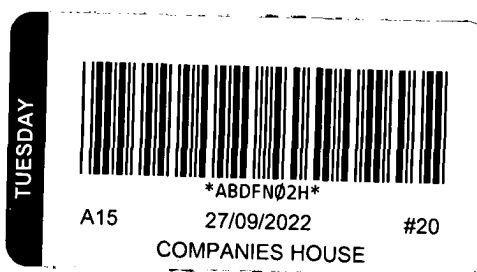


Harbour Direct Holdings Ltd

Financial Statements

31 December, 2021



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Harbour Direct Holdings Ltd

Corporate Information

Directors

James Blackwell
Linda Cook (resigned Mar 31, 2021)
Garrett Soden
Steven Farris
Greg Hill
James Dubow (resigned Dec 3, 2021)
Stephen Motteram (appointed Dec 3, 2021)
R. Blair Thomas

Independent Auditors

PricewaterhouseCoopers LLP
The Capitol
431 Union Street
Aberdeen
AB11 6DA

Registered Office

7th Floor
20 St. James's Street
London
SW1A 1ES

Company No. 11718037

Harbour Direct Holdings Ltd

Strategic report

The directors present their strategic report for the period ended 31 December 2021

Principal Activities and Review of the Business

Harbour Direct Holdings Ltd (the Company) is within the Harbour group of companies (the "Group"), whose principal activity is the management of the Company's investment in Chrysaor, which was acquired in 2017 was recently involved in a reverse takeover, becoming Harbour Energy PLC. The Company's current activity is as the operating company for the administration of the holding companies, primarily collecting management revenue and discharging administrative expenses. The Group's ultimate parent company is Harbour Energy Holdings Ltd (HEHL). Further information can be found in HEHL's consolidated financial statements for the year ended 31 December 2021.

The Group's goal is to invest in a portfolio of high-quality assets in the energy industry globally, focusing on upstream or midstream opportunities with an initial geographic focus on the U.K. North Sea, Southeast Asia and Latin America.

Current period activity reflects a normal business with the agreed upon monitoring fee income being offset by regular general and administrative charges.

In July 2022 the Group undertook a dividend of the entirety of the PLC shares to investors and began the process of liquidation. It is the intent of the Group to be fully liquidated during 2022.

Financial Performance and Position

The Company had income for the period of \$113.6 million, due mainly to the receipt of dividends from a subsidiary, offset by the incurrence of the general and administrative expenses.

As at 31 December 2021, the company had retained earnings of \$681.1 million and a cash balance of \$25.6 million.

Principal Risks and Uncertainties

The Company is subject to a range of risks, these risks are identified and managed by the Group. This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

On behalf of the Board



R. Blair Thomas
20 September 2022

Harbour Direct Holdings Ltd

Directors' Report

Directors

The Directors who served the company during the period and up to the date of the financial statements were as follow:

James Blackwell
Linda Cook (resigned Mar 31, 2021)
Garrett Soden
Steven Farris
Gregory Hill
James Dubow (resigned Dec 3, 2021)
Stephen Motteram (appointed Dec 3, 2021)
R. Blair Thomas

Results and Dividends

The income for the period was \$113.6 million. Dividends of \$161.2 million were received from a subsidiary and a \$143.8 million share dividend was paid to the parent entity.

Financial Instruments

The Company finances its activities with a combination of cash and loans from its subsidiary undertakings and its ultimate parent, HEHL. The Company also has other intercompany balances on its balance sheet.

Future Developments

In July 2022 the Group undertook a dividend of the entirety of the PLC shares to investors and began the process of liquidation. It is the intent of the Group to be fully liquidated during 2022.

Directors' Liabilities

At the date of the signing of these financial statements, the Company does not have any indemnity provisions to or in favor of one or more of its directors in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006.

Going Concern

At 31 December 2021, the Company had net current liabilities of \$4.6 million. The Directors have adopted a basis other than going concern accounting for the preparation of the financial statements as management intent is to liquidate the Company within 12 months after the year end. This is explained in note 2a.

Disclosure of Information to the Auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing its report, of which the Auditors are unaware.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A, and applicable law).

