

**Limited Liability Company "Q Estate"**  
*Consolidated financial statements  
for the year ended 31 December 2005  
prepared in accordance with  
International Financial Reporting Standards,  
and Independent Auditor's Report*

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LLC "Q ESTATE"

ANCILLARY INFORMATION

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Name	Q ESTATE
Legal status	Limited Liability Company
Number, place and date of registration	40003644708 Riga, Republic of Latvia 5 September 2003
Business activities	Real estate development and sales
Legal address	240 Maskavas str Riga, LV1063 Latvia
Board	Peeter Poldaru – Chairman of the Board Alo Lillepea – Member of the Board
Subsidiaries	LLC "Quality Nami" Registration No. 40003648466 Address: 3 D.Brantkalna str., app. 66 Riga, LV1082, Latvia  LLC "Zebru" Registration No. 40003691651 Address: 240 Maskavas str Riga, LV1063, Latvia  LLC "Q Flight" Registration No. 40003759901 Address: 240 Maskavas str Riga, LV1063, Latvia  LLC "Labais Krasts" Registration No. 40003700367 Address: 240 Maskavas str Riga, LV1063, Latvia
Reporting year	1 January 2005 – 31 December 2005
Previous reporting period	3 September 2003 – 31 December 2004
Name and address of the auditors	Deloitte Audits Latvia SIA License No. 43 Doma square 1 (legal address) Biskapa gate 2 (mailing address) Riga, LV1050, Latvia

MANAGEMENT REPORT

In 2005 the Limited Liability Company "Q Estate" established a new subsidiary LLC "Q Flight", which acquired a land plot in Jurmala.

During 2005 the subsidiary LLC "Zebru" continued development of a land plot in Riga area and started construction process. The construction and land purchase is financed by JSC "NORD/LB Latvija" and the parent company JSC "Q Vara". The project is planned to be finished in January 2007.

The Group will continue to develop real estate projects and perform market research.

Subsequent to the end of the financial year a real estate project has been developed for the land plot on Maskavas Street 264 in Riga, according to which apartments are planned to be built on the mentioned land plot.

As a result of the planned real estate project the value of the land plot has increased significantly.

The mentioned land plot was purchased at a total cost of 647 tLVL (see Note 4). The valuation performed by an independent valuator shows a value of the land of 5 334 tLVL as at 31 December 2005. Therefore, a profit of 4 687 tLVL from revaluation has been recognized in 2005.

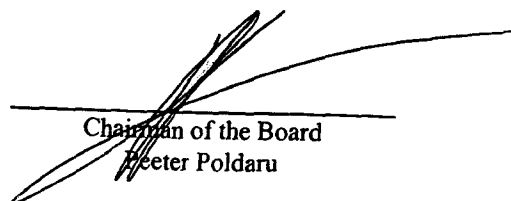
The valuation was based on the assumption that the land will be used for the above mentioned real estate project and that apartments will be constructed on the land.

The land value as at 31 December 2005 of 5 334 tLVL represents the discounted future value of the completed project less the construction value of apartments and development costs.

As at 31 December 2005 the land is carried as investment property in the accompanying financial statements as the decision about the future use of the land was not made in 2005 as well as no permissions for the use for a real estate project had been obtained.

There have been no other significant events after 31 December 2005 that could have a material impact on the financial results for the year 2005 and the financial position as of 31 December 2005.

On behalf of the Management of the Group:

