Company No: 06905581

LONG HARBOUR LTD

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2013

Long Harbour Ltd

Report and Financial Statements
For the year ended 31 December 2013

Contents

Long Harbour Ltd

Report of the Directors

Directors
The Hon W W Astor
J S Aumonier
F J Sixt
P D Noble (alternate to F J Sixt)

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 consolidated financial statements for the year ended 31 December 2013.

Dividends

The directors do not recommend the payment of a dividend for the year (2012: £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 group is exposed to a range of risks. The management of risk is embedded in the culture of the group 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 group manages risk in a variety of ways depending in the nature of the risk and areas of potential impact. The key risks for the group include:

Liquidity risk
The director's approach to managing liquidity risk is to ensure, as far as possible, that the group 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 group's reputation.

Credit risk
Credit risk is the results of counterparty default exposure. The directors monitor the creditworthiness of the group's major counterparties, considered to be its underlying fund investors and joint venture partners.

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.

Long Harbour Ltd

Report of the Directors (Continued)

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.

Directors' Confirmation

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.

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.

By Order of the Board

W. W. Astor
Director

Long Harbour Ltd

Strategic Report

Principal Activities and Future Developments

The group's principal activity is that of property finance and investment for long dated high credit investments on UK residential property assets, ground rent management and acquisition, and acquiring funding and management of residential affordable housing. The company is regulated and authorised for the conduct of business by the Financial Conduct Authority ("FCA") in the UK.

The directors expect to continue with the group's principal activity for the coming year.

Business Review

The group's results for the year are shown on page 5.

The company and the group's principal objective for 2013 was to build on its growing reputation as an alternative asset manager on behalf of institutional clients. The key objectives were to secure the company's registration with the Financial Conduct Authority ("FCA"), expand assets under management across its core businesses of residential freeholds, real estate and infrastructure, continue to attract and develop talent and increase the range of product lines and investment opportunities for the firm's limited partners. The directors are pleased to say that overall, the group successfully achieved these aims. The company is now registered with the FCA as an investment manager. It has expanded its investor relationships and significantly increased assets under management across all three of its core businesses. A highlight for the year was the establishment of Long Harbour's residential investment platform including the Long Harbour Income Fund which has very rapidly become a significant investor in the UK private residential sector. The aim of the fund is to create long term stable income returns for our limited partners and a higher quality product offering for tenants. Elsewhere the company has developed a significant pipeline of investment opportunities in the UK, Australia and the United States of America. The company plans to launch an integrated fixed income platform which, under the direction of its experienced investment professionals, will offer a broad range of additional investment opportunities for our limited partners.

As part of a private rented sector acquisition (included in acquired activities on page 5), the group acquired 100% of the share capital of Now! Lettings limited, an established lettings and management company.

The director's consider the key risks and uncertainties facing the group 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 group are profitability, its net asset value, and its relationship with key investors and reputation in the market place. The directors are pleased with the profitability of the group measured by profit on ordinary activities before tax (see page 5) and the group's net asset position at the reporting date (see page 7).

By Order of the Board

W. W. Astor
Director

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

We have audited the financial statements of Long Harbour Ltd for the year ended 31st December 2013 which are set out on pages 5 to 18. 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 2, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on or materially inconsistent with, the knowledge acquired in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2013 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

T West

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

25 April 2014

Long Harbour Ltd

Consolidated Profit and Loss Account
For the year ended 31 December 2013

	Note	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Turnover			
Continuing activities		4,925	1,681
Acquired activities		502	-
	2	5,427	1,681
Cost of sales		(112)	-
Gross profit		5,315	1,681
Administrative expenses		(3,760)	(1,531)
Operating profit			
Continuing activities		1,612	150
Acquired activities		(57)	-
		1,555	150
Profit on disposal of investment properties		2,987	-
Income receivable and other income		5	-
Interest payable and similar charges	12	(1,707)	-
Profit on ordinary activities before taxation		2,840	150
Taxation	5	(228)	(26)
Profit on ordinary activities after taxation	14	2,612	124
Profit on ordinary activities after taxation attributable to:			
Owners of the parent	15	943	124
Minority interest	15	1,669	-
		2,612	124

All amounts relate to continuing activities.

The notes on pages 9 to 18 form an integral part of these consolidated financial statements.

