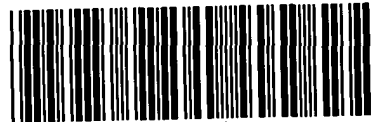


LONG HARBOUR LTD

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2022

MONDAY



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Long Harbour Ltd

**Report and Financial Statements
For the year ended 31 December 2022**

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Long Harbour Ltd

Strategic Report

Business review, strategic outlook and future developments

The past year (2022) has been one of continued growth for the Long Harbour group, as we continue to consolidate our position as a leading real estate investment, development and management business following a successful corporate restructure in 2021, 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.

At the time of writing this, we are only two years into a decade in which we have already experienced Covid, the conflict in Ukraine, high inflation, escalating climate change, accelerating political instability and economic downturn. Such unprecedented levels of volatility clearly has a seismic impact on our industry and the investment market, and it is unsurprising that transactions stalled in the second half of 2022, and Long Harbour Ltd, as a company, incurred an operating loss of £827,000 (2021: £2,764,000)

Looking into 2023, we cannot predict the market as many variables remain impossible to predict but optimism is creeping back into the economy and here's why. Inflation has peaked, UK swap rates are falling, jobs are safe with unemployment expected to remain at historic lows, global shipping costs have fallen 90% from highs in 2021, energy prices are falling and house prices are falling but not by much.

The big challenge for investment is still pricing, and the disparity between expectations on both the seller's side and the opportunistic buyer. It's difficult to predict exactly where pricing corrections will eventually land depending on the sector. But in markets where demand is exceeding supply, rental growth will support capital values for quality assets, and UK residential is firmly placed in this bracket.

There will undoubtedly be winners and losers, however at Long Harbour we're approaching 2023 with cautious optimism and are confident we are well placed to meet the challenges with lie ahead. Why?

- We are an established business with a proud 12-year track record of navigating socioeconomic, geopolitical challenges to deliver outstanding returns for our investors
- We have an established fund management platform with backing from global consultants with Willis Towers Watson and UK and international pension schemes.
- We have assembled a best-in-class team covering the spectrum of planning, design and development and investment management expertise
- We have developed a market-leading portfolio of complex tech based operating platforms, such as (Home Ground, Way of Life, Longevity)
- We have established a number of strategic partnerships and joint ventures, with Cadillac Fairview and PSP, with whom we have established a £1.5 billion Build to Rent platform and have deployed nearly £2bn of capital under our ground rent platform.

This is shaping up to be a busy year for Long Harbour, as we seek to build on our successes of 2022:

- Progressing our £260 million investment to deliver a 495-apartment BTR development, The Mall, in Walthamstow, East London
- Launching our BTR development in Tower Hamlets, London, following a £110 million investment in partnership with Cadillac Fairview and PSP
- Further growing our Secured income investment programme, with a focus on UK and Germany
- Securing planning and accelerating the delivery of Europe's first purpose-built SMART town - Fawley Waterside, our £2.5 billion development adjacent to the New Forest National Park and Southampton Port
- Launching our Build to Rent platform third party management services platform to the market
- Almost doubling our global sustainability advisory business Longevity Partners, and launching the first Asian office in Japan

It would also be remiss to not highlight how ESG will be a common thread for Long Harbour Group and all our activities this year. It has been part of the company's DNA since our inception, and with our partners, investors and indeed all our stakeholders, will continue to be integral to our operations, with social impact and governance gaining increasing traction alongside sustainability. This year the group has set a challenge to produce its first ESG report for 2023 activity and will centralise the group strategy with clear and measurable goals for everyone to work towards collaboratively.

The year 2023 will not come without its challenges, but overall we believe there will be considerable opportunities for value-seeking investors, and at Long Harbour we have the right team – with the expertise and experience – and strategic partnerships in place to capitalise and continue our growth trajectory over the next 12 months.

