

**OPEN-END INVESTMENT FUND
PAREX KONSERVATĪVAIS 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 Konservatīvais 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	22

AIF Parex Konservatīvais fonds
Annual report 2006
General information

Name of the fund:	Parex Konservatīvais fonds	
Type of fund:	Open-end investment fund	
Registration date of the fund:	30 August 2002	
Number of the fund:	10	
Issue certificate number of the fund:	175	
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 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 & Young Baltic" Kronvalda bulv. 3-5, Rīga Latvia, LV – 1010 Certificate Nr. 17</p>

AIF Parex Konservatīvais fonds
Annual report 2006
Investment company report

The objective of the open-end investment fund Parex Konservatīvais fonds (hereinafter – the Fund) is to gain maximum profit at a low investment risk level, through investments mainly in securities of the EU Member States and developed economies – government and central banks, credit institutions and corporate bonds issued in Latvian lats and/or euros, as well as term deposits with credit institutions.

In 2006, the Fund's net assets increased by 19.0% or LVL 146,956, reaching LVL 936,713 as at year-end. The value per Fund's share grew by 32 santims over the year to LVL 11.69. The Fund's performance as at year-end reached 2.81%.

The proportion of Latvian government debt securities continued decreasing and stood at 19.4% of the Fund's total assets as at year-end (total portion of government bonds being 27.2%). Municipal bonds completely disappeared from the Fund's structure over the reporting year, and the proportion of corporate bonds also was diminished by 9.4 percentage points to 44.8% of the Fund's assets as at year-end. Another significant position in terms of volume was deposits with credit institutions (18.8%), which grew by 4.8 percentage points over the year (2005: 14.8%).

During the reporting year material changes were made to the Fund's portfolio in distribution by regions. First, it should be said that the Russian exposure had been reduced by half and not a single santim of the Fund's assets is invested in the USA anymore. Instead, the Fund's structure towards the year-end features such countries as Finland (8.4%), the United Kingdom (7.8%) and Estonia (8.3%). The Fund's small asset capital and short duration account for the dynamic changes in the geographical distribution of the assets. Most of the debt securities held by the Fund matured during the last year and, as a result, the Fund obtained free cash.

When purchasing new securities, the Fund preferred securities with short duration. As a result of the structural changes within the Fund, the average duration at the end of 2006 was only 0.5 years, a reduction by 0.8 years as compared to the previous reporting year. The average yield to maturity increased by nearly one percent to 5.13% as at year-end. Comparatively low results in 2006 are related to negative trends on the benchmark securities markets in Europe and Latvia.

In the reporting year, the fees payable by the Fund for management services amounted to 1.03% 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 Iedakšons
President/Chairman of the Board
Fund Manager

Rīga,
24 April 2007

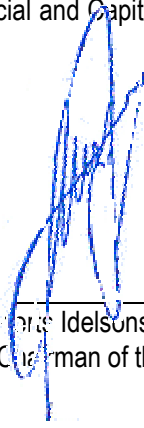
AIF Parex Konservatīvais fonds
Annual report 2006
Statement of responsibility of the Board of the investment company

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

The financial statements set out on pages 8 to 20 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 Konservatīvais 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.



Roberts Idelsons
President/ Chairman of the Board

Riga,
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 Conservative 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 Conservative 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 Conservative 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



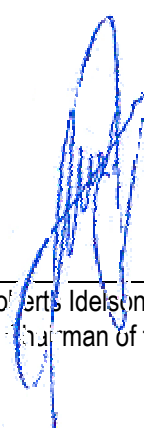
Riga, March 19, 2007

Valerijs Kargins
President/ Chairman of the Board

2007-03-19

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

Notes	<u>31/12/2006</u>	<u>31/12/2005</u>
Assets		
4	91,348	2,926
	Financial assets held for trading	
6	673,850	675,367
7	509	-
	Financial assets held to maturity	
5	176,007	110,182
	<u>941,714</u>	<u>788,475</u>
Liabilities		
	Financial liabilities held for trading	
7	(4,111)	(1,041)
8	(891)	(677)
	<u>(5,001)</u>	<u>(1,718)</u>
	<u>936,714</u>	<u>786,757</u>

