Baltic PCC Limited

Company number PC000004
Annual Report for the year ended 1 March, 2021
(expressed in Great Britain pounds)

Baltic PCC Limited

Officers and Professional Advisors

Directors	C. Pearce, Chairman M. C. Baker
Company Secretary	Intertrust Corporate Services Limited
Chief Executive Officer	M. C. Baker
Auditor	Mazars LLP, Statutory Auditor London, United Kingdom
Registered Office	1 Bartholomew Lane London, United Kingdom EC2N 2AX
Company Registration Number	**PC000004**

The Directors present their Strategic Report for year to March 1, 2021.

REVIEW OF THE BUSINESS

Baltic PCC Limited (the "Company") was incorporated as a protected cell company limited by shares, on January 9, 2019, under the Laws of England and Wales and was authorised under the Risk Transformation Regulations 2017 (the "Regulations") as a protected cell company insurance special purpose vehicle. This permitted the Company to enter into one contract of risk transfer via a Retrocession Agreement ("the Agreement") with Pool Reinsurance Company Limited ("POOL") on a fully funded basis, meaning the Company was required to fully collateralise the outstanding aggregate limit of the Agreement. This is further described in note 1 to the Financial Statements (the Company and its activities).

In January 2019, the Company successfully raised funds to provide the full required collateral referred to above through the issuance of £75,000,000 Principal-at-Risk Variable Notes due March 7, 2022 ("Notes"), and concurrently executed the Agreement with POOL. The Notes offered to, and subscribed for, were restricted to only qualified investors as defined in the Regulations. The Notes offered the subscribers a return based on the investment yield of the collateralising assets plus an interest spread linked proportionally to premiums payable by POOL to the Company as defined under the Agreement. Any losses payable and paid under the Agreement are paid from the collateral account which reduces down the principal on the Notes. For the avoidance of doubt, the Company's sole shareholder, Intertrust Corporate Services Limited (details of which are more fully described in the notes to these financial statements), did not subscribe for any of the Notes.

At the scheduled redemption date of the Notes, a date which may be varied via reference to provisions in the Agreement, the Company will continue to function with future deals or otherwise enter into an orderly wind up process.

The Company and its directors plan to extend its operations beyond the current Notes and enter into a new POOL cat bond deal to cover the following three years, using a new cell. It is therefore expected that the Company will continue to operate for the foreseeable future.

KEY PERFORMANCE INDICATORS

The Company is intended to break even over the life of the transactions described above.

The Company receives premiums under the terms of the Agreement that, together with investment income earned on the collateral funds, exactly match the Company's obligations to pay interest to the holders of the Notes.

The Company receives additional premiums ("Additional and Supplemental Expense Premiums") under the Agreement, the amount of which is based on the estimated costs of structuring the Agreement and associated Notes issued along with the estimated operating costs of the Company over the life of the Agreement. The Company was able to meet operational expenses for the period, and forecasts, based on contractually determined future service provider fees, that it will continue to be able to do so over the life of the Notes and the Agreement.

The Company realized a net loss of £74,989 for the current period (£100,386 for the prior period) being, effectively, the difference between estimated operating costs on which Additional and Supplemental Expense Premiums are based (including a buffer for unforeseen expenses) and actual expenses incurred. Profit margin for the year, taking into account Profit as a proportion of Total Technical Income, was -1.6% (2020: 2.2%).

COVID-19

The potential impact of COVID-19 became significant in March 2020 and has caused widespread disruption to normal patterns of business activity across the world, including the UK. We have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties.

As described more fully in the going concern accounting policy note, the Company is reliant on POOL to fund it its day-to-day working capital requirements. Further, POOL is the Company's sole customer counterparty, so the impact of the COVID-19 pandemic since early 2020, both operationally and strategically, on POOL itself is of importance to the ongoing underwriting capability of the Company. The COVID-19 pandemic and its global repercussions continue through 2021, whilst vaccines are rolled out and restrictions slowly reduced.

The Company is reliant on Horseshoe ILS Services UK Limited ("Horseshoe" thereafter) to manage its day to day activities including financial and regulatory reporting, payments, liaison with third parties, so the impact of COVID-19 on Horseshoe itself is of importance to the ability of the Company to effectively maintain its operational capability, due to its appointment as insurance manager of the Company. COVID-19 restrictions have remained in jurisdictions where Horseshoe is based during 2021 to the date of the completion of the accounts.