  
\_\_\_\_\_  
Chairman of the Board  
Peter Poldaru

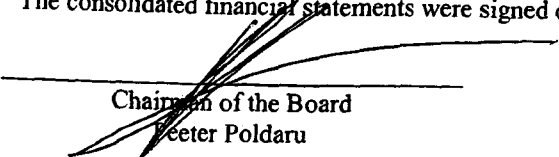
6 July 2006

CONSOLIDATED BALANCE SHEET  
AS OF 31 DECEMBER 2005

	Notes	31.12.2005 LVL	31.12.2004 Unaudited LVL
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Intangible assets			
Goodwill		0	29
<b>Total intangible assets</b>	2	<u>9 729</u>	<u>0</u>
		9 729	29
<b>Tangible fixed assets</b>			
Fixtures and equipment			
<b>Total tangible fixed assets</b>	3	<u>31 805</u>	<u>202</u>
		31 805	202
<b>Investment property</b>	4	6 316 900	9 036
<b>Non-current financial investments</b>			
Other receivables	5	4 059	167 865
Loans to related parties	6	5 200	17 499
<b>Total non-current financial investments</b>		<u>9 259</u>	<u>185 364</u>
		9 259	185 364
<b>Total non-current assets</b>		<u>6 367 693</u>	<u>194 631</u>
		6 367 693	194 631
<b>Current assets</b>			
<b>Inventories</b>			
Land	7	500 257	500 257
Work in progress	8	146 268	6 146
Goods for sale	9	25 465	8 000
Advance payments for inventories	10	300 459	508
<b>Total inventories</b>		<u>972 449</u>	<u>514 911</u>
		972 449	514 911
<b>Receivables</b>			
Other receivables	11	53 162	3 628
Loans to related parties	12	52 710	12 900
Prepaid expenses		1 661	122
<b>Total receivables</b>		<u>107 533</u>	<u>16 650</u>
		107 533	16 650
<b>Cash and cash equivalents</b>	13	<u>78 942</u>	<u>3 683</u>
		78 942	3 683
<b>Total current assets</b>		<u>1 158 924</u>	<u>535 244</u>
<b>TOTAL ASSETS</b>		<u>7 526 617</u>	<u>729 875</u>
		7 526 617	729 875

The accompanying notes on pages 10 to 21 are an integral part of these consolidated financial statements.

The consolidated financial statements were signed on 6 July 2006 by:

  
Chairman of the Board  
Peeter Poldaru

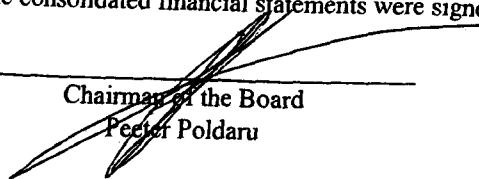
LLC "Q ESTATE"

CONSOLIDATED BALANCE SHEET  
AS OF 31 DECEMBER 2005

	Notes	31.12.2005 LVL	31.12.2004 Unaudited LVL
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital			
Retained earnings / (accumulated loss):	14	2 000	2 000
a) accumulated loss		-141 357	0
b) net profit / (loss) for the year / period		2 765 365	-141 357
Equity attributable to equity holders of the parent		<u>2 626 008</u>	<u>-139 357</u>
<b>MINORITY INTEREST</b>			
		988 014	0
<b>Total equity</b>		<u>3 614 022</u>	<u>-139 357</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Trade accounts payable			
Loans from credit institutions	15	9 765	0
Finance lease liabilities	16	1 766 733	358 430
Loans from related parties	17	17 094	0
Deferred tax liabilities	18	1 172 881	508 582
	28	723 048	14
<b>Total non-current liabilities</b>		<u>3 689 521</u>	<u>867 026</u>
<b>Current liabilities</b>			
Finance lease liabilities			
Advances from customers	17	4 754	0
Trade accounts payable	19	184 635	0
Taxes and social security liabilities		2 041	306
Other current liabilities	20	15 664	219
Accrued liabilities	21	2 152	1 420
	22	13 828	261
<b>Total current liabilities</b>		<u>223 074</u>	<u>2 206</u>
<b>Total liabilities</b>		<u>3 912 595</u>	<u>869 232</u>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<u>7 526 617</u>	<u>729 875</u>

The accompanying notes on pages 10 to 21 are an integral part of these consolidated financial statements.

