Apex Investments SIA

Consolidated Annual Accounts
For the year ended 31 December 2008

TABLE OF CONTENTS

Report of the Management

Type of operations

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

Performance of the Group during the year

Apex Investments Group had a successful year ended 31 December 2008. The group completed an acquisition of real estate anchored by a RIMI grocer store in June. The property was acquired in an indirect manner via the purchase of 100% of the shares of TC Purvciems Holdings SIA. The property was purchased at a competitive market rate, and the acquisition will serve as a diversification tool.

On 2 January 2008 Reznas Centrs SIA was fully merged into Apex Investments SIA.

Post balance sheet events

In late 2007 through 2009 the worldwide economy started to experience a significant slow down and a contraction of credit. Additionally Latvian legislation was introduced to reduce speculation in the residential and land sectors of the real estate market. These separate occurrences have had a major negative impact on the Latvian residential real estate market and a minor negative impact on the commercial real estate market.

The Company raised debt capital in the fourth quarter of 2006 in a private placement corporate bond into the Baltic investment community. The bond issue was listed publicly on the Riga Stock Exchange on 26 October 2007. It is scheduled to be retired on 30 April 2009. Due to the global credit crisis, the retiring of this bond through senior debt as originally planned will likely not be possible. Apex Investments has retained SC Parex banka as arranger in an effort to retire the old bonds with the issue of new bonds. Apex will be holding a bondholders meeting on 5 March 2009, from 10:30 - 12:00 in Swedbanka's large conference room on Balasta dambis 1a (registration begins at 10:00), during which the full plan and proposed terms of the new issue will be presented. There will be no binding decisions made during the meeting, as Apex needs to have agreement with each bondholder individually in order to reach agreement on new bonds.

Gerald Allen Wirth
Chairman of the Board

David Allen De Rousse
Member of the Board

Riga, 27 February 2009

Statement of Directors' Responsibility

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

The financial statements on pages 5 to 37 are prepared in accordance with the accounting records and source documents and present fairly the financial position of the Group as of 31 December 2008 and the results of its operations and cash flows for the year ended 31 December 2008.

The financial statements are prepared in accordance with International Financial Reporting Standards as adopted in the European Union on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments and estimates have been made by the Board of Directors in the preparation of the financial statements.

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

Gerald Allen Wirth
Chairman of the Board

David Allen De Rousse
Member of the Board

Riga, 27 February 2009

CONSOLIDATED BALANCE SHEET

	Note	31.12.2008. LVL (unaudited)	31.12.2007. LVL (unaudited)	31.12.2008. EUR (unaudited)	31.12.2007. EUR (unaudited)
ASSETS					
Non-current assets					
Investment property	6	11,340,174	9,145,354	16,135,614	13,012,666
Property, plant and equipment	5	47,969	15,917	68,254	22,648
Goodwill	7	324,958	324,958	462,374	462,374
Loans and other receivables	8	2,386,334	2,846,734	3,395,447	4,050,538
		14,099,435	**12,332,963**	**20,061,689**	**17,548,226**
Current assets					
Loans and other receivables	8	1,169,622	553,156	1,664,222	787,070
Derivative financial instruments		-	125,306	-	178,294
Current income tax assets		-	710	-	1,010
Cash and cash equivalents	9	361,130	953,523	513,842	1,356,741
		1,530,752	**1,632,695**	**2,178,064**	**2,323,115**
Total assets		**15,630,187**	**13,965,658**	**22,239,753**	**19,871,341**
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	11	238,659	238,659	339,581	339,581
Accumulated deficit		(1,070,114)	(290,065)	(1,522,635)	(412,725)
Total equity		**(831,455)**	**(51,406)**	**(1,183,054)**	**(73,144)**
LIABILITIES					
Non-current liabilities					
Borrowings	12	11,422,580	13,132,707	16,252,867	18,686,159
Deferred income tax liabilities	13	364,324	384,790	518,386	547,507
		11,786,904	**13,517,497**	**16,771,253**	**19,233,666**
Current liabilities					
Trade and other payables	10	269,864	254,625	383,982	362,299
Current income tax liabilities		-	11,604	-	16,510
Derivative financial instruments	27	478,374	-	680,665	-
Borrowings	12	3,926,500	233,338	5,586,906	332,010
		4,674,738	**499,567**	**6,651,553**	**710,819**
Total liabilities		**16,461,642**	**14,017,064**	**23,422,806**	**19,944,485**
Total equity and liabilities		**15,630,187**	**13,965,658**	**22,239,752**	**19,871,341**

The notes on pages 9 to 37 are an integral part of these consolidated financial statements.

Gerald Allen Wirth
Chairman of the Board

David Allen De Rousse
Member of the Board

Riga, 27 February 2009

CONSOLIDATED INCOME STATEMENT

	Note	2008 LVL (unaudited)	2007 LVL (unaudited)	2008 EUR (unaudited)	2007 EUR (unaudited)
Revenue	14	2,166,409	1,484,343	3,082,522	2,112,030
Cost of sales	15	(1,443,084)	(915,777)	(2,053,323)	(1,303,033)
Gross profit		**723,325**	**568,566**	**1,029,199**	**800,997**
Distribution costs		(4,685)	(9,660)	(6,667)	(13,744)
Administrative expenses	16	(70,436)	(53,500)	(100,221)	(76,124)
Other operating income	18	177,978	300,865	253,240	428,092
Other operating expenses	19	(606,666)	(114,365)	(863,208)	(162,727)
Operating profit		**219,516**	**691,906**	**312,343**	**984,494**
Finance income	20	1,900	6,837	2,703	9,728
Finance costs	21	(1,054,570)	(778,655)	(1,500,518)	(1,107,926)
Finance costs – net		**(1,052,670)**	**(771,818)**	**(1,497,815)**	**(1,098,198)**
Loss before income tax		**(833,154)**	**(79,912)**	**(1,185,472)**	**(113,704)**
Income tax	22	53,105	(45,715)	75,561	(65,047)
Loss for the year		**(780,049)**	**(125,627)**	**(1,109,911)**	**(178,751)**
Attributable to:					
Equity holders of the Company		**(780,049)**	**(125,627)**	**(1,109,911)**	**(178,751)**

The notes on pages 9 to 37 are an integral part of these consolidated financial statements.

