

Mare Baltic PCC Limited – 31 December 2007

Mare Baltic PCC Limited
Financial statements

31 December 2007

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Mare Baltic PCC Limited – 31 December 2007

Directors:

Keith Betts

Wayne Bulpitt

Michelle Brouard

David Gough

Secretary:

Newhaven Secretaries
(Channel Islands) Limited

Auditors:

KPMG Channel Islands Limited
Chartered Accountants
20 New Street
St. Peter Port
Guernsey
GY1 4AN

Registered office:

One Lefebvre Street
St. Peter Port
Guernsey
GY1 4JE

Mare Baltic PCC Limited – 31 December 2007

Directors' report

The directors submit their report and the audited financial statements for the year ended 31 December 2007.

Incorporation

The Company was incorporated in Guernsey, Channel Islands on 31 January 2003.

Activities

The principal activity of the company is the issue of notes and investing in subordinated loans to Danish banks. The net proceeds from the issue of each series of notes are used to acquire subordinated loans. The market for these investments and hence the notes issued by the Company, is limited to sophisticated investors who understand the risks and rewards associated with the unpredictable cash flows arising there from. The Company's notes are listed on the OMX Nordic Exchange Copenhagen.

The first cell, Cell – 1 2003 (ScandiNotes® I), based on subordinated capital for Danish banks, launched the first issue under the Mare Baltic PCC Limited programme on July 4th, 2003. The issue was divided into two tranches a junior tranche of DKK 45,681,000 (approx. 10% of the issue) and a senior tranche of DKK 388,448,000 (approx. 90% of the issue).

The second cell, Cell – 1 2004 (ScandiNotes® II), likewise based on subordinated capital for Danish banks, was launched November 1st, 2004 under the Mare Baltic PCC Limited programme. This issue was like ScandiNotes® I divided into two tranches, a junior tranche of DKK 133,600,000 (approx. 15% of the issue) and a senior tranche of DKK 728,375,000 (approx. 85% of the issue). The senior tranche was rated by Moody's and achieved an "A2" long-term rating.

The third cell, Cell – 1 2005 (ScandiNotes® III), was as with ScandiNotes® I and ScandiNotes® II, based on subordinated debt for financial institutions, but for this issue to Nordic Financial institutions. The Issue was launched on November 1st, 2005. This Issue was divided into three tranches, a junior tranche of DKK 279,050,000, a mezzanine tranche of DKK 413,370,000 and a senior tranche of EUR 201,600,000. The mezzanine tranche was rated Baa2 by Moody's and the Senior tranche was rated Aa2 by Moody's.

The forth cell, Cell – 1 2006, (ScandiNotes® IV), was like the first and the second cell based on subordinated capital for Danish Banks. The issue was launched November 17th, 2006. Like ScandiNotes® III the issue was divided into three tranches, a junior tranche of DKK 300,135,000, a mezzanine tranche of DKK 879,571,000 and a senior tranche of EUR 170,011,000. The mezzanine tranche was rated Baa2 by Moody's and the senior tranche was rated AAA by Moody's.

All cash flows are secured and ring fenced by swaps, so surplus from loans versus coupon payments are expected to be sufficient to cover all expenses and create a steady income. This applies to all four cells.

Directors' report (continued)

Same procedure as used in ScandiNotes® I, II, and III were used in ScandiNotes® IV, where all the notes were sold immediately to HSH Nordbank AG, Copenhagen Branch, with the purpose of on-selling into the capital markets to eligible investors.

The Board of Mare Baltic PCC Limited has given consent to Hypoport AG and EuroABS to download information from the Mare Baltic and Scandinotes webpages for investor purposes.

Key value drivers have been identified as investor appetite plus quality and quantity of the cash flow from the underlying assets.

ScandiNotes® has been registered as a protected trade mark as can be seen from the ® after the ScandiNotes® name.

During the last six months of 2007, an international credit crisis emerged. The crisis had its roots in the US mortgage market, or rather the US subprime market, which saw a large number of defaults. This further led to substantial losses in the CDO market, as subprime mortgages formed the underlying basis for a huge number of CDO transactions.

A general uncertainty spread across the financial industry, as many financial institutions have invested heavily in subprime based CDOs. The uncertainty led to a substantial reluctance in the interbank market and many banks found themselves - even in an environment of increasing short-term interest rates - working hard to obtain sufficient liquidity.

Very few Danish banks are believed to have invested in subprime based assets. Nonetheless the struggle for liquidity has also impacted the Danish financial industry. One bank participating in the Mare Baltic program, Bank Trelleborg, was merged with Sydbank, an Aa3-rated regional bank, in January 2008 as erroneous calculations of the bank's liquidity over a prolonged period of time led to a situation where severe measures were required. The merger with Sydbank has not lead to any losses for any of Bank Trelleborgs debtors since all of their obligations were taken over by Sydbank. The situation has however added to the nervousness in the banking market.

Mare Baltic PCC Limited – 31 December 2007

Directors' report (continued)

Protected Cell Company

The Company is a Protected Cell Company in accordance with the provisions of the Protected Cell Companies Ordinance 1997 as amended. The assets of the Company can be either cellular assets or non-cellular assets. The assets attributable to a cell comprise assets represented by the proceeds of cell share capital, reserves and any other assets attributable to the cell. The non-cellular assets comprise the assets of the Company, which are not cellular assets. Where a liability arises from a transaction in respect of a particular cell, and there are insufficient assets within this cell, then there will be no recourse to the assets of any other cell, but there may, in certain circumstances, be access to the non-cellular assets.

During the period in question all known delegated responsibilities have been complied with and no events of default have occurred.

Results and dividends

The four issues, ScandiNotes® I, ScandiNotes® II, ScandiNotes® III and ScandiNotes® IV are running according to budget, being a key factor, due to the closed cash-flow circuit of the ring-fenced cells.

The result for the year is shown in the Income statement on page 11. The directors proposed and paid a dividend of TEUR 4 (2006: TEUR 6).

Administrator

The administrator of Mare Baltic PCC Limited is Newhaven Trust Company (Channel Islands) Limited.

The company's registered office is at One Lefebvre Street, St. Peter Port, Guernsey, GY1 4JE. The Company Secretary is Newhaven Secretaries (Channel Islands) Limited.

Directors

The directors who held office during the year and subsequently were:

Keith Betts	(appointed 30 June 2005)
Michelle Brouard	(appointed 30 June 2005)
Wayne Bulpitt	(appointed 31 January 2003)
David Gough	(appointed 22 July 2005)

Directors' report (continued)

Statement of directors' responsibilities

The directors are responsible for preparing financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period and are in accordance with applicable laws. In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 1994. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The retiring auditors are KPMG Channel Islands Limited who are eligible for re-appointment.

By order of the Board



Keith Betts
Director



David Gough
Director

Independent auditor's report to the members of Mare Baltic PCC Limited

We have audited the financial statements (the "financial statements") of Mare Baltic PCC Limited for the year ended 31 December 2007 which comprise the Balance Sheets, the Income Statements, the Statements of Changes in Equity, the Cash Flow Statements and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 64 of The Companies (Guernsey) Law, 1994. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable Guernsey law and International Financial Reporting Standards as set out in the Statement of Directors' Responsibilities on page 7.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Companies (Guernsey) Law, 1994. We also report to you if, in our opinion, the company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Mare Baltic PCC Limited – 31 December 2007

Independent auditor's report to the members of Mare Baltic PCC Limited (continued)

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the company's affairs as at 31 December 2007 and of its results for the year then ended; and
- have been properly prepared in accordance with The Companies (Guernsey) Law, 1994.

