

DHCRE II LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013



Registered in England & Wales No. 05552720

DHCRE II Limited

Annual Report and Financial Statements for the year ended 31 December 2013

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DHCRE II Limited

Directors' Report

The Directors present their Annual Report to the member together with the audited Financial Statements for the year ended 31 December 2013.

Business review

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 principal activity of the subsidiary undertaking consolidated in these Financial Statements, DHCRE II Bridgeco Limited, is to provide bridging finance for use in investments.

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 April 2014 and available via 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 consolidated 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 (2012: £nil).

Liability insurance

The Group 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.

Directors

The Directors who served during the year were as follows:

R. P. Hanson
S. C. Marquardt
R. N. Lund
G. D. Stening

DHCRE II Limited

Directors' Report (continued)

Principal risks and uncertainties

The Group'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 Group operates in the UK. The regulatory environment is becoming more complex and demanding and in response to this the Group 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 in respect of the Annual Report and the Financial Statements

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 group and parent company 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 the Group and of the profit or loss of the Group 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 and the Group 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 and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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.

So far as each Director is aware, there is no relevant audit information of which the Company's and the Group'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 and the Group's auditors are aware of that information.

By order of the Board:



R. N. Lund
Director
3 April 2014

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 the Financial Statements, defined below:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's profit and the group's 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group Financial Statements and parent company Financial Statements (the "Financial Statements"), which are prepared by DHCRE II Limited, comprise:

- the group and parent company balance sheet as at 31 December 2013;
- the group profit and loss account for the year then ended;
- the group cash flow statement for the year then ended;
- 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 their preparation is applicable law and United Kingdom Accounting Standards (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.

What an audit of Financial Statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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 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 and Financial Statements 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.

Opinion on other matter prescribed by the Companies Act 2006

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

DHCRE II Limited

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

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 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.

We have no exceptions to report arising from this responsibility.

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.

Responsibilities for the Financial Statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities Statement set out on pages 3-5, 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 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.



Graham Phillips (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
3 April 2014

DHCRE II Limited
Registered in England & Wales No. 05552720

Consolidated Profit and Loss Account

For the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Continuing Operations			
Turnover			
Income from Limited Partnership	2	4,339	3,351
Administrative expenses		<u>(3,259)</u>	<u>(2,518)</u>
Operating profit		1,080	833
Interest payable and similar charges	6	(39)	(51)
Interest receivable and similar income		<u>39</u>	<u>51</u>
Profit on ordinary activities before taxation	3	1,080	833
Taxation	7	<u>4,506</u>	<u>(1,115)</u>
Profit / (loss) for the financial year	14	<u>5,586</u>	<u>(282)</u>

The Group has no recognised gains and losses other than that shown above and therefore no separate statement of recognised gains and losses has been prepared.

There is no difference between either profit on ordinary activities before taxation and the profit / (loss) for the financial year stated above and their historical cost equivalents.

In accordance with the exemption allowed by section 408 of the Companies Act 2006, the Parent Company has not prepared its own Profit and Loss Account. There is no difference between the profit / (loss) for the financial year stated above and that which is attributable to the Parent Company.

DHCRE II Limited
Registered in England & Wales No. 05552720

Consolidated Balance Sheet as at 31 December 2013

	Notes	2013 £'000	2012 £'000
Fixed assets			
Investments	8	<u>1</u>	<u>1</u>
Current assets			
Debtors	9	11,901	10,774
Cash at bank and in hand		<u>-</u>	<u>-</u>
		11,901	10,774
Current liabilities			
Creditors: amounts falling due within one year	10	<u>(158)</u>	<u>(111)</u>
Net current assets		<u>11,743</u>	10,663
Total assets less current liabilities		11,744	10,664
Provisions for liabilities and charges	11	<u>(919)</u>	<u>(5,425)</u>
Net assets		<u>10,825</u>	<u>5,239</u>
Capital and reserves			
Called-up share capital	12	-	-
Profit and loss account	14	<u>10,825</u>	<u>5,239</u>
Total shareholder's funds	15	<u>10,825</u>	<u>5,239</u>

The Financial Statements on pages 8 to 19 were approved by the board of Directors on 3 April 2014 and were signed on its behalf by:



