

LONG | HARBOUR |

Company No: 06905581

LONG HARBOUR LTD

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2015

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Long Harbour Ltd

Report and Financial Statements
For the year ended 31 December 2015

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Long Harbour Ltd

Strategic Report

Principal Activities and Future Developments

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 satisfied with the result for the year.

Business Review

The company's results for the year are shown on page 6.

2015 has been a productive year for Long Harbour having achieved a number of its key aims laying the foundations for long term sustainable growth, including expanding assets under management, increasing the breadth of our limited partners, and completing our office move.

A corporate reorganisation was completed in the year that cements the growth of Long Harbour into a mature investment manager backed by a committed shareholder group and an engaged management team, incentivised to build on the solid foundations that have been established. The commitment by shareholders to strengthen the financial position was noted by not distributing the retained earnings at the end of the year, enabling the company to maintain a robust net asset position to meet its strategic objectives and create long term growth.

The core messages for 2016 for the company are:

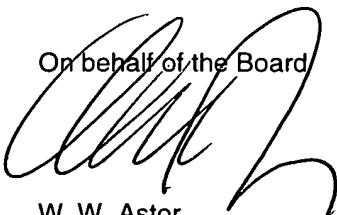
- ☐ focus on our areas of investment expertise from our transactional history;
- ☐ focus on our ability to provide best in class analysis through our young dynamic team; and
- ☐ focus on continuing to outperform on our return expectations through asset and opportunity selection.

By focusing on these areas we aim to fulfil our corporate aim of broadening and deepening our assets under management and reaching a broader client base to drive more diverse, longer term revenues for the company which will lead to greater corporate value and sustainability.

The directors consider the key risks and uncertainties facing the company for the current year to be the impact of market variables impacting the performance yields and asset valuations of the underlying managed assets.

The key performance indicators for the company are its net asset value, and its relationship with key investors and reputation in the market place. Net asset value is measured by the net asset position at the reporting date (see page 7).

On behalf of the Board



W. W. Astor
Director

26 April 2016

Long Harbour Ltd

Report of the Directors

Directors

The Hon W W Astor

J S Aumonier

P D Noble (appointed 20 May 2015 / resigned 11 November 2015)

R Silva (appointed 18 February 2016)

Secretary and registered office

Gravitas Company Secretarial Services Ltd

One New Change, London EC4M 9AF

Company number

06905581

Auditor

Moore Stephens LLP

150 Aldersgate Street, London EC1A 4AB

The directors present their report together with the audited financial statements for the year ended 31 December 2015.

Dividends

The directors do not recommend the payment of a dividend for the year (2014: £nil).

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.

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.

Statement as to disclosure to auditors

Each of the directors who are a director at the time when the report is approved confirms that:

(a) so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and

(b) 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.

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 and group's business.

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.

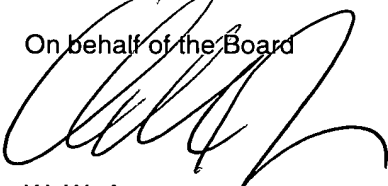
Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing 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



W. W. Astor
Director

26 April 2016

Independent Auditor's Report to the Members of Long Harbour Limited

We have audited the financial statements of Long Harbour Limited for the year ended 31 December 2015 which are set out on pages 6 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on 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 2015 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.


Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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
- we have not received all the information and explanations we require for our audit.



Timothy West, *Senior Statutory Auditor*
For and on behalf of Moore Stephens LLP, Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

26 April 2016

Long Harbour Ltd

Statement of Comprehensive Income
For the year ended 31 December 2015

	Note	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Turnover	5	4,270	8,826
Operating expenses		<u>(4,348)</u>	<u>(5,112)</u>
Operating (loss) profit	6	(78)	3,714
(Loss) profit on disposal of tangible fixed assets		(37)	4
Interest receivable and other income		<u>6</u>	<u>-</u>
(Loss) profit on ordinary activities before taxation		(109)	3,718
Taxation	8	<u>66</u>	<u>(684)</u>
(Loss) profit and total comprehensive income		<u>(43)</u>	<u>3,034</u>

All amounts are in respect of continuing activities.

