

LHV Ilmarise Kinnisvaraportfelli OÜ

2007 Annual Report

(Translation of the Estonian original)

LHV Ilmarise Kinnisvaraportfelli OÜ

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LHV Ilmarise Kinnisvaraportfelli OÜ

Annual report	01.01.2007 – 31.12.2007
Business name	LHV Ilmarise Kinnisvaraportfelli OÜ
Commercial Registry no.	11050254
Legal address	Tartu mnt 2, Tallinn 10145
Phone	(372) 6 800 401
Fax	(372) 6 800 410
Main activities	Financial leasing, EMTAK 64911
Management Board	Tarmo Jüristo
Auditor	AS PricewaterhouseCoopers

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Management Report of LHV Ilmarise Kinnisaraportfelli OÜ

LHV Ilmarise Kinnisaraportfelli OÜ was established at 24.05.2004 and was registered in the Commercial Registry at 14.06.2004. The main activity of the Company is real estate leasing (finance lease).

The share capital of the company is 40 000 kroons and the 100% owner is AS Lõhmus, Haavel & Viisemann (LHV). The shares of the company are easily sold. Amendments to the statutes of the Company are made according to regulatory acts and the management board members are appointed by the shareholder. The Company does not have a supervisory board.

The Company started its main business activities in 2005 and it has not incurred any staff costs during three business years. All accounting and administration services are provided by the parent company AS Lõhmus Haavel & Viisemann. Company's management board has one member, there have been no remuneration, compensation or any other benefits paid to the management board.

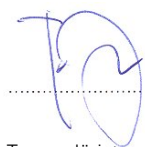
At 23.12.2004, a purchase-sale contract under the law of obligations was entered into between LHV Ilmarise Kinnisaraportfelli OÜ and OÜ Ilmarise Kvartal for the sale of apartment ownerships together with the transfer of the seller's rights and obligations and the cession of finance lease receivables related to the subject apartments of the contract. On the basis of that agreement LHV Ilmarise Kinnisaraportfelli OÜ acquired from OÜ Ilmarise Kvartal the finance lease receivables arising from the finance lease agreements with lessees of the apartments. In this purchase-sale contract under the law of obligations, the realisation of these lease receivables was contingent on the arrangement of a bond issue by LHV Ilmarise Kinnisaraportfelli OÜ and on the conclusion of a real right contracts for the sale of the apartment ownerships.

At 21.01.2005, these persons (lessees) entered into a supplement to the initial contract under the law of obligations for the sale of apartment ownerships, a contract for the transfer of claims and a real right contract. Thus, the receivables arising from finance lease agreements and the title to apartments' ownerships were transferred to LHV Ilmarise Kinnisaraportfelli OÜ upon the conclusion of the real right contract and the subsequent entry of LHV Ilmarise Kinnisaraportfelli OÜ as the owner of apartment ownerships in the land register.

At 19 January 2005, AS LHV carried out a placement of securitised bonds backed with the above mentioned finance lease agreements. 185 295 bonds were issued in the amount of 18 529 500 kroons (EUR 1 184 251). At 13.10.2005, LHV Ilmarise Kinnisaraportfelli OÜ listed its bonds at Tallinn Stock Exchange.

By the time of signing these financial statements, there have been twelve redemption and interest payments to bond holders. A total of 141 296 bonds were redeemed for the amount of 14 129 600 kroons (903 046 EUR), of which 76 853 (7 685 300 EEK / 491 180 EUR) were redeemed in 2005, 62 346 (6 234 600 EEK / 398 464 EUR) were redeemed in 2006 and 2 097 (209 700 EEK / 13 402 EUR) were redeemed in 2007. The number of bonds outstanding after redemptions is 43 999 and the nominal value of the issue is 4 399 900 kroons (EUR 281 205).

According to best knowledge of the Board the financial reports give true and fair overview of the company's assets, liabilities, financial situation, profit and includes description of main risks and doubts, and the management report gives true and fair overviews of the company's business activity.



Tarmo Jüristo

29.02.2008

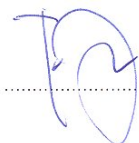
Financial Statements of LHV Ilmarise Kinnisvaraportfelli OÜ

Declaration of the Management Board

The Management Board confirms the correctness and completeness of LHV Ilmarise Kinnisvaraportfelli OÜ 2007 financial statements as presented on pages 5-19.

The Management Board confirms that:

- the financial statements have been prepared in compliance with International Financial Reporting Standards as adopted by the European Union;
- the financial statements present a true and fair view of the financial position, the results of its operations and the cash flows of the Company;
- LHV Ilmarise Kinnisvaraportfelli OÜ is a going concern.

