

**OPEN-END INVESTMENT FUND
PAREX SABALANSĒTAIS FONDS**

**ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006**
(5th financial year)

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

Riga, 2007

AIF Parex Sabalansētais fonds
Annual report 2006
Table of contents

General information	3
Investment company report	4
Statement of responsibility of the Board of the investment company	5
Custodian bank report	6
Financial statements:	
Statement of assets and liabilities	8
Statement of income and expense	9
Statement of changes in net assets	10
Statement of cash flows	11
Notes	12
Auditors' report	23

AIF Parex Sabalansētais fonds
Annual report 2006
General information

Name of the fund:	Parex Sabalansētais fonds	
Type of fund:	Open-end investment fund	
Registration date of the fund:	30 August 2002	
Number of the fund:	11	
Issue certificate number of the fund:	176	
Name of the investment company:	IPAS Parex Asset Management	
Registered office of the investment company:	Basteja bulvāris 14, Rīga, LV 1050, Latvia	
Registration number of the investment company:	40003577500	
Licence number of the company:	06.03.07.098/181	
Name of the custodian bank:	Joint stock company Parex banka	
Registered office of the custodian bank:	Smilšu 3, Rīga, LV 1522, Latvia	
Registration number of the custodian bank:	40003074590	
Names and positions of Council Members, Board Members and Fund Managers:	<p>Council of the investment company:</p> <p>Chairman of the Council: Gene Zolotarev – appointed on 30/11/2005</p> <p>Council Members: Ēriks Brīvmanis – appointed on 30/11/2005 Gatis Kokins – appointed on 30/11/2005 Leonīds Jamroziks – appointed on 30/03/2006 Valdis Birkavs – appointed on 07/12/2006 Aleksandrs Kvasovs – resigned on 30/03/2006 Andris Bērziņš – resigned on 07/12/2006</p> <p>Board of the investment company:</p> <p>Chairman of the Board/ President: Roberts Idelsons – appointed on 30/11/2005</p> <p>Board Members: Sergejs Medvedevs – appointed on 30/11/2005 Normunds Vigulis – appointed on 30/11/2005 Arvīds Sīpols – appointed on 30/11/2005 Leonīds Rudermans – appointed on 30/11/2005</p> <p>Fund Managers: Roberts Idelsons Sergejs Medvedevs Edgars Makarovs</p>	
Auditors:	Diāna Krišjāne Sworn Auditor Certificate No. 124	SIA Ernst & Young Baltic Kronvalda bulv. 3, Rīga Latvia, LV – 1010

AIF Parex Sabalansētais fonds
Annual report 2006
Investment company report

The objective of the open-end investment fund Parex Sabalansētais fonds (hereinafter – the Fund) is to achieve long-term capital gains through investments mainly in securities of the EU Member States and countries of Eastern Europe – debt securities issued or guaranteed by governments, central banks, financial institutions and corporate entities, as well as corporate equity shares and short-term deposits with banks.

In 2006, the Fund's net assets grew by 23% or LVL 915,972, reaching LVL 4,817,999 as at year-end. The Fund's value per share increased by LVL 0.86 over the year to LVL 14.52. The Fund's performance for the reporting year constituted 6.23%.

The year 2006 was not particularly successful for bonds while equity shares enjoyed undivided investor attention. In view of this, the Fund manager made appropriate adjustments to the distribution of the Fund's assets by profile. The proportion of corporate bonds was maintained on the same level, accounting for 53.1% of the Fund's total assets as at year-end. Investments in government and municipality bonds were seriously reduced by 12.5 percentage points to 8.5% while investments in equity shares were increased from 16.1% to 18.7% and investments in shares of investment funds were increased from 6.9% to 9.3%. Due to growing rates in LVL, the portion of deposits grew in 2006 with investments in bank deposits constituting 6.4 percent and cash 4.4% of the Fund's assets at the end of the year.

Significant changes were made to the Fund's assets also in terms of geographical placement with assets mostly being removed from Russia. A major part of the Fund's assets are invested in the EU (excluding Latvia) and Latvia – 40.8% and 36.2% respectively. Russia follows with 12.8% of the Fund's assets. The investments are made in assets denominated in Latvian lats, euros and US dollars. However, the impact of foreign currency risks was minimised by using derivatives. As at year-end, the average duration of securities was 2.3 years and the average yield to maturity reached 5.82%.

In the reporting year, the fees payable by the Fund for management services amounted to 1.40% of the average asset value of the Fund, and thus do not exceed the maximum expense limit in the Prospectus, i.e. 3%.