The consolidated financial statements were signed on 6 July 2006 by:

  
Chairman of the Board  
Pēteris Poldaru

LLC "Q ESTATE"

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS  
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Notes	2005 LVL	03.09.2003 - 31.12.2004 Unaudited LVL
Revenues		0	0
Selling and distribution costs	23	-11 173	0
Administrative expenses	24	-101 487	-38 051
Other operating income	25	2 008	0
Other operating expenses	26	-16 635	-2 042
Finance income		894	9
Finance costs	27	-200 410	-102 759
Gain on revaluation of investment properties	4	4 807 222	0
<b>Profit / (loss) before taxation and minority interest</b>		<b>4 480 419</b>	<b>-142 843</b>
Corporate income tax	28	-727 706	-14
<b>Net profit / (loss) before minority interest</b>		<b>3 752 713</b>	<b>-142 857</b>
Minority interest		-987 348	1 500
<b>NET PROFIT / (LOSS) FOR THE YEAR / PERIOD</b>		<b>2 765 365</b>	<b>-141 357</b>

*The accompanying notes on pages 10 to 21 are an integral part of these consolidated financial statements.*

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Chairman of the Board  
Peter Poldaru

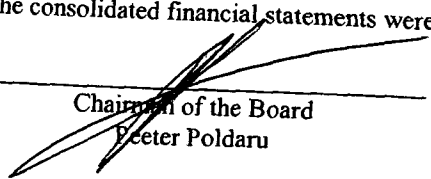
LLC "Q ESTATE"

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Share capital	Retained earnings / (accumulated loss)	Total
	LVL	LVL	LVL
As at 3 September 2003	0	0	0
Share capital	2 000	0	2 000
Loss for the period	0	-141 357	-141 357
As at 31 December 2004	2 000	-141 357	-139 357
Profit for the year	0	2 765 365	2 765 365
As at 31 December 2005	2 000	2 624 008	2 626 008

*The accompanying notes on pages 10 to 21 are an integral part of these consolidated financial statements.*

The consolidated financial statements were signed on 6 July 2006 by:

  
Chairman of the Board  
Peter Poldaru



LLC "Q ESTATE"

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2005**

	2005	03.09.2003 - 31.12.2004 Unaudited
	LVL	LVL
<b>OPERATING ACTIVITIES</b>		
Net profit / (loss) before taxation and minority interest	4 480 419	-142 843
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>		
Foreign exchange rate difference	-846	51 920
Depreciation of tangible assets	2 330	19
Loss on disposal of intangible and tangible assets	121	0
Interest expense	230 729	6 204
Gain on revaluation of investment property	-4 807 222	0
<i>Changes in operating assets and liabilities:</i>		
Inventory	-487 857	-514 403
Prepayments and receivables	-88 951	-17 158
Trade and other payables	256 012	5 706
<b>Net cash used in operating activities</b>	<b>-415 265</b>	<b>-610 555</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of fixed assets	-11 467	-9 286
Purchase of investment property	-1 320 678	0
Acquisition of subsidiaries	-11 661	0
Other loans	-3 859	-195 205
<b>Net cash used in investing activities</b>	<b>-1 347 665</b>	<b>-204 491</b>
<b>FINANCING ACTIVITIES</b>		
Received loans from credit institutions and related parties	1 856 610	825 731
Finance lease paid	-4 771	0
Interest paid	-19 474	-6 204
<b>Net cash provided by financing activities</b>	<b>1 832 365</b>	<b>819 527</b>
Effect of foreign exchange rate changes	5 824	-798
<b>Net increase in cash</b>	<b>75 259</b>	<b>3 683</b>
Cash and cash equivalents at the beginning of the year	3 683	0
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>78 942</b>	<b>3 683</b>

*The accompanying notes on pages 10 to 21 are an integral part of these consolidated financial statements.*

The consolidated financial statements were signed on 6 July 2006 by:

\_\_\_\_\_  
Chairman of the Board  
Peter Poldaru

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2005**

**1. GENERAL INFORMATION**

LLC "Q Estate" ("Parent Company") was established in the Republic of Latvia on 5 September 2003. The company's and its subsidiaries' ("Group") main activity is real estate project development and operations with real estate objects.

**Basis of Preparation**

In the current year the Group has adopted all of the new and revised Standards and Interpretations issued by International Accounting Standards Board that are relevant to its operations and effective to account periods beginning on 1 January 2005. The adoption of these new and revised Standards and Interpretations did not result in any material impact on the financial statements of the Group.

