

OPEN-END INVESTMENT FUND
Parex Eastern European Balanced Fund

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006
(4th financial year)

PREPARED IN ACCORDANCE WITH
FCMC REGULATIONS ON FINANCIAL STATEMENTS OF INVESTMENT FUNDS
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Riga, 2007

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Annual report 2006
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AIF Parex Eastern European Balanced Fund
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General information

Name of the fund:	Parex Eastern European Balanced Fund	
Type of fund:	Open-end investment fund	
Registration date of the fund:	26 September 2003	
Number of the fund:	06.03.04.098/7	
Name of the investment company:	IPAS Parex Asset Management	
Registered office of the investment company:	Basteja bulvāris 14, Rīga, LV-1050, Latvia	
Registration number of the investment company:	40003577500	
Licence number of the investment company:	06.03.07.098/181	
Name of the custodian bank:	Joint stock company Parex banka	
Registered office of the custodian bank:	Smilšu 3, Rīga, LV-1522, Latvia	
Registration number of the custodian bank:	40003074590	
Names and positions of Council Members, Board Members and Fund Managers:	<p>Council of the investment company:</p> <p>Chairman of the Council: Gene Zolotarev – appointed on 30/11/2005</p> <p>Council Members: Ēriks Brīvmanis – appointed on 30/11/2005 Gatis Kokins – appointed on 30/11/2005 Leonīds Jamroziks – appointed on 30/03/2006 Valdis Birkavs – appointed on 07/12/2006 Aleksandrs Kvasovs – resigned on 30/03/2006 Andris Bērziņš – resigned on 07/12/2006</p> <p>Board of the investment company:</p> <p>Chairman of the Board/ President: Roberts Idelsons — appointed on 30/11/2005</p> <p>Board Members: Sergejs Medvedevs – appointed on 30/11/2005 Normunds Vigulis – appointed on 30/11/2005 Arvīds Sīpols – appointed on 30/11/2005 Leonīds Rudermans – appointed on 30/11/2005</p> <p>Fund Managers: Roberts Idelsons Sergejs Medvedevs Edgars Makarovs</p>	
Auditors:	<p>Diāna Krišjāne Sworn Auditor Certificate No. 124</p>	<p>SIA Ernst & Young Baltic Kronvalda bulv. 3-5, Rīga Latvia, LV – 1010 Certificate Nr. 17</p>

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Investment company report

The objective of the open-end investment fund Parex Eastern European Balanced Fund (hereinafter – the Fund) is to achieve long-term capital gains through investments mainly in securities issued or guaranteed by governments, municipalities, central banks and credit institutions of countries in Eastern Europe, as well as debt securities and equity shares of corporate entities. The investment portfolio is balanced in terms of investments both in equity shares and debt securities, different currencies and countries, thus ensuring safety of investments and protection against excessive fluctuations of the portfolio inherent to investments in only one class, currency or country's securities.

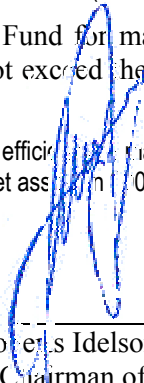
In 2006, the Fund maintained the leading position among the largest open-end investment funds managed by Parex as confirmed by the amount of the Fund's assets. During the reporting year the Fund's net assets increased by more than 33% or LVL 3,408,157 (EUR 4,798,541), reaching LVL 13,598,504 (EUR 19,302,412) as at year-end. The value per Fund's share has grown by LVL 0.89 (EUR 1.24) over the year to LVL 9.37 (EUR 13.31). The Fund's performance reached 11.57% in LVL (10.27% in EUR).

The investment portfolio of the Fund has been formed on the diversification and prudence principle basis, which ensures hedging and liquidity of investments. In the reporting period, the Fund manager continued increasing the proportion of equity shares, which grew from 15.0% of the Fund's assets at the beginning of the year to 18.8% as at year-end. Investment in investment certificates increased from 6.9% to 8.8% in the reporting period. The proportion of corporate bonds in the Fund's assets decreased to 61.3% at the end of 2006. The proportion of investments in government and municipal bonds reduced at even faster rate by 9 percentage points to just 3.9% of the Fund's assets as at 31 December 2006. As at the year end, the average maturity of debt securities was 2.2 years and the average yield to maturity was 7.2% per annum.

By currency profile, the Fund's assets were mainly in the base currency, i.e. denominated in euros (45.0%), also in 2006. Other assets were basically invested in US dollars, however, the open currency position in USD was minimised by using derivative financial instruments in the end of 2006. Other investments were made mostly in financial instruments predominantly pegged to euro. In terms of geographical placement, the major part of the Fund's assets is invested in the EU Member States (48.2%), including Latvia (20.7%), as well as in Russia (20.3%), Kazakhstan (10.1%) and Ukraine (8.2%).

In the reporting year, the fees payable by the Fund for management services amounted to 1.68% of the average asset value of the Fund, and thus do not exceed the maximum expense limit in the Prospectus, i.e. 3%.

Parex Asset Management will seek to provide the utmost efficient management of the Fund's assets also in future, in order to increase the number of investors and achieve growth of net assets in 2007.