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 2023 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 current market unrest due to the Ukraine crisis, the directors are satisfied at the reporting date and for the foreseeable future and in excess of 12 months from approval of these

financial statements 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

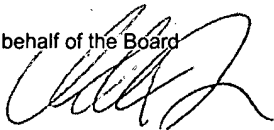
Long Harbour's aim is to be at the vanguard of promoting responsible stewardship of assets for the benefit of the investment community and wider public. As a leader within the residential real estate sector, Long Harbour views its role as a property custodian, not merely an owner. With this outlook, 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.

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 and will look to publish in 2023.

On behalf of the Board

24th April 2023



William Astor
Chief Executive, Long Harbour Group

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 2022.

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 £8,999,000 (2021: £9,770,000) and the loss for the financial year was £771,000 (2021: profit £2,329,000) as shown on page 8. The key performance indicators for the company are its net asset value and performance measured by the company's result 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 result for the financial year.

The directors do not recommend the payment of a dividend for the year (2021: £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 24th April 2023



William Astor
Director

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF 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 2022 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.

We have audited the financial statements of Long Harbour Limited ("the Company") for the period ended 31 December 2022 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
- certain disclosures of Directors' remuneration specified by law are not made; or

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

- 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. These include but were not limited to compliance with Companies Act 2006, the accounting standards, the Financial Conduct Authority's regulations and relevant tax legislation.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements. Our tests 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.

We also addressed the risk of management override of internal controls and risk of fraudulent revenue recognition. Our testing included testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud, and verifying revenue to underlying agreements and contracts in place, respectively.

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.

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.

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF LONG HARBOUR LIMITED (CONTINUED)

DocuSigned by:

Simon Peter Fowles

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Simon Fowles (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London

Date: 26 April 2023

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 2022

| | Note | Year ended 31 December 2022 £'000 | Year ended 31 December 2021 £'000 |
|--|------|--|--|
| Turnover | 5 | 11,021 | 12,961 |
| Cost of sales | | <u>(40)</u> | <u>(29)</u> |
| Gross profit | | 10,981 | 12,932 |
| Operating expenses | | <u>(11,808)</u> | <u>(10,168)</u> |
| Operating (loss) / profit | 6 | (827) | 2,764 |
| Interest receivable and other income | | <u>-</u> | <u>121</u> |
| (Loss) / Profit on ordinary activities before taxation | | (827) | 2,885 |
| Taxation | 8 | <u>88</u> | <u>(556)</u> |
| (Loss) / Profit and total comprehensive income | | <u>(739)</u> | <u>2,329</u> |

All amounts are in respect of continuing activities.

The notes on pages 12 to 21 form an integral part of these financial statements.

Long Harbour Ltd

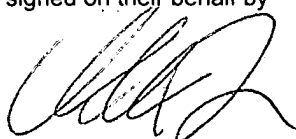
Statement of Financial Position
at 31 December 2022

Company Number: 06905581

| | <u>Note</u> | <u>2022</u> £'000 | <u>2021</u> £'000 |
|--|-------------|----------------------|----------------------|
| Fixed Assets | | | |
| Tangible assets | 9 | 99 | 89 |
| Investments at cost | 10 | 9 | 5 |
| | | <u>108</u> | <u>94</u> |
| Current Assets | | | |
| Debtors | 11 | 6,414 | 9,137 |
| Cash at bank and in hand | | <u>5,673</u> | <u>7,387</u> |
| | | 12,087 | 16,524 |
| Creditors: amounts falling due within one year | 12 | <u>(3,011)</u> | <u>(6,759)</u> |
| Net Current Assets | | <u>9,076</u> | <u>9,765</u> |
| Total Assets less current liabilities | | 9,184 | 9,859 |
| Creditors: amounts falling due after more than one year | 13 | (147) | (83) |
| Provision for liabilities | 8c | <u>(6)</u> | <u>(6)</u> |
| Net Assets | | <u>9,031</u> | <u>9,770</u> |
| Capital and Reserves | | | |
| Called up share capital | 14 | - | - |
| Retained earnings | | <u>9,031</u> | <u>9,770</u> |
| Shareholder's Funds | | <u>9,031</u> | <u>9,770</u> |

The notes on pages 12 to 21 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors
and authorised for issue on 24th April 2023
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 2022

| | <u>Share capital</u> £'000 | <u>Retained earnings</u> £'000 | <u>Total</u> £'000 |
|-----------------------------|-----------------------------------|---------------------------------------|-----------------------|
| 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 |
| At 1 January 2022 | - | 9,770 | 9,770 |
| Comprehensive income | | | |
| Loss for the year | - | (739) | (739) |
| At 31 December 2022 | - | 9,031 | 9,031 |

The notes on pages 12 to 21 form an integral part of these financial statements.