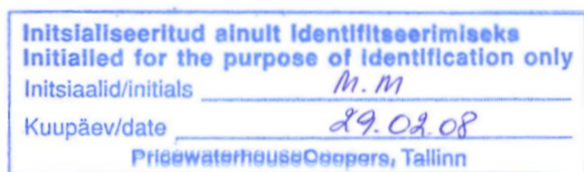
		Date	Signature
<u>Management Board:</u>			
Member of the Management Board	Tarmo Jüristo	29.02.2008	

<p>·Initsialiseeritud ainult identifitseerimiseks Initialled for the purpose of identification only</p> <p>Initsiaalid/initials <u> L.P. </u></p> <p>Kuupäev/date <u> 29.02.08 </u></p> <p style="text-align: center;">PricewaterhouseCoopers, Tallinn</p>

Balance Sheet

	Note	EEK 31.12.2007	EEK 31.12.2006	EUR 31.12.2007	EUR 31.12.2006
Assets					
Cash and bank		58 747	1 885 341	3 755	120 495
Finance lease receivables	2	4 410 230	4 581 643	281 865	292 820
Other receivables	3	59 080	0	3 776	0
Total assets		4 528 058	6 466 984	289 396	413 315
Liabilities					
Issued Bonds	4	4 485 420	6 426 196	286 671	410 709
Total liabilities		4 485 420	6 426 196	286 671	410 709
Equity					
Share capital	5	40 000	40 000	2 556	2 556
Statutory reserve capital		2 638	2 638	169	169
Retained earnings		-1 850	50 121	-118	3 203
Net profit/loss for financial year		1 850	-51 971	118	-3 322
Total equity		42 638	40 788	2 725	5 928
Total liabilities and equity		4 528 058	6 466 984	289 396	413 315

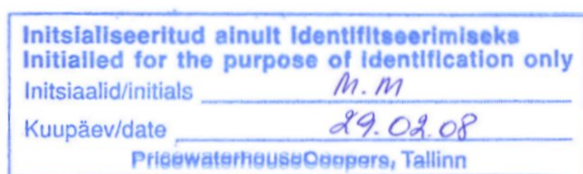
The notes of pages 10 to 19 are an integral part of these financial statements.



Income statement

	Note	EEK 2007	EEK 2006	EUR 2007	EUR 2006
Interest income from the finance lease	6	280 248	551 471	17 911	35 245
Interest expense from bonds		-268 001	-499 841	-17 128	-31 946
Net interest income		12 247	51 630	783	3 299
Other revenues	3	59 081	0	3 776	0
Operating expenses	7	-85 988	-104 800	-5 496	-6 698
Other financial income		16 510	1 199	4 832	77
Net profit / loss for financial year		1 850	-51 971	119	-3 322
Average number of issued shares	5	1	1	1	1
Basic and diluted earnings per share		1 850	-51 971	119	-3 322

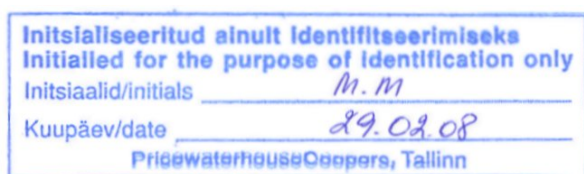
The notes of pages 10 to 19 are an integral part of these financial statements.



Cash flow statement

	Note	EEK 2007	EEK 2006	EUR 2007	EUR 2006
Cash flow from operating activities					
Expenses related to operating activities		-85 988	-104 800	-5 496	-6 698
Proceeds from settlement of finance lease receivables	2	186 343	6 258 597	11 909	399 997
Interest received		281 828	560 595	18 012	35 829
Total cash flow from operating activities		382 183	6 714 392	24 426	429 128
Cash flow from financing activities					
Redeemed bonds	4	-1 918 700	-5 440 200	-122 627	-347 692
Interests paid	4	-290 077	-564 292	-18 539	-36 065
Total cash flow from financing activities		-2 208 777	-6 004 492	-141 167	-383 757
Total cash flow		-1 826 594	709 900	-116 741	45 371
Cash and cash equivalents at beginning of the period		1 885 341	1 175 441	120 495	75 124
Cash and cash equivalents at end of the period		58 747	1 885 341	3 755	120 495
Net increase in cash and cash equivalents		1 826 594	709 900	116 741	45 371

The notes of pages 10 to 19 are an integral part of these financial statements.

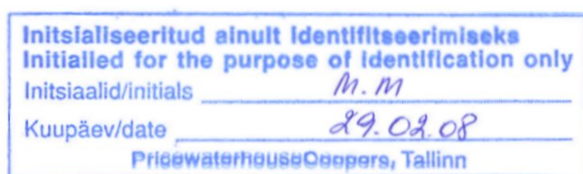


Statement of changes in equity

	Share capital	Statutory reserve capital	Retained earnings	Total
EEK				
Balance as at 31.12.2005	40 000	0	52 759	92 759
Transfers to statutory reserve capital	0	2 638	-2 638	0
Net loss for 2006	0	0	-51 971	-51 971
Balance as at 31.12.2006	40 000	2 638	-1 850	40 788
Net profit for 2007	0	0	1 850	1 850
Balance as at 31.12.2007	40 000	2 638	0	42 638
EUR				
Balance as at 31.12.2005	2 556	0	3 372	5 928
Transfers to statutory reserve capital	0	169	-169	0
Net loss for 2006	0	0	-3 322	-3 322
Balance as at 31.12.2006	2 556	169	-119	2 606
Net profit for 2007	0	0	119	119
Balance as at 31.12.2007	2 556	169	0	2 725

More detailed information about sharecapital and equity is provided in Note 5.