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

Robert Veironis
President/ Chairman of the Board
Fund Manager

Riga,
24 April 2007

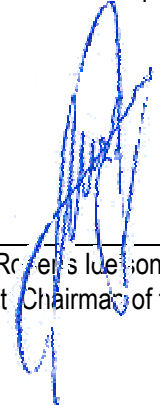
AIF Parex Sabalansētais fonds
Annual report 2006
Statement of responsibility of the Board of the investment company

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

The financial statements set out on pages 8 to 22 are prepared in accordance with the source documents and present fairly the financial position of the Fund as at 31 December 2006 and the results of its operations for the year 2006.

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

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



Rūta Šteina
President / Chairman of the Board

Rīga,
24 April 2007



Smilšu iela 3
Rīga, LV-1522, Latvia
VAT: 40003074590
Phone: 371 7010000
Fax: 371 7010001
e-mail: info@parexgroup.com
www.parexgroup.com
SWIFT: PARXLV22

CUSTODIAN BANK REPORT

For holders of
OIF "Parex Balanced fund"
Investment fund applications

Nr. 2-01/2.3.1/___

With this Parex Bank JSC, which is registered in LR Enterprise register on May 14, 1992 with No. 40003074590 and located at Smilšu str. 3, Rīga, certifies, that:

According to the law "On investment companies" of Republic of Latvia, regulations of Financial and Capital Market Commission (FCMC), other requirements of LR legislation and contract with Custodian bank, which is concluded on the August 1st, 2002., Parex Bank JSC, (further in the text - Custodian) carries out functions of custodian bank for the OIF "Parex Balanced fund" (further in the text – Fund) founded by IPAS "Parex Asset Management";

Custodian is responsible for fulfilling of Custodian bank contract and requirements of LR legislation related to custodian banks. The main obligations of the Custodian are the following:

- to store assets of the Fund, as well as documents, which confirm title according to the requirements of LR legislation;
- to ensure maintenance of the Fund account, reception and execution of Company's orders, as well as performance of transactions according with requirements of LR legislation and current market practice;
- to ensure the Company with regular reports on assets of the Fund and its value (prices of the securities);
- to follow the correctness of the value of the Fund and its certificates set by the Company and its conformity with LR legislation acts;
- to follow the correctness and legal status of issuing, sales and repurchasing of investment certificates performed by the Company;

Issuing, sales and repurchasing of the investment certificates is performed according to the requirements of the law "On investment companies", fund prospect and Fund management regulations;

Storage of the Fund assets is performed according to the requirements of the law "On investment companies" and Custodian bank contract;

Calculation of the net value of the Fund assets is performed according to the requirements of the law "On investment companies", regulations of Financial and Capital Market Commission (FCMC), Fund prospect and Fund management regulations;

Orders of the Company, as well as transactions with the assets of OIF "Parex Balanced fund" are performed according to the requirements of the law "On investment companies", Fund prospect and Fund management regulations and Custodian bank contract .

In the accounting period no mistakes and illegal matters were observed in performance of the Company with Fund assets. Parex bank JSC is very satisfied with co-operation in performing of the functions of Custodian bank.



Valerijs Kargins
President/ Head of the Board

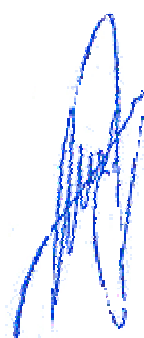


Riga, March 19, 2007

Roberts Valsons
President/ Chairman of the Board

AIF Parex Sabalansētais fonds
Annual report 2006
Statement of assets and liabilities
(LVL)

Notes	<u>31/12/2006</u>	<u>31/12/2005</u>
Assets		
4	Demand deposits with credit institutions	212,246 109,507
	Financial assets held for trading	
6	Debt securities and other fixed income securities	2,970,592 2,894,788
7	Shares and other non-fixed income securities	1,349,147 897,212
	Financial assets held to maturity	
5	Deposits with credit institutions	<u>308,431 40,091</u>
	Total assets	<u>4,840,416 3,941,598</u>
Liabilities		
	Financial liabilities held for trading	
8	Derivatives	(16,548) (35,218)
9	Accrued expense	<u>(5,869) (4,353)</u>
	Total liabilities	<u>(22,417) (39,571)</u>
	Net assets	<u>4,817,999 3,902,027</u>

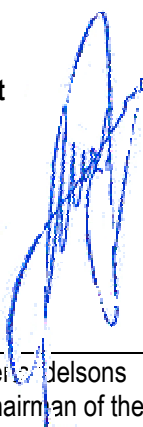


 Roberts Idelsons
 President/ Chairman of the Board

Riga,
 24 April 2007

AIF Parex Sabalansētais fonds
Annual report 2006
Statement of income and expense
(LVL)

Notes	2006	2005
Income		
10	178,994	95,994
	39,854	4,627
	218,848	100,621
Expense		
	(58,538)	(31,970)
	(8,010)	(3,670)
	(747)	(1,240)
	(67,295)	(36,880)
11	(36,356)	18,693
12	202,673	205,591
	166,317	224,284
	(40,066)	9,782
	277,804	297,807



