

DOGMER 4 LIMITED

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

Registered number: 06092715

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COMPANIES HOUSE

Dogmer 4 Limited

DIRECTORS

S Batchelor
N J Humphries
A Jessop

TRUSTEES

J R H Kitching
L Wilding

AUDITOR

Deloitte LLP
1 New Street Square
London
EC4A 3HQ

REGISTERED OFFICE

2 More London Riverside
London
SE1 2AP

Dogmer 4 Limited

STRATEGIC REPORT

The directors present their annual report and audited financial statements for the year ended 31 March 2020.

BUSINESS AND STRATEGY

Dogmer 4 Limited ("the Company") is a member of HgCapital LLP ("LLP"), a limited liability partnership. LLP and its subsidiaries provide investment management services to the European private equity market.

PRINCIPAL ACTIVITY, BUSINESS REVIEW AND KEY PERFORMANCE INDICATORS

The Company provides finance services to LLP in return for which it receives a share of the LLP's profits. The requirement of these finance services is expected to cease to exist within the next twelve months. Until this time the over-riding risk to the Company is therefore the loss of this relationship or a significant deterioration in LLP's business which might prevent the Company from meeting its liabilities as they fall due. Based on the growth and success of LLP's business, the directors are satisfied that the probability of this occurring is very low. The profit after taxation for the year is £292,000 (2019: loss £228,000), which is the sole KPI of the business.

Revenue for the year is £4,175,000 (2019: £33,483,000) due to fewer profit allocations being received from LLP as a result of the Company's loan being fully repaid during the year.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is exposed to a variety of financial and operational risks as detailed below:

Liquidity and cash flow risk

The Company's Board actively reviews the liquidity position on a regular basis to ensure the Company is always in a position to meet its liabilities and commitments on a timely basis.

Interest rate risk

At the balance sheet date, the Company has a significant proportion of its assets held in interest-bearing bank accounts. As such, the Company's revenues and assets are subject to interest rate risk to the extent that the cash rate falls over any given period. The Board does not consider it necessary to hedge the Company's exposure to interest rate risk with respect to its assets.

At the balance sheet date, the Company's interest-bearing loan has been fully repaid (2019: £3.4 million principal outstanding). As such, the Board no longer considers it necessary to hedge the Company's exposure to interest rate risk with respect to its liabilities.

The Board reviews this position on an ongoing basis to take into consideration any change in the Company's exposure to interest rate risk.

Credit and counterparty risk

The Company holds a significant portion of its assets in interest-bearing bank accounts with financial institutions, giving rise to a direct exposure should such an institution be unable or unwilling to repay capital and/or interest on funds provided to it. The Company's interest-bearing bank accounts and derivative financial instruments are only held with counterparties which have credit ratings that the Board considers to be adequate, and the credit quality and financial position of such counterparties are regularly monitored. The credit quality of the above-mentioned financial assets was deemed satisfactory throughout the year and as at the date of this report.

Operational risk

The business is subject also to risks associated with the tax and regulatory regimes within which its business operates. The Board engages consultants where necessary to ensure their understanding of current and impending laws and regulations is sufficient. The Board has not identified any operational risks connected to COVID-19.

Political and regulatory environment – Brexit implications

Despite the UK leaving the EU on 31 January 2020 and being in a transition period, there remains significant uncertainty around the likely terms of the post-Brexit arrangements between the UK and the EU. However, the directors have completed an assessment of the Company and they do not believe there will be a significant impact on the Company or the operations of the Company.

The Company is covered by insurance policies which are reviewed and renewed on an annual basis.

STRATEGIC REPORT (CONTINUED)

Approved by the Board and signed on its behalf by:



S Batchelor
Director
21 December 2020

DIRECTORS' REPORT

The directors are responsible for preparing the Annual Report and the financial statements for the year to 31 March 2020.

GOING CONCERN

The Directors envisage that services of the Company will no longer be required by LLP in the next twelve months and as such have these financial statements have been prepared on a basis other than that of going concern. No adjustments have been made to the carrying values of assets and liabilities as a result of this change in the basis of preparation.