The notes of pages 10 to 19 are an integral part of these financial statements.



Notes to the financial statements

Note 1. Accounting policies and measurement basis used in the preparation of the financial statements

Basis of preparation

The 2007 financial statements of LHV Ilmarise Kinnisvaraportfelli OÜ have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements have been prepared under the historical cost convention, except as disclosed in some of the accounting policies below.

The financial year started at 1 January 2007 and ended at 31 December 2007. The financial figures have been presented in Estonian kroons (which is the presentation currency of the Company) and Euros (for supplementary financial information according to the Stock Exchange requirements in Estonia) unless referred otherwise.

Several financial figures presented in the financial statements are based on certain management's critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Although these estimates have been made to the best of their knowledge and judgement of current events and actions, it may not coincide with actual results. The areas involving management's judgement are allowances for receivables as well as accounting for and valuation of provisions, contingent assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Changes in management's estimates are reported in the income statement of the period when the changes occur. The presented accounting policies have been applied consistently to all periods presented in the financial statements, unless otherwise stated.

Certain new standards, amendments and interpretations to existing standards have been published by the time of compiling these financial statements that are mandatory for the company's accounting periods beginning on or after 1 January 2007 or later periods. The overview of these standards and the Group management estimate of the potential impact of applying the new standards and interpretations is given below.

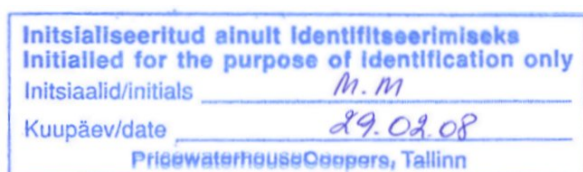
- (a) Financial reporting standards, published amendments to existing standards and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), that became effective in 2007 and have significant influence on the financial statements of the Company

IAS 1 (amendment) – Presentation of Financial Statements: Capital disclosures

The standard requires additional disclosures in the financial statements and presents additional requirements for the parent company's capital and capital management. Adoption of the standard did not have any impact on measurement of recognition principles. The Company made certain changes in presentation and new disclosures are made in these financial statements (comparatives provided).

IFRS 7 – Financial Instruments: Disclosures and supplementary annex IAS 1, Presentation of Financial Statements

IFRS 7 introduces new requirements for the notes in order to improve the presentation of information in the financial statements. Standard IFRS 7 requires publicising additional information to improve the quality of information about financial instruments. This requires presentation of qualitative and quantitative information on the risks arising from financial instruments, containing specific minimum requirements for credit risk, liquidity risk and market risk (incl. sensitivity analysis of these risks). This replaces standard IAS 30, Disclosures in the Financial Statements and Other Financial Institutions and adds to



the requirements in IAS 32 Financial Instruments: Disclosure and Presentation. This standard is effective for all companies preparing their financial statements in accordance with International Financial Reporting Standards. Adoption of the standard did not have any impact on measurement of recognition principles. The Company made certain changes in presentation and new disclosures are made in these financial statements (comparatives provided).

- (b) The Company's management is of opinion that the amendments to and revisions of the following standards and interpretations that became effective for Group's financial statements in 2007 and have been adopted for the first time in these financial statements did not have a significant effect on the financial statements of the Company

IFRS 4 – Insurance contracts (effective 1. jaanuaril 2007)

IFRIC 7 – Applying the restatement approach under IAS 29 Financial Reporting in Hyperinflationary Environments (effective 1 March 2006)

IFRIC 8 – Share-based Compensations as defined in IFRS 2 (effective 1 March 2006)

IFRIC 9 – Reassessment of Embedded Derivatives (effective 1 June 2006)

IFRIC 10 – Interim Financial Reporting and Impairment (effective 1 November 2006)

IFRIC 11 – IFRS 2 • Group Treasury Share Transactions (effective 1 March 2007)

- (c) The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January, 2008

IAS 1 (amendment) – Presentation of financial statements (effective from 1 January 2009)

The amendments introduced relate mainly to the presentation of changes in equity and are intended to improve the ability of the users of financial statements to analyse and compare the information included in the financial statements. The Company shall apply the amended IAS 1 from January, 2009.

