HgCapital Trust plc }

ANNUAL REPORT AND ACCOUNTS

31 December 2016



HgCapital Trust plc

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Notice of Annual General Meeting

Board, management and administration



The objective of the Company is to provide shareholders with consistent long-term returns in excess of the FTSE All-Share Index by investing predominantly in unquoted companies where value can be created through strategic and operational change.

The Company provides investors with exposure to a fast-growing portfolio of unquoted investments, primarily in technology and technology-enabled services across Europe.

References in this Annual Report and Accounts to HgCapital Trust plc have been abbreviated to 'HgCapital Trust', 'the Company' 'or HgCT'. HgCapital refers to the trading name of Hg Pooled Management Limited and HgCapital LLP. Hg Pooled Management Limited is the 'Manager'.

References in this Annual Report and Accounts to 'Total Return' refer to a return where it is assumed that an investor has re-invested all historic dividends at the time when they were paid.

References in this Annual Report and Accounts to pounds sterling have been abbreviated to 'sterling'.

ABOUT THE COMPANY

HgCapital Trust plc is listed on the London Stock Exchange (HGT.L) and invests primarily in a portfolio of unquoted businesses identified by HgCapital, who normally acquire a majority stake. An investment in the Company offers exposure to a fast-growing portfolio of **more than thirty businesses** with consistent strong growth in sales and EBITDA, and high cash generation. The **top 20** buyout investments currently account for 83% of the portfolio value. These companies have seen aggregate sales of £2.7 billion and EBITDA of £650 million over 2016, with EBITDA margins of 24%.

By taking majority shareholdings in the businesses in which it invests, HgCapital can actively support management and help implement change that can add shareholder value. These investments are funded by the Company alongside Limited Partnership Funds that HgCapital raises from institutional investors; the Company is HgCapital's largest client and is therefore a key investor in each business.

HgCapital is a long-established and independent partnership that brings together operational and financial management skills. It has a significant track record of using a deep sector focus to identify businesses with specific business models that can perform well across the economic cycle. HgCapital specialises in technology-related and technology-enabled service companies with enterprise values of between £20 million and £500 million primarily, but not exclusively, in Northern Europe.

The HgCapital team have extensive experience in these sectors and geographies and can apply the firm's knowledge to effect both strategic and operational change, and portfolio experience to help create a collaborative community of businesses with shared experience, to enhance growth.



FINANCIAL HIGHLIGHTS

Annualised share price total return over the last 20 years: +14.5%

2016 PERFORMANCE -

SHARE PRICE

The share price at 31 December 2016 was £15.41, a total return for the year of:

+43%

NAV PER SHARE

The NAV per share at 31 December 2016 was £16.50, a total return for the year of:

+19%

TOTAL ONGOING CHARGES

for the year to 31 December 2016:

1.6%

MARKET CAPITALISATION

The market capitalisation of the Company at 31 December 2016 was:

£575m

NET ASSETS

The total NAV of the Company at 31 December 2016 was:

£616m

DIVIDEND

Proposed final dividend, subject to shareholder approval:

46p

TOP 20 INVESTMENTS as at 31 December 2016

SALES GROWTH

over the last twelve months:

+11%

PROFIT GROWTH

over the last twelve months:

+21%

EV TO EBITDA MULTIPLE

14.2x

DEBT TO EBITDA RATIO

4.1x

FINANCIAL HIGHLIGHTS continued

Net divestors over the year, taking advantage of a buoyant environment for realising value at good prices.

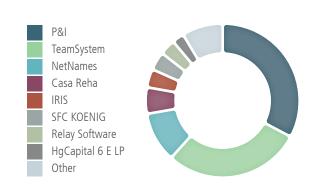
INVESTMENT ACTIVITY IN 2016 -

CASH REALISED FOR THE BENEFIT OF THE COMPANY

£I35m

CASH INVESTED ON BEHALF OF THE COMPANY

£104m





BALANCE SHEET ANALYSIS as at 31 December 2016 -

LIOUID RESOURCES

£46m

7% of NAV

Liquid resources are supported by an undrawn bank facility of £80 million.

OUTSTANDING COMMITMENTS

£421m

68% of NAV

Commitments will be drawn down over five years (2017-2022), an average cash outflow of c. £80 million p.a.

The Company can opt out of a new investment without penalty, should it not have the cash available to invest.

FINANCIAL HIGHLIGHTS continued

LONG-TERM PERFORMANCE RECORD

HISTORIC RECORD

Year ended 31 December	Net assets attributable to shareholders £'000	NAV per share p	Share price p	Revenue return/ (loss) available for shareholders £'000	Revenue return/(loss) per share¹ p	Dividend per share ² p
2007	238,817	948.2	782.5	7,446	29.6	25.0
2008	234,094	929.4	668.5	7,445	29.6	25.0
2009	236,044	937.2	844.0	7,148	28.4	25.0
2010	347,993	1,118.8	1,006.0	10,053	34.0	28.0
2011	346,832	1,089.9	970.0	(645)	(2.0)	10.0
2012	437,956	1,231.5	1,016.0	10,398	32.1	23.0
2013	440,584	1,180.4	1,010.0	12,913	35.3	29.0
2014	476,918	1,277.8	1,057.5	21,933	58.8	51.0 ³
2015	530,023	1,420.0	1,115.0	17,907	48.0	40.0
2016	615,756	1,649.7	1,541.0	20,140	54.0	46.04

 $^{^{\}rm 1} \textsc{Based}$ on weighted number of shares in issue during the year.

LONG-TERM PERFORMANCE – TEN YEAR TOTAL RETURN



¹Performance record rebased to 100 at 31 December 2006. Source: Factset, HgCapital.

²Dividend proposed in respect of reported financial year, but declared and paid in the following year.

³Includes a special dividend of 19 pence per Ordinary share.

⁴Proposed dividend of 46 pence per Ordinary share for the year ended 31 December 2016, to be paid on 15 May 2017, subject to shareholder approval.

FINANCIAL HIGHLIGHTS continued

LONG-TERM PERFORMANCE RECORD

Both the Company's share price and net asset value per share have continued to outperform the FTSE All-Share Index.

HISTORICAL TOTAL RETURN PERFORMANCE

	One year % p.a.	Three years % p.a.	Five years % p.a.	Ten years % p.a.	Twenty years % p.a.
Share price	42.9	19.4	12.8	10.7	14.5
NAV per share	19.5	15.4	11.3	11.0	12.7
FTSE All-Share Index	16.8	6.1	10.1	5.6	6.7
Share price performance relative to the FTSE All-Share Index	+26.1	+13.3	+2.7	+5.1	+7.8
NAV per share performance relative to the FTSE All-Share Index	+2.7	+9.3	+1.2	+5.4	+6.0

TEN YEAR DIVIDEND RECORD



DISCRETE ANNUAL TOTAL RETURN PERFORMANCE AGAINST THE FTSE ALL-SHARE INDEX



THE BOARD'S STRATEGIC REPORT

CHAIRMAN'S STATEMENT

Most of the businesses in which we are invested are reporting strong growth in revenues, improving margins and impressive growth in profitability. This bodes well for continuing value creation from the portfolio.

In order to focus this annual report more closely on the essence of the investment opportunity we offer, the Board and HgCapital have comprehensively refreshed the contents. The report may not look very different, but I would encourage you to read it closely in order to gain an up-to-date understanding of why my fellow directors and I believe strongly that an allocation to HgCapital Trust plc deserves a place in the portfolio of any long-term investor.

The essential message is that we offer the opportunity to share in the growth and profitability of more than 30 carefully selected businesses during periods of transformational change that we expect to create substantial shareholder value.

By making majority investments, the partners and staff of HgCapital, working with the management team of each business, can effect change, without the constraints that often impede listed companies.

Thanks to this focus on businesses where HgCapital can achieve change, our top 20 investments by value grew revenues by 11% over 2016, to an aggregate of £2.7 billion, and EBITDA by 21% to £650 million, achieving an aggregate EBITDA margin of 24%. This was the principal driver of a 19% total return in Net Asset Value per share in the year, to £16.50. As at 28 February 2017, the pro-forma NAV per share was £16.74; this further growth in NAV predominantly reflects the sale of Zenith, which was announced in January and is due to complete in March.

Foreign exchange gains following the EU referendum also contributed to the rise in NAV, reversing much of the unrealised losses in the preceding three years. Despite strong trading in the portfolio, valuation ratings were slightly down overall.

The growing impact of technology on business

The world is faced by changes at an ever faster pace, and businesses that do not address, and adopt, relevant change are likely to go into decline. Accordingly, investors need to be well briefed about these opportunities and threats, and to be able to identify with confidence which businesses understand and exploit these changes.

It has been said that the world is at the opening stages of the Fourth Industrial Revolution. The drivers of this revolution are simultaneous innovation across the physical, digital and biological sciences, but all of them are empowered by advances in information technology. Innovation is then manifested both in new physical forms - new materials, manufacturing processes and machine capability - and in disruptive new business models. The World Economic Forum has identified 21 tipping points - moments when specific technological shifts hit mainstream society - that will shape our world, and they are all expected to occur in the next ten years.

Over the past decade and more, HgCapital has built an understanding and capability across the technology and technology-enabled sectors, which it has applied in identifying businesses that are ready for substantial change in their strategy and operations that will create value for shareholders. This involves investing in businesses that will prosper by offering transformative technology to their customers and in businesses that will themselves prosper, through the application of technology to provide a competitive advantage. We do not invest in early-stage businesses or unproven technology.

The businesses selected for investment invariably meet HgCapital's business model criteria of highly repeatable revenues, high customer retention rates, and a fragmented market; these characteristics reduce downside risk. Around 90% by value of our current buyout portfolio are either technology businesses or companies, operating in other sectors, which are "tech-enabled" so as to grow market share, enhance margins and embed customer loyalty.

CHAIRMAN'S STATEMENT

The first wave of this new industrial revolution has been the shift from the sale of software packages operated in-house, to offering Software-as-a-Service ('SaaS'), using the Cloud for secure data storage and access, and disrupting established ways of delivering customer service. We have benefited from growth in value of a number of investments as they adopt SaaS: Visma is a prime example, but the portfolio also contains other investments, notably IRIS, Raet, Intelliflo, Trace One and Zitcom, that offer this opportunity for value creation in the coming years.

HgCapital does not seek to invest across all the technological opportunities that the Fourth Industrial Revolution encompasses. However, among the businesses we hold we can already see tangible opportunities to transform their existing business models by applying technologies that have been developed to the point where they can be put into everyday use. For example, QUNDIS has evolved during our period of investment from a manufacturer of energy meters into offering remote, Cloud-based smart metering that will increasingly form a part of the 'Internet of Things'. CogitalGroup has been formed from the merger of established accounting services and outsourced business processing into an integrated services group that will increasingly adopt efficiencies from the use of technology. The management of large outsourced databases for customers across a specific industry also offers opportunities for so-called Big Data businesses: our investment in Eucon, in the traditionally prosaic business of providing automotive pricing data and claims management, offers an opportunity for mining Big Data to create business intelligence of value to customers; Evaluate, operating in the global life sciences industry, is another example, as is P&I which can derive valuable data analytics from the data it manages.

Share price performance

The Company's share price achieved a total return of 42.9% in the year to 31 December 2016, exceeding the total return on the FTSE All-Share Index by 26.1%. This reflected both the strong growth in Net Asset Value per share, which also exceeded the Index, but also by a substantial narrowing of the discount. Given the Company's strong prospects, the Board believes our shares should trade close to NAV, and they usually trade on one of the narrowest discounts in our sector. I would remind readers that, as the Company holds unlisted shares it does not publish monthly revaluations, and that accordingly the NAV at December was, of course, not known to the market until the publication of these results in March.

The graphs on pages 6 and 7 show that the Company's shares have again outperformed the FTSE All-Share Index. The ten-year total return has been 10.7% p.a., more than 5% p.a. better than the Index, demonstrating the superior return that can be earned by a long-term allocation to the Company's shares.

Proposed dividend

While the Company's assets are managed in order to achieve long-term growth in shareholder value, the Board recognises that in a period of low interest rates and yields, many shareholders wish to have some certainty about likely levels of dividend and their anticipated progression. I am pleased to report that the Board is seeking shareholders' approval for an increased dividend of 46 pence per share, compared with 40 pence in 2015. The Board anticipates dividends in future of not less than the 46 pence per share recommended in respect of 2016.

Moreover, we have concluded that the sums now payable justify declaration and payment of an interim dividend. We would expect the first such interim dividend to be paid in October 2017.

Investment activity

2016 was a very busy year across the portfolio: £135 million was returned to the Company, mainly from seven full or partial realisations; £104 million was invested by the Company, predominantly in nine businesses. Further information is set out in HgCapital's Review. As usual, we provide detailed descriptions of each of the top 20 investments, and a commentary on their progress, but this year we have added information about the other 14 businesses in the portfolio. An interesting case study on P&I is set out on pages 24 to 25.