R. N. Lund
Director

DHCRE II Limited
Registered in England & Wales No. 05552720

Parent Company Balance Sheet as at 31 December 2013

	Notes	2013 £'000	2012 £'000
Fixed assets			
Investments	8	<u>1</u>	<u>1</u>
Current assets			
Debtors	9	11,901	10,774
Cash at bank and in hand		<u>-</u>	<u>-</u>
		11,901	10,774
Current liabilities			
Creditors: amounts falling due within one year	10	<u>(158)</u>	<u>(111)</u>
Net current assets		<u>11,743</u>	<u>10,663</u>
Total assets less current liabilities		11,744	10,664
Provisions for liabilities and charges	11	<u>(919)</u>	<u>(5,425)</u>
Net assets		<u>10,825</u>	<u>5,239</u>
Capital and reserves			
Called-up share capital	12	-	-
Profit and loss account	14	<u>10,825</u>	<u>5,239</u>
Total shareholder's funds	15	<u>10,825</u>	<u>5,239</u>

The Financial Statements on pages 8 to 19 were approved by the board of Directors on 3 April 2014 and were signed on its behalf by:



R. N. Lund
Director

DHCRE II Limited
Registered in England & Wales No. 05552720

Consolidated Cash Flow Statement

For the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Net cash inflow from continuing operating activities	16	-	-
Returns on investments and servicing of finance			
Interest received		-	-
Interest paid		-	-
Net cash movement from investments and servicing of finance		-	-
Taxation			
Corporation tax refunded		-	-
Corporation tax paid		-	-
		-	-
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		-	-
Receipts from disposals of fixed assets		-	-
Net cash movement from investing activities		-	-
Equity dividends paid			
UK dividends paid		-	-
Net cash movement before use of liquid resources and financing		-	-
Management of liquid resources			
Movement in short term deposits		-	-
Financing			
Movement in borrowings		-	-
Movement in net cash	17	-	-

There are no cash movements in relation to the arrangement of bridging finance by DHCRE II Bridgeco Limited, all interest payments are made by Doughty Hanson & Co European Real Estate II L.P. (see note 1). All other payments are made by a fellow subsidiary undertaking and settled via an intercompany payable. All other receipts are also received by a fellow subsidiary undertaking and settled via an intercompany receivable.

DHCRE II Limited

Notes to the Financial Statements for the year ended 31 December 2013

I Accounting policies

Basis of accounting

These Financial Statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards. The principal accounting policies which have been applied consistently are set out below.

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 business.

Basis of consolidation

The consolidated Financial Statements incorporate the Financial Statements of the Parent Company and of its subsidiary undertaking DHCRE II Bridgeco Limited. The consolidation is prepared using the acquisition method of accounting.

Fixed asset investments

Investments are valued at cost less provision, if appropriate, for impairment.

Limited Partnerships and Investments

As at 31 December 2013, the Parent 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 Group Financial Statements since there are severe long term restrictions over the rights of the General Partner in relation to the Limited Partnership.

Deferred taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date. No provision is made for taxation on permanent differences. Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered. Deferred tax is measured at the substantively enacted tax rate for the following year. This is due to uncertainty over when timing differences will reverse. Deferred tax assets and liabilities recognised have not been discounted.

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.

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 income

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

DHCRE II Limited

Notes to the Financial Statements for the year ended 31 December 2013

1 Accounting policies (continued)

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.

Loans

The principal activity of DHCRE II Bridgeco Limited, the subsidiary undertaking consolidated in these Financial Statements, is to arrange and provide bridging finance for use in investments undertaken by Doughty Hanson & Co European Real Estate II L.P (the "Fund"). Where the purpose of the loan is to cover a timing difference between funding needed and drawdown from Limited Partners of the Fund, the liability is presented in the Financial Statements of Doughty Hanson & Co European Real Estate II L.P, in accordance with FRS 5 'Reporting the substance of transactions'. Where the loan is used for another purpose within Doughty Hanson & Co European Real Estate II L.P, the liability and corresponding debtor from Doughty Hanson & Co European Real Estate II L.P is recognised on the Group's balance sheet. On all loans relating to bridging finance taken out by Doughty Hanson & Co European Real Estate II L.P, interest receivable and interest payable are presented in the Profit and Loss Account.

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 is stated after charging:

	2013 £'000	2012 £'000
Fees payable for services provided by the Company's auditors:		
Fees payable for the audit of the Parent Company and Consolidated Financial Statements	17	17
Fees payable for the audit of the Subsidiaries pursuant to legislation	1	1
Fees payable for other services – tax advisory	1	1
Management fee charged by Doughty Hanson & Co Managers Limited	3,240	2,498

4 Employee information

There were no employees of the Group during the year (2012: nil). Services are provided to the Group by Doughty Hanson & Co Managers Limited, a fellow subsidiary.