The coronavirus (COVID-19) outbreak has caused global economic disruption, across all industries and sectors. However, the members are monitoring the situation for any immediate and long-term impact of COVID-19 on the Company's activities. The directors have reviewed the liquidity available to the Company. Given the current assets, the level of reserves and operating expenses of the Company, the directors believe that the disruption caused by COVID-19 will not impact the Company's ability to meet its liabilities.

As financial risk management objectives and policies are considered to be of strategic importance to the Company, these items are disclosed under 'Principal risks and uncertainties' within the Strategic Report. The Company has sufficient financial resources together with an ongoing relationship with LLP. As a consequence, the directors believe that the Company is well placed to manage its business risks.

Subsequent events have been outlined in Note 16.

DIVIDEND

No interim dividend was declared during the year (2019: £nil). Subsequent to the end of the financial year, the directors have not proposed a final dividend (2019: £nil).

DIRECTORS

The names of the directors who served during the year, and up to the date of this report unless otherwise noted, are as follows:

S Batchelor
N J Humphries
A Jessop

No directors' emoluments were paid during the year.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

In accordance with a policy entered into by a related party, LLP, the Company has maintained throughout the year directors' and officers' liability insurance in respect of itself and its directors in their capacity as directors and officers of the Company.

AUDITORS

Each person who is a director at the date of approval of this report confirms that:

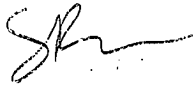
- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

DIRECTORS' REPORT (CONTINUED)

Approved by the Board and signed on its behalf by:



S Batchelor

Director

21 December 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

The financial statements are required by law to 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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards including FRS 102 have been followed; 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 are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to 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.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOGMER 4 LIMITED

Opinion

In our opinion the financial statements of Dogmer 4 Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Financial statements prepared other than on a going concern basis

We draw attention to note 1 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOGMER 4 LIMITED

Responsibilities of directors (continued)

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.

Auditor's 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 auditor's 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.

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 auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; 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.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Simon Stephens (Senior Statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

21 December 2020

Dogmer 4 Limited

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
Turnover			
Profit distribution receivable	2	4,157	33,483
Operating expenses		<u>(66)</u>	<u>(311)</u>
Operating profit	3	4,091	33,172
Interest income		-	-
Interest expense		(9)	(523)
Unrealised loss on derivative financial instruments	7	-	(17)
Investment impairment	6	<u>(3,374)</u>	<u>(26,609)</u>
Profit before taxation		708	6,023
Tax charge on profit	5	<u>(416)</u>	<u>(6,251)</u>
Profit/(Loss) for the year		<u>292</u>	<u>(228)</u>

All amounts are in respect of discontinued activities, given the intention to cease trading within the next twelve months.

There are no recognised gains or losses other than the profit attributable to the shareholders of the Company. Accordingly, no Statement of Other Comprehensive Income is presented.

The accompanying notes on pages 13 to 19 form an integral part of these financial statements.

Dogmer 4 Limited

BALANCE SHEET

at 31 March 2020

	Notes	2020 £'000	2019 £'000
Current assets			
Investment	6	-	3,374
Derivative financial instruments	7	-	-
Corporation tax recoverable		3,709	3,413
Prepayments and accrued income		-	29
Deferred tax asset	8	-	-
Cash at bank		807	527
		<u>4,516</u>	<u>7,343</u>
Creditors: amounts falling due within one year	9	<u>(1,668)</u>	<u>(4,787)</u>
Net current assets		<u>2,848</u>	<u>2,556</u>
Total net assets		<u>2,848</u>	<u>2,556</u>
Capital and reserves			
Called up share capital	10	-	-
Profit and loss account		2,848	2,556
Shareholders' funds		<u>2,848</u>	<u>2,556</u>

The financial statements of Dogmer 4 Limited (registered number 06092715) were approved by the Board of Directors and authorised for issue on 18 December 2020. They were signed on its behalf by:



S Batchelor

Director

21 December 2020

The accompanying notes on pages 13 to 19 form an integral part of these financial statements.

Dogmer 4 Limited

STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2020

	2020	2020	2020
	Ordinary share capital	Profit and loss account	Total shareholder funds
	£'000	£'000	£'000
Balance at 1 April	-	2,556	2,556
Profit after taxation	-	292	292
Dividend	-	-	-
Balance at 31 March	-	2,848	2,848

STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2019

	2019	2019	2019
	Ordinary share capital	Profit and loss account	Total shareholder funds
	£'000	£'000	£'000
Balance at 1 April	-	2,784	2,784
Loss after taxation	-	(228)	(228)
Dividend	-	-	-
Balance at 31 March	-	2,556	2,556

The accompanying notes on pages 13 to 19 form an integral part of these financial statements.

