

HgCapital LLP

Consolidated financial statements
for the year ended 31 March 2019

Registered number: OC301825



MEMBERS' REPORT

DESIGNATED MEMBERS

S Batchelor
M Brockman
N J Humphries

BOARD

N J Humphries
Matthew Brockman
Justin von Simson
Steven Batchelor
T Attwood (Non-Executive)
S M Bough (Non-Executive)

AUDITOR

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

REGISTERED OFFICE

2 More London Riverside
London
SE1 2AP

MEMBERS' REPORT

The members present their annual report and audited Group and Partnership financial statements for the year ended 31 March 2019.

These financial statements for HgCapital LLP ("the LLP" or "the Partnership" or "the firm") reflect the results for the year to 31 March 2019. The financial statements consolidate the accounts of the LLP and of all its subsidiary undertakings (together, "the Group"), drawn up to 31 March 2019. The Group has taken advantage of the exemption under section 408 of the Companies Act 2006 not to present a separate statement of comprehensive income for the LLP.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The LLP through its subsidiaries, provides investment management services to investors into the European private equity industry, investing on behalf of collective investment schemes (fund partnerships). Funds under management at the end of the year were £9.6 billion (2018: £9.6 billion).

The Group's profit before taxation has increased from £38,718,000 for the year ended 31 March 2018 to £148,086,000 for the year ended 31 March 2019. This was primarily due to an increase in carried interest income to £115,058,000 (2018: £720,000) and an increase in management fee income to £89,039,000 (2018: £72,464,000), driven by a full year of fees from the Hg Capital 8, Mercury 2, Hg Saturn and Hg Transition Capital funds.

BUSINESS AND STRATEGY

The objective of the Group is to manage fund partnerships that provide investors with broad exposure to the European private equity market. The strategy for buyouts is to seek companies with predictable revenues, which offer a platform for growing market share or have the potential for significant performance improvements. The Group focuses on large-cap investments in software with enterprise values of greater than £500 million, middle-market buyouts with enterprise values of between £80 million and £500 million, lower mid-market buyouts in the Technology, Media and Telecoms (TMT) sector with enterprise values of between £20 million and £80 million and structured minority positions in founder owned businesses. The Group primarily focuses its buyout investments in the UK and Northern Europe.

During the year a new Group company was registered in the US, Hg (US) Inc., and an office in New York was opened. This team will support the Group's existing activities and capitalise on new investment opportunities. HgCapital Beratungs GmbH & Co. Kg was closed during the year and the business was transferred to Hg Advisory GmbH & Co. Kg.

No material change will be made to the investment policy without members' approval.

KEY PERFORMANCE INDICATORS

The Group's income represents management fees and carried interest, which the members also consider to be the key performance indicators, alongside funds under management. The level of management fees generated will be determined principally by the level of funds under management and the rate of capital deployment and realisations. The receipt of carried interest proceeds is principally determined by the funds' performance and the timing of realisations.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Liquidity and cash flow risk

The risk that the Group's available cash will not be sufficient to meet its financial obligations is mitigated by management actively reviewing the liquidity position on a regular basis.

MEMBERS' REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Interest rate risk

At the balance sheet date, the Group has a significant proportion of its assets held in interest-bearing bank accounts and deposits at call. As such, the Group's revenues and assets are subject to interest rate risk to the extent that the cash rate falls over any given period. Given that the Group does not have any material interest-bearing liabilities at the balance sheet date, the Board and management do not consider it necessary to hedge the Group's exposure to interest rate risk.

Currency risk

A proportion of the Group's expenditure is denominated in foreign currencies. The quantum is not material and therefore no additional currency risk management measures are considered necessary.

The Group has a relatively small proportion of its assets and liabilities denominated in foreign currencies.

The exchange differences arising on the retranslation of opening net assets and the translation of the profit and loss account from average rate to closing rate in the balance sheet are taken directly to reserves. All other translation differences are taken to the profit and loss account.

Credit and counterparty risk

Throughout the year the Group holds a significant portion of its assets in interest-bearing bank accounts and deposits at call 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 Group's interest-bearing bank accounts and deposits at call are only held with counterparties which have credit ratings that the Board and management consider 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.

The Group is also exposed to counterparty risk to the extent that the underlying investors in its managed funds are unable or unwilling to meet their contractual obligations. In order to mitigate this risk, the Group carefully considers its clients to ensure they meet a required standard in respect of character and integrity, track record and financial strength. As a result, the Group considers its underlying investor base to have a relatively low settlement risk profile.

Political and regulatory environment – Brexit implications

Despite the Article 50 Notice being served, there remains significant uncertainty around the likely terms of the post-Brexit arrangements between the UK and the EU, as well as possible transitional arrangements. However, the Group has completed a preliminary assessment of the fund partnerships and it does not believe there will be a significant impact on the funds or operations of the LLP and the Group.

Operational risk

The Group has established a control framework so that the risk of financial loss to the Group through operational failure is minimised.

A plan has also been established to minimise and manage possible risks of disruption to the Group's business. This plan has been implemented to manage the Group's strategic and operational business risks during emergencies and is aimed at coordinating various responses such as IT, disaster recovery, contingency plans, off-site storage of records, data back-up and recovery procedures, evacuation procedures and customer / staff communications.