The Statements are presented in Latvian functional currency – Latvian lats (LVL).

The consolidated financial statements are prepared on a historical cost basis.

**Basis of Consolidation**

The consolidated financial statements include the individual financial statements of the parent company and its subsidiaries. The individual financial statements of Group entities are prepared for the same reporting period, using unified accounting policies.

A subsidiary is an entity that is controlled by the parent company, when the parent company owns, more than half of the voting power of an entity or otherwise has the power to govern the financial and operating policies of a subsidiary.

All intra-group balances and transactions results are eliminated. Minority interests represent the part of net assets and profit that does not belong to the Group.

**Reclassification**

Certain amounts in the previous year's financial statements have been reclassified to conform to the current year presentation:

	Initially 31.12.2004 LVL	Reclassified	Adjusted 31.12.2004 LVL
Other receivables (non-current assets)	185 364	(17 499)	167 865
Loans to related parties (non-current assets)	-	17 499	17 499
Other receivables (current assets)	16 528	(12 900)	3 628
Loans to related parties (current assets)	-	12 900	12 900

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2005**

**Foreign currencies**

Transactions denominated in foreign currency are translated into LVL at the official exchange rate of the Bank of Latvia at the date of the transaction. Monetary assets and liabilities are translated at the Bank of Latvia rate of exchange at the balance sheet date. The applicable rates used for the principal currencies as of 31 December were as follows:

	2005	2004
USD	0.5930	0.5160
EUR	0.7028	0.7030
EEK	0.0449	0.0449

All transactions denominated in foreign currencies are translated to LVL at the exchange rate set by the Bank of Latvia prevailing on the day on which the transactions took place. Gains and losses resulting from settlement of such transactions are recognised in the income statement.

**Goodwill**

Goodwill arising on consolidation represents the excess of acquisition cost over the Group's interest in the fair value of identifiable assets and liabilities of a subsidiary at the date of acquisition. The Group performs an annual assessment of impairment.

**Intangible assets**

Intangible assets are initially recognized at purchase value and amortized on a straight-line basis over a five-year period.

**Tangible assets**

Tangible assets are recognized if their useful life is longer than 12 months and the purchase value exceeds 703 LVL (1 000 EUR).

Tangible fixed assets are recognized in the financial statements at purchase value less accumulated depreciation. The purchase value of a fixed asset includes its purchase costs (including custom duties, transportation etc.), and any direct costs of putting the asset into operation (mounting works and materials etc.).

Depreciation of tangible assets is calculated in accordance with the straight-line method over the estimated average useful lives:

Computers and equipment	3 years
Other fixed assets	4 - 5 years

Repair and maintenance costs are expensed when incurred.

**Investment property**

Investment property is property held to earn rentals or for capital appreciation, which is not used for any business activities.

Land and buildings purchased for development of real estate for sale are recognized as inventories. Investment properties are initially recognized at cost, including directly related transaction costs.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects the market value at the balance sheet date. Independent appraisers determine the fair value of the investment property. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2005**

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Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to, or from, investment property when there is a change in use. Investment property is transferred to any other assets at its fair value at the date of change in use.

**Inventories**

Finished products and work-in-progress are recorded at production cost, consisting of the direct and indirect production costs incurred upon bringing the inventories to their present condition and amount. Interest costs related to the financing of construction of real estate items are included in the cost of the constructed real estate. Borrowing costs are capitalised until the completion of the works.

Inventories are accounted for using the FIFO method, except real estate and apartments, where the individual cost method is applied.

Inventories are valued at the lower of cost and net realisable value. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**Receivables**

Receivables represent the gross balance less provision for doubtful receivables, which is estimated by an individual review of each receivable. The provision for doubtful receivables represents the estimated amounts of losses at the balance sheet date.

**Cash and cash equivalents**

Cash includes cash on hand and funds on bank accounts.

The cash flow statement is prepared using the indirect method by adjusting operating profit to reconcile it with cash flow from operating activities.

**Trade payables**

Trade payables are stated at their nominal value and represent current liabilities for capital and operating costs.

**Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of the ownership to the lessee.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**Accruals for vacations**

Accruals for vacations are calculated by multiplying the average employee salary by the number of unused vacation days at the end of the year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2005**

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**Revenue recognition**

Revenue from sales of real estate is recognized when all material risks related to the real estate have been transferred to the purchaser and the seller has no further liabilities under the contract. In general, revenue is recognized when the contract, where the transfer of the ownership of real estate is agreed, is concluded. Payments received before concluding the contract, are shown under "prepayments".

Revenue from the sales of services is recorded upon rendering of the service.

**Deferred income tax**

Deferred tax is provided in accordance with the liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some proportion or all deferred tax assets will not be realized.

**Fair value**

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

**Related parties**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties are defined as shareholders, employees, members of the management board, their close relatives and companies that directly or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting entity.

**Critical accounting estimates and judgments**

The preparation of financial statements requires management to make estimates on operation activity results. These estimates affect the amounts of assets and liabilities, as well as reported revenues and expenses. Actual results could differ from those estimates.

The Group determines whether a property qualifies as investment property. In making its judgments, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

LLC "Q ESTATE"

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2005

2. GOODWILL

In 2005 the Group purchased shares of LLC "Zebra" from minority share holders and gained full control over this subsidiary. The Group also acquired 100% of shares of LLC "Labais Krasts".

	Zebra LLC LVL	Labais Krasts LLC LVL	Total LVL
Purchase value	9 661	2 000	11 661
Net asset value acquired	0	1 932	1 932
Goodwill	<u>9 661</u>	<u>68</u>	<u>9 729</u>

3. FIXTURES AND EQUIPMENT

	Other equipment
<i>Purchase value</i>	
Purchase value 31.12.2004	220
Purchased in 2005	34 025
Disposed in 2005	<u>-220</u>
Purchase value 31.12.2005	<u>34 025</u>
<i>Depreciation</i>	
Accumulated depreciation 31.12.2004	18
Calculated in 2005	2 330
Disposed in 2005	<u>-128</u>
Accumulated depreciation 31.12.2005	<u>2 220</u>
Carrying amount 31.12.2004	<u>202</u>
Carrying amount 31.12.2005	<u>31 805</u>

4. INVESTMENT PROPERTY

Land plots in Riga, Maskavas str. 264, owned by LLC "Quality Nami", and Jurmala, Edinburgas st 11, owned by LLC "Zebra", are recognized as investment property.

All investment property has been pledged to secure the loans received from JSC "Nord/LB Latvija" (Note 16).

	Riga, Maskavas Street 264 LVL	Jurmala, Edinburgas 11 LVL	Total LVL
Purchase cost as at 31 December 2004	9 036	0	9 036
Purchased in 2005	638 030	862 612	1 500 642
Revaluated in 2005	4 686 934	120 288	4 807 222
As at 31 December 2005	<u>5 334 000</u>	<u>982 900</u>	<u>6 316 900</u>

LLC "Q ESTATE"

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2005

The land plot in Riga, located on Maskavas Street 264 was purchased at a total cost of 647 tLVL.

A valuation was performed by independent valuation company LLC "Vertetaju birojs "APLESE"" in December 2005.

The valuation was based on the assumption that the land will be used for a real estate project, according to which apartments will be built on the land.

The land value as at 31 December 2005 of 5 334 tLVL represents the discounted future value of the completed project less the construction value of apartments and development costs.

As at 31 December 2005 the land is carried as investment property as the decision about the future use of the land was not made in 2005 as well as no permissions for the use for a real estate project had been obtained.

5. OTHER RECEIVABLES

	31.12.2005	31.12.2004
	LVL	LVL
Prepayments for purchase of property	0	167 665
Other loans	4 059	200
<b>Total</b>	<b>4 059</b>	<b>167 865</b>

6. LOANS TO RELATED PARTIES

	31.12.2005	31.12.2004
	LVL	LVL
Loan to LLC "Somu Maja"	0	12 299
Loan to Peeter Poldaru (interest rate 0%, due date unset)	5 200	5 200
<b>Total</b>	<b>5 200</b>	<b>17 499</b>

7. LAND

The land plot owned by LLC "Zebru" and situated in Riga region, Babite area, settlement Sebruciems of area 6.66 ha has been classified as inventories as the Group is developing apartment buildings for sale there. The land plot is recorded at purchase value.