Harbour Direct Holdings Ltd

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 Section 1A have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board



R. Blair Thomas
20 September 2022

Independent auditors' report to the directors of Harbour Direct Holdings Ltd

Report on the audit of the financial statements

Opinion

In our opinion, Harbour Direct Holdings Ltd's 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 (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A, and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Financial Statements (the "Annual Report"), which comprise: the Balance Sheet; as at 31 December 2021; the Statement of Comprehensive Income and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 2a to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does

Harbour Direct Holdings Ltd

not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

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 year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined

Harbour Direct Holdings Ltd

that the principal risks were related to potential management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquires made of the Board of Directors, certain key management personnel and in-house legal team of their awareness of any instances of actual or potential litigation and claims;
- Review of minutes of meetings of the Board of Directors;
- Review of financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- Identifying and testing journal entries with specific focus on entries within unusual account combinations in response to the risk of management override of controls.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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 or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's directors as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' report. We have no exceptions to report arising from this responsibility.



Martin Cowie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
20 September 2022

Harbour Direct Holdings Ltd

Harbour Direct Holdings Ltd Statement of Comprehensive Income For the Year Ended 31 December 2021

		Year Ended 31 December 2021	Year Ended 31 December 2020
<i>(in thousands of dollars)</i>	Notes		
Revenue	3	\$ 2,160	\$ 8,641
Cost of sales		\$ -	\$ -
Gross profit		\$ 2,160	\$ 8,641
General and administrative expenses		\$ (14,056)	\$ (17,110)
Fees	4	(24,729)	(22,388)
Operating loss	6	\$ (36,624)	\$ (30,856)
Other losses	7	\$ (10,986)	\$ -
Finance income	8	15	147
Finance expenses		-	-
Dividend income		161,215	-
Profit/(loss) before tax		\$ 113,620	\$ (30,709)
Income taxes expense	5	-	-
Net profit/(loss)		\$ 113,620	\$ (30,709)

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

Harbour Direct Holdings Ltd

Harbour Direct Holdings Ltd Balance Sheet As at 31 December 2021

<i>(in thousands of dollars)</i>	Notes	31 December 2021	31 December 2020
Assets			
Non-current assets			
Investment in subsidiaries and associates	9	\$ 819,080	\$ 819,080
Total non-current assets		<u>\$ 819,080</u>	<u>\$ 819,080</u>
Current assets			
Trade and other receivables	10	\$ 3,115	\$ 5,619
Cash and cash equivalents	11	25,642	16,345
Total current assets		<u>\$ 28,757</u>	<u>\$ 21,964</u>
Total assets		<u>\$ 847,837</u>	<u>\$ 841,043</u>
Liabilities			
Non-current liabilities			
Group payables	9	\$ 162,128	\$ 119,413
Total non-current liabilities		<u>\$ 162,128</u>	<u>\$ 119,413</u>
Current liabilities			
Trade and other payables	12	\$ 4,560	\$ 10,277
Total current liabilities		<u>\$ 4,560</u>	<u>\$ 10,277</u>
Total liabilities		<u>\$ 166,688</u>	<u>\$ 129,690</u>
Net assets		<u>\$ 681,149</u>	<u>\$ 711,354</u>
Equity			
Share capital	13	\$ 76	\$ 76
Share premium		-	-
Retained earnings		681,073	711,278
Total Equity		<u>\$ 681,149</u>	<u>\$ 711,354</u>

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

The Financial Statements on pages 8-20 were approved by the Board of Directors on 20 September 2022 and signed on its behalf by



R. Blair Thomas

Company No. 11718037

Harbour Direct Holdings Ltd

Harbour Direct Holdings Ltd Statement of Changes in Equity For the Year Ended 31 December 2021

Attributable to the Shareholders of the Company

<i>(in thousands of dollars)</i>	Share Capital	Share Premium	Retained Earnings	Total Equity
Balances as at 1 January, 2020	\$ 76	\$ -	\$ 741,987	\$ 742,063
Net loss	-	-	(30,709)	(30,709)
Balances as at 31 December, 2020	\$ 76	\$ -	\$ 711,278	\$ 711,354
Dividends	-	-	(143,825)	(143,825)
Net income	-	-	113,620	113,620
Balances as at 31 December, 2021	<u>\$ 76</u>	<u>\$ -</u>	<u>\$ 681,073</u>	<u>\$ 681,149</u>

