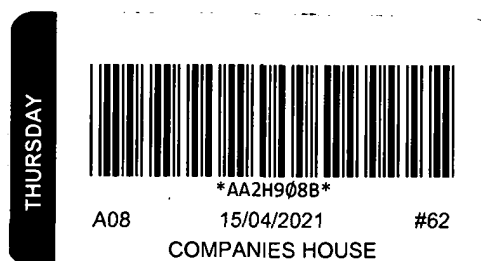


DHCM HOLDCO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER 2020



Registered in England & Wales No. 06674300
Registered address 36 Broadway, London, SW1H 0BH

DHCM Holdco Limited

Annual Report and Financial Statements for the year ended 31 December 2020

Contents

| | <u>Page(s)</u> |
|--------------------------------------|----------------|
| Strategic Report | 3 - 4 |
| Directors' Report | 5 – 6 |
| Independent Auditors' Report | 7 – 9 |
| Consolidated Profit and Loss Account | 10 |
| Consolidated Balance Sheet | 11 |
| Parent Company Balance Sheet | 12 |
| Consolidated Cash Flow Statement | 13 |
| Statements of Changes in Equity | 14 |
| Notes to the Financial Statements | 15 - 29 |

DHCM Holdco Limited

Strategic Report

Business review

DHCM Holdco Limited (the “Company” and the “Parent Company”) is a holding company for Doughty Hanson & Co Managers Limited.

Given the nature of the business, the Company’s Directors are of the opinion that analysis using KPIs (Key Performance Indicators) is not necessary for an understanding of the development, performance or position of the business.

Performance and position

The results for the year are set out in the profit and loss account on page 10. The Group’s loss for the financial year is £1,918,000 (2019: profit £7,565,000). No dividend was paid or proposed.

There are net assets in the Group of £24,269,000 (2019: £22,501,000) and in the Company net assets of £24,269,000 (2019: £22,501,000). In the Company there has been a £647,000 increase (2019: £141,771,000 decrease) in fair value of the investment in the subsidiary Doughty Hanson & Co Managers Limited. With reference to the exemption in section 408, the Company has not presented its standalone Profit and Loss Account.

Given the nature of the Company’s business the Directors are satisfied with the financial position of the Group and the Company.

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, exchange risk and counterparty 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 cannot be managed internally by the Group.

Foreign 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 Group continues to review its exchange rate management policy to ensure it is appropriate.

DHCM Holdco Limited

Strategic Report (continued)

Counterparty risk arises due to the fact that there is no guarantee of banks and other counterparties being able to meet their obligations to the Group relating to bank accounts and other products that may be used, primarily relating to cash deposits and foreign exchange contracts. This risk is mitigated by the Group only dealing with larger institutions, as agreed by the Board, and regular review of each banks' strength where there are existing relationships with the Group.

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.

Risks arising from coronavirus

The global outbreak of the coronavirus ("COVID-19") in Q1 2020 continues to adversely impact global commercial activity and has contributed to significant volatility in financial markets. The impact of the global outbreak has been rapidly evolving and many countries, including the United Kingdom, have reacted by instituting quarantines and restrictions on movement. Such actions are creating disruption in global supply chains, and adversely impacting a number of industries, as well as giving rise to general concern and uncertainty. The outbreak could have a continued adverse impact on economic and market conditions and trigger a period of slower global economic growth. The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of COVID-19, although the introduction of vaccine programs in Q1 2021 is clearly encouraging.

The Group reviewed its continuity and contingency planning in February and March 2020. Following the worsening of the outlook in the UK in March 2020, staff have been working remotely from home, and this arrangement continues to work satisfactorily. The Directors expect the Company to be in a position to continue operations throughout this period of uncertainty and to continue as a going concern.

On behalf of the Board:



P. R. Kruppa
Director
9 April 2021

DHCM Holdco Limited

Directors' Report

The Directors present their Report to the member together with the audited consolidated Financial Statements for the year ended 31 December 2020.

Directors

The Directors of the Company who served during the year and up to the date of signing the Financial Statements were as follows:

| | |
|---------------|-----------------------------|
| R. P. Hanson | |
| G. D. Stening | |
| B. M. Dooley | (resigned 28 February 2020) |
| P. R. Kruppa | (appointed 27 April 2020) |

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 financial year and at the date the Financial Statements were approved.

Risk Management

The Group's risk management objectives are detailed in the Strategic Report on pages 3 and 4.

Dividend

No dividend was paid or proposed (2019: nil).

Going concern

The Company's Financial Statements have been prepared on a going concern basis. The Company's subsidiary Doughty Hanson & Co Managers Limited remains the operator of the remaining funds and has the resources in order to complete this effectively. This process is expected to last until at least May 2022.