Funding and commitments

Every few years, and after careful consideration of investment prospects, HgCapital's resources and the Company's current and projected cash flows, the Board enters into a commitment to invest in new opportunities identified by HgCapital; these commitments coincide with HgCapital raising new funds from institutional investors across the globe. The investment period for HgCapital 7 and Mercury is expected to end in 2017. Accordingly, in December 2016 we entered into a new commitment to invest £350 million alongside the new HgCapital 8 fund raised by HgCapital. This fund will provide some £2.5 billion for investment across the next four or five years in businesses within HgCapital's target sectors and in line with its business model. The Company is again, by some way, the largest investor in this vintage. This is likely to result in the Company taking up substantial minority interests in around 15 new investments between 2017 and 2021, with an average investment by the Company of £20-25 million; there will also be opportunities for co-investments, on attractive terms, that will help the Board to keep the Company's balance sheet efficiently invested.

We have also, more recently, committed £80 million to new investments in smaller TMT businesses alongside Mercury 2, a new fund raised in February 2017. These commitments will provide HgCapital with £575 million to invest across the next four to five years in smaller TMT businesses; again, we will be the largest investor in this vintage.

CHAIRMAN'S STATEMENT

In making commitments to both the HgCapital 8 and Mercury 2 vintages, the Company has negotiated the benefit of an opt-out, should the Company not have sufficient funds available at the time. At the year-end, the Company held £46 million in liquid resources to fund these investments and also has the benefit of an £80 million medium-term bank facility enabling the Board to manage the balance sheet and remain more fully invested across the cycle of commitment-investment-realisation. The quality of the underlying portfolio allows the Company to borrow on an unsecured basis, creating further flexibility, should it be needed.

The interaction between commitments, liquid funds available and anticipated proceeds from selling portfolio companies is a strategic issue that the Board and HgCapital monitor closely. The Board is keen to keep the balance sheet as fully invested as possible, consistent with the commitment-investment-realisation cycle and taking account of changing market conditions for the investment in, or realisation of, businesses. When opportunities arise to take up co-investments (on which the Company pays no fees or carried interest) in addition to our commitment, or by acquiring limited partnership interests in HgCapital's funds, these are considered on their individual merits and after considering the Company's available cash. The Company currently has £61 million by value in co-investments. We will explore other efficient means to add value consistent with our investment objective and HgCapital's areas of expertise.

Auditor

As explained in detail in the report to shareholders from the Chairman of our Audit & Valuation Committee, as a consequence of a new EU Directive, the Board and Deloitte have concluded that we must separate the provision of audit and other services. Following a tender, at the Annual General Meeting we will propose the appointment of Grant Thornton LLP as the Company's external auditor:

On behalf of the Board I thank the partners and staff of Deloitte who have conducted the Company's audits over the last nine years. We will continue to have access to the firm's specialist services.

Prospects

HgCapital's outlook is set out on page 37 of this report. They remain confident that our current portfolio will continue to report strong growth in revenues and profits and that the defensive characteristics inherent in the businesses we hold will protect value, even if macro-economic conditions deteriorate. Having carefully considered the potential effects of Brexit on each business in the portfolio, HgCapital has advised us that it will have a relatively limited impact on the businesses we hold, apart from a few instances where there is a mismatch in currency between costs and revenues, should there be renewed volatility in the value of sterling. The focus on specific business models will continue to identify businesses with similar characteristics that offer protection against market forces. Uncertainties arising from negotiations with the EU seem likely to coincide with a range of other risks to the global economy, which may lead to volatility in listed equity markets and in the exchange rates at which the value of our non-sterling equity investments are translated. While we feel confident in the stability of our portfolio businesses and their capacity to prosper, there must therefore be a heightened risk of volatility in our valuations, just as there is risk in the current levels of listed equity markets.

Most of the businesses in which we are invested continue to deliver strong revenue growth, improving margins and impressive growth in profitability. This bodes well for continuing value creation from the portfolio, subject of course to market conditions. In the meantime, new additions to the portfolio are expected to make progress in their implementation of new strategies and operational improvements that should feed through to continuing value creation.

The commitments we have made to invest with HgCapital over the next four to five years, alongside substantial investment from institutional investors, reflects our shared confidence in HgCapital's well established business model and in the new opportunities that are presenting themselves and from which shareholders can profit.

Roger Mountford Chairman 3 March 2017

THE COMPANY'S INVESTMENT OBJECTIVE AND INVESTMENT POLICY

The objective of the Company is to provide shareholders with consistent long-term returns in excess of the FTSE All-Share Index by investing predominantly in unquoted companies where value can be created through strategic and operational change.

INVESTMENT POLICY

The policy of the Company is to invest, directly or indirectly, in a portfolio of unlisted companies where HgCapital believes it can add value through organic growth, operational improvements, margin expansion, reorganisation or by acquisition to achieve scale. The Company seeks to maximise its opportunities and reduce investment risk by holding a spread of businesses diversified by sector, market and geography.

Risk management

The Company has adopted formal policies to control risk arising through excessive leverage or concentration. The Company's maximum exposure to unlisted investments is 100% of the gross assets of the Company from time to time. On investment, no investment in a single business will exceed a maximum of 15% of gross assets. The Company may invest in other listed closed-ended investment funds up to a maximum at the time of investment of 15% of gross assets.

Sectors and markets

As the Company's policy is to invest in businesses in which HgCapital can play an active role in supporting management, HgCapital primarily invests in companies whose operations are headquartered or substantially based in Europe. These companies operate in a range of countries, but there is no policy of making allocations to specific countries or markets. Investments are made across a range of sectors where HgCapital believes that its skills can add value, but there is no policy of making allocations to sectors.

The Company may, from time to time, invest directly in private equity funds managed by HgCapital where it is more economical and practical so to do.

Gearing

Each underlying investment is usually leveraged but no more than its own cash flow can support, in order to enhance value creation; it is impractical to set a maximum for such gearing across the portfolio as a whole. The Company commits to invest in new opportunities in order to maintain the proportion of gross assets that are invested at any time, but monitors such commitments carefully against projected cash flows. The Company has the power to borrow and to charge its assets as security. The Articles restrict the Company's ability (without shareholder approval) to borrow, to no more than twice the Company's share capital and reserves, allowing for the deduction of debit balances on any reserves.

Hedging

Part of the Company's portfolio is located outside the UK, predominantly in Continental Europe. The Company may therefore hold investments denominated in currencies other than sterling. From time to time, the Company may put in place hedging arrangements in order to manage currency risk, although at present the Company does not strategically hedge such investments back into sterling. HgCapital uses derivatives to hedge tactically with the object of protecting the sterling value of the cost of investments made or proceeds from realising investments in other currencies, between exchange of contracts and completion of a transaction.

Overcommitment

The Company may be overcommitted at times in order to ensure that it is more fully invested in the future. The level of overcommitment is regularly reviewed by the Board and HgCapital.

Liquid funds

The Company maintains a level of liquidity to ensure, so far as can be forecast, that it can participate in all investments made by HgCapital throughout the investment-realisation cycle.

At certain points in the investment-realisation cycle the Company may hold substantial cash awaiting investment. The Company may invest its liquid funds in government or corporate debt securities, or in bank deposits, in each case with an investment grade rating, or in managed liquidity funds that hold investments of a similar quality.

If there is surplus capital and conditions for new investment appear to be unfavourable, the Board will consider returning capital to shareholders, probably through the market purchase of shares

Any material change to the Company's investment objective and policy will be made only with the approval of shareholders in a general meeting.

THE COMPANY'S RATIONALE AND BUSINESS MODEL

The Board has a clear view of the rationale for investing in unquoted businesses where there is potential for growth in value through applying strategic and operational change. This informs its decisions on the operation of the Company and the evolution of the Company's Business Model.

RATIONALE

The Board believes that there is a convincing rationale for directly investing in well-researched private businesses where there is potential for substantial growth in value, especially where HgCapital can work alongside the management of a business to implement strategic or operational improvements. These can result in higher rates of growth in sales, enhanced margins and increasing profits, which are more sustainable into the future, offering investors the potential for continuing growth in shareholder value.

Change can often be implemented more quickly when a business is privately-owned. Listed businesses can find it difficult to undergo rapid change and value creation; opportunities to invest through such a period of value creation are therefore rare in the listed market, other than through the shares of a vehicle such as the Company. Listed companies are also constrained in attracting and rewarding the management needed during periods of change. HgCapital uses well-proven private equity structures to attract and incentivise the management team of portfolio companies and the highly-experienced chairs and other non-executive directors whom HgCapital appoints to guide local management. Returns in each business are also enhanced by raising borrowing that it can service from its own cash flow.

The advantages of investing in unquoted businesses have been recognised for decades by many large institutions, which have made an allocation to unlisted businesses, either by direct investment or through private equity funds. However, participation in such funds usually requires committing substantial sums to a 10 to 12-year closed-end fund, devoting time to select a manager and negotiate complex limited partnership agreements, and then assuming the burdens of administration, monitoring and accounting that these vehicles impose. HgCapital Trust plc offers a simple and liquid means by which to achieve the same investment, monitored by an independent Board.

BUSINESS MODEL

Working within the framework of the Company's Investment Policy, the Board and HgCapital have together developed a business model, which is kept under regular review. The business model evolves as market conditions change and new opportunities appear.

Asset class

The Company is a direct investor in a portfolio of businesses managed, and in most cases controlled, by HgCapital. The Company's objective is to deliver superior long-term returns by participating in the ownership and development of unquoted businesses where HgCapital has the ability to implement change and enhance shareholder value. From time to time the Company may hold listed securities in pursuit of its investment policy. Most of the Company's investments are held through specialpurpose partnerships, of which it is the sole limited partner. HgCapital periodically raises funds from institutional investors who participate through limited partnerships and which invest alongside the Company. The institutional investors and the Company invest on substantially identical terms. Taken together, the funds available to HgCapital are sufficient to allow it to take majority positions in the businesses in which it invests and thus the ability to help support management and strategy as appropriate; the Company is invariably the largest investor in each business. The Company is currently investing alongside HgCapital's HgCapital 7 fund and is committed to invest alongside the HgCapital 8 fund, once the HgCapital 7 investment period ends. The Company also invests in smaller TMT buyouts via HgCapital's specialist Mercury fund and has committed to invest alongside HgCapital's Mercury 2 fund once the Mercury I fund investment period ends. The Company additionally invests in renewable energy via its commitment to RPP2; however, the Board will be making no new commitments to this sector.

The aggregate funds available to HgCapital, from the Company and from institutional funds, enable HgCapital to maintain substantial staffing to support the businesses in which we are invested, with a level of management and specialist experience that would not be available to the Company on its own. HgCapital has experienced resources both in-house and through its network of operating partners, who are highly experienced executives with transferable skills relevant to the businesses in which HgCapital invests and the nature of the support it provides. HgCapital has more than 65 investment professionals, who are organised in investment teams, that focus on business sectors and carry out in-depth research into them. In addition, HgCapital has a dedicated portfolio team that works with management teams and operating partners to add value to businesses in the portfolio. Because the management of investment funds is the responsibility of HgCapital, the Company has no responsibility to institutional investors with whom we co-invest.

THE COMPANY'S RATIONALE AND BUSINESS MODEL

When selecting businesses to invest in, HgCapital looks to identify companies with specific business model attributes across technology and technology-enabled services, an area of investment in which it has substantial expertise, gained over many years. This expertise enables HgCapital to work alongside the management of the portfolio companies, in order to implement strategic and operational change and create value for both the Company and HgCapital's Limited Partnership Funds.

The Company is currently invested in more than 30 companies, ranging in size, sector and geography, providing substantial diversification.

The Board regularly monitors progress in all the businesses within the portfolio; the development of HgCapital's investment strategy; the resources and sustainability of the business model; and valuations. By making direct investments, the Company can provide greater transparency to shareholders. The Board and shareholders in the Company thus have a detailed understanding of the portfolio.

The Company is not a fund of funds and does not normally invest in other managers' funds. This also avoids the double level of fees common in a fund of funds model.

Periodically, the Company enters into a formal commitment to invest in businesses identified by HgCapital, alongside its Limited Partnership Funds. Such commitments are normally drawn down over four to five years, as investment opportunities arise. When this commitment approaches full deployment, the Company agrees a new commitment with HgCapital.

The Board of the Company sets the investment parameters for making these commitments to invest and decides the level of commitment to be made, in accordance with the investment policy. The Board agrees to pay HgCapital a priority profit share based on the sum committed, to remunerate HgCapital for its work in identifying opportunities, and subsequently on the sums invested, reflecting HgCapital's ongoing management of the investments. An incentive based on performance, or "carried interest", becomes payable after the repayment to the Company of its invested capital and a preferred return has been achieved. (See page 94 for further information).

The Board and HgCapital continually monitor the projected cash flows of the Company, with the objective of keeping the Company as fully invested as is practical, while ensuring that it will have cash available when a new investment arises; this requires the Board, on the advice of HgCapital, to make important assumptions about the rate of deployment of funds into new investments and the timing and value of realisations. However, to mitigate the risk of being unable to fund any draw-down under its commitments to invest alongside certain of HgCapital's funds, the Board has negotiated a right to opt out, without penalty, of the Company's obligation to fund such draw-downs where certain conditions exist (see page 16, under "Liquidity").

The Company may also take up a co-investment in some businesses (in addition to the investment it has committed to make). The Company has no liability to pay fees on such co-investment and no carried interest incentive is payable to HgCapital on realisation. The Company may also offer to acquire a limited partnership interest in any of HgCapital's funds in the event that an institutional investor wishes to realise its partnership interest.

