

DOUGHTY HANSON & CO. INVESTMENTS LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED**

31 DECEMBER 2012



Registered in England & Wales No 06674290

Doughty Hanson & Co. Investments Limited

Annual Report and Financial Statements for the year ended 31 December 2012

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Doughty Hanson & Co. Investments Limited

Directors' Report

The Directors present their Annual Report to the member together with the audited Financial Statements for the year ended 31 December 2012

Business review

The principal activity of the Company is to hold investments in Doughty Hanson & Co Funds' portfolio companies on behalf of the DHC Limited Group for a variety of short and long term investment purposes

Despite the challenges presented by the current financial and economic outlook, the Directors expect the performance of the Company to remain resilient

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

Results and dividends

The results for the year are set out in the profit and loss account on page 7 The Directors do not recommend the payment of a dividend for the year (2011 £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

Directors

The Directors of the Company who served during the year were as follows

N E Doughty (Deceased 4 February 2012)
R P Hanson
S C Marquardt
R N Lund
G D Stening

Doughty Hanson & Co. Investments 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 to the DHC Limited Group.

Exchange risk arises due to currency differences between the income and expense base. Forward foreign exchange contracts are used to gain medium term certainty over the majority of the amounts that are forecast to be received as income in order to mitigate the exchange risk. The level of this risk has been considered to fall within acceptable parameters to date, but the Company 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.

Going Concern

The Directors note that the Financial Statements currently show a net deficit on shareholder's funds of £3,227,792 (2011 £9,594,330). The parent company, DHC Limited, has made an undertaking not to call the intercompany creditor shown in note 10 of the Financial Statements for at least one year post to signing date of the Financial Statements. In addition, DHC Limited has undertaken to make such funds available as the Company may require to fulfil its obligations during this period. Thus the Financial Statements have been produced on a going concern basis.

Doughty Hanson & Co. Investments 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 year. Under that law, the Directors have prepared the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make 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 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 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.

By order of the Board



R N Lund
Director
17 April 2013

Registered Office
45 Pall Mall
London
SW1Y 5JG

Doughty Hanson & Co. Investments Limited

Independent Auditors' Report to the member of Doughty Hanson & Co. Investments Limited

We have audited the Financial Statements of Doughty Hanson & Co. Investments Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. 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).

Respective responsibilities of Directors and Auditors

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). 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.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the Financial Statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 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.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the Financial Statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Graham Phillips (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 April 2013

Doughty Hanson & Co. Investments Limited
Registered in England & Wales No. 06674290

Profit and Loss Account

For the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Turnover			
Other income	2	2,435	216
Administrative expenses		<u>(21)</u>	<u>(5,036)</u>
Operating profit / (loss)		2,414	(4,820)
Interest receivable and similar income		5,298	4,605
Interest payable and similar charges	6	(933)	(940)
Profit on disposal of assets		<u>136</u>	<u>790</u>
Profit / (loss) on ordinary activities before taxation	3	6,915	(365)
Taxation	7	<u>(548)</u>	<u>104</u>
Profit / (loss) for the financial year	14	<u>6,367</u>	<u>(261)</u>

The Company 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 for the financial year stated above and their historical cost equivalents

Doughty Hanson & Co. Investments Limited

Registered in England & Wales No. 06674290

Balance Sheet as at 31 December 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Investments	8	<u>56,329</u>	<u>51,653</u>
Current assets			
Debtors	9	20,893	18,614
Cash at bank and in hand		<u>-</u>	<u>-</u>
		20,893	18,614
Creditors amounts falling due within one year	10	<u>(80,448)</u>	<u>(79,860)</u>
Net current liabilities		<u>(59,555)</u>	<u>(61,246)</u>
Total assets less current liabilities		<u>(3,226)</u>	<u>(9,593)</u>
Provisions for liabilities		<u>-</u>	<u>-</u>
Net liabilities		<u>(3,226)</u>	<u>(9,593)</u>
Capital and reserves			
Called-up share capital	12	1	1
Profit and loss account	14	<u>(3,227)</u>	<u>(9,594)</u>
Total shareholder's deficit	15	<u>(3,226)</u>	<u>(9,593)</u>

The Financial Statements on pages 7 to 16 were approved by the board of Directors on 17 April 2013 and were signed on its behalf by



R N Lund
Director

Doughty Hanson & Co. Investments Limited
Registered in England & Wales No. 06674290

Cash Flow Statement

For the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Net cash inflow from continuing operating activities	16	-	-
Returns on investments and servicing of finance			
Interest received		-	-
Interest paid		-	-
Net cash inflow from investments and servicing of finance		-	-
Taxation			
Corporation tax refunded		-	-
Corporation tax paid		-	-
		-	-
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		-	-
Payments to acquire fixed asset investments		-	-
Receipts from disposals of fixed assets		-	-
Net cash inflow from investing activities		-	-
Equity dividends paid			
UK dividends paid		-	-
Net cash outflow before use of liquid resources and financing		-	-
Management of liquid resources			
Movement in short term deposits with banks		-	-
Financing			
Movement in short term loan	18	-	-
		-	-
Movement in net cash	17	-	-

Payments for fixed asset investments and expenses are made by a fellow subsidiary undertaking and settled via an intercompany payable which includes both non-operating and operating items. Receipts for fixed asset investments and dividend income are also received by a fellow subsidiary undertaking and settled via an intercompany receivable.