DHCM Holdco Limited

Directors' Report (continued)

Statement of Directors' responsibilities in respect of the Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006

Directors' confirmations

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

On behalf of the Board:



P. R. Kruppa
Director
9 April 2021

Independent auditors' report to the member of DHCM Holdco Limited

Report on the audit of the financial statements

Opinion

In our opinion, DHCM Holdco Limited's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated Balance Sheet and the Parent Company Balance Sheet as at 31 December 2020; the Consolidated Profit and Loss Account, the Consolidated Cash Flow Statement, and the Statements of Changes in Equity for the year then ended for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the parent company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Independent auditors' report to the member of DHCM Holdco Limited

Report on the audit of the financial statements (continued)

Reporting on other information (continued)

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we considered the principal risks of non-compliance with laws and regulations, including those that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to turnover or administrative expenses. Audit procedures performed included:

- Discussions with management, and review of relevant directors' meeting minutes, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Understanding of management's internal controls designed to prevent and detect irregularities;
- Testing journal entries, with a focus on journals indicating unusual transactions based on our understanding of the business;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing

Independent auditors' report to the member of DHCM Holdco Limited

Report on the audit of the financial statements (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the parent 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.

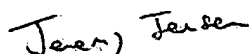
Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained 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
- certain disclosures of directors' remuneration specified by law are not made; 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.



Jeremy Jensen (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
9 April 2021

DHCM Holdco Limited
Registered in England & Wales No. 06674300

Consolidated Profit and Loss Account

For the year ended 31 December 2020

| | | 2020 | 2019 |
|---|------|----------------|----------------|
| | Note | £'000 | £'000 |
| Turnover | 2 | | |
| Management fee and other income | | <u>748</u> | <u>467</u> |
| | | 748 | 467 |
| Administrative expenses | | (2,520) | (3,362) |
| Fair value adjustments on investments | | (264) | (96) |
| Profit on disposal of fixed asset investments | | <u>87</u> | <u>44</u> |
| Operating loss | | (1,949) | (2,947) |
| Interest receivable and similar income | 6 | 31 | 12,390 |
| Interest payable and similar expenses | 6 | <u>-</u> | <u>(1,878)</u> |
| (Loss) / profit before taxation | 3 | (1,918) | 7,565 |
| Taxation | 7 | <u>-</u> | <u>-</u> |
| (Loss) / profit for the financial year | | <u>(1,918)</u> | <u>7,565</u> |

The Company has no recognised comprehensive income other than the results as stated above. All comprehensive (expense) / income is attributable to its sole shareholder, DHC Limited.

DHCM Holdco Limited
Registered in England & Wales No. 06674300

Consolidated Balance Sheet as at 31 December 2020

| | Note | 2020 £'000 | 2019 £'000 |
|---|------|----------------------|----------------------|
| Fixed assets | | | |
| Investments | 8 | 1,237 | 627 |
| Tangible fixed assets | 9 | <u>2</u> | <u>3</u> |
| | | <u>1,239</u> | <u>630</u> |
| Current assets | | | |
| Debtors: amounts falling due after more than one year | 10 | 805 | 1,963 |
| Debtors: amounts falling due within one year | 11 | 21,471 | 20,489 |
| Cash and cash equivalents | 15 | <u>14,303</u> | <u>13,107</u> |
| | | 36,579 | 35,559 |
| Creditors: amounts falling due within one year | 12 | (13,549) | (13,688) |
| Net current assets | | <u>23,030</u> | <u>21,871</u> |
| Total assets less current liabilities | | 24,269 | 22,501 |
| Provisions for liabilities and charges | | <u>-</u> | <u>-</u> |
| Net assets | | <u>24,269</u> | <u>22,501</u> |
| Capital and reserves | | | |
| Called up share capital | 13 | - | - |
| Profit and loss account | | <u>24,269</u> | <u>22,501</u> |
| Total shareholder's funds | | <u>24,269</u> | <u>22,501</u> |

The Financial Statements on pages 10 to 29 were approved by the Board of Directors on 7 April 2021 and were signed on its behalf by:



P. R. Kruppa
Director

DHCM Holdco Limited
Registered in England & Wales No. 06674300

Parent Company Balance Sheet as at 31 December 2020

| | Note | 2020 £'000 | 2019 £'000 |
|---|------|---------------|---------------|
| Fixed assets | | | |
| Investments | 8 | <u>24,269</u> | <u>22,501</u> |
| Creditors: amounts falling due within one year | 12 | — | — |
| Net current liabilities | | — | — |
| Total assets less current liabilities | | <u>24,269</u> | <u>22,501</u> |
| Net assets | | <u>24,269</u> | <u>22,501</u> |
| Capital and reserves | | | |
| Called up share capital | 13 | — | — |
| Profit and loss account | | <u>24,269</u> | <u>22,501</u> |
| Total shareholder's funds | | <u>24,269</u> | <u>22,501</u> |

The Profit and Loss account of the Parent Company has not been included in these Financial Statements. All profits relate to continuing operations. Of the loss (2019: profit) for the financial year, a profit of £805,000 (2019: loss of £133,873,000) is dealt with in the Financial Statements of the Parent Company, including the impairment of investment in the subsidiary included in the consolidated Financial Statements.

