LONG | HARBOUR

Company No: 06905581

LONG HARBOUR LTD

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2017

Long Harbour Ltd

Report and Financial Statements
For the year ended 31 December 2017

Contents

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.

2017 has been a productive year for Long Harbour. We have a robust financial position with a positive net asset value and sufficient capital reserves as shown on page 7. The group has continued to focus its aims on laying the foundation for long term sustainable growth to expand its asset under management and increase the breadth of its limited partners and investor base.

The core message for 2018 for the group in its core business units is to:

- 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 the Board's aim is to fulfil the corporate focus of broadening and deepening our assets under management and reaching a broader client base to drive more diverse, longer term revenues for the group which will lead to greater corporate value and sustainability.

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

The key performance indicators for the company are its net asset value and performance measured by its profit for the year, and its relationship with key investors and reputation in the market place. Net asset value is measured by the company's net asset position at the reporting date, and performance is measured by profit for the financial year (see pages 6 and 7). At the reporting date, the company's net assets were £4,855,000 (2016: £4,538,000) and the profit for the financial year was £317,000 (2016: £543,000).

On behalf of the Board

W. W. Astor
Director

Long Harbour Ltd

Report of the Directors

Directors
The Hon W W Astor
J S Aumonier
R Silva

Secretary and registered office
Gravitas Company Secretarial Services Ltd
One New Change, London EC4M 9AF

Company number
06905581

Auditor
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 2017.

Dividends

The directors do not recommend the payment of a dividend for the year (2016: £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 enquiries 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 the Financial Reporting Standard applicable in the United Kingdom and Ireland. 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

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

Opinion
We have audited the financial statements of Long Harbour Limited (the 'company') for the year ended 31 December 2017 which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

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

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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.

Responsibilities of directors
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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

25 April 2018

Long Harbour Ltd

Statement of Comprehensive Income
For the year ended 31 December 2017

	Note	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Turnover	5	5,893	5,509
Operating expenses		(5,560)	(4,915)
Operating profit	6	333	594
Interest receivable and other income		30	16
Profit on ordinary activities before taxation		363	610
Taxation	8	(46)	(67)
Profit and total comprehensive income		317	543

All amounts are in respect of continuing activities.

The notes on pages 10 to 18 form an integral part of these financial statements.

Long Harbour Ltd

Statement of Financial Position
at 31 December 2017

Company Number: 06905581

	Note	2017	2016
		£'000	£'000
Fixed Assets			
Tangible assets	9	591	784
		591	784
Current Assets			
Debtors	10	2,041	3.023
Cash at bank and in hand		2,757	1,575
		4,798	4,598
Creditors: amounts falling due within one year	11	(241)	(497)
Net Current Assets		4,557	4,101
Total Assets less current liabilities		5,148	4,885
Creditors: amounts falling due after more than one year	12	(220)	(255)
Provision for liabilities	8(c)	(73)	(92)
Net Assets		4,855	4,538
Capital and Reserves			
Called up share capital	13	-	-
Retained earnings		4,855	4,538
Shareholder's Funds		4,855	4,538

The financial statements were approved by the Board of Directors
and authorised for issue on 23/04/2018
and signed on their behalf by

W. W. Astor

Director

Long Harbour Ltd

Statement of Changes in Equity
For the year ended 31 December 2017

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2016	-	3,995	3,995
Comprehensive income			
Profit for the year	-	543	543
Total comprehensive Income	-	4,538	4,538
At 1 January 2017		4,538	4,538
Comprehensive income			
Profit for the year	-	317	317
Total comprehensive Income	-	4,855	4,855
At 31 December 2017	-	4,855	4,855

The notes on pages 10 to 18 form an integral part of these financial statements.

Long Harbour Ltd

Financial Statements for the year ended 31 December 2017

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 company has taken advantage of the disclosure exemption available within FRS102 arising from the requirements of Section 7 Statement of Cash Flows.

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

The tax expense for the year comprises current and deferred tax.

