 004,2**	**5,4**
TOTAL LIABILITIES	**8 350,2**	**2 419,8**	**0,0**	**2 862,5**	**7,7**	**12,7**	**38,0**	**3 004,2**	**5,4**
Net working capital	**3 504,3**	**-356,8**	**8,4**	**5 895,0**	**33,7**	**75,6**	**346,7**	**(2 496,3)**	**(1,9)**
Working capital	**80 259,0**	**24 146,7**	**14 983,6**	**41 650,5**	**33,8**	**78,8**	**347,6**	**(1 024,4)**	**42,5**

As of 31 December 2006:

	2006	EEK	USD	EUR	LVL	LTL	PLN	RUR	HRK	HRK
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EEK	EUR
ASSETS										
Current assets										
Cash and bank accounts	7 757,7	1 747,9	7,5	5 708,5	26,3	11,1	55,0	162,8	604	38,6
Short-term available for sale and trading investments	-	-	-	-	-	-	-	-	-	-
Short-term receivables	3 282,2	3 039,3	14,1	210,5	0,1	0,6	17,0	0,7	-	-
Prepayments	208,7	122,1	2,9	56,9	10,3	4,5	8,5	1,5	31	2,0
Total Current Assets	**11 248,6**	**4 909,3**	**24,5**	**5 975,9**	**36,7**	**16,2**	**80,5**	**165,0**	**635**	**40,6**
Long-term assets										
Long-term investments	5 775,2	5 103,6	-	671,6	-	-	-	-	-	-
Investment properties	3 957,5	3 537,5	-	420,0	-	-	-	-	-	-
Other long-term receivables	2 226,5	327,7	-	1 896,2	-	-	-	-	41,0	2,6
Fixed assets	948,3	940,4	-	-	-	1,0	2,2	4,7	-	-
Total long-term assets	**12 907,5**	**9 909,2**	**-**	**2 987,8**	**-**	**1,0**	**2,2**	**4,7**	**41,0**	**2,6**
TOTAL ASSETS	**24 156,2**	**14 818,5**	**24,5**	**8 963,7**	**36,7**	**17,1**	**82,7**	**169,7**	**676,0**	**43,2**
LIABILITIES										
Current liabilities										
Accounts payable and accrued expenses	3 150,8	2 136,2	14,9	960,0	4,2	4,0	17,6	5,0	141,0	9,0
Total Current Liabilities	**3 150,8**	**2 136,2**	**14,9**	**960,0**	**4,2**	**4,0**	**17,6**	**5,0**	**141,0**	**9,0**
Long-term liabilities										
Long-term lease liabilities	2 368,1	-	-	2 368,1	-	-	-	-	-	-
Total long-term liabilities	**2 368,1**	**-**	**-**	**2 368,1**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL LIABILITIES	**5 518,9**	**2 136,2**	**14,9**	**3 328,1**	**4,2**	**4,0**	**17,6**	**5,0**	**141**	**9,0**
Net Current Assets	**8 097,8**	**2 773,1**	**9,7**	**5 015,9**	**32,5**	**12,2**	**62,9**	**160,0**	**494**	**31,6**
Total Net Assets	**18 637,3**	**12 682,2**	**9,7**	**5 635,6**	**32,5**	**13,2**	**65,1**	**164,8**	**535**	**34,2**

Note 30 Contingent liabilities and potential assets

Potential effect of the tax inspection

The Tax Authorities have not performed tax inspections in the Group companies during 2006 and 2007. Tax authorities have the right to check the Company's tax records for up to 6 years after submitting the tax declaration and upon finding errors, impose additional taxes, interest and fines. The Company's management estimates that there are no circumstances which may lead the tax authorities to impose additional significant taxes on the Company or the Group.

The deferred tax asset arising from the tax loss carry forwards of the foreign subsidiaries is disclosed in note 27.

The funds managed by AS Trigon Funds invest in listed securities in various Central and Eastern Europe countries. The tax legislations in these countries have different approaches to the taxation of the capital gain in respective country and the Tax Authorities may attempt to tax the capital gain or to force the beneficiary to declare it. If such attempt would occur, it may influence the NAV or the fund manager's income or the investor's income depending on the double tax treaties and the respective country's tax legislation. AS Trigon Funds management is not aware of any occasions of taxing the fund's investors by any Central and Eastern Europe country's Tax Authority.

