

**OPEN-END INVESTMENT FUND  
Parex Russian Equity Fund**

**ANNUAL REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2006**  
(3<sup>rd</sup> financial year)

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

**Riga, 2007**

**AIF Parex Russian Equity Fund  
Annual report 2006  
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**AIF Parex Russian Equity Fund  
Annual report 2006  
General information**

Name of the fund:	Parex Russian Equity Fund	
Type of fund:	Open-end investment fund	
Registration date of the fund:	5 March 2004	
Number of the fund:	06.03.04.098/13	
Name of the investment company:	IPAS Parex Asset Management	
Registered office of the investment company:	Basteja bulvāris 14, Riga 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, Riga, 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 7/12/2006 Aleksandrs Kvasovs – resigned on 30/03/2006 Andris Bērziņš – resigned on 7/12/2006</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 Vīgulis – appointed on 30/11/2005 Arvīds Sīpols – appointed on 30/11/2005 Leonīds Rudermans – appointed on 30/11/2005</p> <p>Fund Managers: Roberts Idelsons Sergejs Medvedevs Edgars Makarovs</p>	
Auditors:	<p>Diāna Krišjāne Sworn Auditor Certificate No. 124</p>	<p>SIA "Ernst &amp; Young Baltic" Kronvalda bulv. 3-5, Riga Latvia, LV – 1010 Certificate Nr. 17</p>

**AIF Parex Russian Equity Fund  
Annual report 2006  
Investment company report**

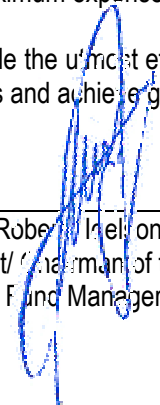
The objective of the open-end investment fund Parex Russian Equity Fund (hereinafter – the Fund) is to achieve long-term capital gains through investments mainly in equity shares of Russian corporate entities.

The year 2006 ended with new records and steep growth. The Russian stock market index RTS demonstrated impressive growth by 61.5%, but the Fund commendably was able to keep up with the rapid pace, increasing by 62.92%. In 2006, the Fund's net assets more than doubled, exceeding LVL 7.87 million (USD 14.69 million) as at year-end. The Fund closed the reporting year with a growth by 47.22% in LVL (by 62.92% in USD), and value per share reached LVL 12.44 (USD 23.20).

According to the Fund's investment policy, its assets are basically invested in equity shares of Russian corporate entities constituting 96.9% of the total assets as at year-end with the remainder invested in short-term liquid assets (3.1%). Several important changes were made to the Fund's structure during the reporting year. The most obvious and radical changes concerned the energy sector. The Fund reduced the portion of the companies engaged in oil and natural gas production, refining and transportation by nearly one third or 10.6 percentage points. This substantial decrease enabled the Fund to focus more on the companies targeting domestic consumption. With the development of Russian economy, the living standards also grow there. The portion of the utilities sector increased by 4.5% to 13.1%, and the Fund also increased investments in such sectors as finances (+1.2%), consumer goods and commerce (+0.9%). At the same time, investments in the telecommunications industry declined (-1.3%) along with the energy sector.

In the reporting year, the fees payable by the Fund for management services amounted to 2.2% of the average asset value of the Fund, and thus do not exceed the maximum expense limit in the Prospectus, i.e. 5%.

IPAS 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.

  
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Robert Melnikons  
President/Chairman of the Board  
Fund Manager

Riga,  
24 April 2007

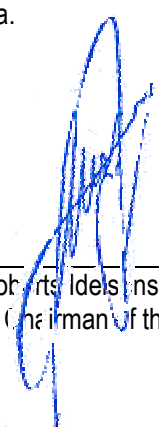
**AIF Parex Russian Equity Fund**  
**Annual report 2006**  
**Statement of responsibility of the Board of the investment company**

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

The financial statements set out on pages 8 to 18 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 Russian Equity Fund and the prevention and detection of fraud and other irregularities in the Fund. They are also responsible for operating the Fund in compliance with the Law of the Republic of Latvia on Investment Management Companies, regulations of the Financial and Capital Market Commission (FCMC), and other laws and regulations of the Republic of Latvia.