As the Company's shares are listed on the London Stock Exchange, it can take advantage of tax benefits available to investment trusts. This allows the Company to realise businesses from its portfolio without liability to corporation tax. The Board intends to retain this status so long as it is in shareholders' interest to do so. This will require the Board to declare dividends so that not more than 15% of taxable income is retained each year.

Performance targets

The Company's aim is to achieve returns in excess of the FTSE All-Share Index over the long-term. NAV per share has grown by 11.0% p.a. compound over the last ten years and 12.7% p.a. compound over the last twenty years. The share price has seen broadly similar performance growing by 10.7% p.a. compound over the last ten years and 14.5% p.a. compound over the last twenty years. The Board and HgCapital aim to continue to achieve consistent, long-term returns in this range.

The Company is not managed so as to reflect short-term movements in any Index. The Board also regularly compares the Company's NAV and share price performance against a basket of broadly comparable companies with similar characteristics, listed on the London Stock Exchange.

Priorities as a listed investment company

As the rationale for the Company is to provide investors with a way to invest in private companies undergoing strategic or operational change, the Board has a number of priorities, including: ensuring that HgCapital will have sufficient resources to identify new opportunities and a depth of expertise that can create value through active management; providing shareholders with transparent and clear reports on the underlying portfolio businesses; publishing valuations of the businesses held, and of the Company's NAV, that are consistently prepared and carefully reviewed; maintaining a liquid market in the Company's shares, supported by independent research; avoiding additional risk at Company level that is not justified by reward; and retaining the tax advantages offered by meeting the requirements of HMRC for investment trust status. The Board additionally places great emphasis on pro-active investor relations, including regular dialogue with shareholders, as well as offering easy access to Board members and HgCapital executives.

THE COMPANY'S RATIONALE AND BUSINESS MODEL

Long-term viability statement

In accordance with provision C.2.2 of the 2014 revision of the UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the twelve months required by the 'Going Concern' test. The Board believes that the appropriate period over which to assess the Company's viability may vary from year to year, depending on a number of factors, notably its outstanding investment commitments, which currently run until 2021-2022. In addition, the Board believes that it should assess the viability of the Company over a minimum of five years and, accordingly, has elected this year to assess the Company's viability over the five-year period ending December 2021.

In their assessment, the Directors have considered the Company's position with reference to the business model, the balance sheet, cash flow projections, availability of funding and the Company's contractual commitments. This has been undertaken alongside a detailed review of the principal risks and uncertainties associated with the Company, including: performance; regulatory; operational; financial; liquidity; and borrowing, as detailed on pages 15 and 16 of the Strategic Report. The Directors recognise the importance of its close working relationship with HgCapital and regularly monitor and review HgCapital's strategy, resources, risks and associated internal controls.

Based on this assessment, the Directors of the Company confirm that they expect the Company will continue to operate and meet its liabilities, as they fall due, during the five years ending December 2021.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and financial position are described in the Board's Strategic Report and HgCapital's Review. The financial position of the Company, its cash flows, liquidity and borrowing facilities are described in this Strategic Report.

In addition, note 19 to the financial statements describes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Directors believe that the Company is well placed to manage its business risks successfully. The Directors review cash flow projections regularly, including important assumptions as to future realisations and the rate at which funds will be deployed into new investments. The Directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future and be able to meet its outstanding commitments, as noted on pages 5 and 30. Accordingly, they continue to adopt the going concern basis in preparing these results.

NAV and trading in the Company's shares

The Directors value the portfolio and publish the Company's NAV as at 30 June and 31 December each year. The NAV figure is then published monthly, after adjustment for realisations and movements in foreign exchange, the market prices of any listed securities and any dividends payable and expenses incurred.

The Company's shares trade on the London Stock Exchange at prices that are independent of the Company's NAV but reflect the NAV and expectations of future changes in it.

The shares have, from time to time, traded at both a discount and a premium to the published NAV.

The Board has not attempted to manage any discount through repurchase of shares. The Board believes that discounts to NAV are minimised through consistently good long-term returns, transparent reporting, rigorous valuation, avoidance of risk at the Company level and the maintenance of an active programme of market engagement.

Valuation

HgCapital is responsible for preparing valuations of each of the Company's investments, which the Board reviews after considering analytical and performance data, and the valuation process. The valuations are carried out in accordance with the International Private Equity and Venture Capital ('IPEV') Valuation Guidelines. Further information can be found at www.privateequityvaluation.com.

Dividends

The Board has received a wide range of Shareholder views in respect of the amount and timing of dividends and has decided from this year to change the dividend policy to align with this feedback.

The Board is recommending a final dividend of 46.0 pence per share to shareholders in respect of the 2016 financial year and it is anticipated that future dividends will be not less than this amount. Where possible, the Company will continue to 'stream' its income from interest-bearing investments as this reduces the tax charge payable by the Company.

With effect from the 2017 financial year, the Board intends to declare an interim dividend payable in or around October each year.

THE COMPANY'S RATIONALE AND BUSINESS MODEL

Performance

In the twelve months to 31 December 2016, the Company's NAV per share increased by 19.5% on a total return basis. In comparison, the FTSE All-Share Index increased by 16.8%. The total return of the Company's share price was 42.9%. All of the above returns assume the reinvestment of all historical dividends.

Key performance indicators

At each Board meeting the Directors conduct a detailed review of the portfolio and review trading results and ratios, in order to understand the impact on the Company of the trading performance of the individual portfolio holdings.

The KPIs used to measure the progress and performance of the Company over time and which are comparable to those reported by other investment companies include: NAV per share; share price; total return per share; average monthly trading volumes; and cash flow. Further information on KPIs and the Company's performance against these can be found in the Chairman's statement on pages 8 to 10 and HgCapital's review on pages 17 to 62. The Directors recognise that it is in the long-term interest of shareholders that shares do not trade at a significant discount to the prevailing NAV and they monitor the Company's discount or premium regularly.

PRINCIPAL RISKS AND UNCERTAINTIES

The key financial risks faced by the Company are set out below and in note 19 to the financial statements.

The Board regularly reviews and agrees policies for managing each risk, as summarised below.

Performance

An inappropriate investment strategy might lead to poor performance. The Board is responsible for deciding the investment policy to fulfil the Company's objectives and for monitoring HgCapital's performance in carrying it out. To help manage this risk, HgCapital provides an explanation of all investment decisions and the rationale for the composition of the investment portfolio. It also monitors and maintains an adequate spread of investments, within the risk controls set out in the Company's investment policy, in order to minimise the risks associated with particular countries or factors specific to particular sectors.

Regulatory

The Board continues to believe that it is in shareholders' interest to retain the tax advantages that flow from meeting the requirements for an investment trust under Sections II58 and II59 of the Corporation Tax Act 2010 ('CTA'). As such, the Company is exempt from corporation tax on capital gains realised from the sale of its investments, so the impact of losing investment trust status would be significant to the Company.

The Board believes the likelihood of this risk occurring is low. HgCapital monitors investment movements, the level and type of forecast income and expenditure, and the amount of retained income (if any) to ensure that the provisions of Sections 1158 and 1159 of CTA are not breached. The Company's compliance with the conditions for retaining investment trust status is certified by HgCapital at each meeting of the Board.

General changes in legislation, regulation or government policy could significantly influence the decisions of investors or impact upon the markets in which the Company invests.

Operational

The Company has no employees and relies upon the services provided by third parties, notably HgCapital to which the principal managerial functions have been delegated; the Company is dependent upon the internal control systems of HgCapital and the Company's other service providers. The security of the Company's assets, dealing procedures, accounting records and maintenance of regulatory and legal requirements, depend on the effective operation of these systems. These are regularly tested and monitored and an internal control report, which includes a robust assessment of risks, together with procedures to mitigate such risks, is prepared by HgCapital and reviewed by the Board and the Audit & Valuation Committee twice each year.

The Company is also an Alternative Investment Fund ('AIF') for the purposes of the Alternative Investment Fund Managers Directive (Directive 2011/61/EU) ('AIFMD') and HgCapital has been appointed as its Alternative Investment Fund Manager ('AIFM') for the purposes of the AIFMD.

The Board has considered an Assurance Report on Internal Controls (AAF 01/06) as prepared by HgCapital, and independently reviewed by Deloitte LLP, for the year ended 31 December 2015. The Board will consider the 2016 Assurance Report when issued later in March 2017.

Financial

The Company's investment activities expose it to a variety of financial risks that include valuation risk, liquidity risk, market price risk, credit risk, foreign exchange risk and interest rate risk. Further details are disclosed in note 19 to the financial statements, together with a summary of the policies for managing these risks.

Liquidity

The Company predominantly invests in unquoted companies; liquidity in their securities can be constrained, potentially making the investments difficult to realise at, or near, the Directors' published valuation at any one point in time. HgCapital has regard to the liquidity of the portfolio when making investment decisions, and the Company manages its liquid resources to ensure sufficient cash is available to meet its contractual commitments.

THE COMPANY'S RATIONALE AND BUSINESS MODEL

In the event that, after providing for necessary expenditure, the Company will have insufficient cash resources to fund a new investment, an opt-out provision has been negotiated in connection with the Company's commitment to invest alongside HgCapital 8 and Mercury 2. This permits the Company to opt out of its obligation to fund a draw-down for certain liquidity or regulatory reasons, in particular, if to do so would result in the Company (i) not having the cash resources to meet any of its liabilities, expenses or obligations to fund its commitments to other funds or investment vehicles of HgCapital that are reasonably likely to become due within 12 months or (ii) not being able to undertake any share buy-back, in each case subject to certain conditions. These provisions help the Company to manage the risks associated with over-commitment.

At certain points in the investment cycle, the Company may hold substantial amounts of cash awaiting investment, which it may invest in government or corporate securities, or in bank deposits or managed funds. To this end, the Company is invested in the Royal London Asset Management Cash Plus Fund. This deploys funds awaiting investment in a highly liquid portfolio of cash, deposits, money market instruments and short-dated government securities.

Borrowing

The Board and HgCapital agree that prudent use of borrowing to fund investments can allow the Company to hold a larger and more diversified portfolio and increase rates of return to shareholders. Businesses in the underlying portfolio are invested in with the benefit of bank borrowing at levels that can be serviced from the cash flows generated within that business. The Board does not currently see any advantage in using a further level of long-term borrowing by the Company, as this would add risk without any certainty of enhancing returns, but anticipates making tactical use of bank borrowing from time to time, in order to remain more fully invested across the investment-realisation cycle.

The Board keeps the management of the Company's resources under frequent review and regularly considers long-term cash flow projections for the Company and the use of gearing.

The Company has arranged an unsecured standby bank facility with Lloyds Bank plc of £80 million to provide funds for investment when necessary; this facility is available until 30 June 2019. The facility was undrawn at 31 December 2016. The Directors believe the borrowing facility gives the Board further flexibility in managing the Company's resources, without adding undue risk.

OTHER MATTERS

Socially responsible investment

The Board has endorsed HgCapital's policy to invest the Company's funds in a socially responsible manner, as set out in this Annual Report (pages 22 and 23) and on their website at http://www.hgcapital.com/responsibility. The Company's focus is on identifying high-quality and sustainable businesses, and supporting their growth for the benefit of shareholders and wider society. The Board monitors investment activity to ensure they are compatible with these policies.

The Company has no employees and has limited direct impact on the environment. The Company aims to conduct itself responsibly, ethically and fairly and has sought to ensure that HgCapital's management of the portfolio of investments takes account of social, environmental and ethical factors where appropriate. The sectors in which HgCapital invests do not generally raise material ethical issues.

Employees, human rights and community issues

The Board recognises the requirement under section 414C of the Companies Act 2006 to provide information about employees, human rights and community issues, including information in respect of any policies it has in relation to these matters and their effectiveness. These requirements do not apply to the Company as it has no employees, all of the Directors are non-executive and it has outsourced all its functions to third party providers. The Company has therefore not reported further in respect of these provisions.

Modern Slavery

The Company has no employees of its own. The Directors are satisfied that, to the best of their knowledge, HgCapital complies with the provisions of the UK Modern Slavery Act 2015. For further information please visit http://www.hgcapital.com/hgcapital-slavery-and-human-trafficking-statement.

Diversity

All financial decisions are made under conditions of uncertainty. The Board recognises the value of both identity and cognitive diversity in ensuring that varied perspectives are considered when making decisions.

The Board places value on attracting directors with diverse outlooks and experience. The skills and experience that the current members of the Board bring to the Company's leadership are described on pages 92 and 93. The Board's policy is to make appointments to the Board to achieve the balance of skills, outlook and experience needed but to do so solely on merit. At the end of the year under review, the Board of Directors of the Company comprised four men and one woman. The Company seeks to enhance diversity and looks for the best qualified male and female candidates. HgCapital has an equal opportunities policy and currently employs 72 men and 46 women.

For and on behalf of the Board Roger Mountford Chairman of the Board 3 March 2017

HgCAPITAL'S REVIEW

HgCapital is an investor predominantly in unquoted technology and technology-enabled service businesses.

Our business model combines deep sector specialisation with dedicated portfolio management support. HgCapital invests primarily in growth companies in expanding sectors via leveraged buyouts across Europe.

HgCapital's vision is to be the most sought after private equity investor in Europe, being a partner of choice for management teams, so as to produce consistent superior returns for the Company and other clients and a rewarding environment for our staff.