Roberts Idelsons
President/ Chairman of the Board
Fund Manager

Riga,
24 April 2007

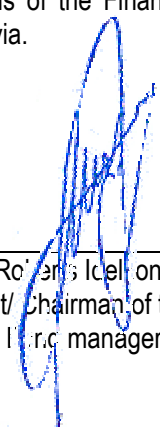
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Statement of responsibility of the Board of the investment company

The Board of the investment company (hereinafter – the Company) is responsible for the preparation of the financial statements of the investment fund Parex Eastern European Balanced Fund (hereinafter – the Fund).

The financial statements set out on pages 8 to 24 are prepared in accordance with the source documents and present fairly the financial position of the Fund as at 31 December 2006 and the results of its operations for the year 2006.

The financial statements are prepared in accordance with laws of the Republic of Latvia, the Regulations of the Financial and Capital Market Commission (FCMC) on Financial Statements of Investment Funds, and International Financial Reporting Standards (IFRS) as endorsed by the European Union on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments and estimates have been made by the management in the preparation of the financial statements.

The Board of the Company is responsible for the maintenance of proper accounting records, the safeguarding of the assets of Parex Eastern European Balanced Fund and the prevention and detection of fraud and other irregularities in the Fund. They are also responsible for operating the Fund in compliance with the Law of the Republic of Latvia on Investment Management Companies, regulations of the Financial and Capital Market Commission (FCMC), and other laws and regulations of the Republic of Latvia.

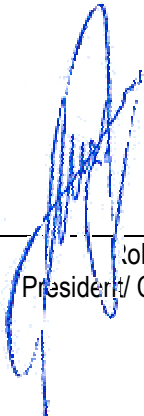


Roberts Icelions
President/ Chairman of the Board
F.R.C manager

Riga,
24 April 2007

AIF Parex Eastern European Balanced Fund
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Statement of assets and liabilities
(LVL)

Notes	31/12/2006	31/12/2005
Assets		
4	876,891	98,080
	Financial assets held for trading	
5	8,854,356	7,963,067
6	3,744,657	2,230,034
7	132,436	2,274
	13,608,340	10,293,455
Liabilities		
	Financial liabilities held for trading	
7	-	(69,087)
8	(18,836)	(34,022)
	(18,836)	(103,109)
	13,589,504	10,190,346

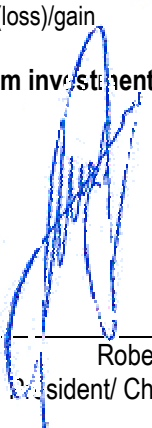


 Roberts Idelsons
 President/ Chairman of the Board

Riga,
24 April 2007

AIF Parex Eastern European Balanced Fund
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Statement of income and expense
(LVL)

Notes	2006	2005
Income		
9	557,978	311,615
	34,575	14,169
	592,553	325,784
Expense		
10	(178,381)	(122,322)
	(21,549)	(13,142)
	(1,180)	(3)
	(201,110)	(135,467)
Increase in investment		
11	77,958	27,047
12	753,562	479,872
	831,520	506,919
	(40,711)	43,774
	1,182,252	741,010

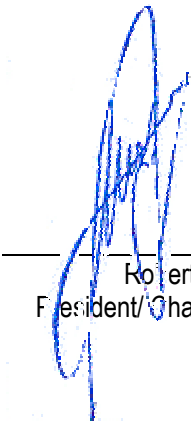


 Roberts Idelsons
 President/ Chairman of the Board

Riga,
24 April 2007

AIF Parex Eastern European Balanced Fund
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Statement of changes in net assets
(LVL)

	<u>2006</u>	<u>2005</u>
Net assets as at the beginning of the period	10,190,346	2,860,982
Increase in net assets from investment activities	1,182,252	741,010
Transactions with investment certificates:		
<i>Inflow from sale of investment certificates</i>	6,923,029	8,291,776
<i>Outflow of redemption of investment certificates</i>	(4,706,123)	(1,703,422)
Increase in net assets from transactions with investment certificates	2,216,906	6,588,354
Increase in net assets for the period	3,399,158	7,329,364
Net assets as at the end of the period	<u>13,589,504</u>	<u>10,190,346</u>
Issued investment certificates as at the beginning of the period	1,201,770	376,549
Issued investment certificates as at the end of the period	1,450,628	1,201,770
Net asset value per investment certificate as at the beginning of the period	8.48	7.60
Net asset value per investment fund's share as at the end of the period	<u>9.37</u>	<u>8.48</u>



 Roberts Idelsons
 President/Chairman of the Board

Riga,
24 April 2007

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Statement of cash flows
(LVL)

Notes	2006	2005
Investment management income	595,561	341,557
Investment management expense	(216,296)	(114,610)
(Acquisition) of financial assets	(7,964,691)	(9,753,939)
Disposal of financial assets	5,977,641	2,907,391
Foreign currency conversion result	169,935	(149,092)
(Decrease) in cash from operating activities	(1,437,850)	(6,768,693)
Inflow from sale of investment certificates	6,923,029	8,282,988
Outflow of redemption of investment certificates	(4,706,123)	(1,703,422)
Increase in cash from financing activities	2,216,906	6,579,566
Increase/(decrease) in cash	779,056	(189,127)
Cash as at the beginning of the period	98,080	276,578
Result of revaluation of cash denominated in foreign currencies	(245)	10,629
Cash as at the end of the period	876,891	98,080

