

# **DHCRE II LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**



Registered in England & Wales No. 05552720

# **DHCRE II Limited**

## **Annual Report and Financial Statements for the year ended 31 December 2016**

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# DHCRE II Limited

## Directors' Report

The Directors present their Annual Report to the members together with the audited Financial Statements for the year ended 31 December 2016.

### Business review

The principal activity of the Company is, and will continue to be, to act as General Partner of the Limited Partnership forming Doughty Hanson & Co European Real Estate II LP (the "Fund").

Despite the challenges presented by the current financial and economic outlook, the Directors expect the performance of the Company and the Group and the Fund that it operates to remain resilient. Doughty Hanson & Co's annual review, published in March 2017 and available via [www.doughtyhanson.com](http://www.doughtyhanson.com), outlines activities throughout the portfolio of investments and again emphasises the focus on developing long-term sustainable businesses and assets.

Given the nature of the business, the Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

### Strategic Report

In August 2013 the Department for Business, Innovation & Skills published new narrative reporting regulations amending the Companies Act 2006 requiring entities that do not qualify as small, to include a 'Strategic Report' to replace the Business Review element of the Directors' Report. The Company (and the "Group") qualifies as a small company in accordance with the Companies Act 2006 and as such a 'Strategic Report' has not been included within these Financial Statements.

### Results and dividends

The results for the year are set out in the profit and loss account on page 8. The Directors do not recommend the payment of a dividend for the year (2015: £nil).

### Liability insurance

The Company has professional indemnity insurance, in the form of a qualifying third party indemnity provision in place in respect of the duties of the Directors and Officers. This was in place throughout the year and at the date the Financial Statements were approved.

### Directors

The Directors who served during the year were as follows:

R. P. Hanson  
R. N. Lund  
G. D. Stening

# **DHCRE II Limited**

## **Directors' Report (continued)**

### **Principal risks and uncertainties**

The Company's operations expose it to a variety of risks, the most significant are considered to be financial risk, legal and regulatory risk and operational risk.

### **Financial risk**

The significant financial risks are cash flow risk and exchange risk. Cash flow risk occurs due to the unmatched timings of income and expenses. These timings are also subject to change. This risk is mitigated through the use of both long term and short term cash flow modelling which are used to identify where cash flow issues may occur. Strong relationships are maintained with banks in case cash flow can not be managed internally in the Group headed by DHC Limited.

Exchange risk arises due to currency differences between the income and expense base. The level of this risk has been considered to fall within acceptable parameters to date, but the Group continues to review its exchange rate management policy to ensure it is appropriate.

### **Legal and regulatory risk**

The Company operates in the UK. The regulatory environment is becoming more complex and demanding and in response to this the Company has maintained its arrangements for regulatory compliance through the retention of recognised professional advisers who advise on the compliance function. Regular internal compliance reviews are undertaken and recommendations are approved and implemented by the Board where appropriate.

### **Operational risk**

This includes personnel risk, IT risk, and business disruption. These risks are mitigated by the recruitment and retention of suitably qualified staff with remuneration set at an appropriate level, use of appropriate Directors and Officers insurance and business continuity provisions.

# DHCRE II Limited

## Directors' Report (continued)

### Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual 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 prepared the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, in the form of Financial Reporting Standard 102 ("FRS102"), 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 judgements and accounting 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 confirm that they have complied with the above requirements in preparing the Financial Statements.

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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Disclosure of information to the auditors

So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware. Each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board:



R. N. Lund  
Director  
23 March 2017

Registered Office:  
45 Pall Mall  
London  
SW1Y 5JG

# **DHCRE II Limited**

## **Independent Auditors' Report to the member of DHCRE II Limited**

### **Report of the Financial Statements**

#### **Our Opinion**

In our opinion, DHCRE II Limited's Financial Statements (the "Financial Statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit and cash flows 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.

#### **What we have audited**

The Financial Statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2016;
- the Profit and Loss Account for the year then ended;
- the Cash Flow Statement for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the Notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the Financial Statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **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 Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Directors' Report. We have nothing to report in this respect.

#### **Other matters on which we are required to report by exception**

##### **Adequacy of accounting records and information and explanations received**

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

# DHCRE II Limited

## Independent Auditors' Report to the member of DHCRE II Limited (continued)

### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

### Entitlement to exemptions

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

### Responsibilities for the Financial Statements and the audit

#### Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

#### What an audit of Financial Statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the Financial Statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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 by us 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. With respect to the Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Andrew G Hill  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
23 March 2017

**DHCRE II Limited**  
**Registered in England & Wales No. 05552720**

**Profit and Loss Account**

**For the year ended 31 December 2016**

	Note	2016 £'000	2015 £'000
<b>Continuing Operations</b>			
<b>Turnover</b>			
Income from Limited Partnership	2	913	3,570
Administrative expenses		<u>(684)</u>	<u>(2,681)</u>
<b>Operating profit</b>		<b>229</b>	<b>889</b>
Interest receivable and similar income	6	—	—
<b>Profit on ordinary activities before taxation</b>	<b>3</b>	<b>229</b>	<b>889</b>
Taxation	6	—	—
<b>Profit for the financial year</b>		<u><b>229</b></u>	<u><b>889</b></u>

The Company has no recognised comprehensive income other than the results as stated above. All comprehensive income is attributable to the parent.