The business is also subject to risks associated with the tax and regulatory regimes within which its business operates. The Board and management engage consultants where necessary to ensure their understanding of current and impending laws and regulations is sufficient.

The Group also reviews and renews its insurance policies on an annual basis.

MEMBERS' REPORT (CONTINUED)

GOING CONCERN

The Group's business activities together with the factors likely to affect its future development and performance are set out above. The Group has considerable financial resources together with long-term contracts with a number of fund partnerships and suppliers across different geographic areas and industries. As a consequence, the members believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The members have a reasonable expectation that the LLP and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

REGULATION

The LLP is regulated by the Financial Conduct Authority following authorisation on 16 October 2008 with a regulatory capital requirement of £5,000.

RESULTS AND DISTRIBUTIONS

The results for the year are shown in the Consolidated Statement of Comprehensive Income on page 9. Members' remuneration and profit allocations of £158,976,000 were made during the year (2018: £31,009,000).

MEMBERS

Nicholas Jordan became a member of the LLP on 1 April 2018. Frances Jacob, Martin Block, Stephen Bough and Matthew Rourke retired as members on 1 April 2018. Mads Hansen and Martin Le Huray became members of LLP on 7 January and 27 February 2019 respectively. Dawn Marriott-Sims and Jean-Baptiste Brian became members of LLP 1 April 2019.

The firm's designated members are detailed on page 1.

BOARD

The Board members are detailed on page 1.

MEMBERS' DRAWINGS, SUBSCRIPTIONS AND REPAYMENT OF CAPITAL

Policies for members' drawings, subscriptions and repayment of members' capital are governed by and set out in the LLP deed. The members participate fully in the firm's profit, share the risks and subscribe to the firm's capital. In respect of any period, subject to the LLP maintaining its regulatory capital requirements, each member is entitled to fixed and contractual profit share distributions as defined in the LLP deed. In addition, where sufficient profits of the partnership are available, each member may be allocated a further discretionary profit share distribution with the approval of the Board. All such payments are made subject to the cash requirements of the business.

PARTNERSHIP FINANCIAL STATEMENTS

Clause 11 of the LLP Deed specifies that the financial statements shall be drawn up to 31 March or such other date as the Board may decide, and proper accounting records shall be kept by the Partnership and that the accounting policies to be adopted shall be as laid down by the Board.

These responsibilities are exercised by the Board.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Throughout the year, the firm has maintained directors' and officers' liability insurance in respect of itself and its members in their capacity as designated members and officers of the LLP, and as directors and officers of its subsidiaries and any portfolio companies associated with the funds managed by the Group.

MEMBERS' REPORT (CONTINUED)

AUDITOR

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

- so far as the member is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the member has taken all the steps that he / she ought to have taken as a member in order to make himself / herself aware of any relevant audit information and to establish that the Group'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. A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

There are no events subsequent to the balance sheet date to be disclosed.

On behalf of the members:



M Brockman
Designated Member

11 July 2019

STATEMENT OF MEMBERS' RESPONSIBILITIES

The members are responsible for preparing the Members' Report and the consolidated financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts & Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members 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 LLP and of the Group and of the profit or loss of the Group for that year.

In preparing these financial statements, the members 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, subject to any material departures and 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 firm will continue in business.

The members are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the firm and to enable them to ensure that the financial statements comply with the Companies Act 2006, as applicable to limited liability partnerships. They are also responsible for safeguarding the assets of the firm and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the firm's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

These responsibilities are exercised by the Board on behalf of the members.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HgCAPITAL LLP

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent limited liability partnership's affairs as at 31 March 2019 and of the profit 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 as applied to limited liability partnerships.

We have audited the financial statements of HgCapital LLP (the 'parent limited liability partnership') which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent limited liability partnership balance sheets;
- the consolidated statement of cash flows;
- the consolidated and parent limited liability partnership statements of changes in member's interests;
- the related notes 1 to 17.

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 limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the members' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent limited liability partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The members are responsible for the other information. The other information comprises the information included in the Members' 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HgCAPITAL LLP (CONTINUED)

Responsibilities of members

As explained more fully in the members' responsibilities statement, the members 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 members 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 members are responsible for assessing the group's and parent limited liability partnership'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 members either intend to liquidate the limited liability partnership 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to limited liability partnerships. Our audit work has been undertaken so that we might state to the limited liability partnership'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 limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Under the Companies Act 2006 as applied to limited liability partnerships 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 limited liability partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent limited liability partnership financial statements are not in agreement with the accounting records and returns; 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.



Garrath Marshall (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

11 July 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Fee income	2a	89,039	72,464
Carried interest income	2b	115,058	720
Operating expenses	3	(54,980)	(36,943)
Operating profit	5	149,117	36,241
Interest receivable	6	7	8
Other income		7	51
Profit on realisation of investments		544	2,687
Unrealised loss on investments	11	(1,589)	(269)
Group profit before taxation		148,086	38,718
Group tax charge	7	(127)	(254)
Profit for the year before members' remuneration and profit shares		147,959	38,464
Members' remuneration charged as an expense		(9,643)	(9,192)
Retained profit for the year available for discretionary division among members		138,316	29,272

All amounts are in respect of continuing activities.