Long Harbour Ltd

Financial Statements for the year ended 31 December 2022

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 and in excess of 12 months from approval of these financial statements. The directors are satisfied that the company has sufficient cash reserves at the reporting date and for the foreseeable future and the financial statements can be prepared on a going concern basis.

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 2022

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 2022

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 2022 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 2022

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 2022

Notes

5. Turnover

| | Year ended 31 December 2022 £'000 | Year ended 31 December 2021 £'000 |
|------------------------------------|--|--|
| Investment & asset management fees | 9,931 | 10,458 |
| Other fees | 1,090 | 2,503 |
| | <u>11,021</u> | <u>12,961</u> |
| UK – country of domicile | 1,308 | 2,601 |
| Channel Islands and overseas | 9,713 | 10,360 |
| | <u>11,021</u> | <u>12,961</u> |

6. Operating (loss) / profit

| | Year ended 31 December 2022 £'000 | Year ended 31 December 2021 £'000 |
|--|--|--|
| Operating (loss) / profit is stated after charging: | | |
| Depreciation of owned tangible assets | 51 | 55 |
| Auditors remuneration | | |
| - audit fees | 89 | 66 |
| - tax compliance fees | 22 | 8 |
| - payroll fees | 5 | 9 |
| Operating lease rentals – land and buildings | 369 | 31 |

7. Staff Costs

| | Year ended 31 December 2022 £'000 | Year ended 31 December 2021 £'000 |
|-----------------------|--|--|
| Wages and salaries | 6,637 | 6,887 |
| Social security costs | 892 | 907 |
| Pension costs | 139 | 135 |
| | <u>7,668</u> | <u>7,929</u> |

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

| | 2022 No. | 2021 No. |
|--|---------------|---------------|
| Management | 5 | 5 |
| Investment | 27 | 22 |
| Administration and operations | 13 | 12 |
| | <u>45</u> | <u>39</u> |
| | 2022 £'000 | 2021 £'000 |
| Directors' emoluments (key management) | <u>1,226</u> | <u>1,931</u> |

No director received benefits under a money purchase pension scheme. Emoluments of the highest paid director in respect of qualifying services were £386,000 (2021: £537,000).

Long Harbour Ltd

Financial Statements for the year ended 31 December 2022

| Notes | | | |
|--|--|-----------------------------------|-----------------------------------|
| 8. Taxation | | Year ended 31 December 2022 | Year ended 31 December 2021 |
| | | £'000 | £'000 |
| (a) Tax on profit on ordinary activities | | | |
| UK Corporation tax charge | | - | - |
| Group relief (receivable) / payable | | (88) | 550 |
| | | (88) | - |
| Deferred tax charge (see note 8c) | | - | 6 |
| Tax on profit on ordinary activities (see note 8b) | | (88) | 556 |
| (b) Factors affecting the total tax charge | | | |
| (Loss) / Profit on ordinary activities before tax | | (827) | 2,885 |
| Expected tax charge of 19% | | (157) | 548 |
| Effects of: | | | |
| Depreciation in excess of capital allowances | | (4) | (17) |
| Disallowable expenses | | 20 | 52 |
| Availability of group relief | | 53 | (33) |
| Movement in deferred tax | | - | 6 |
| Total tax (credit) /charge (note 8a) | | (88) | 556 |
| (c) Deferred tax liability | | | |
| At 1 January | | 6 | - |
| Capital allowances in excess of depreciation | | - | 6 |
| At 31 December | | 6 | 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 25% as this is the rate at which deferred tax balances are expected to unwind.