Gerald Allen Wirth
Chairman of the Board

David Allen De Rousse
Member of the Board

Riga, 27 February 2009

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company			Attributable to the equity holders of the Company		
	Share capital LVL	Accumulat-ed deficit LVL	Total equity LVL	Share capital EUR	Accumulat-ed deficit EUR	Total equity EUR
Balance at 1 January 2007	**180,000**	**(105,779)**	**74,221**	**256,117**	**(150,510)**	**105,607**
Merger result*	58,659	(58,659)	**-**	83,464	(83,464)	**-**
Loss for the year	-	(125,627)	**(125,627)**	-	(178,751)	**(178,751)**
Balance at 31 December 2007	**238,659**	**(290,065)**	**(51,406)**	**339,581**	**(412,725)**	**(73,144)**
Loss for the year	-	(780,049)	**(780,049)**	-	(1,109,911)	**(1,109,911)**
Balance at 31 December 2008	**238,659**	**(1,070,114)**	**(831,4535)**	**339,581**	**(1,522,636)**	**(1,183,055)**

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

The notes on pages 9 to 37 are an integral part of these consolidated financial statements.

Gerald Allen Wirth
Chairman of the Board

David Allen De Rousse
Member of the Board

Riga, 27 February 2009

CONSOLIDATED CASH FLOW STATEMENT

	Note	2008 LVL	2007 LVL	2008 EUR	2007 EUR
Cash flows from operating activities					
Loss before income tax		(833,151)	(79,912)	(1,192,510)	(113,704)
Adjustments for:					
– Depreciation	17	658,809	363,281	986,123	516,902
– Loss on disposal of property, plant and equipment		33,347	7,472	47,449	10,632
- Loss / (gains) on revaluation of derivative financial instruments		603,680	(125,306)	858,959	(178,294)
– Interest income	20	(170,688)	(168,055)	(242,867)	(239,121)
– Interest expenses	21	1,054,570	778,655	1,500,518	1,107,926
Changes in working capital					
– Trade and other receivables		2,465	117,725	3,507	167,508
– Trade and other payables		(102,049)	199,763	(145,203)	284,237
Cash generated from operations		1,246,983	1,093,623	1,774,297	1,566,086
Interest paid		(158,502)	(884,665)	(225,528)	(1,258,765)
Interest received		-	7,685	-	10,935
Income tax paid		(29,705)	(10,855)	(42,264)	(15,445)
Net cash generated from operating activities		**1,058,775**	**205,788**	**1,506,502**	**292,811**
Cash flows from investing activities					
Acquisition of subsidiaries, net of cash acquired	24	(1,025,599)	-	(1,459,296)	-
Purchases of investment property and property, plant and equipment		(55,101)	(917,358)	(78,402)	(1,305,283)
Loans granted		(185,892)	(815,893)	(264,500)	(1,160,911)
Loan repayments received		103,874	189,198	147,799	269,205
Interest received		113,757	69,344	161,863	98,668
Net cash used in investing activities		**(1,048,959)**	**(1,474,709)**	**(1,572,495)**	**(2,098,322)**
Cash flows from financing activities					
Proceeds from issuance of bonds		-	369,140	-	525,239
Proceeds from borrowings		722,911	840,319	1,028,610	1,195,666
Repayments of borrowings		(649,745)	(381,998)	(924,504)	(543,534)
Repayment of interest		(675,375)	-	(961,499)	-
Net cash (used in)/ generated from financing activities		**(602,209)**	**827,461**	**(856,866)**	**1,177,371**
Net decrease in cash and cash equivalents		**(592,393)**	**(441,460)**	**(881,177)**	**(628,141)**
Cash and cash equivalents at the beginning of the year	9	953,523	1,394,983	1,356,741	1,984,882
Cash and cash equivalents at the end of the year	9	**361,130**	**953,523**	**475,564**	**1,356,741**

The notes on pages 9 to 37 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. General information

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

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

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

These group consolidated financial statements were authorised for issue by the Board of Directors on 27 February 2009.

The Company has the following participating interest in subsidiaries:

Name	Country	Participating interest in share capital of subsidiaries	
		31.12.2008.	31.12.2007.
Rēznas centrs SIA	Latvia	-	100%
Tukuma Projekts SIA	Latvia	100%	100%
TC Purvciems Holdings SIA	Latvia	100%	-

On 2 January 2008 Rēzenas centrs SIA was merged with Apex Investments. During 2008 the Company acquired TC Purvciems Holdings SIA.

2. Summary of significant accounting policies

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

Recent instability in the global and Latvian financial markets and economies

The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in stock markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere, including Latvia. Indeed the full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against.

Management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets as well as the economic downturn in Latvia. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

Notes to the Consolidated Financial Statements (continued)
2. Summary of significant accounting policies (continued)

Impact on liquidity:
The volume of wholesale financing has significantly reduced recently. Such circumstances may affect the ability of Apex Invesments SIA to obtain new borrowings and re-finance its existing bonds at terms and conditions commercially acceptable to the Group's management. This can lead to negative impact on ability to repay bonds at the expected maturity date, i.e. 30 April 2009. The management of the Group plans to offer current bondholders to refinance bonds by subscribing to new bond issue.

Impact on asset valuation:
Debtors of the Company may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. The management has based their assumptions about recoverable amounts of the assets on the available information, however it is not possible to determine reliably the effect of the economic downturn in its entirety.

Going concern
As at 31 December 2008 the Group's current liabilities exceeded its current assets by LVL 3,143,963 (or EUR 4,473,456). Included in the current liabilities are bonds that according to the initial agreement are due to be repaid on 30 April 2009. The management of the Group plans to offer current bondholders to refinance bonds by subscribing to new bond issue. If the bonds are not to be repaid on 30 April 2009, the management of the Group has estimated that it will not have liquidity problems and that the Group will be able to settle its other liabilities as they fall due. Therefore the management of the Group considers that the going concern basis is applicable in the preparation of these financial statements.