Management has assessed the above mentioned risks to the Company and notes that no material change has occurred in the Company's financial or commercial situation or in the Company's financial performance since the end of the 2021 financial year. The developments from the outbreak of the COVID-19 pandemic continue to be closely monitored by the Company's management. Whilst there is significant uncertainty about the potential impact of the pandemic on businesses generally, based upon current information COVID-19 is not expected to have any material impact on the Company. The Company will continue to regularly assess the COVID-19 impact on its business, including as restriction continue to be eased.

FINANCIAL POSITION OF THE BUSINESS AT END OF THE PERIOD

At the balance sheet date March 1, 2021, there were no losses paid or payable under the Agreement and the Company has received no indication of any events occurring in the subsequent period that may give rise to a loss under the Agreement.

As at the date the financial statements were approved, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, based predominately on the directors' belief that the Additional and Supplemental Expense Premiums will continue to be paid to the Company as they fall due, as more fully described above in the Key Performance Indicators section.

PRINCIPAL RISKS AND UNCERTAINTIES

Major risks are managed through Board implementation and monitoring of policies and procedures as summarised below:

- Risk management policy
- Investment policy
- Conflicts of interest policy
- Administrative, accounting and internal control policy

- Supervisory reporting policy
- Compliance policy
- Outsourcing policy
- Business continuity policy
- Financial crime policy

A principal risk to the Company is that it will be unable to meet its reinsurance obligations as they fall due. This risk is mitigated by the collateralisation process described above.

Another principal risk is that the Company will be unable to make interest payments on the Notes. In this regard the obligation to pay the interest is contingent on receipt of the premiums due from POOL. Another risk in relation to Noteholders is that the Company is unable to repay the principal on the Notes. However, the obligations of the Company to repay the principal amounts of the Notes is subordinated to the Company's obligations to POOL under the Agreement. Further, Limited Recourse and No-Petition clauses in the transaction documents serve to protect the Company from further obligations that may arise from basis risk in relation to the structuring of the transaction documents that link funding its obligations under the Agreement to the issue of the Notes.

The Company is thinly capitalised. The issued ordinary share capital of the Company is 1 ordinary shares of £1 each paid up as to one quarter and the issued share capital will not increase materially. The income expected to be received by the Company from the investment of the Permitted Investments, the payment of Periodic Payments, Negative Loss Payments, if any, the Initial Expense Premium and any Supplemental Expense Premiums is expected to be sufficient to make payment of the projected expenses and liabilities of the Company.

Note 11 to the Financial Statements (Risk Management) provides additional information on risk management.

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The board of Baltic PCC Limited consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. This report sets out how we have applied and complied with, the referenced section.

Purpose and consideration of the consequences of decisions for the long term

As already laid out in the strategic report, the Company is a limited purpose and limited life vehicle. Its single reinsurance contract it has entered into has an in-force life of exactly 3 years, and the hope is that there are as few as possible loss claims, to allow the Company to wind-up in an orderly fashion as soon as possible, following contract expiry. However, should there be a significant run-off period, contractual provisions are in place to ensure that the Company is able to manage the run-off period in an orderly manner, such as the ability to call supplementary premiums to fund ongoing administrative expenses.

On March 11, 2020 COVID-19 was declared as a pandemic. Management has since continually assessed the impact on the Company and concluded that the ability of the Company to continue to be maintain its operational functionality will not be significantly compromised.

Employee interests

The Company has no employees and outsources its various operational functions to qualified service providers, where scope of work is covered under service provider agreements.

Relationships with customers and suppliers

The Company has a single customer (policy holder) under its single reinsurance contract. Financial interests of the customer are managed by third party service providers under agreements that span the life of the Company, and financial obligations to the customer are fully collateralised. Similarly, service provider agreements are in place with significant suppliers, and the Company's ability to call supplementary premiums mean that the Company believes it can fulfil settlement obligations throughout the vehicle's life.

Reputation and business conduct

The Company has in place a policy manual covering what it believes are policies in place for all key risks and processes. This policy manual has been reviewed by the Company's regulators FCA and PRA prior to authorisation as a transformer vehicle pursuant to the Regulations. The Company believes it has appropriately qualified service providers to fulfil its ongoing obligations under the Regulations.