KPMG Channel Islands Limited

Chartered Accountants

18 June 2008

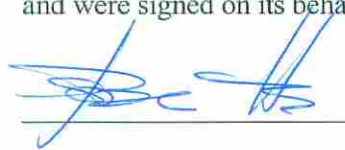
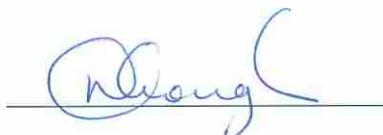
Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Balance sheet – All cells aggregated

	Note	As at 31 December	
		2007	2006
ASSETS			
Non-current assets			
Loans receivable		754,905	756,562
Swaps	4	6,259	1,884
Total non-current assets		761,164	758,446
Current assets			
Swaps	4	6,200	4,310
Interest receivable	5	11,166	9,640
Other receivable		25	8
Cash and cash equivalents	6	896	649
Total current assets		18,287	14,607
Total assets		779,451	773,053
EQUITY			
Called up share capital	7	14	14
Retained earnings		776	436
Total equity		790	450
LIABILITIES			
Non-current liabilities			
Notes issued	8	766,915	761,238
Swaps	4	548	1,617
Total non-current liabilities		767,463	762,855
Current liabilities			
Creditors		112	176
Accrued interest	9	11,086	9,572
Total current liabilities		11,198	9,748
Total liabilities		778,661	772,603
Total equity and liabilities		779,451	773,053

The financial statements on pages 10 to 59 were approved by the Board of Directors on 17.06.2008 and were signed on its behalf by:

The notes on pages 40 to 59 form an integral part of these financial statements.

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Income statement - All cells aggregated

	Year ended 31 December		
	Note	2007	2006
Revenue			
Loan interest		40,376	20,497
		40,376	20,497
Expenditure			
Note interest		(27,857)	(14,591)
Swap interest		(11,743)	(5,365)
Operational expenses		(432)	(347)
		(40,032)	(20,303)
Operating surplus		344	194
Unrealized gain on loans		5,171	2,511
Unrealized gain on swaps		11,810	3,982
Unrealized gain on notes		5,192	4,718
Unrealized loss on loans		(6,775)	(2,792)
Unrealized loss on swaps		(4,490)	(5,617)
Unrealized loss on notes		(10,908)	(2,802)
		-	-
Net result for the year		344	194

The notes on pages 40 to 59 form an integral part of these financial statements.

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Statement of changes in equity - All cells aggregated

	Share capital	Retained earnings	Total Share- holders equity
Balance at 1 January 2006	13	248	261
Profit for the year	-	194	194
Total recognized income for 2006	-	194	194
Issue of share capital	1	-	1
Dividend related to 2005	-	(6)	(6)
	1	(6)	(5)
Balance at 31 December 2006	14	436	450
Balance at 1 January 2007	14	436	450
Profit for the year	-	344	344
Total recognized income for 2007	-	344	344
Issue of share capital	-	-	-
Dividend related to 2006	-	(4)	(4)
	-	(4)	(4)
Balance at 31 December 2007	14	776	790

The notes on pages 40 to 59 form an integral part of these financial statements.

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Cash flow statement - All cells aggregated

	<u>Year ended 31 December</u>		
	Note	2007	2006
Cash flows from operating activities			
Operating profit for the year		344	194
Increase/decrease interest receivable		(1,526)	(4,690)
Increase/decrease other receivable		(17)	(3)
Increase/decrease accrued interest		1,514	4,577
Increase/decrease creditors		(64)	29
Net cash generated from operating activities		<u>251</u>	<u>107</u>
Cash flows from investing activities			
Loans advanced		1,657	1,980
Swaps advanced		(7,334)	1,641
Notes advanced		5,677	(4,213)
Net cash generated from investing activities		<u>-</u>	<u>(592)</u>
Cash flows from financing activities			
Issue of loans		-	(310,777)
Issue of notes		-	311,409
Proceeds from the issue of ordinary share capital		-	1
Dividends paid		(4)	(6)
Net cash flows from financing activities		<u>(4)</u>	<u>627</u>
Net decrease/increase in cash and cash equivalents			
		247	142
Cash and cash equivalents at the beginning of the year		<u>649</u>	<u>507</u>
Cash and cash equivalents at the end of the year		<u>896</u>	<u>649</u>

The notes on pages 40 to 59 form an integral part of these financial statements.

Statement for Cell 1 – 2003

Activities

The principal activity in the cell is the issue of notes and investing in subordinated loans to Danish banks. The net proceeds from the issue of each series of notes are used to acquire subordinated loans. The market for these investments and hence the notes issued by the cell, is limited to sophisticated investors who understand the risks and rewards associated with the unpredictable cash flows arising there from. The cell's notes are listed on the OMX Nordic Exchange Copenhagen.

The first cell ScandiNotes® I (Cell-1 2003), based on subordinated capital for Danish banks, launched the first issue under the Mare Baltic PCC Limited programme on July 4th, 2003. The issue was divided into two tranches a junior tranche of DKK 45,681,000 (approx. 10% of the issue) and a senior tranche of DKK 388,448,000 (approx. 90% of the issue).

During the period in question all known delegated responsibilities have been complied with and no events of default have occurred.

Results and dividends

The issue, Cell – 1 2003 (ScandiNotes® I) is running according to budget, being a key factor, due to the closed cash-flow circuit of the ring-fenced cells.

The results for the year are shown in the Income statement on page 16. The directors proposed and paid a dividend of TEUR 4 (2006: TEUR 4).

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Balance sheet – Cell 1 – 2003

	Note	As at 31 December	
		2007	2006
ASSETS			
Non-current assets			
Loans receivable		50,996	51,857
Swaps	4	-	4,310
Total non-current assets		50,996	56,167
Current assets			
Swaps	4	6,200	-
Interest receivable	5	928	894
Other receivables		8	6
Cash and cash equivalents	6	275	251
Total current assets		7,411	1,151
Total assets		58,407	57,318
EQUITY			
Called up share capital	7	1	1
Retained earnings		311	233
Total equity		312	234
LIABILITIES			
Non-current liabilities			
Notes issued	8	57,110	56,080
Total non-current liabilities		57,110	56,080
Current liabilities			
Creditors		40	37
Accrued interest	9	945	967
Total current liabilities		985	1,004
Total liabilities		58,095	57,084
Total equity and liabilities		58,407	57,318

The notes on pages 40 to 59 form an integral part of these financial statements.

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Income statement – Cell 1 – 2003

	Note	Year ended 31 December	
		2007	2006
Revenue			
Loan interest		3,147	2,592
		<u>3,147</u>	<u>2,592</u>
Expenditure			
Note interest		(1,164)	(1,164)
Swap interest		(1,817)	(1,262)
Operational expenses		(84)	(75)
		<u>(3,065)</u>	<u>(2,501)</u>
Operating surplus		82	91
Unrealized gain on loans		-	136
Unrealized gain on swaps		1,929	801
Unrealized gain on notes		-	366
Unrealized loss on loans		(857)	(510)
Unrealized loss on swaps		(38)	(555)
Unrealized loss on notes		(1,034)	(238)
		<u>-</u>	<u>-</u>
Net result for the year		82	91

The notes on pages 40 to 59 form an integral part of these financial statements.

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Statement of changes in equity – Cell 1 – 2003

	Share capital	Retained earnings	Total Share- holders equity
Balance at 1 January 2006	1	146	147
Profit for the year	-	91	91
Total recognized income for 2006	-	91	91
Issue of share capital	-	-	-
Dividend related to 2005	-	(4)	(4)
	-	(4)	(4)
Balance at 31 December 2006	1	233	234
Balance at 1 January 2007	1	233	234
Profit for the year	-	82	82
Total income for 2007	-	82	82
Issue of share capital	-	-	-
Dividend related to 2006	-	(4)	(4)
	-	(4)	(4)
Balance at 31 December 2007	1	311	312

The notes on pages 40 to 59 form an integral part of these financial statements.

