Apex Investments SIA

Consolidated Annual Accounts
For the year ended 31 December 2007
Unaudited

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Report of the Management

Type of operations

Core activities of Apex Investments SIA ('the Company') and its subsidiaries (together 'the Group') are operation and management of rental retail real estates 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, the Company successfully completed one acquisition of real estate anchored by a leading construction goods store, adding one property to the portfolio of real estate owned. 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. The management believes that overall portfolio performance will improve with this acquisition by spreading vacancy and other risks across a larger portfolio of assets.

The Company raised debt capital in the fourth quarter of 2006 in a private placement successfully issued a 5% coupon corporate bond into the Baltic investment community. Inclusive of the current coupon and the discount the bond offers investors an initial yield of 11% p.a., with a maturity date of 30 April 2009. The subordinated debt capital raised has achieved the desired results of recapitalising a short-term bridge loan facility from Hansabanka. The bond issue was listed publicly on the Riga Stock Exchange on 30 October 2007. The Company also successfully paid two more coupon payments in 2007 for the bond.

In July 2007 Klavinvest SIA was officially liquidated and fully merged into Apex Investments SIA. This was accepted by all relevant Latvian Government institutions, trading partners and financial institutions.

Financial risk management

The Group's activities expose it to the credit risk and interest rate risk. The Company's management seeks to minimise potential adverse effects of financial risk on the financial performance of the Group.

The Group's borrowings and issued loans have variable interest rates. The risk is partly mitigated by applying variable interest rates to the loans issued. The Company 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.

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 partners of the Group in money transactions are local banks with adequate credit history.

Report of the Management (continued)

Post balance sheet events

Already in the fourth quarter of 2006, the Management entered into negotiation for a large, grocery-anchored trade center located in Riga, but was outbid by a competing investor. In the second quarter of 2007, the Management learned the competing investor was not able to close the purchase. Therefore the vendor again offered the property for sale. The Company won the bidding process, a new price was agreed upon, and Management has signed a Share Purchase Agreement in February 2008, and expects to close the purchase and add the investment to the Apex portfolio by the end of March 2008.

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

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

The management is confident that the Group will continue its successful development in the future.

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

Riga, 10 March 2008

Riga, 10 March, 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.

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	9,139,643	7,251,428	13,004,540	10,317,852
Property, plant and equipment	5	15,634	18,365	22,245	26,131
Goodwill	7	324,958	324,958	462,374	462,374
Intangible assets		283	206	403	293
Trade and other receivables	8	2,846,734	2,592,859	4,050,538	3,689,306
		12,327,252	**10,187,816**	**17,540,099**	**14,495,956**
Current assets					
Trade and other receivables	8	553,866	170,115	788,080	242,052
Current income tax assets		-	1,281	-	1,823
Cash and cash equivalents	9	953,523	1,394,983	1,356,741	1,984,882
		1,507,389	**1,566,379**	**2,144,821**	**2,228,757**
Total assets		**13,834,641**	**11,754,195**	**19,684,921**	**16,724,713**
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	10	238,659	180,000	339,581	256,117
Accumulated deficit		(402,288)	(105,779)	(572,404)	(150,510)
Total equity		**(163,629)**	**74,221**	**(232,823)**	**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	365,994	340,217	520,763	484,085
		13,498,701	**11,041,926**	**19,206,921**	**15,711,245**
Current liabilities					
Trade and other payables	11	292,461	117,353	416,135	166,978
Current income tax liabilities		-	2,926	-	4,163
Borrowings	12	207,108	517,769	294,688	736,719
		499,569	**638,048**	**710,823**	**907,861**
Total liabilities		**13,998,270**	**11,679,974**	**19,917,744**	**16,619,106**
Total equity and liabilities		**13,834,641**	**11,754,195**	**19,684,921**	**16,724,713**

The notes on pages 9 to 35 are an integral part of these consolidated financial statements.

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	(921,488)	(535,814)	(1,311,159)	(762,395)
Gross profit		**562,855**	**352,175**	**800,871**	**501,100**
Distribution costs		(9,660)	(924)	(13,745)	(1,315)
Administrative expenses	16	(53,500)	(43,378)	(76,124)	(61,721)
Other operating income	18	14,341	5,366	20,405	7,635
Other operating expenses	19	(114,365)	(50,223)	(162,727)	(71,461)
Operating profit		**399,671**	**263,016**	**568,681**	**374,238**
Finance income	20	168,055	45,021	239,121	64,059
Finance costs	21	(778,655)	(290,058)	(1,107,926)	(412,715)
Finance costs – net		**(610,600)**	**(245,037)**	**(868,806)**	**(348,656)**
(Loss)/profit before income tax		**(210,929)**	**17,979**	**(300,125)**	**25,582**
Income tax expense	22	(26,919)	(5,649)	(38,302)	(8,038)
(Loss)/profit for the year		**(237,848)**	**12,330**	**(338,427)**	**17,544**
Attributable to:					
Equity holders of the Company		**(237,848)**	**12,330**	**(338,427)**	**17,544**