IFRS 8 (amendment) – Operating segments (effective from 1 January 2009)

IFRS 8 supersedes IAS 14 "Segment Reporting". The standard specifies new requirements in respect of the disclosure of information on business segments, as well as information on products and services, geographical areas where the business is conducted and major customers. The Company shall apply the amended IAS from January, 2009.

- (d) The following standards, amendments and interpretations to existing standards are not effective and are not relevant for the Company's operations

IAS 23 (amendment) – Borrowing costs (effective from January 2009)

IAS 1, IAS 32 (amendment) - Puttable financial instruments and obligations arising on liquidation—IAS 32 and IAS 1 Amendment (effective from 1 January 2009). The amendment requires classification as equity of some financial instruments that meet the definition of a financial liability.

IAS 23 (amended) – Borrowing costs (effective from 1 January 2009)

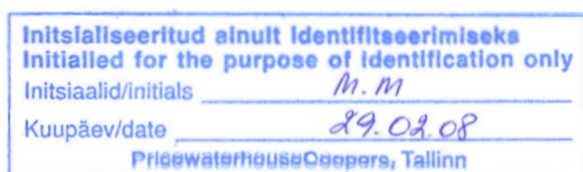
IAS 27 (amended) – Consolidated and separate financial statements (effective from 1 January 2009)

IFRS 3 (amended) – Business combinations (effective from 1 January 2009)

IFRIC 12 – Service Concession Arrangements (effective from 1 January 2009)

IFRIC 13 – Customer loyalty programmes (effective from July 2008)

IFRIC 14, IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction (effective from 1 January 2008)



Functional and presentation currency

The Company's functional and presentation currency is the Estonian kroon. Pursuant to the requirements of Tallinn Stock Exchange, in addition to Estonian kroons, financial information is also presented in euros in these financial statements. As the exchange rate between the Estonian kroon and the euro is fixed with the rate of EUR 1 = EEK 15.6466 since 1999, then no exchange rate differences have arisen in the translation.

Foreign currency transactions and assets and liabilities denominated in a foreign currency

Foreign currency transactions are recorded based on the foreign currency exchange rates of the Bank of Estonia prevailing at the dates of the transactions. Monetary financial assets and liabilities and non-monetary financial assets and liabilities measured at fair value denominated in foreign currencies as at the balance sheet date are translated into Estonian kroons based on the foreign currency exchange rates of the Bank of Estonia (Central Bank) prevailing at the balance sheet date. Profits and losses from foreign currency transactions and from the translation of the balances referred above are recognised in the income statement as income or expenses of that period under "other financial income".

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and term deposits with original maturities of three months or less, that are available for use without any significant restrictions.

Cash flow statement

The cash flow statement has been prepared under the direct method and all receipts and payments relating to operating activities have been presented in gross amounts. As the main operating activity of the Company is rental of the property investment on finance lease terms to the lessees, cash flows related to that activity are presented as operating cash flows in these financial statements.

Financial assets

Financial assets are any assets that are cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable or an equity instrument of another enterprise or a derivative or non-derivative contract that will or may be settled in the entity's own equity instruments. The purchases and sales of financial assets are recognised at the settlement date.

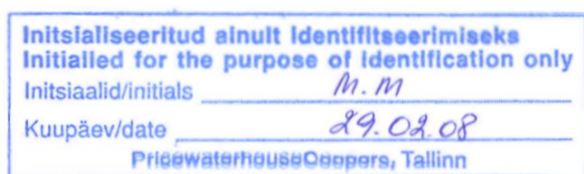
The Company has only financial assets belonging to the group *loans and receivables*.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized in the balance sheet at fair value plus transaction costs and are derecognized only when they are repaid or written-off, regardless of the fact that part of them may be recognized as costs through providing allowances for loans. After initial recognition, loans and receivables are carried at amortised cost less principal payments and any impairment losses, calculating interest income on the receivable in the following periods using the effective interest rate method. Accrued interest on the loans not yet collected is recorded in the separate balance sheet line under interest receivables.

Finance lease receivables

Finance lease transactions are lease transactions under which all significant risks and rights from using the assets are immediately transferred from the Company to the lessee. Legal ownership of assets is transferred to the customer at the end of the lease term. Receivables arising from finance lease agreements are recognised at the net present value of the minimum



lease payments receivable. Each lease payment received from the lessee is allocated between principal payments of the finance lease receivable and financial income. Financial income is allocated over the lease term under the assumption that the lessor's periodic rate of return is constant in respect of the outstanding net investment of the finance lease. In case initial service fees are collected at issuance, these are included into the calculation of effective interest rate and lessor's net investment.

Impairment of financial assets and finance lease receivables

The basis for assessing receivables is the timely fulfilment of contractual obligations, the estimated market price of the leased object and excess collateral, the financial position and trustworthiness of the customer. The Company assesses at each balance sheet date whether there is objective evidence that any of the financial assets is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. The amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows. For these assessed incurred losses, the relevant allowance has been established. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Impairment of financial assets is shown as a negative amount within the respective asset category.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

When a receivable is uncollectible, it is written off against the related allowance for impairment.