The Financial Statements on pages 10 to 29 were approved by the Board of Directors on 7 April 2021 and were signed on its behalf by:



P. R. Kruppa
Director

DHCM Holdco Limited
Registered in England & Wales No. 06674300

Consolidated Cash Flow Statement

For the year ended 31 December 2020

| | Notes | 2020 £'000 | 2019 £'000 |
|---|-------|----------------------|----------------------|
| (Loss) / profit for the financial year | | (1,918) | 7,565 |
| Taxation | | - | - |
| Interest receivable and similar income | | (31) | (12,390) |
| Interest payable and similar charges | | <u>-</u> | <u>1,878</u> |
| Operating loss for the financial year | | (1,949) | (2,947) |
| Adjustments for: | | | |
| Depreciation of tangible fixed assets | | 3 | 26 |
| Decrease in fair value of fixed asset investments | | 264 | 96 |
| Profit on disposal of fixed asset investments | | (87) | (44) |
| Capital Contribution as a result of Loan Waivers | | 3,686 | 152,293 |
| Waiver of amounts due from fellow group undertakings | | - | (156,814) |
| Decrease in debtors | | 221 | 201,972 |
| Decrease in provisions | | - | - |
| Decrease in creditors, accruals and deferred income | | (139) | (201,429) |
| Cash inflow / (outflow) from operating activities | | 1,999 | (6,847) |
| Corporation tax paid | | <u>-</u> | <u>-</u> |
| Net cash inflow / (outflow) from operating activities | | 1,999 | (6,847) |
| Cash flows from investing activities | | | |
| Purchase of other investments | | (1,056) | (120) |
| Receipts from disposals of investments | | 97 | 139 |
| Payments to acquire tangible fixed assets | | (2) | (4) |
| Receipts from disposals of fixed assets | | - | 87 |
| Interest received | | 158 | 3 |
| Interest paid | | <u>-</u> | <u>-</u> |
| Net cash inflow from investing activities | | (803) | 105 |
| Net cash flow from financing activities | | <u>-</u> | <u>-</u> |
| Net increase / (decrease) in cash and cash equivalents | | 1,196 | (6,742) |
| Cash and cash equivalents at the beginning of the year | | 13,107 | 19,849 |
| Cash and cash equivalents at the end of the year | 15 | <u>14,303</u> | <u>13,107</u> |

DHCM Holdco Limited
Registered in England & Wales No. 06674300

Statements of Changes in Equity

For the year ended 31 December 2020

| Group | Called up share capital £'000 | Profit and loss account £'000 | Financing loan £'000 | Total shareholder' s funds £'000 |
|--|--|--|-------------------------------------|---|
| As at 1 January 2019 | - | (76,237) | 95,694 | 19,457 |
| Reclassification of Financing Loan following intercompany waiver | - | 95,694 | (95,694) | - |
| Capital contributions as a result of loan waivers | - | 152,293 | - | 152,293 |
| Waivers of amounts due from group/affiliated undertakings | - | (156,814) | - | (156,814) |
| Profit and total comprehensive income for the financial year | <u>-</u> | <u>7,565</u> | <u>-</u> | <u>7,565</u> |
| As at 31 December 2019 | <u>-</u> | <u>22,501</u> | <u>-</u> | <u>22,501</u> |
| Capital contributions as a result of loan waivers | - | 3,686 | - | 3,686 |
| Loss and total comprehensive expense for the financial year | <u>-</u> | <u>(1,918)</u> | <u>-</u> | <u>(1,918)</u> |
| As at 31 December 2020 | <u>-</u> | <u>24,269</u> | <u>-</u> | <u>24,269</u> |

| Company | Called up share capital £'000 | Profit and loss account £'000 | Financing loan £'000 | Total shareholder' s funds £'000 |
|--|--|--|-------------------------------------|---|
| As at 1 January 2019 | - | (76,237) | 95,694 | 19,457 |
| Reclassification of Financing Loan following intercompany waiver | - | 95,694 | (95,694) | - |
| Capital Contribution as a result of Loan Waivers | - | 136,917 | - | 136,917 |
| Loss and total comprehensive expense for the financial year | <u>-</u> | <u>(133,873)</u> | <u>-</u> | <u>(133,873)</u> |
| As at 31 December 2019 | <u>-</u> | <u>22,501</u> | <u>-</u> | <u>22,501</u> |
| Capital contributions as a result of loan waivers | - | 963 | - | 963 |
| Profit and total comprehensive income for the financial year | <u>-</u> | <u>805</u> | <u>-</u> | <u>805</u> |
| As at 31 December 2020 | <u>-</u> | <u>24,269</u> | <u>-</u> | <u>24,269</u> |

DHCM Holdco Limited

Notes to the Financial Statements for the year ended 31 December 2020

1 Accounting Policies

General information

The principal activity of the Company is as a holding company for Doughty Hanson & Co Managers Limited, a wholly owned subsidiary. The principal activity of Doughty Hanson & Co Managers Limited is the provision of investment management services to the General Partners of Doughty Hanson & Co Funds.

The Company is a private company limited by shares and is incorporated in England & Wales, registration number 06674300.

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.

Basis of consolidation

The consolidated Financial Statements include in full the Company and its subsidiary Doughty Hanson & Co Managers Limited. Where subsidiaries are acquired during the year, their results are included in the consolidated Financial Statements from the date of acquisition.

Going concern

The Company's Financial Statements have been prepared on a going concern basis. The Company's subsidiary Doughty Hanson & Co Managers Limited remains the operator of the remaining funds and has the resources in order to complete this effectively. This process is expected to last until at least May 2022.

The Group maintains an operating and cash forecast in order to plan to meet its ongoing needs. This is regularly updated and the assumptions and outputs considered by the Board.

The Group currently has a significant cash balance which is sufficient to operate for the planned run off period.