The notes on pages 10 to 19 form an integral part of these financial statements.

Long Harbour Ltd

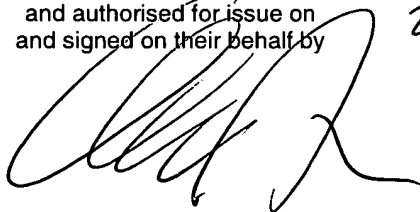
Statement of Financial Position at 31 December 2015

Company Number: 06905581

	<u>Note</u>	<u>2015</u> £'000	<u>2014</u> £'000
Fixed Assets			
Tangible assets	9	889	149
Investments	10	1	92
		<u>890</u>	<u>241</u>
Current Assets			
Debtors	11	2,997	2,783
Cash at bank and in hand		<u>1,660</u>	<u>3,180</u>
		4,657	5,963
Creditors: amounts falling due within one year	12	<u>(1,455)</u>	<u>(2,166)</u>
Net Current Assets		3,202	3,797
Provision for liabilities	8(c)	(97)	-
		<u>3,995</u>	<u>4,038</u>
Total Assets less current liabilities		<u>3,995</u>	<u>4,038</u>
Capital and Reserves			
Called up share capital	13	-	-
Retained earnings		<u>3,995</u>	<u>4,038</u>
Shareholders' Funds		<u>3,995</u>	<u>4,038</u>

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

26 April 2016



W. W. Astor

Director

The notes on pages 10 to 19 form an integral part of these financial statements.

Long Harbour Ltd

Statement of Changes in Equity
For the year ended 31 December 2015

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2014	-	1,004	1,004
Comprehensive income			
Profit for the year	-	3,034	3,034
Total comprehensive Income	-	3,034	3,034
At 1 January 2015		4,038	4,038
Comprehensive income			
Loss for the year	-	(43)	(43)
Total comprehensive Income	-	(43)	(43)
At 31 December 2015	-	3,995	3,995

The notes on pages 10 to 19 form an integral part of these financial statements.

Long Harbour Ltd

Statement of Cash Flow
For the year ended 31 December 2015

	<u>Note</u>	2015 £'000	2014 £'000
Cash flows from operating activities			
Cash generated from operations	14	110	2,764
Taxation payable		(738)	(338)
Net cash generated from operating activities		<u>(628)</u>	<u>2,426</u>
Cash flow from investing activities			
Purchase of tangible assets		(892)	(32)
Proceeds from investment		-	1
Purchase of investments		-	(90)
Net cash used in investing activities		<u>(892)</u>	<u>(121)</u>
Net (decrease) increase in cash & cash equivalents		<u>(1,520)</u>	<u>2,305</u>
Cash at beginning of the period		<u>3,180</u>	<u>875</u>
Cash at end of the period		<u>1,660</u>	<u>3,180</u>

Long Harbour Ltd

Financial Statements for the year ended 31 December 2015

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 and management of real estate and infrastructure. 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 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.

The financial statements have been prepared on the historical cost basis. The company has chosen not to prepare group accounts as consolidated financial statements in which the company is included are prepared by the parent company, Long Harbour Holdings Limited which are publicly available.

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 property, investment advisory & 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.

(c) Taxation

Taxation represents the sum of current tax and deferred tax.

The charge for current tax is based on the results for the year adjusted for items which are non-assessable or disallowed. It is calculated using the tax rates that have been enacted or substantively enacted by the reporting date. Current and deferred tax is recognised in the same component of the income statement, other comprehensive income or equity as the transaction or event that resulted in the tax expense or income.