Issued bonds

Issued bonds are initially recognised at the fair value of the consideration received for the financial liability net of transaction costs incurred. The initial transaction cost include costs directly related to the issue. After initial recognition, issued bonds are carried at amortised cost using the effective interest rate method.

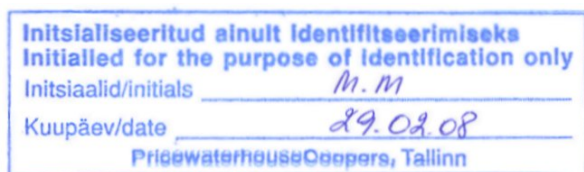
Statutory reserve capital

Statutory reserve capital is formed to comply with the requirements of the Commercial Code. During each financial year, at least one-twentieth of the net profit shall be transferred to statutory reserve capital, until reserve capital reaches one-tenth of share capital. Statutory reserve capital may be used to cover a loss, or to increase share capital. Payments can not be made to shareholders from the statutory reserve capital.

Provisions and contingent liabilities

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. The provisions are recognised based on the management's estimates regarding the amount and timing of the expected outflows.

Potential or existing liabilities whose realisation is less probable than non-realisation or whose accompanying costs cannot be determined reliably, are disclosed in the notes to the financial statements as contingent liabilities. Contingent liabilities may develop in a way not initially expected. Therefore, they are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs (except in the extremely rare circumstances where no reliable estimate can be made).



Promises, guarantees and other commitments that in certain circumstances may become obligations, but it is not probable at the time of compiling the financial statements, that an outflow of resources will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability, are disclosed in the notes to the financial statements as contingent liabilities.

Revenue and expenses

Revenue and expenses are recognised on an accrual basis. Revenue is recognised when the service has been provided and the Company has obtained the right for the receivable. Expenses are recognised when the company has committed to the expense and/or received the goods or services, if the latter is earlier.

Revenue arising from interest and dividends is recognised in "interest income" when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably. Interest income is recognised using the effective interest rate method.

Interest expenses for issued bonds are recognised in "interest expense" in the income statement using the effective interest rate method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument, but does not consider future impairment losses. The calculation includes all significant fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

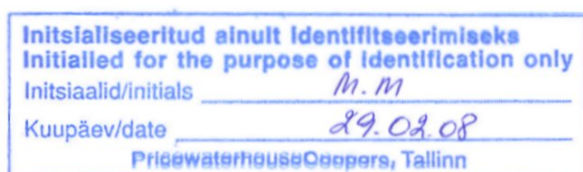
Dividends are recognised when the right to receive payment is established.

Taxation

According to the Estonian Income Tax Act, the annual profit earned by companies is not taxed and thus there are no temporary differences between the tax bases and carrying values of assets and liabilities and no deferred tax assets or liabilities arise. Instead of taxing the net profit, the distribution of retained earnings is subject to a dividend tax of 21/79 (until 31.12.2007: 22/78 and until 31.12.2006: 23/77) of the amount paid out as net dividends. The corporate income tax arising from the payment of dividends is accounted for as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. Pursuant to the issue terms of issued bonds, the owner of the Company has elected not to pay dividends until the final redemption of bonds.

Earnings per share

Basic earnings per share are determined by dividing the net profit for the financial year by the period's weighted average number of shares issued. To calculate the diluted earnings per share, the net profit attributable to the shareholder and the weighted average number of existing shares are adjusted by all potential diluted ordinary shares outstanding that have a dilutive effect on earnings per share. As the Company does not hold any financial instruments which might have a dilutive effect on future earnings per share, then the basic and diluted earnings per share are equal.



Note 2. Finance lease receivables

	31.12.2007	31.12.2006	31.12.2007	31.12.2006
	EEK	EEK	EUR	EUR
Net investment by due dates				
Up to 1 year	165 793	160 428	10 596	10 253
Between 1 and 5 years	668 689	676 161	42 737	43 215
Over 5 years	3 575 748	3 745 054	228 532	239 352
Total net investment	4 410 230	4 581 643	281 865	292 820
Future interest income by due dates				
Up to 1 year	270 138	284 501	17 265	18 183
Between 1 and 5 years	982 131	1 039 486	62 770	66 435
Over 5 years	1 727 191	1 998 034	110 388	127 698
Total future interest income	2 979 460	3 322 021	190 423	212 316
Gross investment by due dates				
Up to 1 year	435 931	444 929	27 861	28 436
Between 1 and 5 years	1 650 820	1 715 647	105 507	109 650
Over 5 years	5 302 939	5 743 088	338 920	367 050
Total gross investment	7 389 690	7 903 664	472 288	505 136

At 21.01.2005, LHV Ilmarise Kinnisvaraportfelli OÜ acquired from a third party OÜ Ilmarise Kvartal the portfolio of lease receivables arising from finance lease agreements against finance lessees concerning finance lease payments in the amount of 18 529 454 kroons (EUR 1 184 248) (principal payments according to contracts). The underlying currency of finance lease agreements is the Estonian kroon. The annual interest rate on the finance lease agreements is between 6% and 8%. Interest rate is fixed. In addition OÜ Ilmarise Kvartal also made an irrecoverable payment in the amount of 141 019 kroons (9 013 EUR) to cover the credit risks associated with these lease receivables and the clients in these lease contracts. This is calculated as part of purchase value and subtracted from net investment.