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1. General information

Name of the fund:	Parex Eastern European Balanced Fund
Type of the fund:	Open-end investment fund
Registered office:	Basteja bulvāris, Riga, LV-1050, Latvia
Fund's business activity:	Investments in securities issued or guaranteed by governments, municipalities, central banks and credit institutions of Eastern European countries, as well as debt securities and equity shares of corporate entities. The base currency of the Fund is euro (EUR), and the maximal amount of investments in shares constitutes 30% of the Fund's value.
Name of the investment company:	IPAS Parex Asset Management, Basteja bulvāris, Riga, LV-1050, Latvia

2. Summary of significant accounting policies

Basis of preparation

The financial statements of AIF Parex Eastern European Balanced Fund have been prepared in accordance with laws of the Republic of Latvia, the Regulations of the Financial and Capital Market Commission (FCMC) on Financial Statements of Investment Funds, and International Financial Reporting Standards (IFRS) as endorsed by the European Union.

The financial statements are prepared on a historical cost basis, as modified for the measurement at fair value of held-for-trading securities.

The monetary unit used in the financial statements is lat (LVL), the monetary unit of the Republic of Latvia. The financial statements cover the period 1 January 2006 through 31 December 2006.

Income and expense recognition

Interest income and expense items are recognised on an accrual basis. Interest income is recognised according to the effective interest method.

Dividend income is recognised at the moment of receipt.

Foreign currency translation

The Fund's functional currency is euro (EUR) but, according to the FCMC requirements, the Fund ensures accounting also in Latvian lats. These financial statements are prepared based on transaction accounting in Latvian lats.

Transactions denominated in foreign currencies are recorded in Latvian lats at the official exchange rate established by the Bank of Latvia at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Latvian lats at the official exchange rate established by the Bank of Latvia at the last day of the reporting period. Any gain or loss resulting from a change in exchange rates is included in the statement of income and expense as gain or loss from the revaluation of foreign currency positions.

The exchange rates established by the Bank of Latvia (LVL to 1 foreign currency unit) and mainly applied when preparing the statement of assets and liabilities of the Fund can be specified as follows:

<u>Currency</u>	<u>31/12/2006</u>	<u>31/12/2005</u>
USD	0.536	0.593
EUR	0.702804	0.702804
LTL	0.204	0.204
SEK	0.0778	0.0747
PLN	0.183	0.182

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Since 1 January 2005, the Bank of Latvia has stated a fixed currency exchange rate for Latvian lat against euro, i.e. 0.702804. From this moment the Bank of Latvia will also ensure that the market rate will not differ from the official rate by more than 1%. Therefore, the Fund's future profit or loss due to fluctuations of the euro exchange rate will not be material as far as the Bank of Latvia maintains the above mentioned fixed rate.

Cash

Cash comprises Fund's demand deposits with credit institutions.

Investments in securities

All investments in securities are classified as held-for-trading securities, i.e. securities are acquired for generating a profit from short-term fluctuations in price or dealer's margin.

Held-for-trading securities are initially recognised at cost and subsequently re-measured at fair value based on available market prices. The result of re-measuring held-for-trading securities at fair value is included in the statement of income and expense as increase/ (decrease) in investment.

Securities are revaluated on the basis of Bloomberg's and Riga Stock Exchange financial information on the bid prices of respective securities. Unlisted securities are evaluated on the basis of the custodian bank's information on transactions, but in case such information is not available, respective securities are evaluated at their amortised cost. Securities purchase and sale transactions are recognised on the date of settlements. The cost of securities sold is defined on a FIFO (first in, first out) basis.

Derivatives

For currency risk management purposes, the Fund engages as a party to contracts for forward foreign exchange rate and currency swap instruments. For the accounting purposes, all derivatives are classified as held-for-trading and accounted for as follows.

Subsequent to initial recognition and measurement, outstanding forward foreign exchange rate contracts are carried in the balance sheet at their fair value. The fair value of these instruments is recognised in the statement of assets and liabilities under designated assets and liabilities caption *Derivatives*. The notional amounts of these financial instruments are reported in the notes to the financial statements.

Gains or losses from changes in assets and liabilities arising on forward foreign exchange rate contracts are recognised in the statement of income and expense as foreign currency revaluation result.

Fair values of financial assets and liabilities

Fair value of financial assets and liabilities represents the amount at which an asset could be exchanged or a liability settled on an arm's length basis. Where, in the opinion of the Fund management, the fair values of financial assets and liabilities differ materially from their book values, such fair values are separately disclosed in the notes to the financial statements.

Taxes

The Fund's income is subject to income tax in the country of its origin. Basically, the Fund's income is exempt from income taxes. The Fund is not a Latvian corporate income tax payer, and upon annulment of the Fund's investment certificates, no income tax is charged on increase in value.

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3. Risk management

The key investment risks are market risk, liquidity risk, credit risk, legal risk, informational risk, financial risk, foreign investment risk, and business-related risks.