The Company believes it has minimal environmental impact, especially as it has no dedicated physical premises.

Acting fairly as between members of the Company

The Company has a single shareholder which has contributed minimal capital. The Company's obligations to its customer under its the Agreement is funded solely by the Company's Noteholders via a securitisation process. All Noteholders are required to be qualified investors to purchase the Notes. An offering circular was prepared on behalf of the Company laying out key investment risks prior to the purchase obligation. The Company (via 3rd party service provider) is required to provide periodic net asset value estimates to the Noteholders.

Approved by the Board of Directors on 1 March, 2022 and signed on its behalf by:

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Michael Baker, CEO

1 Bartholomew Lane

London, United Kingdom

EC2N 2AX

Directors' Report

The Directors present their Report together with the audited Financial Statements of the Company for the year to March 1, 2021.

Principal activities and future developments

The Company is authorised to conduct insurance business only in relation to the Agreement currently in-force. The Directors envision that the existing governance and administration structure of the Company will continue and that the Company will be wound-up in an orderly manner upon termination of the Agreement and redemption of Notes, provisionally scheduled for March 7, 2022.

Financial instruments

The Company's exposure to Financial Instruments in respect of currency risk, interest rate risk, credit risk, liquidity risk, market risk, price risk and price sensitivity, and capital risk management is described in the Risk Management section of the notes to the Financial Statements.

Directors

The Directors who served at any time of the period were as follows:

Clifford Pearce (appointed January 09, 2019)
Michael Baker (appointed January 09, 2019)
Christian Wells (resigned April 01, 2021)

Miscellaneous other matters

The Company has not paid any dividends, nor does is ever expect to do so.

The Company has no employees and has outsourced various operational functions to a qualified service provider appointed by the Board.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable laws and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they 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. In preparing those Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 Act 2006.

Directors' indemnity

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for directors and officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Company.

Auditor

1. Mazars LLP has expressed its willingness to continue in office as auditor.

2. Disclosure of information to the Auditor:

   In the case of each of the persons who are Directors at the time this report is approved, and as required by s418 of the Companies Act 2006, the following applies:

   - So far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
   - They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Approval by the Board of Directors on 1 March 2022 and signed on its behalf by:

Michael Baker, CEO

1 Bartholomew Lane

London, United Kingdom

EC2N 2AX

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

Opinion

We have audited the financial statements of Baltic PCC Limited ("the company") for the year ended 1 March 2021 which comprise the Statement of Profit or Loss, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 1 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, as applied to public interest entities and listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the company's ability to continue as a going concern;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the company's future financial performance;
- Considering the directors' intention to extend the operations of the company beyond the expiry of the current Retrocession Agreement by entering into a new three year POOL-sponsored cat bond and reviewing the associated PRA application form and documentation supporting the application; and

- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters in forming our opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key audit matter	How our scope addressed this matter
The company is party to a Retrocession Agreement with Pool Reinsurance Company Limited ("the ceding reinsurer"). Under the terms of the agreement, the company is required to make payments to the ceding reinsurer following the occurrence of a covered event. We considered the risk of covered events not being recognised in the financial statements to be a key audit matter due to the material impact that such an event would have on the financial position of the company.	We considered the events in the year which could have had resulted in a covered event. We independently confirmed with the ceding reinsurer that there have been no covered events during the year which fall within the scope of the Retrocession Agreement with the company. We independently confirmed with the Loss Reserve Specialist that they were not made aware of any covered event requiring payments under the Retrocession Agreement during the year under review. **Our observations** Based on the audit procedures performed, we did not identify any events which would result in an event payment.

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	Our overall materiality was £0.8m.
How we determined it	1% of total assets
Rationale for benchmark applied	In determining our materiality, we considered financial metrics which we believed to be relevant. As an insurance special purpose vehicle, the company is intended to break even over its life. Therefore a balance sheet-based materiality was considered appropriate. The company is thinly capitalised and losses are paid by redeeming the money market funds with a corresponding reduction in the loan notes outstanding. Therefore, we concluded that total assets was the most relevant benchmark.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. Performance materiality of £0.56m was applied in the audit, which is 70% of overall materiality.
Reporting threshold	We agreed with the Board of Directors that we would report to them misstatements identified during our audit above 3% of overall materiality, which is £24k, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements such as making assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the company, its environment, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on pages 6 to 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the company and its industry, we considered that non-compliance with the regulatory requirements of the PRA, the FCA and The Risk Transformation Regulations 2017 might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considering the risk of acts by the company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with the PRA and FCA; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that, due to the nature of the company, the risks were limited to the posting of manual journal entries to manipulate financial performance.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by the Board of Directors on 19 May 2020 to audit the financial statements for the period ended 1 March 2020 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the periods ending 1 March 2020 and 1 March 2021.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with our additional report to the audit committee.

Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Sam Porritt (Senior Statutory Auditor)
for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

Tower Bridge House
St Katharine's Way
London E1W 1DD

1 March 2022

Baltic PCC Limited

Statement of Profit or Loss

For the year ended March 1, 2021

	Note	12m 2021 £	14m 2020 £
Earned premiums			
Gross premiums written		115,240	13,725,593
Change in the gross provision for unearned premiums		4,500,413	(9,142,995)
Earned premiums		4,615,653	4,582,598
Allocated investment return transferred from the non-technical account		51,404	378,251
Total technical income		4,667,057	4,960,849
General & administrative expenses	7	98,930	157,598
Operating profit and balance on technical account for general business		4,568,127	4,803,251
Non-technical account- General business			
Balance on technical account for general business		4,568,127	4,803,251
Investment income		51,404	378,251
Investment expenses and charges		(4,643,116)	(4,702,865)
Allocated investment return transferred to the general business technical account		(51,404)	(378,251)
(Loss)/Profit for the financial period		(74,989)	100,386

All the above amounts are in respect of continuing operations.

The Company had no recognised income or expense during the current financial period other than that included in the statement of profit or loss. Accordingly, no separate statement of comprehensive income has been presented.

The accompanying notes are an integral part of these financial statements.

Baltic PCC Limited - Company number: PC000004
Statement of Financial Position
As at March 1, 2021

	Note	12m 2021 £	14m 2020 £
Assets			
Debtors			
Debtors arising out of reinsurance operations	5	5,724,830	10,080,205
Other assets			
Cash and cash equivalents		19,696	81,993
Cash and cash equivalents – restricted	4	74,996,269	75,100,306
Prepayments and accrued income		5,050	5,049
Total assets		80,745,845	85,267,553
Equity and Liabilities			
Capital and reserves			
Called up share capital	9	1	1
Profit and loss account		25,397	100,386
Total shareholder's funds		25,398	100,387
Technical provisions			
Provision for unearned premiums		4,642,582	9,142,995
Creditors			
Other loans: Notes payable	6	76,011,169	75,994,110
Accruals and deferred income		66,696	30,061
Total liabilities		80,720,447	85,167,166
Total equity and liabilities		80,745,845	85,267,553

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors and authorised for issue on 1 March, 2022

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Director
M. C. Baker

	Note	Profit and loss account	Called up share capital	Total
		£	£	£
Balance as at January 9, 2019		-	-	-
Shares issued during the period		-	1	1
Profit for the period		100,386	-	100,386
Balance as at March 1, 2020		100,386	1	100,387
Balance as at March 2, 2020		100,386	1	100,387
Loss for the year		(74,989)	-	(74,989)
Balance as at 1 March, 2021	10	25,398	1	25,398

The accompanying notes are an integral part of these financial statements.

	Note	12m 2021 £	14m 2020 £
Net cash from operating activities			
Net (loss)/profit for the period		(74,989)	100,386
Adjustments to reconcile net profit to net cash generated by operating activities:			
Reinsurance premiums receivable	5	4,355,375	(10,080,205)
Prepaid expenses	7	(1)	(5,049)
Interest expense		4.643,116	4,702,865
Unearned premium		(4,500,413)	9,142,995
Accounts payable & accrued expenses	7	36,635	30,061
Net cash generated by operating activities		4,484,734	3,891,053
Cash flows from investment activities			
Purchase of investments		-	-
Net cash generated by financing activities		-	-
Cash flows from financing activities			
Proceeds from issuance of shares		-	1
Proceeds from issuance of notes		-	75,000,000
Interest paid		(4,626,057)	(3,708,755)
Net cash (used)/generated by financing activities		(4,626,057)	71,291,246
(Decrease)/increase in cash and equivalents		(166,334)	75,182,299
Cash and cash equivalents - beginning of period		75,182,299	-
Cash and cash equivalents - end of period		75,015,965	75,182,299
Represented by:			
Cash and cash equivalents	4	19,696	81,993
Cash and cash equivalents – restricted	4	74,996,269	75,100,306
Total cash and cash equivalents		75,015,965	75,182,299

