Apex Investments SIA

Consolidated Annual Accounts
For the year ended 31 December 2007

TABLE OF CONTENTS

Report of the Management	3 – 4
Statement of Director's Responsibility	5
Auditors' report	6 – 7
Consolidated Financial statements:	
Consolidated Balance Sheet	8
Consolidated Income Statement	9
Consolidated Statement of Changes in Equity	10
Consolidated Cash Flow Statement	11
Notes to the Consolidated Financial Statements	12 – 41

Report of the Management

Type of operations

Core activities of Apex Investments SIA (hereinafter - 'the Company') and its subsidiaries (hereinafter - 'the Group') are operation and management of rental real estates (offices and retail) in Latvia.

Performance of the Group during the year

The year 2007 was the fifth full-year of operations of the Company.

During the year 2007, Apex successfully completed an acquisition of real estate anchored by a K-Rauta hardware store. The property was acquired in an indirect manner via the purchase of 100% of the shares of Tukuma Projekts SIA. The properties were purchased at competitive market rates, and the acquisition will serve as a diversification tool. This is the first occasion in which Apex has ventured into a retail real estate transaction that is not anchored by a grocer. Management will be watching the performance of the property closely with the expectation that hardware store anchored real estate investments could open a positive avenue for future portfolio investments.

The Company raised debt capital in the fourth quarter of 2006 in a private placement corporate bond into the Baltic investment community. The bond issue was listed publicly on the Riga Stock Exchange on 26 October 2007. Management would like to give a personal thanks to the R.B. Management team for their effort in getting the bond listed. The corporate bond now qualifies for certain Latvian public institutional investors, giving Apex a greater range of potential investors.

In July 2007 Klavinvest SIA, was fully merged into Apex Investments SIA.

Rēznas Centrs SIA was merged with Apex on 2 January 2008. This consolidation will allow the management to reduce expenses and bureaucracy in the form of less government reporting and filings.

Due to the merger of Klavinvest after the half year and Reznas after the full year of 2007 management does not believe that the Apex numbers should be looked at alone. Users of the financial reports are advised when considering 2007 performance of Apex to consider the performance of the daughter companies as well.

In April 2007 management signed a purchase agreement for a SuperNetto located in the Latvia city of Aluksne. During a subsequent technical review of the property prior to closing of the purchase, management cancelled the purchase agreement due to what we considered to be a severe technical flaw in the floor of the centre.

In the third quarter of 2007, Apex successfully restructured its senior debt with Hansabanka from a thirteen year amortization period to a twenty three year amortization period. Whilst Apex was able to maintain a debt service coverage ratio (DSCR) slightly above Hansabanka requirements of 1.10 for all of 2007, Apex management was not comfortable with the thinness of the coverage. The change in amortization periods adds a vast improvement to the Apex DSCR bringing the ratio to ~ 1.30 starting in the fourth quarter of 2007. The extended loan amortization also has a significant impact on the improvement of positive cash flow, whilst continuing to pay down senior debt at what management believes is a comfortable rate. The restructuring also saw a slight compression in interest rate margin to 1.15%. The impact of the changes only affects the last quarter of 2007; therefore, users of these statements will not see a full impact of these changes until the 2008 statements are produced.

Report of the Management (continued)

Post balance sheet events

In the fourth quarter of 2006, the Management entered into negotiation for a large, grocery-anchored trade centre located in Riga, but was gazumped by a competing investor. In the second quarter of 2007, Apex learned that the competing investor was not able to conclude the purchase. The vendor again offered the property for sale. Apex won the bidding process and signed a Share Purchase Agreement in February 2008, at a capitalization rate of 8.6% based on 2008 anticipated net operating income. Apex expects to close the purchase and add the investment to the Apex portfolio by the end of April 2008. At closing, Apex will immediately begin the process of merging the purchased daughter company. Management will endeavour to conclude the merger in fiscal 2008, past experience however anticipates the merger to conclude in 2009 first quarter.

Except for the above, during the period between the last day of the financial year and the date of signing of this report there have been no significant events that would have a material effect on the year end results.

Future prospects

In late 2007 and early 2008 the worldwide economy started to experience a significant slow down and a contraction of credit. Additionally Latvian legislation was introduced to reduce speculation in the residential and land sectors of the real estate market. These separate occurrences have had a major negative impact on the Latvian residential real estate market and a minor negative impact on the commercial real estate market. Banks have significantly reduced debt capital available for development projects, causing many development project owners to be forced to inject additional equity. Prior to the slowdown it was possible to receive bank debt up to 95% of the perceived value and in some cases 100%. Apex has always believed a prudent measure of bank debt to be 75% to 80%. Banks have now changed their policies to reflect the worldwide slowdown and contraction of credit, granting new debt in the range of 50% to 80%.

The contraction in credit has resulted in an active sellers market. Apex currently sees significant opportunity to expand the portfolio with quality cash flow assets. We believe that the months ahead will provide buying opportunities in the 8% to 9% capitalization rate range, possibly higher.

We are actively making offers, but as of today sellers' expectations have exceeded our offer prices. We will remain patient seeking the right opportunity and believe time is on our side.

Gerald Allen Wirth	David Allen De Rousse
Chairman of the Board	
Member of the Board	

Riga, 30 April 2008

Statement of Directors' Responsibility

The Board of Directors of Apex Investments SIA is responsible for the preparation of the financial statements of the Group.

The financial statements on pages 5 to 35 are prepared in accordance with the accounting records and source documents and present fairly the financial position of the Group as of 31 December 2007 and the results of its operations and cash flows for the year ended 31 December 2007.

The financial statements are prepared in accordance with International Financial Reporting Standards as adopted in 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 Board of Directors in the preparation of the financial statements.

The Board of Directors of Apex Investments SIA is responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets and the prevention and detection of fraud and other irregularities in the Group. The Board of Directors is also responsible for operating the Group in compliance with the legislation of the Republic of Latvia.

Gerald Allen Wirth	David Allen De Rousse
Chairman of the Board	Member of the Board

Riga, 30 April 2008

Consolidated Balance Sheet

	Note	31.12.2007. LVL	31.12.2006. LVL	31.12.2007. EUR	31.12.2006. EUR
ASSETS					
Non-current assets					
Investment property	6	9,145,354	7,251,428	13,012,666	10,317,852
Property, plant and equipment	5	15,917	18,571	22,648	26,424
Goodwill	7	324,958	324,958	462,374	462,374
Loans and other receivables	8	2,846,734	2,592,859	4,050,538	3,689,306
		12,332,963	**10,187,816**	**17,548,226**	**14,495,956**
Current assets					
Trade and other receivables	8	553,156	170,115	787,070	242,052
Derivative financial instruments	27	125,306	-	178,294	-
Current income tax assets		710	1,281	1,010	1,823
Cash and cash equivalents	9	953,523	1,394,983	1,356,741	1,984,882
		1,632,695	**1,566,379**	**2,323,115**	**2,228,757**
Total assets		**13,965,658**	**11,754,195**	**19,871,341**	**16,724,713**
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	11	238,659	180,000	339,581	256,117
Accumulated deficit		(290,065)	(105,779)	(412,725)	(150,510)
Total equity		**(51,406)**	**74,221**	**(73,144)**	**105,607**
LIABILITIES					
Non-current liabilities					
Borrowings	12	13,132,707	10,701,709	18,686,159	15,227,160
Deferred income tax liabilities	13	384,790	340,217	547,507	484,085
		13,517,497	**11,041,926**	**19,233,666**	**15,711,245**
Current liabilities					
Trade and other payables	10	254,625	117,353	362,299	166,978
Current income tax liabilities		11,604	2,926	16,510	4,164
Borrowings	12	233,338	517,769	332,010	736,719
		499,567	**638,048**	**710,819**	**907,861**
Total liabilities		**14,017,064**	**11,679,974**	**19,944,485**	**16,619,106**
Total equity and liabilities		**13,965,658**	**11,754,195**	**19,871,341**	**16,724,713**

The notes on pages 12 to 41 are an integral part of these consolidated financial statements.

