

LONG | HARBOUR |

Company No: 06905581

LONG HARBOUR LTD

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2021

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COMPANIES HOUSE

Long Harbour Ltd

**Report and Financial Statements
For the year ended 31 December 2021**

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Long Harbour Ltd

Strategic Report

Business review, strategic outlook and future developments

The past year has been one of significant growth for the Long Harbour group, as we continue to consolidate our position as a leading real estate investment, development and management business.

We are proud of how our teams responded to challenges of the pandemic – pulling together and putting our tenants first and adapting quickly as the market moved. We have put our values into practice and emerged from the pandemic stronger than ever.

2021 was a big year of transition as we completed a corporate restructure, enabling us to consolidate several separate corporate entities under one ultimate parent, giving a single point of governance, a single balance sheet for a more efficient financial framework, and the ability to raise finance both debt and equity to benefit the business.

The need to restructure had become apparent after 10 years of growth had seen us add distinct corporate entities incrementally, growing from a single fund strategy into a collection of businesses and investment themes, almost reaching 250 staff members. The corporate reorganisation enables us to demonstrate our strength to the market and position the company for the next phase of growth and has unlocked a wealth of benefits.

Following the restructure, in July, we were also delighted to welcome Ontario Teachers Pension Plan to our shareholder register with a stake in the company and welcome Jenny Hammarlund and Peter Angelopoulos of Cadillac Fairview, Ontario's real estate arm, to the Group Board of the parent entity. This along with our consolidation gives us a fantastic platform for growth supported by an exceptional institutional partner.

The core message for 2022 is to focus on the core business units of the company. The Board's aim is to fulfil the corporate focus of our values and drive long term performance for our clients. This will allow us to increase AUM through expanding our product lines and our geographical coverage, driving long term recurring investment fees.

Risks and uncertainties

The Board considers the key risks and uncertainties facing the company for the current year to be the impact of market variables impacting the real estate market, performance yields and asset valuations of the underlying managed assets.

The business plan for 2022 has been reviewed and there is sufficient pipeline revenue to fund the company's fixed overhead for the foreseeable future. Taking account of any likely delays caused by the COVID-19 outbreak on pipeline delivery and current market unrest caused by the Ukraine crisis, the directors are satisfied at the reporting date that the company has sufficient cash reserve and loan facility to operate its normal course of business for the foreseeable future and the financial statements can be prepared on a going concern basis.

Section 172, employees and other stakeholders engagement

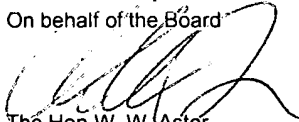
Long Harbour's aim is to be at the vanguard of promoting responsible stewardship of assets for the benefit of the investment community and wider public. As a leader within the residential real estate sector, Long Harbour views its role as a property custodian, not merely an owner. With this outlook, Long Harbour aims not only to fulfil its ESG duties but lead the way with their initiatives, generating economic and social value for investors and residents.

Long Harbour Ltd actively reviewed the latest Government and public health advice issued to businesses and employers in 2021 to prepare for potential impact on its customer and client operations as well as on the health, wellbeing and security of our staff. A "Business Continuity Plan" remains in place and due to our size and extensive use of technology, the company remains well placed to be able to facilitate remote working by employees whenever necessary whilst maintaining services to our customers and clients, as other stakeholders, with as little disruption as possible, given what is a challenging and evolving situation.

The Board continues to be updated on progress in relation to operational matters, including staff and tenant welfare. The Board also has updates from its ESG Committee which works to improve the company's dialogue between investors and fund managers and increase knowledge and market transparency around environmental, social and corporate governance matters.

This year, whilst Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 is not applicable to the company's size, the Board is aware of disclosure to report on greenhouse gas emissions, energy consumption and energy efficiency action in the foreseeable future.

On behalf of the Board



The Hon W. W. Astor
C.E.O.

Long Harbour Ltd

Report of the Directors

Directors

The Hon W W Astor
J S Aumonier
R Silva

Secretary and registered office

Gravitas Company Secretarial Services Ltd
One New Change, London EC4M 9AF

Company number

06905581

Auditor

BDO LLP
55 Baker Street, London, W1U 7EU

The directors present their report together with the audited financial statements for the year ended 31 December 2021.

Principal activities and business review

The company's principal activity is that of investment and management in real estate and infrastructure. The company is regulated and authorised for the conduct of business by the Financial Conduct Authority ("FCA") in the UK and is approved as a full scope AIFM (Alternative Investment Fund Manager) to perform regulated activities of managing assets on behalf of its investors.

The directors expect to continue with the company's principal activity for the coming year and are pleased with the result for the year.

The directors have prepared a Strategic Report including a business review, a summary of risks and uncertainties and an indication of the likely future developments in the company's business.

Results and dividends

At the reporting date, and in respect of amounts attributable to shareholders of company, the company's net assets were £9,770,000 (2020: £7,441,000) and the profit for the financial year was £2,329,000 (2020: £1,005,000) as shown on page 8. The key performance indicators for the company are its net asset value and performance measured by the company's profit for the year, and its relationship with key investors and reputation in the market place. Net asset value is measured by the company's net asset position at the reporting date, and performance is measured by profit for the financial year.

The directors do not recommend the payment of a dividend for the year (2020: £nil).

Engagement with employees and other stakeholders

The directors promote the success of the company and, in doing so, have regard to a range of stakeholders. The section in the strategic report on page 2 details the engagement with employees and other stakeholders.

Financial risk management policies

In common with many businesses, the company is exposed to a range of risks. The management of risk is embedded in the culture of the company and the way business is conducted. This is managed at an executive level through the board of directors and senior management. In order to mitigate risk, the company manages risk in a variety of ways depending on the nature of the risk and areas of potential impact. The key risks for the company are included in note 4.