 Roberts Jēlsons
 President/ Chairman of the Board

Riga,
24 April 2007

AIF Parex Sabalansētais fonds
Annual report 2006
Statement of changes in net assets
(LVL)

	2006	2005
Net assets as at the beginning of the period	3,902,027	1,782,874
Increase in net assets from investment activities	277,804	297,807
Transactions with investment certificates:		
<i>Inflow from sale of investment certificates</i>	2,591,112	2,511,264
<i>Outflow of redemption of investment certificates</i>	(1,952,944)	(689,918)
Increase in net assets from transactions with investment certificates	638,168	1,821,346
Increase in net assets for the period	915,972	2,119,153
Net assets as at the end of the period	4,817,999	3,902,027
Issued investment certificates as at the beginning of the period	285,554	146,844
Issued investment certificates as at the end of the period	331,918	285,554
Net asset value per investment certificate as at the beginning of the period	13.66	12.14
Net asset value per investment certificate as at the end of the period	14.52	13.66



 Roberts Idelsons
 President/Chairman of the Board

Riga,
24 April 2007

AIF Parex Sabalansētais fonds
Annual report 2006
Statement of cash flows
(LVL)

	<u>2006</u>	<u>2005</u>
Investment management income	195,732	114,876
Investment management expense	(65,778)	(34,572)
(Acquisition) of financial assets	(3,652,958)	(2,603,898)
Disposal of financial assets	2,958,425	700,218
Foreign currency conversion result	28,674	(44,446)
(Decrease) in cash from operating activities	(535,905)	(1,867,822)
Inflow from sale of investment certificates	2,591,112	2,511,264
Outflow of redemption of investment certificates	(1,952,944)	(689,918)
Increase in cash from financing activities	638,168	1,821,346
Increase/ (decrease) in cash	102,263	(46,476)
Cash as at the beginning of the period	109,507	152,808
Result of revaluation of cash denominated in foreign currencies	476	3,175
Cash as at the end of the period	212,246	109,507

The accompanying notes form an integral part of these financial statements.

AIF Parex Sabalansētais fonds
Annual report 2006
Notes
(LVL)

1. General information

Name of the fund:	Parex Sabalansētais fonds
Type of the fund:	Open-end investment fund
Registered office:	Basteja bulvāris, Rīga, LV 1050, Latvia
Fund's business activity:	Investments in securities of the EU Member States and Eastern European countries – debt securities issued or guaranteed by governments, central banks, financial institutions and corporate entities, as well as corporate equity shares and short-term deposits with banks
Name of the investment company:	IPAS Parex Asset Management, Basteja bulvāris, Rīga, LV 1050, Latvia

2. Summary of significant accounting policies

Basis of preparation

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

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

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

Income and expense recognition

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

Commissions and fees as well as all other major income and expense items are credited and/ or charged to the statement of income and expense at the time of the related transaction.

Foreign currency translation

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

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

<u>Currency</u>	<u>31/12/2006</u>	<u>31/12/2005</u>
USD	0.536	0.593
EUR	0.702804	0.702804
GBP	1.048	1.021
SEK	0.0778	0.0747

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

AIF Parex Sabalansētais fonds
Annual report 2006
Notes
(LVL)

Cash

Cash comprises Fund's demand deposits with credit institutions.

Term deposits

Term deposits are accounted for at cost, which is determined on the basis of the amount of deposited funds plus capitalised interest income. Interest income from term deposits is recognised on an accrual basis, i.e. according to the time period from the moment of depositing till the end of the reporting period.

Investments in securities

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

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

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

Derivatives

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

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

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

Fair values of financial assets and liabilities

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

Taxes

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

AIF Parex Sabalansētais fonds
Annual report 2006
Notes
(LVL)

3. Risk management

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

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

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

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

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

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

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

4. Demand deposits with credit institutions

	31/12/2006	31/12/2005	% of total assets as at 31/12/2006
Demand deposits with credit institutions, AS Parex banka	212,246	109,507	4.41%
Total demand deposits	212,246	109,507	4.41%

The Fund may receive interest on demand deposits at floating rate fixed as RIGIBID O/N – 0.5%. The interest rate changes daily.

5. Term deposits with credit institutions

	31/12/2006		31/12/2005	
	Carrying amount	Incl. accrued interest income	Carrying amount	% of total assets as at 31/12/2006
Term deposits with Latvian credit institutions	308,431	5,883	40,091	6.40%
AS Aizkraukles banka	155,643	5,643	-	3.23%
AS Latvijas Hipotēku un zemes banka	152,788	240	-	3.17%
AS Parex banka	-	-	40,091	-
Total term deposits with credit institutions	308,431	5,883	40,091	6.40%

As at 31 December 2006, the average yield of deposits was 4.59% (2005: 4.30%).