Gerald Allen Wirth

David Allen De Rousse

Chairman of the Board

Member of the Board

Riga, 30 April 2008

Consolidated Income Statement

	Note	2007 LVL	2006 LVL	2007 EUR	2006 EUR
Revenue	14	1,484,343	887,989	2,112,030	1,263,495
Cost of sales	15	(915,777)	(535,814)	(1,303,033)	(762,395)
Gross profit		**568,566**	**352,175**	**808,997**	**501,100**
Distribution costs		(9,660)	(924)	(13,744)	(1,315)
Administrative expenses	16	(53,500)	(43,378)	(76,124)	(61,721)
Other operating income	18	300,865	46,858	428,092	66,673
Other operating expenses	19	(114,365)	(50,223)	(162,727)	(71,461)
Operating profit		**691,906**	**304,508**	**984,494**	**433,276**
Finance income	20	6,837	3,529	9,728	5,021
Finance costs	21	(778,655)	(290,058)	(1,107,926)	(412,715)
Finance costs – net		**(771,818)**	**(286,529)**	**(1,098,198)**	**(407,694)**
(Loss)/profit before income tax		**(79,912)**	**17,979**	**(113,704)**	**25,582**
Income tax expense	22	(45,715)	(5,649)	(65,047)	(8,038)
(Loss)/profit for the year		**(125,627)**	**12,330**	**(178,751)**	**17,544**
Attributable to:					
Equity holders of the Company		**(125,627)**	**12,330**	**(178,751)**	**17,544**

The notes on pages 12 to 41 are an integral part of these consolidated financial statements.

Gerald Allen Wirth

David Allen De Rousse

Chairman of the Board

Member of the Board

Riga, 30 April 2008

Consolidated Statement of Changes in Equity

	Attributable to the equity holders of the Company			Attributable to the equity holders of the Company		
	Share capital LVL	Accumulated deficit LVL	Total equity LVL	Share capital EUR	Accumulated deficit EUR	Total equity EUR
Balance at 1 January 2006	180,000	(118,109)	**61,891**	256,117	(168,054)	**88,063**
Profit for the year	-	12,330	**12,330**	-	17,544	**17,544**
Balance at 31 December 2006	**180,000**	**(105,779)**	**74,221**	**256,117**	**(150,510)**	**105,607**
Merger result*	58,659	(58,659)	**-**	83,464	(83,464)	**-**
Loss for the year	-	(125,627)	**(125,627)**	-	(178,751)	**(178,751)**
Balance at 31 December 2007	**238,659**	**(290,065)**	**(51,406)**	**339,581**	**(412,725)**	**(73,144)**

* In 2007 Klavinvest SIA was merged with Apex Investments SIA. Apex Investments SIA acquired 100% of shares of Klavinvest SIA in 2006. The transaction was accounted for as acquisition of assets (see Note 24). At merger the share capital of Apex Investments SIA was increased by the amount of share capital of Klavinvest SIA. The new share capital of Apex Investments SIA was registered with the Enterprise Register on 18 July 2007.

The notes on pages 12 to 41 are an integral part of these consolidated financial statements.

Gerald Allen Wirth

David Allen De Rousse

Chairman of the Board

Member of the Board

Riga, 30 April 2008

Consolidated Cash Flow Statement

	Note	2007 LVL	2006 LVL	2007 EUR	2006 EUR
Cash flows from operating activities					
(Loss)/Profit before income tax		(79,912)	17,979	(113,704)	25,582
Adjustments for:					
– Depreciation	17	363,281	207,887	516,902	295,797
– Loss on disposal of property, plant and equipment		7,472	2,112	10,632	3,005
- Gains on derivative financial instruments	27	(125,306)	-	(178,294)	-
– Interest income	20	(168,055)	(45,021)	(239,121)	(64,059)
– Interest expenses	21	778,655	290,058	1,107,926	412,715
Changes in working capital					
– Trade and other receivables		117,725	4,910	167,508	6,986
– Trade and other payables		199,763	19,718	284,237	28,056
Cash generated from operations		1,093,623	317,177	1,566,086	451,302
Interest paid		(884,665)	(218,418)	(1,258,765)	(310,781)
Interest received		7,685	-	10,935	-
Income tax paid		(10,855)	(8,325)	(15,445)	(11,845)
Net cash generated from operating activities		**205,788**	**539,984**	**292,811**	**768,328**
Cash flows from investing activities					
Acquisition of subsidiaries, net of cash acquired	24	-	(2,073,694)	-	(2,950,601)
Purchases of investment property and property, plant and equipment		(917,358)	(519,349)	(1,305,283)	(738,967)
Loans granted		(815,893)	(2,694,007)	(1,160,911)	(3,833,227)
Loan repayments received		189,198	618,230	269,205	879,662
Interest received		69,344	15,223	98,668	21,660
Net cash used in investing activities		**(1,474,709)**	**(4,653,597)**	**(2,098,322)**	**(6,621,472)**
Cash flows from financing activities					
Proceeds from issuance of bonds		369,140	2,861,845	525,239	4,072,039
Proceeds from borrowings		840,319	6,191,534	1,195,666	8,809,759
Repayments of borrowings		(381,998)	(3,586,548)	(543,534)	(5,103,198)
Net cash generated from financing activities		**827,461**	**5,466,831**	**1,177,371**	**7,778,600**
Net (decrease)/increase in cash and cash equivalents		**(441,460)**	**1,353,218**	**(628,141)**	**1,925,456**
Cash and cash equivalents at the beginning of the year		1,394,983	41,765	1,984,882	59,426
Cash and cash equivalents at the end of the year	9	**953,523**	**1,394,983**	**1,356,741**	**1,984,882**

The notes on pages 12 to 41 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. General information

Core activities of Apex Investments SIA ('the Company') and its subsidiaries (together 'the Group') are operation and management of rental retail real estates and rental office real estates in Latvia.

The Company is a limited liability company incorporated and domiciled in the Republic of Latvia. The address of its registered office is A. Pumpura Street 3, Riga, Latvia.

The Company's bonds issued during initial private placement were listed on Riga Stock Exchange Baltic bond list on 26 October 2007.

These group consolidated financial statements were authorised for issue by the Board of Directors on 25 April 2008.

The Company has the following participating interest in subsidiaries:

Name	Country	Participating interest in share capital of subsidiaries	
		31.12.2007.	31.12.2006.
Rēznas centrs SIA	Latvia	100%	100%
Klavinvest SIA	Latvia	-	100%
Tukuma Projekts SIA	Latvia	100%	-

In 2007 Klavinvest SIA was merged with Apex Investments SIA. Klavinvest SIA ceased to exist as a separate legal entity on 18 July 2007. During 2007 the Company acquired Tukuma Projekts SIA.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of preparation

The consolidated financial statements of Apex Investments SIA have been prepared in accordance with International Financial Reporting Standards (IFRS) issued and effective at the time preparing these financial statements as adopted for use in the European Union.

The consolidated financial statements have been prepared under the historical cost convention, as modified by revaluation of derivative financial instruments at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Notes to the Consolidated Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Certain new IFRS became effective for the Group from 1 January 2007. Listed below are those new or amended standards or interpretations which are relevant to the Group's operations and the nature of their impact on the Group's accounting policies:

- *IFRS 7, Financial Instruments: Disclosures and a complementary Amendment* to IAS 1 *Presentation of Financial Statements - Capital Disclosures* (effective from 1 January 2007). The IFRS introduced new disclosures to improve the information about financial instruments, including about quantitative aspects of risk exposures and the methods of risk management. The new quantitative disclosures provide information about the extent of exposure to risk, based on information provided internally to the entity's key management personnel.

  Qualitative and quantitative disclosures cover exposure to credit risk, liquidity risk and market risk including sensitivity analysis to market risk. IFRS 7 replaced IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and some of the requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The Amendment to IAS 1 introduced disclosures about the level of an entity's capital and how it manages capital. The new disclosures are made in these financial statements.