Directors' Indemnity Arrangements

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial period and is currently in force.

Statement as to disclosure to auditors

Each of the directors who are a director at the time when the report is approved confirms that so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that ought to have been taken as a director, including making appropriate enquires of fellow directors and the company's auditor for that purpose, in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditor are aware of that information.

Long Harbour Ltd

Report of the Directors (continued)

Statement of Directors' Responsibilities

The directors are responsible for preparing the directors' report, strategic report and the financial statements in accordance with applicable law and regulations.

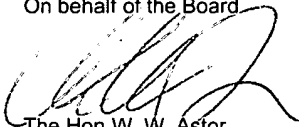
Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). Under company law the directors 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 these 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 UK 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 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 enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

On behalf of the Board



The Hon W. W. Astor
Director
Date: 26 April 2022

INDEPENDENT AUDITOR'S REPORT TO LONG HARBOUR LIMITED**OPINION ON THE FINANCIAL STATEMENTS**

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit 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.

We have audited the financial statements of Long Harbour Limited ("the Company") for the period ended 31 December 2021 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of Changes in Equity, 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 Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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

Independence

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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

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.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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. In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

OTHER COMPANIES ACT 2006 REPORTING

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

- the information given in the Strategic report and 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 the 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 Director's 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or

INDEPENDENT AUDITOR'S REPORT TO LONG HARBOUR LIMITED (continued)**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION (CONTINUED)**

- 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, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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.

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

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which the Company operates and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. We focused on laws and regulations that could give rise to a material misstatement in the financial statements. These included but were not limited to compliance with Companies Act 2006, the accounting standards, the Financial Conduct Authority's regulations and relevant tax legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures which included, but were not limited to:

- enquiries with Management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud
- agreement of the financial statements disclosures to underlying supporting documentation
- review of the reporting to the Directors with respect to compliance with laws and regulation and
- review of relevant board meeting minutes and legal correspondence.

The engagement team was deemed to collectively have the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Based on our understanding of the Company and industry, we evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and discussed among the engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud. We determined that the principal risks were related to management bias in accounting estimates.

We addressed the risk of management override of internal controls through testing journals, in particular any entries posted with unusual account combinations or posted by senior management and designed audit procedures to incorporate unpredictability around the nature, timing or extent of our testing. We evaluated whether there was evidence of bias by the Directors in accounting estimates that represented a risk of material misstatement due to fraud. We challenged assumptions and judgements made by management in their significant accounting estimates.

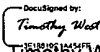
Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO LONG HARBOUR LIMITED (continued)

USE OF OUR 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.

DocuSigned by:

 Timothy West (Senior Statutory Auditor)
 For and on behalf of BDO LLP, statutory auditor
 London
 Date: 26 April 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Long Harbour Ltd

Statement of Comprehensive Income
For the year ended 31 December 2021

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Turnover	5	12,961	9,568
Cost of sales		(29)	(4)
Gross profit		12,932	9,564
Operating expenses		(10,168)	(8,513)
Operating profit	6	2,764	1,051
Interest receivable and other income		121	-
Profit on ordinary activities before taxation		2,885	1,051
Taxation	8	(556)	(46)
Profit and total comprehensive income		2,329	1,005

All amounts are in respect of continuing activities.

The notes on pages 11 to 20 form an integral part of these financial statements.

Long Harbour Ltd

Statement of Financial Position
at 31 December 2021

Company Number: 06905581

	<u>Note</u>	<u>2021</u>	<u>2020</u>
		£'000	£'000
Fixed Assets			
Tangible assets	9	89	63
Investments at cost	10	5	-
		94	63
Current Assets			
Debtors	11	9,137	6,236
Cash at bank and in hand		7,387	2,955
		16,524	9,191
Creditors: amounts falling due within one year	12	(6,759)	(1,696)
Net Current Assets		9,765	7,495
Total Assets less current liabilities		9,859	7,558
Creditors: amounts falling due after more than one year	13	(83)	(117)
Provision for liabilities	8(c)	(6)	-
Net Assets		9,770	7,441
Capital and Reserves			
Called up share capital	14	-	-
Retained earnings		9,770	7,441
Shareholder's Funds		9,770	7,441

The notes on pages 11 to 20 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors
and authorised for issue on 26 April 2022
and signed on their behalf by



The Hon W. W. Astor

Director

Long Harbour Ltd

Statement of Changes in Equity
For the year ended 31 December 2021

	<u>Share capital</u> £'000	<u>Retained earnings</u> £'000	<u>Total</u> £'000
At 1 January 2020	-	6,436	6,436
Comprehensive income			
Profit for the year	-	1,005	1,005
At 31 December 2020	-	7,441	7,441
At 1 January 2021	-	7,441	7,441
Comprehensive income			
Profit for the year	-	2,329	2,329
At 31 December 2021	-	9,770	9,770

The notes on pages 11 to 20 form an integral part of these financial statements.

Long Harbour Ltd

Financial Statements for the year ended 31 December 2021

Notes

1. General Information

These financial statements are presented in Pounds Sterling (GBP) to the nearest thousand pounds. GBP is the functional currency in which the majority of the Company's transactions are denominated.

The continuing activities of Long Harbour Limited (the "Company") is that of investment, development and management of residential real estate funds. The Company is authorised and regulated by the Financial Conduct Authority ("FCA") and is approved as a full scope AIFM (Alternative Investment Fund Manager) to perform regulated activities of managing assets on behalf of its investors.

The Company is a private company limited by shares. It is both incorporated and domiciled in the United Kingdom. The address of its registered office is One New Change, London EC4M 9AF.