Long Harbour Ltd

Financial Statements for the year ended 31 December 2022

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9. Tangible Fixed Assets

| | Office & Computer equipment £'000 | Fixtures & Fittings £'000 | Total £'000 |
|---------------------|--|------------------------------------|----------------|
| Cost | | | |
| At 1 January 2022 | 390 | 1,031 | 1,421 |
| Additions | 42 | 19 | 61 |
| Disposals | (3) | - | (3) |
| At 31 December 2022 | 429 | 1,050 | 1,479 |
| Depreciation | | | |
| At 1 January 2022 | 312 | 1,020 | 1,332 |
| Charge for the year | 43 | 8 | 51 |
| Disposals | (3) | - | (3) |
| At 31 December 2022 | 352 | 1,028 | 1,380 |
| Net book value | | | |
| At 31 December 2022 | 78 | 21 | 99 |
| At 31 December 2021 | 78 | 11 | 89 |

10. Fixed Asset Investments

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| Investment and loans in subsidiaries and associates | | |
| At 1 January 2022 | 5 | - |
| Additions | 4 | 5 |
| At 31 December 2022 | 9 | 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

Financial Statements for the year ended 31 December 2022

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11. Debtors

| | <u>2022</u> £'000 | <u>2021</u> £'000 |
|-------------------------------------|----------------------|----------------------|
| Trade debtors | 662 | 497 |
| Amounts due from group undertakings | 4,988 | 7,261 |
| Other debtors | 442 | 362 |
| Corporation tax | 3 | 3 |
| Prepayments and accrued income | 319 | 1,014 |
| | <u>6,414</u> | <u>9,137</u> |

Included in other debtors is £330,206 (2021: £330,206) relating to a rental deposit which is due in more than one year.

12. Creditors: amounts falling due within one year

| | <u>2022</u> £'000 | <u>2021</u> £'000 |
|-----------------------------------|----------------------|----------------------|
| Trade creditors | 468 | 322 |
| Amounts due to group undertakings | 3 | 3,505 |
| Deferred tax | 6 | - |
| Group relief payable | 462 | 550 |
| Other tax and social security | 1,447 | 1,058 |
| Accruals and deferred income | 625 | 1,324 |
| | <u>3,011</u> | <u>6,759</u> |

13. Creditors: amounts falling due more than one year

| | <u>2022</u> £'000 | <u>2021</u> £'000 |
|------------------------------|----------------------|----------------------|
| Accruals and deferred income | 147 | 83 |

14. Share Capital

| | <u>2022</u> £ | <u>2021</u> £ |
|---|------------------|------------------|
| Allotted, issued and fully paid 200 ordinary shares of £1 each | 200 | 200 |

Long Harbour Ltd

Financial Statements for the year ended 31 December 2022

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15. Related Party Transactions

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

| | <u>2022</u> £'000 | <u>2021</u> £'000 |
|-------------------------------|----------------------|----------------------|
| Long Harbour Holdings Limited | 1,096 | 2,319 |
| Aegean Limited Partnership | 2,283 | 6,185 |

During the year, the company charged management, rent and service fees amounting to £568,000 (2021: £344,000) 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 £233,000 (2021: £258,000) owed by Homeground Management Limited at the reporting date. The company was charged property management fees amounting to £68,000 (2021: £28,000) by Homeground Management Limited. Included in trade creditors, is a value of £nil (2021: £11,000) owed to Homeground Management Limited at the reporting date.

During the year, the company charged rent and service fees amounting to £97,000 (2021: £58,000) 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 £30,000 (2021: £40,000) owed by Way of Life Management Limited at the reporting date. The company was charged other fees amounting to £26,000 (2021: £130,000) by Way of Life Management Limited. Included in trade creditors, is a value of £31,000 (2021: £156,000) owed to Way of Life Management Limited at the reporting date.

During the year, the company charged rent and service fees amounting to £178,000 (2021: £117,000) 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 £76,000 (2021: £48,000) owed by Longevity Partners Limited at the reporting date. The company was charged fees amounting to £31,000 (2021: £15,000) and loan interest of £292,000 (2021: £121,000) by Longevity Partners Limited. There was no outstanding amount at the reporting date.