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Roberts Idelsons  
President/Chairman of the Board

Riga,  
24 April 2007



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e-mail: info@parexgroup.com  
www.parexgroup.com  
SWIFT: PARXLV22

## CUSTODIAN BANK REPORT

For holders of  
OIF "Parex Russian Equity 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 Smišū 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 February 18<sup>th</sup>, 2004., Parex Bank JSC, (further in the text - Custodian) carries out functions of custodian bank for the OIF "Parex Russian Equity 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 Russian Equity 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 Kabanovs  
President/ Chairman of the Board

Rīga,  
19. martis 2007.

**AIF Parex Russian Equity Fund**  
**Annual report 2006**  
**Statement of assets and liabilities**  
**(LVL)**

Notes	31/12/2006	31/12/2005
<b>Assets</b>		
4 Demand deposits with credit institutions	267,489	270,583
5 Financial assets held for trading		
Shares	7,627,401	3,930,431
Other assets	1,206	-
<b>Total assets</b>	<b>7,896,096</b>	<b>4,201,014</b>
6 Accrued expense	(15,064)	(7,540)
Other liabilities	(7,440)	-
<b>Total liabilities</b>	<b>(22,504)</b>	<b>(7,540)</b>
<b>Net assets</b>	<b>7,873,592</b>	<b>4,193,474</b>

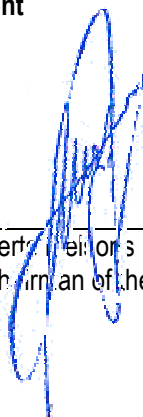
  
 \_\_\_\_\_  
 Roberts Idelsons  
 President / Chairman of the Board

Riga,  
24 April 2007



**AIF Parex Russian Equity Fund**  
**Annual report 2006**  
**Statement of income and expense**  
**(LVL)**

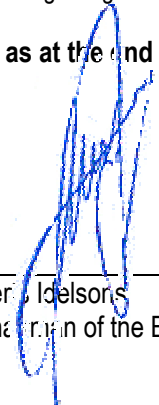
Notes	2006	2005
<b>Income</b>		
7	24,247	4,880
	106,139	50,630
	<b>130,386</b>	<b>55,510</b>
<b>Expense</b>		
	(155,440)	(51,356)
	(14,440)	(5,730)
	(714)	-
	<b>(170,594)</b>	<b>(57,086)</b>
8	1,041,446	332,764
9	2,318,123	936,166
	<b>3,319,361</b>	<b>1,268,930</b>
	(827,551)	366,616
	<b>2,491,810</b>	<b>1,633,970</b>

  
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 Robert Velons  
 President/ Chairman of the Board

Riga,  
24 April 2007

**AIF Parex Russian Equity Fund**  
**Annual report 2006**  
**Statement of changes in net assets**  
**(LVL)**

	<u>2006</u>	<u>2005</u>
<b>Net assets as at the beginning of the period</b>	<b>4,193,474</b>	<b>1,767,912</b>
Increase in net assets from investment activities	2,491,810	1,633,970
Transactions with investment certificates:		
<i>Inflow from sale of investment certificates</i>	<i>12,181,989</i>	<i>3,592,091</i>
<i>Outflow of redemption of investment certificates</i>	<i>(10,993,681)</i>	<i>(2,800,499)</i>
Increase in net assets from transactions with investment certificates	1,188,308	791,592
Increase in net assets for the period	3,680,118	2,425,562
<b>Net assets as at the end of the period</b>	<b>7,873,592</b>	<b>4,193,474</b>
Issued investment certificates as at the beginning of the period	496,488	398,122
Issued investment certificates as at the end of the period	633,174	496,488
Net asset value per investment certificate as at the beginning of the period	8.45	4.44
<b>Net asset value per investment certificate as at the end of the period</b>	<b>12.44</b>	<b>8.45</b>

