

DOUGHTY HANSON & CO IV LIMITED

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

31 DECEMBER 2011



Registered in England and Wales No 04645557

Doughty Hanson & Co IV Limited

Annual Report and Financial Statements for the year ended 31 December 2011

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Doughty Hanson & Co IV Limited

Directors' Report

The Directors present their Annual Report to the member together with the audited Financial Statements for the year ended 31 December 2011

Business review

The principal activity of the Company is, and will continue to be, to act as General Partner of the four Limited Partnerships forming Doughty Hanson & Co IV (the "Fund")

Despite the challenges presented by the current financial and economic outlook, the Directors expect the performance of the Company and the fund that it operates to remain resilient. Doughty Hanson & Co's annual review, published in March 2012 and available via www.doughtyhanson.com, outlines activities throughout the portfolio of investments and again emphasises the focus on developing long-term sustainable businesses and assets

Given the nature of the business, the 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

It is with great sadness that we announced the death of our co-founder and co-Chairman Nigel Doughty on 4 February 2012. The Board would like to express our thanks for the many wishes of support and condolence we have received

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 (2010: £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 and up to the date of the signing of the Financial Statements 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 IV 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 within the DHC Limited Group.

Exchange risk arises due to currency differences between the income and expense base. The level of this risk has been considered to fall within acceptable parameters to date, but the 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.

Doughty Hanson & Co IV 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
11 April 2012

Registered Office
45 Pall Mall
London
SW1Y 5JG

Doughty Hanson & Co IV Limited

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

We have audited the Financial Statements of Doughty Hanson & Co IV Limited for the year ended 31 December 2011 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 2011 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.

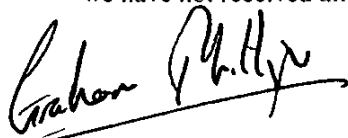
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year 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
12 April 2012

Doughty Hanson & Co IV Limited
Registered in England and Wales No. 04645557

Profit and Loss Account

For the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Turnover			
Income from Limited Partnerships	2	10,453	13,529
Administrative expenses		<u>(7,915)</u>	<u>(10,147)</u>
Profit on ordinary activities before taxation	3	2,538	3,382
Taxation	6	<u>(2,239)</u>	<u>(2,430)</u>
Profit for the financial year	13	<u><u>299</u></u>	<u><u>952</u></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 IV Limited
Registered in England and Wales No. 04645557

Balance Sheet as at 31 December 2011

	Notes	2011 £'000	2010 £'000
Fixed assets			
Investments	7	<u>7</u>	<u>7</u>
Current assets			
Debtors	8	15,061	12,535
Cash at bank and in hand		<u>-</u>	<u>-</u>
		15,061	12,535
Creditors amounts falling due within one year	9	<u>(81)</u>	<u>(93)</u>
Net current assets		<u>14,980</u>	<u>12,442</u>
Total assets less current liabilities		14,987	12,449
Provisions for liabilities and charges	10	<u>(8,156)</u>	<u>(5,917)</u>
Net assets		<u>6,831</u>	<u>6,532</u>
Capital and reserves			
Called-up share capital	11	-	-
Profit and loss account	13	<u>6,831</u>	<u>6,532</u>
Total shareholder's funds	14	<u>6,831</u>	<u>6,532</u>

The Financial Statements on pages 7 to 16 were approved by the board of Directors on 11 April 2012 and were signed on its behalf by



R N Lund
 Director

Doughty Hanson & Co IV Limited
Registered in England and Wales No. 04645557

Cash Flow Statement

For the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Net cash inflow from continuing operating activities	15	-	-
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 asset investments		-	-
Net cash outflow from investing activities		—	—
Equity dividends paid			
UK dividends paid		—	—
Net cash inflow before use of liquid resources and financing		-	-
Management of liquid resources			
Increase in short term deposits with banks		—	—
Financing			
Increase in borrowings		—	—
		—	—
Movement in net cash	16	—	—

Doughty Hanson & Co IV Limited

Notes to the Financial Statements for the year ended 31 December 2011

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.

Fixed asset investments

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

Limited Partnerships and Investments

As at 31 December 2011, the Company managed four private equity Limited Partnerships in which it has a small participating interest, and for which it acts as the General Partner. Investments held through the Limited Partnerships are made with the express intention of capital appreciation.

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

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 year ended 31 December 2012. This is due to uncertainty over when timing differences will reverse. Deferred tax assets and liabilities recognised have not been discounted.