Success fees

The Group has several agreements for receiving success fees when the value increase of the companies managed by the Group on behalf of the investors realises. The Group may have success fees from advising the mergers and acquisitions, investment property management and portfolio management. As of 31 December 2007 the Group had probable success fees receivable from various companies in amount of up to 4 000 thousand kroons. Because receiving these success fees was not certain at the balance sheet date, the revenue and respective receivables from these companies were not recognised in the Group's consolidated financial statements.

Note 31 Events after the balance sheet date

On 29 February 2008 the parent company established 2 new subsidiaries registered in Estonia: AS Trigon Corporate Finance AS and Trigon Agri Advisors AS both with share capital EUR 25,6 thousand.

On 6 March AS Trigon Capital purchased 100% of share capital of Rondel d.o.o, a company registered in Croatia for EUR 2,4 thousand, which was paid in cash. Together with the shares and at the same time was purchased a loan receivable from the seller of shares for EUR 400 thousand, which was also paid in cash.

Note 32 Additional information about the parent company of the Group

In accordance with the requirements of the Estonian Accounting Law the primary financial statements of the parent company of the Group are disclosed in notes to the consolidated financial statements. The separate financial statements of the parent company of the Group are prepared using the same accounting principles as the consolidated financial statements except for the subsidiaries, which are recognised in cost in accordance with IAS 27 Consolidated and Separate Financial Statements. The cost method implies that the subsidiaries are recorded in cost less accumulated impairment losses in the parent company's balance sheet.

Balance sheet of the parent company of the Group

	31.12.2007	31.12.2006
ASSETS		
Current assets		
Cash and bank	5 403,7	6,6
Receivables	1 511,8	2 621,1
Prepayments	127,9	119,3
Total current assets	7 043,4	2 747,0
Non-current assets		
Investments to subsidiaries and associates	12 122,1	4 702,8
Available-for-sale financial assets	914,9	629,3
Derivative financial instruments	11 656,7	-
Property investments	83,1	127,8
Long-term receivables from subsidiaries	764,3	966,1
Other long-term receivables	14 813,3	2 209,0
Long-term prepayments	14,8	14,8
Property, plant and equipment	80,4	58,4
Total non-current assets	40 449,6	8 708,2
TOTAL ASSETS	**47 493,0**	**11 455,2**
LIABILITIES		
Short-term liabilities		
Various payables to subsidiaries	21 766,3	8 599,6
Payable to suppliers and other short-term liabilities	543,0	429,7
TOTAL short term liabilities	22 309,3	9 029,3
TOTAL LIABILITIES	22 309,3	9 029,3
OWNERS' EQUITY		
Share capital	158,4	158,4
Share premium	3 759,5	3 759,5
Mandatory reserve	13,2	13,2
Retained earnings	21 252,6	-1 505,2
TOTAL OWNERS' EQUITY	25 183,7	2 425,9
TOTAL LIABILITIES AND OWNERS' EQUITY	**47 493,0**	**11 455,2**

Income statement of the parent company of the Group

	2007	2006
Revenue		
Advisory fees	1 039,0	1 713,7
Asset management fees	12 802,0	2 010,5
Other business income	549,1	63,3
Total revenue	14 390,1	3 787,5
Operating expenses		
Payroll costs	-2 177,3	-614,3
Various operating expenses	-3 765,7	-3 217,5
Other expenses	-5,5	-26,1
Depreciation	-19,2	-14,6
Total operating expenses	-5 967,7	-3 872,5
Operating profit / (loss)	8 422,4	-85,0
Financial income and expenses		
Interest and other income	3 306,9	290,2
Interest and other expense	-426,7	-19,6
Gain from derivative instruments	11 656,7	-
Net gain / (loss) from currency exchange differences	1,7	-3,1
Net profit / (loss) from shares of subsidiaries	-203,2	32,0
Total financial income and expenses	14 335,4	299,5
Net profit	22 757,8	214,5