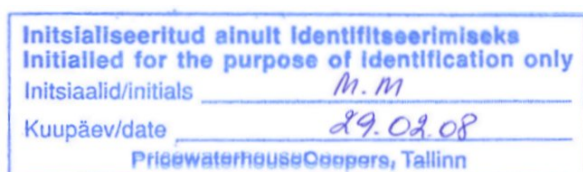
These lease contracts are on leasing of apartments by the lessees and upon payment of all lease payments according to the contract the lessees will become owners of these apartments. They additionally have right upon early payment of the full amount of net investment of the lease contract to acquire the apartment before the end of the lease term.

In 2007 1 apartment for the total amount of 70 642 kroons (4 515 EUR) were bought out by lessees and principal payments were made for the apartments not yet transferred in the amount of 115 701 kroons (7 395 EUR). In 2006 ownerships of 8 apartments were transferred (purchased out by lessees) for the total amount of 5 827 068 kroons (EUR 372 418) and principal payments were made for the apartments not yet transferred in the amount of 431 529 kroons (EUR 27 580). By the time of compiling this report, 8 apartments are yet not bought out.

All finance lease receivables have been pledged to secure issued bonds. AS Sampo Pank acts as a guarantee agent and custodian of pledged assets. See Note 4.

Note 3. Other receivables

According to agreement the company that arranged the bond issue – AS Lõhmus, Haavel & Viisemann – and AS GILD Financial Advisory Services, that de-merged from the latter, participate equally in covering the loss of LHV Ilmarise Kinnisvaraportfelli OÜ. Receivable to those companies as at the end of accounting period amounted to 59 080 kroons (3 776 EUR).



Note 4. Bonds issued

Maturities of liabilities	31.12.2007	31.12.2006	31.12.2007	31.12.2006
	EEK	EEK	EUR	EUR
Up to 1 aasta	208 090	1 956 571	13 300	125 048
Between 1 and 5 years	673 871	683 565	43 068	43 688
Over 5 years	3 603 459	3 786 060	230 303	241 973
Total issued bonds	4 485 420	6 426 196	286 671	410 709

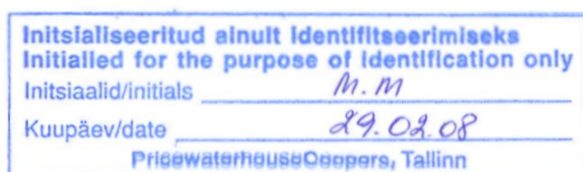
At 19 January 2005, AS LHV carried out a placement of securitised bonds backed with finance lease agreements in the amount of 18 529 500 kroons (EUR 1 184 251).

Bonds carry a coupon of 5.8% per annum, which is also the effective interest rate of these bonds. The redemption payments of bonds and the interest payments to bond holders take place on a quarterly basis in the month following the end of the quarter. As there were no trades made with the bonds on after market (Note 10), it is almost impossible to determine the fair value of the bonds, on account of which that value is not presented here. Assessed by the management of the company there are no indications, that this value is significantly different from the balance sheet value.

By the time of signing this report, the following principal and interest payments have been made to bonds holders:

(EEK)

Date	Number of bonds	Amount of principal payment	Cumulative principal payment	Amount of interest payment	Cumulative interest payment
19.04.2005	23 875	2 387 500	2 387 500	268 677	268 677
19.07.2005	30 128	3 012 800	5 400 300	235 863	504 540
19.10.2005	13 359	1 335 900	6 736 200	190 040	694 580
Total redeemed in 2005	67 362	6 736 200	6 736 200	694 580	694 580
19.01.2006	9 491	949 100	7 685 300	171 002	865 582
19.04.2006	22 767	2 276 700	9 962 000	157 241	1 022 823
19.07.2006	8 558	855 800	10 817 800	124 229	1 147 052
19.10.2006	13 586	1 358 600	12 176 400	111 820	1 258 872
Total redeemed in 2006	54 402	5 440 200	12 176 400	564 292	1 258 872
19.01.2007	17 435	1 743 500	13 919 900	92 120	1 350 992
19.04.2007	356	35 600	13 955 500	66 839	1 417 831
19.07.2007	1 054	105 400	14 060 900	66 323	1 484 154
19.10.2007	342	34 200	14 095 100	64 795	1 548 949
Total redeemed in 2007	19 187	1 918 700	14 095 100	290 077	1 548 949
19.01.2008	345	34 500	14 129 600	64 299	1 613 248
Total	141 296	14 129 600	14 129 600	1 613 248	1 613 248