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

Harbour Direct Holdings Ltd

Notes to the Financial Statements

For the year ended 31 December 2021

(dollar amounts in thousands except per share amounts)

1. Organization and Authorization of the financial statements and statement of compliance with FRS 102

The financial statements of Harbour Direct Holdings Ltd (the Company), Companies House #11718037, for the period ended 31 December, 2021, were authorised for issue in accordance with a resolution of the directors on 20 September 2022. Harbour Direct Holdings Ltd is a private limited company, limited by shares and is incorporated in the United Kingdom and domiciled in the United States. The Company's registered office is 7th Floor, 20 St. James's Street, London, United Kingdom SW1A 1ES. The Company is within the Harbour group of companies (the Group), whose principal activity is to assist in the management of the Chrysaor investment, which was acquired in 2017. The Company's current activity is as the operating company for the administration of the holding companies, primarily collecting management revenue and discharging administrative expenses.

In accordance with the Management Agreement between EIG Management Company (the "Manager") and the Company, the Manager conducts day to day management and administration of the Company and provides other services in furtherance of the Company's business as a diversified energy holding company formed to acquire and manage a portfolio of upstream, midstream and energy-related infrastructure assets (and any other business lines or activities as shall be approved from time to time by the Board of Directors).

In July 2022 the Group undertook a dividend of the entirety of the PLC shares to investors and began the process of liquidation. It is the intent of the Group to be fully liquidated during 2022.

The financial statements of Harbour Direct Holdings Ltd have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') Section 1A and the Companies Act 2006.

2. Significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied during the period presented, unless otherwise stated.

(a) Basis of Preparation

The financial statements of the Company have been prepared on a basis other than going concern, under the historical cost convention, and in accordance with FRS 102. The Company financial statements are presented in US Dollars (USD) and all values are rounded to the nearest thousand dollars (\$'000) except when otherwise stated.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2021. All accounting policies have been applied consistently other than where new policies have been adopted.

In July 2022, the Company declared and paid as dividend the entirety of the Harbour Energy PLC shares to its parent and began the process of liquidation. As a result, the financial statements have been prepared on a basis other than going concern. No adjustments have been required in these financial statements to reduce assets to their realisable values or to provide for liabilities arising from the decision to liquidate.

Harbour Direct Holdings Ltd
Notes to the Financial Statements
For the year ended 31 December 2021

(dollar amounts in thousands except per share amounts)

(b) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions. The company has taken advantage of the following exemptions in its individual financial statements:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in the consolidated financial statements, includes the Company's cash flows;
- from the financial instrument disclosures, required under FRS 102 paragraphs, 11.39, 11.40, 11.41, 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A, as the information is provided in the consolidated financial statement disclosures;
- from disclosing share based payment arrangements, required under FRS 102 paragraphs 26.18(b), 26.19 to 26.21 and 26.23, concerning its own equity instruments, as the company financial statements are presented with the consolidated financial statements and the relevant disclosures are included therein; and
- from disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7.

(c) Critical Judgements and key accounting estimates/assumptions

The preparation of the financial statements in accordance with FRS 102 requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. Estimates and judgements are evaluated on a periodic basis and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Changes in assumptions may have a significant impact on the financial statements in the periods the assumption changed.

The primary estimates utilized by the Company were in the valuation of the underlying investments to ensure there is not an impairment concern and determine the annual performance fee, if any. Management believes that the underlying assumptions are appropriate and that the Company's financial statements therefore fairly present the financial position and results of operations of the Company.

(d) Foreign Currency Translation

Functional and Presentation Currency

The functional and presentation currency of the Company is the U.S. dollar.

Foreign Currency Transactions and Balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of each transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Comprehensive Income.

(e) Interest Income, Dividend Income

Interest income and dividend income are recognized when the Company's right to receive payments has been established, and expenses are recognized on an accrual basis.