**DHCRE II Limited**  
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**Balance Sheet as at 31 December 2016**

	Note	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Investments	7	<u>1</u>	<u>1</u>
<b>Current assets</b>			
Debtors	8	14,040	13,833
Cash at bank and in hand		<u>-</u>	<u>-</u>
		14,040	13,833
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	9	<u>(62)</u>	<u>(84)</u>
<b>Net current assets</b>		<u>13,978</u>	<u>13,749</u>
<b>Total assets less current liabilities</b>		13,979	13,750
<b>Net assets</b>		<u>13,979</u>	<u>13,750</u>
<b>Capital and reserves</b>			
Called-up share capital	10	-	-
Profit and loss account		<u>13,979</u>	<u>13,750</u>
<b>Total shareholders' funds</b>		<u>13,979</u>	<u>13,750</u>

The Financial Statements on pages 8 to 19 were approved by the board of Directors on 23 March 2017 and were signed on its behalf by:



R. N. Lund  
Director

**DHCRE II Limited**  
**Registered in England & Wales No. 05552720**

**Cash Flow Statement**

**For the year ended 31 December 2016**

	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
<b>Profit for the financial year</b>	<b>229</b>	<b>889</b>
Taxation	-	-
Interest receivable and similar income	<u>-</u>	<u>-</u>
<b>Operating profit for the financial year</b>	<b>229</b>	<b>889</b>
Adjustments for:		
Increase in debtors	<b>(207)</b>	<b>(566)</b>
Decrease in creditors, accruals and deferred income	<b><u>(22)</u></b>	<b><u>(323)</u></b>
<b>Cash flows from operating activities</b>	<b>-</b>	<b>-</b>
Corporation tax paid	<u>-</u>	<u>-</u>
<b>Net cash from operating activities</b>	<b>-</b>	<b>-</b>
<b>Net cash from investing activities</b>	<b>-</b>	<b>-</b>
<b>Net cash from financing activities</b>	<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the year</b>	<b><u>-</u></b>	<b><u>-</u></b>

**DHCRE II Limited**  
**Registered in England & Wales No. 05552720**

**Statement of Changes in Equity**

**For the year ended 31 December 2016**

	<b>Called up share capital £'000</b>	<b>Profit and loss account £'000</b>	<b>Total £'000</b>
<b>As at 1 January 2015</b>	-	12,861	12,861
Profit for the financial year	<u>-</u>	<u>889</u>	<u>889</u>
<b>As at 31 December 2015</b>	-	13,750	13,750
Profit for the financial year	<u>-</u>	<u>229</u>	<u>229</u>
<b>As at 31 December 2016</b>	<u>-</u>	<u>13,979</u>	<u>13,979</u>

# DHCRE II Limited

## Notes to the Financial Statements for the year ended 31 December 2016

### 1 Accounting policies

#### General information

The principal activity of the Parent Company DHCRE II Limited is, and will continue to be, to act as General Partner of the Limited Partnership forming Doughty Hanson & Co European Real Estate II LP (the "Fund").

The Company is incorporated in England & Wales, registration number 05552720.

#### Statement of compliance

These Financial Statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS 102), and with the Companies Act 2006.

#### Basis of accounting

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The headings and formats adopted in the Profit and Loss Account have been adapted from those specified in the Companies Act 2006 as, in the opinion of the Directors, those adopted more appropriately reflect the nature of the Company's business.

In the prior year the Company produced consolidated Financial Statements incorporating the Financial Statements of the Parent Company and of its then subsidiary undertaking DHCRE II Bridgeco Limited. DHCRE II Bridgeco Limited was dissolved on 24 January 2017, and was immaterial to the Company during 2016, so for the year ended 31 December 2016 the Company has not produced consolidated financial statements.

#### Fixed asset investments

Investments are measured at fair value.

The Company elected to take the exemption in FRS102 in order that it will measure its investments in subsidiaries at the UK GAAP cost or deemed cost on the transition date in its Balance Sheet.

#### Limited Partnerships and Investments

As at 31 December 2016, the Company managed a Limited Partnership in which it has a small participating interest, and for which it acts as the General Partner. Investments held through the Limited Partnership are made with the express intention of capital appreciation.