To mitigate the investment risks, the Fund management follows the risk diversification and hedging principles.

The Company acquires sufficient information on potential or current investment objects, as well as supervises the financial and economic position of issuers of the securities in which the Fund's property has been or is to be invested.

The Company, when developing the strategy of the investment fund and stating limits, performs an analysis of the Fund's investments by maturity, geographic placements, currency profile, as well as assesses the risks inherent to each of the above factors. The Company acts in strict compliance with the Fund Prospectus, Fund Management Regulations, as well as regulations and restrictions imposed by legislation of the Republic of Latvia.

When investments are made abroad, particular attention is paid to expected currency fluctuations against the fund's functional currency. For risk mitigation purposes the Company performs:

- Country assessment according to international rating agencies scale;
- Assessment of political situation in the country;
- Assessment of economic situation of the country.

The investment strategy of the Fund is aimed at minimising the aforementioned risks; however, the Company cannot guarantee that these risks can be completely avoided in the future.

4. Demand deposits with credit institutions

	31/12/2006	31/12/2005	% of total assets as at 31/12/2006
Demand deposits with credit institutions, AS Parex banka	876,891	98,080	6.45%
Total demand deposits	876,891	98,080	6.45%

The Fund may receive interest on demand deposits at floating rate fixed as EONIA – 0.5%. The interest rate changes daily.

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(LVL)

5. Debt securities and other fixed income securities

	31/12/2006	31/12/2005	Annual yield before maturity as at 31/12/2006	% of total assets as at 31/12/2006
Credit institution bonds:	5,532,985	3,763,684	7.05%	40.72%
<i>Non-OECD credit institution bonds (excluding Latvia)</i>	3,888,899	3,267,988	7.71%	28.63%
<i>Latvian credit institution bonds</i>	1,252,190	495,696	5.63%	9.21%
<i>OECD credit institution bonds</i>	391,896	-	5.00%	2.88%
Corporate bonds:	2,511,489	2,861,443	7.90%	18.48%
<i>Non-OECD corporate bonds (excluding Latvia)</i>	1,509,736	2,203,407	8.24%	11.10%
<i>OECD corporate bonds</i>	666,753	658,036	6.04%	4.91%
<i>Latvian corporate bonds</i>	335,000	658,036	10.04%	2.47%
Government bonds:	341,023	529,946	5.54%	2.51%
<i>Non-OECD government bonds (excluding Latvia)</i>	341,023	529,946	5.54%	2.51%
Financial institution bonds:	278,119	24,052	7.62%	2.05%
<i>OECD</i>	211,347	24,052	7.44%	1.56%
<i>Non-OECD</i>	66,772	24,052	8.20%	0.49%
Municipality bonds:	190,740	783,942	4.74%	1.40%
<i>Non-OECD municipality bonds (excluding Latvia)</i>	190,740	783,942	4.74%	1.40%
Total debt securities and other fixed income securities	8,854,356	7,963,067	7.20%	65.16%

All debt securities and other fixed income securities are classified as held-for-trading securities. All fixed income securities are listed, except securities with the book value of LVL 1,495,121 (2005: LVL 86,650).

The table below presents debt securities by the issuer's country of residence:

Financial instrument	Amount	Acquisition value	Carrying amount as at 31/12/2006	% of total assets as at 31/12/2006
Financial instruments traded on regulated markets		7,598,741	7,359,235	54.15%
Latvian issuers:		1,040,094	1,051,442	7.73%
PAREX BANKA (XS0253533318)	450	315,137	324,404	2.39%
PAREX BANKA (XS0221450025)	360	255,914	256,898	1.89%
BALTIKUMS (LV0000800324)	2,500	179,053	178,044	1.31%
PARITĀTE BANKA mortgage bonds (LV0000800332)	2,500	176,285	176,914	1.30%
REGIONAL INVESTMENT BANK (LV0000800365)	140	98,491	99,625	0.73%
LHQB mortgage bonds (LV0000800167)	150	15,214	15,557	0.11%
Russian issuers:		1,681,432	1,573,546	11.58%
SIBACADEMFINANCE PLC (SIBACADEMBANK) (XS0254342347)	500	278,724	275,306	2.03%
N-INVEST (NIKOIL) (XS0188330004)	415	238,704	228,501	1.68%
EURASIA CAP (HCFB LLC) (XS0221878720)	400	228,122	223,380	1.64%
DRESDNER BK (SIBACADEMBANK) (XS0219905238)	175	212,256	193,968	1.43%
DRESDNER(CITY OF MOSCOW) (XS0202356167)	250	204,775	190,740	1.41%
AK BARS FIN (AK BARS BK) (XS0232129865)	300	178,314	163,019	1.20%
RS FINANCE (RUSSIAN STANDARD BANK) (XS0267953387)	150	105,526	107,635	0.79%
CITIGROUP (RUSSIAN STANDARD BANK) (XS0190199264)	75	89,804	82,045	0.60%
RUSSIA INTL (ROSBANK) (XS0204045669)	200	117,957	81,626	0.60%
DRESDNER (RUSSIAN STANDARD BANK) (XS0201757530)	25	27,250	27,326	0.20%