Certain new IFRS became effective for the Group from 1 January 2007. Listed below are those new or amended standards or interpretations which are not relevant to the Group's operations:

- IFRIC 7, *Applying the Restatement Approach* under IAS 29 (effective for periods beginning on or after 1 March 2006).
- IFRIC 8, *Scope of IFRS 2* (effective for periods beginning on or after 1 May 2006).
- IFRIC 9, *Reassessment 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).
- IFRS 4, *Insurance contracts* (effective for annual periods beginning on or after 1 January 2007).

Certain new standards and interpretations have been published that become effective for the Group's reporting periods beginning on or after 1 January 2008 or later periods and which the Group has not early adopted:

- *IFRS 8, Operating Segments* (effective for annual periods beginning on or after 1 January 2009). The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information. The Group does not expect the amendment to affect its consolidated financial statements.
- *IAS 23, Borrowing Costs* (revised March 2007; effective for annual periods beginning on or after 1 January 2009). The revised IAS 23 was issued in March 2007. The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised Standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The Group does not expect the amendment to affect its consolidated financial statements. Standard is not approved for use in the EU.

Notes to the Consolidated Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

- IFRS 3, *Business combinations (revised on 10 January 2008; effective for annual periods beginning on or after 1 July 2009).* The standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed.
- *IAS 1, Presentation of Financial Statements* (revised September 2007; effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Group expects the revised IAS 1 to affect the presentation of its financial statements but to have no impact on the recognition or measurement of specific transactions and balances. Standard is not approved for use in the EU.
- *Puttable financial instruments and obligations arising on liquidation—IAS 32 and IAS 1 Amendment* (effective from 1 January 2009). The amendment requires classification as equity of some financial instruments that meet the definition of a financial liability. The Group is currently assessing the impact of the amended standard on its financial statements. Standard is not approved for use in the EU.
- *IAS 27, Consolidated and separate financial statements* (revised on 10 January 2008; effective for annual periods beginning on or after1 July 2009). IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in profit or loss. The Group is currently assessing the impact of the amended standard on its financial statements.
- *Vesting Conditions and Cancellations—Amendment to IFRS 2, Share-based Payment* (issued in January 2008; effective for annual periods beginning on or after 1 January 2008). The amendment clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group does not expect the amendment to affect its consolidated financial statements. Standard is not approved for use in the EU.
- 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 1 January 2008); Standard is not approved for use in the EU.
- IFRIC 13, *Customer Loyalty Programmes* (effective for annual periods beginning on or after 1 July 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 1 January 2008).

Notes to the Consolidated Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.2 Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, including the acquisitions of entities under common control. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially 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 the 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 (see Note 2.6).

If the assets acquired are not a business, the Group accounts for the transaction as an asset acquisition.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Foreign currency translation

(a) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Latvian lats' ('LVL'), which is the Company's functional and presentation currency.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.
Currency exchange rates applied:

	31.12.2007. Ls	**31.12.2006. Ls**
1 EUR	0.702804	0.702804
1 USD	0.484	0.536

2.4 Investment property

Property which is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company and the companies in the consolidated Group is classified as investment property. Investment property comprises freehold land and freehold buildings.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition investment property is carried at historical cost less accumulated depreciation and accumulated impairment losses, if any.

Notes to the Consolidated Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.4 Investment property (continued)

Depreciation is calculated on a straight – line basis to allocate the cost of each component of buildings held as investment property to their residual values over their estimated useful lives of 10 - 20 years. Land is not depreciated.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefit 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.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Property that is being constructed or developed for future use as investment property or held for future development as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Where the carrying amount of an investment property is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2.7).

2.5 Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate cost of the assets to their residual amount over their estimated useful lives using the following rates set by the management:

Equipment: 20 % per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Costs of borrowing to finance qualifying assets under construction and other direct charges related to the particular asset under construction are capitalised, during the period of time that is required to complete and prepare the asset for its intended use, as part of the cost of the asset. Capitalisation of the borrowing costs is suspended during extended periods in which active developments are interrupted.

Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement during the period in which they are incurred.

Notes to the Consolidated Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocated goodwill to the acquired business as a single cash-generating unit.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using straight-line method over their estimated useful lives (three years).

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life, for example land and goodwill are not subject to amortisation are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Loans and receivables

The Group categorises its financial assets, except derivative financial instruments, as loans and receivables and classifies them within Trade and other receivables in the balance sheet. The categorisation depends on the purpose for which the financial assets were acquired. Management determines the categorisation of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Notes to the Consolidated Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.8 Loans and receivables (continued)

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of Loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of loans and receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the loans and receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The changes of the provision are recognised in the income statement within other operating expenses. When a loan and receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the income statement.

2.9 Derivative financial instruments

Derivative financial instruments include interest rate swaps held by the Group. Derivative financial instruments are initially recognised at fair value and subsequently re-measured at their fair value. Derivative financial instruments are recognised on trade date. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivatives are reported in the income statement as Group's derivative financial instruments do not meet criteria for hedge accounting.
The fair values of financial instruments that are not quoted on active markets are determined using valuation techniques (for example, models). Models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.
Interest earned whilst holding derivative financial instruments is recorded as interest income.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash at bank.

2.11 Share capital

Ordinary shares are classified as equity.

2.12 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Notes to the Consolidated Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.14 Employee benefits

The Group pays social security contributions to the State Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis and are included within staff costs.

2.15 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
The principal temporary differences arise from the different accounting and taxation depreciation rates of investment property, property, plant and equipment, from accrued expenses deductible for the tax purposes in next period, as well as tax losses brought forward.
Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.
Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of services

The Group generates revenue from rent of premises and investment property management services. Revenue is generally recognised in the period the services are provided.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Notes to the Consolidated Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.17 Operating leases

(a) The Group is the lessee

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments, including prepayments, made under operating leases are charged to the income statement on a straight-line basis over period of the lease.

(b) The Group is the lessor

Properties leased out under operating leases are included in investment property in the balance sheet. Lease income (less of any incentives given to lessees) is recognized on a straight-line basis over the period of the lease term.

2.18 Segment reporting

The Group currently owns and manages only properties rented to retail stores, accordingly it operates in one business segment. All operations are performed and assets are located in Latvia being a single geographical segment.

Notes to the Consolidated Financial Statements (continued)

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to such financial risks as market risk, liquidity risk and credit risk. The Group's management seeks to minimise potential adverse effects of financial risk on the financial performance of the Group.

(a) Market risk

(i) Foreign exchange risk

The Group's main assets and liabilities are denominated in Latvian lats (LVL) and Euro. As of 1 January 2005 LVL exchange rate has been pegged to EUR, therefore LVL/EUR exchange rate fluctuation risk is limited. Almost all revenues are collected in LVL, this way the influence of the currency is inessential. Analysis of the currency exchange rates fluctuation sensitivity is given below.

Analysis of the currency fluctuation sensitivity

Currency exchange rates fluctuations are presumed according to the prior year's EUR and USD currency exchange rate fluctuations, which were average in limit of 1%.

December 31, 2007

	Currency	Book value	Influence on profit for the year +1%	Influence on profit for the year -1%	Influence on profit for the year +1%	Influence on profit for the year -1%
		LVL	LVL	LVL	EUR	EUR
Cash and cash equivalents	USD	57	1	(1)	1	(1)
Cash and cash equivalents	EUR	828,557	8,286	(8,286)	11,789	(11,789)
Loans and receivables	EUR	3,309,668	33,097	(33,097)	47,092	(47,092)
Trade and other payables	EUR	110,313	(1,103)	1,103	(1,569)	1,569
Borrowings	EUR	13,366,045	(133,660)	133,660	(190,182)	190,182
			(93,379)	**93,379**	**(132,866)**	**132,866**

December 31, 2006

	Currency	Book value	Influence on profit for the year +1%	Influence on profit for the year -1%	Influence on profit for the year +1%	Influence on profit for the year -1%
		LVL	LVL	LVL	EUR	EUR
Cash and cash equivalents	USD	-	-	-	-	-
Cash and cash equivalents	EUR	1,025,595	10,256	(10,256)	14,593	(14,593)
Loans and receivables	EUR	2,683,622	26,836	(26,836)	38,185	(38,185)
Trade and other payables	EUR	12,560	(126)	126	(88)	88
Borrowings	EUR	11,219,478	(112,195)	112,195	(159,639)	159,639
			(75,229)	**75,229**	**(107,041)**	**107,041**

Notes to the Consolidated Financial Statements (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(ii) Price risk

The Group is not exposed to equity price risk and changes of the interest rates on fixed income securities, because the Group has not invested in securities.