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Long Harbour Ltd

Financial Statements for the year ended 31 December 2017

Notes

2. **Summary of significant accounting policies (continued)**

(c) Taxation (continued)

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

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

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

(d) Tangible fixed assets

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

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

(e) 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 2017

Notes

2. **Summary of significant accounting policies (continued)**

(j) Financial instruments

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

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

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

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

(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.

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.

Long Harbour Ltd

Financial Statements for the year ended 31 December 2017

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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.

5. Turnover

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Investment & asset management fees	5,390	5,021
Other fees	503	488
	5,893	5,509
UK – country of domicile	503	488
Channel Islands and overseas	5,390	5,021
	5,893	5,509

6. Operating profit

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Operating profit is stated after charging :		
Depreciation of owned tangible assets	242	241
Auditors remuneration		
- audit fees	21	38
- tax compliance fees	14	14
- payroll fees	8	8
- compliance	6	7
Operating lease rentals – land and buildings	550	550

7. Staff Costs

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Wages and salaries	2,809	2,284
Social security costs	369	289
Pension	17	4
	3,195	2,577

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

	2017 No.	2016 No.
Management	5	5
Investment	12	14
Administration and operations	9	6
	26	25

	2017 £'000	2016 £'000
Directors' emoluments (key management)	693	482

No director received benefits under a money purchase pension scheme. Emoluments of the highest paid director in respect of qualifying services were £278,000 (2016: £194,000).

Long Harbour Ltd

Financial Statements for the year ended 31 December 2017

Notes (Continued)

8. Taxation

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
(a) Current tax charge		
UK Corporation tax charge (see note 8b)	90	80
Over provision in prior year	(25)	(8)
	65	72
Deferred tax (credit) (see note 8c)	(19)	(5)
	46	67
(b) Factors affecting the tax charge		
Profit on ordinary activities before tax	363	610
Expected tax charge of 20%	18	122
Expected tax charge of 19%	52	-
Total expected tax charge	70	122
Effects of:		
Depreciation in excess of capital allowances	32	8
Disallowable expenses	15	26
Profits not attributable to tax	(27)	(76)
Movement in deferred tax	(19)	(5)
Over provision in prior year	(25)	(8)
Total tax charge (note 8a)	46	67
(c) Deferred tax liability		
At 1 January 2017	92	97
Capital allowances in excess of depreciation (note 8a)	(19)	(5)
At 31 December 2017	73	92

Long Harbour Ltd

Financial Statements for the year ended 31 December 2017

Notes (*Continued*)

9. Tangible Fixed Assets

	Office & Computer equipment £'000	Fixtures & Fittings £'000	Total £'000
Cost			
At 1 January 2017	205	1,005	1,210
Additions	44	6	50
Disposal	(21)	-	(21)
At 31 December 2017	228	1,011	1,239
Depreciation			
At 1 January 2017	147	279	426
Charge for the year	41	201	242
Disposal	(20)	-	(20)
At 31 December 2017	168	480	648
Net book value			
At 31 December 2017	60	531	591
At 31 December 2016	58	726	784

10. Debtors

	2017 £'000	2016 £'000
Trade debtors	5	473
Amounts due from related undertakings	1,221	914
Other debtors	535	535
Prepayments and accrued income	280	1,101
	2,041	3,023

Included in other debtors is £330,206 (2016: £330,206) relating to a rental deposit which is due in more than one year, and a cash deposit of £204,935 (2016: £204,935) held as a charge and security for bank debt associated with its parent company's investment in Fawley Waterside Limited Partnership.

11. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	96	150
Amounts due to group undertakings	5	5
Corporation tax	65	79
Other tax and social security	5	43
Accruals and deferred income	70	220
	241	497

Long Harbour Ltd

Financial Statements for the year ended 31 December 2017

Notes (Continued)

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

	2017 £'000	2016 £'000
Accruals and deferred income	220	255
	220	255

13. **Share Capital**

	2017 £	2016 £
Allotted, issued and fully paid 200 (2016: 200) ordinary shares of £1 each	200	200

14. **Related Party Transactions**

During the year, the company charged advisory fees amounting to £364,000 (2016: £625,000) 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 £3,845,000 (2016: £3,550,000) 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 £Nil (2016: £838,000) by Aegean Limited Partnership at the reporting date.