AIF Parex Sabalansētais fonds

Annual report 2006

Notes

(LVL)

6. Debt securities and other fixed income securities

	31/12/2006	31/12/2005	Annual yield before maturity as at 31/12/2006	% of total assets as at 31/12/2006
Credit institution bonds:	1,485,144	1,028,581	5.88%	30.83%
<i>Latvian credit institution bonds</i>	728,249	477,013	4.64%	15.11%
<i>Non-OECD credit institution bonds (excluding Latvia)</i>	650,014	434,308	7.44%	13.50%
<i>OECD credit institution bonds</i>	106,881	117,260	4.89%	2.22%
Corporate bonds:	1,075,595	1,045,190	6.21%	22.32%
<i>OECD corporate bonds</i>	773,398	311,419	5.57%	16.05%
<i>Non-OECD corporate bonds (excluding Latvia)</i>	169,910	733,771	5.96%	3.53%
<i>Latvian corporate bonds</i>	132,287	-	10.25%	2.74%
Government bonds:	295,409	701,715	4.57%	6.13%
<i>Latvian government bonds</i>	295,409	623,645	4.57%	6.13%
<i>OECD government bonds</i>	-	78,070	-	-
Municipality bonds:	114,444	119,302	4.74%	2.38%
<i>Non-OECD municipality bonds (excluding Latvia)</i>	114,444	119,302	4.74%	2.38%
Total debt securities and other fixed income securities	2,970,592	2,894,788	5.82%	61.66%

All debt securities and other fixed income securities are classified as held-for-trading securities. All fixed income securities are listed, except securities with the book value of LVL 451,020 (2005: LVL 113,070).

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

Financial instrument	Amount	Acquisition value	Carrying amount as at 31/12/2006	% of total assets as at 31/12/2006
Financial instruments traded on regulated markets		2,520,837	2,519,572	52.31%
Latvian issuers:		948,305	953,220	19.79%
PAREX BANKA (XS0253533318)	210	147,131	151,389	3.14%
REPUBLIC OF LATVIA (LV0000570034)	1,450	149,742	146,725	3.05%
REPUBLIC OF LATVIA (LV0000532158)	1,000	97,612	98,692	2.05%
BALTIC TRUST BANK mortgage bonds (LV0000800373)	1,000	71,099	71,546	1.48%
LHQB mortgage bonds (LV0000800340)	1,000	70,871	71,015	1.47%
PAREX BANKA (LV0000800274)	700	70,723	70,370	1.46%
PATITĀTE BANKA mortgage bonds (LV0000800332)	900	63,463	63,689	1.32%
LHQB mortgage bonds (LV0000800167)	600	60,926	62,227	1.29%
BALTIC TRUST BANK mortgage bonds (LV0000800282)	600	60,527	61,707	1.28%
REPUBLIC OF LATVIA (LV0000570059)	500	49,816	49,992	1.04%
LHQB mortgage bonds (LV0000800142)	270	27,969	28,696	0.60%
BALTIKUMS (LV0000800324)	400	28,581	28,488	0.59%
LHQB mortgage bonds (LV0000800217)	400	22,167	22,588	0.47%
LHQB mortgage bonds (LV0000800092)	178	19,771	18,554	0.39%
LHQB mortgage bonds (LV0000800100)	70	7,907	7,542	0.16%
Russian issuers:		468,960	461,850	9.60%
RS FINANCE (RUSSIAN STANDARD BANK) (XS0267953387)	200	142,237	143,514	2.98%
DRESDNER (CITY OF MOSCOW) (XS0202356167)	150	108,724	114,444	2.38%
DRESDNER BK (SIBACADEMBANK) (XS0219905238)	50	60,213	55,419	1.15%
N-INVEST (NIKOIL) (XS0188330004)	100	58,928	55,062	1.15%
RS FINANCE (RUSSIAN STANDARD BANK) (XS0217845246)	100	60,611	54,444	1.13%
DRESDNER (RUSSIAN STANDARD BANK) (XS0201757530)	25	27,386	27,326	0.57%
SISTEMA CAPITAL SA (Sistema JSFC) (XS0184546371)	20	10,861	11,641	0.24%

AIF Parex Sabalansētais fonds
Annual report 2006
Notes
(LVL)