(EUR)

Date	Number of bonds	Amount of principal payment	Cumulative principal payment	Amount of interest payment	Cumulative interest payment
19.04.2005	23 875	152 589	152 589	17 172	17 172
19.07.2005	30 128	192 553	345 142	15 074	32 246
19.10.2005	13 359	85 380	430 522	12 146	44 392
Total redeemed in 2005	67 362	430 522	430 522	44 392	44 392
19.01.2006	9 491	60 659	491 181	10 929	55 321
19.04.2006	22 767	145 508	636 689	10 050	65 371
19.07.2006	8 558	54 696	691 385	7 940	73 311
19.10.2006	13 586	86 830	778 215	7 147	80 458
Total redeemed in 2006	54 402	347 693	778 215	36 066	80 458
19.01.2007	17 435	111 430	889 645	5 888	86 346
19.04.2007	356	2 275	891 920	4 271	90 617
19.07.2007	1 054	6 736	898 656	4 239	94 856
19.10.2007	342	2 186	900 842	4 141	98 997
Total redeemed in 2007	19 187	122 627	900 842	18 539	98 997
19.01.2008	345	2 204	903 046	4 109	103 106
Total	141 296	903 046	903 046	103 106	103 106

Note 5. Shareholder's equity

Since its foundation, the share capital of the private limited company is 40 000 (2 556 EUR) kroons, which is made up of one share. The 100% parent company is AS Lõhmus, Haavel & Viisemann, which in turn is a 100% subsidiary of AS LHV Group. The ultimate control in AS LHV Group belongs to Rain Lõhmus with 67% voting rights and the significant influence belongs to Andres Viisemann with 33% voting rights. The share capital has been paid for in cash.

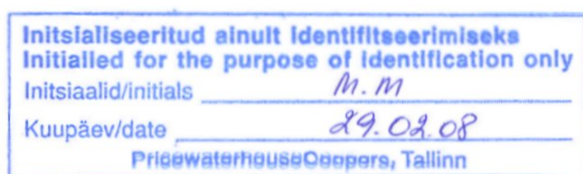
LHV Ilmarise Kinnisvaraportfelli OÜ is a private limited company specifically set up for issuing bonds related to earning rental income and related liabilities. After the issue, the share of the private limited company has been transferred to custody of a guarantee agent, AS Sampo Pank. The granting of custody of the share has been arranged in such a way that pursuant to the guarantee agent's contract, the 100% share of the issuer has been transferred to the securities account of AS Lõhmus, Haavel & Viisemann at AS Sampo Pank and after transferring the share to the securities account, AS Sampo Pank has blocked the use and disposal of the securities account until the expiry of the contract with the guarantee agent or the need to dispose of the share.

Note 6. Segment reporting

The only activity of the Company is real estate leasing as a lessor. All real estate properties leased out under the finance lease terms are located in Estonia. Due to the above, the Company has only one business and one geographical segment. In 2007 intrests earned from capital lease amounted to 280 248 kroons (in 2006: 551 471).

Note 7. Operation expenses

	EEK 2007	EEK 2006	EUR 2007	EUR 2006
Accounting and audit	57 820	73 160	3 695	4 676
Guarantee agent fee	0	7 411	0	474
Other operating expenses	28 168	24 229	1 801	1 548
Total	85 988	104 800	5 496	6 698



Note 8. Related party transactions

In compiling this report, the following entities have been considered as related parties:

- owners (parent company and owners of the immediate and ultimate parent company);
- other firms belonging to the same consolidation group (incl. fellow subsidiaries and associates);
- management and supervisory boards;
- close relatives of the persons mentioned above and the companies related to them.

In year 2007 the services from parent company AS Lõhmus, Haavel & Viisemann have been bought for 28 320 kroons (1 810 EUR). In year 2006 the services were also bought for 28 320 kroons (1 810 EUR).

There were no remunerations, compensations nor other benefits paid to the management board in 2007 and 2006.

Note 9. Risk management

The risks threatening the Company's business activities include are financial risks and operating risk. The Company's overall risk management system attempts to minimise potential unfavourable effects on the Company's financial activities. Management board and LHV Finance Department are responsible for company's risk management.

9.1 Financial risks

- Credit risk
- Liquidity risk
- Market risks

Credit risk

The Company regularly monitors the adherence of customers to the terms of agreements. The legal title of leased property remains to the Company until lease receivables have been collected in full. Therefore the Company does not have any significant credit risk assuming that prices do not decrease significantly in the real estate market due to which the value of collateral would fall below the nominal value of the amount of all receivables. According to the assessment reports of apartments from 2004, the collaterals are adequate to cover the capital lease receivables. The prices on real estate market have significantly risen in past three years, on account of which there are no risks involved with the collateral.