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Cash flow statement – Cell 1 – 2003

	<u>Year ended 31 December</u>		
	Note	2007	2006
Cash flows from operating activities			
Operating profit for the year		82	91
Increase/decrease interest receivable		(34)	(44)
Increase/decrease other receivable		(2)	(3)
Increase/decrease accrued interest		(22)	(13)
Increase/decrease creditors		3	(4)
Net cash generated from operating activities		<u>27</u>	<u>27</u>
Cash flows from investing activities			
Loans advanced		861	425
Swaps advanced		(1,890)	(243)
Notes advanced		1,030	(183)
Net cash generated from investing activities		<u>1</u>	<u>(1)</u>
Cash flows from financing activities			
Issue of loans		-	-
Issue of notes		-	-
Proceeds from the issue of ordinary share capital		-	-
Dividends paid		(4)	(4)
Net cash generated from financing activities		<u>(4)</u>	<u>(4)</u>
Net decrease/increase in cash and cash equivalents			
		24	22
Cash and cash equivalents at the beginning of the year		<u>251</u>	<u>229</u>
Cash and cash equivalents at the end of the year		<u>275</u>	<u>251</u>

The notes on pages 40 to 59 form an integral part of these financial statements.

Statement for Cell 1 – 2004

Activities

The principal activity in the cell is the issue of notes and investing in subordinated loans to Danish banks. The net proceeds from the issue of each series of notes are used to acquire subordinated loans. The market for these investments and hence the notes issued by the cell, is limited to sophisticated investors who understand the risks and rewards associated with the unpredictable cash flows arising there from. The cell's notes are listed on the OMX Nordic Exchange Copenhagen.

The second cell, Cell – 1 2004 (ScandiNotes® II), based on subordinated capital for Danish banks, was launched November 1st, 2004 under the Mare Baltic PCC Limited programme. This issue was like ScandiNotes® I divided into two tranches, a junior tranche of DKK 133,600,000 (approx. 15% of the issue) and a senior tranche of DKK 728,375,000 (approx. 85% of the issue). The senior tranche was rated by Moody's and achieved an "A2" long-term rating.

During the period in question all known delegated responsibilities have been complied with and no events of default have occurred.

Results and dividends

The issue Cell – 1 2004 (ScandiNotes® II) is running according to budget, being a key factor, due to the closed cash-flow circuit of the ring-fenced cells.

The results for the year are shown in the Income statement on page 21. The directors proposed and paid a dividend of TEUR 0 (2006: TEUR 2).

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Balance sheet – Cell 1 – 2004

		As at 31 December	
	Note	2007	2006
ASSETS			
Non-current assets			
Loans receivable		108,292	109,842
Swaps	4	2,465	961
Total non-current assets		110,757	110,803
Current assets			
Interest receivable	5	1,738	1,533
Other receivable		6	1
Cash and cash equivalents	6	289	270
Total current assets		2,033	1,804
Total assets		112,790	112,607
EQUITY			
Called up share capital	7	1	1
Retained earnings		196	124
Total equity		197	125
LIABILITIES			
Non-current liabilities			
Notes issued	8	110,861	110,907
Total non-current liabilities		110,861	110,907
Current liabilities			
Creditors		22	70
Accrued interest	9	1,710	1,505
Total current liabilities		1,732	1,575
Total liabilities		112,593	112,482
Total equity and liabilities		112,790	112,607

The notes on pages 40 to 59 form an integral part of these financial statements.

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Income statement – Cell 1 – 2004

	Note	Year ended 31 December	
		2007	2006
Revenue			
Loan interest		6,124	4,781
		<u>6,124</u>	<u>4,781</u>
Expenditure			
Note interest		(3,468)	(3,467)
Swap interest		(2,493)	(1,173)
Operational expenses		(91)	(107)
		<u>(6,052)</u>	<u>(4,747)</u>
Operating surplus		72	34
Unrealized gain on loans		-	145
Unrealized gain on swaps		1,806	641
Unrealized gain on notes		1,347	2,246
Unrealized loss on loans		(1,541)	(421)
Unrealized loss on swaps		(301)	(2,118)
Unrealized loss on notes		(1,311)	(493)
		<u>-</u>	<u>-</u>
Net result for the year		<u>72</u>	<u>34</u>

The notes on pages 40 to 59 form an integral part of these financial statements.

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Statement of changes in equity – Cell 1 – 2004

	Share capital	Retained earnings	Total Share- holders equity
Balance at 1 January 2006	1	92	93
Profit for the year	-	34	34
Total recognized income for 2006	-	34	34
Issue of share capital	-	-	-
Dividend related to 2005	-	(2)	(2)
	-	(2)	(2)
Balance at 31 December 2006	1	124	125
Balance at 1 January 2007	1	124	125
Profit for the year	-	72	72
Total recognized income for 2007	-	72	72
Issue of share capital	-	-	-
Dividend related to 2006	-	-	-
Balance at 31 December 2007	1	196	197

The notes on pages 40 to 59 form an integral part of these financial statements.

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Cash flow statement – Cell 1 – 2004

	<u>Year ended 31 December</u>		
	Note	2007	2006
Cash flows from operating activities			
Operating profit for the year		72	34
Increase/decrease interest receivable		(205)	(278)
Increase/decrease other receivable		(5)	1
Increase/decrease accrued interest		205	277
Increase/decrease creditors		(48)	(16)
Net cash generated from operating activities		<u>19</u>	<u>18</u>
Cash flows from investing activities			
Loans advanced		1,550	383
Swaps advanced		(1,504)	1,480
Notes advanced		(46)	(1,863)
Net cash generated from investing activities		<u>-</u>	<u>-</u>
Cash flows from financing activities			
Issue of loans		-	-
Issue of notes		-	-
Proceeds from the issue of ordinary share capital		-	-
Dividends paid		-	(2)
Net cash generated from financing activities		<u>-</u>	<u>(2)</u>
Net decrease/increase in cash and cash equivalents			
		19	16
Cash and cash equivalents at the beginning of the year		<u>270</u>	<u>254</u>
Cash and cash equivalents at the end of the year		<u>289</u>	<u>270</u>

The notes on pages 40 to 59 form an integral part of these financial statements.

Statement for Cell 1 – 2005

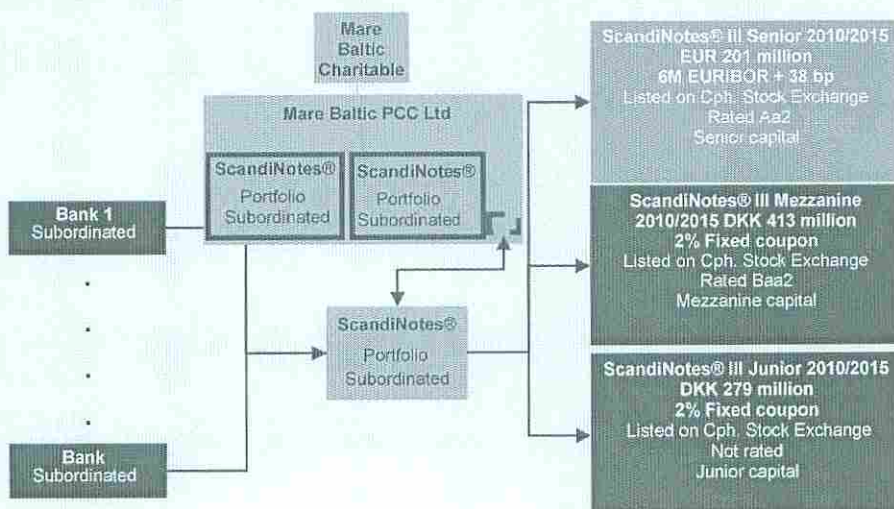
Activities

The principal activity in the cell is the issue of notes and investing in subordinated loans to Danish banks. The net proceeds from the issue of each series of notes are used to acquire subordinated loans. The market for these investments and hence the notes issued by the cell, is limited to sophisticated investors who understand the risks and rewards associated with the unpredictable cash flows arising there from. The cells notes are listed on the OMX Nordic Exchange Copenhagen.