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(LVL)

Financial instrument	Amount	Acquisition value	Carrying amount as at 31/12/2006	% of total assets as at 31/12/2006
Kazakhstani issuers:		1,436,372	1,378,573	10.14%
TURANALEM FINANCE BV (BANK TURANALEM) (XS0269267000)	400	279,997	287,050	2.11%
NURBANK (XS0218237088)	400	237,772	219,308	1.61%
ALB FINANCE BV (ALLIANCE BANK) (XS0234283264)	400	238,116	217,241	1.60%
TEMIR CAPITAL (TEMIR BANK) (XS0248327834)	300	166,866	167,155	1.23%
NURFINANCE BV (NURBANK) (XS0269698246)	300	166,016	162,545	1.20%
ATF BANK (XS0233829463)	300	173,368	160,564	1.18%
CENTERCREDIT INTERNATIONAL (BANK INTERCREDIT) (XS0243010443)	200	115,427	110,072	0.81%
ASTANA FINANCE (XS0244275797)	100	58,810	54,638	0.40%
Ukrainian issuers:		1,186,026	1,114,729	8.20%
UKRAINE GOVERNMENT (XS0232329879)	500	343,343	341,023	2.51%
HYPO-UND (UKRSIBBANK) (XS0222883349)	450	277,266	258,728	1.90%
UKRCHEM CAPITAL (STIROL) (XS0225482719)	400	235,712	211,968	1.56%
UKRSOTS FINANCE BV (UKRSOTSBANK) (XS0219489340)	350	210,583	194,247	1.43%
DRESDNER(COMM BNK NADRA) (XS0234215696)	200	119,122	108,763	0.80%
Bulgarian issuers:		448,603	456,144	3.36%
FIRST INVESTMENT FIN BV (FIRST INVESTMENT BANK) (XS0211479745)	600	448,603	456,144	3.36%
US issuers:		435,386	450,361	3.32%
CENTRAL EUR DISTR CORP (XS0224445576)	575	435,386	450,361	3.32%
Polish issuers:		390,881	391,896	2.88%
GETIN FINANCE (GETIN BANK) (XS0251706957)	550	390,881	391,896	2.88%
Romanian issuers:		406,095	368,010	2.71%
CFR MARFA S.A. (XS0159049765)	500	406,095	368,010	2.71%
Croatian issuers:		362,800	363,187	2.67%
AGROKOR D.D (XS0275181096)	10	362,800	363,187	2.67%
Luxembourgian issuers:		211,052	211,347	1.56%
APHEX SA (XS0263303512)	3	211,052	211,347	1.56%
Other financial instruments		1,501,798	1,495,121	11.01%
Latvian issuers:		533,889	535,748	3.94%
TELEKOM BALTIJA (LV0000601185)	300	210,841	211,275	1.55%
PARITĀTE BANKA mortgage bonds (LV0000800381)	2.850	200,299	200,748	1.48%
APEX (LV0000601201)	200	122,749	123,725	0.91%
Russian issuers:		511,543	512,143	3.78%
SIBACADEMFINANCE (SIBACADEMBANK) (XS0274663383)	250	177,634	181,484	1.34%
URALVNESHTORGBANK (XS0268770160)	3	166,500	165,889	1.22%
DRESDNER BANK AG (RBC INVESTMENT) (XS0256816496)	2	109,109	108,155	0.80%
EMERGING MKTS STRUCTURED (AMTEL) (XS0223667857)	1	58,300	56,615	0.42%
Finnish issuers:		214,586	216,392	1.59%
KESKO OYJ (EE4300085412)	220	214,586	216,392	1.59%
Estonian issuers:		133,672	118,704	0.87%
MANUTENT OU (EE3300084979)	150	61,166	61,166	0.45%
BIG PANK (EE3300081801)	100	45,066	45,404	0.33%
OBBER-HAUS Real Estate Advisors (EE3300074061)	40	27,440	12,134	0.09%
Azerbaijani issuers:		108,108	112,134	0.83%
MKT Istehsalat-Kommersiya MMC (LV0000601102)	200	108,108	112,134	0.83%
Total debt securities and other fixed income securities		9,100,539	8,854,356	65.16%

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Notes
(LVL)

6. Shares and other non-fixed income securities

	31/12/2006	31/12/2005	% of total assets as at 31/12/2006
Equity shares	2,547,837	1,530,730	18.75%
Non-OECD equity shares (excluding Latvia)	1,551,708	893,005	11.42%
OECD equity shares	761,373	524,280	5.60%
Latvian equity shares	234,756	113,445	1.73%
Investment certificates of investment funds	1,196,820	699,304	8.81%
OECD investment funds	964,730	499,626	7.10%
Non-OECD (Lithuanian) investment funds	232,090	199,678	1.71%
Total shares and other non-fixed income securities	3,744,658	2,230,034	27.56%

All shares and other non-fixed income securities are classified as held-for-trading securities. All shares are listed, except shares with the book value of LVL 122 (2005: LVL 122).