  
 \_\_\_\_\_  
 Robert Idelsons  
 President/ Chairman of the Board

Riga,  
24 April 2007

**AIF Parex Russian Equity Fund**  
**Annual report 2006**  
**Statement of cash flows**  
**(LVL)**

	<b>2006</b>	<b>2005</b>
Investment management income	130,386	55,6510
Investment management expense	(162,360)	(52,760)
(Acquisition) of financial assets	(5,595,691)	(2,046,101)
Disposal of financial assets	4,477,572	1,237,849
Foreign currency conversion result	47	(100)
<b>(Decrease) in cash from operating activities</b>	<b>(1,150,046)</b>	<b>(805,602)</b>
Inflow from sale of investment certificates	12,189,429	3,592,091
Outflow of redemption of investment certificates	(10,993,681)	(2,800,499)
<b>Increase in cash from financing activities</b>	<b>1,195,748</b>	<b>791,592</b>
<b>Increase/ (decrease) in cash</b>	<b>45,702</b>	<b>(14,010)</b>
<b>Cash as at the beginning of the period</b>	<b>270,583</b>	<b>247,692</b>
<b>Result of revaluation of cash denominated in foreign currencies</b>	<b>(48,796)</b>	<b>36,901</b>
<b>Cash as at the end of the period</b>	<b>267,489</b>	<b>270,583</b>

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

**AIF Parex Russian Equity Fund**  
**Annual report 2006**  
**Notes**  
**(LVL)**

**1. General information**

Name of the fund:	Parex Russian Equity Fund
Type of the fund:	Open-end investment fund
Registered office:	Basteja bulvāris 14, Riga, LV 1050, Latvia
Fund's business activity:	Investments mainly in equity shares of Russian corporate entities
Name of the investment company:	IPAS Parex Asset Management, Basteja bulvāris, Riga, LV 1050, Latvia

**2. Summary of significant accounting policies**

***Basis of preparation***

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

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

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

***Income and expense recognition***

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

***Foreign currency translation***

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

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

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

<u>Currency</u>	<u>31/12/2006</u>	<u>31/12/2005</u>
USD	0.536	0.593
GBP	1.048	1.021

***Cash***

Cash comprises Fund's demand deposits with credit institutions.

**AIF Parex Russian Equity Fund**  
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***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 Russian 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.

***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.

**3. Risk management**

The key investment risks are share price risk, liquidity risk, credit risk, legal risk, informational 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 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 industry profile and geographic placements, 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.

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
Demand deposits with credit institutions, AS Parex banka	267,489	270,583	3.40%
<b>Total demand deposits</b>	<b>267,489</b>	<b>270,583</b>	<b>3.40%</b>

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

**AIF Parex Russian Equity Fund**  
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**(LVL)**

**5. Shares**

	31/12/2006	31/12/2005	%
			of total assets
Equity shares:			
OECD	-	35,975	-
Non-OECD	7,627,401	3,894,456	96.87%
<b>Total shares</b>	<b>7,627,401</b>	<b>3,930,431</b>	<b>96.87%</b>

All equity shares of corporate entities are classified as held-for-trading securities. All shares are listed, except shares with the book value of LVL 189,479 (2005: LVL 183,485), whereon purchase and sale information has been included in special listings, but which are traded over the counter.

