Mare Baltic PCC Limited
Financial statements

31 December 2006

Index to the financial statements

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

Directors' report

The directors submit their report and the audited financial statements for the year ended 31 December 2006.

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 Copenhagen Stock Exchange.

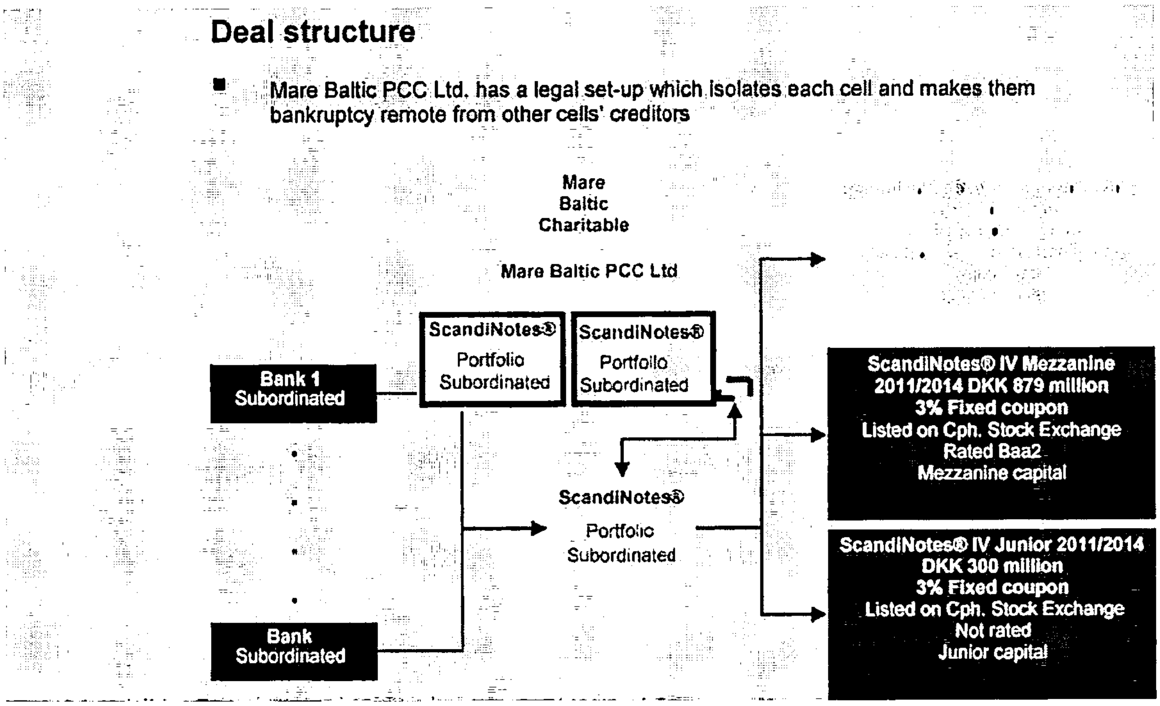
The first cell, Cell – 1 2003 (ScandiNotes® I), based on subordinated capital for Danish banks, launched the first issue under the Mare Baltic PCC Limited programme on July 4th, 2003. The issue was divided into two tranches a junior tranche of DKK 45,681,000 (approx. 10% of the issue) and a senior tranche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

Directors' report (continued)



As with ScandiNotes® I & ScandiNotes® II 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.

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.

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.

The Board of Mare Baltic PCC Limited has given consent to Hypoport 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.

During the financial year ScandiNotes® was registered as a protected trade mark as can be seen from the ® after the ScandiNotes® name.

Other external activities under evaluation include:

- A Danish mortgage portfolio,
- US Life insurance policies,

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 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.

Results and dividends

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

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 results for the year are shown in the Income statement on page 11. The directors proposed and paid a dividend of TEUR 6 (2005: TEUR 6).

Administrator

The administrators 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 auditors' 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 2006 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.

Independent auditors' 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 2006 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

27 June 2007

(All amounts in EUR thousands unless otherwise stated)

Balance sheet – All cells aggregated

	Note	As at 31 December 2006	2005
ASSETS			
Non-current assets			
Loans receivable		756,562	447,765
Swaps	4	262,882	94,432
Total non-current assets		**1,019,444**	**542,197**
Current assets			
Interest receivable	5	9,640	4,950
Other receivable		8	5
Cash and cash equivalents	6	649	507
Total current assets		**10,297**	**5,462**
Total assets		**1,029,741**	**547,659**
EQUITY			
Called up share capital	7	14	13
Retained earnings		436	248
Total equity		**450**	**261**
LIABILITIES			
Non-current liabilities			
Notes issued	8	761,238	454,042
Swaps	4	258,305	88,214
Total non-current liabilities		**1,019,543**	**542,256**
Current liabilities			
Creditors		176	147
Accrued interest	9	9,572	4,995
Total current liabilities		**9,748**	**5,142**
Total liabilities		**1,029,291**	**547,398**
Total equity and liabilities		**1,029,741**	**547,659**