The third cell, Cell – 1 2005 (ScandiNotes® III), was as with ScandiNotes® I and ScandiNotes® II, based on subordinated debt for financial institutions, but for this issue to Nordic Financial institutions. The Issue was launched on November 1st, 2005. This Issue was divided into three tranches, a junior tranche of DKK 279,050,000, a mezzanine tranche of DKK 413,370,000 and a senior tranche of EUR 201,600,000. The mezzanine tranche was rated Baa2 by Moody’s and the Senior tranche was rated Aa2 by Moody’s.

Deal structure

- Mare Baltic PCC Ltd. has a legal set-up which isolates each cell and makes them bankruptcy remote from other cells' creditors



Directors' report Cell 1 – 2005 (continued)

Key value drivers have been identified as investor appetite plus quality and quantity of the cash flow from the underlying assets.

During the year in question all known delegated responsibilities have been complied with and no events of default have occurred.

Results and dividends

The third issue, Cell – 1 2005, (ScandiNotes® III) is running according to budget, being a key factor, due to the closed cash-flow circuit of the ring-fenced cells.

The results for the year are shown in the Income statement on page 27. The directors do not recommend payment of a dividend in respect of the year ended 31 December 2007 (2006; TEUR 0)

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Balance sheet – Cell 1 – 2005

		<u>As at 31 December</u>	
	Note	2007	2006
ASSETS			
Non-current assets			
Loans receivable		281,912	284,150
Swaps	4	<u>2,674</u>	<u>923</u>
Total non-current assets		<u>284,586</u>	<u>285,073</u>
Current assets			
Interest receivable	5	4,667	3,942
Other receivable		6	1
Cash and cash equivalents	6	<u>167</u>	<u>118</u>
Total current assets		<u>4,840</u>	<u>4,061</u>
Total assets		<u>289,426</u>	<u>288,134</u>
EQUITY			
Called up share capital	7	1	1
Retained earnings		<u>144</u>	<u>65</u>
Total equity		<u>145</u>	<u>66</u>
LIABILITIES			
Non-current liabilities			
Notes issued	8	284,600	284,212
Swaps	4	<u>25</u>	<u>900</u>
Total non-current liabilities		<u>284,625</u>	<u>285,112</u>
Current liabilities			
Creditors		27	53
Accrued interest	9	<u>4,629</u>	<u>3,903</u>
Total current liabilities		<u>4,656</u>	<u>3,956</u>
Total liabilities		<u>289,281</u>	<u>289,068</u>
Total equity and liabilities		<u>289,426</u>	<u>289,134</u>

The notes on pages 40 to 59 form an integral part of these financial statements.

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Income statement – Cell 1 – 2005

	<u>Year ended 31 December</u>		
	Note	2007	2006
Revenue			
Loan interest		14,568	11,267
		<u>14,568</u>	<u>11,267</u>
Expenditure			
Note interest		(10,948)	(8,590)
Swap interest		(3,423)	(2,473)
Operational expenses		(118)	(149)
		<u>(14,489)</u>	<u>(11,212)</u>
Operating surplus		79	55
Unrealized gain on loans		224	753
Unrealized gain on swaps		3,453	2,540
Unrealized gain on notes		1,631	2,075
Unrealized loss on loans		(2,448)	(1,861)
Unrealized loss on swaps		(842)	(2,228)
Unrealized loss on notes		(2,018)	(1,279)
		-	-
Net result for the year		<u>79</u>	<u>55</u>

The notes on pages 40 to 59 form an integral part of these financial statements.

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Statement of changes in equity – Cell 1 – 2005

	Share capital	Retained earnings	Total Share- holders equity
Balance at 1 January 2006	1	10	11
Profit for the year	-	55	55
Total recognized income for 2006	-	55	55
Issue of share capital	-	-	-
Dividend related to 2005	-	-	-
	-	-	-
Balance at 31 December 2006	1	65	66
Balance at 1 January 2007	1	65	66
Profit for the year	-	79	79
Total recognized income for 2007	-	79	79
Issue of share capital	-	-	-
Dividend related to 2006	-	-	-
	-	-	-
Balance at 31 December 2007	1	144	145

The notes on pages 40 to 59 form an integral part of these financial statements.

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Cash flow statement – Cell 1 – 2005

	<u>Year ended 31 December</u>		
	Note	2007	2006
Cash flows from operating activities			
Operating profit for the year		79	55
Increase/decrease interest receivable		(725)	(1,097)
Increase/decrease other receivable		(5)	(1)
Increase/decrease accrued interest		726	1,116
Increase/decrease creditors		(26)	33
Net cash generated from operating activities		<u>49</u>	<u>106</u>
Cash flows from investing activities			
Loans advanced		2,238	1,108
Swaps advanced		(2,626)	(313)
Notes advanced		388	(797)
Net cash generated from investing activities		<u>-</u>	<u>(2)</u>
Cash flows from financing activities			
Issue of loans		-	-
Issue of notes		-	-
Proceeds from the issue of ordinary share capital		-	-
Dividends paid		-	-
Net cash generated from financing activities		<u>-</u>	<u>-</u>
Net decrease/increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		49	104
Cash and cash equivalents at the end of the year		<u>118</u>	<u>14</u>
Cash and cash equivalents at the end of the year		<u>167</u>	<u>118</u>

The notes on pages 40 to 59 form an integral part of these financial statements.

Statement for Cell 1 – 2006

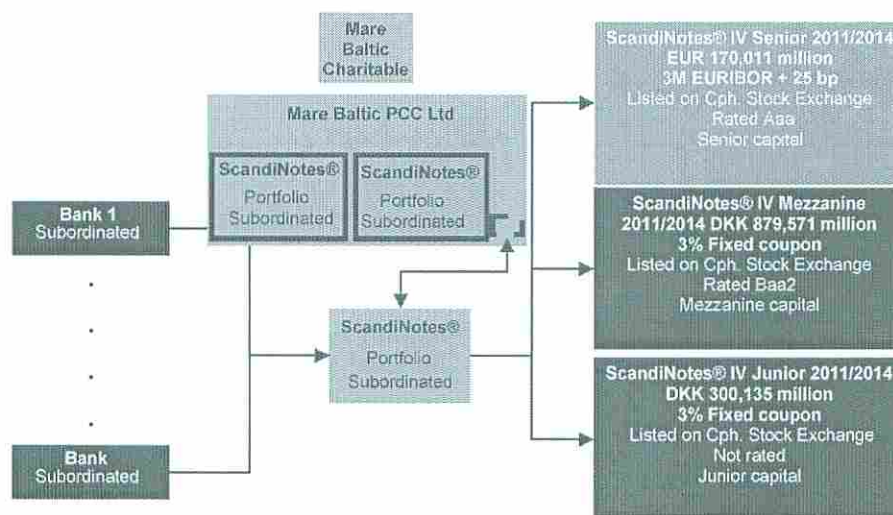
Activities

The principal activity in the cell is the issue of notes and investing in subordinated loans to Danish banks. The net proceeds from the issue of each series of notes are used to acquire subordinated loans. The market for these investments and hence the notes issued by the cell, is limited to sophisticated investors who understand the risks and rewards associated with the unpredictable cash flows arising there from. The cells notes are listed on the OMX Nordic Exchange Copenhagen.