Investments

Other investments

Other investments comprise investments in unquoted equity and debt instruments which are measured at fair value. Changes in fair value are recognised in profit or loss. Fair value is determined with reference to the International Private Equity and Venture Capital Valuation Guidelines. This valuation methodology is consistent with that which is used by the respective Doughty Hanson Funds and is presented to investors.

DHCM Holdco Limited

Notes to the Financial Statements for the year ended 31 December 2020

1 Accounting Policies (continued)

Investments (continued)

Artwork

Artwork has been presented in investments rather than as a tangible fixed asset, which is a departure from FRS102 as in the Directors' opinion this more accurately reflects the substance of the asset. The Directors do not believe that this is a material departure from the applicable accounting standards.

Investments in Subsidiaries and Limited Partnerships

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

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Tangible fixed assets are stated at historic purchase cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

| | % | Expected useful life |
|-------------------------------|----|----------------------|
| Motor Vehicles | 25 | 4 years |
| Fixtures and Fittings | 20 | 5 years (1) |
| Computer and Office Equipment | 50 | 2 years |

Leasehold improvements are depreciated over the period of lease and are included within fixtures and fittings.

- (1) The expected useful life of fixtures and fittings has been limited to the period to the end of the office lease or 5 years from acquisition, whichever is shorter.

The carrying values of the tangible fixed assets are reviewed annually or when events or changes in circumstances indicate the carrying value may not be recoverable. As at 31 December 2020 no impairment is considered necessary.

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.

DHCM Holdco Limited

Notes to the Financial Statements for the year ended 31 December 2020

1 Accounting Policies (continued)

Deferred taxation (continued)

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 2020. This is due to uncertainty over when timing differences will reverse. Deferred tax assets and liabilities recognised have not been discounted.

Pension costs

Doughty Hanson & Co Managers Limited, a wholly owned subsidiary, contributes to a non-contributory defined contribution pension scheme, the assets of which are held separately in an independently administered fund. Contributions to this scheme are charged to the profit and loss account in the period to which they relate.

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 Group 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 a 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.

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 publicly 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.

DHCM Holdco Limited

Notes to the Financial Statements for the year ended 31 December 2020

1 Accounting Policies (continued)

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.

Derivatives, including foreign exchange forward contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

The Group does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

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.

Revenue recognition

Income from Limited Partnerships is recognised as earned on an accruals basis in accordance with the Limited Partnership Agreements from the date of signing the individual Limited Partnership Agreements. Differences between income recognised and cash received are accounted for as accrued or deferred income. Transaction fee income is invoiced and recognised on the unconditional signing of relevant investment transactions in the Funds that are operated by Doughty Hanson & Co Managers Limited. Management fee income is earned in accordance with the management agreements between Doughty Hanson & Co Managers Limited and other DHC Limited group companies.

Deferred expenditure

Fund raising costs incurred in establishing Limited Partnerships are capitalised and charged to the profit and loss account over the period of expected revenue from the particular Limited Partnerships.

DHCM Holdco Limited

Notes to the Financial Statements for the year ended 31 December 2020

1 Accounting Policies (continued)

Deferred expenditure

Fund raising costs incurred in establishing Limited Partnerships are capitalised and charged to the profit and loss account over the period of expected revenue from the particular Limited Partnerships.

Preferential drawings

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

Leases

The Group has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 January 2014) and continues to credit such lease incentives to the profit and loss account over the period to the first review date on which the rent is adjusted to market rates.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Fair value of investments

The fair value of other investments in Doughty Hanson & Co Funds is estimated with reference to the International Private Equity and Venture Capital Valuation Guidelines. This valuation methodology is consistent with that which is used by the respective Doughty Hanson & Co Funds and is presented to investors

2 Turnover

All turnover is earned by Doughty Hanson & Co Managers Limited, the subsidiary undertaking, and is generated in the UK through management of alternative investment funds.

Management fee income represents amounts charged by Doughty Hanson and Co Managers Limited to the following companies for the management of Doughty Hanson & Co Funds for which they act as General Partner:

| | 2020 £'000 | 2019 £'000 |
|-----------------|---------------|---------------|
| DHCT II Limited | <u>399</u> | <u>323</u> |

During the year, the Company received £34,000 (2019: £107,061) in relation to Limited Partner transfer administration fees and £9,731 (2019: £36,675) in license and secondment fees from overseas offices. The Company recognised other income of £304,738 (2019: £nil).

DHCM Holdco Limited

Notes to the Financial Statements for the year ended 31 December 2020

3 (Loss)/profit before taxation

(Loss)/profit before taxation is stated after charging / (crediting):

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Staff costs (see note 4) | 1,477 | 1,633 |
| Services provided by the Company's auditors: | | |
| Fees payable for audit of the Consolidated and Company Financial Statements | 60 | 44 |
| Fees payable for audit of fellow subsidiary Financial Statements | 3 | 3 |
| Fees payable for other services pursuant to legislation | 28 | 32 |
| Taxation advisory fees | 16 | 3 |
| Other services | - | - |
| Operating lease rentals | 75 | 237 |
| Other premises costs | 97 | 356 |
| Financial assets measured at fair value through profit & loss | | |
| Profit on disposal of fixed asset investments | (87) | (44) |
| Changes in fair value of fixed asset investments | 264 | 96 |
| Financial assets measured at amortised cost | | |
| Depreciation of tangible fixed assets | 3 | 26 |
| Foreign exchange gains | (5) | (284) |