The financial statements on pages 10 to 59 were approved by the Board of Directors on 27TH JUNE 2007 and were signed on its behalf by:

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

(All amounts in EUR thousands unless otherwise stated)

Income statement - All cells aggregated

	Note	Year ended 31 December 2006	2005
Revenue			
Loan interest		20,497	7,804
		20,497	**7,804**
Expenditure			
Note interest		(14,591)	(5,867)
Swap interest		(5,365)	(1,577)
Operational expenses		(347)	(196)
		(20,303)	**(7,640)**
Operating surplus		**194**	**164**
Unrealized gain on loans		2,511	6,213
Unrealized gain on swaps		3,982	9,118
Unrealized gain on notes		4,718	3,953
Unrealized loss on loans		(2,792)	(3,843)
Unrealized loss on swaps		(5,617)	(4,891)
Unrealized loss on notes		(2,802)	(10,550)
		-	-
Net result for the year		194	164

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

(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 2005	12	90	102
Profit for the year	-	164	164
Total recognized income for 2005	-	164	164
Issue of share capital	1	-	1
Dividend related to 2004	-	(6)	(6)
	1	(6)	(5)
Balance at 31 December 2005	13	248	261
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

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

(All amounts in EUR thousands unless otherwise stated)

Cash flow statement - All cells aggregated

	Note	Year ended 31 December 2006	2005
Cash flows from operating activities			
Operating profit for the year		194	164
Increase/decrease interest receivable		(4,690)	(2,852)
Increase/decrease other receivable		(3)	9
Increase/decrease accrued interest		4,577	2,769
Increase/decrease creditors		29	80
Net cash generated from operating activities		**107**	**170**
Cash flows from investing activities			
Loans advanced		1,980	1,651
Swaps advanced		1,641	(2,791)
Notes advanced		(4,213)	1,431
Net cash generated from investing activities		**(592)**	**291**
Cash flows from financing activities			
Issue of loans		(310,777)	(285,259)
Issue of notes		311,409	285,009
Proceeds from the issue of ordinary share capital		1	1
Dividends paid		(6)	(6)
Net cash flows generated from financing activities		**627**	**(255)**
Net decrease/increase in cash and cash equivalents		142	206
Cash and cash equivalents at the beginning of the year		507	301
Cash and cash equivalents at the end of the year		**649**	**507**

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 Copenhagen Stock Exchange.

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).

Results and dividends

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

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 (2005: TEUR 4).

(All amounts in EUR thousands unless otherwise stated)

Balance sheet – Cell 1 – 2003

	Note	As at 31 December 2006	As at 31 December 2005
ASSETS			
Non-current assets			
Loans receivable		51,857	52,282
Swaps	4	4,310	4,088
Total non-current assets		**56,167**	**56,370**
Current assets			
Interest receivable	5	894	850
Other receivables		6	3
Cash and cash equivalents	6	251	229
Total current assets		**1,151**	**1,082**
Total assets		**57,318**	**57,452**
EQUITY			
Called up share capital	7	1	1
Retained earnings		233	146
Total equity		**234**	**147**
LIABILITIES			
Non-current liabilities			
Notes issued	8	56,080	56,263
Swaps	4	-	21
Total non-current liabilities		**56,080**	**56,284**
Current liabilities			
Creditors		37	41
Accrued interest	9	967	980
Total current liabilities		**1,004**	**1,021**
Total liabilities		**57,084**	**57,305**
Total equity and liabilities		**57,318**	**57,452**

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

(All amounts in EUR thousands unless otherwise stated)

Income statement – Cell 1 – 2003

	Note	Year ended 31 December 2006	2005
Revenue			
Loan interest		2,592	2,247
		2,592	**2,247**
Expenditure			
Note interest		(1,164)	(1,166)
Swap interest		(1,262)	(916)
Operational expenses		(75)	(102)
		(2,501)	**(2,184)**
Operating surplus		**91**	**63**
Unrealized gain on loans		136	955
Unrealized gain on swaps		801	1,806
Unrealized gain on notes		366	1,166
Unrealized loss on loans		(510)	(1,673)
Unrealized loss on swaps		(555)	(487)
Unrealized loss on notes		(238)	(1,767)
		-	-
Net result for the year		**91**	**63**