2.1. Basis of preparation

The consolidated financial statements of Apex Investments SIA have been prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union. Due to the European Union's endorsement procedure, the standards and interpretation not approved for use in the European Union are presented in this note as they may have impact on financial statements of the Group in the following periods if endorsed.

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

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

(a) Interpretations and amendments to standards effective in 2008

IAS 39, 'Financial instruments: Recognition and measurement' and IFRS 7, 'Financial instruments: Disclosures' on the 'Reclassification of financial assets' (Effective for annual periods beginning on or after 1 July 2008) - This amendment allows the reclassification of certain financial assets previously classified as 'held-for-trading' or 'available-for-sale' to another category under limited circumstances. Various disclosures are required where a reclassification has been made. Derivatives and assets designated as 'at fair value through profit or loss' under the fair value option are not eligible for this reclassification. Given the urgency of the issue, due process was suspended and there was no comment period. Amendment confirms that any reclassifications made on or after 1 November 2008 should take effect only from the date of the reclassification and may not be backdated. IAS 39, 'Financial instruments: Recognition and measurement' and IFRS 7, 'Financial instruments: Disclosures' on the 'Reclassification of financial assets' was not applied by the Group in 2008. The Group did not exercise any reclassifications in 2008.

Notes to the Consolidated Financial Statements (continued)
2. Summary of significant accounting policies (continued)
2.1. Basis of preparation (continued)

(b) Interpretations and amendments to standards effective in 2008 but not relevant to the Group

IFRIC 11, 'IFRS 2 (effective for annual periods beginning on or after 1 March 2007) – Group and treasury share transactions'. This interpretation provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's financial statements.

(c) Standards and amendments to standards relevant but not early adopted by the Group

IFRS 8, 'Operating segments' (effective for annual periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14, Segment reporting. The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to the used for internal reporting purposes. The Group is currently assessing what impact the standard will have on segment disclosures in the financial statements.

IAS 23, 'Borrowing costs' (revised March 2007; effective for annual periods beginning on or after 1 January 2009) - The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The Group is currently assessing the impact of the amendment to the standard on its financial statements.

IAS 1, 'Presentation of financial statements' (revised September 2007; effective for annual periods beginning on or after 1 January 2009) - The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Group expects the revised IAS 1 to impact the presentation of its financial statements but to have no impact on the recognition or measurement of specified transactions and balances.

IAS 27, 'Consolidated and separate financial statements' (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The revised standard is not yet endorsed in EU. The revised standard is not yet endorsed in EU. The management does not expect the revised standard to affect the Group's financial statements.

Notes to the Consolidated Financial Statements (continued)
2. Summary of significant accounting policies (continued)
2.1. Basis of preparation (continued)

IFRS 3, 'Business combinations' (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised standard is not yet endorsed in EU. The group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010 if the revised standard will become effective in EU until then. The Group is currently assessing the impact of the amended standard on its financial statements.

IAS 23, Borrowing Costs. The amendment is part of IASB's annual improvements project published in May 2008.The definition of borrowing costs is revised to specify that interest expense forming part of borrowing costs is to be calculated using the effective interest rate method as described in IAS 39. The Group is currently assessing the impact of the amended standard on its financial statements.

IAS 27, Consolidated and Separate Financial Statements. The amendment is part of IASB's annual improvements project published in May 2008. Following the amendment, a parent entity that accounts for an investment in a subsidiary in accordance with IAS 39 in its separate financial statements will continue to measure the investment in accordance with IAS 39, even when the investment becomes held for sale (or held in a disposal group held for sale). The amendment applies prospectively from the date at which the entity first applied IFRS 5. The Group is currently assessing the impact on of the revised standard on its financial statements.

IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). The amendment is part of IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The group will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from the date it will become effective.

(d) Interpretations and amendments to existing standards that are not yet effective and not relevant for the group's operations

IFRS 2, 'Share-based payment' (issued in January 2008, effective for annual periods beginning on or after 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment will not have any impact on the Group's consolidated financial statements.

IAS 32, 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards requires classification as equity of some financial instruments that meet the definition of financial liabilities. The amendment will not have any impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)
2. Summary of significant accounting policies (continued)
2.1. Basis of preparation (continued)

(d) Interpretations and amendments to existing standards that are not yet effective and not relevant for the group's operations (continued)

IFRS 1 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements' (Amendment) (issued in May 2008; effective for annual periods beginning on or after 1 January 2009). The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss rather than as a recovery of the investment. The amendment will not have any impact on the Group's consolidated financial statements.

IAS 39, Financial Instruments: Recognition and Measurement: Eligible Hedged Items (Amendment)(effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment is not yet endorsed in EU. The amendment will not have any impact on the Group's consolidated financial statements as the Group does not apply hedge accounting.

IFRS 1, First-time Adoption of International Financial Reporting Standards (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. The amendment will not have any impact on the Group's consolidated financial statements.

IFRIC 12, Service Concession Agreements (effective for annual periods beginning on or after 1 January 2008). – This interpretation applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. Under these arrangements, assets are assessed as either intangible assets or finance receivables. The interpretation is not yet endorsed in EU. This interpretation will not have an impact on the Group's financial statements.

IFRIC 13, 'Customer loyalty programmes' (effective for annual periods on or after 1 July 2008; for entities applying IFRS as adopted in the EU effective for annual periods beginning after 31 December 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. This interpretation does not have an impact on the Group's financial statements.

IFRIC 14, 'IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction', *(effective for annual periods beginning on or after 1 January 2008; for entities applying IFRS as adopted in the EU effective for annual periods beginning after 31 December 2008)*. Interpretation provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Group's financial statements.

IFRIC 15, 'Agreements for construction of real estates' (effective for annual periods beginning on or after 1 January 2009). The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions. The interpretation is not yet endorsed in EU. IFRIC 15 will not be relevant to the group's operations because it does not have any agreements for the construction of real estate.