The fourth cell, Cell – I 2006 (ScandiNotes® IV), was as with ScandiNotes® I and ScandiNotes® II, based on subordinated debt for Danish financial institutions. The Issue was launched on November 17th, 2006. This Issue was divided into three tranches, a junior tranche of DKK 300,135,000, a mezzanine tranche of DKK 879,571,000 and a senior tranche of EUR 170,011,000. The mezzanine tranche was rated Baa2 by Moody’s and the Senior tranche was rated AAA by Moody’s.

Deal structure

- Mare Baltic PCC Ltd. has a legal set-up which isolates each cell and makes them bankruptcy remote from other cells' creditors



As with ScandiNotes® I, ScandiNotes® II and ScandiNotes® III all the Notes were immediately sold to the dealer on the programme, HSH Nordbank AG, Copenhagen Branch, with the purpose of on-selling in the Danish capital market.

Directors' report Cell 1 – 2006 (continued)

For ScandiNotes® IV a number of bilateral meetings were held with institutional investors and other professional investors. The Senior tranche were primarily sold in Scandinavia and the Mezzanine and Junior tranche were sold in Denmark. As with the last three issues the Notes were very well received by the market and were supported by positive business newspaper articles and analysis in Denmark and the UK.

Key value drivers have been identified as investor appetite, quality and quantity of the cash flow from the underlying assets, plus structuring creating a Aaa credit rating quality in the senior tranche.

During the period in question all known delegated responsibilities have been complied with and no events of default have occurred.

Results and dividends

The fourth issue, Cell – 1 2006, (ScandiNotes® IV) is running according to budget, being a key factor, due to the closed cash-flow circuit of the ring-fenced cells.

The results for the year are shown in the Income statement on page 33. The directors do not recommend payment of a dividend in respect of the year ended 31 December 2007 (2006; TEUR 0)

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Balance sheet – Cell 1 – 2006

		As at 31 December	
	Note	2007	2006
ASSETS			
Non-current assets			
Loans receivable		313,705	310,713
Swaps	4	1,120	-
Total non-current assets		314,825	310,713
Current assets			
Interest receivable	5	3,833	3,271
Other receivable		5	-
Cash and cash equivalents	6	155	-
Total current assets		3,993	3,271
Total assets		318,818	313,984
EQUITY			
Called up share capital	7	1	1
Retained earnings		125	14
Total equity		126	15
LIABILITIES			
Non-current liabilities			
Notes issued	8	314,344	310,039
Swaps	4	523	717
Total non-current liabilities		314,867	310,756
Current liabilities			
Creditors		23	16
Accrued interest	9	3,802	3,197
Total current liabilities		3,825	3,213
Total liabilities		318,692	313,969
Total equity and liabilities		318,818	313,984

The notes on pages 40 to 59 form an integral part of these financial statements.

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Income statement – Cell 1 – 2006

	<u>Year ended 31 December</u>		
	Note	2007	2006
Revenue			
Loan interest		16,537	1,857
		<u>16,537</u>	<u>1,857</u>
Expenditure			
Note interest		(12,277)	(1,370)
Swap interest		(4,010)	(457)
Operational expenses		(139)	(16)
		<u>(16,426)</u>	<u>(1,843)</u>
Operating surplus		111	14
Unrealized gain on loans		4,947	1,477
Unrealized gain on swaps		4,622	-
Unrealized gain on notes		2,214	31
Unrealized loss on loans		(1,929)	-
Unrealized loss on swaps		(3,309)	(716)
Unrealized loss on notes		(6,545)	(792)
		<u>-</u>	<u>-</u>
Net result for the year		<u>111</u>	<u>14</u>

The notes on pages 40 to 59 form an integral part of these financial statements.

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Statement of changes in equity – Cell 1 – 2006

	Share capital	Retained earnings	Total Share- holders equity
Balance at 1 January 2006	-	-	-
Profit for the period	-	14	14
Total recognized income for 2006	-	14	14
Issue of share capital	1	-	1
	1	-	1
Balance at 31 December 2006	1	14	15
Balance at 1 January 2007	1	14	15
Profit for the year	-	111	111
Total recognized income for 2007	-	111	111
Issue of share capital	-	-	-
Balance at 31 December 2007	1	125	126

The notes on pages 40 to 59 form an integral part of these financial statements.

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Cash flow statement – Cell 1 – 2006

	<u>Year ended 31 December</u>		
	Note	2007	2006
Cash flows from operating activities			
Operating profit for the period		111	14
Increase/decrease interest receivable		(562)	(1,900)
Increase/decrease other receivable		(5)	(1,371)
Increase/decrease accrued interest		605	172,653
Increase/decrease creditors		7	16
Net cash generated from operating activities		<u>156</u>	<u>169,412</u>
Cash flows from investing activities			
Loans advanced		(2,992)	-
Swaps advanced		(1,314)	(168,715)
Notes advanced		4,305	-
Net cash generated from investing activities		<u>(1)</u>	<u>(168,715)</u>
Cash flows from financing activities			
Issue of loans		-	(310,713)
Issue of notes		-	311,409
Proceeds from the issue of ordinary share capital		-	1
Dividends paid		-	-
Net cash generated from financing activities		<u>-</u>	<u>697</u>
Net decrease/increase in cash and cash equivalents			
		155	-
Cash and cash equivalents at the beginning of the year		<u>-</u>	<u>-</u>
Cash and cash equivalents at the end of the year		<u>155</u>	<u>-</u>

The notes on pages 40 to 59 form an integral part of these financial statements.

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Balance sheet – Non-cellular

		<u>As at 31 December</u>	
	Note	2007	2006
ASSETS			
Non-current assets			
Loans receivable		-	-
Swaps	4	-	-
Total non-currents assets		<u>-</u>	<u>-</u>
Current assets			
Interest receivable	5	-	-
Other receivable		-	-
Cash and cash equivalents	6	10	10
Total current assets		<u>10</u>	<u>10</u>
Total assets		<u>10</u>	<u>10</u>
EQUITY			
Called up share capital	7	10	10
Retained earnings		-	-
Total equity		<u>10</u>	<u>10</u>
LIABILITIES			
Non-current liabilities			
Notes issued	8	-	-
Total non-current liabilities		<u>-</u>	<u>-</u>
Current liabilities			
Creditors		-	-
Accrued interest	9	-	-
Total current liabilities		<u>-</u>	<u>-</u>
Total liabilities		-	-
Total equity and liabilities		<u>10</u>	<u>10</u>

The notes on pages 40 to 59 form an integral part of these financial statements.

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Income statement – Non-cellular

	Note	Year ended 31 December	
		2007	2006
Revenue			
Loan interest		-	-
			-
Expenditure			
Note interest		-	-
Swap interest		-	-
Operational expenses		-	-
		-	-
Operating surplus		-	-
Unrealized gain on loans		-	-
Unrealized gain on swaps		-	-
Unrealized loss on notes		-	-
		-	-
Net result for the year		-	-

The notes on pages 40 to 59 form an integral part of these financial statements.

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Statement of changes in equity – Non-cellular

	Share capital	Retained earnings	Total Share- holders equity
Balance at 1 January 2006	<u>10</u>	-	<u>10</u>
Profit for the year	-	-	-
Total recognized income for 2006	<u>-</u>	<u>-</u>	<u>-</u>
Issue of share capital	-	-	-
Dividend related to 2005	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 December 2006	<u>10</u>	-	<u>10</u>
Balance at 1 January 2007	<u>10</u>	-	<u>10</u>
Profit for the year	-	-	-
Total recognized income for 2007	<u>-</u>	<u>-</u>	<u>-</u>
Issue of share capital	-	-	-
Dividend related to 2006	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 December 2007	<u>10</u>	-	<u>10</u>

The notes on pages 40 to 59 form an integral part of these financial statements.