Through the investments in the Limited Partnership, the investee companies held by the Limited Partnership could be considered technically to be subsidiaries. However, investments held by the Fund are not included in the Financial Statements since there are severe long term restrictions over the rights of the General Partner in relation to the Limited Partnership.

#### Revenue recognition

Partnership income is recognised as earned in accordance with the Limited Partnership Agreement from the date of signing the individual Limited Partnership Agreement.

# DHCRE II Limited

## Notes to the Financial Statements for the year ended 31 December 2016

### 1 Accounting policies (continued)

#### Deferred income

Preferential drawings received from the Limited Partnership prior to the period to which they relate are accounted for as deferred income.

#### Preferential drawings

Preferential drawings received are taxed when sufficient income and capital receipts are earned in the underlying Limited Partnership of which the Parent Company acts as General Partner. The timing difference that arises results in a deferred tax liability.

#### Deferred taxation

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Deferred tax is measured at the enacted tax rate for the year ended 31 December 2016. This is due to uncertainty over when timing differences will reverse. Deferred tax assets and liabilities recognised have not been discounted.

#### Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial period. Transactions denominated in foreign currency are translated into sterling at the rate of exchange ruling on the date of transaction. Foreign exchange differences are taken to the profit and loss account in the year in which they arise.

#### Financial instruments

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

#### Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

# **DHCRE II Limited**

## **Notes to the Financial Statements for the year ended 31 December 2016**

### **1 Accounting policies (continued)**

#### **Financial assets (continued)**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

#### **Financial liabilities**

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables 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 current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

#### **Offsetting**

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.

# DHCRE II Limited

## Notes to the Financial Statements for the year ended 31 December 2016

### 2 Turnover

All turnover is generated in the UK through management of alternative investment funds.

Income from the Limited Partnership represents preferential drawings due from the Limited Partnership constituting Doughty Hanson & Co European Real Estate II L.P.

### 3 Profit on ordinary activities before taxation

	2016 £'000	2015 £'000
<b>Profit on ordinary activities before taxation is stated after charging:</b>		
Fees payable for services provided by the Company's auditors:		
Fees payable for the audit of the Financial Statements	15	15
Fees payable for other services – tax advisory	1	1
Management fee charged by Doughty Hanson & Co Managers Limited	687	2,665

### 4 Employee information

There were no employees of the Company during the year (2015: nil). Services are provided to the Company by Doughty Hanson & Co Managers Limited, a fellow subsidiary.

### 5 Directors' emoluments

	2016 £'000	2015 £'000
Directors' emoluments (excluding pension contributions)	49	72
Pension contributions	<u>1</u>	<u>3</u>
	<u>50</u>	<u>75</u>

As at 31 December 2016 retirement benefits are accruing under defined contribution schemes for 1 Director (2015: 2 Directors).

The emoluments of the Directors are paid by the ultimate parent company, DHC Limited, or a fellow subsidiary which make no recharge to the Company. The Directors are also directors of the ultimate parent company and/or a number of fellow subsidiaries and for disclosure purposes an apportionment of Directors' emoluments is made to the Company based on services provided.

# DHCRE II Limited

## Notes to the Financial Statements for the year ended 31 December 2016

### 6 Taxation

	2016 £'000	2015 £'000
<b>Tax expense included in profit and loss:</b>		
<b>Current tax:</b>		
UK Corporation tax	—	—
Total current tax	—	—
<b>Deferred tax (note 11):</b>		
Total deferred tax	—	—
Tax charge on profit on ordinary activities	—	—

### Reconciliation of tax charge

The tax assessed for the year is at the standard rate of United Kingdom corporation tax of 20% (2015: 20.25%). The differences are explained below:

	2016 £'000	2015 £'000
Profit on ordinary activities before tax	<u>229</u>	<u>889</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 20% (2015: 20.25%)	46	180
Unutilised losses not recognised	94	809
Permanent differences	<u>(140)</u>	<u>(989)</u>
Tax charge for the year	—	—

The standard rate of Corporation Tax in the UK changed from 21% to 20% with effect from 6 April 2015 and a change to 19% with effect from 6 April 2017 has been enacted.

Accordingly the Company's profits for the year are taxed at an effective rate of 20% (2015: 20.25%). The relevant deferred tax balances have been re-measured at a rate of 19.25%, being the effective rate for the year ended 31 December 2017.

The Company has experienced tax timing differences that would result in a deferred tax asset of £1,189,181 (2015: £883,947) at the balance sheet date. However this deferred tax asset has not been recognised as future taxable profits cannot be assured.



# DHCRE II Limited

## Notes to the Financial Statements for the year ended 31 December 2016

### 7 Investments

	2016 £'000	2015 £'000
Investments in Limited Partnership	<u>1</u>	<u>1</u>

The investment in the Limited Partnership represents the General Partner's capital in Doughty Hanson & Co European Real Estate II LP.