References in this Annual Report and Accounts to the 'portfolio', 'investments', 'companies' or 'businesses', refer to a number of buyout investments, held as:

- indirect investments by the Company through its direct investments in fund limited partnerships (HGT LP, HGT 6 LP, HGT 7 LP and HgCapital Mercury D LP ('Hg Mercury')) of which the Company is the sole limited partner;
- a secondary purchase of a direct interest in HgCapital's 6 fund through HgCapital 6 E LP ('Hg6E'), in which the Company is a limited partner; and
- direct investments in renewable energy fund limited partnerships (Hg Renewable Power Partners LP ('RPPI') and HgCapital Renewable Power Partners 2 C LP ('RPP2')), of which the Company is a limited partner.

Hg Pooled Management Limited was authorised as an Alternative Investment Fund Manager with effect from 22 July 2014. For further details, refer to pages 106 to 109 of this Annual Report.

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INTRODUCTION TO HgCAPITAL

With close to 120 staff in two investment offices in the UK and Germany, HgCapital has funds under management of over £7 billion serving a range of highly regarded institutional investors, including private and public pension funds, charitable endowments, insurance companies and family offices, alongside the Company.

We have progressively invested in and strengthened the business of HgCapital over the years, to establish a significant competitive advantage.

The Company is the largest client of HgCapital, which has been contracted to manage the Company's assets since 1994. The Company offers investors a liquid investment vehicle, through which they can obtain an exposure to our diversified portfolio of private equity investments with minimal administrative burdens, no long-term lock-up or minimum size of investment, and with the benefit of an independent board and associated corporate governance.

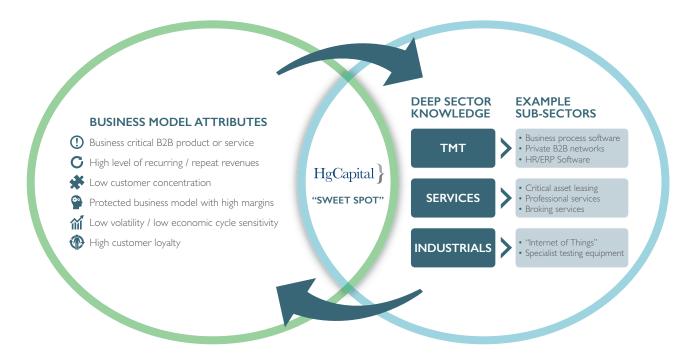
INVESTMENT STRATEGY

HgCapital primarily focuses on buyouts in technology and technology-enabled businesses with enterprise values ('EV') of between $\pounds 20$ million and $\pounds 500$ million predominantly but not exclusively in the UK and Northern Europe.

These companies are small enough to provide opportunities for strategic and operational improvement and to offer multiple exit options across market cycles, and yet large enough to attract high quality management.

We believe these markets offer a high volume of investment opportunities with proven financial performance and strong market positions.

HgCapital's investment strategy provides investors with access to the opportunity to invest in unquoted companies with specific business model attributes, predominantly in Northern Europe.



Clear investment criteria

HgCapital applies a rigorous approach when evaluating all investment opportunities. Our objective is to invest in the most attractive businesses, rather than be constrained by a top-down asset allocation.

We seek companies predominantly in technology and technology-enabled services, across our sectors that share similar characteristics, such as: high levels of recurring or contracted revenues; a product or service that is business-critical but typically low spend; low customer concentration; high customer loyalty and low sensitivity to market cycles; and often providing a platform for merger and acquisition ('M&A') opportunities. We believe that these companies have the potential for significant performance improvement.



We target situations where our specialist knowledge and skills can make a real difference in supporting management to grow industry champions.

Nic Humphries, Senior Partner, HgCapital

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Active portfolio management

By virtue of the fact that HgCapital repeatedly invests in specific kinds of business models, our dedicated Portfolio Management Team has been able to tailor a differentiated and complementary approach to ownership. Following each investment, our Portfolio Management Team works with management teams on the operational levers that are key to performance in an HgCapital 'sweet spot' business model, such as sales operations, digital marketing and customer success. The nature of support provided by HgCapital can take a variety of forms. At Board level, we typically appoint a member of the Portfolio team as a non-executive director responsible for

applying active, results-oriented corporate governance. Beyond the boardroom, members of our Portfolio team provide either direct support through hands-on best practice project work, or collaborate with management teams to draw on expertise from our specialist network, especially our Operating Partners who each bring a specific, operational specialism to company situations.

We also hold several functional best practice forums each year for our management teams, with over 250 executives attending across Sales, Customer Success, Finance, HR and other areas in any given year. These forums help promote knowledge-sharing, expertise and best-practice across our portfolio companies.

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A deep bench of people allows us to find and invest in great businesses and to work with some of the most talented entrepreneurial managers in our sectors to deliver strong returns for investors.

Matthew Brockman, Partner, HgCapital

"

OUR PEOPLE

HgCapital succeeds through analysis of new and emerging dynamics in the sectors and economies in which it invests. Developing this analysis requires profound understanding of technology, markets and business practices. To this end, we employ best-in-class talent to identify and execute investment opportunities and accelerate value realisation during ownership.

Our people come from a range of backgrounds and experience including private equity, consulting, investment banking, accounting and industry specialists. Supporting these focused in-house resources, HgCapital's Operating Partners consist of a group of senior individuals with many years of experience in operational and strategic roles, as well as individuals with strong functional expertise in a variety of areas. In addition to this, they have all worked with HgCapital and other private equity firms over long periods.

This specialisation - both in investment selection and portfolio management - requires significant resources and we have built a business employing close to 120 staff, including more than 65 investment and other professionals. Investing primarily in European businesses, many of which have a global footprint, requires time and a deep understanding of local cultures. Accordingly, our people come from around the globe, including ten European countries. Our partners have, on average, nineteen years' experience in management of private businesses.

Positioning ourselves as a best in class recruiter

HgCapital's recruitment and selection processes are rigorous and agile, which, along with our vibrant culture, allow us to attract and hire the best talent in our industry. We place a strong emphasis on delivering an experience that will encourage the best candidates to join us.

Improving our ability to identify talent

We have strengthened our talent identification processes with a focus on outperformers and how we can best accelerate their development within the business. We believe that this is the basis of effective succession planning.

Employee engagement

Our people are highly motivated by, and committed to, delivering outstanding value to our clients and our portfolio company leadership teams. They are engaged by their work, our values and the opportunity to grow to their full potential within HgCapital. Our values have evolved over many years and are embodied in our working culture; these are aligned with our performance review and compensation structures.

Developing future leaders

We are explicit about the behaviours we wish to encourage at HgCapital, and have aligned training, coaching, performance feedback and incentives to our values. This focus includes both broad organisation-wide and leadership competency models, which are used as the basis for performance coaching, development and promotion.

A full description of HgCapital and our key staff is available at www.hgcapital.com

SECTOR SPECIALISATION

In order to find businesses where we can add substantial value, HgCapital applies a deep sector focus, predominantly targeting buyout investments in technology and technology-enabled service companies.

HgCapital's sector teams combine the domain knowledge and expertise of a trade buyer – giving them enhanced credibility and the ability to make confident decisions – with the speed of execution and discipline of a financial investor leading to high conversion rates on deals.

This deep sector focus is channelled through: a rigorous, research-based investment process; systematically identifying the most attractive growth sub-sectors and business models primarily in Europe; and through repeated investment in them, deal flow is optimised and returns improved.



TMT

TMT, as a sector, covers a broad range of markets. Driven by our deep sector approach, HgCapital's TMT team is focused on specific sub-sectors, including: vertical market application software (particularly delivered via a SaaS model); private electronic marketplaces; B2B media information/publishing; and telecoms/datacentre operators.

Within these sub-sectors, we have invested in high quality businesses with diverse customer bases, which feature subscription-based business models generating predictable revenues and cash flows. The team regularly conducts top-down research within the wider sector, in order to continue to identify and assess further repeatable investment themes where we can invest time to develop proprietary expertise.

Our highly resourced, dedicated team means that we are well placed to identify, assess and complete investments quickly and

thoroughly. We work to bring our experience and expertise to support management teams, aiming to have the knowledge of a trade buyer, coupled with the speed and focused delivery of a financial buyer. The team benefits from the depth and breadth of many years of TMT private equity experience, and is complemented by an extensive network of industry experts and advisers.

Given the breadth of opportunity in European TMT, HgCapital is currently investing in the sector from two funds, HgCapital 7 and HgCapital Mercury; targeting buyouts in companies with enterprise values between £20 million and £500 million.

The aggregate funds we have to invest across the sector allows us to field significant teams to identify and negotiate investments, while providing a very comprehensive resource for the management teams that we support.

SECTOR SPECIALISATION



SERVICES

The Services sector is a large and wide-ranging segment which is traditionally split into 'horizontal' business models such as: business process outsourcing; facilities management; or testing and inspection. In contrast, our investment approach concentrates much more on specific end markets or customer segments, which we believe lead to attractive business model characteristics. We have then invested time to develop a strong understanding of the industry dynamics through top-down research or existing investments, identifying service companies that sell into those specific end sectors.

Within the Services sector, the investment themes that have attracted us have typically featured large, fragmented customer bases, long-term and stable customer relationships, and

businesses which provide business-critical services, preferably on a repeat or recurrent basis. We target businesses with leading positions within a niche, typically reflected by strong margins; and we aim to grow and scale these businesses, either organically within existing markets (selling into their customer bases), or through acquisition.

Existing investments include companies that serve a range of industries such as: the distribution of commercial laundry and catering equipment; automotive leasing; international business expansion services; and distribution of insurance. All of these have common characteristics, including: stable and diverse customer bases; critical, repeated use products; and a strong value proposition with a high level of customer service.



INDUSTRIALS

The Industrials team is focused on partnering with growth businesses within Europe and in particular in the German market, which is characterised by a large number of highly successful, family-owned businesses (the "Mittelstand"). We have earned a reputation as a preferred partner for many Mittelstand companies, having supported the management of a number of these hidden champions to scale up into international businesses. The Industrials Team, based in Munich, is located in the heart of an economic zone containing numerous high-quality, cutting-edge, technology-led industrial businesses, many

of which have strong national or international positions in a specific niche sector, with the opportunity to achieve further scale. Our thematic research within this sector has been concentrated over many years on the characteristics that define a strong industrial investment. As a result, we have developed certain themes that we regard as particularly attractive: aftermarket companies; product champions/niche manufacturers; c-part specialists; and smart distribution models. These themes are overlaid with specific industrial sub-sectors where we have a strong understanding.

RESPONSIBLE INVESTING

WHY RESPONSIBLE INVESTMENT IS IMPORTANT TO US

For HgCapital, responsible investing means growing sustainable businesses which are great employers, have low environmental impacts and are good corporate citizens, whilst generating superior risk-adjusted returns for the millions of pensioners and savers who are invested with our clients.

Through our investments we look to create quality jobs in sectors with low carbon emissions and to create value through revenue growth over the long-term. We want the businesses we invest in to be genuinely focused on doing well for all stakeholders (employees, customers, suppliers and other partners as well as shareholders). We firmly believe that businesses that behave this way generate superior long term performance.

OUR RESPONSIBLE INVESTING FRAMEWORK

We have created a framework for looking at the ways the businesses we invest in can address responsible investing and how we can help them. We use it to assess businesses both before investment and during our ownership.

IIII GOVERNANCE

- Adopt anti-corruption and business ethics;
- Enjoy effective board structure and committees; and
- Use active risk management procedures.



- Be great employers;
- Have a motivated workforce with minimum (but appropriate) turnover;
- · Comply with labour standards and health and safety.

MARKETPLACE

 Manage risks and relationships within the supply chain for reliable, stable, high quality supplies;

· Build customer satisfaction; and

· Understand and anticipate customer requirements for products with eco-efficiency or other sustainability benefits.

COMMUNITY

· Build strong links with the communities in which our businesses operate.

ENVIRONMENT

- Comply with relevant
- Adopt appropriate measurement
- Do more with less reduce their



HOW WE INTEGRATE RESPONSIBLE INVESTING INTO OUR INVESTMENT PROCESS

Investment screening

- When considering potential new investments, we screen them against an exclusion list, which identifies the sectors, businesses and activities in which we will not invest.
- A red flag report identifies high level concerns arising from sectors, geographies and preliminary diligence results.

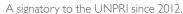
Diligence

- During diligence, we assess companies for compliance with relevant laws in relation to environmental, social, governance, health and safety, bribery and corruption issues.
- As part of this process, we carry out a specific review detailing risks and opportunities for improvement within our framework.

Ownership

• Our Portfolio Management Team works with companies to implement initiatives and new processes, and support them in realising their ambitions within and beyond our framework.













RESPONSIBLE INVESTING CASE STUDY: JLA



JLA is a UK-based Critical Asset Supply & Service business offering end-to-end solutions in laundry, catering, infection control, compliance & safety and consumables. JLA operates across a diverse sector, offering customers a fully inclusive machine supply and breakdown service proposition under the name of Total Care, as well as other supplementary products and services such as service solutions and equipment sales.

ENVIRONMENT

Helping our customers become more energy efficient

OTFX

JLA's OTEX ozone disinfection system uses ozone, one
of nature's best natural disinfectants. It works best in cool
temperatures leaving less moisture in linens leading to shorter
drying cycles. By using less water and heat, the laundry room
consumes less energy, reducing utility bills and operating costs
dramatically, whilst still ensuring robust infection control.