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Cash flow statement – Non-cellular

	<u>Year ended 31 December</u>		
	Note	2007	2006
Cash flows from operating activities			
Operating profit for the year		-	-
Increase/decrease interest receivable		-	-
Increase/decrease other receivable		-	-
Increase/decrease accrued interest		-	-
Increase/decrease creditors		-	-
Net cash generated from operating activities		<u>-</u>	<u>-</u>
Cash flows from investing activities			
Loans advanced		-	-
Swaps advanced		-	-
Notes advanced		-	-
Net cash generated from investing activities		<u>-</u>	<u>-</u>
Cash flows from financing activities			
Issue of notes		-	-
Proceeds from the issue of ordinary share capital		-	-
Dividends paid		-	-
Net cash generated financing activities		<u>-</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		<u>10</u>	<u>10</u>
Cash and cash equivalents at the end of the year		<u>10</u>	<u>10</u>

The notes on pages 40 to 59 form an integral part of these financial statements.

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements

1. General information

Mare Baltic PCC Limited (the Company) is a limited liability company incorporated and domiciled in Guernsey.

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. The policies are unchanged compared to last year with exception of implementation of IFRS 7 ('Financial Instruments Disclosures') and presentation of swaps on a net basis as opposed to gross. Comparative information has been amended accordingly.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by EU and interpretations issued by the International Financial Reporting Interpretations Committee. The more significant accounting policies used are set out below.

The Company's rights under the swaps are regarded as derivative financial instruments. Under IFRS derivative financial instruments are classified as held for trading and thereby swaps automatically falls within the definition of a financial asset or financial liability at fair value through profit or loss.

In accordance with IAS 39 'Financial Instruments: Recognition and Measurement' the directors have designated the Company's investment in subordinated loans as a financial asset at fair value through profit or loss. Also, the directors have designated the Company's notes issued as financial liabilities at fair value through profit or loss. This is to eliminate the accounting mismatch which would otherwise exist between subordinated loans, notes issued and swap transactions which are entered into to eliminate the differences in currency and interest terms of the subordinated loans and notes issued.

The changes in the fair value due to changes in the company's own credit risk on loan and credit risk on the notes issued are considered to be immaterial.

No issued standards which are not implemented are assessed to have influence on future presentation of the annual accounts.

Notes to the financial statements (continued)

2.2 Use of estimates

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make 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 income and expense during the year. Actual results could differ from those estimates.

In particular estimations are applied in the determination of fair values of loan and notes issued. As there may be periods with less market activity in particular tranches the valuation is subject to illiquidity.

2.3 Protected Cell Company

The Company is a Protected Cell Company in accordance with the provisions of the Protected Cell Companies Ordinance 1997 as amended by the Protected Cell Companies (Amendment) Ordinance, 1998 ("the Ordinance"). The assets of the Company can be either cellular assets or non-cellular assets. The assets attributable to a cell comprise assets represented by the proceeds of cell share capital, reserves and any other assets attributable to the cell. The non-cellular assets comprise the assets of the Company, which are not cellular assets. Where a liability arises from a transaction in respect of a particular cell, and there are insufficient assets within this cell, then there will be no recourse to the assets of any other cell, but there may, in certain circumstances, be access to the non-cellular assets.

2.4 Notes issued

Notes issued are initially recognized at their fair value on the date of issue. Subsequent to initial recognition the notes are measured at fair value which is based on their quoted market price generally. The scheduled redemption amounts of the notes at the scheduled maturity dates will be the nominal amounts.

2.5 Interest Rate Swap agreements (IRS's)

IRS's are stated at fair value, estimated using valuation methods with inputs based on current market data. Realized and unrealized gains and losses on the IRS's are recognized in the income statement.

Notes to the financial statements (continued)

2.6 Loans receivable

Loans receivable are classified as a financial asset at fair value through profit or loss. The loans are initially recognized at fair value on the date of purchase and subsequently at its estimated fair value.

The calculation of fair value of the loans has been based on relevant market input, particularly the development in the values of the issued notes which are quoted at the OMX Nordic Exchange Copenhagen.

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

2.8 Functional and reporting currency

The functional currency is DKK for CELL 1-2003 and CELL 1-2004, EUR for CELL 1-2005 and DKK for CELL 1- 2006. The reporting currency of the Company is EUR.

2.9 Foreign currencies

Monetary assets and liabilities are translated into EUR at the rate of exchange ruling at the balance sheet date. Foreign currency transactions are translated into EUR at the rate of exchange ruling at the date of transaction. Exchange differences arising on the settlement or revaluation of monetary items, are recognized in the income statement in the year which they arise.

2.10 Interest income and expenses

Interest income and expenses are recognized on an accruals basis.

Notes to the financial statements (continued)

2.11 Agent fees

Agent fees are recognized on an accruals basis. The fees payable are amortized to the income statement over the service period, using the linear method.

2.12 Employees

The Company had no employees during the year ended 31 December 2007.

3. Loans receivable (at fair value)

The Company has invested the proceeds from the issue of notes in portfolios of subordinated loans to a number of small and medium sized banks. They pay interest to the Company sufficient to fund its obligations to the Note holders and obligations under the Swap Agreements.

The Company has entered into a Programme for the issue of limited recourse obligations (the "Programme") whereby the Company may issue notes in series and each such series is separately secured by a charge on assets acquired to fund the Company's payment obligations on each series (the "Collateral"). Therefore, the investments in loan portfolios above are separately pledged as security for the notes issued.

The Issuer relies on its Investment Advisor (HSH Nordbank AG) to risk rate the obligor banks and also monitor their external ratings, if any. Currently one of the banks has a public rating.

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

4. Interest Rate Swap Agreement

The IRS's are entered into to match the receivables of the company with the obligations under the note issue Programme. The interest received from the investments is exchanged with fixed rate interest matching the obligation on the notes.

Related risk position	Maturity date	Notional amount	Pay/receive	Interest %	Fair value 31 December 2007	Fair value 31 December 2006
<i>Cell 1 - 2003</i>						
DKK 388,448,000 Class A 2% Limited Recourse Secured Senior Noted due 2011	07.06. 2008	Fixed DKK 388,488,000	(receive)	2,000 %	5,227	3,593
DKK 45,681,000 Class B 2% Limited Recourse Secured Junior Noted due 2011	07.06. 2008	Fixed DKK 45,681,000	(receive)	2,000 %	924	631
DKK 50,000,000 Fixed Loan Swap	06.06. 2008 06.06. 2008	Floating DKK 50,000,000 Fixed DKK 50,000,000	(receive) (pay)	5,075 %	49	86
					6,200	4,310
Current assets					6,200	4,310

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

4. Interest Rate Swap Agreement (continued)

Related risk position	Maturity date	Notional amount	Pay/ receive	Inter-est %	Fair value 31 December 2007	Fair value 31 December 2006
<i>Cell 1 - 2004</i>						
DKK 728,375,000	01.11.2009	Fixed DKK 728,375,000	(receive)	3,000%	1,747	582
Class A 3% Limited Recourse Secured Senior Notes due 2012	29.10.2009	Floating DKK 680,000,000	(pay)			
DKK 133,600,000	01.11.2009	Fixed DKK 133,600,000	(receive)	3,000%	718	379
Class B 3% Limited Recourse Secured Junior Noted due 2012	29.10.2009	Floating DKK 120,000,000	(pay)			
					2,465	961
Non current assets					2,465	961

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

4. Interest Rate Swap Agreement (continued)

Related risk position	Maturity date	Notional amount	Pay/receive	Interest %	Fair value 31 December 2007	Fair value 31 December 2006
<i>Cell 1 - 2005</i>						
EUR 201,600 Class A 2,753% Limited Recourse Secured Senior Notes due 2015	1/11 2010	Floating EUR 201,600	(receive)		62	69
DKK 279,050,000 Class C 2% Limited Recourse Secured Junior Noted due 2015	1/11 2010	Fixed DKK 279,050,000	(receive)	2,000 %	34,877	34,500
	31/10 2010	Floating EUR 28,000	(pay)		(32,265)	(33,646)
					2,612	854
					2,674	923
Non current assets					2,674	923