The notes on pages 9 to 35 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Attributable to the equity holders of the Company			Attributable to the equity holders of the Company		
	Share capital	Accumulated deficit	Total equity	Share capital	Accumulated deficit	Total equity
	LVL	LVL	LVL	EUR	EUR	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)	-
Profit for the year	-	(237,848)	(237,848)	-	(338,427)	(338,427)
Balance at 31 December 2007	**238,659**	**(402,286)**	**(163,627)**	**339,581**	**(572,401)**	**(232,820)**

The notes on pages 9 to 35 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

	Note	2007 LVL	2006 LVL	2007 EUR	2006 EUR
Cash flows from operating activities					
(Loss)/Profit before income tax		(210,929)	17,979	(300,125)	25,582
Adjustments for:					
– Depreciation	5, 6	368,969	207,791	524,996	295,660
– Loss on disposal of property, plant and equipment		7,472	2,112	10,632	3,005
– Interest income	20	(168,055)	(45,021)	(239,121)	(64,059)
– Interest expenses	21	778,655	275,250	1,107,926	391,645
Changes in working capital					
– Trade and other receivables		22,133	286,898	31,492	408,219
– Trade and other payables		165,618	19,718	235,653	28,056
Cash generated from / (used in) operations		963,863	317,177	1,371,453	451,302
Interest paid		(567,115)	(218,418)	(806,932)	(310,781)
Income tax paid		(18,020)	(8,325)	(25,640)	(11,845)
Net cash generated from operating activities		**378,728**	**539,984**	**538,881**	**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		(953,112)	(519,349)	(1,356,156)	(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		172,621	15,223	245,618	21,660
Net cash used in investing activities		**(1,407,186)**	**(4,653,597)**	**(2,002,245)**	**(6,621,472)**
Cash flows from financing activities					
Proceeds from issuance of bonds		183,830	2,861,845	261,567	4,072,039
Proceeds from borrowings		785,166	6,191,534	1,117,191	8,809,759
Repayments of borrowings		(381,998)	(3,586,548)	(543,534)	(5,103,198)
Net cash generated from / (used in) financing activities		**586,998**	**5,466,831**	**835,223**	**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 9 to 35 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 30 September 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.
Tukuma Projekts SIA was acquired in 2007.

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.

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.

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.
- 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).

The new IFRIC interpretations 7 to 10 did not significantly affect the Group's financial statements.

Certain new standards and interpretations have been published that become effective for the accounting 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.
- 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.
- 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.

Notes to the Consolidated Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

- 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 noncontrolling 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.
- Amendment to IFRS 2 dealing with vesting conditions and cancellations (effective for annual periods beginning on or after 1 January 2009, subject also to EU adoption for certain territories). It clarifies that only service conditions and performance conditions are vesting conditions. As such these features need to be included in the grant date fair value for transactions with employees and do not impact the number of awards expected to vest or the valuation subsequent to grant date. It also specifies that all cancellations, should receive the same accounting treatment.
- 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);
- 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).

The new standards and interpretations are not expected to significantly affect the Group's financial statements.

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).

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.

Notes to the Consolidated Financial Statements (continued)

2. Summary of significant accounting policies (continued)

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.

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.

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).

Notes to the Consolidated Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.5 Property, plant and equipment

All property, plant and equipment is 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.

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 over their estimated useful lives (three years).

Notes to the Consolidated Financial Statements (continued)

2. Summary of significant accounting policies (continued)

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 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.

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. The carrying amount of the loans and receivables is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within other operating expenses. When a loan and receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the income statement.

Loans and receivables are recognised when cash is advanced to the borrowers. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2.9 Cash and cash equivalents

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

2.10 Share capital

Ordinary shares are classified as equity.

2.11 Trade payables

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

Notes to the Consolidated Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.12 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.

2.13 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.

2.14 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 and amortisation 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.

2.15 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.

Notes to the Consolidated Financial Statements (continued)

3. Summary of significant accounting policies (continued)

2.15 Revenue recognition (continued)

(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. See Note 2.17 for recognition of rental income.

(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.

2.16 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.

2.17 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.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to such financial risks as market 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 is not exposed to significant foreign exchange risk because all its 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.