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. The Group's borrowings and issued loans have variable interest rates and during 2007 and 2006 were denominated in euro. The risk is partly mitigated by applying variable interest rates to the loans issued. The Group has entered into an interest rate swap. This caps the portfolio's interest rate exposure at 3.97% plus bank margin. In a period of rising interest rates, this cap allows the Group to significantly reduce interest rate risk. The swap agreement will remain in place for a period of four years expiring 31 December 2010.

As at 31 December 2007 the Company did not have any borrowings that exceed the notional amount of interest rate swap.

The Company is exposed to a fair value interest rate risk arising from the fluctuations in fair value of derivative financial instruments - the interest rate swap agreement. The sole purpose of entering the interest rate swap agreement was to hedge the exposure to cash flow interest rate risk. The management does not monitor sensitivity of fair value of the derivative financial instruments to changes in interest rates as it does not have appropriate financial models available.

Notes to the Consolidated Financial Statements (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

The financial assets that could potentially lead to a certain concentration of the credit risk in the Group are mainly cash, issued loans and customers' debts. Still the credit risk is minimal as main part of rental revenue is received in advance as well as guarantee deposits are required from the tenants. The loans are issued to related parties and their recoverability is controlled by the shareholders of the Company. The two related parties who have received loans from the Group are holding companies whose subsidiaries are involved in office rent business and have been generating sufficient cash flows to repay the loans. The partners of the Group in money transactions are local banks with adequate credit history. There are no past due but not impaired amounts.
Maximum credit risk comprises carrying amount of trade receivables and cash and cash equivalents.
The management has considered credit quality of financial assets and concluded that no provisions for impairment of financial assets are needed.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. As at 31 December 2007 the Group's current assets exceeded its current liabilities by LVL 1,133,128 or EUR 1,612,296 (31 December 2006: LVL 928,331 or EUR 1,320,896).

In 2007 there has been a sharp rise in foreclosures in the US sub prime 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 derivatives markets.

The volume of wholesale financing has significantly reduced since August 2007. Such circumstances may affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions that applied to similar transactions in recent periods.
The table below analyses the Group's financial liabilities and net settled derivatives into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed are contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	LVL	LVL	LVL	LVL	LVL
At 31 December 2007					
Borrowings	795,035	795,035	11,103,829	-	**12,693,899**
Bonds	171,483	3,594,002	-	-	**3,765,485**
Trade and other payables	254,625	-	-	-	**254,625**
	1,221,143	**4,389,037**	**11,103,829**	**-**	**16,714,009**
At 31 December 2006					
Borrowings	926,347	383,052	1,149,156	11,611,315	**14,069,870**
Bonds	166,212	166,212	3,379,648	-	**3,712,072**
Trade and other payables	117,353	-	-	-	**117,353**
	1,209,912	**549,264**	**4,528,804**	**11,611,315**	**17,899,295**

Notes to the Consolidated Financial Statements (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	EUR	EUR	EUR	EUR	EUR
At 31 December 2007					
Borrowings	1,131,233	1,131,233	15,799,325	-	**18,061,791**
Bonds	243,998	5,113,804	-	-	**5,357,802**
Trade and other payables	362,299	-	-	-	**362,299**
	1,737,530	**6,245,037**	**15,799,325**	**-**	**23,781,892**
At 31 December 2006					
Borrowings	1,318,073	545,034	1,635,102	16,521,413	**20,019,622**
Bonds	236,498	236,498	4,808,806	-	**5,281,802**
Trade and other payables	166,978	-	-	-	**166,978**
	1,721,549	**781,532**	**6,443,908**	**16,521,413**	**25,468,402**

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.
The Group monitors capital on the basis of the return on assets (ROA). Return on assets is calculated as net operating income divided by cost of investment property. The company's internal target is 6-7%.

The return on assets as at 31 December 2007 and 2006 were as follows:

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
Operating profit	405,382	263,016	576,807	374,238
Add: depreciation (Note 15)	363.281	207,887	516,902	295,797
Net operating income	768,663	470,903	1,093,709	670,035
Cost of investment property (Note 6)	10,213,548	7,958,416	14,532,570	11,323,806
ROA	**7.53%**	**5.92%**	**7.53%**	**5.92%**

Notes to the Consolidated Financial Statements (continued)

3 Financial risk management (continued)

3.3 Fair value estimation

In respect of financial assets and liabilities held in the balance sheet at carrying amounts other than fair values, the fair values are disclosed separately in notes.
The carrying value less impairment provision of trade receivables and payables are 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.

4 Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The Consolidated Financial Statements do not include items that are affected by highly subjective or complex estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(a) recognised goodwill, and if the terminal growth rate had been 1.5% instead of currently applied 2.5%, there would not be impairment of the recognised goodwill;

(b) estimates regarding useful lives of investment property as described in the relevant accounting policy;

(c) the fair values of the investment property are determined by an independent real estate valuations company based on income approach and cost approach. Valuation models are used for disclosure purposes only;

(d) the Group's management has evaluated the recoverability of a deferred tax asset arising from tax losses of 2007 that can be carried forward and covered in chronological order from taxable income during the following five years. The ability to utilise tax losses is based on the management's forecasts about the taxable income available in the following years.

Notes to the Consolidated Financial Statements (continued)

5 Property, plant and equipment

	Equipment	Assets under construction	Total	Equipment	Assets under construction	Total
	LVL	LVL	LVL	EUR	EUR	EUR
At 1 January 2006						
Cost	9,901	7,765	17,666	14,088	11,048	25,136
Accumulated depreciation	(1,312)	-	(1,312)	(1,867)	-	(1,867)
Net book amount	**8,589**	**7,765**	**16,354**	**12,221**	**11,048**	**23,269**
Year ended 31 December 2006						
Opening net book amount	8,589	7,765	16,354	12,221	11,048	23,269
Acquisition of subsidiary (Note 24)	2,956	-	2,956	4,206	-	4,206
Additions	1,405	10,310	11,715	1,999	14,670	16,669
Transfer to investment property (Note 6)	-	(8,826)	(8,826)	-	(12,558)	(12,558)
Disposals	(62)	(2,112)	(2,174)	(88)	(3,005)	(3,093)
Depreciation charge (Note 15)*	(1,454)	-	(1,454)	(2,069)	-	(2,069)
Closing net book amount	**11,434**	**7,137**	**18,571**	**16,269**	**10,155**	**26,424**
At 31 December 2006						
Cost	14,519	7,137	21,656	20,659	10,155	30,814
Accumulated depreciation	(3,085)	-	(3,085)	(4,390)	-	(4,390)
Net book amount	**11,434**	**7,137**	**18,571**	**16,269**	**10,155**	**26,424**
Year ended 31 December 2007						
Opening net book amount	11,434	7,137	18,571	16,269	10,155	26,424
Additions	1,454	5,439	6,893	2,069	7,739	9,808
Written-off in 2007	-	(7,472)	(7,472)	-	(10,632)	(10,632)
Depreciation charge (Note 15)*	(2,075)	-	(2,075)	(2,952)	-	(2,952)
Closing net book amount	**10,813**	**5,104**	**15,917**	**15,386**	**7,262**	**22,648**
At 31 December 2007						
Cost	15,973	5,104	21,077	22,728	7,262	29,990
Accumulated depreciation	(5,160)	-	(5,160)	(7,342)	-	(7,342)
Net book amount	**10,813**	**5,104**	**15,917**	**15,386**	**7,262**	**22,648**

* Depreciation expense of LVL 2,075 or EUR 2,952 (2006: LVL 1,454 or EUR 2,069) has been charged in cost of sales, see Note 15.