Harbour Direct Holdings Ltd
Notes to the Financial Statements
For the year ended 31 December 2021

(dollar amounts in thousands except per share amounts)

(f) Cash Equivalents

Cash at bank and in hand in the balance sheet comprise cash deposits with banks and in hand. On 31 December, 2021, all cash was held at major financial institutions which Management believes are creditworthy.

(g) Receivables/Payables

Receivables and payables are recognized initially at fair value and subsequently measured at amortized cost. The difference between the proceeds and the amounts receivable or payable is recognized over the period of the receivable or payable using the effective interest method.

(h) Investment in Subsidiaries

Investments are recorded at book value when made and are subsequently reviewed for impairment on an annual basis.

(i) Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as part of finance costs in the income statement.

(j) Equity

Share capital includes the total net proceeds, both nominal and share premium, on the issue of ordinary and preference shares of the Company.

(k) New accounting standards and interpretations

The Company adopted new and revised accounting standards and interpretations relevant to its business and effective for accounting periods beginning on or after 1 January 2021.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarified the minimum requirements for a business, removed the assessment of whether market participants are capable of replacing any missing elements, added guidance to help entities assess whether an acquired process is substantive, narrowed the definitions of a business and of outputs, and introduced an optional fair value concentration test. New illustrative examples were provided along with the amendments. This amendment is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020, and to asset acquisitions that occurred on or after the beginning of that period. Application of this amendment was effective post EU endorsement which occurred in April 2020.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

Harbour Direct Holdings Ltd
Notes to the Financial Statements
For the year ended 31 December 2021

(dollar amounts in thousands except per share amounts)

The other pronouncements did not have any impact on the Company's accounting policies and did not require retrospective adjustments.

(I) Climate change

The Company recognises that there may be potential financial implications in the future from climate change risk. The Company expects that climate change policies, legislation and regulation will increase, and likely on accelerating timelines in order to meet the Government targets. Although this will result in the intended benefits, it is likely to increase associated costs and administration requirements, as well as potentially limiting the investment capital available to the industry. These, in due course, may well have an impact across a number of areas of accounting, including impairment, fair values, increased costs, onerous contracts and contingent liabilities.

However, as at the balance sheet date, the Company believes there is no material impact on the balance sheet carrying values of assets or liabilities.

3. Revenue

Revenue of \$2.2million (2020: \$8.6million) is due to the annual monitoring fee charged to Chrysaor Holdings Ltd, prorated for the first quarter of 2021.

4. Fees

Pursuant to the Investment Management Agreement, the Manager was appointed to be an investment manager of the Company. It provides management and administrative services to the Company and its subsidiaries. In connection with this agreement the Company is required to recognize and pay certain fees to the Manager.

Management Fees

Commencing on 1 January, 2015, a quarterly management fee (the "Management Fee") is paid to the Manager. The Management Fee is payable quarterly in advance, and is equal to one-quarter of the Stockholder's Equity (as defined by the Management Agreement), as of the beginning of such quarter multiplied by 1%.

The Company incurred \$17.0 million in Management Fees for the period ended 31 December, 2021 (2020: \$14.9 million).

Expense Reimbursement Fees

The Company is required to pay a quarterly expense reimbursement, calculated based on Stockholder's Equity (as defined in the Management Agreement), to (a) the Manager pursuant to the Management Agreement.

The Expense Reimbursement Payment to the Manager is payable quarterly in advance. The quarterly Expense Reimbursement Payment varies between \$0.75 million and \$2.0 million, depending on the value of Stockholder's Equity, as defined by the Management Agreement, in each case as of the beginning of such quarter or partial quarter.

The Stockholder's Equity as defined by the Management Agreement takes into consideration the Company's equity, amounts contributed to the Partnership by the Sponsors, undrawn commitments from the limited partners plus retained earnings of the Company and Harbour LP, without duplication, at the time of calculation.

Harbour Direct Holdings Ltd
Notes to the Financial Statements
For the year ended 31 December 2021

(dollar amounts in thousands except per share amounts)

The Company incurred \$7.8 million in Expense Reimbursement Fees for the period ended 31 December, 2021 (2020: \$7.5 million).