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

4. Interest Rate Swap Agreement (continued)

Related risk position	Maturity date	Notional amount	Pay/receive	Interest %	Fair value 31 December 2007	Fair value 31 December 2006
<i>Cell 1 – 2005</i>						
DKK 413,370,000 Class B 2% Limited Recourse Secured Mezzanine Notes due 2015	1/11 2010	Fixed DKK 413,370,000	(receive)	2,000 %	51,665	51,106
	1/11 2010	Floating EUR 50,400	(pay)		(51,690)	(52,006)
					(25)	(900)
					(25)	(900)
Non current liabilities					(25)	(900)

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

4. Interest Rate Swap Agreement (continued)

Related risk position	Maturity date	Notional amount	Pay/receive	Interest %	Fair value 31 December 2007	Fair value 31 December 2006
<i>Cell 1 - 2006</i>						
DKK 300,135,000	16/11 2011	Fixed DKK 300,135,000	(receive)	3,000 %	1,120	
Class C 3% Limited Recourse Secured Junior Noted due 2014	17/11 2011	Floating DKK 230,565,870	(pay)			(86)
					1,120	(86)
Non current assets					1,120	
Non current liabilities						(86)

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

4. Interest Rate Swap Agreement (continued)

Related risk position	Maturity date	Notional amount	Pay/receive	Interest %	Fair value 31 December 2007	Fair value 31 December 2006
<i>Cell 1 - 2006</i>						
EUR 170,011,000 Class A 3,843% Limited Recourse Secured Senior Notes due 2014	17/11 2011	Floating EUR 170,011,000	(receive)		171,871	171,898
		Floating DKK 1,268,112,049	(pay)		(171,926)	(171,914)
					(55)	(16)
DKK 879,571,000 Class B 3% Limited Recourse Secured Mezzanine Notes due 2014	16/11 2011	Fixed DKK 879,571,000	(receive)	3,000 %	43	38
		Floating DKK 806,980,545	(pay)		(511)	(653)
					(468)	(615)
					(523)	(631)
Non current liabilities					(523)	(631)

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

5. Interest receivable

	<u>2007</u>	<u>2006</u>
Cell 1 – 2003		
Interest receivable, loans	236	205
Interest receivable, swaps	692	689
	<u>928</u>	<u>894</u>
Cell 1 – 2004		
Interest receivable, loans	1,168	963
Interest receivable, swaps	570	570
	<u>1,738</u>	<u>1,533</u>
Cell 1 – 2005		
Interest receivable, loans	2,687	2,264
Interest receivable, swaps	1,980	1,678
	<u>4,667</u>	<u>3,942</u>
Cell 1 – 2006		
Interest receivable, loans	2,258	1,900
Interest receivable, swaps	1,575	1,371
	<u>3,833</u>	<u>3,271</u>
Non-cellular		
Interest receivable, loans	-	-
Interest receivable, swaps	-	-
	<u>-</u>	<u>-</u>
	<u>11,166</u>	<u>9,640</u>

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

6. Cash and cash equivalents

	<u>2007</u>	<u>2006</u>
Cell 1 – 2003		
Royal Bank of Scotland International Guernsey	1	1
HSH Nordbank – Denmark (current account)	274	250
	<u>275</u>	<u>251</u>
Cell 1 – 2004		
Royal Bank of Scotland International Guernsey	1	1
HSH Nordbank – Denmark (current account)	288	269
	<u>289</u>	<u>270</u>
Cell 1 – 2005		
Royal Bank of Scotland International Guernsey	1	1
HSH Nordbank – Denmark (current account)	166	117
	<u>167</u>	<u>118</u>
Cell 1 – 2006		
Royal Bank of Scotland International Guernsey	1	(1)
HSH Nordbank – Denmark (current account)	154	1
	<u>155</u>	<u>-</u>
Non-cellular		
Royal Bank of Scotland International Guernsey	10	10
HSH Nordbank – Denmark (current account)	-	-
	<u>10</u>	<u>10</u>
	<u>896</u>	<u>649</u>

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

7. Called up share capital

	<u>2007</u>	<u>2006</u>
Cell 1 – 2003		
1,000 ordinary shares of EUR 1 each	1	1
Cell 1 – 2004		
1,000 ordinary shares of EUR 1 each	1	1
Cell 1 – 2005		
1,000 ordinary shares of EUR 1 each	1	1
Cell 1 – 2006		
1,000 ordinary shares of EUR 1 each	1	1
Non-cellular		
10,000 ordinary shares of EUR 1 each	10	10
	<u>14</u>	<u>14</u>

The authorized share capital comprising 200,000 ordinary shares of EUR 1 each.
All shares belongs to same class of shares and have the same rights.

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

8. Notes issued

	2007		2006	
	Issue proceeds/ Notional amount	Fair value	Issue proceeds/ Notional amount	Fair value
Cell 1 – 2003				
Series 2003-1 DKK 388,448,000 Scandi Notes 1 2% limited recourse secured asset backed notes due 2011 (senior)	DKK '000 342,000	51,131	DKK '000 342,000	50,275
Series 2003-1 DKK 45,681,000 Scandi Notes 1 2% limited recourse secured asset backed notes due 2011 (junior)	DKK '000 38,000	5,979	DKK '000 38,000	5,805
		57,110		56,080
Cell 1 – 2004				
Series 2004-1 DKK 728,375,000 Scandi Notes 2 3% limited recourse secured asset backed notes due 2012 (senior)	DKK '000 680,774	94,019	DKK '000 680,774	93,929
Series 2004-1 DKK 133,600,000 Scandi Notes 2 3% limited recourse secured asset backed notes due 2012 (junior)	DKK '000 120,000	16,842	DKK '000 120,000	16,978
		110,861		110,907

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

8. Notes issued (continued)

	2007		2006	
	Issue proceeds/ Notional amount	Fair value	Issue proceeds/ Notional amount	Fair value
Cell 1 – 2005				
Series 2015-1 EUR				
201,600,000 Scandi Notes 3				
2,753 % limited recourse				
secured asset backed notes due				
2011 (senior)	EUR '000 201,600	199,584	EUR '000 201,600	201,197
Series 2015-1 DKK				
413,370,000 Scandi Notes 3				
2 % limited recourse secured				
asset backed notes due 2015				
(mezzanine)	DKK '000 376,110	51,335	DKK '000 376,110	50,230
Series 2015-1 DKK				
279,050,000 Scandi Notes 3				
2 % limited recourse secured				
asset backed notes due 2011				
(junior)	DKK '000 209,248	33,681	DKK '000 209,248	32,785
		284,600		284,212

Mare Baltic PCC Limited Cell - 1 2005 has entered into certain financial derivatives transactions. The purpose of these transactions is to mitigate the open market risk to the investors and the issuer (Mare Baltic) in the event that all loans are not repaid in 2010. The financial derivatives will only have a value to the investors and the issuer if any loans are not repaid in 2010. As the financial derivatives are linked specifically to such outstanding loans they will have no value to others if sold in the market. For this reason these financial derivatives are neither part of the profit and loss calculation nor influence the values of the assets and liabilities.