The Group has no recognised gains or losses for either period other than those included in the results above, therefore no separate statement of other comprehensive income has been prepared.

The accompanying notes on pages 17 to 31 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET
at 31 March 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Tangible fixed assets	9	3,496	3,502
Intangible assets	10	237	288
Investments	11	4,100	7,334
		<u>7,833</u>	<u>11,124</u>
Current assets			
Debtors	12	7,817	18,970
Cash		<u>33,170</u>	<u>24,368</u>
		40,987	43,338
Creditors: amounts falling due within one year	13	<u>(31,387)</u>	<u>(26,300)</u>
Net current assets		9,600	17,038
Non-current debtors	12	<u>3,381</u>	<u>3,656</u>
Net assets		<u>20,814</u>	<u>31,818</u>
Represented by:			
Members' Capital classified as a liability		1,290	1,290
Other reserves classified as equity		<u>19,524</u>	<u>30,528</u>
		<u>20,814</u>	<u>31,818</u>
Total members' interests represented by:			
Loans and other debts due to members		1,290	1,290
Members' other interests		<u>19,524</u>	<u>30,528</u>
		<u>20,814</u>	<u>31,818</u>

The financial statements of HgCapital LLP (registered number OC301825) were approved by the Board and authorised for issue on 11 July 2019. They were signed for and on behalf of the Members by:



M Brockman
Designated Member
11 July 2019

The accompanying notes on pages 17 to 31 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW
for the year ended 31 March 2019

	<i>Notes</i>	<i>2019</i> <i>£'000</i>	<i>2018</i> <i>£'000</i>
Net cash generated from operating activities	<i>14a</i>	166,550	31,868
Cash flows from investing activities			
Purchase of tangible fixed assets		(1,068)	(3,583)
Disposal of tangible fixed assets		7	-
Purchase of intangible assets		(48)	(107)
Foreign currency adjustments		5	(3)
Interest received		7	8
Investment income received		-	51
Net rebate/(purchases) of investments		7	(776)
Disposals of investments		2,305	4,333
Net cash inflows/(outflows) from investing activities		<u>1,215</u>	<u>(77)</u>
Cash flows from financing activities			
Payments to members		(158,976)	(31,009)
Net cash out flows from financing activities		<u>(158,976)</u>	<u>(31,009)</u>
Net increase/(decrease) in cash and cash equivalents		<u>8,790</u>	<u>782</u>
Cash equivalents at beginning of year		24,368	23,422
Effect of foreign exchange rate changes		13	164
Cash and cash equivalents at end of year		<u>33,170</u>	<u>24,368</u>
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		33,170	24,368
Cash and cash equivalents		<u>33,170</u>	<u>24,368</u>

The accompanying notes on pages 17 to 31 form an integral part of these financial statements.

PARTNERSHIP BALANCE SHEET
as at 31 March 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Tangible fixed assets	9	2,870	3,222
Intangible assets	10	237	288
Investments in subsidiaries	11	372	372
Other investments	11	3,848	6,789
		<u>7,327</u>	<u>10,671</u>
Current assets			
Debtors	12	13,941	14,250
Cash		<u>16,994</u>	<u>14,895</u>
		30,935	29,145
Creditors: amounts falling due within one year	13	<u>(22,512)</u>	<u>(13,210)</u>
Net current assets		8,423	15,935
Non-current debtors	12	<u>425</u>	<u>425</u>
Net assets		<u>16,175</u>	<u>27,031</u>
Represented by:			
Members' Capital classified as a liability		1,290	1,290
Other reserves classified as equity		<u>14,885</u>	<u>25,741</u>
		<u>16,175</u>	<u>27,031</u>
Total members' interests represented by:			
Loans and other debts due to members		1,290	1,290
Members' other interests		<u>14,885</u>	<u>25,741</u>
		<u>16,175</u>	<u>27,031</u>

The Group has taken advantage of the exemption under section 408 of the Companies Act 2006 not present a statement of comprehensive income for HgCapital LLP as a stand-alone entity. The profit of the LLP as a stand-alone entity was £128.1 million (2018: £32.2 million). The financial statements of HgCapital LLP (registered number OC301825) were approved by the Board and authorised for issue on 11 July 2019. They were signed for and on behalf of the Members by:



M Brockman
Designated Member
11 July 2019

The accompanying notes on pages 17 to 31 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' INTERESTS
at 31 March 2019

<i>Group</i>	<i>2019</i>	<i>2019</i>	<i>2019</i>	<i>2019</i>
	<i>Members'</i>	<i>Members'</i>	<i>Members'</i>	<i>Total</i>
	<i>Other</i>	<i>capital</i>	<i>Other</i>	<i>Members'</i>
	<i>Interests</i>	<i>classified</i>	<i>amounts</i>	<i>Interests</i>
	<i>£'000</i>	<i>as a</i>	<i>£'000</i>	<i>£'000</i>
		<i>liability</i>		
Members' interests:				
At 1 April 2018	30,528	1,290	-	31,818
Members' remuneration charged as an expense	-	-	9,643	9,643
Profit for the year available for discretionary division among members	138,316	-	-	138,316
Members' interests after profit for the year	168,844	1,290	9,643	179,777
Profit allocations made during the year	(149,333)	-	149,333	-
Drawings	-	-	(158,976)	(158,976)
Exchange differences on consolidation	13	-	-	13
At 31 March 2019	19,524	1,290	-	20,814