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

(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 2005	1	87	88
Profit for the year	-	63	63
Total recognized income for 2005	-	63	63
Issue of share capital	-	-	-
Dividend related to 2004	-	(4)	(4)
	-	(4)	(4)
Balance at 31 December 2005	1	146	147
Balance at 1 January 2006	1	146	147
Profit for the year	-	91	91
Total 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

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

(All amounts in EUR thousands unless otherwise stated)

Cash flow statement – Cell 1 – 2003

	Note	Year ended 31 December 2006	2005
Cash flows from operating activities			
Operating profit for the year		91	63
Increase/decrease interest receivable		(44)	(11)
Increase/decrease other receivable		(3)	11
Increase/decrease accrued interest		(13)	(47)
Increase/decrease creditors		(4)	(2)
Net cash generated from operating activities		**27**	**14**
Cash flows from investing activities			
Loans advanced		425	781
Swaps advanced		(243)	(1,315)
Notes advanced		(183)	535
Net cash generated from investing activities		**(1)**	**1**
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		**(4)**	**(4)**
Net decrease/increase in cash and cash equivalents		**22**	**11**
Cash and cash equivalents at the beginning of the year		229	218
Cash and cash equivalents at the end of the year		**251**	**229**

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 Copenhagen Stock Exchange.

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.

Results and dividends

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

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 2 (2005: TEUR 2).

(All amounts in EUR thousands unless otherwise stated)

Balance sheet – Cell 1 – 2004

	Note	As at 31 December 2006	2005
ASSETS			
Non-current assets			
Loans receivable		109,842	110,225
Swaps	4	961	2,441
Total non-current assets		**110,803**	**112,666**
Current assets			
Interest receivable	5	1,533	1,255
Other receivable		1	2
Cash and cash equivalents	6	270	254
Total current assets		**1,804**	**1,511**
Total assets		**112,607**	**114,177**
EQUITY			
Called up share capital	7	1	1
Retained earnings		124	92
Total equity		**125**	**93**
LIABILITIES			
Non-current liabilities			
Notes issued	8	110,907	112,770
Total non-current liabilities		**110,907**	**112,770**
Current liabilities			
Creditors		70	86
Accrued interest	9	1,505	1,228
Total current liabilities		**1,575**	**1,314**
Total liabilities		**112,482**	**114,084**
Total equity and liabilities		**112,607**	**114,177**

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

(All amounts in EUR thousands unless otherwise stated)

Income statement – Cell 1 – 2004

	Note	Year ended 31 December 2006	2005
Revenue			
Loan interest		4,781	3,969
		4,781	3,969
Expenditure			
Note interest		(3,467)	(3,471)
Swap interest		(1,173)	(334)
Operational expenses		(107)	(73)
		(4,747)	(3,878)
Operating surplus		34	91
Unrealized gain on loans		145	-
Unrealized gain on swaps		641	7,312
Unrealized gain on notes		2,246	2,706
Unrealized loss on loans		(421)	(2,170)
Unrealized loss on swaps		(2,118)	(4,115)
Unrealized loss on notes		(493)	(3,733)
		-	-
Net result for the year		34	91

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

(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 2005	1	3	4
Profit for the year	-	91	91
Total recognized income for 2005	-	91	91
Issue of share capital	-	-	-
Dividend related to 2004	-	(2)	(2)
	-	(2)	(2)
Balance at 31 December 2005	1	92	93
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

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

(All amounts in EUR thousands unless otherwise stated)

Cash flow statement – Cell 1 – 2004

	Note	Year ended 31 December 2006	2005
Cash flows from operating activities			
Operating profit for the year		34	91
Increase/decrease interest receivable		(278)	4
Increase/decrease other receivable		1	(2)
Increase/decrease accrued interest		277	29
Increase/decrease creditors		(16)	61
Net cash generated from operating activities		**18**	**183**
Cash flows from investing activities			
Loans advanced		383	870
Swaps advanced		1,480	(1,766)
Notes advanced		(1,863)	896
Net cash generated from investing activities		-	-
Cash flows from financing activities			
Issue of loans		-	-
Issue of notes		-	-
Proceeds from the issue of ordinary share capital		-	-
Dividends paid		(2)	(2)
Net cash generated from financing activities		**(2)**	**(2)**
Net decrease/increase in cash and cash equivalents		**16**	**181**
Cash and cash equivalents at the beginning of the year		254	73
Cash and cash equivalents at the end of the year		**270**	**254**