Deferred tax is the tax expected to be payable or recoverable on timing differences between taxable profits and the total comprehensive income as reported in the financial statements. In addition, where there is a difference between the taxable amount of an asset (other than goodwill) acquired in a business combination and the value at which it is recognised, deferred tax is recognised in respect of that difference.

Deferred tax liabilities are recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits will be available against which timing differences can be utilised. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor the total comprehensive income.

Long Harbour Ltd

Financial Statements for the year ended 31 December 2015

Notes

2. Summary of significant accounting policies (continued)

(c) Taxation (continued)

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse. Deferred tax assets and liabilities are not discounted.

(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) Investments

Investments in subsidiaries are stated at cost less provision for impairment, if any.

(f) 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.

(g) 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.

(h) 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.

(i) 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 2015

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 instruments.

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.

(k) Equity instruments

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

(l) Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each year-end date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying value amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for the decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impairment financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Long Harbour Ltd

Financial Statements for the year ended 31 December 2015

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:

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.

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.

Business risk

The company considers that its principal risk to which the company is exposed is termination of its underlying management agreements with its existing fund platform. The on-going monitoring of compliance in line with its obligation as a regulated firm mitigates this risk.

Long Harbour Ltd

Financial Statements for the year ended 31 December 2015

Notes (continued)

5. Turnover

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Property, investment advisory & asset management fees	3,524	8,596
Other fees	746	230
	<u>4,270</u>	<u>8,826</u>
UK – country of domicile	746	655
Channel Islands and overseas	3,524	8,171
	<u>4,270</u>	<u>8,826</u>

6. Operating (loss) profit

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Operating (loss) profit is stated after charging :		
Depreciation of owned fixed assets	115	61
Auditors remuneration		
- audit fees	15	16
- tax compliance fees	3	3
- other services	3	3
Operating lease rentals – land and buildings	397	114
	<u></u>	<u></u>

7. Staff Costs

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Wages and salaries	2,236	3,362
Social security costs	284	443
	<u>2,520</u>	<u>3,805</u>

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

	2015 No.	2014 No.
Management	5	5
Investment	14	7
Administration and operations	5	9
	<u>24</u>	<u>21</u>

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Directors' emoluments (key management)	<u>410</u>	<u>591</u>

No director received benefits under a money purchase pension scheme. Emoluments of the highest paid director in respect of qualifying services were £185,000 (2014: £239,000)

Long Harbour Ltd

Financial Statements for the year ended 31 December 2015

Notes (Continued)

8. Taxation

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
(a) Current tax (credit) charge		
UK Corporation tax (credit) charge (see note 8b)	(163)	684
Deferred tax charge (see note 8c)	97	-
	<u>(66)</u>	<u>684</u>
(b) Factors affecting the tax (credit) charge		
(Loss) Profit on ordinary activities before tax	<u>(109)</u>	<u>3,718</u>
Expected tax charge of 20% (2014: 21.5%)	(22)	799
Effects of:		
Capital allowances in excess of depreciation	(71)	4
Disallowable expenses	21	22
Profits not attributable to tax*	(80)	(141)
Effect of movement in tax rates	<u>(11)</u>	<u>-</u>
Total tax (credit) charge (note 8a)	<u>(163)</u>	<u>684</u>
(c) Deferred tax liability		
At 1 January 2015	-	-
Capital allowances in excess of depreciation	<u>97</u>	<u>-</u>
At 31 December 2015 (note 8 a)	<u>97</u>	<u>-</u>

9. Tangible Fixed Assets

	Office & Computer equipment £'000	Fixtures & Fittings £'000	Total £'000
Cost			
At 1 January 2015	120	139	259
Additions	59	843	902
Disposal	<u>(2)</u>	<u>(84)</u>	<u>(86)</u>
At 31 December 2015	<u>177</u>	<u>898</u>	<u>1,075</u>
Depreciation			
At 1 January 2015	71	39	110
Charge for the year	36	79	115
Disposal	<u>(2)</u>	<u>(37)</u>	<u>(39)</u>
At 31 December 2015	<u>105</u>	<u>81</u>	<u>186</u>
Net book value			
At 31 December 2015	<u>72</u>	<u>817</u>	<u>889</u>
At 31 December 2014	<u>49</u>	<u>100</u>	<u>149</u>