4 Employee information

The average monthly number of persons (including executive Directors) employed by the Company during the year was nil (2019: 2).

| | 2020 £'000 | 2019 £'000 |
|---|---------------------|---------------------|
| Salaries | 999 | 1,111 |
| Bonuses | 203 | 224 |
| Social security costs | 155 | 143 |
| Other pension costs (defined contribution scheme) | 40 | 69 |
| Other staff costs | <u>80</u> | <u>86</u> |
| | <u>1,477</u> | <u>1,633</u> |

5 Directors' emoluments

| | 2020 £'000 | 2019 £'000 |
|---|-------------------|-------------------|
| Directors' emoluments (excluding pension contributions) | 120 | 103 |
| Pension contributions | <u>2</u> | <u>2</u> |
| | <u>122</u> | <u>105</u> |

DHCM Holdco Limited

Notes to the Financial Statements for the year ended 31 December 2020

5 Directors' emoluments (continued)

The emoluments of the highest paid director were £55,279 (2019: £45,731), which included pension contributions of £nil (2019: £nil). As at 31 December 2020 retirement benefits are accruing under defined contribution schemes for 1 director (2019: no Director).

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.

Directors have access to loan accounts with a Group Company, Doughty Hanson & Co Managers Limited. These accounts are not interest bearing. The year end balances and maximum balances during the year, where relevant were as follows:

| | 2020 Year End Balance £ | 2020 Maximum Balance £ | 2019 Year End Balance £ | 2019 Maximum Balance £ |
|--------------|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| R. P. Hanson | - | 8,724 | - | 37,289 |

6 Interest receivable and similar income and interest payable and similar expenses

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Interest receivable and similar income | | |
| Financial assets measured at amortised cost | | |
| Bank interest received | 40 | 57 |
| Other interest | (9) | 46 |
| Interest on intercompany loans – uplift based on effective interest rate method | - | 9,776 |
| Interest on intercompany loans | - | <u>2,511</u> |
| Total interest income on financial assets measured at amortised cost | 31 | 12,390 |
| Total interest receivable and similar income | <u>31</u> | <u>12,390</u> |
| Interest payable and similar charges | | |
| Financial liabilities measured at amortised cost | | |
| Interest on intercompany loans (nominal value) | - | 1,878 |
| Other interest | - | - |
| Total interest expense on financial liabilities not measured at fair value through profit or loss | - | 1,878 |
| Total interest payable and similar charges | <u>-</u> | <u>1,878</u> |

DHCM Holdco Limited

Notes to the Financial Statements for the year ended 31 December 2020

7 Taxation

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Tax expense included in profit and loss | | |
| Current tax: | | |
| UK Corporation tax | - | - |
| Adjustments in respect of prior years | - | - |
| Total current tax | - | - |
| Deferred tax: | | |
| Total deferred tax | - | - |
| Tax on (loss)/profit on ordinary activities | - | - |

Reconciliation of tax charge

Tax assessed for the year is the same as the standard rate of United Kingdom corporation tax of 19% (2019: 19%). The differences are explained below.

| | 2020 £'000 | 2019 £'000 |
|---|----------------|----------------|
| (Loss) / profit before taxation | <u>(1,918)</u> | <u>7,565</u> |
| (Loss) / profit before taxation multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2019: 19%) | (364) | 1,437 |
| Effects of: | | |
| Net unutilised tax losses – not recognised | 223 | 350 |
| Group relief (receivable) / surrendered | 144 | 28 |
| Timing differences – not recognised | (2) | 48 |
| Permanent differences | <u>(1)</u> | <u>(1,863)</u> |
| Tax charge for the year | - | - |

The standard rate of Corporation Tax in the UK has remained 19% since 6 April 2017. Accordingly, the Company's losses for the year are taxed at a rate of 19% (2019: 19%). The relevant deferred tax balances have been measured at a rate of 19%, being the effective rate for the year ended 31 December 2020.

The Group has experienced tax timing differences, primarily relating to unutilised tax losses, that would result in a deferred tax asset of £8,440,145 (2019: £8,370,720) at the balance sheet date. However this deferred tax asset has not been recognised as future UK taxable profits are not forecast.

DHCM Holdco Limited

Notes to the Financial Statements for the year ended 31 December 2020

8 Investments

| | Group 2020 £'000 | Group 2019 £'000 | Company 2020 £'000 | Company 2019 £'000 |
|--|------------------------|------------------------|--------------------------|--------------------------|
| Artwork | 19 | 22 | - | - |
| Investments in Limited Partnerships | 1 | 1 | - | - |
| Investments in subsidiary undertakings | - | - | 23,147 | 22,501 |
| Other investments | <u>1,217</u> | <u>604</u> | <u>1,122</u> | <u>-</u> |
| | <u>1,237</u> | <u>627</u> | <u>24,269</u> | <u>22,501</u> |

| | Group 2020 £'000 | Group 2019 £'000 | Company 2020 £'000 | Company 2019 £'000 |
|--------------------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Investments at cost | | | | |
| 1 January | 1,510 | 1,483 | 260,000 | 260,000 |
| Additions | 1,056 | 120 | 963 | - |
| Disposals | <u>(1,192)</u> | <u>(93)</u> | <u>-</u> | <u>-</u> |
| 31 December | 1,374 | 1,510 | 260,963 | 260,000 |
| Adjustment to carrying value (below) | <u>(137)</u> | <u>(883)</u> | <u>(236,694)</u> | <u>(237,499)</u> |