1. The Company and its activities

Baltic PCC Limited (the "Company") was incorporated as a protected cell company (registered number PC000004) limited by shares, on January 9, 2019, in the United Kingdom and registered in England. The address of its registered office is 1 Bartholomew Lane, London EC2N 2AX.

The Company is a wholly-owned subsidiary of Intertrust Corporate Services Limited ("Holdings"), a company incorporated as a private company limited by shares, in the United Kingdom and registered in England. The address of Holdings' registered office is 1 Bartholomew Lane, London EC2N 2AX.

The issued shares are also held by Intertrust Corporate Services Limited, on a discretionary trust basis under a share trust deed.

The Company was authorised by the Prudential Regulation Authority, effective January 9, 2019, to carry out the activities described below.

The Company was formed and authorised to enter into a fully collateralised aggregate excess of loss retrocession agreement ("the Agreement") with Pool Reinsurance Company Limited ("POOL"). Under the terms of the Agreement, the Company will pay POOL in the event that losses arising from Act of Terrorisms in England, Wales & Scotland for a period from March 1, 2019 to Feb 28, 2022.

Under the Agreement, the maximum aggregate limit of £75,000,000 is set for the three-year period for payment of triggered losses. The coverage period is divided into annual loss periods ("LP"s), the first LP commencing on inception, with the second LP commencing on the first anniversary of inception, the third LP commencing on the second anniversary of inception. The reset process is designed to ensure that the probability of attachment and the probability of exhaustion remains constant throughout the coverage period, after taking into account changes in exposure data.

The aggregate limit available under the Agreement is reduced by the amount of any losses paid by the Company.

The Company is required under the terms of the Agreement to fully collateralize the outstanding aggregate limit of the Agreement. Accordingly, the Company has established a trust fund for the benefit of POOL. Funding for the trust fund was raised through the issue of Notes, as more fully described below.

Reinsurance premiums received, and interest earned on financial investments, are used to fund the Company's obligation to pay interest to the holders of the Notes.

The Company receives reinsurance premiums from POOL that, under the terms of the Agreement, are calculated by applying an interest spread (as it is applied to calculate the interest due to on the related Notes) (the "Interest Spread") to the outstanding aggregate limit of the Agreement. The reinsurance premium for the first LP is fixed for the first year of the Agreement, based on the initial aggregate limit. For the subsequent LP's, each quarter's reinsurance premium is calculated based on the aggregate limit outstanding at the beginning of that quarter. Reinsurance premiums are payable quarterly in arrears.

The Company also receives additional premiums ("Initial and Supplemental Expense Premiums") under the Agreement, the amount of which is based on the estimated costs of structuring the Agreement and associated Notes issued along with estimated operating costs of the Company over the life of the Agreement.

The Company raised funds to provide the required collateral through the issuance of £75,000,000 Baltic Capital PCC Series 2019 Principal-at-Risk Variable Rate Notes due March 7, 2022 ("the Notes"). The obligation of the Company to repay the principal amount of the Notes is be subordinated to the Company's obligations to POOL under the Agreement and are limited recourse. The terms of the Notes are more fully described in note 6 below.

2. Statement of Compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), Financial Reporting Standard 103, 'Insurance Contracts' ('FRS 103') and the Companies Act 2006.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements. In addition, the financial statements have been prepared in compliance with FRS 103, 'Insurance contracts'.