Long Harbour Ltd

Financial Statements for the year ended 31 December 2015

Notes (Continued)

10. Fixed Asset Investments

	2015 £000	2014 £000
Investment in subsidiaries		
At 1 January 2015	92	3
Additions	-	90
Transfer on reorganization	(1)	-
Repayment of capital	(90)	-
Disposal	-	(1)
At 31 December 2015	1	92

The subsidiaries at the reporting date were:

Name	Country of Incorporation or Registration	Proportion of Voting Rights and Ordinary Share Capital Held	Nature of Business	Accounting reference date
Principal subsidiary				
Long Harbour (Caspian) Limited	UK	100%	Property investment	31/03
Other subsidiaries				
Caspian General Partner Limited	Guernsey	100%	Property investment	31/03
Caspian General Partner Limited	Isle of Man	100%	Property acquisition	31/03

The company's general partner subsidiaries act as general partner to the following limited partnerships:

Name	Country of Incorporation or Registration	Voting Rights and Ordinary Share Capital Held	Nature of Business	Accounting reference date
Caspian 1 Limited Partnership	Guernsey	100%	Property investment	31/03
Caspian 2 Limited Partnership	IOM	100%	Property acquisition	31/03

On 15 March 2013, the company acquired a subsidiary, Caspian General Partner Limited (Guernsey), who in turn became the controlling party of Caspian 1 Limited Partnership, a partnership in Guernsey, by means of its role of general partner. In addition, the company's subsidiary, Caspian General Partner Limited (Isle of Man) became the controlling party of Caspian 2 Limited Partnership, incorporated in Isle of Man, by means of its role as general partner. The company's third subsidiary, Long Harbour (Caspian) Limited, became a limited partner of Caspian 1 Limited Partnership (Guernsey), and in accordance with the partnership agreement is subject to a distribution equal to a percentage of surplus cash receipts after a preferred return and repayment of all limited partners' capital contributions.

On 25 June 2013, the company acquired a subsidiary, LHIF General Partner Limited, who in turn became the controlling party of Long Harbour Income Fund A Limited Partnership, by means of its role of general partner.

On 2 December 2014, the company acquired a 90% interest in LH Income LLP ("LLP"), a limited liability partnership incorporated in the United Kingdom. LH Income LLP holds the carry interest of the underlying fund. Distributions by the LLP are made only under unanimous approval from all designated members, and any carried interest to the members falls due when there is a distribution event in the underlying investment of the LLP.

On 11 November 2015 as part of a group reorganisation, the shares in LHIF General Partner Limited and the members' holding in LH Income LLP was transferred by the Company to its parent company, Long Harbour Holdings Limited.

Long Harbour Ltd

Financial Statements for the year ended 31 December 2015

Notes (Continued)

11. Debtors

	<u>2015</u> £'000	<u>2014</u> £'000
Trade debtors	184	2,400
Amounts due from related undertakings	1,610	-
Other debtors	547	286
Corporation tax repayable	324	-
Prepayments and accrued income	332	97
	<u>2,997</u>	<u>2,783</u>

Included in other debtors is £330,206 (2014: £25,994) relating to a rental deposit which is due in more than one year, and a cash deposit of £204,545 held by C. Hoare & Co. as a charge and security for bank debt associated with its parent company's investment in Fawley Waterside Limited Partnership.