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

Financial instrument	Amount	Acquisition value	Carrying amount as at 31/12/2006	% of total assets as at 31/12/2006
<b>Financial instruments traded on regulated markets</b>		<b>5,402,247</b>	<b>7,437,922</b>	<b>94.47%</b>
<b>Russian issuers:</b>		<b>5,402,247</b>	<b>7,437,922</b>	<b>94.47%</b>
GAZROM	101,000	530,090	618,233	7.85%
SBERBANK	315	265,438	574,056	7.29%
LUKOIL	11,580	526,728	536,895	6.82%
MOBILE TELESYSTEMS-SP ADR	16,000	328,569	432,059	5.49%
NORILSK NIC-MMC	3,765	209,396	307,751	3.91%
UNIFIED ENERGY	623,040	215,902	273,839	3.48%
NOVATEK	7,700	117,960	260,014	3.30%
SBERBANK PFD	9,200	151,238	246,560	3.13%
Severstal-auto	13,000	137,210	211,130	2.68%
VIMPELCOM-SP ADR	5,500	124,457	191,532	2.43%
Lebedyanskij Preserving Experimental Plan	4,335	130,746	185,885	2.36%
CENTRAL TELECOMM-PFD	38,000	146,895	167,018	2.12%
POLUS ZOLOTO	6,295	-	163,645	2.08%
UNIFIED ENERGY-PFD	324,970	71,544	156,766	1.99%
URALSVYAZINFORM PREF	6,764,380	115,906	155,905	1.98%
Power Machines	1,480,000	72,324	148,343	1.88%
TRANSNEFT-PREF	118	162,576	143,573	1.82%
URALKALY	161,700	120,503	132,607	1.68%
Steel Group Mechel	9,830	137,668	131,775	1.67%
TNK - BP HOLDING	94,346	167,312	130,469	1.66%
IRKUTSKENERGO	320,500	83,450	129,786	1.65%
JSC OGC-3	1,938,925	60,911	125,751	1.60%
VOLGATELECOM-PFD	56,500	94,594	122,650	1.56%
SIBIRTELECOM-PFD	2,860,000	82,914	121,257	1.54%
NORTH-WEST TELECOM	183,762	65,699	120,166	1.53%
VOLGATELECOM	37,075	70,241	120,227	1.53%
BASHKIRENERGO	153,288	72,872	118,314	1.50%
NOVOLIPETSK METALLURGICAL PLANT	87,892	65,008	106,233	1.35%
VERHNE-SALDINSKOE METALLURG.OBJED.	662	63,398	103,966	1.32%
Far East Shipping	400,000	72,946	102,912	1.31%
IRKUT	180,000	86,396	99,374	1.26%
ROSBUSINESCONSULTING	16,200	51,046	97,252	1.24%
KALINA01	3,325	77,141	91,783	1.17%
UFANEFTEKHIM	54,000	94,589	91,174	1.16%
VEROPHARM	5,527	82,584	88,874	1.13%
SIBIRTELECOM	1,409,480	52,341	83,103	1.06%
EVRAZ GROUP SA	6,000	61,595	80,400	1.02%
SEVERSTAL	12,800	69,174	77,047	0.98%
OAO Kuzbassrazrezugol	265,000	82,816	61,787	0.78%
AEROFLOT	47,000	47,284	54,162	0.69%

**AIF Parex Russian Equity Fund**  
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**Notes**  
**(LVL)**

Financial instrument	Amount	Acquisition value	Carrying amount as at 31/12/2006	% of total assets as at 31/12/2006
Ufaorgsintez	29,000	57,903	52,072	0.66%
TAGMET	95,000	56,647	46,337	0.59%
BALTIKA BREWERY	1,800	27,343	40,329	0.51%
ROSNEFT	8,000	34,714	39,235	0.50%
BALTIKA BREWERY PFD	2,500	29,758	38,860	0.49%
KRASNOYAR. GENERAC	30,800	-	24,598	0.31%
KRASNOYARSKENERGO	30,800	10,229	14,198	0.18%
OAO TMK	2,300	6,848	10,109	0.13%
Primorsk Shipping corp (PRISCO)	72,000	9,344	7,911	0.10%
INZHINIRING CENTR	1,335	-	-	0.00%
KRASNOYAR. ENER. SBIT	30,800	-	-	0.00%
KRASNOYARSKIYE MS	30,800	-	-	0.00%
<b>Other financial instruments</b>		<b>184,757</b>	<b>189,479</b>	<b>2.41%</b>
<b>Russian issuers:</b>		<b>184,757</b>	<b>189,479</b>	<b>2.41%</b>
Sajano-Shushenskaja GES	115,000	42,029	75,817	0.96%
Kazanorgsintez-PFD	370,000	52,157	57,909	0.74%
NAK AZOT (Novomoskovsk)	120	47,666	28,944	0.37%
OAO AZOT	96	42,905	26,809	0.34%
<b>Total shares</b>		<b>5,587,004</b>	<b>7,627,401</b>	<b>96.87%</b>