The Company also owned 100% of the following subsidiaries during the year. These subsidiaries are not consolidated as they are considered immaterial:

#### **DHCRE II Bridgeco Limited**

This company was incorporated in England & Wales, registration number 05599978, and arranged borrowing facilities on behalf of Doughty Hanson & Co European Real Estate II LP. This company was dissolved on 24 January 2017.

#### **DHCRE II Nominees Limited**

This company is incorporated in England & Wales, holds investments for Doughty Hanson & Co European Real Estate II LP.

The above nominee company holds, as nominee, an interest in DHCRE II LLC, a partnership registered in Delaware, USA for the beneficial ownership of the Limited Partnerships of Doughty Hanson & Co European Real Estate II LP together with the co-investment vehicles (collectively "DHCRE II Fund").

Investments held by DHCRE II Fund are not included in the Financial Statements since there are severe long term restrictions over the rights of DHCRE II Limited as the General Partner in relation to the Limited Partnership.

### 8 Debtors

	2016 £'000	2015 £'000
Amounts owed by fellow subsidiary undertakings	13,787	13,701
Amount owed by related undertaking	<u>253</u>	<u>132</u>
	<b><u>14,040</u></b>	<b><u>13,833</u></b>

The Company has experienced tax timing differences that would result in a deferred tax asset of £1,192,953 (2015: £883,947) at the balance sheet date. However this deferred tax asset has not been recognised as future taxable profits cannot be assured.

Amounts owed by fellow subsidiary undertakings are repayable on demand and are interest free.

# DHCRE II Limited

## Notes to the Financial Statements for the year ended 31 December 2016

### 9 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Amounts owing to fellow subsidiary undertakings	-	44
Accruals and deferred income	<u>62</u>	<u>40</u>
	<u>62</u>	<u>84</u>

Amounts owed to fellow subsidiary undertakings are repayable on demand and are interest free.

### 10 Called up share capital

	2016 £	2015 £
<b>Authorised</b>		
100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>
<b>Allotted, called up and issued</b>		
100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>

### 11 Ultimate parent company

The ultimate parent undertaking and controlling party is DHC Limited, which is the parent undertaking of the largest group to consolidate these Financial Statements. DHC Limited is registered in the Cayman Islands and trades from 45 Pall Mall, London, SW1Y 5JG. DHC Limited and all of its subsidiary companies, other than overseas operating companies, are subject to UK Corporation Tax. Overseas operating subsidiaries are subject to taxation in Germany, USA and Italy. The financial statements of DHC Limited are not publically available.

The ultimate controlling parties are Richard Hanson and the Executors of the estate of the late Nigel Doughty. The ultimate controlling parties are UK domiciled and therefore subject to UK taxation.

Key management services are provided by DHC Limited, see note 5.

### 12 Related parties

The Company is the General Partner in the Doughty Hanson & Co European Real Estate II L.P. This entitles the Company to a share of income and capital distributions made in accordance with the Limited Partnership agreement. During the year, the Group received £912,799 (2015: £3,570,152) by way of preferential drawings.

The Company settles expenses on behalf of the Fund and recharges these to the Fund. During the year £450,796 (2015: £444,108) has been recharged in relation to such expenses and at 31 December 2016 £253,298 (2015: £131,660) was due from the Fund.

At 31 December 2016, the Company has a balance of £nil (2015: £44,088) due to Doughty Hanson & Co Real Estate Limited, a fellow subsidiary undertaking.

A management fee of £687,095 (2015: £2,664,888) is payable by the Company to Doughty Hanson & Co Managers Limited in respect of the provision of investment management services relating to the Fund. This balance is not specifically settled and becomes part of the ongoing intercompany trading balance between the two group entities on which no interest is payable. At 31 December 2016 a balance of £13,786,619 (2015: £13,701,855) was due from Doughty Hanson & Co Managers Limited to the Company.

# DHCRE II Limited

## Notes to the Financial Statements for the year ended 31 December 2016

### 13 Financial instruments

	2016 £'000	2016 £'000	2015 £'000	2015 £'000
<b>Financial assets measured at fair value through profit &amp; loss</b>				
Investments in Limited Partnerships	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
<b>Financial assets measured at amortised cost</b>				
Amounts due from fellow subsidiary undertakings	13,787		13,701	
Amounts due from related undertaking	<u>253</u>	<u>14,040</u>	<u>132</u>	<u>13,833</u>
<b>Financial liabilities measured at amortised cost</b>				
Amounts owed to fellow subsidiary undertakings	-		44	
Accruals	<u>62</u>	<u>(62)</u>	<u>40</u>	<u>(84)</u>

**Financial assets measured at fair value through profit & loss**

#### Other investments

The investment in the Limited Partnership represents the General Partner's capital in Doughty Hanson & Co European Real Estate II LP. This is held in cash and is recoverable in full, with no possibility of uplift on the termination of the Fund.