Dogmer 4 Limited

STATEMENT OF CASH FLOWS for the year ended 31 March 2020

	<i>Notes</i>	<i>2020</i> <i>£'000</i>	<i>2019</i> <i>£'000</i>
Net cash flows from operating activities	11	3,710	27,191
Cash flows from financing activities			
Repayment of bank loan		(3,391)	(26,609)
Loan interest paid		(39)	(647)
Net cash flows used in financing activities		(3,429)	(27,256)
Net decrease in cash and cash equivalents		(280)	(65)
Cash and equivalents at beginning of year		527	592
Cash and cash equivalents at end of year		807	527
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		807	527
Cash and cash equivalents		807	527

The accompanying notes on pages 13 to 19 form an integral part of these financial statements.

NOTES TO THE ACCOUNTS

for the year ended 31 March 2020

1. STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies are summarised below. All other policies have been applied consistently throughout the year.

General information and basis of accounting

Dogmer 4 Limited is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on page 2. The functional currency of the company is considered to be pounds sterling because this is the currency of the primary economic environment in which the company operates.

The financial statements have been prepared on a basis other than that of a going concern, under the historical cost convention and in accordance with applicable United Kingdom accounting standards including FRS 102. The Company provides finance services to LLP in return for which it receives a share of the LLP's profits. The requirement of these finance services is expected to cease to exist within the next twelve months. As a consequence, these financial statements have been prepared on a basis other than that of a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis, and the financial statements do not include any provision for the future costs of terminating the business of the company except to the extent that such costs were committed at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the Statement of Comprehensive Income account.

Taxation

Provision is made for corporation tax at the current rates on the excess of taxable income over allowable expenses.

Provision is made for deferred tax on all material timing differences arising from the different treatment of items for accounting and tax purposes. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A deferred tax asset is recognised only to the extent that it is more likely than not that there will be taxable profits in the future against which the asset can be offset. Deferred tax is measured on a non-discounted basis.

Investments

Investments are stated at cost less impairment, which is assessed on an annual basis at the year end.

Facility arrangement fee

The arrangement fee paid on the facility is released on a straight line basis to the Statement of Comprehensive Income account over the term of the loan. The remaining unamortised asset is recognised as part of the carrying amount of the borrowing on initial recognition, as an issue cost.

Derivative financial instruments

The Company used derivative financial instruments to reduce exposure to interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes. Derivatives are initially recognised at fair value through profit and loss (FVTPL), which are initially measured at fair value at the date of a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in the Statement of Comprehensive Income.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price and subsequently measured at amortised cost, except for those financial assets classified as fair value through profit and loss ("FVTPL"), which are initially measured at fair value, unless the arrangement constitutes a financing transaction.

NOTES TO THE ACCOUNTS

for the year ended 31 March 2020

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1 above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following accounting estimates and judgements are considered important to the portrayal of the financial results and financial condition because (i) they are susceptible to change from period to period as assumptions are made to calculate the estimates, and (ii) any significant differences between the estimated amounts and the actual amounts could have a material impact on the future financial results and financial condition:

(i) Critical judgements in applying the Company's accounting policies

The Directors consider that there are no critical judgements applied in the Company's accounting policies.

(ii) Key sources of estimation uncertainty

The assessment of possible impairment losses on certain assets (note 6).

Determining whether the Company's investment in HgCapital LLP has been impaired requires consideration of whether any indicators of impairment exists. In making this assessment the Directors have considered:

- The performance of HgCapital LLP against budget; and
- Any external economic changes including interest and market rates.

Following these considerations there were deemed to be no indicators of impairment, apart from the expected profit distributions from HgCapital LLP, therefore a full impairment review was not required or carried out. The carrying amount of investment in HgCapital LLP at the balance sheet date was £nil with no impairment loss recognised in the year other than that arising as a result of the distributions from HgCapital LLP. There is no further impairment of the investment as the cessation of trade for the Company will only occur once the full value of the investment has been received.