(ii) Price risk

The Group is not exposed to equity price risk.

Notes to the Consolidated Financial Statements (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. During 2007 and 2006, the Group's borrowings at variable rates were denominated in eiro.

The Group has entered into interest rate swap to mitigate the interest rate risk.

(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 partners of the Group in money transactions are local banks with adequate credit history.

(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 1,007,679 (31 December 2006: LVL 928,331).

The table below analyses the Group's financial liabilities 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	586,272	603,868	1,811,604	10,572,022	**13,573,766**
Trade and other payables	292,461	-	-	-	**292,461**
At 31 December 2006					
Borrowings	393,790	430,998	1,292,995	8,232,590	**10,350,373**
Trade and other payables	117,353	-	-	-	**117,353**

	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	834,190	859,227	2,577,680	15,042,632	**19,313,729**
Trade and other payables	416,135	-	-	-	**416,135**
At 31 December 2006					
Borrowings	560,313	613,255	1,839,766	11,713,920	**14,727,254**
Trade and other payables	166,978	-	-	-	**166,978**

Notes to the Consolidated Financial Statements (continued)

3 Financial risk management (continued)

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 gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

The gearing ratios as at 31 December 2007 and 2006 were as follows:

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
Total borrowings (Note 12)	13,339,815	11,219,478	18,980,847	15,963,879
Less: cash and cash equivalents (Note 9)	(953,523)	(1,394,983)	(1,356,741)	(1,984,882)
Net debt	12,386,292	9,824,495	17,624,106	13,978,997
Total equity	(163,629)	74,221	(232,823)	105,607
Total capital	12,222,663	9,898,716	17,391,283	14,084,604
Gearing ratio	**101%**	**99%**	**101%**	**99%**

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.

Notes to the Consolidated Financial Statements (continued)

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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 provision for guarantee money paid was made based on the management's assessment of possible outcome of the claim submitted.

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	9,390	7,765	17,155	13,361	11,049	24,409
Accumulated depreciation	(1,165)	-	(1,165)	(1,658)	-	(1,658)
Net book amount	**8,225**	**7,765**	**15,990**	**11,703**	**11,049**	**22,752**
Year ended 31 December 2006						
Opening net book amount	8,225	7,765	15,990	11,703	11,049	22,752
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	-	(2,112)	(2,112)	-	(3,005)	(3,005)
Depreciation charge (Note 15, 16)	(1,358)	-	(1,358)	(1,932)	-	(1,932)
Closing net book amount	**11,228**	**7,137**	**18,365**	**15,976**	**10,155**	**26,131**
At 31 December 2006						
Cost	14,124	7,137	21,261	20,097	10,155	30,252
Accumulated depreciation	(2,896)	-	(2,896)	(4,121)	-	(4,121)
Net book amount	**11,228**	**7,137**	**18,365**	**15,976**	**10,155**	**26,131**
Year ended 31 December 2007						
Opening net book amount	11,228	7,137	18,365	15,976	10,155	26,131
Additions	1,259	5,439	6,698	1,791	7,739	9,530
Written-off in 2007	-	(7,472)	(7,472)	-	(10,632)	(10,632)
Depreciation charge (Note 15, 16)	(1,957)	-	(1,957)	(2,785)	-	(2,785)
Closing net book amount	**10,530**	**5,104**	**15,634**	**14,983**	**7,262**	**22,245**
At 31 December 2007						
Cost	15,383	5,104	20,487	21,888	7,262	29,150
Accumulated depreciation	(4,853)	-	(4,853)	(6,905)	-	(6,905)
Net book amount	**10,530**	**5,104**	**15,634**	**14,983**	**7,262**	**22,245**

Depreciation expense of LVL 1,957 (2006: LVL 1,318) has been charged in cost of sales, LVL 0 (2006: LVL 40) in administrative expenses.

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)	(1,005,953)	(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)	(366,917)	(206,433)	(522,076)	(293,728)
Closing net book amount	**9,139,643**	**7,251,428**	**13,004,540**	**10,317,852**
At 31 December				
Cost	10,213,548	7,958,416	14,532,570	11,323,806
Accumulated depreciation	(1,073,905)	(706,988)	(1,528,029)	(1,005,953)
Net book amount	**9,139,643**	**7,251,428**	**13,004,540**	**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 mortage 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 (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 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 premises, actual rental agreements signed and its expectations of market development.