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' INTERESTS
at 31 March 2018

<i>Group</i>	<i>2018</i>	<i>2018</i>	<i>2018</i>	<i>2018</i>
	<i>Members'</i>	<i>Members'</i>	<i>Members'</i>	<i>Total</i>
	<i>Other</i>	<i>capital</i>	<i>Other</i>	<i>Members'</i>
	<i>Interests</i>	<i>classified</i>	<i>amounts</i>	<i>Interests</i>
	<i>£'000</i>	<i>as a</i>	<i>£'000</i>	<i>£'000</i>
		<i>liability</i>		
		<i>£'000</i>		
Members' interests:				
At 1 April 2017	22,909	1,290	-	24,199
Members' remuneration charged as an expense	-	-	9,192	9,192
Profit for the year available for discretionary division among members	29,272	-	-	29,272
Members' interests after profit for the year	52,181	1,290	9,192	62,663
Profit allocations made during the year	(21,817)	-	21,817	-
Drawings	-	-	(31,009)	(31,009)
Exchange differences on consolidation	164	-	-	164
At 31 March 2018	30,528	1,290	-	31,818

The accompanying notes on pages 17 to 31 form an integral part of these financial statements.

PARTNERSHIP STATEMENT OF CHANGES IN MEMBERS' INTERESTS
at 31 March 2019

<i>LLP</i>	<i>2019</i>	<i>2019</i>	<i>2019</i>	<i>2019</i>
	<i>Members'</i>	<i>Members' capital</i>	<i>Members' Other</i>	<i>Total</i>
	<i>Other</i>	<i>classified as a</i>	<i>Other</i>	<i>Members' Interests</i>
	<i>Interests</i>	<i>liability</i>	<i>amounts</i>	<i>Interests</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Members' interests:				
At 1 April 2018	25,741	1,290	-	27,031
Members' remuneration charged as an expense	-	-	9,293	9,293
Profit for the year available for discretionary division among members	128,069	-	-	128,069
Members' interests after profit for the year	153,810	1,290	9,293	164,393
Profit allocations made during the year	(138,925)	-	138,925	-
Drawings	-	-	(148,218)	(148,218)
At 31 March 2019	14,885	1,290	-	16,175

PARTNERSHIP STATEMENT OF CHANGES IN MEMBERS' INTERESTS
at 31 March 2018

<i>LLP</i>	<i>2018</i>	<i>2018</i>	<i>2018</i>	<i>2018</i>
	<i>Members'</i>	<i>Members'</i>	<i>Members'</i>	<i>Total</i>
	<i>Other</i>	<i>capital</i>	<i>Other</i>	<i>Members'</i>
	<i>Interests</i>	<i>classified</i>	<i>amounts</i>	<i>Interests</i>
	<i>£'000</i>	<i>as a</i>	<i>£'000</i>	<i>£'000</i>
		<i>liability</i>		
Members' interests:				
At 1 April 2017	15,364	1,290	-	16,654
Members' remuneration charged as an expense	-	-	9,192	9,192
Profit for the year available for discretionary division among members	32,194	-	-	32,194
Members' interests after profit for the year	47,558	1,290	9,192	58,040
Profit allocations made during the year	(21,817)	-	21,817	-
Drawings	-	-	(31,009)	(31,009)
At 31 March 2018	25,741	1,290	-	27,031

The accompanying notes on pages 17 to 31 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2019

1. STATEMENT OF ACCOUNTING POLICIES

Hg Capital LLP was formed on 26 March 2002, from 16 October 2008 has been authorised and regulated by the Financial Conduct Authority and is incorporated in the United Kingdom and registered in England and Wales under the Companies Act. The address of the registered office is given on page 1. The nature of the LLP's operations and its principal activities are set out in the Members' Report on page 2.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

The consolidated financial statements have been prepared under the historical cost convention modified by financial instruments recognised at fair value. They have been prepared in line with applicable United Kingdom law and accounting standards in accordance with the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships' (SORP) issued in 2017 and in accordance with Financial Reporting Standard 102 (FRS 102 issued by the Financial Reporting Council). The Group has taken advantage of the exemption under section 408 of the Companies Act 2006 not to present a statement of comprehensive income for HgCapital LLP as a stand-alone entity. The functional currency of the LLP is considered to be pounds sterling because that is the currency of the primary economic environment in which the LLP operates. The consolidated financial statements are also presented in pounds sterling.