The table below presents shares by the issuer's country of residence:

Financial instrument	Amount	Acquisition value	Carrying amount as at 31/12/2006	% of total assets as at 31/12/2006
Financial instruments traded on regulated markets		1,785,287	2,547,715	18.75%
Latvian issuers:		166,910	234,756	1.73%
Latvian Shipping Company (<i>Latvijas kūrniecība</i>)	137,195	108,595	146,799	1.08%
Olaine Chemical and Pharmaceutical Plant (<i>Olaines ķīmiski - farmaceutiskā rūpnīca</i>)	21,504	41,718	52,685	0.39%
GRINDEKS	4,899	16,597	35,272	0.26%
Russian issuers:		321,208	672,557	4.95%
MOBILE TELESYSTEMS	4,400	82,900	118,816	0.87%
SBERBANK	50	7,373	91,120	0.67%
NORILSK NIKEL	1,000	31,849	81,740	0.61%
GAZPROM	13,000	60,528	79,576	0.59%
Severo-Zapadnij Telekom PFD	100,000	35,593	65,392	0.48%
EVRAZ GROUP SA	3,700	35,398	49,580	0.36%
LEBEDYANSKIJ PRESERV.EXPERIM.PLAN	1,100	21,623	47,168	0.35%
VERKHNAYA SALDA METAL	250	11,672	39,262	0.29%
SIBIRTELECOM	450,000	13,503	26,532	0.20%
POLUS ZOLOTO	1,000	0	25,996	0.19%
VOLGATELECOM	7,700	14,035	24,970	0.18%
BALTIKA	1,000	6,734	22,405	0.16%
Estonian issuers:		338,359	519,681	3.82%
MERKO EHITUS AS	11,000	121,163	151,390	1.11%
TALLINK GRUPP	40,000	121,743	142,189	1.05%
TALLINNA KAUBAMAJA AS	18,000	36,606	116,090	0.85%
BALTIKA	3,500	9,657	54,242	0.40%
TALLINK GRUPP	8,000	19,815	28,607	0.21%
Harju Elekter	9,500	29,375	27,163	0.20%
Polish issuers:		329,185	396,057	2.92%
PROKOM SOFTWARE	5,000	122,661	123,068	0.91%
Telekomunikacija Polska SA	15,000	48,188	67,527	0.50%
KGHM POLSKA	4,000	23,673	65,587	0.48%
PGNIG OIL & GAS	100,000	74,645	64,782	0.48%
GRUPA LOTOS SA	2,459	20,549	22,189	0.16%
DEBICA	1,448	20,512	20,272	0.15%
POLSKA GRUPA FARMACEUTYCZNA	1,300	12,358	18,532	0.14%
SoftBank SA	1,541	6,599	14,100	0.10%

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Financial instrument	Amount	Acquisition value	Carrying amount as at 31/12/2006	% of total assets as at 31/12/2006
Lithuanian issuers:		304,772	335,317	2.47%
APRANGA	25,285	40,969	68,087	0.50%
INVALDA	22,495	55,244	56,536	0.42%
AB Mazeikiu nafta	26,840	57,898	55,575	0.41%
Bankas Snoras	3,700	38,384	47,137	0.35%
Pieno žvaigždės	40,000	38,257	43,819	0.32%
Penevezio Statybos Trestas	10,800	24,999	33,268	0.24%
SNAIGE	7,900	28,820	19,178	0.14%
Vilniaus Baldu Kombinat	1,820	13,220	6,609	0.05%
UTENOS TRIKOTAZAS	4,000	6,981	5,108	0.04%
Czech issuers:		164,547	201,062	1.47%
CEZ CP	6,000	108,805	146,084	1.07%
Komerční Banka	700	55,742	54,978	0.40%
Hungarian issuers:		92,701	103,205	0.76%
OTP BANK	1,500	64,504	73,968	0.54%
MAGYAR TELEKOM	10,000	28,197	29,237	0.22%
Austrian issuers:		43,405	61,049	0.45%
Erste Bank der Oester Spark	1,500	43,405	61,049	0.45%
Bulgarian issuers:		24,200	24,031	0.18%
INDUSTRIAL HOLDING BULGARIA	10,000	22,145	21,755	0.16%
CHIMIMPORT AD	833	2,055	2,276	0.02%
Other financial instruments		116	122	0.00%
Lithuanian issuers:		116	122	0.00%
Zemaitijos Pieno Investicija AB	200	116	122	0.00%
Total shares and other non-fixed income securities		1,785,403	2,547,837	18.75%

The table below shows investment certificates of investment funds and similar securities by the issuer's country of residence:

Financial instrument	Amount	Acquisition value	Carrying amount as at 31/12/2006	% of total assets as at 31/12/2006
Financial instruments traded on regulated markets		691,658	895,428	6.59%
Investment certificates of Lithuanian investment funds:		150,499	232,090	1.71%
Parex investiciju valdymas- Baltijas Jūras Akciju fonds	6,656	150,499	232,090	1.71%
Investment certificates of Luxembourgian investment funds:		541,159	663,338	4.88%
WIOF Greece-Cyprus Opportunities Fund	132,114	316,262	373,398	2.74%
AVIVA FDS-EU CONVERGE EQT-P1	74,344	224,897	289,940	2.14%
Other financial instruments		192,018	301,392	2.22%
Investment certificates of Swedish investment funds:		192,018	301,392	2.22%
East Capital Balcan Fund	165,695	192,018	301,392	2.22%
Total investment certificates and similar securities		883,676	1,196,820	8.81%

Due to the fact that the Company does not possess detailed information on assets of these investment funds managed on behalf of investors by OECD financial institutions, these assets are not analysed by their ultimate issuer.