Since the Company was incorporated on January 9, 2019, the comparatives present the results of the Company from January 9, 2019 to March 1, 2020. The comparative amounts presented in the financial statements are therefore not directly comparable.

a. Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. No significant judgements or key sources of estimation uncertainty have been applied in the preparation of the financial statements.

b. Going concern

The Company funds its day-to-day working capital requirements through funding provided by POOL, under the terms of the Agreement. The Company's forecasts and projections show that the Company will be able to operate within the level of its current and future financing. The Directors plan to extend the Company's operations beyond the current cat bond deal subject to end in February 2022, by entering into a new three year POOL sponsored cat bond within a new cell from March 2022. After making enquiries and considering the new business plans, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Company, therefore, continues to adopt the going concern basis in preparing its financial statements.

c. Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Great Britain pound "GBP", reflecting the denomination of the Company's assets and liabilities and the currency in which premiums and investment income are received, interest payments made and in which a substantial proportion of the Company's expenses are incurred. Expenses incurred in currencies other than GBP are translated into GBP at the exchange rate prevailing on settlement.

The financial statements are also presented in GBP which is, therefore, the Company's functional and presentation currency.

d. Reinsurance contracts

The Company issues contracts that transfer significant reinsurance risk at the inception of the contract. Reinsurance risk is transferred to the Company when the Company agrees to compensate POOL if a specified uncertain future event adversely affects POOL.

e. Cash and cash equivalents

Cash and cash equivalents may be restricted or unrestricted, and comprise current deposits with banks, and highly rated money market funds. Carrying amounts approximate fair value due to the immediate or short-term maturity of these financial instruments.

f. Investment income

Investment income is comprised of interest income on cash and cash equivalents. Investment income is recognized using the effective interest rate method. Interest is accrued on a daily basis.

g. Interest expense

Interest expense relates to interest payable under the terms of the Notes and is recognized on an accruals basis in line with the contractual terms. Interest is accrued using the effective interest rate method.

h. Premiums assumed and unearned premiums

Premiums due under the Agreement are estimated and recorded as written at inception and are recognized as income on a straight-line basis over the risk period.

Initial and Supplemental Expense Premiums, being for reimbursement of specific administrative expenses, are recognized as income in recognition of the underlying administrative expenses to which they relate.

Any portion of the premiums relating to periods after the balance sheet date is deferred and included in unearned premiums in the balance sheet.

i. Outstanding losses and loss expense

In accordance with the terms of the Agreement, the Company shall not be liable for any loss payments unless and until the Company has received a proof of loss claim from POOL. As at March 1, 2021, the Company had not received a proof of loss claim from POOL and as such, no losses have been recorded.

Outstanding losses are based on estimated ultimate cost of claims incurred but not settled at year end, whether reported or not. Delays are experienced in the notification of certain insurance claims, the ultimate cost of which cannot be known with certainty at the year end date. Any estimate represents a determination within a range of possible outcomes. Claims provisions are not discounted.

j. Notes payable

Notes payable are classified as a financial liability and are initially measured at fair value, which is the principal value. The notes payable are carried on the balance sheet at fair value, with changes in fair value recognised in the statement of profit or loss.

If the Company receives a notice of loss payment in accordance with the terms of the Agreement, specifying the related principal amount. At this time, the outstanding principal amount of the Notes will be reduced, and sufficient funds will be released from the trust account to facilitate the required payment to POOL. The liability for Notes payable on the balance sheet will not be extinguished until the original principal amount is reduced to zero as a result of one or more loss payments to POOL or the Notes are redeemed.

4 Cash and cash equivalents - restricted

The Company is required to provide collateral in respect of its outstanding aggregate limit provided to POOL under the Agreement. Those funds, primarily invested in money market funds, rated AAA, specified in Schedule 9 of the Trust Agreement are held in a trust for the benefit of POOL; and are therefore restricted from use by the Company. These same funds are also pledged as collateral for the holders of the Notes (“Noteholders”) as security for repayment of the Notes. The Noteholders’ security is subordinate to that of POOL, the beneficiary of the trust.

Under the terms of the Notes, reinsurance premium and investment income earned on collateral funds, is required to be deposited or transferred into designated accounts, which are separate from the operating expense account, for the purpose of funding quarterly interest payable on the Notes. Any balances on the separate designated accounts are treated as restricted.

As at March 1, 2021, restricted cash and cash equivalents held in the reinsurance trust account amounted to £75,015,965. As a result, the fund’s negative yield which is reflected in the NAV, there has been a decline of £166,334 in the value of the restricted cash equivalents held.

5 Reinsurance premiums receivable

Reinsurance premiums are estimated and accrued at inception of the insurance contracts. The balance held in receivables is the estimated reinsurance premiums less quarterly installments received as of the balance sheet date.