Basis of consolidation

The Group financial statements consolidate the financial statements of HgCapital LLP and its subsidiary undertakings drawn up to 31 March each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

HgCapital LLP meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to presentation of a statement of comprehensive income and cash flow statement. The Group has taken advantage of the exemption in FRS 102 Section 33 Related Party Disclosure relating to transactions between wholly-owned subsidiaries.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Members' Report. The Group has considerable financial resources together with long-term contracts with a number of fund partnerships and suppliers across different geographic areas and industries. As a consequence, the members believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook, and therefore have continued to adopt the going concern basis of accounting in preparing the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2019

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Tangible fixed assets and intangible assets

All tangible fixed assets and intangible assets are recorded at cost less depreciation and any impairment.

Depreciation

Depreciation is provided on all tangible fixed assets and intangible assets at rates calculated to write off the cost less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, being as follows:

Leasehold improvements and Fixtures and fittings	-	5 years
Computer equipment	-	2 years
Intangible assets	-	5 years

Investments in subsidiaries

The Group and LLP holds its investments in subsidiaries at cost less impairment.

Other investments

Investments in private equity partnerships are measured at fair value through profit or loss ('FVTPL') (see note 11 for further details).

Deferred income

Management fees received in advance are included in deferred income and released to the profit and loss account in equal monthly amounts over the period to which they relate.

Deferred expenditure

Deferred expenditure relating to placement fees paid with the establishment of fund partnerships is initially stated at cost and charged to the fee income account over the economic life of five years.

Foreign currencies

Group

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 such differences are taken to the profit and loss account.

The balance sheets of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The profit and loss accounts of overseas subsidiary undertakings are translated at the average exchange rate during the year. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account.

The Partnership

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 profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2019

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Leasing commitments

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Pensions

HgCapital LLP operates a pension scheme for staff and members, the HgCapital LLP Stakeholders' Scheme. The plan is a defined contribution plan and contributions on behalf of staff are charged to the profit and loss account when they become payable. Contributions on behalf of Members are included within Members' remuneration charged as an expense.

Taxation

The current year corporation tax charges attributed to the Group's subsidiaries are included on consolidation. There is no tax charge shown for HgCapital LLP, the entity, as each member is responsible for providing income tax computations to the Inland Revenue and discharging his or her liability to income tax arising thereon.

Deferred taxation

Provision in the subsidiary companies 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. 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.

Members' remuneration

In respect of any period, subject to the LLP maintaining its regulatory capital requirements, each member is entitled to fixed and contractual profit share distributions as defined in the Limited Partnership Agreement. These amounts are charged as an expense in the profit and loss account. In addition, where sufficient profits of the partnership are available, each member may be allocated a further discretionary profit share distribution with the approval of the Board. Such discretionary profit distributions are shown as part of the consolidated statement of changes in members' interests.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1 above, the Members 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2019

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Critical accounting judgements and key sources of estimation uncertainty (continued)

The following accounting estimates and judgements are considered important to the portrayal of the financial results and financial condition because (i) they are highly 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:

The assessment of possible impairment losses on certain assets (note 11)

Determining whether the Company's investments in subsidiaries have been impaired requires consideration of whether any indicators of impairment exists. In making this assessment the Members have considered:

- The dividends received in relation to the total comprehensive income of the subsidiary company;
 - The performance of the subsidiary company against budget; and
 - Any external economic changes including interest and market rates.
- Following these considerations there were deemed to be no indicators of impairment; therefore a full impairment review was not required or carried out. The carrying amount of investments in subsidiaries at the balance sheet date was £372,000 (2018: £372,000) with no impairment loss recognised in the year.

Fair value of investments

A key accounting judgement where there is estimation uncertainty is in respect of the determination of the fair value of financial assets held at FVTPL. The LLP uses the Fund's valuation of the portfolio which is based upon the International Private Equity and Venture Capital Valuation Guidelines, December 2018 Edition and is explained in note 11.

The assessment of whether to fair value carried interest

The LLP has an economic interest in a number of carried interest vehicles, where subject to certain conditions being met, it would receive an allocation of both capital and income profits from that Fund Partnership as investments are realised. In assessing whether the interest in the carried interest vehicles should be fair valued the Members have considered whether the LLP, as a body corporate, is entitled to receipt and retention of the carried interest or if the carried interest flows through the LLP to the underlying Members.

Following the above assessment, the Members have concluded that the LLP itself does not retain any carried interest and as such should not attribute any such fair value to its economic interest within the financial statements.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2019

2. REVENUE

a) Fee income

Fee income represents the management fee earned from clients during the year from continuing activities in the UK, which is stated net of value added tax. Management fees are recognised once receivable.

b) Carried interest

Carried interest income is earned from the management of Funds and is recognised on receipt.