Income recognition

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

Preferential drawings

Preferential drawings received are taxed when sufficient income and capital receipts are earned in the underlying Limited Partnerships of which the Company acts as General Partner. This timing difference gives rise to a deferred tax liability.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. 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.

Doughty Hanson & Co IV Limited

Notes to the Financial Statements for the year ended 31 December 2011

2 Turnover

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

Income from Limited Partnerships represents preferential drawings and carried interest from the four Limited Partnerships constituting Doughty Hanson & Co IV

	2011	2010
	£'000	£'000
Income from Limited Partnerships	<u>10,453</u>	<u>13,529</u>

3 Profit on ordinary activities before taxation is stated after charging:

	2011	2010
	£'000	£'000
Services provided by the Company's auditor		
Fees payable for the audit	16	16
Fees payable for other services – tax advisory	3	2
Management fee charged by Doughty Hanson & Co Managers Limited	7,617	10,146

4 Employee information

There were no employees of the Company during the year (2010 nil) Services are provided to the Company by Doughty Hanson & Co Managers Limited, a fellow subsidiary

5 Directors' emoluments

	2011	2010
	£'000	£'000
Directors' emoluments (excluding pension contributions)	76	77
Pension contributions	<u>3</u>	<u>3</u>
	<u>79</u>	<u>80</u>

As at 31 December 2011 retirement benefits are accruing under defined contribution schemes for 3 Directors (2010 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

Doughty Hanson & Co IV Limited

Notes to the Financial Statements for the year ended 31 December 2011

6 Taxation

	2011 £'000	2010 £'000
Current tax		
UK Corporation tax	-	-
Adjustments in respect of prior years	-	-
Total current tax	-	-
Deferred tax (note 10)		
Unutilised losses carried forward	-	-
Short term timing differences	2,967	4,024
Effect of foreign exchange movements	(300)	(145)
Effect of change in tax rate	(567)	(162)
Adjustments in respect of prior years	139	(1,287)
Total deferred tax	2,239	2,430
Tax on profit on ordinary activities	2,239	2,430

The tax assessed for the year differs from the standard rate of United Kingdom corporation tax of 26.5% (2010 28%). The differences are explained below

	2011 £'000	2010 £'000
Profit on ordinary activities before tax	2,538	3,382
Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 26.5% (2010 28%)	673	947
Group relief surrendered	2,294	3,077
Short term timing differences	(2,967)	(4,024)
Current tax charge for the year	-	-

The standard rate of Corporation Tax in the UK changed from 28% to 26% with effect from 1 April 2011. Accordingly the Company's profits for this accounting period are taxed at an effective rate of 26.5%. The impact on the tax charge in the year as a result of this change is a reduction of £212,464.

The UK Finance Bill 2011, which was substantively enacted on 19 July 2011, includes a reduction in main rate of corporation tax from 26% to 25% from 1 April 2012. Therefore the relevant deferred tax balances have been re-measured at a rate of 25.25%, being the effective rate for the year ended 31 December 2012. The impact on the tax charge in the year as a result of this change is a reduction of £354,107.

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 March 2012 UK Budget Statement. Further reductions to the main rate are proposed to reduce the rate to 24% from 1 April 2012 and then 1% per annum to 22% by 1 April 2014. These reductions are expected to be enacted separately each year. The overall effect of the further changes from 25% to 22%, if these applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax liability by £1,049,702 (being £645,971 recognised in 2012, £322,985 recognised in 2013 and £80,746 recognised in 2014).

Doughty Hanson & Co IV Limited

Notes to the Financial Statements for the year ended 31 December 2011

7 Fixed asset investments

	2011 £'000	2010 £'000
Investments	<u>7</u>	<u>7</u>

Investments represents a 1 519% share holding in Woodyard Limited, the Special Limited Partner in Doughty Hanson & Co IV

The Company has four wholly owned subsidiaries which act as nominees for the four Limited Partnerships constituting Doughty Hanson & Co IV These subsidiaries are as follows

Doughty Hanson & Co IV Nominees One Limited, a company incorporated in England and Wales

Doughty Hanson & Co IV Nominees Two Limited, a company incorporated in England and Wales

Doughty Hanson & Co IV Nominees Three Limited, a company incorporated in England and Wales

Doughty Hanson & Co IV Nominees Four Limited, a company incorporated in England and Wales