Notes to the Consolidated Financial Statements (continued)
2. Summary of significant accounting policies (continued)
2.1. Basis of preparation (continued)

(d) Interpretations and amendments to existing standards that are not yet effective and not relevant for the group's operations (continued)

IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective for annual periods beginning on or after 1 October 2008). IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the group. The requirements of IAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. The interpretation is not yet endorsed in EU. IFRIC 16 will not have any impact on these financial statements as the Group does not apply hedge accounting.

IFRIC 17, Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009). The amendment clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss when the entity settles the dividend payable. IFRIC 17 is not relevant to the Group's operations because it does not distribute non-cash assets to owners.

IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. IFRIC 18 is not relevant to the Group's financial statements.

*Improvements to International Financial Reporting Standards (issued in May 2008)***.** In 2007, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments issued in May 2008 consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest rate method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The Group does not expect the amendments to have any material effect on the financial statements, except IAS 23, IAS 27 and IAS 36 described in (c).

Notes to the Consolidated Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.2 Consolidation

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, including the acquisitions of entities under common control. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (see Note 2.6).

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

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

2.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

	31.12.2008. LVL	**31.12.2007. LVL**
1 EUR	0.702804	0.702804
1 USD	0.484	0.536

2.4 Investment property

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

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

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

Notes to the Consolidated Financial Statements (continued)
2. Summary of significant accounting policies (continued)
2.4 Investment property (continued)

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

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

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

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

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

2.5 Property, plant and equipment

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

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

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

Equipment: 20 % per annum.

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

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

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

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

Notes to the Consolidated Financial Statements (continued)
2. Summary of significant accounting policies (continued)

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.
Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocated goodwill to the acquired business as a single cash-generating unit.

(b) Computer software

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

2.7 Impairment of non-financial assets

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

2.8 Loans and receivables

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

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

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

Notes to the Consolidated Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.9 Derivative financial instruments

Derivative financial instruments include interest rate swaps held by the Group. Derivative financial instruments are initially recognised at fair value and subsequently re-measured at their fair value. Derivative financial instruments are recognised on trade date. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivatives are reported in the income statement as Group’s derivative financial instruments do not meet criteria for hedge accounting.

The fair values of financial instruments that are not quoted on active markets are determined using valuation techniques (for example, models). Models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

Interest earned whilst holding derivative financial instruments is recorded as interest income.

2.10 Cash and cash equivalents

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

2.11 Share capital

Ordinary shares are classified as equity.

2.12 Trade payables

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

2.13 Borrowings

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

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

2.14 Employee benefits

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

Notes to the Consolidated Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.15 Deferred income tax

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

2.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.
The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

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

2.17 Operating leases

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

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

2.18 Segment reporting

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

Notes to the Consolidated Financial Statements (continued)

3 Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

The Group's main assets and liabilities are denominated in Latvian lats (LVL) and Euro. As of 1 January 2005 LVL exchange rate has been pegged to EUR, therefore LVL/EUR exchange rate fluctuation risk is limited. Almost all revenues are collected in LVL, this way the influence of the currency is not material. Analysis of the currency exchange rates fluctuation sensitivity is given below.

Analysis of the currency fluctuation sensitivity

Currency exchange rates fluctuations are forecast based on the EUR and USD currency exchange rate fluctuations of the prior years within limits of 1%.

December 31, 2008

	Currency	Book value	Influence on profit for the year +1%	Influence on profit for the year -1%	Influence on profit for the year +1%	Influence on profit for the year -1%
		LVL	LVL	LVL	EUR	EUR
Cash and cash equivalents	EUR	97,008	970	(970)	1,380	(1,380)
Loans and receivables	EUR	3,473,522	34,735	(34,735)	49,424	(49,424)
Trade and other payables	EUR	51,293	(513)	513	(730)	730
Trade and other payables	USD	2,988	(30)	30	(43)	43
Borrowings	EUR	15,349,080	(153,491)	153,491	(218,398)	218,398
			(118,329)	**118,329**	**(168,367)**	**168,367**

December 31, 2007

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

Notes to the Consolidated Financial Statements (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(ii) Price risk

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

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. The Group's borrowings and issued loans have variable interest rates and during 2008 and 2007 were denominated in euro. The risk is partly mitigated by applying variable interest rates to the loans issued. The Group has entered into an interest rate swap. This caps the portfolio's interest rate exposure at 3.97% plus bank margin. In a period of rising interest rates, this cap allows the Group to significantly reduce interest rate risk. The swap agreement will remain in place for a period of two years expiring on 31 December 2010.

As at 31 December 2008 the Company did not have any borrowings that exceed the notional amount of interest rate swap.

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

(b) Credit risk

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

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. As at 31 December 2008 the Group's current assets exceeded its current liabilities by LVL 3,143,963 or EUR 4,473,456 (31 December 2007: LVL 1,133,128 or EUR 1,612,296).
In 2007 there has been a sharp rise in foreclosures in the US sub prime mortgage market. The effects have spread beyond the US housing market as global investors have re-evaluated their exposure to risks, resulting in increased volatility and lower liquidity in the fixed income, equity, and derivatives markets.

The volume of wholesale financing has significantly reduced since August 2007. Such circumstances has affected the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions that applied to similar transactions in recent periods.

Notes to the Consolidated Financial Statements (continued)
3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's financial liabilities and net settled derivatives into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed are contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	LVL	LVL	LVL	LVL
At 31 December 2008				
Borrowings	980,306	805,368	10,430,380	**12,216,054**
Bonds	3,379,667	-	-	**3,379,667**
Trade and other payables	748,237	-	-	**748,237**
	5,108,210	**805,368**	**10,430,380**	**16,343,958**
At 31 December 2007				
Borrowings	795,035	795,035	11,103,829	**12,693,899**
Bonds	171,483	3,594,002	-	**3,765,485**
Trade and other payables	254,625	-	-	**254,625**
	1,221,143	**4,389,037**	**11,103,829**	**16,714,009**

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	EUR	EUR	EUR	EUR
At 31 December 2008				
Borrowings	1,394,850	1,145,935	14,841,094	**17,381,879**
Bonds	4,808,833	-	-	**4,808,833**
Trade and other payables	1,064,645	-	-	**1,064,645**
	7,268,328	**1,145,935**	**14,841,094**	**23,255,357**
At 31 December 2007				
Borrowings	1,131,233	1,131,233	15,799,325	**18,061,791**
Bonds	243,998	5,113,804	-	**5,357,802**
Trade and other payables	362,299	-	-	**362,299**
	1,737,530	**6,245,037**	**15,799,325**	**23,781,892**