2. TURNOVER

Turnover represents the net profit distributions received from HgCapital LLP. Distributions are recognised at the point where the Company has an unconditional right to receive them. All profit distributions originate from the United Kingdom.

3. OPERATING PROFIT

	<i>Year ended</i> 31 March 2020	<i>Year ended</i> 31 March 2019
	£'000	£'000
Operating profit is stated after charging/(crediting):		
Arrangement fee	41	385
Professional fees	-	(100)
Auditor's remuneration – for audit of the Company	12	15
– taxation services (non-audit)	12	10

Dogmer 4 Limited

NOTES TO THE ACCOUNTS (CONTINUED)

for the year ended 31 March 2020

4. STAFF COSTS & DIRECTORS REMUNERATION

Directors are not remunerated by Dogmer 4 Limited, nor by any related entity, in relation to their services to the Company.

The Company employs no staff, either in the current or preceding financial year, other than the directors referred to in the Directors' Report.

5. TAX CHARGE

The tax charge comprises:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
<i>Current tax charge</i>		
UK Corporation tax	546	2,891
Prior year adjustment	(390)	14
	<u>156</u>	<u>2,905</u>
<i>Deferred tax credit</i>		
Reversal of timing differences	260	3,346
	<u>260</u>	<u>3,346</u>
Total tax charge	<u>416</u>	<u>6,251</u>

Factors affecting current tax charge for the year:

The tax assessed for the year is higher (2019: higher) than the standard rate of corporation tax in the UK for a large company. The differences are explained below:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Profit before taxation	<u>708</u>	<u>6,023</u>
Corporation tax at 19% (2019: 19%)	134	1,144
Effects of:		
Adjustments in respect of previous periods	(390)	14
Taxable income and expenses not yet recognised in Statement of Comprehensive Income	31	36
Capital items not deductible for corporation tax purposes	641	5,057
Effect of changes in deferred tax rate	-	-
	<u>282</u>	<u>5,107</u>
Current year adjustments	<u>282</u>	<u>5,107</u>
Corporation tax charge for the year	<u>416</u>	<u>6,251</u>

Deferred tax:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
<i>Deferred tax</i>		
Taxable income and expenses not yet recognised in Statement of Comprehensive Income	<u>260</u>	<u>3,346</u>
Total deferred tax charge	<u>260</u>	<u>3,346</u>

NOTES TO THE ACCOUNTS (CONTINUED)
for the year ended 31 March 2020

6. INVESTMENTS

	2020 £'000	2019 £'000
At 1 April	3,374	29,983
Impairment during the year	(3,374)	(26,609)
At 31 March	-	3,374

The Company's investment in HgCapital LLP is stated at cost less impairment. The impairment represents a permanent reduction in the value of the investment following the receipt of profit distributions from HgCapital LLP. The registered office of HgCapital LLP is the same as that of the Company.

7. DERIVATIVE FINANCIAL INSTRUMENTS

	2020 £'000	2019 £'000
At 1 April	-	17
Unrealised loss during the year	(-)	(17)
At 31 March	-	-

To limit interest rate risk over the term of the facility, the Company has entered into three amortising interest rate cap transactions. The instruments, with an initial notional amount of £29,000,000, £23,000,000 and £38,000,000 respectively, were entered into on 24 May 2012, 8 May 2014 and 27 November 2015 and all at a cap rate of 1.5%. The current notional amounts for these instruments are £29,000,000, £23,000,000 and £38,000,000 respectively with their fair values at £Nil (2019: £Nil), and £Nil (2019: £Nil) and £Nil (2019: £300) as at 31 March 2020.

The methodology applied is to project the future floating cash flows that will occur for the remainder of the term of the interest rate cap contract and then discount the cash-flows to the valuation date using a discount factor interpolated off a zero-coupon yield curve. The future cash-flows have been determined by taking into account the probability of the cap being exercised based on implied forward rates calculated with reference to the interest rate volatilities.

8. DEFERRED TAX

	2020 £'000	2019 £'000
Deferred tax (liability)/asset	(1,633)	(1,373)
At 31 March	(1,633)	(1,373)

The deferred tax liability balance relates to the excess of taxable profit over accounting profits.