Notes to the Consolidated Financial Statements (continued)

6 Investment property

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
At 1 January				
Cost	7,958,416	2,920,425	11,323,806	4,155,390
Accumulated depreciation	(706,988)	(351,315)	(1,005,954)	(499,876)
Net book amount	**7,251,428**	**2,569,110**	**10,317,852**	**3,655,514**
Year ended 31 December				
Opening net book amount	7,251,428	2,569,110	10,317,852	3,655,514
Acquisition of subsidiary (Note 24)	-	4,113,157	-	5,852,495
Acquisitions (Note 24)	2,255,132	766,768	3,208,764	1,091,013
Transfer from Property, plant and equipment (Note 5)	-	8,826	-	12,558
Depreciation charge (Note 15)	(361,206)	(206,433)	(513,950)	(293,728)
Closing net book amount	**9,145,354**	**7,251,428**	**13,012,666**	**10,317,852**
At 31 December				
Cost	10,213,548	7,958,416	14,532,570	11,323,806
Accumulated depreciation	(1,068,194)	(706,988)	(1,519,904)	(1,005,953)
Net book amount	**9,145,354**	**7,251,428**	**13,012,666**	**10,317,852**

The Group has signed mortgage agreements with a commercial bank registered in the Republic of Latvia. The subject of the mortgage agreements is all investment property owned by the Group to secure:

1. the Group's bank borrowings. The maximum amount of claims secured by the mortgage is LVL 1 190 000, LVL 4,723,000 and LVL 6,000,000;
2. the bank borrowings of two related companies registered in the Republic of Latvia. The mortgage agreements were signed on 15 February 2006 stating the maximum amount of claims secured by the mortgages of LVL 3,680,750 and LVL 8,618,245.

Carrying amount of the investment property pledged as at 31 December 2007 amounts to LVL 7,122,422 (31.12.2006.: LVL 7,251,428).

As at 31 December 2007 the fair value of the Group's investment property is estimated to be approximately EUR 25 million or LVL 17.6 million, translated at the exchange rate set by the Bank of Latvia as at 31 December 2007 (As at 31 December 2006: EUR 19 million or LVL 13.4 million, translated at the exchange rate set by the Bank of Latvia as at 31 December 2006). The fair value disclosed above is based on valuations performed by an independent real estate valuations company. The most recent valuations were performed in April, 2007 and management considers that there would be no material difference between values in April 2007 and 31 December 2007.
The calculation of fair value of the investment property is based on future cash flow analysis and other appropriate methods.

In the income statement direct operating expenses (including repairs and maintenance) comprise LVL 473,851 (2006: LVL 535,814) relating to investment property that generated rental income.

Notes to the Consolidated Financial Statements (continued)

7 Goodwill

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
At 1 January				
Cost	324,958	-	462,374	-
Accumulated impairment	-	-	-	-
Net book amount	**324,958**	-	**462,374**	-
Year ended 31 December				
Opening net book amount	324,958	-	462,374	-
Acquisition of subsidiary (Note 24)	-	324,958	-	462,374
Closing net book amount	**324,958**	**324,958**	**462,374**	**462,374**
At 31 December				
Cost	324,958	324,958	462,374	462,374
Accumulated impairment	-	-	-	-
Net book amount	**324,958**	**324,958**	**462,374**	**462,374**

Goodwill is attributed to the acquired subsidiary as a single cash-generating unit.

The Parent Company's management tested goodwill in amount of LVL 324 thousand for impairment on 31 December 2007, applying discounted cash flow method with the pre-tax discount rate of 7.4% and terminal growth rate - 2.5%. No impairment was identified consequently; no adjustments to goodwill's carrying amount were made.

The pre-tax cash flow projections were based on financial budgets (EBITDA margin of 37%) approved by the management covering a four-year period. Cash flows from rentals beyond the four year period are extrapolated using the estimated growth rate of 2.5%.

The management determined budgeted gross margin based on the actual data on the occupancy rates of retail and office premises, actual rental agreements signed and its expectations of market development.

Notes to the Consolidated Financial Statements (continued)

8 Loans and other receivables

	31.12.2007. LVL	31.12.2006. LVL	31.12.2007. EUR	31.12.2006. EUR
Loans to related parties (Note 25 d)	2,867,376	2,508,293	4,079,908	3,568,979
Loans to shareholders (Note 25 c)	442,292	179,246	629,325	255,044
Trade receivables	46,365	28,150	65,971	40,054
Paid guarantee money	-	45,717	-	65,050
Less provision for possible loss of paid guarantee money	-	(22,841)	-	(32,500)
VAT receivable	-	881	-	1,254
Other tax overpaid	1,070	9	1,523	13
Accrued income	41,307	15,726	58,775	22,376
Deferred expenses	1,480	7,793	2,106	11,088
	3,399,890	**2,762,974**	**4,837,608**	**3,931,358**
Less non-current portion	(2,846,734)	(2,592,859)	(4,050,538)	(3,689,306)
Current portion	**553,156**	**170,115**	**787,070**	**242,052**

The fair values of trade and other receivables are as follows:

	31.12.2007. LVL	31.12.2006. LVL	31.12.2007. EUR	31.12.2006. EUR
Loans to related parties	2,867,376	2,508,293	4,079,908	3,568,979
Loans to shareholders	442,292	179,246	629,325	255,044
Trade receivables	46,365	28,150	65,971	40,054
Deferred expenses	1,480	7,793	2,106	11,088
Other debtors	40,318	32,418	57,367	46,127
	3,397,831	**2,755,900**	**4,834,678**	**3,921,292**

The fair values of the loans to the shareholders are based on cash flows discounted using the average bank interest rates for loans in EUR of 6.0% (2006: 5.8%). The fair values of the loans to related parties approximate their carrying amount, as they bear floating interest rate.

	31.12.2007. LVL	31.12.2006. LVL	31.12.2007. EUR	31.12.2006. EUR
The maturity of non- current loans is as follows:				
- receivable between 2 and 5 years	109,586	110,341	155,927	157,001
- receivable over 5 years	2,737,148	2,482,518	3,894,611	3,532,305
	2,846,734	**2,592,859**	**4,050,538**	**3,689,306**

The effective interest rates on non-current receivables are as follows:

	2007	2006
Loans to related parties (Note 25 d)	4.3 – 5.5%	4.1 – 4.8%
Loans to shareholders (Note 25 c)	2.7 – 3.2%	2.5 – 3%

Notes to the Consolidated Financial Statements (continued)

8 Trade and other receivables (continued)

Other than loans to the shareholders and related parties, trade and other receivables carry no interest.

Movements on the provision for impairment of paid guarantee money are as follows:

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
At 1 January	22,841	45,717	32,500	65,049
Impairment of paid guarantee money (Note 19)	22,876	22,841	32,550	32,500
Receivables written off during the year as uncollectible	(45,717)	(45,717)	(65,050)	(65,049)
	-	**22,841**	**-**	**32,500**

*In 2005 Apex Investments SIA signed an agreement for potential purchase of land. According to the terms of the agreement the Company provided the seller with the bank's guarantee in the amount of EUR 130,100. The guarantee was given to secure the signing of purchase agreement if there would be obtained positive results in detailed inspection of the land. During the inspection there was discovered that purchase subject did not meet the terms defined in the purchase agreement. In accordance with the agreement the Company had rights to terminate the contract without paying the guarantee money to the seller. As such term was not included in guarantee agreement signed with the bank, the bank made payment to the seller. The seller refuses to pay back received money. The management of the Company plans to apply to the court to get back aforementioned funds, however, the probability of recovery of the funds is remote.
Changes in provisions for impaired receivables have been included in Other operating expenses in the income statement (Note 19).