The land plot has been pledged to secure the loans received from JSC "NORD/LB Latvija" (note 16).

8. WORK IN PROGRESS

Work in progress includes construction costs of new settlement on land plot owned by LLC "Zebru".

9. GOODS FOR SALE

	31.12.2005	31.12.2004
	LVL	LVL
Building projects	25 368	8 000
Other	97	-
<b>Total</b>	<b>25 465</b>	<b>8 000</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2005

10. ADVANCE PAYMENTS FOR INVENTORIES

	31.12.2005 LVL	31.12.2004 LVL
Building projects		
Construction	88 714	0
Land	193 438	0
Other	17 500	0
<b>Total</b>	<b>807</b>	<b>508</b>
	<u>300 459</u>	<u>508</u>

11. OTHER RECEIVABLES

	31.12.2005 LVL	31.12.2004 LVL
Overpaid taxes		
Other	48 963	3 414
<b>Total</b>	<b>4 199</b>	<b>214</b>
	<u>53 162</u>	<u>3 628</u>

12. LOANS TO RELATED PARTIES

	31.12.2005 LVL	31.12.2004 LVL
Loan to JSC "Q Vara"		
Loan to Alo Lillepea	52 710	0
<b>Total</b>	<b>0</b>	<b>12 900</b>
	<u>52 710</u>	<u>12 900</u>

13. CASH AND CASH EQUIVALENTS

	31.12.2005 LVL	31.12.2004 LVL
Cash in bank accounts		
Cash on hand	66 582	1 313
Cash in transfer between group companies	12 360	720
<b>Total</b>	<b>0</b>	<b>1 650</b>
	<u>78 942</u>	<u>3 683</u>

14. SHARE CAPITAL

The share capital consists of 200 shares, the nominal value of each share is 10 LVL.

The shareholders are:

JSC „Q VARA” (85%, or 170 shares)  
Reg. No. 10907184, Tartu str. 2, Tallinn, 10145

Peeter Poldaru (15%, or 30 shares)  
Reg. No. 160776-14657, Jurmala, Tirgonu str., Latvia.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2005

15. TRADE PAYABLES (NON-CURRENT)

	31.12.2005 LVL	31.12.2004 LVL
Guarantee amounts for construction	9 765	0
<b>Total</b>	<u>9 765</u>	<u>0</u>

16. LOANS FROM CREDIT INSTITUTIONS

	31.12.2005 LVL	31.12.2004 LVL
Loans from JSC "NORD/LB Latvija"	1 766 733	358 430
<b>Total</b>	<u>1 766 733</u>	<u>358 430</u>

The loans are repayable as follows:

	31.12.2005 LVL	31.12.2004 LVL
In one year	0	0
In two years	1 766 733	0
In three years	0	358 430
<b>Total</b>	<u>1 766 733</u>	<u>358 430</u>

Information on loan agreements:

Subsidiary	Agreement amount, EUR	Interest rate p.a	Due date	Amounts received as of 31.12.2005, EUR
LLC "Quality Nami"	1 400 000	4.6	22.04.2007	720 733
LLC "Zebbru"	1 050 000	3.92	10.10.2007	634 983
LLC "Zebbru"	5 337 000	3.92	10.10.2007	198 119
LLC "Q Flight"	2 848 000	3.84	06.09.2007	960 000
			<b>Total</b>	<u>2 513 835</u>

17. FINANCE LEASE LIABILITIES

	31.12.2005 LVL	31.12.2004 LVL
Finance lease LLC "NORD/LB Lizings" non-current	17 094	0
Finance lease LLC "NORD/LB Lizings" current	4 754	0
<b>Total</b>	<u>21 848</u>	<u>0</u>

LLC "Q ESTATE"