2. 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 applied consistently to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with applicable law and Financial Reporting Standards 102 applicable in United Kingdom and Republic of Ireland, as issued by the Financial Reporting Council and the Companies Act 2006.

These financial statements have been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

The company has sufficient funding and working capital to operate its normal course of business for the foreseeable future. The business plan for the current year has been reviewed and there is sufficient revenue to fund the company's fixed overhead for the foreseeable future and to meet its capital adequacy requirements under the prudential regulatory framework set out by the Financial Conduct Authority. Stress testing has been performed on all major revenue streams to assess the impact on the company's financial performance and position for the foreseeable future. Taking account of any likely delays caused by the COVID-19 outbreak or any other market factors on pipeline delivery and new acquisitions, the directors are satisfied that the company has sufficient cash reserves at the reporting date and the financial statements can be prepared on a going concern basis.

The company has taken advantage of the disclosure exemptions available within FRS 102 arising from the requirements of Section 7 statement of cash flows on the basis that the company is wholly owned subsidiary of a UK company which prepares consolidated accounts and includes this information.

The principal accounting policies that have been applied consistently to all periods presented in these financial statements are set out below.

(b) Revenue recognition

Turnover represents investment advisory, development management and asset management fees for the period for services rendered in accordance with terms of the signed agreement, exclusive of Value Added Tax. All fees are recognised over the period to which the service relates. Turnover also includes any distribution receivable in accordance with the underlying signed management agreements.

Long Harbour Ltd

Financial Statements for the year ended 31 December 2021

Notes

2. Summary of significant accounting policies (continued)

(c) Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively. The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

(d) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation on fixtures & fittings, office and computer equipment is provided on a straight-line basis in order to write off each asset over its expected useful life as follows:

Fixtures & fittings	- 5 years
Office and computer equipment	- 3 years

(e) Trade debtors

Trade debtors are amounts due from customers for services performed in the ordinary course of business. Trade debtors are recognised at the undiscounted amount of cash receivable, which is normally the invoice price, less any allowances for doubtful debts.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments which are readily convertible with a maturity of three months or less. Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at the reporting date.

(g) Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as creditors falling due within one year if payment is due within one year or less. Trade creditors are recognised at the undiscounted amount owed to the supplier, which is normally the invoice price.

(h) Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight-line basis over the period of the lease.

Long Harbour Ltd

Financial Statements for the year ended 31 December 2021

Notes

2. Summary of significant accounting policies (continued)**(i) Financial instruments**

Financial instruments are recognised in the statement of financial position when the company becomes a party to the contractual provisions of the instrument.

All financial assets and liabilities are initially recognised at transaction price (including transaction costs), except for those financial assets measured at fair value through profit or loss, which are initially recognised at fair value (which is normally the transactions price excluding transactions costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to a unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expired.

(j) Equity instruments

Share capital issued by the company are recorded at fair value of cash or other resources received or receivable, net of direct issue costs.

(k) Investments

Fixed asset investments, including investments in subsidiaries and associates, are stated at the lower of cost and underlying net asset value of the investments.

(l) Financial Reporting Standard 102 – Reduced Disclosure Exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- The requirements of Section 7 Statement of Cash Flows;
- The requirements of Section 3 Financial Statement Presentation paragraph 3.17(d) relating to statement of cash flows;
- The requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.46, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- The requirements of Section 33 Related Party Disclosures paragraph 33.7.

The information is included in the consolidated financial statements of Long Harbour Holdings Limited as at 31 December 2021 and these financial statements may be obtained from One New Change, London, EC4M 9AF.

Long Harbour Ltd

Financial Statements for the year ended 31 December 2021

Notes

3. Critical accounting estimates and judgements

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates. The directors are not aware of any material estimates or assumptions at the reporting date.

4. Financial risk management

In common with many businesses, the Company is exposed to a range of risks. The management of risk is embedded in the culture of the Company and the way business is conducted. This is managed at an executive level through the board of directors and senior management. In order to mitigate risk, the Company manages risk in a variety of ways depending on the nature of the risk and areas of potential impact. The key risks for the Company include:

Market price risk

Market price risk arises from uncertainty about future prices of financial instruments held. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. The potential impact is not significant to the directors of the Company and the Company has taken no steps to control market price risk.

Liquidity risk

The director's approach to managing liquidity risk is to monitor forecast cash flows to ensure, as far as possible, that the Company will always have sufficient liquidity to meet its liabilities, when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Credit risk

Credit risk is the result of counterparty default exposure. Potential material areas of credit risk consist of cash, trade account receivable and amounts due from related entities and the balance of these accounts represents the company's maximum credit risk. The Company manages credit risk with respect to cash by holding such assets at global financial institutions, therefore the credit risk on these balances is considered to be limited. The directors monitor the creditworthiness of the Company's major counterparties, considered to be its underlying fund investors and joint venture partners. The Company has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Business continuity risk

As an investment and asset manager to the underlying fund platform, the company has an obligation to ensure it can operate at all times. Continuity plans are in place and periodically tested and off site back up for the group's IT systems is in place to cover loss of facility at our operating site, as part of the disaster recovery procedure.

Management of capital

The Company is regulated by the FCA and is required to hold sufficient capital to meet its regulatory capital requirements. The directors monitor the company's capital, both in order to meet the company's strategic objectives and to meet its regulatory capital requirements.