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7. Derivatives

The below table presents the notional amounts and fair values of forward foreign exchange and currency swap instruments. The notional value of foreign exchange transactions is stated on the basis of amounts receivable arising thereon.

	31/12/2006			31/12/2005			% of total assets as at 31/12/2006
	Notional amount	Fair value		Notional amount	Fair value		
		Assets	Liabilities		Assets	Liabilities	
Currency swap instruments	4,675,323	132,436	-	3,568,876	1,337	(67,664)	0.97%
Forward foreign exchange instruments	-	-	-	559,073	937	(1,423)	-
Total derivatives	4,675,323	132,436	-	4,127,949	2,274	(69,087)	0.97%

All the contracts are concluded with AS "Parex banka".

8. Accrued expense

	31/12/2006	31/12/2005
Accrued commission fees payable to investment company	15,758	32,502
Accrued commission fees payable to custodian bank	1,898	1,520
Accrued fees payable for professional services	1,180	-
Total accrued expense	18,836	34,022

9. Interest income

	2006	2005
Interest income from debt securities and other fixed income securities	542,818	303,184
Interest income from demand deposits with credit institutions	15,160	8,431
Total interest income	557,978	311,615

10. Remuneration to investment company

	2006	2005
Fixed fee payable for fund management	178,381	102,162
Fund management fee depending on increase in value	-	20,160
Total remuneration to investment company	178,381	122,322

11. Realised increase in investment value

	2006	2005
Income from sale of investments	5,899,135	2,733,685
Acquisition value of investments sold	(5,635,694)	(2,758,338)
(Increase)/ decrease in value of investments sold, recognised in the previous periods	(185,483)	51,700
Total realised increase in investment value	77,958	27,047

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12. Unrealised increase in investment value

	2006	2005
From shares and other non-fixed income securities	769,598	446,690
From debt securities and other fixed income securities	(16,036)	33,182
Total unrealised increase in investment value	753,562	479,872

13. Change in investment assets during the reporting year

	31/12/2005	Increase during the reporting year	Decrease during the reporting year	Foreign currency revaluation result	Fair value restatement result	31/12/2006
Held for trading financial assets						
Debt securities and other fixed income securities	7,963,067	6,337,175	(5,009,208)	(340,699)	(95,979)	8,854,356
Shares and other non-fixed income securities	2,230,033	1,627,516	(968,433)	(68,951)	924,492	3,744,657
Derivatives, net	(66,813)	-	-	199,249	-	132,436
Total assets	10,126,288	7,964,691	(5,977,641)	(210,401)	828,513	12,731,449

14. Assets and liabilities by currency profile

	LVL	USD	EUR	Other	Total
Assets					
Demand deposits with credit institutions	252,476	138,932	453,406	32,077	876,891
Held for trading financial assets					
Debt securities and other fixed income securities	231,949	3,583,192	4,932,645	106,570	8,854,356
Shares and other non-fixed income securities	234,756	746,523	753,624	2,009,754	3,744,657
Derivatives, net	-	(4,542,887)	4,675,323	-	132,436
Total assets	719,181	(74,240)	10,814,998	2,148,401	13,608,340
Liabilities					
Deferred income and accrued expense	-	-	(18,836)	-	(18,836)
Total liabilities	-	-	(18,836)	-	(18,836)
Net assets	719,181	(74,240)	10,796,162	2,148,401	13,589,504
<i>Net long/ (short) position</i>	5.29%	(0.55%)	79.44%	15.81%	100.00%

As at 31 December 2006, other currencies are presented as follows: EEK – LVL 626,251 (2005: LVL 16,526), LTL – LVL 567,529 (2005: LVL 100,606), PLN – LVL 428,136 (2005: LVL 38,107), SEK – LVL 301,392 (2005: LVL 74,984), CZK – LVL 201,062 (2005: LVL 0), and BGN – LVL 24,031 (2005: LVL 0).

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15. Assets by geographical placement

	Latvia	OECD countries	Other non-OECD countries	Total
Assets				
Demand deposits with credit institutions	876,891	-	-	876,891
Held for trading financial assets				
Debt securities and other fixed income securities	1,587,190	1,460,736	5,806,430	8,854,356
Shares and other non-fixed income securities	234,756	1,726,103	1,783,798	3,744,657
Derivatives	132,436	-	-	132,436
Total assets	2,831,273	3,186,839	7,590,228	13,608,340
Liabilities				
Accrued expense	(18,836)	-	-	(18,836)
Total liabilities	(18,836)	-	-	(18,836)
Net assets	2,812,437	3,186,839	7,590,228	13,589,504