Financial instrument	Amount	Acquisition value	Carrying amount as at 31/12/2006	% of total assets as at 31/12/2006
Polish issuers:		264,781	266,563	5.53%
TPSA EUROFINANCE BV (TELEKOM POLSKA) (XS0108724138)	215	158,051	159,682	3.31%
GETIN FINANCE (GETIN BANK) (XS0251706957)	150	106,730	106,881	2.22%
Danish issuers:		132,474	138,363	2.87%
TDC AS (XS0146556385)	100	73,551	77,086	1.60%
ISS GLOBAL A/S (XS0206714247)	100	58,923	61,277	1.27%
US issuers:		133,273	137,066	2.84%
CENTRAL EUR DISTR CORP (XS0224445576)	175	133,273	137,066	2.84%
Kazakhstani issuers:		143,955	135,514	2.82%
NURFINANCE BV (NURBANK) (XS0269698246)	150	83,008	81,272	1.69%
ALLIANCE BANK (XS0222981358)	100	60,947	54,242	1.13%
Bulgarian issuers:		132,810	133,042	2.76%
FIRST INVESTMENT FIN BV (FIRST INVESTMENT BANK) (XS0211479745)	175	132,810	133,042	2.76%
German issuers:		118,143	120,298	2.50%
DEUTSCHE TELEKOM (XS0148955742)	110	80,742	81,769	1.70%
TUI AG (DE000TUAG059)	50	37,401	38,529	0.80%
Estonian issuers:		107,785	103,207	2.14%
EESTI ENERGIA AS (XS0235372140)	150	107,785	103,207	2.14%
Luxembourgian issuers:		70,351	70,449	1.46%
APHEX SA (XS0263303512)	1	70,351	70,449	1.46%
Other financial instruments		448,291	451,020	9.35%
Latvian issuers:		201,962	202,725	4.20%
PATITĀTE BANKA mortgage bonds (LV0000800381)	1,000	70,280	70,438	1.46%
TELEKOM BALTIJA (LV0000601185)	100	70,280	70,425	1.46%
APEX (LV0000601201)	100	61,402	61,862	1.28%
Finnish issuers:		146,309	147,540	3.06%
KESKO OYJ (EE4300085412)	150	146,309	147,540	3.06%
Estonian issuers:		100,020	100,755	2.09%
BALTIC INVESTMENT GROUP (EE3300086271)	1,000	100,020	100,755	2.09%
Total debt securities and other fixed income securities		2,969,128	2,970,592	61.66%

7. Shares and other non-fixed income securities

	31/12/2006	31/12/2005	% of total assets as at 31/12/2006
Equity shares	900,268	629,180	18.69%
<i>Latvian equity shares</i>	83,430	60,933	1.73%
<i>OECD equity shares</i>	502,546	335,476	10.43%
<i>Non-OECD equity shares (excluding Latvia)</i>	314,292	232,771	6.52%
Investment certificates of investment funds	448,879	268,032	9.32%
<i>OECD investment funds</i>	336,979	204,547	7.00%
<i>Non-OECD investment funds (excluding Latvia)</i>	111,900	63,485	2.32%
Total shares and other non-fixed income securities	1,349,147	897,212	28.01%

All shares and other non-fixed income securities are classified as held-for-trading securities. All shares are listed.

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

AIF Parex Sabalansētais fonds
Annual report 2006
Notes
(LVL)

Financial instrument	Amount	Acquisition value	Carrying amount as at 31/12/2006	% of total assets as at 31/12/2006
Financial instruments traded on regulated markets		623,948	900,268	18.69%
Latvian issuers:		52,079	83,430	1.73%
Latvian Shipping Company (<i>Latvijas kūrniecība</i>)	29,799	22,011	31,885	0.66%
Olaine Chemical and Pharmaceutical Plant (<i>Olaines ķīmiski - farmaceutiskā rūpnīca</i>)	11,000	22,858	26,950	0.56%
AS Grindeks	1,982	1,316	14,270	0.30%
AS Ditton Driving Chain Factory (<i>AS Ditton pievadķēžu rūpnīca</i>)	10,909	1,200	5,345	0.11%
TOSMARE SHIPYARD (<i>TOSMARES KUĢU BŪVĒTĀVA</i>)	6,000	4,694	4,980	0.10%
Russian issuers:		32,826	153,378	3.19%
SBERBANK	50	7,373	91,120	1.89%
BALTIKA	1,000	6,734	22,405	0.47%
Lebedyanskij Preserving Experimental Plant	400	7,863	17,152	0.36%
Mobile Telesystem	600	10,856	16,202	0.34%
POLUS ZOLOTO	250	0	6,499	0.13%
German issuers:		97,861	138,087	2.86%
CONTINENTAL AG	600	30,065	37,192	0.77%
E.ON AG O.N.	400	20,858	29,105	0.60%
SIEMENS AG	500	21,843	26,548	0.55%
MAN GR	500	25,095	24,124	0.50%
ADIDAS-SALOMON AG	800	0	21,118	0.44%
Swedish issuers:		81,973	102,960	2.14%
ERICSSON	20,000	36,899	43,023	0.89%
VOLVO AB	1,000	25,065	35,243	0.73%
ATLAS COPCO AB - B	1,400	20,009	23,962	0.50%
SCANIA AB-A SHS	19	-	732	0.02%
Estonian issuers:		75,983	88,098	1.83%
TALLINK GRUPP	11,800	37,496	41,946	0.87%
MERKO EHITUS AS	3,000	35,118	41,289	0.86%
TALLINK GRUPP	1,360	3,369	4,863	0.10%
Lithuanian issuers:		65,523	72,816	1.51%
APRANGA	10,000	16,649	26,928	0.56%
Mazeikiu Nafta	10,000	22,258	20,706	0.43%
Sanitas AB	5,000	14,942	13,872	0.29%
INVALDA AB	4,500	11,674	11,310	0.23%
Polish issuers:		37,356	64,562	1.34%
Telekomunikacja Polska SA	6,000	16,884	27,011	0.56%
KGHM Polska Miedz SA	1,500	7,526	24,595	0.51%
POLISH OIL & GAS	20,000	12,946	12,956	0.27%
Norwegian issuers:		55,315	61,926	1.30%
CERMAQ	3,473	25,373	26,917	0.57%
YARA International	2,500	21,130	22,951	0.48%
Orkla	400	8,812	12,058	0.25%
British issuers:		34,770	39,229	0.81%
GROUP 4 SECURICOR	20,000	34,770	39,229	0.81%
French issuers:		29,826	31,985	0.66%
CEI - AREVA CI	82	29,826	31,985	0.66%
Korean issuers:		33,709	30,525	0.63%
Korea Electric Power Corp.	2,500	33,709	30,525	0.63%
Czech issuers:		26,727	29,217	0.61%
Ceske Energeticke zavody AS	1,200	26,727	29,217	0.61%
Finnish issuers:		-	4,055	0.08%
NESTE OIL OYJ	250	-	4,055	0.08%
Total shares and other non-fixed income securities		623,948	900,268	18.69%