The other classes within trade and other receivables do not contain impaired assets (are fully performing) as at 31 December 2007. None of trade and other receivables is secured by pledge or otherwise.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2007	2006
Currency		
EUR	3,309,668	2,683,622
LVL	90,222	79,352
	3,399,890	**2,762,974**

Notes to the Consolidated Financial Statements (continued)

9 Cash and cash equivalents

	31.12.2007. LVL	31.12.2006. LVL	31.12.2007. EUR	31.12.2006. EUR
Cash at bank and on hand	**953,523**	**1,394,983**	**1,356,741**	**1,984,882**

The effective interest rate on short-term bank deposits in 2007 was 3.8% (2006: - 3.5%).

10 Trade and other payables

	31.12.2007. LVL	31.12.2006. LVL	31.12.2007. EUR	31.12.2006. EUR
Trade payables	29,430	27,648	41,875	39,340
Received advances	36,859	31,698	52,446	45,102
Accrued expenses	53,147	39,299	75,621	55,917
Social security and other taxes	21,240	6,326	30,222	9,001
Payable for Tukuma projekts SIA	96,989	-	138,003	-
Other payables	16,960	12,382	24,132	17,618
	254,625	**117,353**	**362,299**	**166,978**

The carrying value of trade and other payables approximate their fair values due to their short term nature. Trade and other payables carry no interest. The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2007	2006
Currency		
EUR	110,313	12,560
LVL	144,312	104,971
	254,625	**117,353**

11 Share capital

The total authorised number of ordinary shares is 238,659 (2006: 180,000 shares) with a nominal value of LVL 1 per share (2006: LVL 1 per share). All authorised shares are issued and fully paid.

12 Borrowings

Non-current	31.12.2007. LVL	31.12.2006. LVL	31.12.2007. EUR	31.12.2006. EUR
Bank borrowings:				
- payable between 2 and 5 years	2,251,067	5,956,173	3,202,980	8,474,871
- payable over 5 years	7,597,956	1,830,992	10,810,917	2,605,267
Bonds - payable between 2 and 5 years	3,283,684	2,914,544	4,672,262	4,147,022
	13,132,707	**10,701,709**	**18,686,159**	**15,227,160**
Current				
Bank borrowings	233,338	517,769	332,010	736,719
	233,338	**517,769**	**332,010**	**736,719**
Total borrowings	**13,366,045**	**11,219,478**	**19,018,169**	**15,963,879**

The fair values of borrowings are as follows:

	31.12.2007. LVL	31.12.2006. LVL	31.12.2007. EUR	31.12.2006. EUR
Bank borrowings	10,082,361	8,304,934	14,345,989	11,816,924
Bonds	3,269,547	3,294,812	4,652,173	4,688,122
	13,351,908	**11,599,746**	**18,998,162**	**16,505,046**

Notes to the Consolidated Financial Statements (continued)

12 Borrowings (continued)

The fair value of the bonds is based on quoted bid prices obtained from Riga Stock Exchange website. In 2006 the fair value of bonds was based on cash flows discounted using the average bank interest rates for loans in EUR of 5.8%. The fair values of the bank borrowings approximate their carrying amount, as they bear floating interest rate and the impact of discounting is not significant.

Bank borrowings
On 28 September 2007 Apex Investments SIA singed the amendments in the loan agreement of 5 March 2004 with a commercial bank registered in the Republic of Latvia. The outstanding loan amount as at 31 December 2007 is EUR 5,604,771 or LVL 3,939,055, translated at the exchange rate set by the Bank of Latvia as at 31 December 2007 (31.12.2006: EUR 6,010,979 or LVL 4,224,540, translated at the exchange rate set by the Bank of Latvia as at 31 December 2006) repayable till 15 September 2012; interest rate is 3 months EURIBOR + 1.15% per annum payable on monthly basis.

On 28 September 2007 Apex Investments SIA signed the amendments to the loan agreement of 18 September 2006 with a commercial bank registered in the Republic of Latvia for financing the acquisition of subsidiaries. The outstanding loan amount as at 31 December 2007 is EUR 4,590,916 or LVL 3,226,514, translated at the exchange rate set by the Bank of Latvia as at 31 December 2007 (31.12.2006: EUR 4,800,000 or LVL 3,373,459, translated at the exchange rate set by the Bank of Latvia as at 31 December 2006) repayable till 15 September 2012; interest rate is 3 months EURIBOR + 1.15% per annum payable on monthly basis.

On 28 September 2007 Apex Investments SIA signed the amendments to the loan agreement of 5 March 2004 with a commercial bank registered in the Republic of Latvia. According to the amendments Apex Investments SIA formally took over the loan previously issued by the bank to its former subsidiary Klavinvest SIA that was merged with Apex Investments SIA in July 2007. The outstanding loan amount as at 31 December 2007 is EUR 1,022,963 or LVL 718,942, translated at the exchange rate set by the Bank of Latvia as at 31 December 2007 repayable till 15 September 2012; interest rate is 3 months EURIBOR + 1.15% per annum payable on monthly basis.

On 20 December 2007 Apex Investments SIA signed the loan agreement with a commercial bank registered in the Republic of Latvia for financing the acquisition of subsidiary. The outstanding loan amount as at 31 December 2007 is EUR 3,090,018 or LVL 2,171,678, translated at the exchange rate set by the Bank of Latvia as at 31 December 2007 repayable till 15 December 2012; interest rate is 3 months EURIBOR + 1.15% per annum payable on monthly basis.

Bank borrowings are secured by the land and buildings of the Group (see Note 6).

Bonds

On 30 October 2006 in a closed emission Apex Investments SIA issued 4,730 bonds for price EUR 871.69 per bond. In 2007 additional 300 bonds were purchased by investors. Nominal value per bond is EUR 1,000. Maturity of bonds is 30 April 2009. Interest rate is 5% per annum payable on semi-annual basis. According to Share Pledge Registration Agent agreement the issue of the bonds is secured by the shares of related parties Tuhkatriinu SIA and O.P.M.1 SIA.

The exposure of the Group's borrowings to interest rate changes are as follows:

	31.12.2007. LVL	**31.12.2006. LVL**	**31.12.2007. EUR**	**31.12.2006. EUR**
6 months or less	10,082,361	8,304,934	14,345,907	11,816,856
1 – 5 years	3,283,684	2,914,544	4,672,262	4,147,022
	13,366,045	**11,219,478**	**19,018,169**	**15,963,879**

The effective interest rate on the bank borrowings was 4.9% (2006: 4.3%). The effective interest rate on bonds was 11%.

Notes to the Consolidated Financial Statements (continued)

13 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	31.12.2007. LVL	31.12.2006. LVL	31.12.2007. EUR	31.12.2006. EUR
Deferred income tax assets:				
– Deferred income tax asset to be recovered after more than 12 months	(43,723)	(42,351)	(62,212)	(60,260)
– Deferred income tax asset to be recovered within 12 months	(11,906)	(18,929)	(16,941)	(26,934)
	(55,629)	**(61,280)**	**(79,153)**	**(87,194)**
Deferred tax liabilities:				
– Deferred income tax liability to be reversed after more than 12 months	419,281	399,712	596,583	568,739
– Deferred income tax liability to be reversed within 12 months	21,138	1,785	30,077	2,540
	440,419	**401,497**	**626,670**	**571,279**
Deferred income tax liabilities (net)	**384,790**	**340,217**	**547,507**	**484,085**

The gross movement on the deferred income tax account is as follows:

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
Deferred tax liability at the beginning of the year	340,217	12,443	484,085	17,705
Acquisition of subsidiary (Note 24)	-	327,916	-	466,582
Other adjustments	13,952	1,888	19,852	2,686
Income statement charge (Note 22)	30,621	(2,030)	43,570	(2,888)
Deferred tax liability at the end of the year	**384,790**	**340,217**	**547,507**	**484,085**
Unrecognised deferred tax asset at the beginning of the year	-	(17,582)	-	(25,017)
Acquisition of subsidiary	-	(2,872)	-	(4,086)
Change in unrecognised deferred tax	(46,853)	20,454	(66,666)	29,103
Unrecognised deferred tax asset at the end of the year	**(46,853)**	**-**	**(66,666)**	**-**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. On 31 December 2005 the Group did not recognise deferred income tax assets of LVL 17,582 in respect of losses amounting to LVL 117,215. According to forecasts of the Group's management deferred income tax asset was recognised in full amount as at 31 December 2006.
On 31 December 2007 the Group did not recognise deferred income tax assets of LVL 46,853 in respect of losses amounting to LVL 312,356.