3. ANALYSIS OF OPERATING EXPENSES

	2019 £'000	2018 £'000
Staff costs (note 4)	42,575	25,113
Legal and professional fees	1,495	1,051
Depreciation of fixed assets	1,065	429
Other operating expenses	9,845	10,350
	<u>54,980</u>	<u>36,943</u>

4. STAFF COSTS

The aggregate employment costs of staff (excluding members) were:

	2019 £'000	2018 £'000
Salaries including bonus	37,681	22,158
Social security costs	3,980	2,250
Pension costs	914	705
	<u>42,575</u>	<u>25,113</u>

The average number of staff (excluding members) during the year was:

	2019 Number	2018 Number
Revenue staff	70	55
Support staff	61	58
	<u>131</u>	<u>113</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2019

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION AND MEMBERS' REMUNERATION AND PROFIT SHARES

Operating profit is stated after charging:

	2019	2018
	£'000	£'000
Depreciation of fixed assets	1,065	429
Operating lease payments	1,666	1,538
Foreign exchange gain/(loss)	58	64

Analysis of the auditor's remuneration is as follows:

	2019	2018
	£'000	£'000
Fees payable to group's auditor and its associates for the audit of the Limited Liability Partnership's annual accounts	36	36
Fees payable to the Limited Liability Partnership's auditor and its associates for other services to the Group		
Audit of the Limited Liability Partnership's subsidiaries	32	35
Total audit fees	68	71

	2019	2018
	£'000	£'000
Taxation compliance services	292	95
Services pursuant to legislation	6	6
Total non-audit fees	298	101

The auditor provides non-audit services to the funds and portfolio companies that are not borne by the Group, these are not included in the above.

6. INTEREST RECEIVABLE

Interest receivable of £7,000 (2018: £8,000) is interest earned on cash balances and deposits held at banks.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2019

7. GROUP TAX CHARGE

The Group tax charge represents the tax receivable generated in the underlying subsidiaries held by the Limited Liability Partnership.

The Group tax charge is made up as follows:

	2019 £'000	2018 £'000
<i>Current tax</i>		
UK Corporation tax	20	51
Overseas tax	107	203
Total current tax	127	254
Deferred tax	-	-
Total tax charge	127	254

Factors affecting tax charge for the year:

The standard rate of tax applied to reported profit is 19% (2018: 19%). The applicable tax rate has changed following the substantive enactment of the Finance Act 2016. The tax assessed for the year is lower (2018: lower) than the standard rate of corporation tax in the UK for a large company. The differences are explained below:

	2019 £'000	2018 £'000
Group Profit before taxation	148,086	38,718
Corporation tax at 19% (2018: 19%)	28,136	7,356
Effects of:		
Income attributable to HgCapital LLP and taxable on members directly	(27,990)	(7,230)
Overseas tax items and rate differences	(73)	124
Adjustments in respect of previous periods	-	4
Expenditure not deductible for corporation tax purposes	54	-
	(28,009)	(7,102)
Corporation tax payable for the year	127	254

Tax on the LLP's profits is assessed on the Member rather than the LLP and accordingly, no tax is included in these accounts in respect of that part of the profit attributed to the members of the partnership.

There is no material unprovided deferred tax.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2019.

8. MEMBERS' REMUNERATION AND DIVISION OF PROFIT

Profits are shared among the members after the end of the year in accordance with agreed profit sharing arrangements and include interest on members' funds. Members are required to make their own pension provision for pensions from their profit shares.

	<i>2019</i> <i>Number</i>	<i>2018</i> <i>Number</i>
Average number of members	<u>20</u>	<u>19</u>
	<i>2019</i> <i>£'000</i>	<i>2018</i> <i>£'000</i>
Average profit and remuneration per member	<u>7,949</u>	<u>1,632</u>

Members remuneration and profit allocations of £158,976,000 (2018: £31,009,000) were made during the year.

Payments made to the highest paid member, Dogmer 4 Limited, were:

	<i>2019</i> <i>£'000</i>	<i>2018</i> <i>£'000</i>
Division of profit	<u>33,483</u>	<u>19,056</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2019

9. TANGIBLE FIXED ASSETS

<i>Group</i>	<i>Fixtures & fittings £'000</i>	<i>Leasehold improvements £'000</i>	<i>Computer equipment £'000</i>	<i>Total £'000</i>
Cost:				
At 31 March 2018	1,890	3,420	1,133	6,443
Additions	487	38	543	1,068
Disposals	(221)	(5)	(53)	(279)
At 31 March 2019	<u>2,156</u>	<u>3,453</u>	<u>1,623</u>	<u>7,232</u>
Depreciation:				
At 31 March 2018	1,158	1,040	743	2,941
Provided during the year	159	504	304	967
Disposals	(125)	-	(47)	(172)
At 31 March 2019	<u>1,192</u>	<u>1,544</u>	<u>1,000</u>	<u>3,736</u>
Net book value:				
At 31 March 2019	<u>964</u>	<u>1,909</u>	<u>623</u>	<u>3,496</u>
At 31 March 2018	<u>732</u>	<u>2,380</u>	<u>390</u>	<u>3,502</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2019

9. TANGIBLE FIXED ASSETS (CONTINUED)

<i>Limited liability partnership</i>	<i>Fixtures & fittings £'000</i>	<i>Leasehold improvements £'000</i>	<i>Computer equipment £'000</i>	<i>Total £'000</i>
Cost:				
At 31 March 2018	1,542	3,287	1,035	5,864
Additions	103	38	430	571
Disposals	(2)	(1)	-	(3)
At 31 March 2019	<u>1,643</u>	<u>3,324</u>	<u>1,465</u>	<u>6,432</u>
Depreciation:				
At 31 March 2018	994	999	649	2,642
Providing during the year	125	498	297	920
Disposals	-	-	-	-
At 31 March 2019	<u>1,119</u>	<u>1,497</u>	<u>946</u>	<u>3,562</u>
Net book value:				
At 31 March 2019	<u>524</u>	<u>1,827</u>	<u>519</u>	<u>2,870</u>
At 31 March 2018	<u>548</u>	<u>2,288</u>	<u>386</u>	<u>3,222</u>

10. INTANGIBLE ASSETS

The Group and Company hold intangible computer software assets of £237,000 and (2018: £288,000).