AIF Parex Sabalansētais fonds
Annual report 2006
Notes
(LVL)

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

Financial instrument	Amount	Acquisition value	Carrying amount as at 31/12/2006	% of total assets as at 31/12/2006
Financial instruments traded on regulated markets		385,146	448,879	9.32%
Investment certificates of Luxembourgian investment funds:		307,206	336,979	7.00%
Tempelton European Fund	11,094	131,203	153,604	3.19%
Templeton Asian Growth Fund - A - Acc (EUR)	7,241	70,280	80,611	1.67%
Templeton Thailand Fund	10,858	55,100	54,066	1.12%
AVIVA Japanese Equity Fund	82,023	50,623	48,698	1.02%
Investment certificates of Lithuanian investment funds:		77,940	111,900	2.32%
Parex investiciju valdymas- Baltijas Jūras Akciju fonds	3,209	77,940	111,900	2.32%
Total investment certificates and similar securities		385,146	448,879	9.32%

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

8. Derivatives

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

	31/12/2006			31/12/2005			% of total assets as at 31/12/2006
	Notional amount	Fair value		Notional amount	Fair value		
		Assets	Liabilities		Assets	Liabilities	
Currency swap instruments	1,397,600	-	(8,408)	839,411	-	(22,720)	(0.17)%
Forward foreign exchange instruments	579,700	-	(8,140)	276,344	-	(12,498)	(0.17)%
Total derivatives	1,977,300	-	(16,548)	1,115,755	-	(35,218)	(0.34%)

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

9. Accrued expense

	31/12/2006	31/12/2005
Accrued commission fees payable to investment company	4,791	3,770
Accrued commission fees payable to custodian bank	488	583
Accrued fees payable for professional services	590	-
Total accrued expense	5,869	4,353

AIF Parex Sabalansētais fonds
Annual report 2006
Notes
(LVL)

10. Interest income

	2006	2005
Interest income from debt securities and other fixed income securities	164,955	87,874
Interest income from deposits with credit institutions	8,484	4,951
Interest income from demand deposits with credit institutions	5,555	3,169
Total interest income	178,994	95,994

11. Realised (decrease)/ increase in investment value

	2006	2005
Income from sale of investments	2,913,097	584,159
Acquisition value of investments sold	(2,821,589)	(552,656)
(Increase) in value of investments sold, recognised in the previous periods	(127,864)	(12,810)
Total realised (decrease)/ increase in investment value	(36,356)	18,693

12. Unrealised increase in investment value

	2006	2005
From shares and other non-fixed income securities	213,954	186,372
From debt securities and other fixed income securities	(11,281)	19,219
Total unrealised increase in investment value	202,673	205,591

13. Change in investment assets during the reporting year

	31/12/2005	Increase during the reporting year	(Decrease) during the reporting year	Foreign currency revaluation result	Fair value restatement result	31/12/2006
Financial assets held for trading						
Debt securities and other fixed income securities	2,894,788	2,490,062	(2,305,069)	(65,251)	41,938	2,970,592
Shares and other non- fixed income securities	897,212	860,348	(610,665)	(22,635)	224,887	1,349,147
Derivatives	(35,218)	-	-	16,670	-	(16,548)
Financial liabilities held for trading						
Deposits with credit institutions	40,091	302,548	(42,691)	-	8,483	308,431
Total investments	3,796,873	3,652,958	(2,958,425)	(71,216)	191,432	4,611,622