• In addition, ozone does not harm the environment. It has a very short half-life, breaking down into oxygen once its job is done.

SMART

- JLA's SMART Wash and SMART Dry ranges cut water, energy and detergent use by up to a third, giving customers a greener and cheaper operation.
- SMART Wash uses JLA Sense an integrated laundry 'brain'
 that determines the minimum water and detergent needed,
 saving up to 32% compared with a conventional washing
 machine, whilst still ensuring optimum wash quality.
- The SMART Dry range uses a two-phase heating process which cuts the time and energy needed for air to reach optimum drying temperature.

Working to protect our environment

In addition to helping customers become more energy efficient, JLA takes its responsibility to create a sustainable workplace very seriously, with the following initiatives:

- A programme of replacement for old IT equipment and lighting with more energy efficient versions;
- A vehicle tracking system dispatches the most appropriate engineer to a customer, reducing fuel consumption;
- ESOS compliant;
- HQ electricity is powered solely by renewable energy; and
- A CO₂ cap on company cars.

SOCIAL

Apprenticeship Scheme

JLA have run a successful engineer apprenticeship scheme since 2011. Apprentices learn the skills they need to succeed and work closely with an external training company, so that they get both on-the-job training and official qualifications.

With the training and support JLA give apprentice engineers, once they complete their courses, they expect to go on to become fully fledged members of the JLA team.

NVC

Within the last 12 months over 30 JLA employees have undertaken NVQ courses, and every one of them received a qualification. JLA has an ongoing programme to upskill team members to keep them growing in line with the business.

Diversity

JLA is committed to creating a culture that values its people and operates with mutual trust and respect. JLA's employment policies and practices reflect a culture where decisions are made based on individual ability and potential in relation to the needs of the business. This is seen as a factor in JLA's success.

Community sponsoring

JLA is committed to creating a positive impact within the community and with its customers, regularly supporting local events and sports teams and providing charitable donations to support customer fundraising initiatives.

GOVERNANCE

Business Principles

JLA's business principles are designed to ensure that all staff work towards the same goals and guard against damage to JLA's collective or individual reputations. In outlining their beliefs and expectations from an early stage, JLA promotes best practice from the day an employee joins the company.



The principles are readily available on www.jlagroup.com.

Cash Collection

JLA's Total Care Vend Share division outsourced their cash collection operation to minimise business risk and improve employee safety. All cash is now returned daily to highly secure unmarked cash centres to reduce cash handling time.

This process minimises the number of people in contact with cash, greatly improving JLA's accounting and audit trail.



CASE STUDY - P&I

Website: www.pi-ag.com

Sector: TMT

Geography: Germany



Business description

Founded in 1968 and headquartered in Wiesbaden, Germany, P&I (Personal & Informatik AG) supplies payroll and HR-related software to mid-market companies and the public sector primarily in Germany, Austria and Switzerland. P&I also serves customers across thirteen countries in Europe via its partners.

Over the course of more than four decades, P&I products have been enriched with information from the highly diverse tasks and best practices of more than 15,000 customers (of whom 3,900 are direct). The business offers software for the management of payroll, workforce, time management, human capital management and HR analytics.



We thank the HgCapital team for its support which helped us become a leading HR software provider in the DACH region and we appreciate its continuous investment as a strong sign of confidence in our growth prospects.

Vasilios Triadis, CEO of P&I



It typically serves "Mittelstand" businesses with 200–5,000 employees, across a range of industries, as well as medium-sized and large public sector customers. It employs more than 400 people with offices in Austria, Switzerland, Slovakia and the Netherlands and it has partners in nine additional European countries.

The investment

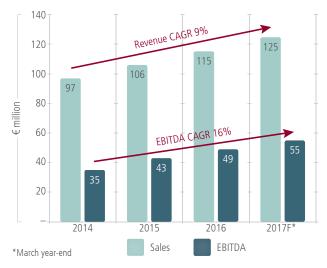
The regulatory driven software space was first identified by HgCapital as an attractive sub-sector in 2002 and the investment in P&I followed a decade of tracking the business, enabling HgCapital to build a strong relationship with the business' management over time and conduct thorough due diligence through the economic cycle. The investment in P&I is typical of HgCapital's approach to sourcing, origination and the business model characteristics which remain HgCapital's focus.

The business had seen strong operating performance with a historical 10-year track record of consistent revenue and EBITDA growth, with low sensitivity to economic market cycles. In December 2013, HgCapital, co-investors and the business' management acquired 92% of shares in P&I from Carlyle. The implied EV of the business was €438.0 million.

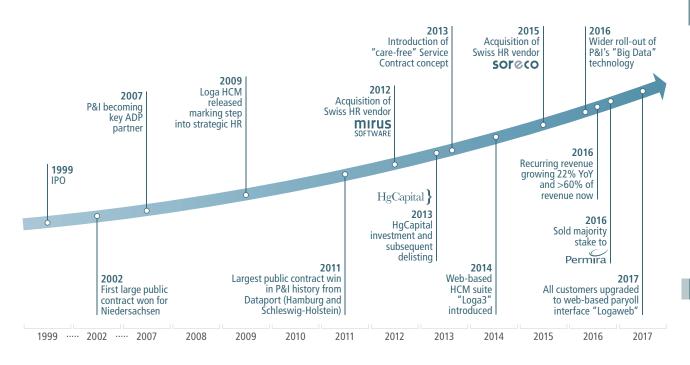
The investment case

HgCapital continues to see attractive long-term growth in the European payroll and transactional HR sector for leading, innovative players. P&I displays specific characteristics that HgCapital looks for in its portfolio companies: a scalable business model with a broad, diversified customer base; strong customer loyalty; and a significant share of recurring revenues, driven by ongoing regulatory changes. As a driver of innovation in HR technology, P&I is highly rated among its customers for the quality of its products.

FINANCIAL PERFORMANCE



CASE STUDY - P&I



We also saw the opportunity to continue to develop P&l's product offerings, including the addition of further Human Capital Management functionality, the strengthening of its recurring revenue base and the increasing adoption of its cloud service technology (P&l Big Data) into their customer base. There was also potential for small M&A opportunities in the relatively fragmented HR management systems, payroll, time management and expenses markets, both in the DACH region and internationally.

How HgCapital has supported P&I

With HgCapital's support, P&I acquired a Swiss payroll vendor, Soreco HR, in 2015. In addition to growth and product development, HgCapital focused on strengthening P&I's financial and operating reporting, as well as defining the company's forward business plan.

The roll-out of Big Data was very successful with adoption rates of more than 90%, driving year-on-year growth in recurring revenue in excess of 6% in 2016 to 22% year-to-date FY2017. The move into Big Data has also had a positive effect on the operating efficiency of the business, driving increases in average sales licence revenue per employee and average consulting EBITDA revenue margin to 44% in 2017.

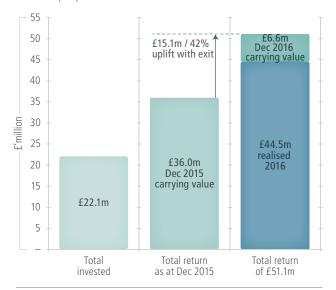
Performance improvement

Over our investment period, P&I saw compound annual EBITDA growth of 16% p.a. P&I continues to perform well and saw high single digit revenue growth, 22% growth in recurring revenues and 17% EBITDA growth over the 2017 financial year to date. This has been driven by strong sales to both existing and new customers with growth in high margin revenue streams (e.g. licence, maintenance and Big Data) leading to margin expansion. In addition, P&I has made significant progress in shifting its customer base to its cloud service technology, P&I Big Data, which is expected to further improve efficiency and scalability for both P&I and its customers.

Exit and refinancing

In January 2016, we completed the refinancing of P&I, returning 60% of the original investment made in December 2013 to clients. In November 2016, we completed the sale of P&I to a company backed by funds of Permira, an international investment firm. The combined return represents an investment multiple of 2.3× cost and a 37% gross IRR over P&I's holding period to date.

HgCapital has retained a minority position of €70 million in P&I; the Company's share of this is valued at £6.6 million.



Investment return multiple of cost: 2.3x Gross IRR: 37% p.a.

The numbers in this chart relate to the Company's share of HgCapital's investment in P&I.

OVERVIEW OF THE YEAR

NET ASSET VALUE (NAV)

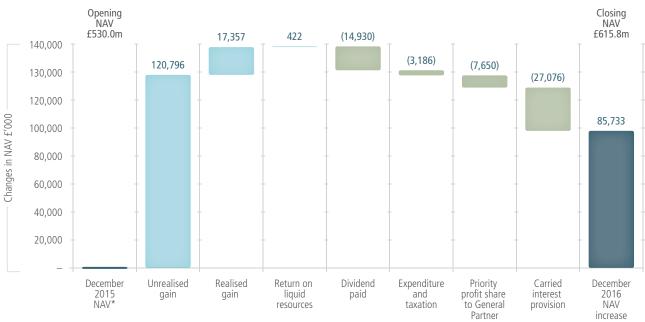
During the year, the NAV of the Company increased by £85.8 million, from £530.0 million to £615.8 million at 31 December 2016.

ATTRIBUTION ANALYSIS OF MOVEMENTS IN NAV

	Revenue £'000	Capital £'000	Total £'000
Opening NAV as at 1 January 2016	31,946	498,077	530,023
Net unrealised capital and income appreciation of investment portfolio	32,615	88,181	120,796
Realised capital and income proceeds from investment portfolio in excess of 31 December 2015 book value	1,870	15,487	17,357
Net realised and unrealised gains from liquid resources	347	75	422
Dividend paid	(14,930)	_	(14,930)
Expenditure	(2,605)	_	(2,605)
Taxation	(581)	_	(581)
Investment management costs:			
Priority profit share - current year charge	(7,650)	_	(7,650)
Priority profit share - net loan allocation	(3,856)	3,856	_
Carried interest - current year provision	_	(27,076)	(27,076)
Closing NAV as at 31 December 2016	37,156	578,600	615,756

ANALYSIS OF NAV MOVEMENTS

for the year ended 31 December 2016



^{*}December 2015 rebased to nil

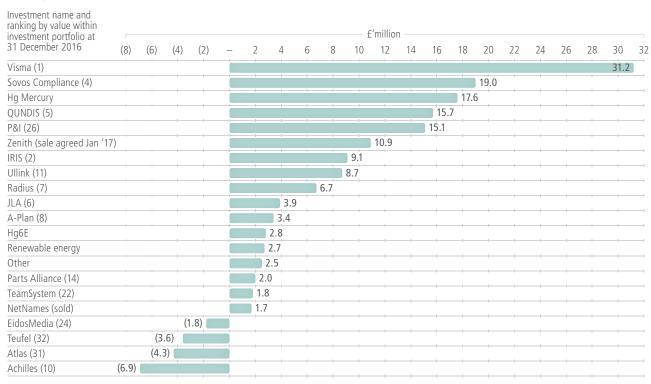
There were a number of underlying factors contributing to the increase in the NAV. Positive impacts on the NAV were the £120.8 million revaluation of the unquoted portfolio and uplifts of £17.4 million on the realisation of investments compared with their carrying value at the start of the year.

Reductions in the NAV included: the payment of a £14.9 million dividend to shareholders and HgCapital's remuneration (£7.7 million and a £27.1 million increase in the provision for future carried interest).

OVERVIEW OF THE YEAR

REALISED AND UNREALISED MOVEMENTS IN INVESTMENT PORTFOLIO

for the year ended 31 December 2016



ATTRIBUTION ANALYSIS OF MOVEMENTS IN THE INVESTMENT PORTFOLIO

for the year ended 31 December 2016



¹ Including accrued income and excluding carried interest provision

During the year, the value of the unrealised portfolio increased by £106.7 million, excluding the provision for carried interest. The majority of the increase (£90.5 million) relates to increases from profit growth in the underlying portfolio and £48.1 million of positive foreign exchange movements.

These were partially offset by £14.1 million of decreases driven by realisations at carrying value net of acquisitions and an increase in net debt of £13.9 million resulting from refinancings that returned cash to the Company and further M&A activity within the portfolio.

² December 2015 rebased to nil

³ Before the deduction of the carried interest provision

OVFRVIEW OF THE YEAR

TOP 20 PORTFOLIO TRADING PERFORMANCE

as at 31 December 2016

The top 20 buyout investments (representing 83% of the total portfolio by value) have delivered strong sales growth of 11% and EBITDA growth of 21% over the last twelve months ('LTM').

This demonstrates consistent robust growth in the portfolio with revenues and EBITDA growing on average by 11% and 14% p.a. respectively over the last three years. The business model characteristics of these companies give us confidence that this double-digit growth can be achieved consistently going forward.

More than 70% of the portfolio is seeing strong double-digit revenue growth, with close to 80% of the portfolio delivering EBITDA growth in excess of 10% over the last twelve months.

Profits across the portfolio have grown at a faster rate than revenues, as the investment made over the last few years into the cost base of a number of our companies, to finance increased sales and marketing capabilities, strengthen management and new product development, bears fruit.

We continue to see very robust double-digit trading performance from Visma, IRIS, Sovos Compliance and Allocate Software in the TMT portfolio and Zenith and Citation in the Services sector.