Long Harbour Ltd

Consolidated Statement of Total Recognised Gains and Losses
For the year ended 31 December 2013

	Note	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Profit for the year	14	2,612	124
Unrealised surplus on revaluation of properties		5,180	-
Total recognised gains and losses for the financial year		7,792	124

Separate disclosure of historical cost profit and loss has not been given in relation to investment properties as the *directors consider that any depreciation charge on the investment properties would be immaterial.*

The notes on pages 9 to 18 form an integral part of these consolidated financial statements.

Long Harbour Ltd

Consolidated and Company Balance Sheet at 31 December 2013

Company Number: 06905581

	Note	2013		2012	
		Group £'000	Company £'000	Group £'000	Company £'000
Fixed Assets					
Goodwill	9	-	-	-	-
Tangible assets	6	183	174	77	77
Investment properties	7	29,864	-	-	-
Investments	8	2	3	1	1
		30,049	177	78	78
Current Assets					
Debtors	10	805	507	184	184
Cash at bank and in hand		7,066	875	103	103
		7,871	1,382	287	287
Creditors: amounts falling due within one year	11	(9,209)	(555)	(146)	(146)
Net Current (Liabilities)/Assets		(1,338)	827	141	141
Total Assets less current Liabilities		28,711	1,004	219	219
Creditors: amounts falling due after more than one year	12	(20,100)	-	-	-
Net Assets		8,611	1,004	219	219
Capital and Reserves					
Called up share capital	13	-	-	-	-
Revaluation reserve	14	-	-	-	-
Retained earnings	14	1,162	1,004	219	219
Shareholders' Funds	14	1,162	1,004	219	219
Minority interest	15	7,449	-	-	-
		8,611	1,004	219	219

The financial statements were approved by the Board of Directors
and authorised for issue on 15 April 2014
and signed on their behalf by

W. W. Astor

Director

The notes on pages 9 to 18 form an integral part of these consolidated financial statements.

Notes

1. **Accounting Policies**

(a) Basis of preparation

The financial statements have been prepared in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice).

The financial statements have been prepared in GBP Sterling, the currency of the group's primary economic environment.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of Long Harbour and its subsidiaries for the year ended 31 December 2013.

For subsidiaries that are consolidated in full, the results of the subsidiaries acquired during the period are included in the consolidated profit and loss accounts from the effective date of acquisition. The asset and liabilities of the subsidiaries are included in the group balance sheet at 31 December 2013.

Where subsidiaries of the group are general partners of Limited Partnerships, rights to control, manage and conduct business of the Limited Partnership vest with the general partner in accordance with its partnership agreement and under the guidance of FRS 2, the accounting treatment is to consolidate in full. Where the group has no ability to control the financial and operating policies of the subsidiary or severe long term restrictions hinder the parent's rights over the assets and management of the subsidiary, consolidation in full of assets and liabilities and results for the period ended is considered to be misleading, and would not reflect a true and fair view. The effect of this departure has been disclosed in note 8.

(c) Turnover

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. Turnover for the group also includes rental income receivable for the period on investment property. Turnover is recognised over the period to which the service or rental relates.

(d) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation on the computer and office equipment is provided at between 20% and 33% per annum on a straight line basis in order to write off each asset over its expected useful life.

(e) Investment properties

In accordance with SSAP 19, investment properties are revalued annually to open market value. The aggregate surplus or deficit arising on revaluation is transferred to the revaluation reserve except where a deficit is deemed to represent a permanent diminution in value, in which case it is charged to the profit and loss account.

No depreciation is charged on investment properties. The directors consider that this accounting policy results in the financial statements giving a true and fair view. The effect of this departure from the requirements of the Companies Act concerning depreciation of investment property has not been quantified, because it is impracticable and, in the opinion of the directors, would be misleading.

(f) Investments

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

Long Harbour Ltd

Consolidated Cash Flow Statement
For the year ended 31 December 2013

	Note	31 December 2013 £'000	31 December 2013 £'000	31 December 2012 £'000	31 December 2012 £'000
Net cash flow from operating activities	16		3,472		105
Returns on investments and servicing of finance					
Interest paid		(1,707)		-	
Interest receivable		5		-	
Net cash outflow from returns on investment and servicing of finance			(1,702)		-
Capital expenditure and financial investment					
Purchase of tangible assets		(142)		(87)	
Purchase of investment properties		(33,667)		-	
Disposal of investment properties		12,570		-	
Purchase of investments		(1)		(1)	
Net cash outflow from capital expenditure and financial investment			(21,240)		(88)
Acquisition and disposals					
Acquisition of subsidiary (note 9)			163		-
Cash (outflow)/inflow before financing			(19,307)		17
Taxation			(28)		(20)
Financing					
Loans introduced by limited partners		34,198		-	
Loans repaid to limited partners		(7,900)		-	
Cash inflow from financing			26,298		-
Increase/(Decrease) in cash			6,963		(3)