As at March 1, 2021, there has been no default on the payment of premium.

6 Notes payable

The Company has issued certain notes in order to raise funds to provide collateral required under the Agreement (the "Notes"). The Notes are Principal At-Risk Variable Rate Notes and constitute direct and unconditional obligations of the Company. Those obligations are secured by a charge over certain funds which have also been contributed to the reinsurance trust established in favour of POOL to collateralize obligations under the Agreement. The security of the Noteholders is subordinate to that of POOL for the payment of losses under the Agreement.

Accordingly, the final amount repayable in respect of the Notes (the adjusted principal balance outstanding) is largely dependent upon whether, and the extent to which, losses are payable by the Company under the Agreement.

The adjusted principal balance outstanding for the Notes, is calculated as the original Notes issue amount, less losses paid under the Agreement. No losses have been reported as of March 1, 2021.

Interest on the Notes is payable quarterly in arrears. The quarterly interest amount payable is calculated as the adjusted principal balance outstanding at the start of the respective quarter multiplied by an interest spread multiplied by actual days in the accrual period divided by actual days in the year, plus actual interest income received in the quarter by the Company on the respective collateral assets.

The interest spread is subject to an annual reset at the beginning of the second and each subsequent loss period. The first reset was due and was made effective March 1, 2020. The interest risk spread was adjusted from the initial spread to 12.24%.

The following table summarizes key terms of Notes issued by Baltic PCC Limited acting on behalf of and in respect of its Segregated Cell 1 as of March 1, 2021:

Note Series	Initial principal amount	Adjusted principal amount at March 1, 2020	Issue date	Scheduled maturity date	Reset interest spread
2019	£ 75,000,000	£ 75,000,000	Feb 25, 2019	Mar 7, 2022	12.24%

The Notes may be subject to early termination in the event that POOL exercises an option to terminate the underlying retrocession agreement.

7 General & administrative expenses

Audit fees for the period were £27,000 (net of VAT) (for prior period £24,500). No staff or directors are employed by the Company. Details of fees paid for operational functions, including the provision of directors' services can be found in note 12.

8 Concentrations of credit risk

Cash and cash equivalents and Cash and cash equivalents – restricted are held with high rated banks.

The Company's general operational bank account is held by the Bank of New York Mellon ("BNY Mellon"), with a credit rating of Aa2.

The Company's restricted cash and cash equivalents are also held with BNY Mellon. The trustee and custodian of the investments is BNY Mellon Corporate Trustee Services Limited.

All of the proceeds of the issuance of the Notes are invested in a Money Market Fund, rated AAA, specified in The Trust Agreement.

9 Share capital and reserves

The Company has issued 1 fully paid £1 shares to Intertrust Corporate Services Limited. The share has attached to it full voting, dividend and capital distribution (including winding up) rights. The share does not confer any rights of redemption. The share is held by Intertrust Corporate Services Limited on a discretionary trust basis under a share trust deed.

The reserve within equity consists entirely of retained earnings.

10 Fair value of financial assets and liabilities

The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the year-end date. The quoted market price used for financial assets held by the general or segregated accounts is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. Management uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used for non-standardised financial instruments such as options and total return swaps, include the use of comparable recent arm's length transactions, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the segregated accounts hold.

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 - inputs for the asset or liability that are not based on observable market data, including the Company's own assumptions in determining the fair value of investments.

The Company classifies its fair value estimates of its Notes issued under Level 3 as there is no active market for identical obligations, there is no observable data for this obligation on the market with the same conditions regarding maturity, liquidity, coupon or impairment characteristics.

Management believes that own credit risk relating to the Notes issued is minimal given the trust structure and trust agreement in place as more fully described in Note 1. The risk is managed by ongoing monitoring of the collateral account balance and premiums due under the Agreement, the proceeds of which are used to pay the interest on the Notes.

