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Sir David Walker
3 Clements Inn
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Dear Sir David,

Walker Report Consultation

I welcome your draft report and the work you have done to address the question of transparency. We take pride in the success of the businesses we support and in the success that our investors share; the pensioners, the individuals and the corporates. We are pleased to have this opportunity to comment on how we can improve the public understanding of the contribution our activities and our businesses make to the wider community.

I have long been anxious that Private Equity is often misunderstood and there has been little enthusiasm to help others understand. We have a great story to tell and we should not be afraid to tell it.

Our response is based on the desire to tell our Private Equity story widely and to allow our portfolio companies the freedom to focus on what's important; building strong successful businesses over the long term.

I trust you will find our comments helpful.

Yours sincerely,

Guy Hands
CEO

General Partner Reviews

We fully support enhanced reporting by Private Equity firms. We have a good story to tell and should not be afraid to tell it. In fact, much of what you recommend is already to be found on our website and we believe these are helpful and positive disclosures.

We support the proposals to describe the leadership team of the General Partner and Investment manager or advisor, the values of the firm and our philosophy and approach to employees. We believe these will help others gain a broad understanding of who we are and what we stand for.

We support the disclosure by category of the types of limited partner who invest in our funds and highlighting the investment made by UK and non UK investors.

Performance Reporting and Value Attribution

Terra Firma is proud of its performance and how it creates value. We discuss our approach to value creation in our website and believe those who use it find it helpful. We believe others could similarly explain how they invest their investors money.

However, we do not believe it appropriate to produce a "value attribution analysis". Even within a Private Equity firm this will be seen to be highly judgemental and subjective. To propose this be objectively reported to others in a mechanistic way would be unhelpful at best and potentially misleading.

Finally, we must remember that our funds are designed for large institutions and sophisticated private investors. As such we are prohibited from marketing our funds to the general public, and pleased as we are with our returns, we can not publish this information without breaching the legal and regulatory requirements of many Countries.

Portfolio Company Reporting

We strive to promote the success of the businesses in which we invest and strongly believe we should not divert and distract them from their goals.

In the UK, our companies already meet the exacting requirements of the most developed body of law and financial reporting in the World. This is now embodied in the Companies Act 2006, the largest piece of legislation ever passed. This already goes well beyond the requirements of many countries where Terra Firma invests. For example, most private companies in the USA do not even file accounts.

We strongly believe it would be wrong to impose even greater burdens on a critical element of our success, our UK portfolio companies, particularly when they are going through dramatic changes to secure their future prosperity. Proposals for interim accounts, tight publishing timetables and disclosure of competitively sensitive debt conditions should be dropped.

Industry Wide Communication

We fully support the proposals you make.

Today Terra Firma provides information to the BVCA, the EVCA, several academic institutions and private research companies. Unfortunately, these efforts are not well co-ordinated. We would support a single independent body who collates data from all Private Equity firms, sovereign investors, investment arms of investment banks, large private investors and others who engage in similar activities. This single source of data should be made available to various academic and research institutions to independently comment on the effects of this industry.

Insolvency

Not every business can be a success, even for Private Equity. When businesses experience severe difficulties it is important that everyone plays their part to revitalise a business and to ensure an orderly transition to administrators, if this becomes necessary. However, it is unwise to suggest that the equity shareholder follow guidelines developed for insolvency practitioners. The duties and legal obligations on shareholders, directors and administrators are very different. We believe it is in the interest of the Private Equity shareholder to behave responsibly towards the company, the employees and the creditors and they should be scrupulous to observe the duties set out by the Companies Act. If they do not they will forfeit their reputation and the support of management teams, banks and suppliers.