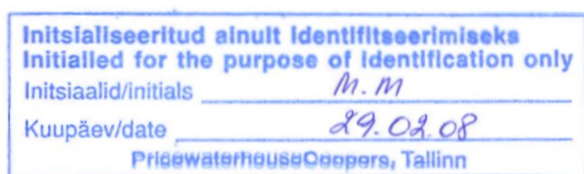
According to due dates the capital lease receivables are divided as follows:

	31.12.2007	31.12.2006
Current and not impaired	4 393 589	4 570 818
Past due but not impaired	16 641	10 825
Total	4 410 230	4 581 643

As at 31.12.2007 and 31.12.2006 there were no impairments of the receivables made.

Liquidity risk

The maturities of bonds issued by the Company match the scheduled collections of finance lease agreements. In order to avoid liquidity risk caused by delayed lease payments, the Company has an additional guarantee of the parent company AS Lõhmus, Haavel & Viisemann to make the contractual payments of issued bonds on time. Also a payment to guarantee reserve was received from OÜ Ilmarise Kvartal (Note 2) from which the real estate lease portfolio was taken over. See also Note 9.2.



Undiscounted cashflows of issued bonds by due dates:

	31.12.2007	31.12.2006
Up to 1 year	403 940	2 162 834
1 to 5 years	1 629 211	1 701 229
Over 5 years	5 332 414	5 773 420
Total	7 365 564	9 637 483

Market risks

The main market risk arising from company's activities is interest rate risk. In order to hedge market risk there are not used floating interest rates in contracting the capital lease agreements, all the agreements and issued bonds are at fixed interest rate. The Company's finance lease receivables are with fixed interest rates of 6-8% and issued bonds are at 5.8%. The redemption of bonds is performed in accordance with a scheduled collection of finance lease receivables. If customers wish to terminate finance lease agreements before maturity date then the Company has the right to redeem the issued bonds in the additionally collected amount. Due to this, the Company lacks significant interest risk.

All Company's agreements have been concluded in Estonian kroons, as a result of which there is no foreign currency risk.

There are no financial instruments on company's balance sheet, that would bare other price risk.

9.2. Fair value

Expected cash flows at the current market rates might differ from the carrying values of lease receivables and bonds issued. However as the lease holders have the right to exit the contracts effectively any time during the lease period and as this has been very actively used, it would not be appropriate to consider these cash flows from the currently in-force contracts as fixed and expected. Bonds have been redeemed in direct relation to the volume of lease contracts purchased out. Therefore the management has assessed and concluded that there is no significant difference in net fair value of lease receivables and bonds issued compared to their current net carrying value as at 31.12.2007 and 31.12.2006. During the period of concluding the capital lease agreements and balance sheet date 6 month Euribor has moved from 2,253% to 4,737%, which gives a general indication of change in market rates during that period.

9.3. Operating risk

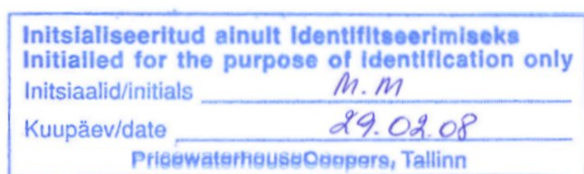
Operating risk is a potential loss caused by insufficient or non-functioning processes, employees and information systems or external factors. As per politics of parent company AS LHV also in LHV Ilmarise Kinnisvaraportfelli OÜ there is implemented the principle of duality, according to which there should be an approval by at least two employees independent of each other to execute the transaction.

Note 10. Trading statistics

There have been no transactions with the bonds of LHV Ilmarise Kinnisvaraportfelli OÜ since their first quotation on stock exchange on 13.10.2005 until 31.12.2007, thus there is no information on price movements.

Note 11. Contingent liabilities

Tax authorities have the right to review the Company's tax records for up to 6 years after submitting the tax declaration and upon finding errors, impose additional taxes, interest and fines. The Company's management estimates that there are not any circumstances which might lead the tax authorities to impose additional significant taxes on the Company.



INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholder of LHV Ilmarise Kinnisvaraportfelli OÜ

We have audited the accompanying financial statements of LHV Ilmarise Kinnisvaraportfelli OÜ (the Company) which comprise the balance sheet as of 31 December 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management Board's Responsibility for the Financial Statements

Management Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.



Urmas Kaarlep
AS PricewaterhouseCoopers



Relika Mell
Authorised Auditor

29 February 2008

** This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

Proposal for profit allocation for financial year

The Management Board of LHV Ilmarise Kinnisvaraportfelli OÜ proposes to the sole shareholder to add the profit for 2007 in the amount of 1 850 kroons to the retained loss of previous year.

Signatures of the Management Board to the 2007 Annual Report

	Name	Date	Signature
<u>Management Board:</u>			
Member of the Management Board	Tarmo Jüristo	29.02.2008	