Breakdown of shares by industry profile:

	31/12/2006	31/12/2005	% of total assets
Oil and gas production	1,819,593	1,288,474	23.11%
Telecommunications	1,513,916	773,972	19.23%
Metallurgy	1,032,604	553,485	13.11%
Power generation	919,068	299,015	11.67%
Finance	820,616	346,905	10.42%
Transportation	164,986	194,689	2.10%
Other	1,356,618	473,891	17.23%
<b>Total shares</b>	<b>7,627,401</b>	<b>3,930,431</b>	<b>96.87%</b>

**6. Accrued expense**

	31/12/2006	31/12/2005
Accrued commission fees payable to investment company	13,280	6,768
Accrued commission fees payable to custodian bank	1,076	772
Accrued fees payable for professional services	708	-
<b>Total accrued expense</b>	<b>15,064</b>	<b>7,540</b>

**7. Interest income**

	2006	2005
Interest income from demand deposits with credit institutions	24,247	4,880
<b>Total interest income</b>	<b>24,247</b>	<b>4,880</b>

**AIF Parex Russian Equity Fund**  
**Annual report 2006**  
**Notes**  
**(LVL)**

**8. Realised increase in investment value**

	2006	2005
Income from sale of investments	4,549,347	1,178,146
Acquisition value of investments sold	(2,821,943)	(823,395)
(Increase) in value of investments sold, recognised in the previous periods	(685,958)	(21,987)
<b>Total realised increase in investment value</b>	<b>1,041,446</b>	<b>332,764</b>

**9. Unrealised increase in investment value**

	2006	2005
From shares and other non-fixed income securities	2,318,123	936,166
<b>Total unrealised increase in investment value</b>	<b>2,318,123</b>	<b>936,166</b>

**10. Change in investment assets during the reporting year**

	31/12/2005	Increase during the reporting year	Decrease during the reporting year	Foreign currency revaluation result	Fair value restatement result	31/12/2006
Held for trading financial instruments						
Shares and other non-fixed income securities	3,930,431	5,595,691	(4,477,572)	(779,513)	3,358,364	7,627,401
<b>Total assets</b>	<b>3,930,431</b>	<b>5,595,691</b>	<b>(4,477,572)</b>	<b>(779,513)</b>	<b>3,358,364</b>	<b>7,627,401</b>

**11. Assets and liabilities by currency profile**

	LVL	USD	Total
<b>Assets</b>			
Demand deposits with credit institutions	-	267,489	267,489
Financial assets held for trading			
Shares and other non-fixed income securities	-	7,627,401	7,627,401
Other assets	-	1,206	1,206
<b>Total assets</b>	<b>-</b>	<b>7,896,096</b>	<b>7,896,096</b>
<b>Liabilities</b>			
Accrued expense	(708)	(14,356)	(15,064)
Other liabilities	-	(7,440)	(7,440)
<b>Total liabilities</b>	<b>(708)</b>	<b>(21,796)</b>	<b>(22,504)</b>
<b>Net assets</b>	<b>(708)</b>	<b>7,874,300</b>	<b>7,873,592</b>
<i>Net long position</i>	<i>(0.01)%</i>	<i>100.01%</i>	<i>100.00%</i>



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**12. Assets by geographical placement**