Notes to the Consolidated Financial Statements (continued)

8 Trade 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	-	65,049
Less provision for possible loss of paid guarantee money	-	(22,841)	-	(32,500)
VAT receivable	-	881	-	1,254
Other tax overpaid	1,780	9	2,533	13
Accrued income	41,307	15,726	58,775	22,376
Deferred expenses	1,480	7,793	2,106	11,088
	3,400,600	**2,762,974**	**4,838,618**	**3,931,358**
Less non-current portion	(2,846,734)	(2,592,859)	(4,050,538)	(3,689,306)
Current portion	553,866	170,115	788,080	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	439,523	170,891	625,385	243,156
Trade receivables	46,365	28,150	65,971	40,054
Deferred expenses	1,480	7,793	2,106	11,088
Other debtors	43,087	40,773	61,307	58,015
	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 and the impact on discounting is not significant.

Notes to the Consolidated Financial Statements (continued)

8 Trade and other receivables (continued)

	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%

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)	(65,049)	(65,049)
At 31 December	**-**	**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.

The creation and release of provision 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.

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	90,932	79,352
	3,400,600	**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%).

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

Currency	2007 LVL	2006 LVL	2007 EUR	2006 EUR
USD	57	-	81	-
EUR	758,278	884,583	1,078,932	1,258,648
LVL	195,188	510,400	277,728	726,234
	953,523	**1,394,983**	**1,356,741**	**1,984,882**

10 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.

11 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	79,377	39,299	112,943	55,917
Social security and other taxes	32,846	6,326	46,736	9,001
Other payables	113,949	12,382	162,135	17,618
	292,461	**117,353**	**416,135**	**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. Trade and other payables are denominated in LVL.

12 Borrowings

	31.12.2007.	31.12.2006.	31.12.2007.	31.12.2006.
Non-current	**LVL**	**LVL**	**EUR**	**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	4,672,261	4,147,022
	13,132,707	**10,701,709**	**18,686,159**	**15,227,160**
Current				
Bank borrowings	207,108	517,769	294,688	736,719
	207,108	**517,769**	**294,688**	**736,719**
Total borrowings	**13,339,815**	**11,219,478**	**18,980,847**	**15,963,879**

Notes to the Consolidated Financial Statements (continued)

12 Borrowings (continued)

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	10,056,131	8,304,934	14,308,585	11,816,856
Bonds	3,283,684	3,294,812	4,672,261	4,688,095
	13,339,815	**11,599,746**	**18,980,847**	**16,504,952**

The fair value of the bonds is 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 15 September 2006 Apex Investments SIA singed the amendments in the loan agreement of 5 March 2005 with a commercial bank registered in the Republic of Latvia. According to the amendments loan principal amount is EUR 6,010,979; interest rate is 3 months EURIBOR + 1.2% per annum payable on monthly basis and ultimate maturity is 15 February 2019.

On 18 September 2006 Apex Investments SIA signed a loan agreement with a commercial bank registered in the Republic of Latvia for financing of the acquisition of subsidiaries. The loan principal amount is EUR 4,800,000 repayable till 15 September 2021; interest rate is 3 months EURIBOR + 1.2% 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. 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	10,056,131	8,304,934	14,308,585	11,816,856
1 – 5 years	3,283,684	2,914,544	4,672,261	4,147,022
	13,339,815	**11,219,478**	**18,980,847**	**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	(80,686)	(42,351)	(114,806)	(60,260)
– Deferred income tax asset to be recovered within 12 months	(11,906)	(18,929)	(16,941)	(26,934)
	(92,592)	**(61,280)**	**(131,747)**	**(87,194)**
Deferred tax liabilities:				
– Deferred income tax liability to be reversed after more than 12 months	456,244	399,712	649,177	568,739
– Deferred income tax liability to be reversed within 12 months	2,342	1,785	3,332	2,540
	458,586	**401,497**	**652,509**	**571,279**
Deferred income tax liabilities (net)	**365,994**	**340,217**	**520,763**	**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)	11,825	(2,030)	16,825	(2,888)
Deferred tax liability at the end of the year	**365,994**	**340,217**	**520,763**	**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	-	20,454	-	29,103
Unrecognised deferred tax asset at the end of the year	**-**	**-**	**-**	**-**

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.