12. Creditors: amounts falling due within one year

	<u>2015</u> £'000	<u>2014</u> £'000
Trade creditors	284	53
Amounts due to group undertakings	374	171
Corporation tax	-	577
Other tax and social security	324	935
Accruals and deferred income	473	430
	<u>1,455</u>	<u>2,166</u>

13. Share Capital

	<u>2015</u> £	<u>2014</u> £
Allotted, issued and fully paid 200 (2014: 200) ordinary shares of £1 each	200	200

14. Cash generated from operations

	<u>2015</u> £'000	<u>2014</u> £'000
(Loss) profit before tax	(109)	3,718
Adjustments for:		
Depreciation	115	61
Loss (profit) on disposal of fixed assets	37	(4)
Changes in working capital:		
Decrease (Increase) in debtors	201	(2,276)
(Decrease) Increase in creditors	(134)	1,265
Cash generated from operations	<u>110</u>	<u>2,764</u>

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Notes (Continued)

15. Related Party Transactions

During the year, the company charged advisory fees amounting to £640,000 (2014: £565,000) to Atlantic Property Management Limited, a company incorporated in the British Virgin Islands, a shareholder of Long Harbour Holdings Limited. Atlantic Property Management Limited is ultimately owned by CK Hutchison Holdings Limited.

During the year, the company charged asset and investment management fees of £2,097,000 to Aegean Limited Partnership, a partnership incorporated in Guernsey, and of which three of the directors and shareholders have an influence in. The company is owed £900,000 by Aegean Limited Partnership at the year end.

During the year, the company charged management, rent and service fees amounting to £829,000 (2014: £249,000) to Homeground Management Limited, a company incorporated in the UK, and of which two of the directors and shareholders have an influence in. The company is owed £10,000 (2014: £249,000) by Homeground Management Limited at the reporting date.

During the year, the company advanced a loan to Longevity Partners Limited, a subsidiary of the parent company for working capital requirements. The loan accrues interest at 12% per annum and is repayable on demand. At the year end, the loan balance was £114,000.

During the year, the company paid for upfront project costs totalling £262,000 rechargeable to Long Harbour Income Fund B Limited Partnership. In the opinion of the directors, the balance of £262,000 at the reporting date is repayable on demand.

The Company has taken advantage of the exemption available in its parent undertaking producing group financial statements under FRS102 from non-disclosure of transactions between group companies.

16. Financial instruments

	<u>2015</u> £'000	<u>2014</u> £'000
Financial assets		
Financial assets (including bank accounts)	1,660	3,180
Financial assets at amortised cost (trade & other debtors and amounts due to related undertakings)	<u>2,388</u>	<u>2,686</u>
	<u>4,048</u>	<u>5,866</u>
Financial liabilities		
Financial liabilities at amortised cost (trade & other creditors, amounts due to group undertakings and accruals)	<u>1,455</u>	<u>1,589</u>
	<u>1,455</u>	<u>1,589</u>

17. Operating Lease Commitment

	<u>2015</u> £'000	<u>2014</u> £'000
At 31 December 2015 the company had total commitments under non-cancellable operating leases as follows :		
Within one year	550	178
Within two to five years	<u>2,201</u>	<u>-</u>
	<u>2,751</u>	<u>178</u>

Long Harbour Ltd

Financial Statements for the year ended 31 December 2015

Notes (Continued)

18. Ultimate Controlling Party

The parent company is Long Harbour Holdings Limited at the reporting date. The largest and smallest group for which group accounts are prepared in which the company is included is Long Harbour Holdings Limited, a company incorporated in the United Kingdom. Copies of the consolidated financial statements can be obtained from this company's registered office.

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

19. Transition to FRS 102

On transition to FRS102 the basis of preparation, along with the additional disclosures required by section 35 of FRS102 is required. In summary, section 35 requires an explanation of how transition has affected the reported financial position and financial performance of the entity; a description of the change to each accounting policy made as a result of FRS102; a reconciliation of equity, both at the date of transition (in these accounts 1 January 2014) and at the end of the latest reporting period presented under the previous GAAP (in this case 31 December 2014), and a reconciliation of profit and loss, again both at the date of transition and at the end of the latest reporting period presented.