Dogmer 4 Limited

NOTES TO THE ACCOUNTS (CONTINUED)

for the year ended 31 March 2020

9. CREDITORS: DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Bank Loan	-	3,391
Unamortised bank loan arrangement fee	-	(41)
Tax payable	-	-
Interest payable	-	29
Other creditors	33	33
Dividend payable	2	2
Deferred tax liability	1,633	1,373
	<u>1,668</u>	<u>4,787</u>

On 22 May 2012, the Company entered into a loan agreement, totalling £60,000,000. On the 11 March 2014, the facilities agreement was amended restoring facility A to £25,000,000, facility B to £10,000,000 and increasing facility C to £28,000,000, giving a total facility of £63,000,000.

During 2014, a further £15,000,000 of the facility was repaid following the receipt of profit distributions for HgCapital LLP. On 22 November 2015, the facilities agreement was amended restoring facility A to £20,000,000, facility B to £10,000,000 and increasing facility C to £30,000,000, giving a total facility of £60,000,000. During the year repayments of £26,609,000 (prior year repayments of £13,000,000) were made.

The interest payable is based on a rate of LIBOR plus a margin of 3.5% on the A loan, 3.25% on the B loan and 3.75% on the C loan and is payable at the end of each loan period as agreed between the lender and borrower.

The bank facility is secured over all the assets and membership interests of Dogmer 4 Limited.

The Company entered into agreements on 22 May 2012 and 13 March 2014 whereby it acquired a further investment in HgCapital LLP from members of HgCapital LLP who sold their interests. The interests acquired give an entitlement to a priority profit share in HgCapital LLP, up to the value of the interests, and will be repaid as and when profit distributions are made from HgCapital LLP and at a date no later than 31 March 2022. Sufficient profit share was received from HgCapital LLP in the last twelve months, and as such the liability was paid in full.

10. CALLED UP SHARE CAPITAL

	Authorised No.	Allotted, called up and fully paid £
At 31 March 2019 and 2020		
Ordinary shares, £1 each (issued at the date of incorporation)	<u>1</u>	<u>1</u>

NOTES TO THE ACCOUNTS (CONTINUED)

for the year ended 31 March 2020

11. CASH FLOW STATEMENT

a) RECONCILIATION OF OPERATING PROFIT TO CASHFLOW GENERATED BY OPERATIONS:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Operating profit	4,091	33,172
Decrease in unamortised arrangement fee	41	385
Decrease in debtors	29	124
Decrease in creditors	(-)	(96)
Cash generated by operations	4,161	33,585
Income taxes paid	(451)	(6,394)
Net cash inflow from operating activities	3,710	27,191

12. RECONCILIATION OF NET DEBT

	1 April 2019 £'000	Cash Flow £'000	31 March 2020 £'000
Cash in hand and at bank	527	280	807
Bank loan	(3,391)	3,391	-
Net debt	(2,864)	3,671	807

13. RELATED PARTIES

From time to time the Company engages the services of HgCapital LLP and its wholly-owned subsidiaries (the "HgCapital group") to assist with various operational issues. These companies share certain key business interests, management, systems and processes, such that one party might be able to influence the other. The parties are therefore deemed to be related parties under FRS 102 Section 33.

No expenses were paid to the HgCapital group during the period (2019: Nil). The Company received profit distributions from the HgCapital group during the year of £4,157,000 (2019: £33,483,000).

At the balance sheet date, there were no amounts receivable (2019: Nil) from the HgCapital group in respect of outstanding profit distributions receivable. There are no outstanding liabilities to the HgCapital group at the balance sheet date (2019: Nil).

NOTES TO THE ACCOUNTS (CONTINUED)

for the year ended 31 March 2020

14. COMMITMENTS

The Company does not have any outstanding commitments at the year end other than those set out in Note 9.

15. PARENT UNDERTAKING

The Company's parent undertaking is the JK 07 Charitable Trust with the Trustees being the ultimate controlling parties, and as such, is not consolidated into any publicly available accounts.

16. SUBSEQUENT EVENTS

The coronavirus (COVID-19) outbreak has caused global economic disruption in the period just before and then after the balance sheet date. The financial statements reflect the impact of the coronavirus outbreak on the business as at the date of the financial statements. The impact of the coronavirus subsequent to the year-end cannot be reliably measured, however the directors believe that this will not be material to the financial statements as a whole.