The following table presents the Company's financial assets and liabilities measured at fair value at March 1, 2021 (and prior period values):

As at March 1, 2021

	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
	£	£	£	£
Assets				
Cash equivalents	75,015,965	-	-	75,015,965
Total investments and cash equivalents	75,015,965	-	-	75,015,965
Liabilities				
Notes issued	-	-	75,000,000	75,000,000
Accrued interest payable on notes			1,011,169	1,011,169

As March 1, 2020

	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
	£	£	£	£
Assets				
Cash equivalents	75,100,305	-	-	75,100,305
Total investments and cash equivalents	75,100,305	-	-	75,100,305
Liabilities				
Notes issued	-	-	75,000,000	75,000,000
Accrued interest payable on notes	-	-	994,110	994,110

11 Risk management

(a) **Currency risk**
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Some operating expenses incurred by the Company are denominated in foreign currencies resulting in an exposure to potential fluctuations in foreign currency. Management assesses that there is no risk of significant losses occurring due to currency risk.

(b) **Interest rate risk**
Interest rate risk is the exposure to various risks associated with the effect of fluctuation in the prevailing interest rates on the Company's financial position and cash flows. Management assesses that there is no risk of significant losses occurring due to interest rate fluctuations.

(c) **Credit risk**
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk primarily from cash and cash equivalents - restricted and reinsurance premiums receivable. The cash and cash equivalents - restricted comprise money market funds that management believes are strongly rated with credit agencies, as more fully described in Note 4. In management's opinion, the reinsurance premiums receivable are due from what management believes is a highly rated cedant. Further, should the cedant fail to pay the premium to the Company when due, the reinsurance coverage will cease.

(d) **Liquidity risk**
Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Management ensures that sufficient funds (including cash) are available to meet any commitments as they arise.

(e) **Market risk**
Market risk may occur in circumstances where the Company, in the normal course of its investing and trading activities, may enter into transactions in financial instruments based on expectations of future market movements and conditions. Management does not believe that there is significant market risk as the Company does not plan to enter into any further transactions.

(f) **Price risk and price sensitivity**
Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

Management does not believe that there is significant price risk arising from its investments as the Company is holding the investments to maturity.

(g) **Capital risk management**
The Company's objective when managing its capital is to maintain an appropriate amount to support its operations. The Company also monitors its capital in the context of its working capital relative to its ongoing liquidity requirements to safeguard the entity's ability to continue as a going concern, to honour any insurance obligations when they arise, and to provide returns for the Noteholders.

Management does not believe that there is significant capital risk as it is fully funded to meet its future operational expenses and its obligations under the Agreement.

12 Related party transactions

A director (the "Horseshoe Director") of the Company is an employee of Horseshoe ILS Services UK Ltd. ("Horseshoe"). Horseshoe is the administrator of the Company. During the period, the Company paid Horseshoe £19,200 (£21,724 for the prior period) for administrative services provided, including the provision of the Horseshoe Director.

A director (the "Intertrust Director") of the Company has been nominated by Intertrust Management Limited. ("IML"). Intertrust Corporate Services Limited is the corporate secretary of the Company and Share Trustee. During the period, the Company paid IML £12,267 (£15,127 for the prior period) for secretarial and trustee services provided, including the provision of the Intertrust Director.

A director of the Company is an employee of POOL, the cedant under the Agreement and the sole source of insurance business for the Company.

13 Taxation

The Company benefits from the special tax treatment set out in Regulation 4 of the Risk Transformation (Tax) Regulations 2017 (the "Tax Regulations"). The Tax Regulations set out a special tax regime for qualifying transformer vehicles.

A transformer vehicle will be a qualifying transformer vehicle if it is a company limited by shares that (i) carries out the activity of insurance risk transformation where substantially all of that activity relates to business other than basic life assurance and general annuity business and (ii) is authorised under Part 4A of the Financial Services and Markets Act 2000 to carry out insurance risk transformation. Management believes that the Company constitutes a qualifying transformer vehicle for these purposes. The insurance risk transformation activity of qualifying transformer vehicles are not subject to corporation tax.

Accordingly, no provision is made in these financial statements for taxation on the net income of the Company.

14 Subsequent events

There has been one subsequent event from March 1, 2021, through March 1, 2022, the date the financial statements were approved.

POOL has determined that it will sponsor a new three year cat bond deal using a newly formed cell with the Company. This new strategic update will extend the operations of the Company beyond the next 12 months.

15 Parent undertaking and ultimate controlling party

The Company's immediate parent company is Intertrust Corporate Services Limited, a company incorporated in the United Kingdom and registered in England and Wales. The entire share capital is held on a discretionary trust basis under a share trust deed by the legal parent company, Intertrust Corporate Services Limited.