Long Harbour Ltd

Financial Statements for the year ended 31 December 2021

Notes

5. Turnover

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Investment & asset management fees	10,458	8,418
Other fees	2,503	1,150
	<u>12,961</u>	<u>9,568</u>
UK – country of domicile	2,601	1,236
Channel Islands and overseas	10,360	8,332
	<u>12,961</u>	<u>9,568</u>

6. Operating profit

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Operating profit is stated after charging:		
Depreciation of owned tangible assets	55	174
Auditors remuneration		
- audit fees	66	42
- tax compliance fees	8	10
- payroll fees	9	7
Operating lease rentals – land and buildings	31	540
	<u>168</u>	<u>773</u>

7. Staff Costs

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Wages and salaries	6,887	4,464
Social security costs	907	574
Pension costs	135	129
	<u>7,929</u>	<u>5,167</u>

The average number of persons employed by the company (including the directors) during the period, analysed by category, was as follows:

	2021 No.	2020 No.
Management	5	5
Investment	22	18
Administration and operations	12	12
	<u>39</u>	<u>35</u>
	2021 £'000	2020 £'000
Directors' emoluments (key management)	<u>1,931</u>	<u>1,519</u>

No director received benefits under a money purchase pension scheme. Emoluments of the highest paid director in respect of qualifying services were £537,000 (2020: £454,000).

Long Harbour Ltd

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8. Taxation	Notes	Year ended 31 December 2021	Year ended 31 December 2020
		£'000	£'000
(a) Tax on profit on ordinary activities			
UK Corporation tax charge		-	64
Group relief charge		550	-
		-	64
Deferred tax charge/(credit) (see note 8c)		6	(18)
Tax on profit on ordinary activities (see note 8b)		556	46
(b) Factors affecting the total tax charge			
Profit on ordinary activities before tax		2,885	1,051
Expected tax charge of 19%		548	200
Effects of:			
Depreciation in excess of capital allowances		(17)	21
Disallowable expenses		52	22
Availability of group relief		(33)	(179)
Movement in deferred tax		6	(18)
Total tax charge (note 8a)		556	46
(c) Deferred tax liability			
At 1 January		-	18
Capital allowances in excess of depreciation		6	(18)
At 31 December		6	-

On 3 March 2021, it was announced that the main rate of corporation tax would increase to 25% with effect from 1 April 2023. This change was substantively enacted on 24 May 2021. Deferred taxes at the reporting date have been measured and reflected in these financial statements using 19% as this is the rate at which deferred tax balances are expected to unwind.

Long Harbour Ltd

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9. Tangible Fixed Assets

	Office & Computer equipment £'000	Fixtures & Fittings £'000	Total £'000
Cost			
At 1 January 2021	313	1,028	1,341
Additions	78	3	81
Disposals	(1)	-	(1)
At 31 December 2021	390	1,031	1,421
Depreciation			
At 1 January 2021	266	1,012	1,278
Charge for the year	47	8	55
Disposals	(1)	-	(1)
At 31 December 2021	312	1,020	1,332
Net book value			
At 31 December 2021	78	11	89
At 31 December 2020	47	16	63

10. Fixed Asset Investments

£'000

Investment and loans in subsidiaries and associates

At 1 January 2021	-
Additions	5
Disposals	-
At 31 December 2021	5

The subsidiaries and associates at the reporting date were:

<u>Name</u>	<u>Country of Incorporation or Registration</u>	<u>Proportion of Voting Rights held</u>	<u>Nature of Business</u>	<u>Accounting reference date</u>
LH Income 4 (carry) LLP	UK^	42.87%	Property investment	31/12

^ Registered Address: 5th Floor One New Change, London, United Kingdom, EC4M 9AF

Long Harbour Ltd

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11. Debtors

	<u>2021</u> £'000	<u>2020</u> £'000
Trade debtors	497	87
Amounts due from group undertakings	7,261	5,596
Other debtors	362	330
Corporation tax	3	-
Prepayments and accrued income	<u>1,014</u>	<u>223</u>
	<u>9,137</u>	<u>6,236</u>

Included in other debtors is £330,206 (2020: £330,206) relating to a rental deposit which is due in more than one year.

12. Creditors: amounts falling due within one year

	<u>2021</u> £'000	<u>2020</u> £'000
Trade creditors	322	85
Amounts due to group undertakings	3,505	5
Corporation tax	-	62
Group relief payable	550	-
Other tax and social security	1,058	690
Accruals and deferred income	<u>1,324</u>	<u>854</u>
	<u>6,759</u>	<u>1,696</u>

13. Creditors: amounts falling due more than one year

	<u>2021</u> £'000	<u>2020</u> £'000
Accruals and deferred income	<u>83</u>	<u>117</u>

14. Share Capital

	<u>2021</u>	<u>2020</u>
	£	£
Allotted, issued and fully paid 200 ordinary shares of £1 each	<u>200</u>	<u>200</u>

Long Harbour Ltd

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15. Related Party Transactions

The company charged the following management and success fees to related party undertakings during the year:

	2021 £'000	2020 £'000
Long Harbour Holdings Limited	2,319	-
Aegean Limited Partnership	6,185	4,350

During the year, the company charged management, rent and service fees amounting to £344,000 (2020: £618,000) to Homeground Management Limited, a company incorporated in the UK, and a subsidiary of the parent company. Included in trade debtors, is a value of £258,000 (2020: £1,000) owed by Homeground Management Limited at the reporting date. The company was charged property management fees amounting to £28,000 (2020: £4,000) by Homeground Management Limited. Included in trade creditors, is a value of £11,000 (2020: £5,000) owed to Homeground Management Limited at the reporting date.

During the year, the company charged rent and service fees amounting to £58,000 (2020: £50,000) to Way of Life Management Limited, a company incorporated in the UK, and a subsidiary of the parent company. Included in trade debtors, is a value of £40,000 (2020: £nil) owed by Way of Life Management Limited at the reporting date. The company was charged other fees amounting to £130,000 (2020: £19,000) by Way of Life Management Limited. Included in trade creditors, is a value of £156,000 (2020: £nil) owed to Way of Life Management Limited at the reporting date.