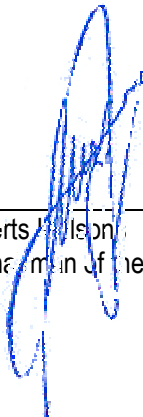


 Roberts Idelsons
 President/Chairman of the Board

Riga,
24 April 2007

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

Notes	2006	2005
Income		
9 Interest income	21,388	17,694
Total income	21,387	17,694
Expense		
Remuneration to investment company	(7,407)	(3,849)
Remuneration to custodian bank	(1,495)	(861)
Other fund management expense	(105)	(39)
Total expense	(9,007)	(4,749)
10 Realised increase/ (decrease) in investment value	12,780	(351)
11 Unrealised (decrease) in investment value	(1,507)	(2,518)
Total increase/ (decrease) in investment	11,273	(2,869)
Foreign currency revaluation (loss)	(3,116)	(1,673)
Increase in net assets from investment	20,537	8,403



 Roberts Vilsons
 President/ Chairman of the Board

Riga,
24 April 2007

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

	<u>2006</u>	<u>2005</u>
Net assets as at the beginning of the period	786,757	329,633
Increase in net assets from investment activities	20,537	8,403
Transactions with investment certificates:		
<i>Inflow from sale of investment certificates</i>	824,934	703,922
<i>Outflow of redemption of investment certificates</i>	(695,515)	(255,201)
Increase in net assets for the period	149,956	457,124
Net assets as at the end of the period	<u>936,713</u>	<u>786,757</u>
Issued investment certificates as at the beginning of the period	69,197	29,840
Issued investment certificates as at the end of the period	80,156	69,197
Net asset value per investment certificate as at the beginning of the period	11.37	11.05
Net asset value per investment certificate as at the end of the period	<u>11.69</u>	<u>11.37</u>

Roberts Idelsons
President/ Chairman of the Board

Riga,
24 April 2007

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

	<u>2006</u>	<u>2005</u>
Investment management income	41,334	22,895
Investment management expense	(8,794)	(4,396)
(Acquisition) of financial assets	(1,534,144)	(867,742)
Disposal of financial assets	1,454,866	393,416
Foreign currency conversion result	6,241	(12,040)
(Decrease) in cash from operating activities	(40,497)	(467,867)
Inflow from sale of investment certificates	824,934	703,922
Outflow of redemption of investment certificates	(695,515)	(255,201)
Increase in cash from financing activities	129,419	448,721
Increase/ (decrease) in cash	88,922	(19,146)
Cash as at the beginning of the period	2,926	20,937
Result of revaluation of cash denominated in foreign currencies	(500)	1,135
Cash as at the end of the period	<u>91,348</u>	<u>2,926</u>

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

AIF Parex Konservatīvais fonds
Annual report 2006
Notes
(LVL)

1. General information

Name of the fund:	Parex Konservatīvais fonds
Type of the fund:	Open-end investment fund
Registered office:	Basteja bulvāris 14, Rīga, LV-1050, Latvia
Fund's investment policy:	Investments mainly in securities of the EU Member States and OECD countries: debt securities issued by governments, central banks, credit institutions and corporate entities in Latvian lats and/or euros, as well as term deposits with credit institutions
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 Konservatīvais 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 is recognised according to the effective interest method.

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

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 Konservatīvais 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 Konservatīvais fonds
Annual report 2006
Notes
(LVL)

3. Risk management

The 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 and 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	91,348	2,926	9.75%
Total demand deposits and deposits with credit institutions	91,348	2,926	9.75%

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	% of total assets as at 31/12/2006
	Carrying amount	Incl. accrued interest income	Carrying amount
Term deposits with Latvian credit institutions			
AS Aizkraukles banka	176,007	1,512	-
AS Parex banka	-	-	110,182
Total term deposits with credit institutions	176,007	1,512	110,182
			18.79%

As at 31 December 2006, the average yield of deposits was 5.2% (2005: 3.4%).