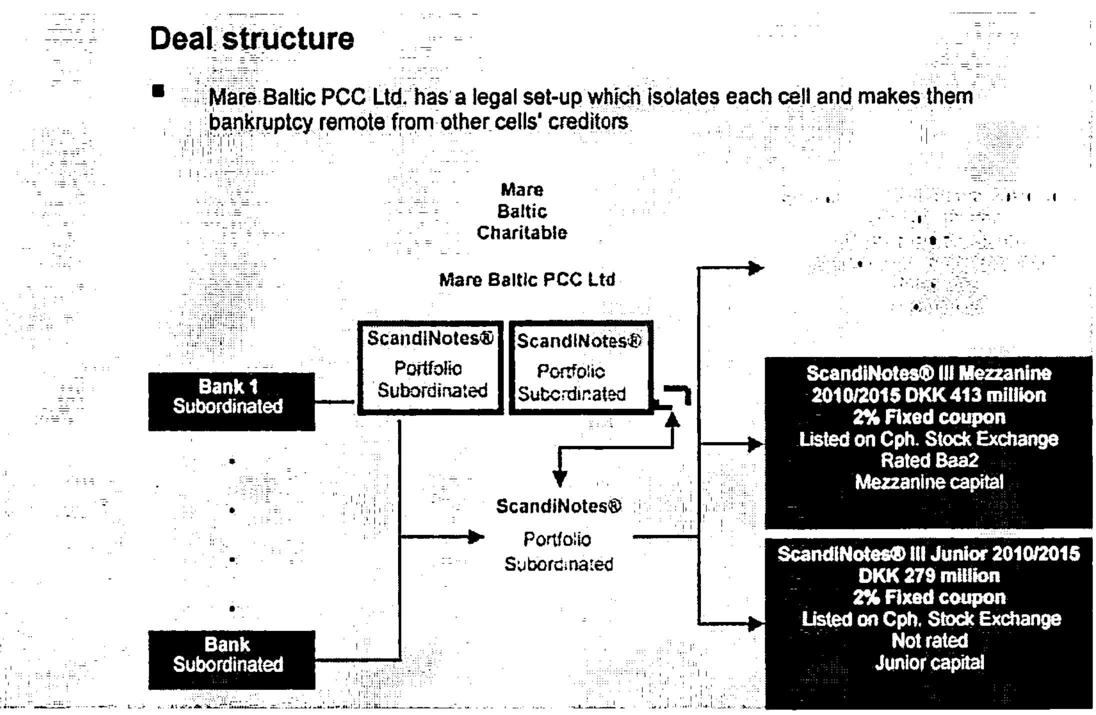
The notes on pages 40 to 59 form an integral part of these financial statements.

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 Copenhagen Stock Exchange.

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.



As with ScandiNotes® I & ScandiNotes ® II 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.

For ScandiNotes® III Road shows were held in Germany, Holland, Luxembourg, Ireland and the UK. The Notes were again very well received by the market with positive business newspaper articles and analysis.

Statement for 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.

Results and dividends

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

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.

(All amounts in EUR thousands unless otherwise stated)

Balance sheet – Cell 1 – 2005

	Note	As at 31 December 2006	2005
ASSETS			
Non-current assets			
Loans receivable		284,150	285,258
Swaps	4	85,675	87,903
Total non-current assets		**369,825**	**373,161**
Current assets			
Interest receivable	5	3,942	2,845
Other receivable		1	0
Cash and cash equivalents	6	118	14
Total current assets		**4,061**	**2,859**
Total assets		**373,886**	**376,020**
EQUITY			
Called up share capital	7	1	1
Retained earnings		65	10
Total equity		**66**	**11**
LIABILITIES			
Non-current liabilities			
Notes issued	8	284,212	285,009
Swaps	4	85,652	88,193
Total non-current liabilities		**369,864**	**373,202**
Current liabilities			
Creditors		53	20
Accrued interest	9	3,903	2,787
Total current liabilities		**3,956**	**2,807**
Total liabilities		**373,820**	**376,009**
Total equity and liabilities		**373,886**	**376,020**

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

(All amounts in EUR thousands unless otherwise stated)

Income statement – Cell 1 – 2005

	Note	Year ended 31 December 2006	2005
Revenue			
Loan interest		11,267	1,588
		11,267	**1,588**
Expenditure			
Note interest		(8,590)	(1,230)
Swap interest		(2,473)	(327)
Operational expenses		(149)	(21)
		(11,212)	**(1,578)**
Operating surplus		**55**	**10**
Unrealized gain on loans		753	5,258
Unrealized gain on swaps		2,540	-
Unrealized gain on notes		2,075	81
Unrealized loss on loans		(1,861)	-
Unrealized loss on swaps		(2,228)	(289)
Unrealized loss on notes		(1,279)	(5,050)
		-	-
Net result for the year		55	10