During the year, the company charged rent and service fees amounting to £117,000 (2020: £17,000) to Longevity Partners Limited, a company incorporated in the UK, and a subsidiary of the parent company. Included in trade debtors, is a value of £48,000 (2020: £20,000) owed by Longevity Partners Limited at the reporting date. The company was charged fees amounting to £15,000 (2020: £36,000) and loan interest of £121,000 by Longevity Partners Limited. There was no outstanding amount at the reporting date.

During the year, the company received a working capital loan amounting to £3,500,000 (2020: nil) from Baffin Holdings, a company incorporated in Guernsey, and a parent company of Long Harbour Ltd. The balance of the loan outstanding at the end of the year was £3,500,000 (2020: nil).

Balances with group undertaking at the reporting date are as follows:

	2021 £'000	2020 £'000
Amounts due from related undertakings		
Long Harbour Holdings Limited	6,280	965
Long Harbour Investments Limited	981	968
Longevity Partners Limited	-	1,103
Way of Life Management Limited	-	2,560
	<u>7,261</u>	<u>5,596</u>

Amounts due to related undertakings

Baffin Holdings Limited	3,500	-
LH Income 2 LLP	5	5
	<u>3,505</u>	<u>5</u>

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16. Financial instruments

	<u>2021</u> £'000	<u>2020</u> £'000
Financial assets		
Financial assets (including bank accounts)	7,387	2,955
Financial assets at amortised cost (trade & other debtors and amounts due from related undertakings)	<u>8,120</u>	<u>6,014</u>
	<u>15,507</u>	<u>8,969</u>
Financial liabilities		
Financial liabilities at amortised cost (trade & other creditors, amounts due to group undertakings and accruals)	<u>3,827</u>	<u>1,061</u>

17. Operating Lease Commitment

	<u>2021</u> £'000	<u>2020</u> £'000
At 31 December, the company had total annual commitments under non-cancellable operating leases payable as follows:		
Within one year	510	186
Within two to five years	<u>379</u>	<u>437</u>
	<u>889</u>	<u>623</u>

18. Contingent Liabilities

The Company is party to a group credit revolving facility of £8,000,000 with a third party lender to Baffin Holdings Limited, its parent undertaking. The Company, among other subsidiaries of the parent company, is a guarantor and obligor under the facility, which holds a first ranking fixed and floating charge over the assets and shares of the Company. Any liability may only arise in the event of default which includes: (1) material breach of a regulatory requirement by the company or its parent; (2) breach of financial covenant or of the facility agreement by the group; and (3) insolvency.

19. Ultimate Controlling Party

The parent company is Long Harbour Holdings Limited, a company incorporated in England, at the reporting date.

Long Harbour Holdings Limited is the parent company of the largest and smallest group of which the company is a member and for which group accounts are publicly available at its registered office.

The ultimate parent company is Long Harbour Group Limited Partnership. In the opinion of the directors, there is no one ultimate controlling party.

Pillar 3 Disclosure in respect of Long Harbour Ltd – year ended 31 December 2021

Long Harbour Ltd (“Long Harbour” or the “Company”) is authorised and regulated by the Financial Conduct Authority (“FCA”) and is subject to mandatory minimum regulatory capital requirements.

Long Harbour is a wholly owned subsidiary of Long Harbour Holdings Limited, and along with Long Harbour Holdings Limited and its new holding entities, Baffin Holdings Limited and Long Harbour Group Limited Partnership, is a member of a consolidation group for prudential purposes under the regime as at 31 December 2021. The Company’s principal activity is that of investment and management in real estate and infrastructure. Part of the company’s activity is carried on as an AIFM managing a master-feeder AIF domiciled in Guernsey.

The Firm is subject to the Capital Requirements Directive (‘CRD III’) and the rules in the General Prudential Sourcebook (‘GENPRU’) and the Prudential Sourcebook for Banks, Building Societies and Investment Firms (‘BIPRU’). As such, in respect of the MiFID business that the Firm has permission to conduct, the Firm is prudentially categorised as a BIPRU firm.

In addition, following the implementation of the Alternative Investment Fund Managers Directive (‘AIFMD’) in the UK, Long Harbour became authorised by the FCA as a full scope UK Alternative Investment Fund Manager (‘AIFM’) and has since been prudentially categorised as a Collective Portfolio Management Investment firm (‘CPMI’), which is a BIPRU firm. The Firm is subject to the prudential requirements of IPRU (INV) 11 for its AIFMD business in parallel with the applicable rules in GENPRU and BIPRU.

The prudential framework implemented by the Capital Requirements Directive in Europe consists of three ‘Pillars’:

- Pillar 1 sets out the minimum capital requirement calculated for the firm’s credit and market risk components;
- Pillar 2 requires the firm to assess whether its Pillar 1 capital is adequate and to evaluate the impact that any other risk types may have on the Firm’s capital requirement; and
- Pillar 3 requires disclosure of specific information about the firm’s risk management controls, capital adequacy and remuneration.

This Pillar 3 disclosure, as at 31 December 2021, has been prepared in accordance with the disclosure requirements of BIPRU 11.

BIPRU 11 permits a firm to omit one or more of the required disclosures where it believes that the information is immaterial. For this purpose, the Company will regard information as material if its omission or misstatement would change or influence the assessment or decision of a user relying on that information for the purpose of making an economic decision. The directors are not aware of any omissions.