3.2 Capital risk management

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

Notes to the Consolidated Financial Statements (continued)

3 Financial risk management (continued)

3.2 Capital risk management (continued)

The return on assets as at 31 December 2008 and 2007 were as follows:

	2008 LVL	2007 LVL	2008 EUR	2007 EUR
Operating profit	219,516	691,906	312,343	984,494
Add: depreciation (Note 15)	658,809	363,281	937,401	516,902
Net operating income	878,325	1,055,187	1,249,744	1,501,396
Cost of investment property at the end of previous financial period (Note 6)	10,213,548	7,958,416	14,532,570	11,323,806
ROA	**8.6%**	**13.26%**	**8.6%**	**13.26%**

3.3 Fair value estimation

In respect of financial assets and liabilities held in the balance sheet at carrying amounts other than fair values, the fair values are disclosed separately in notes.
The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 Critical accounting estimates and judgments

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

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

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

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

(d) the Group's management has evaluated the recoverability of a deferred tax asset arising from tax losses of 2008 that can be carried forward and covered in chronological order from taxable income during the following five years. The ability to utilise tax losses is based on the management's forecasts about the taxable income available in the following years.

Notes to the Consolidated Financial Statements (continued)

5 Property, plant and equipment

	Equip-ment	Assets under construc-tion	Total	Equip-ment	Assets under construc-tion	Total
	LVL	LVL	LVL	EUR	EUR	EUR
At 1 January 2007						
Cost	14,519	7,137	21,656	20,659	10,155	30,814
Accumulated depreciation	(3,085)	-	(3,085)	(4,390)	-	(4,390)
Net book amount	**11,434**	**7,137**	**18,571**	**16,269**	**10,155**	**26,424**
Year ended 31 December 2007						
Opening net book amount	11,434	7,137	18,571	16,269	10,155	26,424
Additions	1,454	5,439	6,893	2,069	7,739	9,808
Written-off in 2007	-	(7,472)	(7,472)	-	(10,632)	(10,632)
Depreciation charge (Note 15)*	(2,075)	-	(2,075)	(2,952)	-	(2,952)
Closing net book amount	**10,813**	**5,104**	**15,917**	**15,386**	**7,262**	**22,648**
At 31 December 2007						
Cost	15,973	5,104	21,077	22,728	7,262	29,990
Accumulated depreciation	(5,160)	-	(5,160)	(7,342)	-	(7,342)
Net book amount	**10,813**	**5,104**	**15,917**	**15,386**	**7,262**	**22,648**
At 31 December 2008						
Opening net book amount	10,813	5,104	15,917	15,386	7,262	22,648
Additions	11,952	35,586	47,538	17,006	50,634	67,640
Written-off in 2008	(232)	(9,756)	(9,988)	(330)	(13,882)	(14,212)
Depreciation charge (Note 15)*	(5,498)	-	(5,498)	(7,823)	-	(7,823)
Closing net book amount	**17,035**	**30,934**	**47,966**	**24,234**	**44,015**	**68,249**
At 31 December 2008						
Cost	85,180	30,934	116,114	121,200	44,015	165,215
Accumulated depreciation	(68,145)	-	(68,145)	(96,961)	-	(96,961)
Net book amount	**17,035**	**30,934**	**47,969**	**24,238**	**44,015**	**68,254**

* Depreciation expense of LVL 5,498 or EUR 7,823 (2007: LVL 2,075 or EUR 2,952) has been charged in cost of sales, see Note 15.

Notes to the Consolidated Financial Statements (continued)

6 Investment property

	2008 LVL	**2007 LVL**	**2008 EUR**	**2007 EUR**
At 1 January				
Cost	10,213,548	7,958,416	14,532,570	11,323,806
Accumulated depreciation	(1,068,194)	(706,988)	(1,519,904)	(1,005,954)
Net book amount	**9,145,354**	**7,251,428**	**13,012,666**	**10,317,852**
Year ended 31 December				
Opening net book amount	9,145,354	7,251,428	13,012,666	10,317,852
Acquisition of a subsidiary (Note 24)	2,843,577	2,255,132	4,046,046	3,208,764
Acquisition	27,913	-	39,717	-
Written-off	(23,359)	-	(33,237)	-
Depreciation charge (Note 15)	(653,311)	(361,206)	(929,578)	(513,950)
Closing net book amount	**11,340,174**	**9,145,354**	**16,135,614**	**13,012,666**
At 31 December				
Cost	14,081,642	10,213,548	20,036,371	14,532,570
Accumulated depreciation	(2,741,468)	(1,068,194)	(3,900,757)	(1,519,904)
Net book amount	**11,340,174**	**9,145,354**	**16,135,614**	**13,012,666**

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

The most recent valuations were performed in April 2007 and based on those valuations the fair value of the Group's investment property is estimated to be approximately EUR 25 million

In the income statement direct operating expenses (including repairs and maintenance) comprise LVL 685,949 vai EUR 976,017 (2007: LVL 473,851 or EUR 674,229) relating to investment property that generated rental income.