(a) Basis of presentation

These consolidated financial statements have been presented in accordance with the Financial Reporting standard 102 issued by the Financial Reporting Council. Before the consolidated financial statements were prepared in accordance with UK GAAP applicable prior to the adoption of FRS102, as issued by the Financial Reporting Council, and referred to below as 'previous UK GAAP'. The financial effects of the transition to FRS102 are set out in note (b) below.

(b) Transition to FRS102

There are no differences between the equity and profit or loss presented under the previous GAAP and the newly presented amounts under FRS102 for the reporting period ended at 31 December 2014 (ie comparative information), as well as equity presented in the opening statement of the financial position i.e. 1 January 2014. There have been some presentational changes on adoption of FRS102.

Pillar 3 Disclosure in respect of Long Harbour Ltd – year ended 31 December 2015

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

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

In addition, following the implementation of the Alternative Investment Fund Managers Directive (‘AIFMD’) in the UK, Long Harbour became authorised by the FCA as a full scope UK Alternative Investment Fund Manager (‘AIFM’) and has since been prudentially categorised as a Collective Portfolio Management Investment firm (‘CPMI’), which is a BIPRU firm.

The Firm is subject to the prudential requirements of IPRU (INV) 11 for its AIFMD business in parallel with the applicable rules in GENPRU and BIPRU.

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

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

This Pillar 3 disclosure, as at 31 December 2015, has been prepared in accordance with the disclosure requirements of BIPRU 11.

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

These disclosures have been produced solely for the purposes of Pillar 3. They do not form part of any audited financial statements, report or advice. The disclosures have been reviewed by the Board.

In regard to the 12 month period this Pillar 3 disclosure relates to, the relevant disclosures are made on the basis of requirements and the proportionality guidance for a full scope UK AIFM which is categorised as a CPMI and a BIPRU firm.

Background

The Company is majority owned by the two founding managing partners. Since February 2012, an associate company of CK Hutchison Holdings ("CKHH") has held a minority interest. The Company's principal activity is that of investment and management in real estate and infrastructure. Part of the company's activity is carried on as an AIFM managing a master-feeder AIF domiciled in Guernsey.

Risk management framework

Governance structure

The Company is overall managed by its Board of Directors at group level who determine the Company's business plan, strategy and risk appetite and oversee the day-to day management of the Company's business by the executive team led by the founder managing partners. The Board is responsible for establishing and maintaining the Company's governance arrangements along with designing and implementing an effective risk management framework to identify, monitor and mitigate the risks that the business faces. The Directors determine how risks are assessed, recorded and mitigated and on an on-going basis the arrangements required to manage those risks. The Directors meet periodically and discuss current projections for profitability, cash flow, regulatory capital management, business planning and risk management.

The Board at group level is supported by a Risk & Compliance Committee who adopt and apply corporate governance and management principles across the group. The Committee oversees legal, financial, risk and compliance matters and are responsible for implementing and monitoring policy and procedures (which includes the requirements set by AIFMD regulation as a full-scope AIFM introduced by the FUND sourcebook).

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

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

Risk management systems and techniques

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

As required according to GENPRU 1.2 and the Pillar 2 rule, the Firm maintains an Internal Capital Adequacy Assessment Process document ('ICAAP') to establish whether the Firm is required to hold any additional capital to cover any risks the Firm is exposed to which are not fully captured under the Pillar 1 requirements. The ICAAP is reviewed annually.

Material Risks

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

Credit risk is the risk of financial loss arising from a client or other counterparty failing to meet its obligations to repay outstanding amounts as they fall due. Credit risk for the Company is calculated as a percentage of trade receivables, as at 31 December 2015. There is no impaired asset for which any specific credit risk provision has been raised.