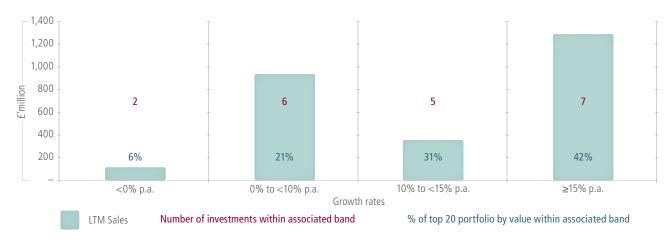
As reported at the half year, OUNDIS, a German based industrial company, has continued to perform very well and is delivering strong growth versus prior year, driven by superior product features, new customer wins and increasing market share.

Significant M&A undertaken by Ullink in 2014 and subsequent investment into the company has delivered synergies resulting in very robust earnings growth over the last twelve months.

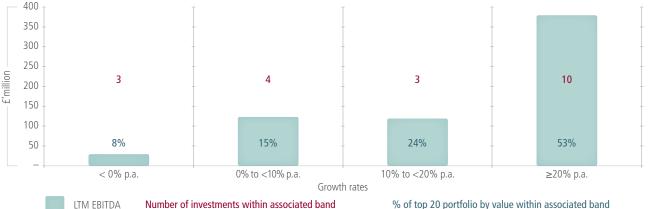
Achilles, one of our SaaS businesses, is focused on driving recurring revenue growth, adding significant costs to improve sales and marketing capabilities and consequently, this has significantly depressed EBITDA growth over 2016. The market opportunity for Achilles remains significant.

With strong earnings growth and cash generation across the portfolio, we believe that this will continue to drive equity value in our investments.

TOP 20 LTM SALES GROWTH: +11%



TOP 20 LTM PROFIT GROWTH: +21%



Number of investments within associated band

% of top 20 portfolio by value within associated band

OVERVIEW OF THE YEAR

VALUATION AND GEARING ANALYSIS

as at 31 December 2016

The portfolio's valuation policy is applied consistently, in accordance with the IPEV Valuation Guidelines. Each company has been valued individually, resulting in an average EBITDA multiple for the top 20 buyout investments of 14.2x (14.5x at 31 December 2015).

We continue to take a considered and prudent approach in determining the level of maintainable earnings to use in each valuation. The majority of the portfolio is valued using the LTM earnings to 30 November 2016, unless we have anticipated that the outlook for the full current financial year is likely to be lower, in which case we have used forecast earnings. In selecting an appropriate multiple to apply to a company's earnings, we look at a basket of comparable companies, primarily from the quoted sector, but where relevant and recent, we will also use M&A data.

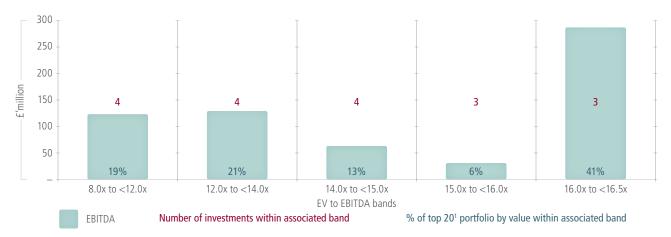
Almost 41% of the top 20 by value has a multiple of just over 16x (Sovos Compliance, Visma and IRIS). All have attractive business models, are growing strongly and generating cash, and are in demand from investors.

There remains a continued shift in the mix of the portfolio to higher growth businesses, in particular in the TMT sector, where we hold a number of companies with substantial opportunities to grow their SaaS business.

Our portfolio companies make appropriate use of gearing, with an average for the top 20 of 4.1x LTM EBITDA. Many of our businesses have highly predictable, strong earnings growth and are very cash generative, enabling us to use debt to gear our returns.

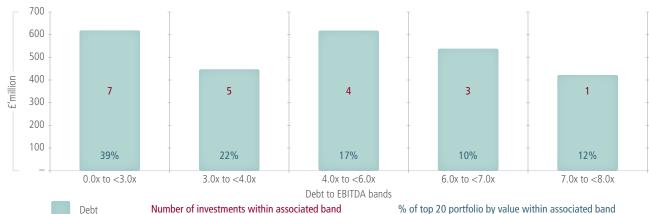
The year has seen significant increases in valuations in the portfolio. These were driven by strong trading performance in the underlying portfolio and additional gains from currency movement, reversing the losses seen in the past three years.

TOP 201 EV TO EBITDA VALUATION MULTIPLE: 14.2x



¹Excluding two investments valued on a basis other than earnings.

TOP 20 DEBT TO EBITDA RATIO: 4.1x



Number of investments within associated band

% of top 20 portfolio by value within associated band

OVERVIEW OF THE YEAR

OUTSTANDING COMMITMENTS OF THE COMPANY

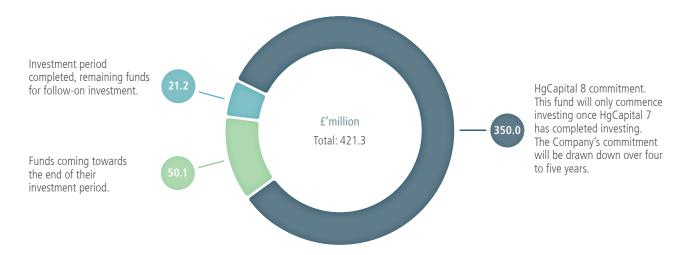
2016 ended with liquid resources of £46 million, supported by an undrawn bank facility of £80 million. Outstanding commitments as at 31 December 2016 were £421 million, as listed below. We anticipate that the majority of these outstanding commitments will be drawn down progressively over the next five years and are likely to be partly financed by future cash flows from portfolio realisations. Additionally, to mitigate the risk of being unable to fund any draw-down under its commitments to invest alongside certain of HgCapital's funds, the Board has negotiated a right to opt out, without penalty, of the Company's obligation to fund such commitments where certain conditions exist.

A new commitment of £80 million to HgCapital Mercury 2 was made in February 2017 that is not shown in the table below. This commitment also has the benefit of an opt-out provision.

Fund	Fund vintage	Original commitment £'million	Outstanding of as at 31 De £'million	commitments cember 2016 % of NAV		commitments ecember 2015 % of NAV
HGT 8 LP ¹	2017	350.0	350.0	56.9%	_	_
HGT 7 LP	2013	200.0	39.8	6.5%	102.8	19.4%
HGT 6 LP	2009	285.0	11.0	1.8%	17.9	3.4%
Hg Mercury	2011	60.0	10.3	1.7%	27.5	5.2%
RPP2	2010	34.12	7.5	1.2%	8.2	1.5%
HGT LP (Pre-HgCapital 6 vintage)	pre-2009	120.0³	1.3	0.2%	1.3	0.2%
RPP1	2006	18.5 ⁴	0.8	0.1%	1.0	0.2%
Hg6E ⁵	2009	15.0	0.6	0.1%	0.9	0.2%
Total			421.3	68.5%	159.6	30.1%
Liquid resources			45.8	7.4%	40.3	7.6%
Net outstanding commitments unfunded by liquid resources			375.5	61.1%	119.3	22.5%

¹ Commitment to HgCapital 8 in December 2016. This fund will only commence investing once HgCapital 7 has completed its investment period.

COMMITMENTS AT 31 DECEMBER 2016 – REMAINING INVESTMENT PERIOD



² Sterling equivalent of €40.0 million.

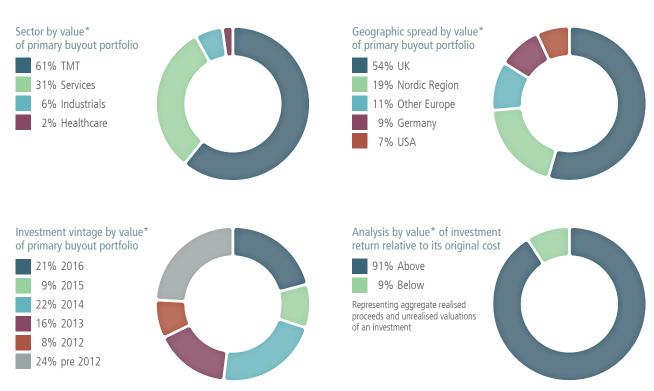
³ Excluding any co-investment participations made through HGT LP.

 $^{^4}$ Sterling equivalent of €21.6 million.

⁵ Partnership interest acquired during 2011.

INVESTMENT PORTFOLIO OF THE COMPANY

Fund limited partnerships	Residual cost £'000	Total valuation £'000	Portfolio value %
Primary buyout funds:			
1 HGT 6 LP HGT 6 LP - Provision for carried interest	152,700 —	273,296 (38,603)	47.8% (6.7%)
2 HGT 7 LP HGT 7 LP - Provision for carried interest	138,527 —	185,585 (11,751)	32.4% (2.1%)
3 HGT LP	61,422	77,986	13.7%
4 HgCapital Mercury D LP HgCapital Mercury D LP - Provision for carried interest	37,528 —	59,058 (3,910)	10.3% (0.7%)
Total primary buyout funds	390,177	541,661	94.7%
Secondary buyout funds:			
5 HgCapital 6 E LP HgCapital 6 E LP - Provision for carried interest	5,175 —	14,448 (2,018)	2.5% (0.4%)
Total secondary buyout funds	5,175	12,430	2.1%
Total buyout funds	395,352	554,091	96.8%
Renewable energy funds:			
6 HG RPP2 Fund	24,692	16,997	3.0%
7 Hg RPP Fund	4,776	1,153	0.2%
Total renewable energy funds	29,468	18,150	3.2%
Total investments net of carried interest provision	424,820	572,241	100.0%



^{*}Excluding carried interest provision

INVESTMENTS IN 2016

Over the course of the year, £963 million was invested on behalf of our clients, with the Company's share being £104 million.

The vast majority of our investments are generated by establishing and developing relationships with companies in our chosen segments over the longer-term and typically pursuing opportunities where we have a strong relationship with a founder or management team. By doing this, we believe that we can invest in the very best businesses within our chosen sub-sectors.

We continue to look for businesses that share similar underlying business model characteristics such as: high levels of recurring revenues; a product or service that is business-critical but typically low spend; low customer concentration; and low sensitivity to market cycles. This is a theme that runs through many of our new investments and we believe that these types of company will remain in high demand.

During 2016, the Company has invested £13.0 million (Sovos Compliance and CogitalGroup) by way of co-investment, in addition to its commitment to invest alongside HgCapital 7. This is an attractive way to invest more funds, when available, with no fees or carried interest being payable.

NEW INVESTMENTS



Sovos Compliance

Sovos Compliance is a leading global provider of tax compliance software, headquartered in Boston, USA. Having tracked the company for several years, HgCapital acquired a majority ownership from Vista Equity Partners, which retained a significant minority stake in the company, alongside the management team. It displays a number of the investment characteristics we target, providing business-critical software with highly recurring revenues.



Kinapse

Kinapse is a UK-headquartered global provider of regulatory and compliance services to the life sciences industries.

The Services Team has followed Kinapse closely for several years and this investment fits with HgCapital's strategy of investing in leading regulatory-driven services.



Citation

Citation is one of the UK's top providers of Health & Safety, HR, Employment Law and ISO services to SMEs. The Services Team has followed Citation for several years and this investment fits HgCapital's strategy of investing in leading technology-enabled professional services providers in regulatory-driven and fast growing niches.



Trace One

Trace One is a SaaS-based platform for the design and management of private label products, and operates a platform allowing retailers to develop and exchange private label product specifications with their suppliers. Headquartered in Paris, Trace One serves customers across Europe and North America.

Trace One fits HgCapital's strategy of investing in companies with subscription revenues in regulatory-driven growth niches and working with founder entrepreneurs looking to transition their businesses to the next stage of ownership.



Raet

Raet is a provider of HR cloud software and services headquartered in Amersfoort, the Netherlands, and serving more than 10,000 business customers internationally. This investment is a continuation of HgCapital's theme of investing in leading payroll and HR-related businesses. The TMT Team has followed Raet closely for more than five years, building a strong relationship with the new management team, and will now work closely with them to accelerate Raet's robust organic growth.

INVESTMENTS IN 2016



STP

STP is a key provider of specialist software to insolvency administrators and law practices. STP employs c.180 people, serving over 1,200 customers, and has offices in Germany and Switzerland.

The company shares many of the business model characteristics that the HgCapital teams look for in an investment, including strong recurring revenues with a product that is critical to its loyal customer base and a strong management team.



CogitalGroup

CogitalGroup is a pan-European provider of outsourcing, accountancy, payroll, taxation, financial and other advisory services, to SMEs. The business was formed from three investments completed in 2016: Baldwins and Blick Rothenberg, based in the UK; and Azets (formerly Visma BPO), active throughout the Nordic region.

This investment continues the Services team's record of investing in regulatory-driven businesses. It addresses several attractive business model criteria, including: high repeatable revenues; high retention rates; opportunity for margin improvement; fragmented customer base; and significant M&A opportunities.



1obyt

Established in 2002, Mobyt provides Application-to-Person SMS services to a range of large businesses and SMEs in Italy and France. Mobyt is headquartered in Ferrara, Italy.

Mobyt serves c. 28,000 companies and sends one in every four application-to-person SMS messages in Italy. The business displays many of the characteristics HgCapital looks for, including a fragmented sector and customer base and high customer loyalty in an area which is seeing strong growth.