AIF Parex Konservatīvais 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:	263,165	356,590	5.66%	28.10%
<i>Non-OECD credit institution bonds (excluding Latvia)</i>	98,460	112,264	8.16%	10.52%
<i>Latvian credit institution bonds</i>	89,318	167,026	4.40%	9.53%
<i>OECD credit institution bonds</i>	75,387	77,300	3.89%	8.05%
Government bonds:	254,398	193,396	4.32%	27.16%
<i>Latvian government bonds</i>	182,001	193,396	4.45%	19.43%
<i>Non-OECD government bonds</i>	72,397	-	3.98%	7.73%
Corporate bonds:	156,287	69,707	5.56%	16.68%
<i>OECD corporate bonds</i>	123,250	44,962	4.97%	13.16%
<i>Non-OECD corporate bonds</i>	33,037	24,745	7.76%	3.520%
Municipality bonds:	-	55,674	0.00%	0.00%
<i>Non-OECD municipality bonds</i>	-	55,674	0.00%	0.00%
Total debt securities and other fixed income securities	673,850	675,367	5.13%	71.94%

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 104,857 (2005: LVL 9,483).

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		574,258	568,993	60.73%
Latvian issuers:		252,223	250,188	26.69%
REPUBLIC OF LATVIA (LV0000570034)	1410	145,277	142,677	15.23%
REPUBLIC OF LATVIA (LV0000540896)	300	28,841	29,455	3.14%
LHZB mortgage bonds (LV0000800340)	300	21,261	21,305	2.27%
PAREX BANKA (LV0000800274)	150	15,044	15,079	1.61%
BALTIC TRUST BANK mortgage bonds (LV0000800373)	150	10,665	10,732	1.15%
BALTIC TRUST BANK mortgage bonds (LV0000800282)	100	10,088	10,286	1.09%
REPUBLIC OF LATVIA (LV0000532158)	100	9,761	9,869	1.05%
LHZB mortgage bonds (LV0000800092)	55	6,144	5,733	0.61%
BALTIC TRUST BANK (LV0000800233)	50	5,142	5,052	0.54%
Russian issuers:		90,746	88,447	9.44%
COMMERZBANK AG (NOMOS) (XS0184810223)	1	57,061	55,410	5.92%
N-INVEST (NIKOIL) (XS0188330004)	60	33,685	33,037	3.52%
British issuers:		73,015	73,326	7.83%
BANK OF SCOTLAND (XS0142561306)	100	73,015	73,326	7.83%
Estonian issuers:		74,818	72,397	7.73%
REPUBLIC OF ESTONIA (XS0150123312)	100	74,818	72,397	7.73%
Polish issuers:		44,118	44,562	4.76%
TPSA EUROFINANCE BV (TELEKOM POLSKA) (XS0108724138)	60	44,118	44,562	4.76%

AIF Parex Konservatīvais 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
Bulgarian issuers:		37,325	38,012	4.06%
FIRST INVESTMENT FIN BV (FIRST INVESTMENT BANK) (XS0211479745)	50	37,325	38,012	4.06%
Debt securities of international financial institutions:		2,013	2,061	0.22%
NORDIC INVESTMENT BANK (LV0000800175)	2	2,013	2,061	0.22%
Other financial instruments		104,116	104,857	11.20%
Latvian issuers:		21,084	21,131	2.26%
PATITĀTE BANKA mortgage bonds (LV0000800381)	300	21,084	21,131	2.26%
Finnish issuers:		78,031	78,688	8.40%
KESKO OYJ (EE4300085412)	80	78,031	78,688	8.40%
Estonian issuers:		5,001	5,038	0.54%
BALTIC INVESTMENT GROUP (EE3300086271)	50	5,001	5,038	0.54%
Total debt securities and other fixed income securities		678,374	673,850	71.93%