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

| | <u>2022</u> £'000 | <u>2021</u> £'000 |
|--|----------------------|----------------------|
| Amounts due from related undertakings | | |
| Long Harbour Holdings Limited | 4,988 | 6,280 |
| Long Harbour Investments Limited | - | 981 |
| | <u>4,988</u> | <u>7,261</u> |

Amounts due to related undertakings

| | | |
|-------------------------|----------|--------------|
| Baffin Holdings Limited | - | 3500 |
| LH Income 2 LLP | 3 | 5 |
| | <u>3</u> | <u>3,505</u> |

LH Income 2 LLP is a limited partnership, incorporated in the UK, with partners that are also directors of the company.

Long Harbour Ltd

Financial Statements for the year ended 31 December 2022

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16. Financial instruments

| | <u>2021</u> £'000 | <u>2021</u> £'000 |
|---|----------------------|----------------------|
| Financial assets | | |
| Financial assets (including bank accounts) | 5,673 | 7,387 |
| Financial assets at amortised cost (trade & other debtors and amounts due from related undertakings) | <u>2,938</u> | <u>8,120</u> |
| | <u>8,611</u> | <u>15,507</u> |
| Financial liabilities | | |
| Financial liabilities at amortised cost (trade & other creditors, amounts due to group undertakings and accruals) | <u>1,205</u> | <u>3,827</u> |

17. Operating Lease Commitment

| | <u>2022</u> £'000 | <u>2021</u> £'000 |
|---|----------------------|----------------------|
| At 31 December, the company had total annual commitments under non-cancellable operating leases payable as follows: | | |
| Within one year | 369 | 510 |
| Within two to five years | <u>-</u> | <u>379</u> |
| | <u>369</u> | <u>889</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.

In the opinion of the directors, there is no one ultimate controlling party.

Long Harbour Ltd. ("LHL" or the "Firm")

MIFIDPRU 8 DISCLOSURES 31 DECEMBER 2022

Introduction

Long Harbour Ltd. ("LHL" or the "Firm"), is authorised and regulated as a limited license firm by the Financial Conduct Authority ("FCA"). The Firm is categorised as an SNI MIFIDPRU Investment Firm for prudential supervision. It is an investment management firm and as such has no trading book exposures. The Firm does not hold client money.

As part of its regulatory framework LHL is subject to making public disclosures in line with MIFIDPRU 8 in the FCA Handbook which, among other things, requires these public disclosures in relation the Firm's Own Funds, its Own Funds Requirements, Senior Management's control of business risks as well as the Firm's remuneration practices.

Scope of Application of the Requirement

The disclosures contained in this document relate to the business of LHL, whose principal business is to provide discretionary investment management services to professional clients and eligible counterparties.

Own Funds

The Firm's Own Funds as of 31st December 2022 are summarised as follows:

| <i>Own Funds Calculation:</i> | £'000 |
|-------------------------------------|--------------|
| Common equity Tier 1 Capital | 9,031 |
| less : Deductions from CET1 capital | (1,480) |
| | <hr/> |
| Total Own Funds | 7,551 |

Own Funds Requirements

The Firm has a simple operational infrastructure. Its market risk is limited to foreign exchange risk on its accounts receivable in foreign currency, and credit risk from management and performance fees as well as other fee debtors in addition to cash at bank. In line with MIFIDPRU prudential requirements the Firm assesses impact of any credit or market through the Firm's ICARA (Individual Capital Adequacy Risk Assessment) using a risk-based approach.

In line with MIFIDPRU rules the Firm is categorised as an SNI Investment Firm subject to on-going prudential requirements which were as follows as of 31 December 2022:

| | £'000 |
|-------------------------------------|--------------|
| Permanent minimum requirement (PMR) | 75 |
| Fixed overhead requirement (FOR) | 2,086 |
| Own funds threshold requirement | 2,086 |
| Liquid assets threshold requirement | 1,168 |

The applicable capital adequacy requirement would be the "Own Funds Threshold Requirement" which takes account of the impact of risk assessment or of any potential wind down costs.