These disclosures have been produced solely for the purposes of Pillar 3. They do not form part of any audited financial statements, report or advice. The disclosures have been reviewed by the Board. In regard to the 12-month period this Pillar 3 disclosure relates to, the relevant disclosures are made on the basis of requirements and the proportionality guidance for a full scope UK AIFM which is categorised as a CPMI and a BIPRU firm.

Pillar 3 Disclosure in respect of Long Harbour Ltd – year ended 31 December 2021

The prudential framework outlined above applied for the year ending 31 December 2021. With effect in the UK on 1 January 2022, the new prudential regime for UK investment firms ("IFPR") came into force and is applicable specifically to MIFID investment firms (i.e. firms that are authorised under MIFID or have regulatory permissions to conduct MIFID business).

The IFPR was derived directly from the EU Investment Firm Regulation ("IFR"), further to the interpretation and discretion applied by the FCA for the implementation of an equivalent prudential regime in the UK. Given Long Harbour is currently categorised as a BIPRU firm for prudential purposes, and is authorised to conduct MIFID business in the UK, the new IFPR will be applicable to the firm.

Long Harbour performed its impact assessment to implement the IFPR in full ahead of the 1 January 2022 effective date and the outcome of the analysis shows that under the IFPR, Long Harbour will be categorised as an SNI firm and as such will only be subject to the new own funds requirements driven by the higher of a Permanent Minimum Requirement and the Fixed Overhead Requirement. The K-Factor Requirements will not be applicable.

A prudential consolidation test has been completed under IFPR and the outcome is that the composition of the consolidated group remains the same.

Background

Long Harbour is a wholly owned subsidiary of Long Harbour Holdings Limited, and a member of a consolidation group for prudential purposes as detailed further below. The Company's principal activity is that of investment and management in real estate and infrastructure. Part of the company's activity is carried on as an AIFM managing a master-feeder AIF domiciled in Guernsey.

Risk management framework***Governance structure***

The Board of Directors of Long Harbour Group General Partner Limited determines the Company's business plan strategy and oversees the day-to day management of the Company's business by the executive team led by the founder managing partners.

The Risk & Compliance Committee is responsible for establishing and maintaining the Company's governance arrangements along with designing and implementing an effective risk management framework to identify, monitor and mitigate the risks that the business faces. The Committee act as the independent risk management function. The process determine how risks are assessed, recorded and mitigated and on an on-going basis the arrangements required to manage those risks.

The Board of Directors at both subsidiary and group level meet on a quarterly basis and discuss current projections for profitability, cash flow, regulatory capital management, business planning and risk management. The Company operates a 3-line defence model clearly defining the appropriate segregation of duties within the control environment. In the first line, the business teams include the operational departments (Secured Income, PRS and Opportunistic) along with support from the corporate, legal and finance teams acting as a primary control for all aspects of day to day risk management.

Pillar 3 Disclosure in respect of Long Harbour Ltd – year ended 31 December 2021**Risk management framework (continued)*****Governance structure (continued)***

The second line comprises of six independent Committees that report into the Board of Long Harbour General Partner Limited and act as an internal audit function, specifically:

- Risk and Compliance Committee;
- Audit Committee;
- Remuneration Committee;
- Investment Committee;
- Digital Committee; and
- ESG Committee.

These Committees provide independent assessment and recommendation to the Board, and further details on their functions can be found below. The third line of defence is the Board of Directors of Long Harbour General Partners Limited together with an independent annual audit that reviews and assesses all parts of the first and second line which is carried out by BDO LLP, as external auditors. The 3-line defence model is designed to ensure that there are no conflicts of interest in the management of risk and to ensure that business, whilst managing day to day risk, is provided with adequate oversight and challenge.

Functions of each Committee are as follows:

Risk & Compliance Committee - The Risk & Compliance Committee is responsible for establishing and maintaining the Company's governance arrangements along with designing and implementing an effective risk management framework to identify, monitor and mitigate the risks that the business faces. The Committee act as the independent risk management function. The process determine how risks are assessed, recorded and mitigated and on an on-going basis the arrangements required to manage those risks. The Committee oversees legal, financial, risk and compliance matters and are responsible for implementing and monitoring policy and procedures (which includes the requirements set by AIFMD regulation as a full-scope AIFM introduced by the FUND sourcebook).

Specifically, for the purpose of managing and mitigating risk within the AIF, according to the regulatory requirements applicable to the AIFM investment management activities as prescribed in the Investment Fund Sourcebook ('FUND'), the Risk & Compliance Committee has established a risk management function for the risk management of the AIF to be carried on independently from the portfolio management activities.

Investment Committee - To assist the Board with its entrusted responsibilities, an Investment Committee exists as a delegated function to review and approve recommendations of all new investment opportunities. The Committee meets as and when required, acting as an independent committee to the Board to enhance the decision-making process and any conflict of interest issues. Recommendations are presented to the Investment Committee for approval with a prepared transaction report detailing the key performance indicators, and the business model.

Audit Committee - responsible for the oversight and independent review of the financial reporting and investor communications produced by Long Harbour's finance and investment teams prior to external circulation.

Pillar 3 Disclosure in respect of Long Harbour Ltd – year ended 31 December 2021**Risk management framework (continued)*****Governance structure (continued)***

Remuneration Committee - responsible for agreeing the annual salary and discretionary bonus pay reviews of all group employees.

Digital Committee - responsible for reviewing company digital initiatives for support and assistance.

ESG Committee - works to improve the group's dialogue between investors and fund managers and increase knowledge and market transparency around environmental, social and corporate governance matters.

Risk management systems and techniques

At least annually, the Board of Long Harbour General Partners Limited formally reviews the Company's risk matrix, risk controls and other risk mitigation arrangements and assess their effectiveness. Where the Directors identify material risks, they consider the financial impact that those risks may have on the Company.