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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18. LOANS FROM RELATED PARTIES

	31.12.2005 LVL	31.12.2004 LVL
Loan from JSC "Q Vara"		
Accrued interest on loan from JSC "Q Vara"	695 360	319 215
Loan from Olga Gerasika (interest rate 0%, due date not set)	268 079	56 824
Due for services to JSC "Q Vara"	83 930	0
Loan from Alo Lillepea (interest rate 0%, due date not set )	56 079	26 001
Loan from Ivo Lillepea (interest rate 0%, due date 23.04.2007)	35 356	0
Loan from Viktorija Zagrebelnaja (interest rate 0%, due date not set)	15 000	15 000
Loan from Peeter Poldaru (interest rate 0%, due date 23.04.2007)	14 125	0
Loans from LLC "SOMU MAJA"	4 952	350
<b>Total</b>	<b>0</b>	<b>91 192</b>
	<b>1 172 881</b>	<b>508 582</b>

The loan from JSC "Q Vara" matures on 1 October 2013. Interest rate is 25% p.a., if not agreed otherwise. The loan is not secured.

19. ADVANCE PAYMENTS FROM CUSTOMERS

	31.12.2005 LVL	31.12.2004 LVL
Reservation payments and prepayments for real estate		
<b>Total</b>	<b>184 635</b>	<b>0</b>
	<b>184 635</b>	<b>0</b>

20. TAXES AND SOCIAL SECURITY LIABILITIES

	31.12.2005 LVL	31.12.2004 LVL
Income tax		
Value added tax	4 672	0
Social security payments	8 872	0
Individual income tax	1 287	130
<b>Total</b>	<b>833</b>	<b>89</b>
	<b>15 664</b>	<b>219</b>

21. OTHER CURRENT LIABILITIES

	31.12.2005 LVL	31.12.2004 LVL
Salaries		
Other	1 653	1 410
<b>Total</b>	<b>499</b>	<b>10</b>
	<b>2 152</b>	<b>1 420</b>

LLC "Q ESTATE"

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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22. ACCRUED LIABILITIES

	31.12.2005 LVL	31.12.2004 LVL
Suppliers payables	12 502	108
Accruals for unused vacations	1 293	153
Other	33	0
<b>Total</b>	<b>13 828</b>	<b>261</b>

23. SELLING AND DISTRIBUTION COSTS

	2005 LVL	03.09.2003 - 31.12.2004 LVL
Advertising costs	11 173	0
<b>Total</b>	<b>11 173</b>	<b>0</b>

24. ADMINISTRATIVE EXPENSES

	2005 LVL	03.09.2003 - 31.12.2004 LVL
Management services provided by Parent Company	30 079	26 001
Salaries and social security costs	16 734	3 609
Office rent	10 660	2 312
Audit expenses	10 125	0
Inventory	4 973	0
Personnel recruitment	3 718	0
Telecommunications	3 035	1 215
Legal services	3 012	797
Fixed assets' depreciation	2 330	18
Real estate tax	1 105	0
Other	15 716	4 099
<b>Total</b>	<b>101 487</b>	<b>38 051</b>

25. OTHER OPERATING INCOME

	2005 LVL	03.09.2003 - 31.12.2004 LVL
Compensation for office repair	1 957	0
Other	51	0
<b>Total</b>	<b>2 008</b>	<b>0</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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26. OTHER OPERATING COSTS

	2005	03.09.2003 – 31.12.2004
	LVL	LVL
Value added tax		
Currency exchange costs	3 621	0
Other costs	10 732	2 024
	2 282	18
	<u>16 635</u>	<u>2 042</u>

27. FINANCE COSTS

	2005	03.09.2003 – 31.12.2004
	LVL	LVL
Interest on loans from parent company	211 255	44 635
Interest on loans from bank and finance lease	19 474	6 204
Capitalized interest	(30 319)	0
Net loss from foreign exchange rate differences	0	51 920
<b>Total</b>	<u>200 410</u>	<u>102 759</u>