Reconciliation of Net Cash Flow to Movement in Net Debt

	Note	2013	2012
Net funds at 1 January 2013		103	106
Increase/(decrease) in cash		6,963	(3)
Cash inflow from increase in debt		(26,298)	-
Net debt / funds at 31 December 2013	17	(19,232)	103

Notes (continued)

1. Accounting Policies (continued)

(g) Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the group's interest in the fair value of identifiable assets and liabilities of the subsidiary. Goodwill is recognised as an asset at cost and subsequently measured at cost less any accumulated impairment losses. Negative goodwill is recognised when the price paid for an acquisition is less than the fair value of its net assets. Negative goodwill arising in these circumstances is released to the profit and loss in the year of acquisition.

(h) Deferred Taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements.

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.

(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.

2. **Turnover**

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Property, investment advisory & asset management fees	3,593	1,681
Rental income receivable	1,834	-
	5,427	1,681

Turnover is wholly attributable to the principal activity of the group and arises solely within the United Kingdom.

Long Harbour Ltd

Financial Statements for the year ended 31 December 2013

Notes (continued)

3. Operating Profit

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Operating profit is stated after charging :		
Depreciation of owned fixed assets	51	17
Goodwill write off – Acquisition of Now! Lettings Limited	(221)	-
Auditors remuneration (Moore Stephens LLP unless indicated)		
- audit fees	12	8
- tax compliance fees	3	3
- other fees	3	-
- audit fees (other firms)	13	-

4. Staff Costs

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Wages and salaries	1,973	1,023
Social security costs	245	131
	2,218	1,154

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

	Year ended 31 December 2013 No.	Year ended to 31 December 2012 No.
Management	6	3
Administration and operations	24	7
	30	10

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Directors' emoluments	415	505

No director received benefits under a money purchase pension scheme.

Emoluments of the highest paid director in respect of qualifying services were £155,000 (2012: £255,000)

Long Harbour Ltd

Financial Statements for the year ended 31 December 2013

Notes (Continued)

5. Taxation

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
(a) Current tax charge		
UK Corporation tax charge	227	28
Under/(Over) provision in previous years	1	(2)
	228	26
(b) Factors affecting the tax charge		
Profit on ordinary activities before tax	2,840	150
Expected tax charge of 23.25% (2012: 20%)	660	30
Effects of:		
Capital allowances in excess of depreciation	(16)	(7)
Disallowable expenses	12	5
Tax liability prior to acquisition	(49)	-
Profits not attributable to tax*	(331)	-
Utilisation of trading losses	(49)	-
Under/(Over) provision in previous years	1	(2)
Total tax charge (note 5 a)	228	26

* Profits not attributable to tax relate to profits of Caspian 1 Limited Partnership and Caspian 2 Limited Partnership that are not subject to corporation tax.

6. Tangible Assets

	Computer and Office Equipment	
	Group 2013 £'000	Company 2013 £'000
Cost		
At 1 January 2013	98	98
Acquisition	63	-
Additions	158	152
Disposal	(27)	(27)
At 31 December 2013	292	223
Depreciation		
At 1 January 2013	21	21
Acquisition	44	-
Charge for the year	51	35
Disposal	(7)	(7)
At 31 December 2013	109	49
Net book value		
At 31 December 2013	183	174
At 31 December 2012	77	77

Long Harbour Ltd

Financial Statements for the year ended 31 December 2013

Notes (Continued)

7. Investment Properties

	Residential Leasehold & Freehold Units £'000
Cost and Valuation	
At 1 January 2013	-
Additions	33,667
Disposals	(9,583)
Revaluation surplus	5,780
At 31 December 2013	29,864

The investment properties were valued by the directors as at 31 December 2013 based on open market value and after taking into consideration directors' valuation assessments. The historical cost was £24,084,000 (2012: £Nil) at the balance sheet date.