| | | | | |
|-----------------------|---------------------|-------------------|----------------------|----------------------|
| Carrying Value | | | | |
| 31 December | <u>1,237</u> | <u>627</u> | <u>24,269</u> | <u>22,501</u> |

| | Group 2020 £'000 | Group 2019 £'000 | Company 2020 £'000 | Company 2019 £'000 |
|-------------------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Adjustment to carrying value | | | | |
| 1 January | (883) | (785) | (237,499) | (95,728) |
| Net adjustments | (264) | (96) | 805 | (141,771) |
| On disposals | <u>1,010</u> | <u>(2)</u> | <u>-</u> | <u>-</u> |
| 31 December | <u>(137)</u> | <u>(883)</u> | <u>(236,694)</u> | <u>(237,499)</u> |

The financial statements of the subsidiary, which is wholly owned, are included in the consolidated financial statements. The details of the subsidiary are as follows:

Doughty Hanson & Co Managers Limited

This company is registered in England, registration number 3015047, registered address 36 Broadway, London, SW1H 0BH, and provides financial services.

Other investments are made up of investments in the co-investment schemes that operate alongside the Doughty Hanson & Co Funds. The Company has a commitment alongside each fund to participate in fund investments.

DHCM Holdco Limited

Notes to the Financial Statements for the year ended 31 December 2020

9 Tangible fixed assets

| Group | Motor Vehicles £'000 | Fixtures & Fittings £'000 | Computer & Office Equipment £'000 | Leasehold Improve- ments £'000 | Total £'000 |
|---------------------------------|----------------------------|---------------------------------|--|---|----------------|
| Cost | | | | | |
| 1 January 2020 | - | 216 | 143 | 1,176 | 1,535 |
| Additions | - | - | 2 | - | 2 |
| Disposals | <u>-</u> | <u>(207)</u> | <u>(7)</u> | <u>(1,176)</u> | <u>(1,390)</u> |
| 31 December 2020 | <u>-</u> | <u>9</u> | <u>138</u> | <u>-</u> | <u>147</u> |
| Accumulated depreciation | | | | | |
| 1 January 2020 | - | 216 | 140 | 1,176 | 1,532 |
| Charge for the year | - | - | 3 | - | 3 |
| Disposals | <u>-</u> | <u>(207)</u> | <u>(7)</u> | <u>(1,176)</u> | <u>(1,390)</u> |
| 31 December 2020 | <u>-</u> | <u>9</u> | <u>136</u> | <u>-</u> | <u>145</u> |
| Net book value | | | | | |
| 31 December 2020 | <u>-</u> | <u>-</u> | <u>2</u> | <u>-</u> | <u>2</u> |
| 31 December 2019 | <u>-</u> | <u>-</u> | <u>3</u> | <u>-</u> | <u>3</u> |

The Company does not hold any tangible fixed assets.

10 Debtors: amounts falling due after more than one year

| | Group 2020 £'000 | Group 2019 £'000 | Company 2020 £'000 | Company 2019 £'000 |
|---------------------|------------------------|------------------------|--------------------------|--------------------------|
| Other debtors | 514 | 1,544 | - | - |
| Interest receivable | <u>291</u> | <u>419</u> | <u>-</u> | <u>-</u> |
| | <u>805</u> | <u>1,963</u> | <u>-</u> | <u>-</u> |

The Group has experienced tax timing differences, primarily relating to unutilised tax losses, that would result in a deferred tax asset of £8,440,145 (2019: £8,370,720) at the balance sheet date. However this deferred tax asset has not been recognised as future UK taxable profits are not forecast.

DHCM Holdco Limited

Notes to the Financial Statements for the year ended 31 December 2020

11 Debtors: amounts falling due within one year

| | Group 2020 £'000 | Group 2019 £'000 | Company 2020 £'000 | Company 2019 £'000 |
|--|------------------------|------------------------|--------------------------|--------------------------|
| Amounts owed by ultimate parent undertaking | 15,189 | 15,000 | - | - |
| Amounts owed by fellow subsidiary undertakings | 5,467 | 5,052 | - | - |
| Other debtors | 752 | 332 | - | - |
| Interest receivable | 13 | 13 | - | - |
| Prepayments and accrued income | <u>50</u> | <u>92</u> | <u>-</u> | <u>-</u> |
| | <u>21,471</u> | <u>20,489</u> | <u>-</u> | <u>-</u> |

The amount due from DHC Limited, the ultimate parent undertaking, of £15,189,358 is no longer subject to interest and is repayable on demand. The amounts due from fellow subsidiary undertakings are interest free and repayable on demand.