AIF Parex Sabalansētais fonds
Annual report 2006
Notes
(LVL)

14. Assets and liabilities by currency profile

	LVL	USD	EUR	Other	Total
Assets					
Demand deposits with credit institutions	40,605	4,323	167,314	4	212,246
Financial assets held for trading					
Debt securities and other fixed income securities	792,799	361,994	1,815,799	-	2,970,592
Shares and other non-fixed income securities	83,431	237,969	408,342	619,405	1,349,147
Financial assets held to maturity					
Deposits with credit institutions	308,431	-	-	-	308,431
Total assets	1,225,266	604,286	2,391,455	619,409	4,840,416
Liabilities					
Financial liabilities held for trading					
Derivatives	1,977,300	(587,840)	(1,406,008)	-	(16,548)
Accrued expense	(5,869)	-	-	-	(5,869)
Total liabilities	1,971,431	(587,840)	(1,406,008)	-	(22,417)
Net assets	3,196,697	16,446	985,447	619,409	4,817,999
Net long/ (short) position	66.35%	0.34%	20.45%	12.86%	100.0%

As at 31 December 2006, other currencies are presented as follows: LTL – LVL 184,716 (2005: LVL 85,702), SEK – LVL 102,965 (2005: LVL 67,281), EEK – LVL 88,097 (2005: LVL 27,606), PLN – LVL 64,562 (2005: LVL 71,976), NOK – LVL 61,926 (2005: LVL 112,909), JPY - LVL 48,697 (2005: LVL 0), DKK – LVL 39,229 (2005: LVL 26,819), and CZK - LVL 29,217 (2005: LVL 0).

AIF Parex Sabalansētais fonds
Annual report 2006
Notes
(LVL)

15. Assets by geographical placement

	Latvia	OECD countries	Other non-OECD countries	Total
Assets				
Demand deposits with credit institutions	212,246	-	-	212,246
Financial assets held for trading				
Debt securities and other fixed income securities	1,155,945	880,279	934,368	2,970,592
Shares and other non-fixed income securities	83,430	839,525	426,192	1,349,147
Financial assets held to maturity				
Deposits with credit institutions	308,431	-	-	308,431
Total assets	1,760,052	1,719,804	1,360,560	4,840,416
Liabilities				
Financial liabilities held for trading				
Derivatives, liability	(16,548)	-	-	(16,548)
Accrued expense	(5,869)	-	-	(5,869)
Total liabilities	(22,417)	-	-	(22,417)
Net assets	1,737,635	1,719,804	1,360,560	4,817,999

16. Liquidity

	Within 1 month	1-3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Total
Assets							
Demand deposits with credit institutions	212,246	-	-	-	-	-	212,246
Financial assets held for trading							
Debt securities and other fixed income securities	-	214,743	474,726	45,881	1,718,365	516,877	2,970,592
Shares and other non-fixed income securities	1,349,147	-	-	-	-	-	1,349,147
Financial assets held to maturity							
Deposits with credit institutions	-	-	155,643	152,788	-	-	308,431
Total assets	1,561,393	214,743	630,369	198,669	1,718,365	516,877	4,840,416
Liabilities							
Financial liabilities held for trading							
Derivatives	(8,408)	(8,140)	-	-	-	-	(16,548)
Accrued expense	(5,869)	-	-	-	-	-	(5,869)
Total liabilities	(14,277)	(8,140)	-	-	-	-	(22,417)
Net assets	1,547,116	206,603	630,369	198,669	1,718,365	516,877	4,817,999

AIF Parex Sabalansētais fonds
Annual report 2006
Notes
(LVL)

17. Interest rate risk

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

	Cash flow interest rate risk	Fair value interest rate risk	Non interest bearing	Total
Assets				
Demand deposits with credit institutions	-	-	212,246	212,246
Held for trading financial assets				
Debt securities and other fixed income securities	737,761	2,232,831	-	2,970,592
Shares and other non-fixed income securities	-	-	1,349,147	1,349,147
Held to maturity financial assets				
Term deposits with credit institutions	-	-	308,431	308,431
Total assets	737,761	2,232,831	1,869,824	4,840,416
Liabilities				
Held for trading financial liabilities				
Derivatives	-	-	(16,548)	(16,548)
Accrued expense	-	-	(5,869)	(5,869)
Total liabilities	-	-	(22,417)	(22,417)
Net assets	737,761	2,232,831	1,847,407	4,817,999