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

(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 2005	-	-	-
Profit for the year	-	10	10
Total recognized income for 2005	-	**10**	**10**
Issue of share capital	1	-	1
Dividend related to 2004	-	-	-
	1	-	1
Balance at 31 December 2005	**1**	**10**	**11**
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

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

(All amounts in EUR thousands unless otherwise stated)

Cash flow statement – Cell 1 – 2005

	Note	Year ended 31 December 2006	2005
Cash flows from operating activities			
Operating profit for the year		55	10
Increase/decrease interest receivable		(1,097)	(2,845)
Increase/decrease other receivable		(1)	-
Increase/decrease accrued interest		1,116	2,787
Increase/decrease creditors		33	20
Net cash generated from operating activities		106	(28)
Cash flows from investing activities			
Loans advanced		1,108	-
Swaps advanced		(313)	290
Notes advanced		(797)	-
Net cash generated from investing activities		(2)	290
Cash flows from financing activities			
Issue of loans		-	(285,258)
Issue of notes		-	285,009
Proceeds from the issue of ordinary share capital		-	1
Dividends paid		-	-
Net cash generated from financing activities		-	(248)
Net decrease/increase in cash and cash equivalents		**104**	**14**
Cash and cash equivalents at the beginning of the year		14	-
Cash and cash equivalents at the end of the year		118	14

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

Statement for Cell 1 – 2006

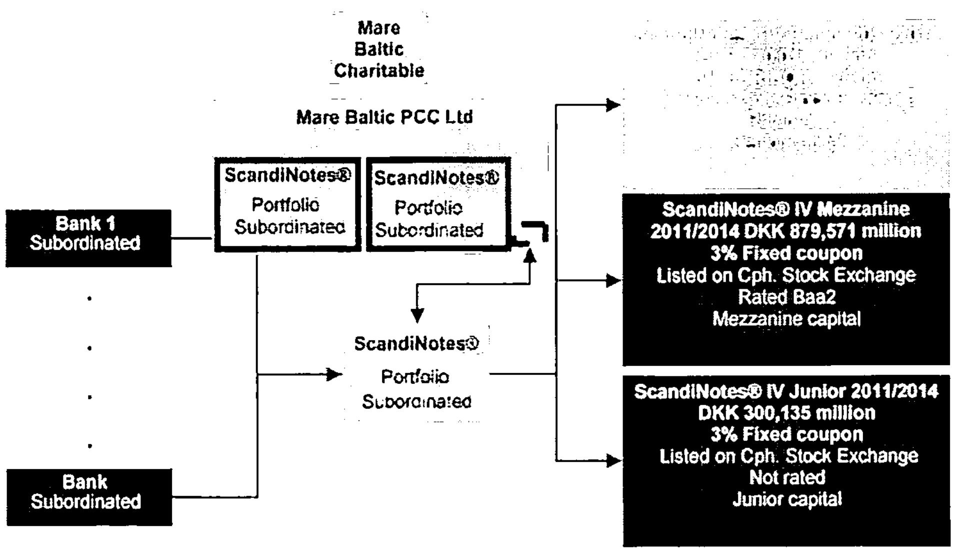
Activities

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 Copenhagen Stock Exchange.

The fourth cell, Cell – 1 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' creditcrs



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.

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.

Statement for Cell 1 – 2006 (continued)

For ScandiNotes® IV a number of bilateral meeting 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.

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

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.

Results and dividends

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

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.

(All amounts in EUR thousands unless otherwise stated)

Balance sheet – Cell 1 – 2006

	Note	As at 31 December 2006	2005
ASSETS			
Non-current assets			
Loans receivable		310,713	-
Swaps	4	171,936	-
Total non-current assets		**482,649**	-
Current assets			
Interest receivable	5	3,271	-
Other receivable		-	-
Cash and cash equivalents	6	-	-
Total current assets		**3,271**	-
Total assets		**485,920**	-
EQUITY			
Called up share capital	7	1	-
Retained earnings		14	-
Total equity		**15**	-
LIABILITIES			
Non-current liabilities			
Notes issued	8	310,039	-
Swaps	4	172.653	-
Total non-current liabilities		**482,692**	-
Current liabilities			
Creditors		16	-
Accrued interest	9	3,197	-
Total current liabilities		**3,213**	-
Total liabilities		**485,905**	-
Total equity and liabilities		**485,920**	-