11. INVESTMENTS

	<i>2019 £'000</i>
<i>Group</i>	
Fair value:	
At 1 April 2018	7,334
Rebate of investments during the year ⁽¹⁾	(7)
Disposals during the year ⁽²⁾	(1,638)
Unrealised loss	(1,589)
At 31 March 2019	<u>4,100</u>

(1) Representing additional investments in fund co-investment partnerships during the year

(2) Representing cost of disposal of investments in fund co-investment partnerships during the year. The total value of disposed co-investments was £2,305,000, (2018 £4,333,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2019

11. INVESTMENTS (CONTINUED)

The Group has a commitment of £20,000 (2018: £111,000) to HgCapital 5 Executive Co-Invest LP, £nil (2018: €2,392,000) to Hg Renewable Power Partners LP, £3,307,930 (2018: £4,177,000) to HgCapital 6 Executive Co-Invest LP, £3,388,815 (2018: €3,482,000) to HgCapital RPP2 Executive Co-Invest LP, £1,647,962 (2018: £1,835,000) to HgCapital Mercury Executive Co-Invest LP, £250,000 (2018: £250,000) to HgCapital 7 Executive Co-Invest LP, £566,500 (2018: £4,692,000) to HgCapital 8 Executive Co-Invest LP, £19,300 (2018: £297,000) to Mercury 2 Executive Co-Invest LP and £607,400 (2018: £1,774,000) to Hg Saturn P&E Co-Invest LP.

These investments are measured at fair value through profit or loss in the balance sheet, with the movement in fair value recognised in the Statement of Comprehensive Income.

Investments measured and reported at fair value are classified and disclosed utilising inputs from one or more of the following categories:

Level 1 - quoted (bid) price for an identical asset in an active market;

Level 2 - price of a recent transaction for an identical asset. If necessary, the price is adjusted to reflect updated economic conditions or if evidence suggests that a recent transaction was not at fair value;

Level 3 - if there is no active market and no suitable recent transactions then a valuation technique is used to determine the arm's length price for the asset. If a reliable, commonly used valuation method exists in that market, then that technique is used.

The investments in private equity partnerships reported here are considered to be Level 3 as no active market exists for them. The fair value equates to the value attributable to the LLP based on the Funds' net assets at the year end as the underlying entities assets are ultimately held at fair value.

<i>Limited liability partnership</i>	<i>Investments in Subsidiaries £'000</i>	<i>Other Investments £'000</i>	<i>Total £'000</i>
Cost / fair value:			
At 1 April 2018	372	6,789	7,161
Investments during the year ⁽¹⁾	-	5	5
Disposals during the year ⁽²⁾	-	(1,314)	(1,632)
Unrealised loss	-	(1,632)	(1,314)
At 31 March 2019	<u>372</u>	<u>3,848</u>	<u>4,220</u>

(1) Representing additional investments in fund co-investment partnerships during the year

(2) Representing cost of disposal of investments in fund co-investment partnerships during the year

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2019

11. INVESTMENTS (CONTINUED)

As at 31 March 2019, the LLP holds an interest in the share capital of the following subsidiary undertakings:

	<i>Nature of business</i>	<i>Ordinary Shares</i>
Incorporate & Registered in England		
Hg Pooled Management Limited	Investment Management	100%
Ptarmigan CMD LLP	Investment Advisor	100%
Hg Incorporations Limited	Non-trading	100%
HgCapital Initial GP Limited	Non-trading	100%
HgCapital Quicksilver Limited	Non-trading	100%
HgCapital Trustee Company Limited	Non-trading	100%
Address for the above subsidiaries is 2 More London Riverside, London, SE1 2AP		
Incorporate & Registered in Germany		
Hg Advisory GmbH & Co. KG	Investment Advisor	100%
HgCapital Verwaltungs GmbH	Investment Advisor	100%
MUST 4 Management GmbH	Investment Management	100%
Address for the above subsidiaries is Salvatorstrasse 3, 80333 Munich, Germany		
Incorporate & Registered in Luxembourg		
HgCapital (Luxembourg) S.ar.l.	Investment Advisor	100%
Address for the above subsidiary is 1, Rue Hildegard von Bingen, L-1282 Luxembourg		
Incorporate & Registered in United States of America		
Hg (US) Inc.	Investment Advisor	100%
Address for the above subsidiary is 601 Lexington Ave, 59 th Floor, New York, NY 10022 United States		
Incorporate & Registered in Guernsey		
MUST 4 General Partner (Guernsey) Ltd	Investment Management	100%
HgCapital 5 General Partner (Guernsey) Limited	Investment Management	100%
HgCapital 6 General Partner (Guernsey) Limited	Investment Management	100%
HgCapital Mercury General Partner (Guernsey) Limited	Investment Management	100%
HgCapital Saturn General Partner (Guernsey) Limited	Investment Management	100%
HgCapital Transition General Partner (Guernsey) Limited	Investment Management	100%
Hg Renewable Power GP (Guernsey) Limited	Investment Management	100%
HgCapital RPP2 General Partner (Guernsey) Limited	Investment Management	100%
Address for the above subsidiaries is 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL		
Incorporate & Registered in Scotland		
HgCapital General Partner (Scotland) Limited	Investment Management	100%
Hg Renewable Power GP (Scotland) Limited	Investment Management	100%
Address for the above subsidiaries is 50 Lothian Road, Edinburgh, Midlothian, EH3 9WJ		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2019