Notes to the Consolidated Financial Statements (continued)

13 Deferred income tax (continued)

As at 31 December 2007 the Group had accumulated tax losses of Ls 648,363 (or EUR 922,537 translated at the exchange rate set by the Bank of Latvia as at 31 December 2006, which it can carry forward and utilise in future years. Tax losses carried forward can be covered in chronological order from taxable income during the following five years.

	Tax losses LVL	Expiry term
Tax losses of 2003	92,519	2008
Tax losses of 2004	219,837	2009
Tax losses of 2007	336,007	2012
	648,363	

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdictions, is as follows:

	Accelerated tax depreciation	Provisions and accrued liabilities	Tax losses	Other tax	Total
	LVL	LVL	LVL	LVL	LVL
At 1 January 2006	**45,493**	**(74)**	**(32,976)**	**-**	**12,443**
Charged/(credited) to the income statement	11,859	(12)	(13,877)	-	(2,030)
Consolidation adjustments	1,888	-	-	-	1,888
Acquisition of subsidiary (Note 24)	337,153	(66)	(9,171)	-	327,916
At 31 December 2006	**396,393**	**(152)**	**(56,024)**	**-**	**340,217**
Charged/(credited) to the income statement	6,202	-	5,623	18,796	30,621
Consolidation adjustments	19,028	(5,076)	-	-	13,952
At 31 December 2007	**421,623**	**(5,228)**	**(50,401)**	**18,796**	**384,790**

	Accelerated tax depreciation	Provisions and accrued liabilities	Tax losses	Other tax	Total
	EUR	EUR	EUR	EUR	EUR
At 1 January 2006	64,731	(105)	(46,921)	-	17,705
Charged/(credited) to the income statement	16,874	(17)	(19,745)	-	(2,888)
Consolidation adjustments	2,686	-	-	-	2,686
Acquisition of subsidiary (Note 24)	479,725	(94)	(13,049)	-	466,582
At 31 December 2006	**564,016**	**(216)**	**(79,715)**	**-**	**484,085**
Charged/(credited) to the income statement	8,825	-	8,000	26,745	43,570
Consolidation adjustments	27,075	(7,223)	-	-	19,852
At 31 December 2007	**599,916**	**(7,439)**	**(71,715)**	**26,745**	**547,507**

Deferred tax is calculated by using the tax rate of 15%.

Notes to the Consolidated Financial Statements (continued)

14 Revenue

Revenue includes income from rent and maintenance of investment property leased out under cancellable operating leases.

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
Rental income from investment property	1,109,679	683,288	1,578,931	972,231
Other rental income	374,664	204,701	533,099	291,264
	1,484,343	**887,989**	**2,112,030**	**1,263,495**

The average rental period is 4.5 years with possibility to prolong agreements.
Other rental income includes income from utility services reflects income from recharged heating, electricity and other utilities to tenants in connection to investment property leased out. Related expenses in total amount of Ls 333,198 (2006: Ls 173,723) are included in Cost of sales.
The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
Not later than 1 year	1,374,750	760,848	1,956,093	1,082,589
Later than 1 year and no later than 5 years	4,706,000	1,097,274	6,696,035	1,561,280
Later than 5 years	5,897,554	47,970	8,391,463	68,255
	11,978,304	**1,906,092**	**17,043,591**	**2,712,124**

15 Cost of sales

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
Depreciation and impairment charges (Notes 5 and 6)	363,281	207,887	516,902	295,797
Property management costs	81,274	57,859	115,642	82,326
Property maintenance costs	76,031	37,167	108,182	52,897
Public utilities	302,619	185,052	430,588	263,305
Real estate tax	48,630	38,082	69,194	54,186
Salaries	21,269	2,834	30,263	4,032
State compulsory social insurance contributions	5,135	1,706	7,306	2,427
Rent of land	13,927	4,932	19,816	7,018
Other expenses	3,611	295	5,140	407
	915,777	**535,814**	**1,303,033**	**762,395**

16 Administrative expenses

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
Professional fees	40,019	31,605	56,942	44,970
Insurance	5,953	5,476	8,470	7,792
Office rent and other office costs	3,958	3,843	5,632	5,468
Business trip expenses	-	827	-	1,177
Bank fees	2,122	1,005	3,019	1,430
Other administrative costs	1,448	622	2,061	885
	53,500	**43,378**	**76,124**	**61,721**

Notes to the Consolidated Financial Statements (continued)

17 Expenses by nature

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
Direct operating expenses	473,851	285,441	674,229	406,146
Depreciation and amortisation (Note 5 and 6)	363,281	207,887	516,902	295,797
Real estate tax (Note 15)	48,630	38,082	69,194	54,186
Salaries (Note 15)	21,269	2,834	30,263	4,032
State compulsory social insurance contributions (Note 15)	5,135	1,706	7,306	2,427
Professional fees (Note 16)	40,019	31,605	56,942	44,970
Distribution costs	9,660	924	13,745	1,315
Other expenses	17,092	11,637	24,321	16,558
Total cost of sales, distribution costs and administrative expenses	**978,937**	**580,116**	**1,392,902**	**825,431**

18 Other operating income

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
Interest income from loans issued	161,218	41,492	229,393	59,038
Gain from revaluation of interest rate swap (see Note 27)	125,306	-	178,294	-
Net gains from currency exchange operations	2,756	275	3,921	391
Net (loss)/gains from exchange rate fluctuations	(394)	2,254	(561)	3,207
Other income	11,979	2,837	17,045	4,037
	300,865	**46,858**	**428,092**	**66,673**

19 Other operating expenses

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
Provision for possible loss of paid guarantee money	22,876	22,841	32,550	32,500
Other expenses	91,489	27,382	130,177	38,961
	114,365	**50,223**	**162,727**	**71,461**

Notes to the Consolidated Financial Statements (continued)

20 Finance income

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
Interest income from bank deposit	6,837	3,529	9,728	5,021
	6,837	**3,529**	**9,728**	**5,021**

21 Finance costs

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
Interest expenses for loan from bank	616,921	227,754	877,800	324,065
Interest expenses for issued bonds	161,699	47,898	230,077	68,153
Interest expenses for loan from private persons	-	8,421	-	11,981
Interest expenses for other loans	35	5,985	50	8,516
	778,655	**290,058**	**1,107,927**	**412,715**

22 Income tax expense

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
Current tax	15,094	7,679	21,477	10,926
Deferred tax (Note 13)	30,621	(2,030)	43,570	(2,888)
	45,715	**5,649**	**65,047**	**8,038**

The tax on the Group's profit before income tax differs from the theoretical calculated amount that would arise applying the 15% rate as stipulated by the law to (loss)/profit before taxation:

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
(Loss)/Profit before income tax	**(85,623)**	**17,979**	**(121,830)**	**25,582**
Tax calculated at 15%	(12,843)	2,697	(18,275)	3,837
Expenses not deductible for tax purposes	11,705	21,409	16,656	30,462
Effect of consolidation adjustments	-	1,997	-	2,841
Changes in unrecognised deferred tax asset	46,853	(20,454)	66,666	(29,103)
Tax charge	**45,715**	**5,649**	**65,047**	**8,038**

Notes to the Consolidated Financial Statements (continued)

23 Contingencies

The tax authorities may at any time inspect the books and records within 3 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Group's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

24 Acquisition of subsidiaries

On 25 September 2006 the Group acquired 100% of the share capital of Rēznas centrs SIA that operates and leases out retail premises in Latvia. The acquired business contributed revenues of LVL 159,592 and net profit of LVL 984 to the Group for the period from 25 September 2006 to 31 December 2006. If the acquisition had occurred on 1 January 2006, Group revenue would have increased by LVL 330,461 and profit would have increased by LVL 70,489.