7. Derivatives

The below table presents the notional amounts and fair values of 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	437,697	509	(4,111)	153,735	-	(1,041)	(0.13)%
Total derivatives	437,697	509	(4,111)	153,735	-	(1,041)	(0.13)%

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

8. Accrued expense

	31/12/2006	31/12/2005
Accrued commission fees payable to investment company	669	567
Accrued commission fees payable to custodian bank	128	110
Accrued fees payable for professional services	94	110
Total accrued expense	891	787

AIF Parex Konservatīvais fonds
Annual report 2006
Notes
(LVL)

9. Interest income

	2006	2005
Interest income from debt securities and other fixed income securities	13,062	15,162
Interest income from deposits with credit institutions	7,191	1,939
Interest income from demand deposits with credit institutions	1,135	593
Total interest income	21,388	17,694

10. Realised increase/(decrease) in investment value

	2006	2005
Income from sale of investments	972,424	270,332
Acquisition value of investments sold	(961,511)	(270,267)
(Increase)/ decrease in value of investments sold, recognised in the previous periods	1,867	(416)
Total realised increase/(decrease) in investment value	12,780	(351)

11. Unrealised (decrease) in investment value

	2006	2005
From debt securities and other fixed income securities	(1,507)	(2,518)
Total unrealised (decrease) in investment value	(1,507)	(2,518)

12. 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						
Debt securities and other fixed income securities	675,367	989,969	(975,004)	(6,297)	(10,185)	673,850
Derivatives, net	(1,041)	-	-	(2,561)	-	(3,602)
Deposits with credit institutions	110,182	544,175	(479,862)	-	1,512	176,007
Total assets	784,508	1,534,144	(1,454,866)	(8,858)	(8,673)	846,255

AIF Parex Konservatīvais fonds
Annual report 2006
Notes
(LVL)

13. Assets and liabilities by currency profile

	LVL	USD	EUR	Total
Assets				
Demand deposits with credit institutions	15,771	-	75,577	91,348
Financial assets held to maturity				
Deposits with credit institutions	176,007	-	-	176,007
Financial assets held for trading				
Debt securities and other fixed income securities	303,937	88,447	281,466	673,850
Derivatives	56,120	(55,611)	-	509
Total assets	551,835	32,836	357,043	941,714
Liabilities				
Financial liabilities held for trading				
Derivatives	381,577	(32,978)	(352,710)	(4,111)
Accrued expense	(890)	-	-	(890)
Total liabilities	380,687	(32,978)	(352,710)	(5,001)
Net assets	932,522	(142)	4,333	936,713
<i>Net long/ (short) position</i>	<i>99.56%</i>	<i>(0.02)%</i>	<i>0.46%</i>	<i>100.0%</i>

14. Assets by geographical placement

	Latvia	OECD countries	Other non-OECD countries	Total
Assets				
Demand deposits with credit institutions	91,348	-	-	91,348
Financial assets held to maturity				
Deposits with credit institutions	176,007	-	-	176,007
Financial assets held for trading				
Debt securities and other fixed income securities	271,319	198,637	203,894	673,850
Derivatives	509	-	-	509
Total assets	539,183	198,637	203,894	941,714
Liabilities				
Financial liabilities held for trading				
Derivatives	(4,111)	-	-	(4,111)
Accrued expense	(890)	-	-	(890)
Total liabilities	(5,001)	-	-	(5,001)
Net assets	534,182	198,637	203,894	936,713

AIF Parex Konservatīvais fonds
Annual report 2006
Notes
(LVL)

15. 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	91,348	-	-	-	-	-	91,348
Financial assets held to maturity							
Deposits with credit institutions	-	-	176,007	-	-	-	176,007
Financial assets held for trading							
Debt securities and other fixed income securities	-	-	-	-	620,682	53,168	673,850
Derivatives, asset	-	509	-	-	-	-	509
Total assets	91,348	509	176,007	-	620,682	53,168	941,714
Liabilities							
Financial liabilities held for trading							
Derivatives, liability	-	(2,374)	(1,737)	-	-	-	(4,111)
Accrued expense	(796)	-	(94)				(890)
Total liabilities	(796)	(2,374)	(1,831)	-	-	-	(5,001)
Net assets	90,552	(1,865)	174,176	-	620,682	53,168	936,713