Evaluate

Evaluate is a London-headquartered provider of commercial intelligence to the global life sciences industry, including all of the top 25 pharmaceutical companies.

Evaluate is another example of the Mercury team's approach to investing in technology businesses occupying growing niches, typically led by founders looking to scale their business. The company exhibits a number of the business model characteristics that HgCapital seeks, including: a focus on recurring subscription contracts; a track record of consistent double-digit revenue growth; high levels of customer advocacy and operating within a segment with long term growth potential.

NEW INVESTMENT COMPLETED SINCE THE YEAR-END



fundinfo

fundinfo is a leading technology platform for fund data and documents publication and dissemination to the global fund management industry (including banks, insurance companies, financial advisors, family offices and platforms), headquartered in Zurich, Switzerland.

fundinfo will join HgCapital's current network of European headquartered FinTech investments, including Intelliflo (SaaS financial advisor software), Ullink (connectivity and trading software) and Sequel (insurance software and analytics).

The Company will contribute a total £3.1 million to this investment.

REALISATIONS IN 2016

Over the course of the year, HgCapital has returned a total of £1.1 billion to its clients, including £136 million to the Company.

It was a very active year for realisations. We made several references to 'frothy' markets in 2015 and this has helped inform our approach to selling investments, whilst also carefully considering our appetite for selling versus the benefits of holding onto selected businesses for longer.

We have also taken advantage of buoyant debt markets during 2016 by refinancing investments where we have good visibility of their future earnings, returning cash proceeds to our clients, including the Company, and we will continue to assess further opportunities here.

EXITS -



P&

In November 2016, we competed the partial sale of P&I, a supplier of payroll and HR-related software to SMEs, to a company backed by funds managed by Permira, an international investment firm.

This transaction resulted in an uplift of 42% over the carrying value of the investment at 31 December 2015.

A case study of this investment appears on pages 24 and 25.



TeamSystem

TeamSystem, a leading provider of business-critical, regulatory driven software products to accountants, HR professionals and SMEs in Italy, was sold to Hellman & Friedman LLC.

On completion, the Company realised cash proceeds of $\pounds 39.2$ million which were fully reflected in the December 2015 valuation.



NetNames

In August 2016, the TMT Team completed the sale of NetNames, a leading provider of global brand protection and internet domain name management services, to CSC, a US-based provider of business administration services to corporations.

This transaction resulted in an uplift of 14% over the carrying value of the investment at 31 December 2015.



Casa Reha

Casa Reha, a private German provider of elderly care services, specialising in high quality, assisted living, was sold to Euronext-listed Korian, a European provider of elderly health care services.

On completion, the Company realised cash proceeds of \pounds 7.8 million which were fully reflected in the December 2015 valuation.



SEC KOENIG

In July 2016, the Munich Team announced the sale of SFC KOENIG, a Switzerland-based provider of high-quality, sealing and flow control technology, to IDEX, a producer of highly engineered fluidics systems and components in the USA.

This transaction resulted in an uplift of 12% over the carrying value of the investment at 31 December 2015.

REALISATIONS IN 2016



Relay Software

In August 2016, the Mercury Team announced the sale of Relay Software, a provider of software to insurance brokers, underwriters and insurers in the Republic of Ireland, to Applied Systems, a US-based, global provider of cloud-based insurance broker management software.

This transaction resulted in an uplift of 73% over the carrying value of the investment at 31 December 2015.



Mainio Vire

In June 2016, we agreed the sale of Mainio Vire, a provider of elderly care, mental health and home services in Finland, to Mehiläinen. Mehiläinen is a private provider of social and health care services, also based in Finland.

This transaction resulted in an uplift of 45% over the carrying value of the investment at 31 December 2015.

REFINANCINGS



Intellifle

In December 2016, the Mercury team completed the refinancing of Intelliflo, a UK SaaS provider of software solutions to IFAs.

This represents a 50% cash return on the original investment made in August 2013.



Allocate Software

In May 2016, the Mercury Team completed the refinancing of Allocate Software, a key provider of healthcare rostering software.

This represents a 30% cash return on the original investment made in December 2014.



Zitcom

In September 2016, the Mercury team completed the refinancing of Zitcom, a leading Danish provider of hosting and cloud solutions.

This represents a 40% cash return on the original investment made in December 2015.

REALISATIONS SINCE THE YEAR-END



Zenith

In January 2017, we announced the sale of Zenith, the largest independent vehicle leasing business in the UK, to Bridgepoint, in a transaction totalling £750 million. The sale of Zenith delivers a 2.9× investment multiple and a 46% gross IRR over the investment period.

On completion, expected in March 2017, the Company's share of this transaction is estimated to result in cash proceeds of £59 million, an uplift of 22% over the carrying value at 31 December 2016, adding 30 pence per share to the NAV.

SUMMARY OF INVESTMENT AND REALISATION ACTIVITY

INVESTMENTS MADE DURING THE YEAR

Company	Sector	Geography	Activity	Cost £'000
Sovos Compliance	TMT	USA	Regulatory tax compliance software	24,284
CogitalGroup	Services	UK	Accountancy, payroll, taxation, financial and other advisory services to SMEs	20,966
Raet	TMT	Netherlands	HR cloud software and services	16,127
Citation	Services	UK	Health & Safety, HR, employment law and ISO services to SMEs	10,068
Kinapse	Services	UK	Life sciences outsourcing and advisory services	9,959
STP	TMT	Germany	Software for insolvency administrators and legal practices	5,422
Trace One	TMT	France	SaaS platform for the retail and private label goods	4,489
Mobyt	TMT	Denmark	Application-to-Person SMS services	4,218
Evaluate	TMT	UK	Commercial intelligence provider to the global life sciences industry	3,679
New investments				99,212
IRIS	TMT	UK	Provider of accountancy software and services and payroll applications	4,455
Other				433
Further investments				4,888
Total investments o	n behalf of t	he Company		104,100

REALISATIONS MADE DURING THE YEAR

Company	Sector	Exit route	Proceeds ¹ £'000
P&I	TMT	Secondary sale	44,510
TeamSystem	TMT	Secondary sale	39,161
NetNames	TMT	Trade	14,232
Casa Reha	Healthcare	Trade	7,753
SFC KOENIG	Industrials	Trade	5,303
Relay Software	TMT	Trade	4,332
Mainio Vire	Healthcare	Trade	1,597
Full realisations			116,888
IRIS	TMT	Distribution received	5,315
HgCapital 6 E LP	Fund	Distribution received	3,439
Intelliflo	TMT	Refinancing	1,898
Allocate Software	TMT	Refinancing	1,796
Ullink	TMT	Distribution received	1,562
Zitcom	TMT	Refinancing	1,427
Other			3,164
Partial realisations			18,601
Total realisations on bel	half of the Company		135,489

 $^{^{\}mbox{\tiny 1}}$ Includes gross revenue received during the year-ended 31 December 2016.

OUTLOOK

2016 has been a good year overall, and one which saw substantial progress across the portfolio with strong trading performance and a number of realisations at attractive valuations, despite a continuing uncertain economic environment, exacerbated by the results of the EU referendum in the UK and the presidential election in the US.

We have given much consideration to the UK's exit from the EU and our current prognosis remains that this will have a relatively limited impact on the portfolio, apart from instances where a currency mismatch exists between costs and revenues for a small handful of our companies. More broadly, the post-referendum environment has seen a general unwinding of historic currency losses on non-sterling investments across our funds, benefiting valuations over the year. Finally, we have also realised five portfolio companies since the Brexit vote at the end of June 2016, with three of these based in the UK.

During 2016, we have continued to invest selectively in opportunities where we have built many years of knowledge of the business and have a strong relationship with a founder or management team. This has led to nine new portfolio investments in the year, including: Sovos Compliance, a US based provider of regulatory tax compliance software; Raet, the fourth payroll software investment completed by HgCapital; STP, a provider of software for insolvency administrators and law practices; and the investments in Visma BPO (now renamed Azets), Baldwins and Blick Rothenberg forming the basis of the newly launched CogitalGroup, a pan-European provider of outsourcing, accountancy, payroll, taxation, financial and other advisory services to SMEs.

Over 2016 we have returned more than £1 billion to our clients, including £136 million to HgCapital Trust from seven exits and four refinancings. The largest of these were in relation to the realisations of TeamSystem, announced in late 2015, and P&I which completed in November 2016. Strong performance over the year has continued to demonstrate the attractiveness of HgCapital portfolio companies to both trade and financial buyers, as evidenced by the recent sale of Zenith, announced in January 2017, at a multiple of 2.9x original cost. We expect to return further capital over the course of 2017, from a combination of both exits and refinancings.

In terms of leverage on new investments, all of our key UK and European relationship banks remain committed to the market generally and focused on maintaining close relationships with HgCapital.

Trading over the year has continued to generate double-digit revenue and EBITDA growth across the portfolio with a material acceleration in the rate of profit growth. Given the portfolio's defensive characteristics and focus on protected business models, we believe our investments are well positioned to see strong growth on an absolute and relative basis going forward, even if macro-economic conditions deteriorate.

In this type of market environment, we believe that the clarity of our investment strategy confers a number of clear advantages to a disciplined buyer. Specifically, we will continue to focus on investing in businesses that provide a business-critical product or service, to a fragmented customer base, and benefiting from strong contracted or recurring revenues. This should enable us to identify opportunities with the appropriate business model to generate strong, risk-adjusted returns for our clients.

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Strong trading from the portfolio, combined with capital returns from exits above book value, continue to drive value for our shareholders.

Matthew Rourke, Managing Partner of HgCapital

OVERVIEW OF THE UNDERLYING INVESTMENTS HELD THROUGH FUND LIMITED PARTNERSHIPS

Investme (in order	ents of value)	Fund	Sector	Location	Year of investment	Residual cost £'000	Total valuation ⁴ £'000	Portfolio value %	Cum. value %
1 Vism	na ¹	HGT 7/HGT 6/HGT	TMT	Nordic region	2014	52,940	94,065	15.0%	15.0%
2 IRIS		HGT 6	TMT	UK	2011	26,109	64,657	10.3%	25.3%
3 Zenit	th (sale agreed Jan'17)	HGT 6	Services	UK	2013	16,245	48,207	7.7%	33.0%
4 Sovo	os Compliance ²	HGT 7/HGT	TMT	USA	2016	24,284	43,272	6.9%	39.9%
5 QUN	IDIS	HGT 6	Industrials	Germany	2012	12,540	33,844	5.4%	45.3%
6 JLA		HGT 6	Services	UK	2010	3,511	24,619	3.9%	49.2%
7 Radi	US	HGT 6	Services	UK	2013	17,966	24,073	3.8%	53.0%
8 A-Pla	an	HGT 7	Services	UK	2015	14,573	22,461	3.6%	56.6%
9 Cogi	talGroup ²	HGT 7/HGT	Services	UK	2016	20,966	21,572	3.4%	60.0%
10 Achil	lles ³	HGT	TMT	UK	2008	15,218	21,125	3.4%	63.4%
11 Ullin	k	HGT 7	TMT	France	2014	10,034	19,166	3.0%	66.4%
12 Raet		HGT 7	TMT	Benelux	2016	16,127	17,034	2.7%	69.1%
13 The F	Foundry	HGT 7	TMT	UK	2015	15,175	14,640	2.3%	71.4%
14 Parts	S Alliance	HGT 6	Services	UK	2012	10,495	14,600	2.3%	73.7%
15 Fröst	unda			Nordic region	2010	14,296	11,429	1.8%	75.5%
16 Citat	tion	HGT 7	Services	UK	2016	10,068	11,022	1.8%	77.3%
17 Lum	esse	HGT 6	TMT	UK	2010	20,807	10,189	1.6%	78.9%
18 Kina	pse	HGT 7	Services	UK	2016	9,959	9,986	1.6%	80.5%
19 Alloc	cate Software	Mercury	TMT	UK	2014	4,094	9,545	1.5%	82.0%
20 Intel	liflo	Mercury	TMT	UK	2013	3,978 2,252	8,546	1.4%	83.4%
21 Sequ	uel Business Solutions	Mercury	TMT	UK	2014		7,749	1.2%	84.6%
22 Team	nSystem	HGT 6	TMT	Italy	2010	144	7,694	1.2%	85.8%
23 Trace	e One	Mercury	TMT	France	2016	4,489	7,450	1.2%	87.0%
24 Eido	sMedia	HGT 7	TMT	Italy	2015	8,414	6,745	1.1%	88.1%
25 STP		Mercury	TMT	Germany	2016	5,422	6,677	1.1%	89.2%
26 P&I ²		HGT 7/HGT	TMT	Germany	2013	1,796	6,616	1.1%	90.3%
27 Euco	n	Mercury	TMT	Germany	2015	4,408	6,103	0.9%	91.2%
28 Mob	yt	Mercury	TMT	Italy	2016	4,218	4,592	0.7%	91.9%
29 Zitco	m	Mercury	TMT	Nordic region	2015	2,183	4,293	0.7%	92.6%
30 Evalu	uate	Mercury	TMT	UK	2016	3,679	3,688	0.6%	93.2%
31 Atlas	5	HGT	Services	UK	2007	12,542	3,520	0.6%	93.8%
32 Teufe	el	HGT 6	Industrials	Germany	2010	11,144	3,225	0.5%	94.3%
33 Mair	nio Vire	HGT 6	Healthcare	Nordic region	2011	6,503	2,769	0.4%	94.7%
34 Value	eworks	Mercury	TMT	UK	2012	2,805	415	0.1%	94.8%
Non-	-active investments (4)	HGT6/HGT				793	337	_	94.8%
Total	buyout investments (38)					390,177	595,925	94.8%	
Seco	ndary fund interests	HG6E	Secondary fu	nd interests		5,175	14,448	2.3%	97.1%
Rene	ewable energy	RPP1/RPP2	Renewable e	energy		29,468	18,150	2.9%	100.0%
Total	l all investments					424,820	628,523	100.0%	

¹ Investment through HGT 7 LP, HGT 6 LP (following sale of e-conomic) and co-investment participation through HGT LP.
² Investment through HGT 7 LP and co-investment participation through HGT LP.
³ Investment and co-investment participation through HGT LP.