16. Liquidity

	Within 1 month	1-6 months	6-12 months	1-5 years	More than 5 years	Total
Assets						
Demand deposits with credit institutions	876,891	-	-	-	-	876,891
Debt securities and other fixed income securities	-	526,939	691,140	6,799,489	836,788	8,854,356
Shares and other non-fixed income securities	3,744,657	-	-	-	-	3,744,657
Derivatives, net	28,056	104,380	-	-	-	132,436
Total assets	4,649,604	631,319	691,140	6,799,489	836,788	13,608,340
Liabilities						
Accrued expense	(17,656)	(1,180)	-	-	-	(18,836)
Total liabilities	(17,656)	(1,180)	-	-	-	(18,836)
Net assets	4,631,948	630,139	691,140	6,799,489	836,788	13,589,504

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17. Interest rate risk

Financial assets and liabilities by type of exposure to interest rate risk can be disclosed as follows:

	Cash flow interest rate risk	Fair value interest rate risk	Non interest bearing	Total
Demand deposits with credit institutions	876,891	-	-	876,891
Financial assets held for trading				
Debt securities and other fixed income securities	1,202,656	7,651,700	-	8,854,356
Shares and other non-fixed income securities	-	-	3,744,657	3,744,657
Derivatives	-	-	132,436	132,436
Total assets	2,079,547	7,651,700	3,877,093	13,608,340
Liabilities				
Accrued expense	-	-	(18,836)	(18,836)
Total liabilities	-	-	(18,836)	(18,836)
Net assets	2,079,547	7,651,700	3,858,257	13,589,504

18. Repricing maturity of assets and liabilities

	Within 1 month	from 1 to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 – 5 years	more than 5 years	Total
Assets							
Demand deposits with credit institutions	876,891	-	-	-	-	-	876,891
Financial assets held for trading							
Debt securities and other fixed income securities	437,300	455,405	775,725	691,140	5,703,402	791,384	8,854,356
Shares and other non-fixed income securities	3,744,657	-	-	-	-	-	3,744,657
Derivatives, assets	28,056	104,380	-	-	-	-	132,436
Total assets	5,086,904	559,785	775,725	691,140	5,703,402	791,384	13,608,340
Liabilities							
Accrued expense	(17,656)	-	(1,180)	-	-	-	(18,836)
Total liabilities	(17,656)	-	(1,180)	-	-	-	(18,836)
Net assets	5,069,248	559,785	774,545	691,140	5,703,402	791,384	13,589,504

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19. Information on holders of investment certificates

The below table specifies the proportion of investment certificates held by related parties out of total investment certificates issued:

	31/12/2006	31/12/2005	% of total certificates as at 31/12/2005
Investment certificates held by related parties	102,959	102,959	8.6%
Investment certificates held by other persons	1,347,852	1,098,811	91.4%
Investment certificates issued as at the period-end	1,450,628	1,201,770	100.0%

20. Related party disclosures

The majority of the Fund's investments were acquired with the mediation of custodian bank AS Parex banka. AS Parex banka receives remuneration as custodian bank, as disclosed in the statement of income and expense. In addition, the Fund's cash resources are held with AS Parex banka (see Note 4).

The remuneration paid to the investment company during the reporting year is disclosed in the statement of income and expense (see also Note 10).

During the reporting year, related parties acquired 98,464 investment certificates (2005: 98,464 certificates) and sold back 95 investment certificates (2005: 95 certificates). Due to the reorganisation of IAS Parex ieguldījumu pārvaldes sabiedrība, which resulted in the acquisition of AS Parex Asset Management, the new Board members became related parties to the Fund. They held 4,547 investment certificates of the Fund, whereas the Board members, who resigned due to the reorganisation, held 398 investment certificates. After the year-end, AS Parex banka sold back 92,506 investment certificates.

During the reporting year, the Fund had an investment in bonds issued by AS Parex banka. As at 31 December 2006, the carrying value of this investment was LVL 581,302 (2005: LVL 273,530). In the reporting year, the Fund had an investment in an investment fund managed by a related investment company. As at 31 December 2006, the carrying value of this investment was LVL 150,499 (2005: LVL 199,678).

Transactions with related parties were held based on market prices according to common principles.

21. Pledged assets

During the reporting year, no guarantees or collaterals have been issued by the Fund, neither has it pledged or otherwise caused any encumbrance or lien on its assets.

22. Fair values of financial assets and liabilities

The Management estimates that the book values of financial assets and liabilities approximates their market values.

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23. Dynamics of net asset value

	31/12/2006	31/12/2005	31/12/2004
Net assets (LVL)	13,589,504	10,190,346	2,860,982
Number of investment certificates	1,450,628	1,201,770	376,549
Value of investment fund's shares (LVL)	9.37	8.48	7.60
Performance on investment fund's shares*	10.49%	11.58%	12.71%
Net assets (EUR)**	19,302,412	14,503,871	4,070,200
Number of investment certificates	4,450,628	1,201,770	376,549
Value of investment fund's shares (EUR)	13.31	12.07	10.81
Performance on investment fund's shares*	10.27%	11.66%	8.18%

* Performance is calculated supposing that a year consists of 365 days.

** The value of net assets in Euro is determined, based on foreign currency exchange rates fixed at financial markets at the end of each day.