16. 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		91,348	-	91,348
Held to maturity financial assets				
Term deposits with credit institutions		-	176,007	176,007
Held for trading financial assets				
Debt securities and other fixed income securities	107,829	566,021	-	673,850
Derivatives	-	-	509	509
Total assets	199,177	566,021	176,516	941,714
Liabilities				
Held for trading financial liabilities				
Derivatives	-	-	(4,111)	(4,111)
Accrued expense	-	-	(890)	(890)
Total liabilities	-	-	(5,001)	(5,001)
Net assets	199,177	566,021	171,515	936,713

AIF Parex Konservatīvais fonds
Annual report 2006
Notes
(LVL)

17. Repricing maturity of assets and liabilities

	Within 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 mont hs	From 1 – 5 years	More than 5 years	Total
Assets							
Demand deposits with credit institutions	91,348						91,348
Held to maturity financial assets							
Term deposits with credit institutions	-	-	176,007	-	-	-	176,007
Held for trading financial assets							
Debt securities and other fixed income securities	2,061	243,657	370,003	-	58,129	-	673,850
Derivatives	-	509	-	-	-	-	509
Total assets	93,409	244,166	546,010	-	58,129	-	941,714
Liabilities							
Held for trading financial liabilities							
Derivatives	-	(2,374)	(1,737)	-	-	-	(4,111)
Accrued expense	(796)	-	(94)	-	-	-	(890)
Total liabilities	(796)	(2,374)	(1,831)	-	-	-	(5,001)
Net assets	92,613	241,792	544,179	-	58,129	-	936,713

18. 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	71,542	5,072	88.0%
Investment certificates held by other persons	8,614	64,125	12.0%
Investment certificates issued as at the period-end	80,156	69,197	100.0%

19. 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). As at 31 December 2006, the Fund's investments in bonds issued by AS Parex banka amounted to LVL 15,079 (2005: LVL 30,459).

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 66,542 investment certificates and sold back 72 investment certificates of the Fund (2005: no transactions).

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

AIF Parex Konservatīvais fonds
Annual report 2006
Notes
(LVL)

20. 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.

21. Fair values of financial assets and liabilities

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

22. Dynamics of net asset value

	31/12/2006	31/12/2005	31/12/2004
Net assets	936,713	786,757	329,633
Number of investment certificates	80,156	69,197	29,840
Value of investment fund's shares	11.69	11.37	11.05
Performance on investment fund's shares*	2.81%	2.90%	3.75%

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

INDEPENDENT AUDITORS' REPORT

To the holders of investment certificates
of OIF Parex Konservatīvais Fonds

Report on the Financial Statements

We have audited 2006 financial statements of opened-end investment fund Parex Konservatīvais Fonds (hereinafter – the Fund), which are set out on pages 8 through 21 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.

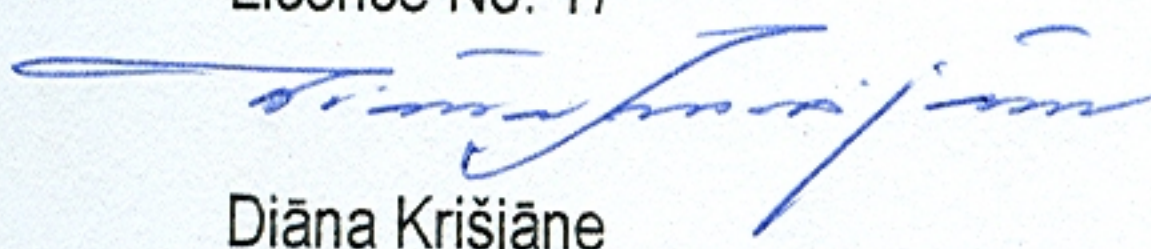
Opinion

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