Performance Allocation

As part of the Company's restructure, the performance fee arrangement was amended out of the Company's management contract with the Manager and was replaced instead with a mechanism that allocated future profits in the Company's newly formed subsidiary, HCH to the Manager if certain performance conditions are satisfied in any given year. Under the HCH Limited Liability Company Agreement (the "HCH LLCA"), the Manager receives an allocation of future profits up to a "Target Share of Financial Accounting Income" (as defined in the HCH LLCA) equivalent to 20% of the Company's "Adjusted Net Financial Accounting Income" (as defined in the HCH LLCA) if Adjusted Net Financial Accounting Income exceeds an 8% hurdle based on the Company's Stockholder's Equity.

As specified in the original Management Agreement, a portion of the Performance Fee payable for any fiscal year or any quarter, as applicable, through 2018 was paid in the form of common shares of the Company with the remaining portion payable in cash. In 2019 with the restructure, it was agreed that future performance allocations would be paid with the issuance of Harbour Cayman Holdings, LLC shares.

In 2019, the Company accrued \$67.6 million for the performance allocation, which equated to 31,068 Harbour Cayman Holdings LLC shares which were issued in the first quarter of 2020.

Shares issued to the Manager were valued based on the formula included in the original Management Agreement which approximates the fair value of such shares on a fully diluted basis.

There was no performance fee for the period ended 31 December, 2021 (2020: none) as the necessary financial targets were not met.

5. Income Tax

There is no income tax expense in the year (2020: none). Further, as future taxable income is not expected in the future, we are not raising a deferred tax asset (2020: none).

	31 December 2021	31 December 2020
Profit/(loss) before taxation	\$ 113,620	\$ (30,709)
Tax calculated at UK standard rate of corporation tax of 19% (2020: 19%)	21,588	(5,835)
Effects of:		
Expenses not deductible for tax purposes	9,043	5,835
Income not taxable	(30,631)	-
Total tax expense reported in the income statement	\$ -	\$ -

Harbour Direct Holdings Ltd
Notes to the Financial Statements
For the year ended 31 December 2021

(dollar amounts in thousands except per share amounts)

6. Operating loss

This is stated after charging:

	31 December 2021	31 December 2020
Management Fee	\$ 16,979	\$ 14,888
Expense Reimbursement	\$ 7,750	\$ 7,500
Performance Fee	\$ -	\$ -
Stock Based Compensation	\$ 10,752	\$ 12,436
Consulting	\$ 372	\$ 267
Legal	\$ 534	\$ 123
Travel and Entertainment	\$ 137	\$ 225
Auditors' remuneration - audit of the financial statements	\$ 782	\$ 473
other fees to auditor associate - tax	\$ 20	\$ 61
other fees to auditor associate - advisory	\$ 377	\$ -

7. Other losses

The Company realized a \$10.9 million loss on the forgiveness of an intercompany loan related to the repurchase of stock (2020: \$3.1 million).

8. Finance income

	31 December 2021	31 December 2020
Finance income:		
Bank Interest Income	\$ 15	\$ 147
Total finance income	<u>\$ 15</u>	<u>\$ 147</u>

Interest income is earned on bank deposits with floating rate interest.

Harbour Direct Holdings Ltd
Notes to the Financial Statements
For the year ended 31 December 2021

(dollar amounts in thousands except per share amounts)

9. Investment in subsidiaries and associates

	Equity	Loans	Total
At 1 January, 2020	\$ 819,080	\$ (37,725)	\$ 781,355
Harbour North Sea Holdings, Ltd	\$ 819,080	\$ -	\$ 819,080
Harbour group receivables/payables	-	(119,413)	(119,413)
At 31 December, 2020	<u>\$ 819,080</u>	<u>\$ (119,413)</u>	<u>\$ 699,667</u>
Harbour North Sea Holdings, Ltd	\$ 819,080	\$ -	\$ 819,080
Harbour group receivables/payables	-	(162,128)	(162,128)
At 31 December, 2021	<u>\$ 819,080</u>	<u>\$ (162,128)</u>	<u>\$ 656,952</u>

The loans carry no interest and are not required nor expected to be settled until final distributions are made to the Group.