The above nominee companies hold, as nominee, interests in a number of companies for the beneficial ownership of the Limited Partnerships of Doughty Hanson & Co IV together with the co-investment vehicles (collectively "Fund IV")

Investments held by the Fund are not included in the Company Financial Statements since there are severe long term restrictions over the rights of the General Partner in relation to the Limited Partnerships

8 Debtors

	2011 £'000	2010 £'000
Amounts owed by fellow subsidiary undertakings	6,515	12,318
Amount due from related undertaking	8,542	217
Other debtors	<u>4</u>	<u>-</u>
	<u>15,061</u>	<u>12,535</u>

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

9 Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Accruals and deferred income	<u>81</u>	<u>93</u>

Doughty Hanson & Co IV Limited

Notes to the Financial Statements for the year ended 31 December 2011

10 Provisions for liabilities and charges

	2011	2010
	£'000	£'000
Deferred tax		
Balance at 1 January	5,917	3,487
Profit and loss account	<u>2,239</u>	<u>2,430</u>
Balance at 31 December	<u>8,156</u>	<u>5,917</u>

	2011	2010
	£'000	£'000
Deferred tax provided in the Financial Statements is as follows		
Unutilised losses carried forward	(2,082)	(2,389)
Short term timing differences	<u>10,238</u>	<u>8,306</u>
	<u>8,156</u>	<u>5,917</u>

There are no unprovided amounts

11 Share capital

	2011	2010
	£	£
Authorised		
1,000 Ordinary Shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and issued		
1 Ordinary Share of £1 each	<u>1</u>	<u>1</u>

The Company was incorporated on 23 January 2003 with issued share capital of £1

12 Ultimate parent company

The ultimate parent undertaking and controlling party 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. The controlling parties are Richard Hanson and the Executors of the estate of the late Nigel Doughty. 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, Sweden and Italy. The controlling parties are UK domiciled and therefore subject to UK taxation.

13 Profit and loss account

	2011	2010
	£'000	£'000
Opening profit and loss account	6,532	5,580
Profit for the financial year	<u>299</u>	<u>952</u>
Closing profit and loss account	<u>6,831</u>	<u>6,532</u>

Doughty Hanson & Co IV Limited

Notes to the Financial Statements for the year ended 31 December 2011

14 Reconciliation of movements in shareholder's funds

	2011 £'000	2010 £'000
Opening shareholder's funds	6,532	5,580
Profit for the financial year	<u>299</u>	<u>952</u>
Closing shareholder's funds	<u>6,831</u>	<u>6,532</u>

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

	2011 £'000	2010 £'000
Operating profit	2,538	3,382
Increase in debtors	(2,526)	(1,727)
Decrease creditors, accruals and deferred income	<u>(12)</u>	<u>(1,655)</u>
Net cash inflow from operating activities	<u>—</u>	<u>—</u>

16 Reconciliation to net cash

	2011 £'000	2010 £'000
Net cash at 1 January	-	-
Movement in net cash	<u>—</u>	<u>—</u>
Net cash at 31 December	<u>—</u>	<u>—</u>

17 Reconciliation of movement in net cash

	At 1 January 2011 £'000	Cash Flow £'000	At 31 December 2011 £'000
Cash at bank and in hand	<u>—</u>	<u>—</u>	<u>—</u>

18 Related parties

The Company is the General Partner in the four Limited Partnerships constituting Doughty Hanson & Co IV (the "Fund"). This entitles the Company to a share of income and capital distributions made in accordance with the Limited Partnership agreements. During the year, the Company received £10,452,825 by way of preferential drawings (2010: £13,529,364) and at 31 December 2011 £7,759,441 (2010: £nil) was accrued in relation to pending capital distributions.

The Company settles expenses on behalf of The Fund and recharges these to the Fund. During the year £716,159 (2010: £770,048) has been recharged in relation to such expenses and at 31 December 2011 £782,335 (2010: £217,342) was due from the Fund.

Doughty Hanson & Co IV Limited

Notes to the Financial Statements for the year ended 31 December 2011

18 Related parties (continued)

A management fee for the year of £7,617,111 (2010 £10,145,645) is payable by the Company to Doughty Hanson & Co Managers Limited in respect of the provision of investment management services relating to the Fund. This balance is not specifically settled and becomes part of the ongoing intercompany trading balance between the two group entities on which no interest is payable. At 31 December 2011 a balance of £6,515,584 (2010 £12,317,862) was due from Doughty Hanson & Co Managers Limited.