DHCRE II Limited

Notes to the Financial Statements for the year ended 31 December 2013

5 Directors' emoluments

	2013 £'000	2012 £'000
Directors' emoluments (excluding pension contributions)	76	61
Pension contributions	<u>2</u>	<u>2</u>
	<u>78</u>	<u>63</u>

As at 31 December 2013 retirement benefits are accruing under defined contribution schemes for 2 Directors (2012: 2 Directors).

The emoluments of the Directors are paid by the ultimate parent company, DHC Limited, or a fellow subsidiary which makes no recharge to the Group. 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 Group based on services provided.

6 Interest payable and similar charges

	2013 £'000	2012 £'000
Interest on arrangement of bridging finance	<u>39</u>	<u>51</u>

7 Taxation

	2013 £'000	2012 £'000
Current tax:		
UK Corporation tax	-	-
Adjustment in respect of prior period	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Deferred tax (note 11):		
Current year losses	(758)	-
Short term timing differences	1,009	1,141
Effect of foreign exchange movements	(24)	(12)
Effect of change in tax rate	(75)	(420)
Adjustments in respect of prior years	<u>(4,658)</u>	<u>406</u>
	<u>(4,506)</u>	<u>1,115</u>
Tax (credit) / charge on profit on ordinary activities	<u>(4,506)</u>	<u>1,115</u>

DHCRE II Limited

Notes to the Financial Statements for the year ended 31 December 2013

7 Taxation (continued)

The tax assessed for the year is at the standard rate of United Kingdom corporation tax of 23.25% (2012: 24.25%). The differences are explained below:

	2013 £'000	2012 £'000
Profit on ordinary activities before tax	<u>1,080</u>	<u>833</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 23.25% (2012: 24.5%)	251	204
Unutilised losses	758	-
Group relief surrendered	-	937
Short term timing differences	<u>(1,009)</u>	<u>(1,141)</u>
Current tax charge for the year	<u>-</u>	<u>-</u>

The standard rate of Corporation Tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly the Company's profits for this accounting period are taxed at an effective rate of 23.25%. **The overall tax charge for the year reflects a reduction in the deferred tax liabilities since the anticipated timing differences are now considered not likely to occur.**

The UK Finance Bill 2013, which was substantively enacted on 2 July 2013, included a reduction in main rate of corporation tax from 23% to 21% from 1 April 2014. Therefore the relevant deferred tax balances have been re-measured at a rate of 21.50%, being the effective rate for the year ended 31 December 2013. It also includes a further reduction to the main rate to 20% from 1 April 2015.

The overall effect of these changes, if this applied to the deferred tax balance at the balance sheet date, assuming there were no changes to the deferred tax balance over the following two years, would be to reduce the deferred tax liability by £64,129 (being £42,752 recognised in 2014, and £21,376 recognised in 2015).

8 Fixed asset investments

	Company & Group 2013 £'000	Company & Group 2012 £'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 accounts of the following subsidiary, which is wholly owned, are included in the consolidated Financial Statements. The details of the subsidiary are as follows:

DHCRE II Bridgeco Limited

This company is incorporated in England & Wales, registration number 05599978, and arranges borrowing facilities on behalf of Doughty Hanson & Co European Real Estate II LP.

DHCRE II Limited

Notes to the Financial Statements for the year ended 31 December 2013

8 Fixed asset investments (continued)

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

DHCRE II Projects Limited, incorporated in England & Wales, forms acquisition vehicles for use in investments undertaken by Doughty Hanson & Co European Real Estate II LP.

DHCRE II Nominees Limited, 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 "DHCREII Fund").

Investments held by DHCREII Fund are not included in the Group 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.

9 Debtors

	Company & Group 2013 £'000	Company & Group 2012 £'000
Amounts owed by fellow subsidiary undertakings	11,787	10,635
Amount owed by related undertaking	<u>114</u>	<u>139</u>
	<u>11,901</u>	<u>10,774</u>

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

10 Creditors: amounts falling due within one year

	Company & Group 2013 £'000	Company & Group 2012 £'000
Trade creditors	28	9
Amounts owing to fellow subsidiary undertakings	44	44
Accruals and deferred income	<u>86</u>	<u>58</u>
	<u>158</u>	<u>111</u>

Amounts owed to 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 2013

11 Provisions for liabilities and charges

	Company & Group 2013 £'000	Company & Group 2012 £'000
Deferred tax		
Balance brought forward	5,425	4,310
Profit and loss account	(4,506)	1,115
Balance at 31 December	<u>919</u>	<u>5,425</u>

Deferred tax provided in the Financial Statements is as follows:

	Company & Group 2013 £'000	Company & Group 2012 £'000
Unutilised tax losses	(701)	-
Short term timing differences	<u>1,620</u>	<u>5,425</u>
	<u>919</u>	<u>5,425</u>

There are no unprovided amounts.