12 Creditors: amounts falling due within one year

| | Group 2020 £'000 | Group 2019 £'000 | Company 2020 £'000 | Company 2019 £'000 |
|--|------------------------|------------------------|--------------------------|--------------------------|
| Amounts owed to fellow subsidiary undertakings | 11,040 | 13,198 | - | - |
| Amounts owed to related undertaking | 1,929 | - | - | - |
| Trade creditors | 2 | 35 | - | - |
| Taxation and social security | - | - | - | - |
| Accruals and deferred income | <u>578</u> | <u>455</u> | <u>-</u> | <u>-</u> |
| | <u>13,549</u> | <u>13,688</u> | <u>-</u> | <u>-</u> |

£2,723,013 of the reduction in the Group's creditors is due to the waiver of loan amounts due by the Company's subsidiary undertaking. Please refer to Note 17.

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

13 Called up share capital

| | 2020 and 2019 | |
|---|---------------------|---------------------|
| | Number | Value £ |
| Allotted, called up and fully paid | | |
| Ordinary Shares of £1 each | <u>1</u> | <u>1</u> |
| | <u>1</u> | <u>1</u> |
| Authorised | | |
| Ordinary Shares of £1 each | <u>1,000</u> | <u>1,000</u> |
| | <u>1,000</u> | <u>1,000</u> |

All of the share capital is owned by the parent company, DHC Limited. There are no restrictions on the distribution of dividends and the repayment of capital.

DHCM Holdco Limited

Notes to the Financial Statements for the year ended 31 December 2020

14 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 36 Broadway, London, SW1H 0BH. 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 publicly available.

The ultimate controlling party is Richard Hanson who is UK domiciled and therefore subject to UK taxation.

15 Cash and cash equivalents

| | 2020 £'000 | 2019 £'000 |
|--------------------------|---------------|---------------|
| Cash at bank and in hand | 3,777 | 1,620 |
| Treasury deposits | <u>10,526</u> | <u>11,487</u> |
| | <u>14,303</u> | <u>13,107</u> |

16 Financial commitments

The Group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

| | 2020 £'000 | 2019 £'000 |
|-------------------------|---------------|---------------|
| Payments due: | | |
| Not later than one year | <u>5</u> | <u>5</u> |
| | <u>5</u> | <u>5</u> |

No capital expenditure had been contracted as at 31 December 2020 (2019: £nil). The Group had no other off balance sheet arrangements.

17 Related parties

Doughty Hanson & Co Managers Limited has an intercompany loan outstanding due from the ultimate parent company which is now not subject to interest of £15,189,358 (2019: £15,000,000).

Doughty Hanson & Co Managers Limited has settled expenses on behalf of Doughty Hanson & Co. Investments Limited and funded further investment activities, on its behalf, during the year. Doughty Hanson & Co Managers Limited also receives proceeds from the investment disposals made by Doughty Hanson & Co. Investments Limited. The amounts owing are not specifically settled and becomes part of the ongoing intercompany trading balance between the two entities on which no interest is payable. The amount owed to Doughty Hanson & Co. Investments Limited by Doughty Hanson & Co Managers at 31 December 2020 is £nil (2019: £2,732,963).

At 31 December 2020, the Group also has balances with fellow subsidiary undertakings as follows; a balance of £2,530,171 (2019: £2,530,101) due to Doughty Hanson & Co GmbH, a balance of £1,015,986 (2019: £979,480) due to Doughty Hanson & Co Srl, a balance of £1,850,143 (2019: £1,901,210) due to Doughty Hanson & Co Inc. and a balance of £177,004 (2019: £nil) due to DH Management Bridgeco Limited. These amounts are interest free and repayable on demand.

DHCM Holdco Limited

Notes to the Financial Statements for the year ended 31 December 2020

17 Related parties (continued)

Doughty Hanson & Co Managers Limited has commitments to participate in co-investment schemes which operate alongside the Doughty Hanson & Co Funds. As at 31 December 2020 the Company has aggregated uncalled commitments of up to £253,626 (2019: £239,859). Doughty Hanson & Co Managers Limited purchased additional investments alongside the Doughty Hanson & Co Funds, in 2020, of £93,001 (2019: £120,441).

Employees are also entitled to participate in co-investment schemes which operate alongside the Doughty Hanson & Co Funds. Doughty Hanson & Co Managers Limited may part fund employees' participation in the scheme through interest bearing loans which are secured against the underlying investments. Loans outstanding to employees, which are included in other debtors, amounts due after one year, relating to co-investment schemes as at 31 December 2020 are £474,312 (2019: £729,936).

Since 12 December 2019 Doughty Hanson & Co Managers Limited has held shares in Adaptive Mobile as trustee for investors in the Partnerships which formed Doughty Hanson & Co Technology ("the Fund"), which partnerships have been wound up. From 1 October 2019, Doughty Hanson & Co Managers Limited began incurring expenses in respect of the Fund and these arrangements, which it recharged to the Fund until its winding up. During the year £21,474 (1 October 2019 to 31 December 2019: £10,044) was paid by Doughty Hanson & Co Managers Limited in relation to such expenses. At 31 December 2020 the outstanding balance is £18,349 which will be only be recovered out of the proceeds of the sale (if any) of shares in Adaptive Mobile.

From 1 October 2019, Doughty Hanson & Co Managers Limited began incurring expenses on behalf of the Limited Partnerships forming Doughty Hanson & Co Technology II LP (in dissolution) ("the Fund"), which it recharges to the Fund. During the year £136,929 (1 October 2019 to 31 December 2019: £nil) was recharged to the Fund in relation to such expenses. At 31 December 2020 £46,960 is due from the Fund (2019: £119,124).