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

Income statement – Cell 1 – 2006

	Note	Period 17 November to 31 December 2006	2005
Revenue			
Loan interest		1,857	-
		1,857	-
Expenditure			
Note interest		(1,370)	-
Swap interest		(457)	-
Operational expenses		(16)	-
		(1,843)	-
Operating surplus		**14**	-
Unrealized gain on loans		1,477	-
Unrealized gain on swaps		-	-
Unrealized gain on notes		31	-
Unrealized loss on loans		-	-
Unrealized loss on swaps		(716)	-
Unrealized loss on notes		(792)	-
		-	-
Net result for the period		**14**	-

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

(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**

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

(All amounts in EUR thousands unless otherwise stated)

Cash flow statement – Cell 1 – 2006

	Note	Period 17 November to 31 December 2006	2005
Cash flows from operating activities			
Operating profit for the period		14	-
Increase/decrease interest receivable		(1,900)	-
Increase/decrease other receivable		(1,371)	-
Increase/decrease accrued interest		172,653	-
Increase/decrease creditors		16	-
Net cash generated from operating activities		**169,412**	**-**
Cash flows from investing activities			
Loans advanced		-	-
Swaps advanced		(168,715)	-
Notes advanced		-	-
Net cash generated from investing activities		**(168,715)**	**-**
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		**697**	**-**
Net decrease/increase in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the period		-	-
Cash and cash equivalents at the end of the period		**-**	**-**

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

(All amounts in EUR thousands unless otherwise stated)

Balance sheet – Non-cellular

	Note	As at 31 December 2006	2005
ASSETS			
Non-current assets			
Loans receivable		-	-
Swaps	4	-	-
Total non-currents assets		-	-
Current assets			
Interest receivable	5	-	-
Other receivable		-	-
Cash and cash equivalents	6	10	10
Total current assets		10	10
Total assets		10	10
EQUITY			
Called up share capital	7	10	10
Retained earnings		-	-
Total equity		10	10
LIABILITIES			
Non-current liabilities			
Notes issued	8	-	-
Total non-current liabilities		-	-
Current liabilities			
Creditors		-	-
Accrued interest	9	-	-
Total current liabilities		-	-
Total liabilities		-	-
Total equity and liabilities		10	10

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

(All amounts in EUR thousands unless otherwise stated)

Income statement – Non-cellular

	Note	Year ended 31 December 2006	2005
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.

(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 2005	10	-	10
Profit for the year	-	-	-
Total recognized income for 2005	-	-	-
Issue of share capital	-	-	-
Dividend related to 2004	-	-	-
	-	-	-
Balance at 31 December 2005	**10**	-	**10**
Balance at 1 January 2006	**10**	-	**10**
Profit for the year	-	-	-
Total recognized income for 2006	-	-	-
Issue of share capital	-	-	-
Dividend related to 2005	-	-	-
	-	-	-
Balance at 31 December 2006	**10**	-	**10**

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

(All amounts in EUR thousands unless otherwise stated)

Cash flow statement – Non-cellular

	Note	Year ended 31 December 2006	2005
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		-	-
Cash flows from investing activities			
Loans advanced		-	-
Swaps advanced		-	-
Notes advanced		-	-
Net cash generated from investing activities		-	-
Cash flows from financing activities			
Issue of notes		-	-
Proceeds from the issue of ordinary share capital		-	-
Dividends paid		-	-
Net cash generated financing activities		-	-
Net (decrease)/increase in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		10	10
Cash and cash equivalents at the end of the year		10	10

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

(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.

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 swap automatically falls within the definition of a financial asset or financial liability at fair value through profit or loss.

In accordance with amendment to IAS 39 'Financial Instruments: Recognition and Measurement' in June 2005, 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 table below shows the net gains (positive) and net losses (negative) recognized as a consequence of designating the subordinated loans and the notes issued at fair value through profit and loss.

EUR thousands	**2006**	**2005**
Loans	681	(10,811)
Notes issued	8,014	2,796

The changes in the fair value due to changes in credit risk are considered to be immaterial.

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.

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 where there is an active market in the notes. The scheduled redemption amounts of the notes at the scheduled maturity dates will be the nominal amounts.
The use of fair value is allowed according to the Fair Value Option. If this was not an option the Company should instead recognize the notes as amortized cost value. This valuation shows an aggregated figure measured by fair value TEUR 508 higher than if it was measured by the amortized cost valuation method.

2.5 Interest Rate Swap agreements (IRS's)

IRS's are measured 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 fair value of the loans has been verified by several factors:

a) The sector of small and medium sized banks has performed well;
b) Margins for loans to these borrowers have dropped considerably; and
c) The notes collateralized by the loans have risen in value evidenced by the rise in the prices on the stock exchange, which is not fully related to the market development in interest rates.