Notes to the Consolidated Financial Statements (continued)

7 Goodwill

	2008 LVL	2007 LVL	2008 EUR	2007 EUR
At 1 January				
Cost	324,958	324,958	462,374	462,374
Accumulated impairment	-	-	-	-
Net book amount	**324,958**	**324,958**	**462,374**	**462,374**
Year ended 31 December				
Opening net book amount	324,958	324,958	462,374	462,374
Acquisition of subsidiary (Note 24)	**324,958**	**324,958**	**462,374**	**462,374**
Closing net book amount				
At 31 December	324,958	324,958	462,374	462,374
Cost	-	-	-	-
Accumulated impairment	**324,958**	**324,958**	**462,374**	**462,374**
Net book amount	324,958	324,958	462,374	462,374

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

8 Loans and other receivables

	31.12.2008. LVL	31.12.2007. LVL	31.12.2008. EUR	31.12.2007. EUR
Loans to related parties (Note 25 c)	2,974,013	2,867,376	4,231,639	4,079,908
Loans to shareholders (Note 25 b)	460,674	442,292	655,480	629,325
Trade receivables	33,085	46,365	47,076	65,971
Tax overpaid	-	1,070	-	1,523
Accrued income	86,612	41,307	123,238	58,775
Deferred expenses	1,572	1,480	2,237	2,106
	3,555,956	**3,399,890**	**5,059,670**	**4,837,608**
Less non-current portion	(2,386,334)	(2,846,734)	(3,395,455)	(4,050,538)
Current portion	**1,169,622**	**553,156**	**1,664,215**	**787,070**

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

	31.12.2008. LVL	31.12.2007. LVL	31.12.2008. EUR	31.12.2007. EUR
Loans to related parties	2,974,013	2,867,376	4,231,639	4,079,908
Loans to shareholders	460,674	442,292	655,480	629,325
Trade receivables	33,085	46,365	47,076	65,971
Deferred expenses	1,572	1,480	2,237	2,106
Other debtors	86,612	40,318	123,238	57,367
	3,555,956	**3,397,831**	**5,059,670**	**4,834,678**

The fair values of the loans to the shareholders are based on cash flows discounted using the average bank interest rates for loans in EUR of 5.5% (2007: 6%). The fair values of the loans to related parties approximate their carrying amount, as they bear floating interest rate.

	31.12.2008. LVL	31.12.2007. LVL	31.12.2008. EUR	31.12.2007. EUR
The maturity of non- current loans is as follows:				
- receivable between 2 and 5 years	2,974,013	109,586	4,233,411	155,927
- receivable over 5 years	-	2,737,148	-	3,894,611
	2,974,013	**2,846,734**	**4,233,411**	**4,050,538**

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

	2008	2007
Loans to related parties (Note 25 c)	4 – 4.3%	4.3 – 5.5%
Loans to shareholders (Note 25 b)	2.5 – 14.8%	2.7 – 3.2%

Notes to the Consolidated Financial Statements (continued)

8 Loans and other receivables (continued)

Other than loans to the shareholders and related parties, trade and other receivables carry no interest. Changes in provisions for impaired receivables have been included in Other operating expenses in the income statement (Note 19).

None of trade and other receivables is secured by pledge or otherwise.

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

Currency	2008	2007
EUR	3,473,522	3,309,668
LVL	51,600	90,222
	3,525,122	**3,399,890**

9 Cash and cash equivalents

	31.12.2008. LVL	31.12.2007. LVL	31.12.2008. EUR	31.12.2007. EUR
Cash at bank and on hand	**361,130**	**953,523**	**513,842**	**1,356,741**

The effective interest rate on short-term bank deposits in 2008 was 2% (2007: 3.8%).

10 Trade and other payables

	31.12.2008. LVL	31.12.2007. LVL	31.12.2008. EUR	31.12.2007. EUR
Trade payables	41,496	29,430	59,043	41,875
Received advances	39,264	36,859	55,868	52,446
Accrued expenses	130,908	53,147	186,265	75,621
Social security and other taxes	26,239	21,240	37,335	30,222
Other payables	31,955	113,949	45,469	162,135
	269,862	**254,625**	**383,980**	**362,299**

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

Currency	2008	2007
EUR	51,293	110,313
USD	2,988	-
LVL	693,956	144,312
	748,237	**254,625**

11 Share capital

The total authorised number of ordinary shares is 238,659 (2007:238,659 shares) with a nominal value of LVL 1 per share (2007: LVL 1 per share). All authorised shares are issued and fully paid.

Notes to the Consolidated Financial Statements (continued)

12 Borrowings

	31.12.2008. LVL	31.12.2007. LVL	31.12.2008. EUR	31.12.2007. EUR
Non-current				
Bank borrowings:				
- payable between 2 and 5 years	11,422,580	2,251,067	16,252,867	3,202,980
- payable over 5 years	-	7,597,956	-	10,810,917
Bonds - payable between 2 and 5 years	-	3,283,684	-	4,672,262
	11,422,580	**13,132,707**	**16,252,867**	**18,686,159**
Current				
Bank borrowings	436,592	233,338	621,214	332,010
Bonds	3,489,908	-	4,965,692	-
	3,926,500	**233,338**	**5,586,906**	**332,010**
Total borrowings	**15,349,080**	**13,366,045**	**21,839,773**	**19,018,169**

The fair values of borrowings are as follows:

	31.12.2008. LVL	31.12.2007. LVL	31.12.2008. EUR	31.12.2007. EUR
Bank borrowings	11,859,172	10,082,361	16,874,082	14,345,989
Bonds	3,479,079	3,269,547	4,950,283	4,652,173
	15,338,251	**13,351,908**	**21,824,365**	**18,998,162**

The fair value of the bonds is based on quoted bid prices obtained from Riga Stock Exchange website.

Bank borrowings

On 28 September 2007 Apex Investments SIA singed the amendments in the loan agreement of 5 March 2004 with a commercial bank registered in the Republic of Latvia. The outstanding loan amount as at 31 December 2008 is EUR 8,635,846 or LVL 6,069,307, translated at the exchange rate set by the Bank of Latvia as at 31 December 2008 (31.12.2007: EUR 5,604,771 or LVL 3,939,055, translated at the exchange rate set by the Bank of Latvia as at 31 December 2007) repayable till 15 September 2012; interest rate is 3 months EURIBOR + 1.15% per annum payable on monthly basis.

On 12 September 2007 Apex Investments SIA signed the amendments to the loan agreement of 18 September 2006 with a commercial bank registered in the Republic of Latvia for financing the acquisition of subsidiaries. The outstanding loan amount as at 31 December 2008 is EUR 4,496,362 or LVL 3,160,061, translated at the exchange rate set by the Bank of Latvia as at 31 December 2008 (31.12.2007: EUR 4,590,916 or LVL 3,226,514, translated at the exchange rate set by the Bank of Latvia as at 31 December 2007) repayable till 15 September 2012; interest rate is 3 months EURIBOR + 1.15% per annum payable on monthly basis.