From 1 October 2019, Doughty Hanson & Co Managers Limited began incurring expenses on behalf of the Limited Partnerships forming Doughty Hanson & Co IV (in dissolution) ("the Fund"), which it recharges to the Fund. During the year £48,027 (1 October 2019 to 31 December 2019: £18,308) was recharged to the Fund in relation to such expenses. At 31 December 2020 £20,721 is due from the Fund (2019: £13,823).

From 1 October 2019, Doughty Hanson & Co Managers Limited began incurring expenses on behalf of the Limited Partnerships forming Doughty Hanson & Co V ("the Fund"), which it recharges to the Fund. During the year £438,979 (1 October 2019 to 31 December 2019: £54,292) was recharged to the Fund in relation to such expenses. At 31 December 2020 £17,191 is due from the Fund (2019: £194,465). The Limited Partnerships forming the Fund were wound up on 24 February 2021.

From 1 October 2019, Doughty Hanson & Co Managers Limited began incurring expenses on behalf of the Limited Partnerships forming DH IV.1 ("the Fund"), which it recharges to the Fund. During the year £188,148 (1 October 2019 to 31 December 2019: £159,058) was recharged to the Fund in relation to such expenses. At 31 December 2020 £47,105 is due from the Fund (2019: £142,182). The Limited Partnerships forming the Fund commenced dissolution on 31 December 2020.

From 1 October 2019, Doughty Hanson & Co Managers Limited began incurring expenses on behalf of the Limited Partnership forming DH IV.1 EZ, LP ("the Fund"), which it recharges to the Fund. During the year £55,339 (1 October 2019 to 31 December 2019: £23,902) was recharged to the Fund in relation to such expenses. At 31 December 2020 £nil is due from the Fund (2019: £17,596). The Limited Partnership forming the Fund was wound up on 31 December 2020.

In December 2020 the intercompany loan balance owed to Doughty Hanson & Co Investments Limited by the Company of £963,288 was converted to Loan Notes and then waived.

In December 2020 the intercompany loan balance owed to Doughty Hanson & Co Investments Limited by Doughty Hanson & Co Managers Limited of £2,723,013 was converted to Loan Notes and then waived.

DHCM Holdco Limited

Notes to the Financial Statements for the year ended 31 December 2020

17 Related parties (continued)

The Group has loans outstanding from the DH Private Equity Limited Group, a group of which Richard Hanson is the controlling party. The balance (including rolled up interest) owed to the Group at 31 December 2020 is £467,000 (2019: £169,000). Interest stopped accruing on these loans in September 2019.

The Group has loans outstanding to the DH Private Equity Limited Group, a group of which Richards Hanson is the controlling party. The balance (including rolled up interest) owed by the Group at 31 December 2020 is £1,929,000 (2019: £476,000). Interest stopped accruing on these loans in September 2019.

18 Financial instruments

| | Group 2020 £'000 | Company 2020 £'000 | Group 2019 £'000 | Company 2019 £'000 |
|--|------------------------|--------------------------|------------------------|--------------------------|
| Financial assets measured at fair value through profit & loss | | | | |
| Artwork | 19 | - | 22 | - |
| Investments in Limited Partnerships | 1 | - | 1 | - |
| Other investments | <u>1,217</u> | <u>1,122</u> | <u>604</u> | - |
| | <u>1,237</u> | <u>1,122</u> | <u>627</u> | - |
| Financial assets that are debt instruments measured at amortised cost | | | | |
| Investments in subsidiaries | - | 23,147 | - | 22,501 |
| Amounts due from parent and fellow subsidiary undertakings | 20,656 | - | 20,052 | - |
| Other debtors | 1,266 | - | 1,876 | - |
| Interest receivable | <u>304</u> | - | <u>432</u> | - |
| | <u>22,226</u> | <u>23,147</u> | <u>22,360</u> | <u>22,501</u> |
| Financial liabilities measured at amortised cost | | | | |
| Trade creditors | (2) | - | (35) | - |
| Amounts owed to parent and fellow subsidiary undertakings | (11,040) | - | (13,198) | - |
| Amounts owed to related undertaking | (1,929) | - | - | - |
| Accruals and deferred income | <u>(578)</u> | - | <u>(455)</u> | - |
| | <u>(13,549)</u> | - | <u>(13,688)</u> | - |

Financial assets measured at fair value through profit & loss

Derivative financial instruments

The fair value of investments are estimated with reference to the International Private Equity and Venture Capital Valuation Guidelines. This valuation methodology is consistent with that which is used by the respective Doughty Hanson & Co Funds and is presented to investors.

Artwork, investments in limited partnerships and other investments

DHCM Holdco Limited

Notes to the Financial Statements for the year ended 31 December 2020

18 Financial instruments (continued)

Liquidity risk

The assets are illiquid. However this is not reflected in the investment valuations when compared with publicly traded comparable companies as the investments can be held until a suitable buyer is identified.

Market risk

The assets are held in a limited number of investments and those investments may be concentrated in a particular industry or geographical region. A consequence of this concentration is that performance may be more favourable or unfavourably affected by the performance of individual investments, industries or regions.

Credit risk

Within the investee fund portfolio companies themselves levels of credit risk are dependent on the type and concentration of customers. This is managed by the executive management and further reviewed by the respective investment committees.