Doughty Hanson & Co. Investments Limited

Notes to the Financial Statements for the year ended 31 December 2012

1 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 UK 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 Company's business.

Going concern

The Company has had an undertaking from its parent company, DHC Limited, that it will provide financial support to the Company for the 12 month period from the date of approval of the Financial Statements. Accordingly the Directors have prepared the Financial Statements on a going concern basis.

Fixed asset investments

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

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 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.

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.

2 Turnover

Turnover represents income from financial instrument investments. Income, other than dividend income, is accounted for on an accruals basis. Dividend income from investments is accounted for on an ex-dividend basis net of any tax credit, which is not recoverable.

	2012 £'000	2011 £'000
Dividends from other investments	<u>308</u>	<u>216</u>

Doughty Hanson & Co. Investments Limited

Notes to the Financial Statements for the year ended 31 December 2012

3 Profit / (loss) on ordinary activities before taxation is stated after charging / (crediting)

	2012 £'000	2011 £'000
Services provided by the Company's auditor		
Fees payable for the audit	22	22
Fees payable for other services – tax advisory	(1)	2
Net (provision releases) / provisions on fixed asset investments	(2,127)	5,036

4 Employee information

There were no employees of the Company during the year (2011 nil)

5 Directors' emoluments

	2012 £'000	2011 £'000
Directors' emoluments (excluding pension contributions)	12	15
Pension contributions	–	1
	<u>12</u>	<u>16</u>

As at 31 December 2012 retirement benefits are accruing under defined contribution schemes for 3 Directors (2011 3 Directors)

The emoluments of the Directors are paid by the parent company or a fellow subsidiary which makes no recharge to the Company. The Directors are also directors of the 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.

6 Interest payable

	2012 £'000	2011 £'000
Interest on amounts owing to parent undertaking	<u>933</u>	<u>940</u>

Doughty Hanson & Co. Investments Limited

Notes to the Financial Statements for the year ended 31 December 2012

7 Taxation

	2012 £'000	2011 £'000
Current tax		
UK Corporation tax	—	—
Total current tax	—	—
Deferred tax (note 11)		
Adjustment relating to prior years	(16)	(274)
Short term timing differences	232	(49)
Effect of change in tax rate	31	53
Brought forward losses utilised	<u>301</u>	<u>166</u>
Total deferred tax	<u>548</u>	<u>(104)</u>
Tax on profit on ordinary activities	<u>548</u>	<u>(104)</u>

The tax assessed for the year differs from the standard rate of United Kingdom corporation tax of 24.5% (2011 – 26.5%). The differences are explained below

	2012 £'000	2011 £'000
Profit / (loss) on ordinary activities before tax	<u>6,915</u>	<u>(365)</u>
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 24.5% (2011 – 26.5%)	1,694	(97)
Brought forward losses utilised	(301)	(166)
Permanent differences	99	-
Adjustment relating to prior years	-	214
Group relief claimed	(1,260)	-
Short term timing differences	<u>(232)</u>	<u>49</u>
Current tax charge for the year	<u>—</u>	<u>—</u>

The standard rate of Corporation Tax in the UK changed from 26% to 24% with effect from 1 April 2012. Accordingly the Company's profits for this accounting period are taxed at an effective rate of 24.5%.

The UK Finance Bill 2012, which was substantively enacted on 17 July 2012, includes a reduction in main rate of corporation tax from 24% to 23% from 1 April 2013. Therefore the relevant deferred tax balances have been re-measured at a rate of 23.25%, being the effective rate for the year ended 31 December 2013.

In addition to the changes in rates of Corporation tax disclosed above a number of further changes to the UK Corporation tax system were announced in the Autumn 2012 and March 2013 UK Budget Statements. Further reductions to the main rate are proposed in order to reduce the rate to 21% from 1 April 2014 and 20% from 1 April 2015. These reductions are expected to be enacted in 2013. 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 three years, would be to increase the deferred tax liability by £25,008 (being £13,466 recognised in 2013, £9,618 recognised in 2014 and £1,924 recognised in 2014).

Doughty Hanson & Co. Investments Limited

Notes to the Financial Statements for the year ended 31 December 2012

8 Fixed asset investments

Other investments

	2012 £'000	2011 £'000
Investments at cost		
1 January	66,127	64,838
Additions	6,072	9,770
Disposals	<u>(3,523)</u>	<u>(8,481)</u>
31 December	68,676	66,127
Provision for impairment in value (see below)	<u>(12,347)</u>	<u>(14,474)</u>
Net Book Value		
31 December	<u>56,329</u>	<u>51,653</u>
	2012 £'000	2011 £'000
Provision for impairment		
1 January	14,474	9,438
Additions	-	5,362
Releases	<u>(2,127)</u>	<u>(326)</u>
On assets disposed	<u>-</u>	<u>-</u>
31 December	<u>12,347</u>	<u>14,474</u>

The Company makes investments through the Doughty Hanson & Co Co-investment schemes which operate alongside the Doughty Hanson & Co Funds. The Company has also made investments in portfolio companies invested in by Doughty Hanson & Co Technology. In addition to this regular investment activity the Company has also made investments in other instruments during the year.