11. INVESTMENTS (CONTINUED)

The members are of the opinion that the value of investments in subsidiaries is not less than the amount at which they are stated in the accounts. All subsidiaries are consolidated in the financial statements. The Members assess the value of investments semi-annually and do not believe there have been any indicators of impairment.

12. DEBTORS

Amounts due within one year:

	2019 Group £'000	2018 Group £'000	2019 LLP £'000	2018 LLP £'000
Amounts owed by related parties (note 15)	-	-	9,514	8,806
Trade debtors	2,942	12,406	154	302
Deferred expenditure	1,137	1,966	-	-
Prepayments and accrued income	1,679	-	1,378	1,068
VAT recoverable	1,125	769	595	652
Other debtors	934	3,829	2,300	3,422
	<u>7,817</u>	<u>18,970</u>	<u>13,941</u>	<u>14,250</u>

The following amounts are due, or will be amortised, after more than one year. The deferred expenditure relates to placement fees recognised over the investment period of the fund to which they relate.

	2019 Group £'000	2018 Group £'000	2019 LLP £'000	2018 LLP £'000
Other debtors	425	484	425	425
Deferred expenditure	2,956	3,172	-	-
	<u>3,381</u>	<u>3,656</u>	<u>425</u>	<u>425</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2019

13. CREDITORS: amounts falling due within one year

	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>Group</i>	<i>Group</i>	<i>LLP</i>	<i>LLP</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Amounts due to related parties (note 15)	9,995	5,772	8,889	4,630
Trade creditors	1,518	891	2,580	644
Other creditors	6,670	3,793	5,586	3,152
Payroll and social security	2,381	1,177	2,246	1,160
Taxation	27	172	-	-
Accruals	10,796	14,495	3,211	3,624
	<u>31,387</u>	<u>26,300</u>	<u>22,512</u>	<u>13,210</u>

14. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

a) Reconciliation of operating profit to cashflow generated by operations:

	<i>2019</i>	<i>2018</i>
	<i>£'000</i>	<i>£'000</i>
Operating profit	149,117	36,241
Depreciation	1,065	429
Operating cash flow before movement in working capital	<u>150,182</u>	<u>36,670</u>
Decrease/(increase) in debtors	11,429	(12,905)
Increase in creditors	<u>5,212</u>	<u>8,231</u>
Cash generated by operations	166,823	31,996
Income taxes paid	<u>(273)</u>	<u>(128)</u>
Net cash inflow from operating activities	<u>166,550</u>	<u>31,868</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2019

15. RELATED PARTY DISCLOSURES

For the purposes of FRS 102 Section 33, related parties include the Group's subsidiary undertakings. The Group has taken advantage of the exemption in FRS 102 Section 33 Related Party Disclosure relating to transactions between wholly-owned subsidiaries.

16. OTHER FINANCIAL COMMITMENTS AND CONTINGENCIES

Group and Limited Liability Partnership

At 31 March 2019, the Group and the LLP had investment purchases of £1,710,000 (2018: £7,470,000) that had been authorised and contractually committed but not yet drawn.

Furthermore, at 31 March 2019 the Group had total future minimum lease payments under non-cancellable operating leases relating to land and buildings of £2,171,461 (2018: £1,666,213) in less than one year, £8,286,912 (2018: £6,665,248) between two and five years and £1,752,455 (2018: £3,019,834) after five years.

At 31 March 2019 the LLP had total future minimum lease payments under non-cancellable operating leases relating to land and buildings of £1,510,060 (2018: £1,510,060) in less than one year, £5,641,307 (2018: £6,040,240) between two and five years and £1,270,678 (2018: £2,381,805) after five years.

On 22 May 2012, the Group and the LLP entered into a Security Interest Agreement with a financial institution granting security over the share capital and bank accounts of certain of its General Partner subsidiaries (refer note 11) in connection with the provision of a £60.0 million credit facility provided to Dogmer 4 Limited, a member of the Partnership, by this financial institution. £26.6 million of this liability was paid during the current year. At the balance sheet date, the total outstanding credit facility was £3.4 million (2018: £30.0 million). LLP is a joint guarantor of the lending facility.

17. ULTIMATE CONTROLLING PARTY

The Members are the ultimate controlling party. No single Member held a controlling interest in the LLP at the date of this report or at any stage during the financial year ended 31 March 2019.