8. Fixed Asset Investments

	Group 2013 £	Company 2013 £
Investment in subsidiaries		
At 1 January 2013	1,020	1,020
Additions	1,000	2,101
At 31 December 2013	2,020	3,121

The subsidiaries at the balance sheet date were:

Name	Country of Incorporation or Registration	Proportion of Voting Rights and Ordinary Share Capital Held	Nature of Business	Accounting reference date
Long Harbour (Caspian) Limited	UK	100%	Property investment	31/03
Caspian General Partner Limited	Guernsey	100%	Property investment	31/03
Caspian General Partner Limited	Isle of Man	100%	Property acquisition	31/03
Atlantic Regeneration Property 1 General Partner Limited *	UK	100%	Property acquisition	31/12
LHIF General Partner Limited*	Guernsey	100%	Property investment	31/03
Now! Lettings Limited	UK	100%	Lettings &property management	31/12

Now Lettings Limited is a 100% owned subsidiary of Caspian General Partner Limited (IOM).

* subsidiaries not consolidated (see note 1 (b))

8. Fixed Asset Investments (continued)

The limited partnerships owned by the group's general partners are as follows:

Name	Country of Incorporation or Registration	Proportion of 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
Atlantic Regeneration Property 1 Limited Partnership*	UK	100%	Property acquisition	31/12
Long Harbour Income Fund Limited Partnership*	Guernsey	100%	Property investment	30/06

* Limited partnerships not consolidated

On 15 March 2013, the group acquired a newly incorporated subsidiary, Caspian General Partner Limited (Guernsey), who in turn became the controlling party of Caspian 1 Limited Partnership, a new incorporated partnership in Guernsey, by means of its role of general partner. In addition, the group'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 group's third newly incorporated 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 17.5% of surplus cash receipts after a preferred return and repayment of all limited partners' capital contributions. Given the group has the ability to receive variable returns (surplus cash receipts) after the preferred return, and has an influence on varying those returns, all assets and liabilities of the partnerships, and the results for the period then ended, have been included in the group's consolidated balance sheet and consolidated profit and loss account and included within minority interest.

On 25 June 2013, the group acquired a newly incorporated subsidiary, LHIF General Partner Limited, who in turn became the controlling party of Long Harbour Income Fund Limited Partnership, by means of its role of general partner. Since the group's interest is limited to a profit share of £5,000 per annum and investment management fees, which are based on set amounts, being market rates, found within the investment management agreement, the assets and liabilities of the partnership, and the results for the period then ended, have not been included in the group's consolidated balance sheet and consolidated profit and loss account. The effect of this departure on profit for the period and net assets after minority interest is £Nil (2012: £Nil). The consolidated capital and reserves and consolidated profit and loss of LHIF General Partner Limited and Long Harbour Income Fund Limited Partnership for the period ended 31 December 2013 is £12,898,000 and £52,000 (profit) respectively.

The group's subsidiary, Atlantic Regeneration Property 1 General Partner 1 Limited, is the controlling party of Atlantic Regeneration Property 1 Limited Partnership ("ARP1 LP"), by means of its role of general partner. Since the group's interest is limited to a profit share of £5,000 per annum and investment advisory fees, which are based on set amounts, being market rates, found within the investment advisory agreement, the assets and liabilities of the partnership, and the results for the period then ended, have not been included in the group's consolidated balance sheet and consolidated profit and loss account. The effect of this departure is on profit for the period and net assets after minority interest is £Nil (2012: £Nil). The consolidated capital and reserves and consolidated profit and loss of Atlantic Regeneration Property 1 General Partner 1 Limited and ARP1 LP for the year ended 31 December 2013 are £2,413,000 (deficit) and £2,176,000 (loss) respectively.

9. Goodwill and acquisition

On 15 March 2013, the group acquired Now! Lettings Limited, a company incorporated in the UK. Negative goodwill arising on the acquisition totalling £211,000 was written off to the profit and loss account during the year (see note 3). The fair value of assets and liabilities acquired were as follows:

	Now! Lettings Limited £'000
Fixed assets	15
Debtors	191
Cash at bank	163
Creditors	(158)
Net asset value acquired	211
Consideration	-
Less : fair value of assets acquired	(211)
Goodwill/(Negative goodwill)	(211)

The profit and Loss account for the period from 1 January 2013 to date of acquisition (15 March 2013) was as follows :

	Now! Lettings Limited £'000
Turnover	280
Operating expenses	(225)
Bank overdraft write off	400
Operating profit	455
Interest payable	(1)
Profit before tax	454
Taxation	(49)
Profit for the period to date of acquisition	405
Profit for the financial period to 31 December 2012	20

10. Debtors

	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Trade debtors	166	42	-	-
Amounts due from related undertakings	31	31	-	-
Other debtors	302	237	102	102
Prepayments and accrued income	306	197	82	82
	805	507	184	184

Included in other debtors is £25,994 (2012: £21,656) relating to a rental deposit which is due in more than one year.