28. CORPORATE INCOME TAX

(a) Corporate income tax for the year

	2005	03.09.2003 – 31.12.2004
	LVL	LVL
Deferred corporate income tax		
Corporate income tax charge for the year	723 034	14
<b>Total</b>	<u>4 672</u>	<u>0</u>
	<u>727 706</u>	<u>14</u>

(b) Deferred tax liabilities

Temporary differences and deferred tax liabilities are as follows:

	31.12.2005	31.12.2004
	LVL	LVL
Deferred income tax due to investment property revaluation	4 807 222	0
Deferred income tax due to fixed assets financial accounting and tax depreciation difference	13 100	93
<b>Total temporary differences</b>	<u>4 820 322</u>	<u>93</u>
<b>Deferred tax liabilities (rate 15%)</b>	<u>723 048</u>	<u>14</u>

Deferred tax liabilities as of 31 December 2004	14
Increase in deferred tax liabilities charged to profit and loss statement	723 034
<b>Deferred tax liabilities as of 31 December 2005</b>	<u>723 048</u>

LLC "Q ESTATE"

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2005

29. INFORMATION ON SUBSIDIARIES

LLC "Labais Krasts"

Shareholder: LLC "Q Flight", reg. No. 40003759901, 100 shares or 100%.

LLC "Q Flight"

Shareholders: LLC "Quality Nami", reg. No. 40003648466, 1334 shares or 66.7%  
Olga Gerasika, p.c. 200761-11224, 666 shares or 33.3 %

LLC "Zebru"

Shareholder: LLC "Q Estate", reg. No. 40003644708, 200 shares or 100%

LLC "Quality Nami"

Shareholders: LLC „Q Estate”, reg. No. 40003644708, 1500 shares or 75%  
Viktorija Zagrebelnaja, p.c. 030540-10700, 500 shares or 25%

30. COMMITMENTS AND CONTINGENCIES

The Group has pledged its inventories and investment property with a total carrying amount of 6 817 tLVL as a security for loans from JSC Nord/LB (Note 16).

The subsidiary LLC "Zebru" has signed a contract with a construction company for the development of real estate. Total contract amount is LVL 3.65 million. It is planned to be finished in 2007.

31. FINANCIAL RISK MANAGEMENT

*Foreign Currency Risk*

The Group deals in foreign currencies out in EUR, this arrangement does not expose the Group to foreign currency exchange risk.

*Credit risk*

The Group has no significant credit risk.

*Interest rate risk*

The Group has long-term loans with variable interest rate from credit institutions; therefore interest rate risk is limited by changes in interest rate variable part.

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## INDEPENDENT AUDITOR'S REPORT

To the shareholder of LLC "Q Estate":

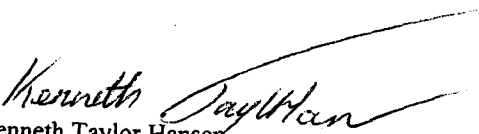
We have audited the accompanying consolidated financial statements (page 5 to 21) of the limited liability company "Q Estate" ("the Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as of 31 December 2005 and the related consolidated statements of profit and loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Except for matter described in the following paragraph, we conducted our audit in accordance with International Standards on Auditing issued by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The scope of our audit did not include and we did not audit the consolidated financial statements of the Group for the year ended 31 December 2004. Therefore, we do not express an opinion on the Group's consolidated balance sheet as of 31 December 2004 and consequently we do not provide any assurance on the consolidated statements of profit and loss, changes in equity and cash flows for the years ended 31 December 2005 and 2004.

In our opinion, the consolidated balance sheet as of 31 December 2005 present fairly, in all material respects, the financial position of the Group in accordance with the International Financial Reporting Standards.

We have read the management report as shown on page 4 of the consolidated financial statements and we have not identified any material discrepancies between the historical financial information presented in the management report and the consolidated financial statements for the year ended 31 December 2005.

  
Kenneth Taylor Hansen  
Authorised Representative  
Deloitte Audits Latvia SIA  
License No. 43

Rīga, Latvia  
6 July 2006

Audit . Tax . Consulting . Financial Advisory.

Member of  
Deloitte Touche Tohmatsu