As required according to GENPRU 1.2 and the Pillar 2 rule, the Firm maintains an Internal Capital Adequacy Assessment Process document ('ICAAP') to establish whether the Firm is required to hold any additional capital to cover any risks the Firm is exposed to which are not fully captured under the Pillar 1 requirements. The Board formally reviews the consolidated ICAAP at quarterly Board meetings, or when any significant changes to the business and/or risk profile occur. The annual review utilises the existing risk management framework alongside Pillar 2 capital requirements and sets out to identify the key risks and the management of those risks, along with stress testing and scenario analysis of severe but plausible events provides an assessment of the capital adequacy of the Group.

Holding a high level of readily available, high quality liquid assets remains paramount in the management of Long Harbour's balance sheet. The company continued to maintain a liquid asset surplus at the end of 2021. Looking to the future the company has secured debt funding and will additionally use investment advisory/management income to meet the ICAAP resource requirement over the next five years. As part of the firm's prudential policy, the Board is required and has performed a stress testing scenario to capture both capital and liquidity scenarios under a downside business plan case and also in the event of a wind down. In line with the firm's careful approach to the management of its resources; in the event of a wind down costs will include serving notice on the office premise to the next break clause date in 2022 and paying 8-week notice period to all staff if a wind down scenario occurs. Long Harbour will hold adequate resources and will emphasise resolution planning in order to permit orderly failure.

Pillar 3 Disclosure in respect of Long Harbour Ltd – year ended 31 December 2021**Material Risks**

Market risk arises from adverse changes to the values of positions and portfolios arising from changes in market prices, interest rates or exchange rates. Market risk for the Company is minimal as the Company does not undertake any principal trading for its own account.

Credit risk is the risk of financial loss arising from a client or other counterparty failing to meet its obligations to repay outstanding amounts as they fall due. Credit risk for the Company is calculated as a percentage of trade receivables, as at 31 December 2021. There is no impaired trading assets for which any specific credit risk provision has been raised. Full provision has been taken under the ICAAP assessment for the working capital facility and amount due to Way of Life Management Limited from Long Harbour Holdings Ltd, and the net liability position (excluding the loan due) of subsidiary group, Longevity Partners Limited.

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. The Company regularly undertakes risk assessments of all key areas of its business to identify the key risks it faces, along with the quality of related controls. These risks are monitored on an on-going basis to ensure that the business tracks how they are evolving over real time. The Company also monitors all losses and potential losses with view to ensuring that policies, procedures and controls are appropriate, and enhanced where necessary, in order to minimise repetition. Operational risk is materially avoided and where necessary mitigated by ensuring that clear lines of management responsibility and accountability are established for each business area with open access to senior management, that potential conflicts of interest are identified and avoided where practicable and where present are managed on a transparent basis with appropriate disclosure and approval by affected parties, and by the Company not holding any client assets.

Business risk is the risk of financial loss arising from deterioration in business or economic conditions requiring a firm to raise capital or alternatively to contract its business when market conditions are most unfavourable to raising capital. As at 31 December 2020, £2,000,000 was allocated as a capital buffer reflecting business risk uncertainty regarding the leasehold reform announcement on the ground rent business and the uncertainty of the group reorganisation and bank facility funding. As at 31 December 2021, the Pillar 2 liquidity buffer has been removed based on the forecast cash flow assessment of the group to operate with sufficient cash reserves for the foreseeable future subsequent to the reporting date. This assessment is being periodically reviewed (at least quarterly).

Environmental, Social, Governance (“ESG”) risks include those related to climate change impacts mitigation and adaptation, environmental management practices and duty of care, working and safety condition, respect for human rights, anti-bribery and corruption practices, and compliance to relevant laws and regulations. Long Harbour is committed to responsible investment and therefore intends to manage its investment programmes in accordance with the principles set out in its ESG Policy (the “ESG Policy”). The Company will seek to maximise investment opportunities and positive impact on the communities within which investments are located. In applying the principles and guidelines set out in the ESG Policy, Long Harbour will, to the extent possible, look to integrate ESG considerations into the investment decision and risk management process. For example, when assessing the risks/merits of potential investments environmental factors (such as the energy efficiency of the asset, its carbon footprint, and waste management) are evaluated and taken into consideration.

Pillar 3 Disclosure in respect of Long Harbour Ltd – year ended 31 December 2021**Material Risks (continued)**

Business continuity risk is managed proactively by an extensive back up network and offsite continuity services.

Currently, the Company and group has sufficient cash to operate its normal course of business for the foreseeable future. The business plan model for the current year has been reviewed by the Board and there is sufficient revenue to fund the company's fixed overhead for the foreseeable future and to meet its capital adequacy requirements under the prudential regulatory framework set out by the Financial Conduct Authority. Stress testing has been performed on all major revenue streams to assess the impact on the company's financial performance and position for the foreseeable future. Taking account of any likely delays caused by the COVID-19 outbreak on pipeline delivery and new acquisitions, the directors are satisfied in 2022 that the company has sufficiently cash reserve and resources at the reporting date its position and results to 31 December 2021 in the Annual Report.

Consolidation Group

As discussed above, a prudential consolidation test under IFPR has been completed to identify whether an investment firm group exists between the entities in the broader Long Harbour Group under the new rules, to determine whether any consolidated requirements may be applicable in the next Pillar 3 statement

The Company forms part of a UK consolidated group as at 31 December 2021, which comprises of Long Harbour Ltd and parent company, Long Harbour Holdings Ltd ("LHHL"), Baffin Holdings Limited Long Harbour Group Limited Partnership and Long Harbour Group General Partner Limited. This is the composition of the consolidated group.