11. Creditors: amounts falling due within one year

	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Trade creditors	209	48	24	24
Amounts due to related undertakings	6,198	-	-	-
Corporation tax	276	231	28	28
Other creditors	674	255	38	38
Accruals and deferred income	1,852	21	56	56
	9,209	555	146	146

Amounts due to related undertakings relates to a loan of £6,198,000 provided to Caspian 1 Limited Partnership by its limited partner. The loan is unsecured, interest free and repayable on demand.

12. Creditors: amounts falling due after more than one year

	Group 2013 £'000	Group 2012 £'000
Amounts due to related undertakings	20,100	-

Amounts due to related undertakings relates to a mezzanine loan of £28,000,000 provided to Caspian 1 Limited Partnership by its limited partner. The mezzanine loan bears interest at 8% per annum and is repayable by 14 March 2023 or on dissolution of the partnership, if earlier. During the year, £7,100,000 was repaid reflecting the balance of £20,100,000 as at 31 December 2013.

13. Share Capital

	Company 2013 £	Company 2012 £
Allotted, issued and fully paid		
200 (2012: 200) ordinary shares of £1 each	200	200

14. Reconciliation of Movements in Shareholders' Funds

	Share Capital £'000	Revaluation Reserve £'000	Retained Earnings £'000	Group Total £'000	Company Total £'000
At 1 January 2013	-	-	219	219	219
Revaluation (note 7)	-	5,780	-	5,780	-
Profit for the year	-	-	2,612	2,612	785
Minority interest	-	(5,780)	(1,669)	(7,449)	-
At 31 December 2013	-	5,780	1,162	1,162	1,004

The group has taken advantage of the exemption available within section 408 of the Companies Act 2006 not to disclose the company profit and loss account. Profit for the year ended 31 December 2013 for the company was £785,000 (2012: £124,000).

15. Minority Interest

	Revaluation Reserve £'000	Retained Earnings £'000	Attributable to owners of parent £'000	Minority Interest £'000
At 1 January 2013	-	219	219	-
Revaluation (note 7)	5,780	-	-	5,780
Profit for the year	-	2,612	943	1,669
At 31 December 2013	5,780	2,831	1,162	7,449

16. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	Group 2013 £'000	Group 2012 £'000
Operating profit	1,555	150
Depreciation	51	17
Negative goodwill written back	(211)	-
Increase in debtors	(430)	(91)
Increase in creditors	2,507	29
Net cash flow from operating activities	3,472	105

17. Analysis of Net Debt

	At 1 January 2013 £'000	Cash flow £'000	At 31 December 2013 £'000
Cash at bank and in hand	103	6,963	7,066
	103	6,963	7,066
Amounts due to related undertakings:			
Due within one year	-	(6,198)	(6,198)
Due after one year	-	(20,100)	(20,100)
Total	103	(19,335)	(19,232)

18. Related Party Transactions

During the year, the company charged property management fees amounting to £100,000 (2012: £163,000) to Atlantic Regeneration Property 1 Limited Partnership ("partnership"), of which the company's subsidiary, Atlantic Regeneration Property 1 General Partner Limited, is the general partner. The partnership is owed £27,000 (2012: Nil) by the company at the year end. The company charged advisory fees amounting to £576,000 (2012: £921,000) to Atlantic Property Management Limited, a company incorporated in British Virgin Islands, and a shareholder of the company. The company is owed £30,000 (2012: Nil) by Atlantic Property Management Limited at the year end.

During the year, the company charged management, rent and service fees amounting to £159,000 (2012: £44,000) to Homeground Management Limited, a company incorporated in the UK, and of which two of the directors and shareholders have an influence on. The company is owed £164,000 (2012: Nil) by Homeground Management Limited at the year end.

19. Operating Lease Commitment

	Group 2013 £'000	Group 2012 £'000
At 31 December 2013 the group and company had annual commitments under non-cancellable operating leases relating to land and buildings which expire :		
Within two to five years	178	79

20. Ultimate Controlling Party

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

Pillar 3 Disclosure in respect of Long Harbour Ltd

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

On 1 January 2014 the new Capital Requirements Directive and Regulation ("CRD IV") took effect in the United Kingdom. Under the CRD IV, the Company is categorized as an IFPRU 50k Limited Licence firm. CRD IV established a revised regulatory capital framework across Europe governing the amount and nature of capital that credit institutions and investment firms must maintain. Additional disclosure requirements as set out in Part Eight of the CRD IV will apply to the Firm's 2014 Pillar 3 disclosure.