18. Repricing maturity of assets and liabilities

	Within 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 – 5 years	More than 5 years	Total
Assets							
Demand deposits with credit institutions	212,246	-	-	-	-	-	212,246
Held for trading financial assets							
Debt securities and other fixed income securities	106,881	541,259	680,399	45,881	1,188,840	407,332	2,970,592
Shares and other non-fixed income securities	1,349,147	-	-	-	-	-	1,349,147
Held to maturity financial assets							
Term deposits with credit institutions	-	-	155,643	152,788	-	-	308,431
Total assets	1,668,274	541,259	836,042	198,669	1,188,840	407,332	4,840,416
Liabilities							
Held for trading financial liabilities							
Derivatives	(8,408)	(8,140)	-	-	-	-	(16,548)
Accrued expense	(5,869)	-	-	-	-	-	(5,869)
Total liabilities	(14,277)	(8,140)	-	-	-	-	(22,417)
Net assets	1,653,997	533,119	836,042	198,669	1,188,840	407,332	4,817,999

AIF Parex Sabalansētais fonds
Annual report 2006
Notes
(LVL)

19. Information on holders of investment certificates

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

	31/12/2006	31/12/2005	% of total certificates as at 31/12/2006
Investment certificates held by related parties	5,754	1,306	1.7%
Investment certificates held by other persons	326,164	284,248	98.3%
Investment certificates issued as at the period-end	331,918	285,554	100.0%

20. Related party disclosures

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

The remuneration paid to the investment company during the reporting year is disclosed in the statement of income and expense.

During the reporting year, related parties acquired 2,737 investment certificates and sold back 1 investment certificate (2005: 681 certificate acquired and 0 certificates sold back). Due to the changes in the Council of AS Parex Asset Management, the new Council Members holding 1,876 investment certificates became related parties to the Fund, whereas the resigned Council Members related to the Fund held 164 investment certificates.

In the reporting year, the Fund had an investment in an investment fund managed by a related investment company. As at 31 December 2006, the carrying value of this investment was LVL 221,759 (2005: LVL 63,485).

As at 31 December 2006, the Fund's investments in bonds issued by AS Parex banka amounted to LVL 111,900 (2005: LVL 150,117).

21. Pledged assets

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

22. Fair values of financial assets and liabilities

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

23. Dynamics of net asset value

	31/12/2006	31/12/2005	31/12/2004
Net assets	4,817,997	3,902,027	1,782,874
Number of investment certificates	331,918	285,554	146,844
Value of investment fund's shares	14.52	13.66	12.14
Performance on investment fund's shares*	6.30%	12.52%	9.74%

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

INDEPENDENT AUDITORS' REPORT

To the holders of investment certificates
of OIF Parex Sabalansētais Fonds

Report on the Financial Statements

We have audited 2006 financial statements of opened-end investment fund Parex Sabalansētais Fonds (hereinafter – the Fund), which are set out on pages 8 through 23 of the accompanying 2006 Annual Report and which comprise the statements of assets and liabilities as at 31 December 2006, the statement of income and expenses, changes in net assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Investment management company's Parex Asset Management management is responsible for the preparation and fair presentation of these financial statements in accordance with the Regulations of the Financial and Capital Market Commission on Preparation of Financial Statements of Investment Funds. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

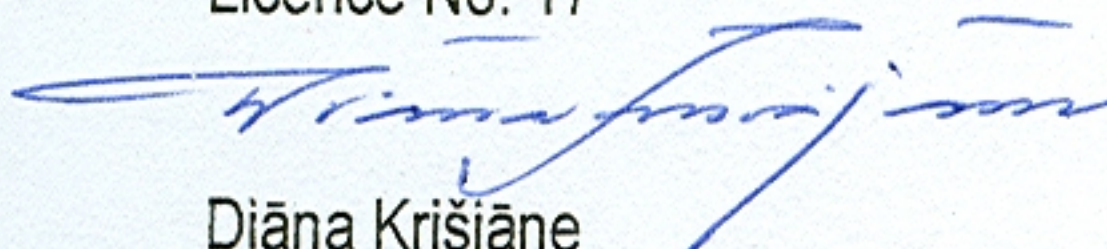
Opinion

In our opinion, the financial statements referred to above give a true and fair view of the financial position of the Fund as at 31 December 2006, and of the results of their operations and their cash flows for the year then ended in accordance with the Regulations of the Financial and Capital Market Commission on Preparation of Financial Statements of Investment Funds.

Report on Compliance of the Management's Report

Furthermore, we have read the Management's Report for the year ended 31 December 2006 (included on page 4 of the accompanying 2006 Annual Report) and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2006.

SIA Ernst & Young Baltic
Licence No. 17



Diāna Krišjāne
Personal ID code: 250873-12964
Chairperson of the Board
Latvian Sworn Auditor
Certificate No. 124