On 28 September 2007 Apex Investments SIA signed the amendments to the loan agreement of 5 March 2004 with a commercial bank registered in the Republic of Latvia. According to the amendments Apex Investments SIA formally took over the loan previously issued by the bank to its former subsidiary Klavinvest SIA that was merged with Apex Investments SIA in July 2007. The outstanding loan amount as at 31 December 2008 is EUR 1,000,785 or LVL 703,363, translated at the exchange rate set by the Bank of Latvia as at 31 December 2008 (31.12.2007.: EUR 1,022,963 or LVL 718,942, translated at the exchange rate set by the Bank of Latvia as at 31 December 2007) repayable till 15 September 2012; interest rate is 3 months EURIBOR + 1.15% per annum payable on monthly basis.

On 20 December 2007 Apex Investments SIA signed the loan agreement with a commercial bank registered in the Republic of Latvia for financing the acquisition of subsidiary. The outstanding loan amount as at 31 December 2007 is EUR 2,549,079 or LVL 1,791,503, translated at the exchange rate set by the Bank of Latvia as at 31 December 2008 (31.12.2007.:EUR 3,090,018 or LVL 2,171,678, translated at the exchange rate set by the Bank of Latvia as at 31 December 2007) repayable till 15 December 2012; interest rate is 3 months EURIBOR + 1.15% per annum payable on monthly basis.

Notes to the Consolidated Financial Statements (continued)

12 Borrowings (continued)

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

Bonds

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

The effective interest rate on the bank borrowings was 4.042% in 2008 (2007: 4.9%). The effective interest rate on bonds was 11%.

Notes to the Consolidated Financial Statements (continued)

13 Deferred income tax

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

	2008 LVL	2007 LVL	2008 EUR	2007 EUR
Deferred tax liability at the beginning of the year	384,790	340,217	547,507	484,085
Acquisition of subsidiary (Note 24)	51,448	-	73,204	-
Other adjustments	(3,283)	13,952	(4,671)	19,852
Income statement (credit) / charge (Note 22)	(68,631)	30,621	(97,653)	43,570
Deferred tax liability at the end of the year	**364,324**	**384,790**	**1,134,426**	**547,507**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. On 31 December 2007 the Group did not recognise deferred income tax assets of LVL 46,853 in respect of losses amounting to LVL 312,356.

As at 31 December 2008 the Group had accumulated tax losses of Ls 801,923 (or EUR 1,141,034 translated at the exchange rate set by the Bank of Latvia as at 31 December 2008), which it can carry forward and utilise in future years. Tax losses carried forward can be covered in chronological order from taxable income during the following five years.

	Tax losses LVL	Expiry term
Tax losses of 2003	92,519	2010
Tax losses of 2004	219,837	2011
Tax losses of 2007	336,007	2014
Tax losses of 2008	153,560	2015
	801,923	

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

Notes to the Consolidated Financial Statements (continued)

14 Revenue

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

	2008 LVL	2007 LVL	2008 EUR	2007 EUR
Rental income from investment property	1,598,220	1,109,679	2,274,062	1,578,931
Other rental income	568,189	374,664	808,460	533,099
	2,166,409	**1,484,343**	**3,082,522**	**2,112,030**

The average rental period is 4.5 years with possibility to prolong agreements.
Other rental income includes income from utility services, income from recharged heating, electricity and other utilities to tenants in connection to investment property leased out.

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

	2008 LVL	2007 LVL	2008 EUR	2007 EUR
Not later than 1 year	1,739,528	1,374,750	2,475,125	1,956,093
Later than 1 year and no later than 5 years	6,323,419	4,706,000	8,997,415	6,696,035
Later than 5 years	553,540	5,897,554	787,616	8,391,463
	8,616,487	**11,978,304**	**12,260,156**	**17,043,591**

15 Cost of sales

	2008 LVL	2007 LVL	2008 EUR	2007 EUR
Depreciation and impairment charges (Notes 5 and 6)	658,809	363,281	937,401	516,902
Property management costs	94,649	81,274	134,673	115,642
Property maintenance costs	11,660	76,031	16,591	108,182
Public utilities	579,640	302,619	824,753	430,588
Real estate tax	59,191	48,630	84,221	69,194
Salaries	23,786	21,269	33,844	30,263
State compulsory social insurance contributions	5,730	5,135	8,153	7,306
Rent of land	-	13,927	-	19,816
Other expenses	9,620	3,611	13,688	5,140
	1,443,084	**915,777**	**2,053,324**	**1,303,033**

16 Administrative expenses

	2008 LVL	2007 LVL	2008 EUR	2007 EUR
Professional fees	47,753	40,019	67,946	56,942
Insurance	11,953	5,953	17,008	8,470
Office rent and other office costs	4,345	3,958	6,182	5,632
Business trip expenses	1,330	-	1,829	-
Bank fees	1,858	2,122	2,644	3,019
Other administrative costs	3,196	1,448	4,547	2,061
	70,435	**53,500**	**10,092**	**76,124**

Notes to the Consolidated Financial Statements (continued)

17 Expenses by nature

	2008 LVL	2007 LVL	2008 EUR	2007 EUR
Direct operating expenses	685,949	473,851	976,017	674,229
Depreciation and amortisation (Note 5 and 6)	658,809	363,281	937,401	516,902
Real estate tax (Note 15)	59,191	48,630	84,221	69,194
Salaries (Note 15)	23,786	21,269	33,844	30,263
State compulsory social insurance contributions (Note 15)	5,730	5,135	8,153	7,306
Professional fees (Note 16)	47,753	40,019	67,946	56,942
Distribution costs	4,682	9,660	6,662	13,745
Other expenses	37,252	17,092	53,005	24,321
Total cost of sales, distribution costs and administrative expenses	**1,523,151**	**978,937**	**2,167,249**	**1,392,902**

18 Other operating income

	2008 LVL	2007 LVL	2008 EUR	2007 EUR
Interest income from loans issued	170,688	161,218	242,867	229,393
Gain from revaluation of interest rate swap (see Note 27)	-	125,306	-	178,294
Net gains from currency exchange operations	-	2,756	-	3,921
Net loss from exchange rate fluctuations	-	(394)	-	(561)
Other income	7,290	11,979	10,373	17,045
	177,978	**300,865**	**253,240**	**428,092**