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

Business risk is the risk of financial loss arising from deterioration in business or economic conditions requiring a firm to raise capital or alternatively to contract its business when market conditions are most unfavourable to raising capital. At 31 December 2015, deterioration in business or economic conditions would not cause a significant impact to the capital resources currently held by the firm for the foreseeable future. This assessment is periodically reviewed and as at 31 December 2015, £20,000 has been allocated as a capital buffer.

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

Consolidation Group

The Company forms part of a UK consolidation group which comprises of only Long Harbour Ltd and Long Harbour Holdings Ltd ("LHH"). Both companies are fully consolidated. For the purposes of the calculations below, relevant figures and sums have been taken from the Company and LHH's consolidated accounts.

Regulatory capital

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

The higher of:

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

Plus, to cover professional liability risks, either:

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

The Company has decided to cover professional liability risks by holding appropriate PII cover, and as such holds additional own funds equal to the value of the excess in the PII policy.

As a BIPRU firm, the Company is also required to hold in parallel regulatory capital which will be the highest of:

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

The relevant calculations of capital adequacy as at 31 December 2015 are shown below:

Calculations for a CPMI firm under IPRU (INV) 11

	£000
Own funds (permanent share capital and retained earnings)	£4,038
Own funds requirement	
The highest of:	
1. Base own funds requirement (€125)	£92
2. Funds under management requirement	-
3. Fixed overheads requirement;	£963
plus either:	
4. Professional negligence capital requirement; or	-
5. PII capital requirement	£20
Total own funds requirement	£983
Surplus	£3,055

Under IPRU(INV) 11, as at 31 December 2015, the Company was subject to a Fixed Overhead Requirement and was required to hold additional own funds to cover a defined PII excess. The surplus of own funds held as a CPMI was £3,055,000. The Company held liquid assets in excess of the total own funds requirement.

Calculations for a BIPRU firm under BIPRU/GENPRU

	£000
Total Regulatory Capital after deductions	£4,038
Capital requirement	
The highest of:	
1. Market risk + Credit risk	£311
2. Fixed Overheads Requirement	£963
3. Base Capital Resource Requirement (BIPRU €50k)	£38
plus:	
4. Pillar 2 capital	£20
Total capital requirement	£983
Surplus	£3,055

Under BIPRU and GENPRU, as at 31 December 2015, the Company was subject to a Pillar 1 capital requirement determined by its Fixed Overhead Requirement. In addition the Company held Pillar 2 capital of £20,000. The surplus of regulatory capital held as a BIPRU firm was £3,055,000.

As a CPMI, which is a BIPRU firm, the Company maintains sufficient capital to meet both its own funds requirements under IPRU (INV) 11 and capital resources requirements in BIPRU (and GENPRU).

Remuneration Code disclosure

This disclosure is being made by the Company in its capacity as a BIPRU firm in accordance with the Pillar 3 disclosure requirements as set out in BIPRU 11.5.18. The disclosure is made as at 31 December 2015 as required by the Remuneration Code that came into force on 1 January 2011. The Company is subject to the UK Remuneration Code in SYSC 19B as implemented for a CPMI which is a BIPRU firm and the relevant proportionality guidance as applicable.

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

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

Under the AIFM Remuneration Code and the proportionality guidance this remuneration disclosure is considered to be appropriate, given the Company's prudential category, size and nature of its activities.

The Company has established and maintains remuneration policies, procedures and practices that are consistent with and promote effective risk management and prevent exposure to excessive risk.

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

Seven individuals were classified as Code Staff. Five of the Code staff are senior management. Aggregate remuneration expenditure in respect of AIFM Remuneration Code staff for the year ended 31 December 2015 was £977,000 (2014: £2,330,000), of which £766,000 (£616,000 senior management and £151,000 other code staff) was fixed and £210,000 (£95,000 senior management and £115,000 other code staff) was variable.

As at 31 December 2015, the Company has approved long-term incentives for two members of senior management which are designed to link reward with the long-term success of the Company and recognise the responsibility participants have in driving its future success and delivering value for all stakeholders.