	Latvia	Russia	Total
<b>Assets</b>			
Demand deposits with credit institutions	267,489	-	267,489
Financial assets held for trading			
Shares and other non-fixed income securities	-	7,627,401	7,627,401
Other assets	-	1,206	1,206
<b>Total assets</b>	<b>267,489</b>	<b>7,628,607</b>	<b>7,896,096</b>
<b>Liabilities</b>			
Accrued expense	(15,064)	-	(15,064)
Other liabilities	(7,440)	-	(7,440)
<b>Total liabilities</b>	<b>(22,504)</b>	<b>-</b>	<b>(22,504)</b>
<b>Net assets</b>	<b>244,985</b>	<b>7,628,607</b>	<b>7,873,592</b>

**13. Liquidity**

	Within 1 month	Total
<b>Assets</b>		
Demand deposits with credit institutions	267,489	267,489
Financial assets held for trading		
Shares and other non-fixed income securities	7,627,401	7,627,401
Other assets	1,206	1,206
<b>Total assets</b>	<b>7,896,096</b>	<b>7,896,096</b>
<b>Liabilities</b>		
Accrued expense	(15,064)	(15,064)
Other liabilities	(7,440)	(7,440)
<b>Total liabilities</b>	<b>(22,504)</b>	<b>(22,504)</b>
<b>Net assets</b>	<b>7,873,592</b>	<b>7,873,592</b>

**14. 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
Investment certificates held by related parties	516	234	0.2%
Investment certificates held by other persons	632,658	496,254	99.8%
<b>Investment certificates issued as at the period-end</b>	<b>633,174</b>	<b>496,488</b>	<b>100.00%</b>

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**15. 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.

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 43 investment certificates (2005: 0 certificates) and sold back 43 investment certificates (2005: 63 certificates). Due to the changes in the Council of AS Parex Asset Management, the new Council Members holding 516 investment certificates became related parties to the Fund, whereas the resigned Council Members related to the Fund held 234 investment certificates.

**16. 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.

**17. Fair values of financial assets and liabilities**

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

**18. Dynamics of net asset value**

	31/12/2006	31/12/2005	31/12/2004
<b>Net assets (LVL)</b>	<b>7,873,592</b>	<b>4,193,474</b>	<b>1,767,912</b>
Number of investment certificates	633,174	496,488	398,122
Value of investment fund's shares (LVL)	12.44	8.45	4.44
Performance on investment fund's shares*	34.27%	27.55%	(22.92)%
<b>Net assets (USD)**</b>	<b>14,690,900</b>	<b>7,071,670</b>	<b>3,426,125</b>
Number of investment certificates*	633,174	496,488	398,122
Value of investment fund's shares (USD)	23.20	14.24	8.61
Performance on investment fund's shares	35.14%	21.77%	(17.17)%

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

\*\* Performance is calculated supposing that a year consists of 365 days. The performance in 2004 is calculated starting from the date of issue of first investment certificates, i.e. 16 March 2004.

## INDEPENDENT AUDITORS' REPORT

To the holders of investment certificates  
of OIF Parex Russian Equity Fund

### Report on the Financial Statements

We have audited 2006 financial statements of opened-end investment fund Parex Russian Equity Fund (hereinafter – the Fund), which are set out on pages 8 through 18 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.

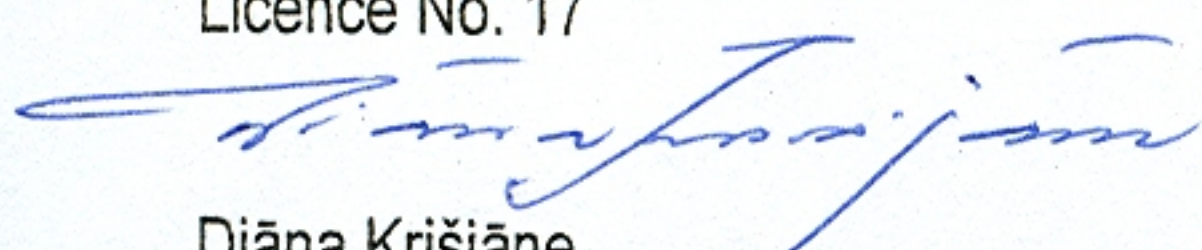
#### Opinion

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.

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

Rīga, 24 April 2007