For the purposes of the calculations below, relevant figures and sums have been taken from the Company and other entity accounts to reflect the consolidated group as at 31 December 2021.

Pillar 3 Disclosure in respect of Long Harbour Ltd – year ended 31 December 2021

Regulatory capital

Calculations for a BIPRU firm under BIPRU/GENPRU

£'000	(Solo) Company 2021	(Consol) Group 2021
Total Regulatory Capital after deductions	£7,441	£16,375
Capital requirement		
The highest of:		
1. Market risk + Credit risk	£1,155	£1,155
2. Fixed Overheads Requirement	£1,473	£1,473
3. Base Capital Resource Requirement (BIPRU €50k)	£45	£45
plus:		
4. Pillar 2 capital	-	-
Total capital requirement	£1,473	£1,473
Surplus	£5,968	£14,902

Under BIPRU and GENPRU, as at 31 December 2021, the Company and Group was subject to a Pillar 1 capital requirement determined by its Fixed Overhead Requirement. The surplus of regulatory capital held as a BIPRU firm was £5,968,000 and £14,902,000 respectively.

As a CPMI firm, the Company is required to hold own funds in excess of the following:

The higher of:

- the Funds under management requirement (of its AIFs), i.e., €125,000 plus 0.02% of the amount by which the funds under management exceed €250,000,000, (subject to a maximum of €10,000,000); and
- the fixed overheads requirement ('FOR'), i.e., one quarter of the annual fixed overheads.

Plus, to cover professional liability risks, either:

- additional own funds equal to 0.01% of the value of the AIFs managed; or
- professional indemnity insurance (PII) cover meeting certain criteria (and for which any excess is to be held in addition to the own funds requirement).

Pillar 3 Disclosure in respect of Long Harbour Ltd – year ended 31 December 2021

Regulatory capital (continued)

The Company has decided to cover professional liability risks by holding appropriate PII cover, and as such holds additional own funds equal to the value of the excess in the PII policy. As a BIPRU firm, the Company is also required to hold in parallel regulatory capital which will be the highest of:

- its base capital requirement of €50,000; or
- the sum of its market and credit risk requirements; or
- its Fixed Overhead Requirement.

Calculations for a CPMI firm under IPRU (INV) 11

£'000	(Solo) Company 2021	(Consol) Group 2021
Own funds (permanent share capital and retained earnings)	£7,441	£16,375
Own funds requirement		
The highest of:		
1. Base own funds requirement (€125)	104	104
2. Funds under management requirement	59	59
3. Fixed overheads requirement;	1,473	1,473
plus either:		
4. Professional negligence capital requirement; or		-
5. PII capital requirement	20	£20
Total own funds requirement	1,473	1,473
Surplus	£5,968	£14,882

Under IPRU(INV) 11, as at 31 December 2021, the Company and Group was subject to a Fixed Overhead Requirement and was required to hold additional own funds to cover a defined PII excess. The surplus of own funds held as a CPMI was £5,968,000 and £14,882,000 respectively.

As at 31 December 2021, the Company and Group's liquid asset requirement under IPR(INV) 11.2.1(3) is £1,493,000. This liquidity asset test requirement is met by the Company and Group holding sufficient cash of £7,753,000 as at 31 December 2021.

Pillar 3 Disclosure in respect of Long Harbour Ltd – year ended 31 December 2021**Remuneration Code disclosure**

This disclosure is being made by the Company in its capacity as a BIPRU firm in accordance with the Pillar 3 disclosure requirements as set out in BIPRU 11.5.18. The disclosure is made as at 31 December 2021 as required by the Remuneration Code that came into force on 1 January 2011. The Company and Group is subject to the UK AIFM Remuneration Code in SYSC 19B as implemented for a CPMI which is a BIPRU firm and the relevant proportionality guidance as applicable.

The Company is obliged to disclose certain information regarding its remuneration policies and procedures for individuals ('AIFM Remuneration Code Staff') whose professional activities have a material impact on the risk profile of the Company or of the AIF managed. This includes senior management, risk takers, control functions, and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers.

A senior manager is defined as an individual employed by the firm to whom the governing body (or a member of the governing body) of the firm has given responsibility for management and supervision, and who reports directly to the governing body, a member of the governing body, the chief executive, or the head of a significant business group.

Under the AIFM Remuneration Code and the proportionality guidance this remuneration disclosure is considered to be appropriate, given the Company's prudential category, size and nature of its activities. The Company has established and maintains remuneration policies, procedures and practices that are consistent with and promote effective risk management and prevent exposure to excessive risk.

Due to the size, nature and complexity of the business, the Company has established a Remuneration Committee which comprises the Board of Directors of the Company. The Committee meets annually to determine the remuneration of directors, senior management and employees of the Company. Remuneration is made up of fixed salary pay and a discretionary bonus at the end of the financial year based on firstly, the individual's performance and secondly, the profitability of the Company.

9 (2020: 7) individuals were classified as Code Staff. Aggregate remuneration expenditure in respect of AIFM Remuneration Code staff for the year ended 31 December 2021 was £3,917,000 (2020: £2,293,000), of which £1,959,000 (£1,041,000 senior management and £918,000 other code staff) was fixed and £1,958,000 (£840,000 senior management and £1,118,000 other code staff) was variable.

As at 31 December 2021, following a group re-organisation during the year, the Company's shareholders have agreed to work together in good faith to agree and approve a long-term incentive ("LTIP") programme for senior management which is designed to link reward with the long-term success of the Company and recognise the responsibility participants have in driving its future success and delivering value for all stakeholders. The LTIP programme is to be implemented as soon as reasonably practicable post-completion in accordance with the pre-agreed parameters set out in the Corporate Heads of Terms.