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

	Share capital	Share premium	Reserves	Retained earnings	Net profit for the period	TOTAL owners' equity
As at 31.12.2005	**158,4**	**3 759,5**	**13,2**	**(2 443,8)**	**724,1**	**2 211,4**
Allocation of 2005 net profit	-	-	-	724,1	(724,1)	-
2006 net profit	-	-	-	-	214,5	214,5
As at 31.12.2006	**158,4**	**3 759,5**	**13,2**	**(719,7)**	**214,5**	**2 425,9**
Allocation of 2006 net profit	-	-	-	214,5	(214,5)	-
2007 net profit	-	-	-	-	22 757,8	22 757,8
As at 31.12.2007	**158,4**	**3 759,5**	**13,2**	**(1 505,2)**	**22 757,8**	**25 183,7**

Calculation of adjusted unconsolidated equity of the parent company of the Group:

Equity of the parent company as at 31.12.2006	2 425,9
Investments in subsidiaries at cost 31.12.2006	(856,7)
Investments in subsidiaries by equity method 31.12.2006	17 065,5
Total adjusted unconsolidated equity as at 31.12.2006	**18 634,7**

Equity of the parent company as at 31.12.2007	25 183,7
Investments in subsidiaries and associates at cost 31.12.2007	(12 122,1)
Investments in subsidiaries and associates by equity method 31.12.2007	62 084,5
Total adjusted unconsolidated equity as at 31.12.2007	**75 146,1**

Cash flow statement of the Parent Company of the Group

	2007	**2006**
Operating cash flows		
Net profit	22 757,8	214,5
Adjustments for:	0,0	0,0
Depreciation	19,2	14,6
Revaluation of property investments	44,7	-25,6
Revaluation of the investments in subsidiaries	791,9	-32,0
Write off of loans given	1 035,5	(9,9
Income from derivatives	(11 656,7)	-
Change in long term receivables	(12 686,3)	-
Interests and other financial income	(782,4)	(290,1)
Interest expense	263,7	19,6
Change in working capital:	0,0	0,0
Change in receivables	884,7	(8,3)
Change in payables	13 279,9	6 747,1
Interests and other financial income received	2 518,7	270,5
Total operating cash flows	14 470,6	6 850,4
Investment cash flows		
Purchase of available-for-sale financial assets	0,0	(247,4)
Purchase of associates	(9 298,2)	(2 888,3)
Purchase of subsidiaries	(5 214,9)	(345,4)
Sales of associates	6 311,0	226,6
Sales of subsidiaries	0,0	2,6
Proceeds from liquidation of a subsidiary	140,2	0,0
Purchases of other long-term investments	0,0	-6,7
Sales of other long-term investments	5,6	0,0
Loans given	(1 840,0)	(3 769,8)
Loans returned	863,9	209,8
Acquisition of property, plant and equipment	(43,1)	(46,2)
Proceeds from sales of property, plant and equipment	2,0	0,0
Total investment cash flows	(9 073,5)	(6 864,8)
Financing cash flows		
Loans received	6 500,0	-
Loans repaid	(6 500,0)	-
Total financing cash flows	0,0	-
Net change in cash and cash equivalents	5 397,1	(14,4)
Change in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	6,6	21,0
Net change	5 397,1	(14,4)
Cash and cash equivalents at the end of the year	5 403,7	6,6

Independent auditors' report

Profit allocation proposal of the Trigon Capital Group

The Management Board of AS Trigon Capital confirms the net profit for 2007 of AS Trigon Capital Group in the amount of EUR 58 509,4 thousand and proposes to the General Meeting of Shareholders not to distribute the net profit for 2006 and allocate it to retained earnings.

Signatures of the Management Board and the Supervisory Board to the 2007 Annual Report

The 2007 Annual Report of AS Trigon Capital, approved by the General Meeting of Shareholders

________________________ 2008 decision, signing on ________________________ 2008:

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Ülo Adamson
Member of the Management Board

____

Joakim Johan Helenius
Chairman of the Supervisory Board

____

Kai Helenius
Member of the Supervisory Board

____

Leo Timo Tapio Jouhki
Member of the Supervisory Board

____

Peter Fagernäs
Member of the Supervisory Board

____

Pertti Petteri Laine
Member of the Supervisory Board