Doughty Hanson & Co. Investments Limited

Notes to the Financial Statements for the year ended 31 December 2012

9 Debtors

	2012 £'000	2011 £'000
Amounts owed by parent undertaking	5,939	5,846
Interest receivable	14,697	11,983
Deferred tax asset (note 11)	179	727
Other debtors	<u>78</u>	<u>58</u>
	20,893	18,614

Of amounts owed by parent undertaking, £5,747,108 (2011 £5,747,108) is subject to interest at 1 month LIBOR plus 1% per annum and is repayable on demand, £192,313 (2011 £98,740) is not subject to interest and repayable on demand

10 Creditors amounts falling due within one year

	2012 £'000	2011 £'000
Amounts owing to parent undertaking	61,958	61,025
Amounts owing to fellow subsidiary undertakings	18,488	18,771
Other creditors	-	38
Accruals and deferred income	<u>2</u>	<u>26</u>
	80,448	79,860

Of amounts owing to parent undertaking, £57,158,888 (2011 £57,158,888) is subject to interest at 1 month LIBOR plus 1% per annum and repayable on demand, £4,799,340 (2011 £3,866,394) is not subject to interest and repayable on demand. Amounts owing to fellow subsidiary undertakings are repayable on demand and are interest free

11 Deferred tax asset

	2012 £'000	2011 £'000
1 January	727	623
Profit and loss account	<u>(548)</u>	<u>104</u>
31 December (note 9)	<u>179</u>	<u>727</u>

Deferred tax provided in the Financial Statements is as follows

	2012 £'000	2011 £'000
Short term timing differences	179	434
Unutilised losses carried forward	<u>-</u>	<u>293</u>
	<u>179</u>	<u>727</u>

Doughty Hanson & Co. Investments Limited

Notes to the Financial Statements for the year ended 31 December 2012

12 Share Capital

	2012 and 2011 Number	Value £
Authorised		
Ordinary Shares of £1 each	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</u>
Allotted, called up and fully paid		
Ordinary Shares of £1 each	<u>1,000</u>	<u>1,000</u>
	<u>1,000</u>	<u>1,000</u>

Ordinary Shares confer upon the Shareholder the right to vote at any general meeting of the Company

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.

14 Profit and loss account

	2012 £'000	2011 £'000
Opening profit and loss account	(9,594)	(9,333)
Profit / (loss) for the financial year	<u>6,367</u>	<u>(261)</u>
Closing profit and loss account	<u>(3,227)</u>	<u>(9,594)</u>

15 Reconciliation of movements in shareholder's deficit

	2012 £'000	2011 £'000
Opening shareholder's deficit	(9,593)	(9,332)
Profit / (loss) for the financial year	<u>6,367</u>	<u>(261)</u>
Closing shareholder's deficit	<u>(3,226)</u>	<u>(9,593)</u>

Doughty Hanson & Co. Investments Limited

Notes to the Financial Statements for the year ended 31 December 2012

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

	2012 £'000	2011 £'000
Operating profit / (loss)	2,413	(4,820)
Net (decrease) / increase in provisions against investments	(2,127)	5,036
Increase in debtors	(18)	(57)
Decrease in creditors' accruals and deferred income	(268)	(159)
Net cash inflow from operating activities	—	—

17 Reconciliation to net cash

	2012 £'000	2011 £'000
Net cash at start of period	-	-
Movement in net cash	—	—
Net cash at 31 December	—	—

18 Reconciliation of movement in net debt

	At 1 January 2012 £'000	Non-cash Movements £'000	Cash Flow £'000	At 31 December 2012 £'000
Cash at bank and in hand	-	-	-	-
Debt due within one year	—	—	—	—
	—	—	—	—

19 Related parties

The Company purchased £57,158,888 of investments from another DHC Limited Group Company in an exchange for an intercompany loan on 8 October 2008. The amount owed at 31 December 2012 to the parent company DHC Limited relating to this transaction (including rolled up interest) is £61,958,228 (2011 - £61,025,282). This loan is subject to 1 month LIBOR plus 1% per annum, not compounding.

The Company has an intercompany loan outstanding due from DHC Limited which is subject to LIBOR plus 1% per annum on a 1 month interest period, not compounding. The balance at 31 December 2012 (including rolled up interest) was £5,939,421 (2011 - £5,845,848).

Doughty Hanson & Co Managers Limited has settled the Company's expenses and funded the Company's further investment activities during the year. The balance owed is not specifically settled and becomes part of the ongoing intercompany trading balance between the two group entities on which no interest is payable. The amount owed at 31 December 2012 is £18,488,292 (2011 - £18,770,510).