Name of Company	Country of Incorporation	Holding	Proportion of voting rights and shares held	Main activity
Harbour North Sea Holdings, Ltd	Cayman Islands	100%	100%	Oil and gas

10. Trade and other receivables

	31 December 2021	31 December 2020
Amounts owed by group undertakings	\$ 3,115	\$ 5,619
Total	<u>\$ 3,115</u>	<u>\$ 5,619</u>

Amounts owed by group undertakings are expenses paid on behalf of other Group companies, primarily Harbour Energy Holdings Ltd 2021: \$3.1 million (2020: \$3.0 million), Harbour Energy, LP 2021: nil (2020: \$2.4 million), EIGSwift Co- Investment, LP 2021: nil (2020: \$0.2 million). The receivable from Harbour Energy Holdings Ltd bears interest at the rate of 5% per annum, the other receivables do not bear interest. None of the receivables have a maturity date.

The carrying value of the trade and other receivables are equal to their fair value as at the balance sheet date. No provision for doubtful debts has been recorded as at 31 December, 2021 (2020: none).

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11. Cash and cash equivalents

	31 December 2021	31 December 2020
Cash at bank and in hand	\$ 25,642	\$ 16,345

Cash at bank earns interest at floating rates based on daily bank deposit rates. The Company only deposits cash with major banks of high-quality credit standing.

12. Trade and other payables

	31 December 2021	31 December 2020
Other Payables	4,560	10,085
Accruals	-	192
Total	\$ 4,560	\$ 10,277

The carrying value of the trade and other payables are equal to their fair value as at the balance sheet date.

13. Share capital

	31 December 2021	31 December 2020
Allotted, called up and fully paid	No.	No.
Ordinary shares of \$.10 each	762,618	762,618
Total	\$ 76	\$ 76

Share capital was issued at a par value of \$1,100 per share. As part of the capital reduction process undertaken on 5 September, 2019, the par value was reduced to \$.10 per share.

Dividend

A non-cash dividend of \$143.8 million was paid to Harbour Cayman Holdings, LLC.

14. Commitments and contingencies

As at 31 December, 2021, the company had no commitments or contingencies (2020: none).

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15. Directors' remuneration

Several directors are also employees of the Group and are not paid any additional amounts for their directorships. For directors paid in relation to their service only as a director, the following table applies.

	31 December 2021	31 December 2020
Directors' remuneration	\$ 600	\$ 600
Directors' remuneration (excluding shares)	\$ 300	\$ 300

Three directors received shares under a long-term incentive scheme (2020: three).

The above amounts for remuneration include the following in respect of the highest paid director:

	31 December 2021	31 December 2020
Directors' remuneration	\$ 200	\$ 200
Directors' remuneration (excluding shares)	\$ 100	\$ 100

16. Related party disclosures

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with its parent or with members of the same group that are wholly owned.

17. Ultimate Parent Undertaking and Controlling Party

The Company's immediate parent undertaking is Harbour Cayman Holdings, LLC, a Cayman incorporated company, FC035922 with a registered office at 7th Floor, 20 St. James's Street, London, SW1A 1ES, UK. As at 31 December 2021 the ultimate controlling party, and the largest group of undertakings for which group financial statements are prepared, and of which the Company is a member, is Harbour Energy Holdings Ltd (HEHL), a company incorporated in the Cayman Islands FC035921, with a registered office at 7th Floor, 20 St. James's Street, London, SW1A 1ES, UK. The consolidated financial statements of HEHL are publicly available from UK Companies House.

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18. Events after the balance sheet date

The Company has evaluated subsequent events through 20 September 2022, the date the financial statements were available to be issued.

The Company has assessed and will continue to assess the implications of the events in Ukraine. Currently there is considered to be no material impact to the Company's financial performance or position.

The Company has prepared its 2021 financial statements on a basis other than going concern due to management intent to liquidate the Company within 12 months after the year end. This is explained in note 2a.

There are no other post balance sheet events to report.