During the year, the company charged management, rent and service fees amounting to £503,000 (2016: £488,000) 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 £76,000 (2016: £13,600) 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. Loan interest of £30,000 (2016: £16,000) accruing at 12% per annum was charged in the year. The loan is repayable on demand. At the year end, the loan balance was £456,000 (2016: £140,000).

The Company has taken advantage of the exemption conferred by FRS102 not to disclose transactions with wholly owned subsidiaries of the group headed by Long Harbour Holdings Limited. Balances with group undertaking at the reporting date are as follows:

	2017 £'000	2016 £'000
Amounts due from related undertakings		
Long Harbour Holdings Limited	596	560
Longevity Partners Limited	456	140
Way of Life Management Limited	93	103
Homeground Management Limited	76	13
Long Harbour Hutchison Water Limited	-	98
	1,221	914
Amounts due to related undertakings		
LH Income 2 LLP	5	5
	5	5

Long Harbour Ltd

Financial Statements for the year ended 31 December 2017

Notes (Continued)

15. Financial instruments

	2017 £'000	2016 £'000
Financial assets		
Financial assets (including bank accounts)	2,757	1,575
Financial assets at amortised cost (trade & other debtors and amounts due from related undertakings)	1,762	1,933
	4,519	3,508
Financial liabilities		
Financial liabilities at amortised cost (trade & other creditors, amounts due to group undertakings and accruals)	392	641
	392	641

16. Operating Lease Commitment

	2017 £'000	2016 £'000
At 31 December 2017 the company had total commitments under non-cancellable operating leases as follows:		
Within one year	550	550
Within two to five years	826	1,376
	1,376	1,926

17. 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 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.

Pillar 3 Disclosure in respect of Long Harbour Ltd – year ended 31 December 2017

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 2017, 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

Long Harbour (the "Company") is a wholly owned subsidiary of Long Harbour Holdings Limited, which 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 in the group. 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 2017. 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 2017, 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 2017, £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 unconsolidated group which comprises of Long Harbour Ltd and parent company, Long Harbour Holdings Ltd ("LHH") and fellow subsidiaries, Longevity Partners Limited and Hudson Bay Services Limited. All companies are fully consolidated into LHH's consolidated accounts. 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 2017 are shown below:

Calculations for a CPMI firm under IPRU (INV) 11

	£000
Own funds (permanent share capital and retained earnings)	£4,506
Own funds requirement	
The highest of:	
1. Base own funds requirement (€125)	£104
2. Funds under management requirement	£52
3. Fixed overheads requirement;	£1,015
plus either:	
4. Professional negligence capital requirement; or	-
5. PII capital requirement	£20
Total own funds requirement	£1,035
Surplus	**£3,471**

Under IPRU(INV) 11, as at 31 December 2017, 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 £3,471,000. 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	£4,506
Capital requirement	
The highest of:	
1. Market risk + Credit risk	£259
2. Fixed Overheads Requirement	£1,015
3. Base Capital Resource Requirement (BIPRU €50k)	£104
plus:	
4. Pillar 2 capital	£20
Total capital requirement	£1,035
Surplus	**£3,471**

Under BIPRU and GENPRU, as at 31 December 2017, 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 £3,471,000.

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 2017 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.

8 (2017: 7) individuals were classified as Code Staff. Aggregate remuneration expenditure in respect of AIFM Remuneration Code staff for the year ended 31 December 2017 was £1,393,000 (2016: £844,000), of which £894,000 (£638,000 senior management and £256,000 other code staff) was fixed and £499,000 (£276,000 senior management and £223,000 other code staff) was variable.

At 31 December 2017, 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.