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 Copenhagen Stock Exchange.

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, as the majority of the Company's transactions and focus are now in 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 2006.

2.13 IFRS 7

IASB and the EU have adopted the following new international financial reporting standards. These are not mandatory for the preparation of the annual report for Mare Baltic PCC Limited for 2006.

IFRS 7 Information about financial instruments apply to financial years starting 1 January 2007 or later. Implementation of the standards will not affect recognition and measurement of financial instruments.

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.

(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 DKK	Pay/ receive	Interest %	Fair value DKK 31 December 2006
Cell 1 - 2003					
DKK 388,448,000	07.06.2008	Fixed DKK 388,488,000	(receive)	2,000%	3,593
Class A 2% Limited Recourse Secured Senior Noted due 2011	06.06.2008	Floating DKK 342,000,000	(pay)		
DKK 45,681,000	07.06.2008	Fixed DKK 45,681,000	(receive)	2,000%	631
Class B 2% Limited Recourse Secured Junior Noted due 2011	06.06.2008	Floating DKK 38,000,000	(pay)		
DKK 50,000,000	06.06.2008	Floating DKK 50,000,000	(receive)	5,075%	86
Fixed Loan Swap	06.06.2008	Fixed DKK 50,000,000	(pay)		
					4,310

(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 2006
Cell 1 – 2004					
DKK 728.375,000	01.11.2009	Fixed DKK 728.375,000	(receive)	3,000%	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%	379
Class B 3% Limited Recourse Secured Junior Noted due 2012	29.10.2009	Floating DKK 120,000,000	(pay)		
					961

(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 2006
Cell 1 – 2005					
EUR 201.600	1/11 2010	Floating EUR 201,600	(receive)		69
Class A 2,753% Limited Recourse Secured Senior Notes due 2015	31/10 2010	Floating EUR 201,600	(pay)		
DKK 413,370.000	31/10 2010	Fixed DKK 413,370,000	(receive)	2,000%	51,106
Class B 2% Limited Recourse Secured Mezzanine Notes due 2015	1/11 2010	Floating EUR 50,400	(pay)		
DKK 279,050,000	1/11 2010	Fixed DKK 279.050,000	(receive)	2,000%	34,500
Class C 2% Limited Recourse Secured Junior Noted due 2015	31/10 2010	Floating EUR 28,000	(pay)		
					85,675

(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 2006
Cell 1 – 2005					
DKK 413,370.000	1/11 2010	Fixed DKK 413,370,000	(receive)	2.000%	
Class B 2% Limited Recourse Secured Mezzanine Notes due 2015	1/11 2010	Floating EUR 50.400	(pay)		(52,006)
DKK 279,050,000	1/11 2010	Fixed DKK 279,050,000	(receive)	2,000%	
Class C 2% Limited Recourse Secured Junior Noted due 2015	31/10 2010	Floating EUR 28,000	(pay)		(33,646)
					(85,652)

(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 2006
Cell 1 – 2006					
DKK 879,571,000	16/11 2011	Fixed DKK 879.571.000	(receive)	3.000%	38
Class B 3% Limited Recourse Secured Mezzanine Notes due 2014	17/11 2011	Floating DKK 806,980,545	(pay)		
DKK 300,135,000	16/11 2011	Fixed DKK 300,135,000	(receive)	3,000%	171,898
Class C 3% Limited Recourse Secured Junior Noted due 2014	17/11 2011	Floating DKK 230,565,870	(pay)		
					171,936

(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 2006
Cell 1 – 2006					
EUR 170,011,000	17/11 2011	Floating EUR 170,011,000	(receive)		
Class A 3.843% Limited Recourse Secured Senior Notes due 2014	17/11 2011	Floating DKK 1,268,112,049	(pay)		(171,914)
DKK 879,571,000	16/11 2011	Fixed DKK 879,571,000	(receive)	3,000%	
Class B 3% Limited Recourse Secured Mezzanine Notes due 2014	17/11 2011	Floating DKK 806,980,545	(pay)		(653)
DKK 300,135.000	16/11 2011	Fixed DKK 300,135,000	(receive)	3.000%	
Class C 3% Limited Recourse Secured Junior Noted due 2014	17/11 2011	Floating DKK 230.565.870	(pay)		(86)
					(172,653)