This Pillar 3 disclosure, as at 31 December 2013, has been prepared in accordance with the disclosure requirements of CRD IV and BIPRU 11 as applicable to the Company in its capacity as a BIPRU Limited Licence firm.

In the United Kingdom, CRD IV has been implemented by the FCA by way of amendments to the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU').

The framework consists of three 'Pillars':

- Pillar 1 sets out the minimum capital requirement calculated for a firm's credit, market and operational risk components;
- Pillar 2 requires a 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 a firm's risk management controls, capital position and remuneration.

As at 31 December 2013, BIPRU 11 set out the requirement for Pillar 3 disclosure and this document is being issued to satisfy our obligations according to the relevant FCA rules currently applicable to the Company .

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.

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.

Background

The Company is majority owned by two founding managing partners. Since February 2012, an associate company of Hutchison Whampoa Ltd ("HWL") has held a minority interest. The Company's principal activity is that of investment and asset manager for long dated high credit quality investments in UK residential property, ground rent management and acquisition, and acquiring, funding and management of residential affordable housing and other social infrastructure.

For consolidation reporting for accounting purposes, the Company's underlying subsidiaries are consolidated in full, unless there is no ability to control the financial and operating policies of the subsidiary or severe long term restrictions hinder the parent's rights over the assets and management of the subsidiary. The Company does not consolidate for prudential purposes according to the FCA rules in BIPRU 8.

Risk management framework

Governance structure

The Company is governed by its Board of Directors 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 also 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.

Risk management systems and techniques

At least annually the Directors formally review 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 and conclude whether the allocation of any additional resources in excess of Pillar 1 regulatory capital is required. The Company completes an ICAAP document based on the risk assessment annually.

Capital Resources

At 31 December 2013 the Company held £1,004,000 of Tier 1 capital as its Total Regulatory Capital after deductions. The Company held no Tier 2 or Tier 3 capital.

The main features of the Company's capital resources for regulatory purposes are as follows:

Capital item	**£'000**
Total Regulatory Capital after deductions	**1,004**
Market Risk Component	**-**

Capital item	£'000
Credit Risk Component	**69**
Fixed Overhead Requirement ("FOR")	**475**
Base Capital Resource Requirement	**45**
Total Regulatory Capital Requirement	**475**
Surplus	**539**

As at 31 December 2013, the Company was subject to a total capital requirement of £475,000 and held surplus regulatory capital of £539,000.

Capital Adequacy and risk categories

The Company's Pillar 1 capital requirement as at 31 December 2013 of £475,000 is derived by using the higher of either the FOR or the sum of market and credit risk.

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 minimal, as at 31 December 2013 there were no impaired assets for which any specific provision was raised meaning that no further breakdown is required as immaterial.

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.

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 each business area with open access to senior management, that potential conflicts of interest are identified and avoided where possible and where present are managed on a transparent basis with appropriate disclosure and approval by affected parties, and by the Company not holding any client assets.

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

Remuneration Code disclosure

This disclosure is being made by the Company in its capacity as a BIPRU Limited Licence 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 2013 as required by the Remuneration Code that came into force on 1 January 2011.

Since 1 January 2014 the Company has been categorized as an IFPRU 50k Limited Licence firm and will refer to the appropriate Remuneration Code, proportionality guidance and disclosure requirements in the 2014 Pillar 3 disclosure.

The Remuneration Code affects all those members of staff who have a material impact on the firm's risk profile, including a person who performs a significant influence function for a firm, a senior manager 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.

In 2013 the Company is categorised in accordance with the proportionality requirements of the Remuneration Code as a Level Three firm, and therefore the Remuneration Policy Statement adheres to the rules in SYSC 19A and BIPRU 11.5 accordingly.

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

The Remuneration Committee 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.

The Company is currently approving long-term incentives for 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.

The Company believes that its systems and processes relating to remuneration do not pose a risk to either it or the industry or the regulator's objectives. Under the FCA Remuneration Code, the Company is required to identify staff who are subject to the Code ("Code staff"). Code staff comprises categories of staff including senior management, risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management. A "risk take" refers to an employee whose professional activities have a material impact on the firm's risk profile.

Aggregate remuneration expenditure in respect of Code staff for the year ended 31 December 2013 was £1,085,000, of which £780,000 (£670,000 senior management and £110,000 other code staff) was fixed and £305,000 (£120,000 senior management and £185,000 other code staff) was variable. Seven individuals were classified as Code Staff.