Notes to the Consolidated Financial Statements (continued)

13 Deferred income tax (continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the

	Accelerated tax depreciation	Provisions and accrued liabilities	Tax losses	Total
	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	43,165	-	(31,340)	11,825
Consolidation adjustments	19,028	(5,076)	-	13,952
At 31 December 2007	**458,586**	**(5,228)**	**(87,364)**	**365,994**
	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	61,418	-	(44,593)	16,825
Consolidation adjustments	27,074	(7,222)	-	19,852
At 31 December 2007	**652,509**	**(7,439)**	**(124,308)**	**520,763**

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

14 Revenue

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

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2007	2006	2007	2006
	LVL	LVL	EUR	EUR
No later than 1 year	760,848	760,848	1,082,589	1,082,589
Later than 1 year and no later than 5 years	1,097,274	1,097,274	1,561,280	1,561,280
Later than 5 years	47,970	47,970	68,255	68,255
	1,906,092	**1,906,092**	**2,712,125**	**2,712,125**

15 Cost of sales

	2007	2006	2007	2006
	LVL	LVL	EUR	EUR
Depreciation and impairment charges (Notes 5 and 6)	368,874	207,751	524,860	295,603
Property management costs	81,274	57,859	115,642	82,326
Property maintenance costs	76,031	37,176	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	3,729	422	5,306	600
	921,488	**535,814**	**1,311,159**	**762,395**

Notes to the Consolidated Financial Statements (continued)

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
Amortisation of intangible assets	95	40	135	57
Other administrative costs	1,353	582	1,925	828
	53,500	**43,378**	**76,124**	**61,721**

17 Expenses by nature

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
Direct operating expenses (Note 15)	473,851	285,441	674,229	406,146
Depreciation and amortisation (Note 15 and 16)	368,969	207,791	524,996	295,660
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	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	17,115	11,733	24,352	16,695
Total cost of sales, distribution costs and administrative expenses	**984,648**	**580,116**	**1,401,028**	**825,431**

18 Other operating income

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
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
	14,341	**5,366**	**20,405**	**7,635**

Notes to the Consolidated Financial Statements (continued)

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**

20 Finance income

	2007 LVL	2006 LVL	2007 EUR	2006 EUR
Interest income from loans to shareholders	21,640	3,669	30,791	5,221
Interest income from loans to related parties	43,138	36,873	61,380	52,466
Interest income from bank deposit	6,837	3,529	9,728	5,021
Other interest income	96,440	950	137,222	1,352
	168,055	**45,021**	**239,121**	**64,059**

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	-	11,982
Interest expenses for other loans	35	5,985	50	8,516
	778,655	**290,058**	**1,107,926**	**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)	11,825	(2,030)	16,825	(2,888)
	26,919	**5,649**	**38,302**	**8,038**

Notes to the Consolidated Financial Statements (continued)

22 Income tax expense (continued)

The tax on the Group's profit before tax differs from the theoretical calculated amount that would arise applying the 15%

	2007	2006	2007	2006
	LVL	LVL	EUR	EUR
(Loss)/Profit before tax	**(210,929)**	**17,979**	**(300,125)**	**25,582**
Tax calculated at 15%	(31,639)	2,697	(45,018)	3,837
Expenses not deductible for tax purposes	58,558	21,409	83,321	30,462
Effect of consolidation adjustments	-	1,997	-	2,841
Changes in unrecognised deferred tax asset	-	(20,454)	-	(29,103)
Tax charge	**26,919**	**5,649**	**38,302**	**8,038**

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.

Notes to the Consolidated Financial Statements (continued)

24 Acquisition of subsidiaries (continued)

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)	(4,209)
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).

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**

Notes to the Consolidated Financial Statements (continued)

24 Acquisition of subsidiaries (continued)

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).

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 are Gerald Allen Wirth and David Allen De Rousse and they have joint control over the Company. Other related parties are defined as the companies in which the shareholders have a significant influence or control, or joint control.

The shareholders of the Company Gerald Allen Wirth and David Allen De Rousse did not receive remuneration for their work as the members of the Board.

The following transactions were carried out with related parties:

(a) Purchases of goods and services

	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 the shareholders of the Company

	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 (Note 20)	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 2006 Klavinvest SIA issued the loans to the shareholders of the Company for the total sum of EUR 30,000 (LVL 21,084). Maturity of loans is 1 February 2011; 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).

(d) Loans to other 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 (Note 20)	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 Apex Investments SIA issued loans to related parties for the total sum of EUR 333,802 (LVL 234,597), maturity of loans is March 2026, interest rate defined as 6 months EURIBOR + 1.3% per annum.
In 2006 Apex Investments SIA issued loans to related parties for the total sum of EUR 2,000,000 (LVL 1,405,608), maturity of loans is September 2021, interest rate – 4.7% per annum.
In 2006 Apex Investments SIA issued loan to related party for the sum of EUR 1,198,000 (LVL 841,959), maturity of loan is November 2026, interest rate defined as 3 months EURIBOR + 1.25% per annum.

Loans are not secured by pledge or otherwise.

No provision has been required in 2007 and 2006 for the loans made to the shareholders, directors and other related parties.

Notes to the Consolidated Financial Statements (continued)

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

27 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.