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

5. Interest receivable

	2006	2005
Cell 1 – 2003		
Interest receivable, loans	205	165
Interest receivable, swaps	689	685
	894	**850**
Cell 1 – 2004		
Interest receivable, loans	963	684
Interest receivable, swaps	570	571
	1,533	**1,255**
Cell 1 – 2005		
Interest receivable, loans	2,264	1,615
Interest receivable, swaps	1,678	1,230
	3,942	**2,845**
Cell 1 – 2006		
Interest receivable, loans	1,900	-
Interest receivable, swaps	1,371	-
	3,271	**-**
Non-cellular		
Interest receivable, loans	-	-
Interest receivable, swaps	-	-
	-	**-**
	9,640	**4,950**

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

6. Cash and cash equivalents

	2006	2005
Cell 1 – 2003		
Newhaven Trustees Limited clients accounts	1	1
HSH Nordbank –Denmark (current account)	250	228
	251	**229**
Cell 1 – 2004		
Newhaven Trustees Limited clients accounts	1	1
HSH Nordbank – Denmark (current account)	269	253
	270	**254**
Cell 1 – 2005		
Newhaven Trustees Limited clients accounts	1	1
HSH Nordbank – Denmark (current account)	117	13
	118	**14**
Cell 1 – 2006		
Newhaven Trustees Limited clients accounts	(1)	-
HSH Nordbank – Denmark (current account)	1	-
	-	-
Non-cellular		
Newhaven Trustees Limited clients accounts	10	10
HSH Nordbank – Denmark (current account)	-	-
	10	10
	649	507

7. Called up share capital

	2006	2005
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
	14	**13**

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.

(All amounts in EUR thousands unless otherwise stated)

Notes to the financial statements (continued)

8. Notes issued

	2006		2005	
	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	50,275	DKK '000 342,000	50,360
Series 2003-1 DKK 45,681,000 Scandi Notes 1 2% limited recourse secured asset backed notes due 2011 (junior)	DKK '000 38,000	5,805	DKK '000 38,000	5,903
		56,080		**56,263**
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	93,929	DKK '000 680,774	95,731
Series 2004-1 DKK 133,600,000 Scandi Notes 2 3% limited recourse secured asset backed notes due 2012 (junior)	DKK '000 120,000	16,978	DKK '000 120,000	17,039
		110,907		**112,770**

(All amounts in EUR thousands unless otherwise stated)

8. Notes issued (continued)

	2006		2005	
	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	201.197	EUR '000 201,600	201,519
Series 2015-1 DKK 413,370,000 Scandi Notes 3 2 % limited recourse secured asset backed notes due 2015 (mezzanine)	DKK '000 376,110	50,230	DKK '000 376,110	50,477
Series 2015-1 DKK 279,050,000 Scandi Notes 3 2 % limited recourse secured asset backed notes due 2011 (junior)	DKK '000 209,248	32,785	DKK '000 209,248	33,013
		284,212		**285,009**

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 and as the financial derivatives are linked specifically to such outstanding loans the financial derivatives will have no value to others if sold in the market. For this reason these financial derivatives neither form part of the profit and loss calculation nor influence the values of the assets and liabilities.

(All amounts in EUR thousands unless otherwise stated)

8. Notes issued (continued)

	2006		2005	
	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 '000 230,566	31,052	-	-
Series 2006-1 DKK 879,571,000 Scandi Notes 4 3 % limited recourse secured asset backed notes due 2014 (mezzanine)	DKK '000 806,981	108,940	-	-
Series 2006-1 EUR 170,011,000 Scandi Notes 4 3,843 % limited recourse secured asset backed notes due 2014 (senior)	EUR '000 170,011	170,047	-	-
		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 and as the financial derivatives are linked specifically to such outstanding loans the financial derivatives will have no value to others if sold in the market. For this reason these financial derivatives neither form part of the profit and loss calculation nor influence the values of the assets and liabilities.

(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 Copenhagen Stock Exchange.

9. Accrued interest

	2006	2005
Cell 1 – 2003		
Interest payable, notes	660	661
Interest payable, swaps	307	319
	967	**980**
Cell 1 – 2004		
Interest payable, notes	570	571
Interest payable, swaps	935	657
	1,505	**1,228**
Cell 1 – 2005		
Interest payable, notes	1,678	1,230
Interest payable, swaps	2,225	1,557
	3,903	**2,787**
Cell 1 – 2006		
Interest payable, notes	1,371	-
Interest payable, swaps	1,826	-
	3,197	**-**
Non-cellular		
Interest payable, notes	-	-
Interest payable, swaps	-	-
	-	-
	9,572	4,995

Notes to the financial statements (continued)

10. Taxation

The Company has been granted exemption from tax under the Income tax (Exempt Bodies) (Guernsey) Ordinances 1989 and 1992.

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.

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.

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.

Notes to the financial statements (continued)

12. Financial instruments (continued)

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.