19 Other operating expenses

	2008 LVL	2007 LVL	2008 EUR	2007 EUR
Provision for possible loss of paid guarantee money	-	22,876	-	32,550
Loss from revaluation of interest rate swap (see Note 27)	489,223	-	696,102	-
Other expenses	117,443	91,489	167,106	130,177
	606,666	**114,365**	**863,208**	**162,727**

20 Finance income

	2008 LVL	2007 LVL	2008 EUR	2007 EUR
Interest income from bank deposit	1,900	6,837	2,703	9,728
	1,900	**6,837**	**2,703**	**9,728**

Notes to the Consolidated Financial Statements (continued)

21 Finance costs

	2008 LVL	2007 LVL	2008 EUR	2007 EUR
Interest expenses for loan from bank	689,717	616,921	981,379	877,800
Interest expenses for issued bonds	364,726	161,699	518,958	230,077
Interest expenses for other loans	127	35	181	50
	1,054,570	**778,655**	**1,500,518**	**1,107,927**

22 Income tax expense

	2008 LVL	2007 LVL	2008 EUR	2007 EUR
Current tax	15,526	15,094	22,092	21,477
Deferred tax (Note 13)	(68,631)	30,621	(97,653)	43,570
	(53,105)	**45,715**	**(75,561)**	**65,047**

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

	2008 LVL	2007 LVL	2008 EUR	2007 EUR
Loss before income tax	**(838,101)**	**(85,623)**	**(1,192,510)**	**(121,830)**
Tax calculated at 15%	(125,715)	(12,843)	(178,876)	(18,275)
Expenses not deductible for tax purposes	110,189	11,705	156,785	16,656
Changes in unrecognised deferred tax asset	-	46,853	-	66,666
Tax charge	**(15,526)**	**45,715**	**(22,092)**	**65,047**

23 Contingencies

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

Notes to the Consolidated Financial Statements (continued)

24 Acquisition of subsidiaries

On 20 December 2007 the Group acquired the net assets owned by Tukuma Projekts SIA. The transaction was structured by acquiring 100% of the share capital of Tukuma Projekts SIA that operates and leases out retail premises in Tukums (Latvia). The transaction was accounted for as acquisition of assets.
Cost paid by the Group to acquire the net assets of Tukuma Projekts SIA was allocated between the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition as follows:

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

On 31 May 2008 the Group acquired the net assets owned by TC Purvciems Holdings SIA. The transaction was structured by acquiring 100% of the share capital of TC Purvciems Holdings SIA that operates and leases out retail premises in Riga (Latvia). The transaction was accounted for as acquisition of assets.

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

	Acquisition cost	Acquisition cost
	LVL	EUR
Cash and cash equivalents	1,406,088	2,000,683
Investment property (Note 4)	2,843,577	4,046,046
Trade and other receivables	30,665	43,632
Trade and other payables	(67,319)	(95,786)
Borrowings	(1,729,875)	(2,461,390)
Deferred tax liabilities	(51,448)	(73,204)
Net assets acquired	**2,431,688**	**3,459,981**

Notes to the Consolidated Financial Statements (continued)

25 Related-party transactions

Related parties are defined as the shareholders of the Company, the members of the Board, their close relatives and the companies in which they have a significant influence or control.
The shareholders of the Company Gerald Allen Wirth and David Allen De Rousse did not receive any remuneration from the Company where they work as the members of the Board. Gerald Allen Wirth and David Allen De Rousse are the only shareholders and have 50% ownership each. None of them controls the Company.
The following transactions were carried out with related parties:

(a) Management services received

	2008 LVL	2007 LVL	2008 EUR	2007 EUR
– Other related parties	**94,649**	**71,563**	**134,673**	**101,825**

(b) Loans to shareholders

	2008 LVL	2007 LVL	2008 EUR	2007 EUR
Beginning of year	442,292	179,246	629,325	255,044
Loans advanced during the year	-	276,975	-	394,100
Loans repaid during the year	-	(35,491)	-	(50,499)
Interest income	18,382	21,640	26,155	30,791
Interest received	-	(78)	-	(111)
End of year (Note 8)	**460,674**	**442,292**	**655,480**	**629,325**

(c) Loans to related parties

	2008 LVL	2007 LVL	2008 EUR	2007 EUR
Beginning of year	2,867,376	2,508,293	4,079,908	3,568,979
Loans advanced during year	185,892	538,918	264,500	766,811
Loan repayments received	(103,874)	(153,707)	(147,799)	(218,705)
Interest income	138,377	43,138	196,893	61,380
Interest received	(113,758)	(69,266)	(161,863)	(98,557)
End of year (Note 8)	**2,974,013**	**2,867,376**	**4,231,640**	**4,079,908**

In 2007 and 2008 Apex Investments issued loans to other related parties. All loans issued are denominated in EUR or LVL and interest rates are 3 month EURIBOR + 1.2%, 6 months EURIBOR +1.3% or 1M RIGIBOR + 1.5%.

26 Operating leases

Operating leases – Group company is lessee

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

	2008 LVL	2007 LVL	2008 EUR	2007 EUR
No later than 1 year	2,466	7,773	3,509	11,060
Later than 1 year and no later than 5 years	206	38,864	293	55,298
Later than 5 years	-	196,130	-	279,068
	2,672	**242,767**	**3,802**	**345,426**

Notes to the Consolidated Financial Statements (continued)

27 Derivative financial instruments

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

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

	31.12.2008.			31.12.2008.		
	Notional amount, LVL	Fair value, LVL		Notional amount, EUR	Fair value, EUR	
		Assets	Liabilities		Assets	Liabilities
Interest rate swap	17,301,485	-	478,374	24,617,796	-	680,665
Total		**-**	**478,374**		**-**	**680,665**

28 Events after the balance sheet date

There are no other subsequent events since the last date of the reporting year, which would have a significant effect on the financial position of the Group as at 31 December 2008.