Risk Management

LHL is mainly exposed to business risk and operational risk. LHL's approach is to have in place processes and controls that are proportionate when considering the scale of the business operations. The risk map clearly identifies these items. LHL's ICARA, as an assessment of the business and operational risks, provides a framework for addressing those risks. Senior Management also determines how risks may be mitigated and assesses on an ongoing basis the arrangements needed to manage those risks.

Revenue is primarily linked to performance and thus the most fundamental method of managing business risk is through the prudent management of investor assets. Fluctuations in the value of foreign currencies can impact the sterling value of revenues. This risk is managed primarily through significant levels of capital held by the firm and the control of fixed costs.

LHL addresses ongoing and changing risk and the range of potential risks by monitoring its business and by creating a culture consistent with low risk and risk awareness.

Operational Risk

The firm places strong reliance on the operational procedures and controls that it has in place to mitigate risk and seeks to ensure that all personnel are aware of their responsibilities in this respect.

The firm has identified several key operational risks to manage. These risks are detailed in the ICARA Risk Management Framework and include risks of failure to meet regulatory requirements, failure of infrastructure or systems, loss of staff or inadequate staffing including key man risk, inadequate financial controls, failure of a supplier or third-party provider, inadequate procedures, errors, or omissions with respect to investment management operations, as well as legal risks and the risks associated with financial crime and market abuse. Appropriate policies are in place to mitigate against these risks, which includes taking out adequate professional indemnity insurance.

Market risk

The Firm takes no market risk other than foreign exchange risk in respect of its accounts receivable and cash balances held in currencies other than GBP. The Firm assesses the impact of this in its ICARA. Foreign exchange risk is not considered to be material for the purposes of this disclosure.

Market Risk can indirectly impact upon the Firm where there is a diminution in the values of funds it manages which arises because of exposures to financial instruments that are a constituent of the Fund. Appropriate policies to ensure that the Funds are managed in line with the management mandates are in place.

Liquidity risk

The Firm's policy is to maintain Liquid Assets at a level of 120% or more of its Threshold Liquid Assets Requirement. Senior Management believes that this policy is more than sufficient to cover the liquidity risks faced by the Firm.

The Firm is required to maintain sufficient liquidity to ensure that there is no significant risk that its liabilities cannot be met as they fall due or that financial resources can only be secured at excessive cost.

The Firm retains an amount it considers suitable for providing sufficient liquidity to meet the working capital requirements under normal business conditions. The firm has always had sufficient liquidity within the business to meet its obligations and there are no perceived threats to this given the cash deposits it holds. Additionally, the cash position of the firm is regularly monitored by Senior Management.

The Firm's policy regarding liquidity risk is maintained within the ICARA.

Remuneration

The Firm has adopted a remuneration policy that complies with the requirements of chapter SYSC 19G of the FCA's Senior Management Arrangements, Systems and Controls Sourcebook (SYSC), as interpreted in accordance with the FCA's guidance publication entitled "General Guidance on Proportionality": The Remuneration Code (SYSC 19G), MIFIDPRU 8 disclosures and subsequent items of guidance issued by the FCA.

As a simple SNI the remuneration policy is prepared taking proportionality into account and the Senior Management of the Firm can confirm that this remuneration policy is a gender-neutral remuneration policy in line with the Equality Act 2010.

The RPS has been carefully considered by Senior Management to ensure that the Firm's remuneration policies and practices are in line with the business strategy, objectives, and long-term interests of the firm. The Firm's risk appetite, culture and values have been considered as well as avoiding conflicts of interest and promoting responsible business conduct.

As an SNI, the Firm is not required to have a remuneration committee. Senior Management oversees the implementation of the Firm's policies and practices established in this RPS.

The Firm's senior management will as standard practice conduct a review of whether the implementation of its remuneration policies and practices comply with this RPS adopted by the Firm.

Senior Management seek to ensure that staff engaged in control functions are independent from the business they oversee and have appropriate authority; and are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.