Details of net assets acquired and goodwill are as follows:

	LVL	EUR
Purchase consideration:		
– Cash paid	2,150,837	3,060,365
Total purchase consideration	**2,150,837**	**3,060,365**
Fair value of net assets acquired	1,825,879	2,597,992
Goodwill (Note 7)	**324,958**	**462,374**

The Group allocated goodwill to the acquired business as a single cash-generating unit.

The goodwill is attributable principally to non-contractual customer relationship.

The assets and liabilities as of 25 September 2006 arising from the acquisition are as follows:

	Fair value	Acquiree's carrying amount	Fair value	Acquiree's carrying amount
	LVL	LVL	EUR	EUR
Cash and cash equivalents	77,143	77,143	109,765	109,765
Intangible assets	40	40	57	57
Investment property (Note 6)	4,113,157	2,029,699	5,852,495	2,888,001
Property, plant and equipment (Note 5)	2,956	2,956	4,206	4,206
Inventory	632	632	899	899
Trade and other receivables	300,040	300,040	426,918	426,918
Trade and other payables	(22,338)	(22,338)	(31,784)	(31,784)
Borrowings	(2,317,835)	(2,317,835)	(3,297,982)	(3,297,982)
Deferred tax liabilities (Note 13)	(327,916)	(2,958)	(466,582)	(4,208)
Net assets	1,825,879	67,379	2,597,992	95,872
Net assets acquired	**1,825,879**		**2,597,992**	
Purchase consideration settled in cash		2,150,837		3,060,365
Cash and cash equivalents in subsidiary acquired		(77,143)		(109,765)
Cash outflow on acquisition		**2,073,694**		**2,950,601**

On 5 June 2006 the Group acquired the net assets owned by Klavinvest SIA. The transaction was structured by acquiring 100% of the share capital of Klavinvest SIA that operates and leases out retail premises in Riga (Latvia).

Notes to the Consolidated Financial Statements (continued)

24 Acquisition of subsidiaries (continued)

The transaction was accounted for as acquisition of assets. Cost paid by the Group to acquire the net assets of SIA Klavinvest was allocated between the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition as follows:

	Acquisition cost LVL	Acquisition cost EUR
Cash and cash equivalents	19,469	27,702
Intangible assets	206	293
Investment property (Note 6)	766,768	1,091,013
Trade and other receivables	526,103	748,577
Trade and other payables	(9,584)	(13,637)
Borrowings	(773,971)	(1,101,262)
Deferred tax liabilities	(1,888)	(2,686)
Net assets acquired	**527,103**	**750,000**

On 20 December 2007 the Group acquired the net assets owned by Tukuma Projekts SIA. The transaction was structured by acquiring 100% of the share capital of Tukuma Projekts SIA that operates and leases out retail premises in Tukums (Latvia). The transaction was accounted for as acquisition of assets.

Cost paid by the Group to acquire the net assets of Tukuma Projekts SIA was allocated between the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition as follows:

	Acquisition cost LVL	Acquisition cost EUR
Cash and cash equivalents	61,039	86,851
Investment property (Note 6)	2,255,132	3,208,764
Trade and other receivables	36,349	51,720
Trade and other payables	(12,009)	(17,087)
Borrowings	(1,319,106)	(1,876,919)
Deferred tax liabilities	(13,952)	(19,852)
Net assets acquired	**1,007,453**	**1,433,476**

25 Related-party transactions

Related parties are defined as the shareholders of the Company, the members of the Board, their close relatives and the companies in which they have a significant influence or control.

The shareholders of the Company Gerald Allen Wirth and David Allen De Rousse did not receive any remuneration from the Company where they work as the members of the Board. Gerald Allen Wirth and David Allen De Rousse are the only shareholders and have 50% ownership each. None of them controls the Company.

The following transactions were carried out with related parties:

(a) Management services received

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
– Other related parties	**71,563**	**80,550**	**101,825**	**114,612**

(b)Year-end balances arising from purchases of services

	31.12.2007. LVL	31.12.2006. LVL	31.12.2007. EUR	31.12.2006. EUR
– Payables to other related parties	**-**	**195**	**-**	**277**

Notes to the Consolidated Financial Statements (continued)

25 Related-party transactions (continued)

(c) Loans to shareholders

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
Beginning of year	179,246	57,740	255,044	82,157
Acquired loans issued by Klavinvest SIA in 2005 and 2006	-	110,809	-	157,667
Loans advanced during the year	276,975	7,028	394,100	10,000
Loans repaid during the year	(35,491)	-	(50,499)	-
Interest income	21,640	3,669	30,791	5,221
Interest received	(78)	-	(111)	-
End of year (Note 8)	**442,292**	**179,246**	**629,325**	**255,044**

In 2006 Apex Investments SIA issued loans to each shareholder for the sum of EUR 5,000 (LVL 3,514) that totally amounts to EUR 10,000 (LVL 7,028). Principal amount of the loan and interest should be paid starting from 9 March 2007 till 13 December 2010. Interest rate defined 2.5 – 3% per annum.

In 2005 Klavinvest SIA issued the loans to the shareholders of the Company for the total sum of EUR 125,000 (LVL 87,851). Maturity of loans – year 2007 and year 2010, interest rate – 2.5% per annum.

In 2007 Reznas Centrs SIA issued the loans to the shareholders of the Company for the total sum of EUR 350,000 (LVL 245,980). Interest rate – 5,1%.

(d) Loans to related parties

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
Beginning of year	2,508,293	1,000	3,568,979	1,423
Loans advanced during year	538,918	2,686,979	766,811	3,823,227
Loan repayments received	(153,707)	(205,814)	(218,705)	(292,847)
Interest income	43,138	36,873	61,380	52,466
Interest received	(69,266)	(10,745)	(98,557)	(15,289)
End of year (Note 8)	**2,867,376**	**2,508,293**	**4,079,908**	**3,568,979**

In 2006 and 2007 Apex Investments issued loans to other related parties. All loans issued are denominated in EUR and interest rates are 3 month EURIBOR + 1.2% or 6 months EURIBOR +1.3%.

26 Operating leases

Operating leases – Group company is lessee

The future minimum lease payments payable under non-cancellable operating leases are as follows:

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
No later than 1 year	7,773	7,773	11,060	11,060
Later than 1 year and no later than 5 years	38,864	38,864	55,298	55,298
Later than 5 years	196,130	203,903	279,068	290,128

Notes to the Consolidated Financial Statements (continued)

27 Derivative financial instruments

During the year 2007 the Group has entered into interest rate swap contract. This caps the portfolio's interest rate exposure at 3.97% plus bank margin. In a period of rising interest rates, this cap allows the Group to significantly reduce interest rate risk. The swap agreement will remain in place for a period of four years expiring 31 December 2010.

The Group's notional amount and fair value of derivative instrument is set out in the following table:

	31.12.2007.			31.12.2007.		
	Notional amount, LVL	Fair value, LVL		Notional amount, EUR	Fair value, EUR	
		Assets	Liabilities		Assets	Liabilities
Interest rate swap	9,839,256	125,306	-	14,000,000	178,294	-
Total		**125,306**	**-**		**174,294**	**-**

28 Events after the balance sheet date

On 2 January 2008 Reznas Centrs SIA was merged into its parent company Apex Investment SIA as it was planned. There are no other subsequent events since the last date of the reporting year, which would have a significant effect on the financial position of the Group as at 31 December 2007.