12 Share capital

	Company & Group 2013 £	Company & Group 2012 £
Authorised		
100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and issued		
100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>

13 Ultimate parent company

The ultimate parent undertaking is DHC Limited, which is the parent undertaking of the smallest and 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 companies are subject to taxation in Germany, USA, Sweden and Italy. 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.

DHCRE II Limited

Notes to the Financial Statements for the year ended 31 December 2013

14 Profit and loss account

	Company & Group 2013 £'000	Company & Group 2012 £'000
Opening profit and loss account	5,239	5,521
Profit / (loss) for the financial year	<u>5,586</u>	<u>(282)</u>
Closing profit and loss account	<u>10,825</u>	<u>5,239</u>

15 Reconciliation of movements in shareholder's funds

	Company & Group 2013 £'000	Company & Group 2012 £'000
Opening shareholder's funds	5,239	5,521
Profit / (loss) for the financial year	<u>5,586</u>	<u>(282)</u>
Closing shareholder's funds	<u>10,825</u>	<u>5,239</u>

16 Reconciliation of operating profit to net cash inflow from operating activities

	2013 £'000	2012 £'000
Operating profit	1,080	833
Increase in debtors	(1,127)	(779)
Decrease in creditors	<u>47</u>	<u>(54)</u>
Net cash inflow from operating activities	<u>=</u>	<u>=</u>

17 Reconciliation to net cash

	2013 £'000	2012 £'000
Net cash at 1 January	-	-
Movement in net cash	<u>-</u>	<u>-</u>
Net cash at 31 December	<u>=</u>	<u>=</u>

DHCRE II Limited

Notes to the Financial Statements for the year ended 31 December 2013

18 Reconciliation of movements in net cash

	At 1 January 2013 £'000	Cash Flow £'000	At 31 December 2013 £'000
Cash at bank and in hand	—	—	—
	—	—	—

19 Commitments

During the year, a bank guarantee was in place in relation to Prado Shopping Centre, a portfolio investment in Doughty Hanson & Co European Real Estate II L.P. The value of this bank guarantee as at 31 December 2013 is £10,135,368 (2012: £9,880,946). The guarantee expired on 13 January 2014, however it has been extended to the earlier of i) 15 January 2015 or ii) the date the construction lease on the underlying asset is signed. This guarantee is for the benefit of the underlying portfolio company.

During the year, a bank guarantee was in place in relation to Golf Parc, a portfolio investment in Doughty Hanson & Co European Real Estate II L.P. The value of this bank guarantee as at 31 December 2013 is £7,036,699 (2012: £nil). The guarantee expires on 24 July 2015. This guarantee is for the benefit of the underlying portfolio company.

All loans and guarantees were secured by the undrawn commitments of Doughty Hanson & Co European Real Estate II L.P. Furthermore Doughty Hanson & Co European Real Estate II L.P. acts as a principal guarantor to the bank under a Guarantee and Indemnity agreement.

20 Related parties

The Parent 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 £4,338,994 (2012: £3,350,958) by way of preferential drawings.

The Group settles expenses on behalf of the Fund and recharges these to the Fund. During the year £1,064,483 (2012: £967,850) has been recharged in relation to such expenses and at 31 December 2013 £113,797 (2012: £139,119) was due from the Fund.

At 31 December 2013, the Group and Parent Company has a balance of £44,088 (2012: £ 44,088) due to Doughty Hanson & Co Real Estate Limited, a fellow subsidiary undertaking.

A management fee of £3,240,416 (2012: £2,498,288) is payable by the Group 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 2013 a balance of £11,787,133 (2012: £10,635,432) was due from Doughty Hanson & Co Managers Limited to the Group and Parent Company.

The principal activity of DHCRE II Bridgeco Limited, a subsidiary undertaking is to arrange and provide bridging finance for use in investments undertaken by DHCREII Fund administered by the Group. DHCRE II Bridgeco Limited takes out loans in respect of the Fund. These are guaranteed and repaid by the Fund. DHCRE II Bridgeco Limited received no fees for its services in the year (2012: £nil). Interest payable of £39,157 (2012: £51,366) in relation to these loans was receivable in full from the Fund.