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

8. Notes issued (continued)

	2007		2006	
	Issue proceeds/ Notional amount	Fair value	Issue proceeds/ Notional amount	Fair value
Cell 1 – 2006				
Series 2006-1 DKK				
300,135,000 Scandi Notes 4				
3 % limited recourse secured				
asset backed notes due 2014				
(junior)				
	DKK '000		DKK '000	
	230,566	36,991	230,566	31,052
Series 2006-1 DKK				
879,571,000 Scandi Notes 4				
3 % limited recourse secured				
asset backed notes due 2014				
(mezzanine)				
	DKK '000		DKK '000	
	806,981	107,342	806,981	108,940
Series 2006-1 EUR				
170,011,000 Scandi Notes 4				
3,843 % limited recourse				
secured asset backed notes due				
2014 (senior)				
	EUR '000		EUR '000	
	170,011	170,011	170,011	170,047
		314,344		310,039

Mare Baltic PCC Limited Cell - 1 2006 has entered into certain financial derivatives transactions. The purpose of these transactions is to mitigate the open market risk to the investors and the issuer (Mare Baltic) in the event that all loans are not repaid in 2011. The financial derivatives will only have a value to the investors and the issuer if any loans are not repaid in 2011. As the financial derivatives are linked specifically to such outstanding loans they will have no value to others if sold in the market. For this reason these financial derivatives are neither part of the profit and loss calculation nor influencing the values of the assets and liabilities.

Mare Baltic PCC Limited – 31 December 2007

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

8. Notes issued (continued)

The Company has entered into a Secured Note Programme whereby the Company issues notes in series and each such series is secured by a charge on, or assignment of interests in, certain financial instruments or investments. The maximum aggregate principal amount of all Notes issued by the Company pursuant to the Programme shall not exceed EUR 1,000,000,000 or its equivalent in other currencies at the time of issue.

In connection with the notes issued under the Programme, the Company has agreed to an ISDA Master Agreement made between Mare Baltic PCC Limited and HSH Nordbank AG.

Under this Master Agreement a number of Swap Agreements have been entered into all for the purpose of exchanging interest received by the Company into fixed rate interest for servicing the notes. The recourse of holders of the notes against the Company is limited to amounts properly received from the portfolio.

The scheduled redemption amount per note in issue will be par face value at the scheduled redemption date of the notes; it will exactly match the redemption amount per note when the Swaps are terminated. The Company's notes are listed on the OMX Nordic Exchange Copenhagen.

9. Accrued interest

	2007	2006
Cell 1 – 2003		
Interest payable, notes	660	660
Interest payable, swaps	285	307
	945	967
Cell 1 – 2004		
Interest payable, notes	570	570
Interest payable, swaps	1,140	935
	1,710	1,505
Cell 1 – 2005		
Interest payable, notes	1,981	1,678
Interest payable, swaps	2,648	2,225
	4,629	3,903
Cell 1 – 2006		
Interest payable, notes	1,575	1,371
Interest payable, swaps	2,227	1,826
	3,802	3,197
Non-cellular		
Interest payable, notes	-	-
Interest payable, swaps	-	-
	11,086	9,572

Notes to the financial statements (continued)

10. Taxation

The Company was granted exemption from tax under the Income tax (Exempt Bodies) (Guernsey) Ordinances 1989 and 1992 for the year ended 31 December 2007. With effect from 1 January 2008, Guernsey abolished the exempt company regime and the standard rate of income tax for companies has changed from 20% to 0%. Mare Baltic PCC Ltd will be taxed at the standard rate of 0% from 1 January 2008.

11. Parent Company

The Company is owned by the Mare Baltic Charitable Trust. In the opinion of the Directors there is no ultimate controlling party since the criteria contained within the definition of "control" in International Accounting Standard No 24 (reformatted 1994) Related Party Disclosures are not satisfied by any one party.

12. Financial instruments

As stated in the Directors' Report the principal activity of the Company is limited to the issue of collateralized notes in series. The proceeds from the issue of each series of notes are used to acquire interest carrying assets or similar investments. Therefore, the role of financial assets and financial liabilities is central to the activities of the Company, the issue of notes provided the funding to purchase the Company's financial assets. Financial assets and liabilities provide the majority of the assets and liabilities of the Company along with all of the income.

As well as the purchase of investments and the issue of notes, the Company has also entered into Swap Agreements, as detailed in note 3, to hedge the risk associated with the potential mismatch between the capital returns from the investments and the obligations under the notes.

The strategies used by the Company in achieving its objectives regarding the use of its financial assets and liabilities were set when the Company entered into the transactions. The Company has attempted to match the properties of its financial liabilities to its asset to avoid significant elements of risk generated by mismatches of investment performance against its obligations, together with any maturity or interest rate risk.

As disclosed in note 1, the Company's Swaps are regarded as held for trading and the investments and the notes in issue as at the balance sheet date have been designated as financial asset/liabilities at fair value through profit or loss.

Notes to the financial statements (continued)

12. Financial instruments (continued)

The Swap values are calculated on the basis of a model that takes into account, inter alia, the key input of yield curves. It should be noted that the value model is based on a number of subjective assumptions and that other market practitioners may determine different values.

The indicative swap market values are calculated on the basis of the unwinding of the principal protection option. Note values are determined in accordance with the early redemption provisions of the offering Memorandum. These calculations take into account the Swap values at the maturity dates of the notes.

The investments consist of four loan portfolios. One portfolio of total nominal amount DKK 380,000,000 purchased in 2003, one portfolio of DKK 800,000,000 purchased in 2004, one portfolio of a total nominal amount of EUR 280,000,000 purchased in 2005 and one portfolio of a total amount of DKK 2,305,000,000 purchased in 2006. In the first portfolio (DKK 380 mill.) there are 8 borrowers and the maturity of the loans is 6 June 2011, with an option for the borrowers for early redemption from 6 June 2008. In the second portfolio (DKK 800 mill.) there are 11 borrowers, the maturity date of the loans is 29 October 2012, with an option for the borrowers for early redemption from 29 October 2009. In the third portfolio (EUR 280 mill.) there are 22 borrowers, the maturity date of the loans is 31 October 2015, with an option for the borrowers for early redemption from 31 October 2010.

In the fourth portfolio (DKK 2,305 mill.) there are 21 borrowers, the maturity date of the loans is 17 November 2014 with an option for the borrowers for early redemption from 17 November 2011.

The notes issued include similar early redemption option.

12.1 Interest Rate risk

The Company primarily finances its operations through the issue of bonds upon which 2% and 3% coupons are payable. The directors believe that there is no net interest rate risk to the Company as the interest is fully hedged. To hedge the Cell 1 - 2004 series and the Cell 1 - 2006 series against a substantial drop in interest rates before maturity the company has purchased interest rate floors thus eliminating the risk of losses if interest rates drop to or below zero percent.

Notes to the financial statements (continued)

12. Financial instruments (continued)

12.2 Currency risk

Virtually all of the Company's financial assets and liabilities are denominated in matching currencies. Any differences have been covered by derivatives contracts entered with third parties. Consequently, the Directors believe that there is no material currency risk to the Company.

12.3 Credit risk and Counterparty risk

Credit risk is the risk of default by the loan debtors and swap counterparty. The terms of the notes allow a full offset of such losses. The directors believe that there is no net credit risk to the Company since its obligations to the note holders are limited to the amounts due and receivable from the investment and the Swap Agreement secured as Collateral for the notes. The Company therefore has no net exposure to any non-performing financial agreements.

12.4 Credit spread risk

On average credit spreads are estimated to have widened by approximately 50 bps during 2007. This has on average impacted note prices for ScandiNotes® I to IV negatively by approximately 1.45 per cent in 2007. Taking into consideration the connection between the notes and the underlying assets, the value of the underlying assets (the loans) are estimated to have decreased at a similar level. In 2006 there were no significant changes in credit spreads.

13. Post balance sheet events

Both A and B tranches of ScandiNotes I were redeemed in total of DKK 434,129,000 on the 7th of June 2008 as expected, following the repayment of the underlying assets in full with the approval by the Danish Financial Supervisory Authority.

Winding up Cell I - 2003 will take effect after 7th of June 2009.