⁴ Including accrued income but before the provision for carried interest of £56,282,000.

THE TOP 20 BUYOUT INVESTMENTS representing 83% of the total portfolio value

Buyout investments are held through limited partnerships, of which the Company is the sole limited partner. The Company invests alongside other clients of HgCapital. Typically, the Company's holding forms part of a much larger majority interest held by HgCapital's clients in buyout investments in companies with an enterprise value ('EV') of between £20 million and £500 million. HgCapital's Review generally refers to each transaction in its entirety, apart from the tables detailing the Company's participation or where it specifically says otherwise.





I. Visma

Business description

Visma is a leading provider of mission-critical business software to SMEs in the Nordic region. Headquartered in Oslo, the company provides accounting, resource planning and payroll software to its customer base of approximately 500,000 enterprises across the Nordic region and the Netherlands. In September 2016, Visma announced the sale of Visma BPO, its outsourcing services business, for NOK 4.1 billion (c. £380 million) to HgCapital 7, forming part of the newly launched CogitalGroup.

Why did we invest?

Visma was an early example of HgCapital's focus on recurring revenue, business-critical application software companies serving SMEs and their advisers. The company enjoys high levels of predictable, recurring revenue resulting from a subscription payment model. When HgCapital first invested, in 2006, both organic and acquisition-driven revenue growth opportunities were identified, as well as significant opportunities to increase profit margins.

How do we intend to create value?

Visma has consistently exceeded our investment plans. In April 2014, following a decision by majority owner KKR to sell part of its original 2010 stake in Visma, HgCapital decided to sell its remaining stake, generating a total return between 2006 and 2014 of 5.2x original cost and a gross IRR of 33%. HgCapital clients have re-invested £409 million in the business for a 31% stake, via the HgCapital 7 fund and co-investment participation, as a co-lead investor, alongside KKR and Cinven, valuing the business at a total EV of NOK 21 billion (£2.1 billion). The re-investment in Visma reflected our conviction in the continuing strength of the business: backing a management team we know well with a strong track record of creating value for investors.

What has been achieved?

Since our first investment in 2006, Visma has acquired over II0 companies, notably: Mamut ASA, a provider of ERP software to small customers in Norway (2011); Netvisor, a provider of SaaS based ERP software to the Finnish small customer segment (2011); Agda, a Swedish provider of payroll software to SMEs (2012); InExchange, a Swedish e-invoicing leader (2013); Huldt & Lillevick, a payroll provider to SMEs (2014); e-conomic / Speedledger (2015); TripleTex, a Norwegian SaaS micro ERP player; and EasyCruit, recruitment software solutions (2016). These deals strengthened organic growth from innovation in new products, as well as driving margin improvement through a re-organisation of Visma's internal processes. Visma is now positioned as one of the leading and largest SaaS companies in Europe, with close to NOK 2 billion of pure-SaaS revenues.

How is it performing?

Visma continues to see strong organic growth in revenue and EBITDA. SaaS growth has remained robust, growing at c. 24% organically in the key SMB division over the previous year. SaaS currently accounts for c. 24% of total revenue. The Company's valuation of its stake in Visma has seen a

material increase of £31 million over 2016. This has been driven by strong trading, high cash conversion and positive currency movements, reversing some of the adverse impact of currency since re-investment in 2014.

How will we crystallise value?

As already evidenced, Visma has a scale and growth profile which would make it an attractive target to a large private equity group or a candidate for an initial public offering ('IPO').

MA	heita	www.visma	com
VVC	DSILE.	VV VV VV. V I SI I I C	a.com

Original enterprise value: NOK 21 billion

HgCapital clients' total equity: 36.5%

Visma – The Company's underlying investment through HGT 7 LP, HGT 6 LP
and co-investment through HGT LP

Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
TMT	Nordic Region	Aug 2014	52,940	94,065



2. IRIS

Business description

Headquartered in Berkshire, IRIS is a leading provider of business-critical software and services to the UK accountancy market and payroll applications to key business segments, including the UK general practitioners' market.

Over half of all UK accountancy firms rely on IRIS to run their business, and its SME software is used by over 38,500 SMEs and payroll bureaux across a number of sectors, including 50% of UK GP practices and a growing number of UK retailers. 18% of UK businesses pay their employees via IRIS payroll solutions. Additionally, over 100,000 SMEs subscribe to IRIS's cloud solutions to run their business.

Why did we invest?

HgCapital has been an investor in IRIS since 2004, retaining a minority stake, following its sale and merger with CSH in 2007 and becoming a majority investor again in 2011, when we separated the two businesses. IRIS is one of the earliest examples of our focus on business-critical software firms operating in attractive, predictable end-markets. IRIS operates a business model with over 80% of revenues coming from subscriptions, and high customer retention rates, driven by consistent regulatory updates and additional features as part of their subscription. The investment decision was based on the potential for organic growth and acquisition-led consolidation opportunities in the sector.

How do we intend to create value?

The company is achieving strong organic revenue and profit growth through a combination of market share gains, price optimisation and the ongoing development of new solutions to sell into the existing customer base.

Furthermore, the UK accountancy and SME software markets remain fragmented, offering additional acquisition opportunities. IRIS has always been at the forefront of providing the most innovative products to its customers and will continue to invest

in new technology to meet all of its customers' needs. In addition, we think there is substantial upside by developing or acquiring SaaS products to target adjacent markets.

What has been achieved?

IRIS has been successful in broadening its addressable market by expanding its offering, both by organic product development and by acquisition. The company has also successfully established a Cloud Division to sell SaaS products to UK accountants and SMEs. In 2016 IRIS acquired Octopus HR and PS Financial, further broadening its offering.

In August 2015, IRIS was refinanced on the back of its strong trading performance.

In December 2016, HgCapital agreed to purchase a further minority stake in IRIS from Lloyds Development Capital for a total consideration of £29.7 million.

How is it performing?

IRIS is a business which has been able to maintain strong levels of revenue, EBITDA and cash flow growth across market cycles, with the annual EBITDA margin consistently close to 50%, excluding the investment in the Cloud Division. The Cloud Division continues to receive significant investment, as we believe this is an attractive market with long-term growth potential and strategic value. Over the course of 2016, IRIS delivered double-digit revenue and EBITDA growth.

The Company's valuation of its stake in IRIS has seen an increase over the year of $\pounds 9$ million driven by continued strong trading and high cash conversion.

How will we crystallise value?

IRIS would be an attractive acquisition target to a financial buyer, due to its strong organic growth, margins, cash conversion and recurring revenue. It would also represent a strong strategic fit with a number of trade players.

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Original enterprise value: £425 million

HgCapital clients' total equity: 74.1%

IRIS – The Compa	ny's underlying	g investment throu	gh HGT 6 LP
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Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
TMT	UK	Dec 2011	26,109	64,657



3. Zenith

Business description

Zenith is the largest independent vehicle leasing business in the UK. It was formed in March 2014 through the merger of Zenith Vehicle Contracts and the Leasedrive Group.

Headquartered in Leeds, with full-service operations in both Solihull and Wokingham, the combined group has over 500 employees and provides end-to-end automotive solutions focused on: contract hire; salary sacrifice; short-term hire; and fleet management services to customers across the UK. The company operates a fleet of over 85,000 vehicles and focuses on serving blue-chip customers, principally as sole supplier.

Why did we invest?

Zenith has strong core profitability aligned with double-digit revenue growth and high cash flow conversion. It offers a business-essential service to a largely fragmented customer base, with a high customer retention rate. In addition to growing its core contract hire fleet, we believe substantial growth can be achieved in the emerging salary-sacrifice marketplace in the UK. The merger was driven by the highly complementary nature of the two businesses and the potential to create significant economies of scale as a larger group.

How do we intend to create value?

In addition to supporting core customer growth, there is the opportunity for significant improvement in operating and financing efficiency through the enhanced scale afforded by the merger. This platform should also enable further strategic M&A, where HgCapital's experience in buy-and-build and the company's flexible capital structure makes Zenith a compelling acquirer.

What has been achieved?

HgCapital invested in Leasedrive in December 2013 and subsequently completed a further investment in Zenith in February 2014. Zenith and Leasedrive immediately began operating as a single entity. The integration of the two companies has gone well with significant synergies realised. In April 2015, Zenith was refinanced on the back of its strong trading performance, returning c. 45% of the original investment made to clients. Following this, in June 2015, Zenith agreed a new securitisation facility with improved terms.

HgCapital continues to support management to drive the value of the investment, through potential bolt-on acquisition opportunities and by improving operational and financial efficiency.

How is it performing?

The integration of Zenith and Leasedrive is now complete and has delivered synergies in line with expectations. The combined business has continued to see strong double-digit revenue and EBITDA growth in 2016 and the contracted nature of its business model means a significant proportion of future growth is already underpinned by existing customer contracts. The significant uplift of £11 million in the Company's valuation of its stake in Zenith reflected the continued strong trading performance over the year.

How will we crystallise value?

In January 2017, we announced the sale of Zenith to Bridgepoint in a transaction totalling \pounds 750 million. The sale of Zenith delivers a 2.9x investment multiple and a 46% gross IRR over the investment period.

On completion, expected in March 2017, this transaction is estimated to result in an uplift of 22% over the carrying value to 31 December 2016, adding 30 pence per share to the NAV.

Website: www.zenith.co.uk
Original enterprise value: £337 million
HaCapital clients' total equity: 65.2%

Zenith – The Company's underlying investment through HGT 6 LP

Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
Services	UK	Dec 2013	16,245	48,207



4. Sovos Compliance

Business description

Sovos Compliance ('Sovos') is a global provider of compliance solutions, managing all aspects of the tax compliance process, from tax calculation, forms completion and ultra-high-volume filing to secure funds transfer to state and local revenue departments. At the heart of Sovos' software suite is a powerful tax calculation engine that leverages the industry's most comprehensive repository of more than 210 million tax rules in over 13,500 jurisdictions, across more than 200 countries. Headquartered in Boston, USA with a presence also in Europe and Latin America, the majority of revenue is generated in the US from a customer base of c. 4,500 corporates.

Why did we invest?

HgCapital's TMT team tracked Sovos (previously Taxware) for two years, as we identified the company as a scale specialist in tax compliance for enterprise customers. We also saw the potential to expand the company outside the US market. Sovos sits right in the HgCapital 'sweet spot' with a strong and predictable business model, including: 96% contractually recurring revenue; a fragmented, yet loyal customer base; high margins; and robust cash conversion. Sovos' largest, core products have achieved consistent double-digit organic revenue growth.

How do we intend to create value?

In addition to continuing to grow revenues organically, Sovos has a strong track record of acquiring and successfully integrating tax compliance software companies. The market remains fragmented and hence we believe there are many attractive opportunities for Sovos to grow by acquisition. There is additional potential through further margin improvement.

What has been achieved?

In June 2016, Sovos announced the acquisition of Invoiceware International, based in Atlanta and Sao Paulo. This expands the company's capabilities in Latin America and adds the industry's only solution for handling electronic invoicing and fiscal reporting in multiple countries from a single platform. A new Chairman and CFO were also recruited over the year.

How is it performing?

Sovos has seen rapid growth since our investment in early 2016, driven by strong organic growth in its core products. Our current valuation has also benefited from the weakness of sterling against the dollar since the time of our investment. We are carefully monitoring the potential impact on Affordable Care Act ('ACA') revenues following the outcome of the US elections

The material, £19 million, increase in the Company's valuation of its stake in Sovos over the year has reflected strong acceleration in profit growth.

How will we crystallise value?

We believe Sovos will be an attractive acquisition target for private equity buyers, as it demonstrates high levels of organic revenue growth, high EBITDA margins and strong market positioning. However, we also see an IPO as a potential route to exit, given the strong cash generation and increasingly international reach. Lastly, there are several notable potential trade buyers.

Website: www.sovos.com

Original enterprise value: \$700 million

HgCapital clients' total equity: 74.4%

Sovos Compliance – The Company's underlying investment through HGT 7 LP ar	nd
co-investment through HGT LP	

Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
TMT	USA	Mar 2016	24,284	43,272



5. QUNDIS

Business description

QUNDIS is a leading provider of sub-metering solutions in Europe, serving independent measurement service providers and the housing industry. QUNDIS products are sold in over 30 countries, of which the largest are Germany, Italy, France, Spain, the Czech Republic, Russia and Turkey. Further internationalisation will form an important part in QUNDIS' future value creation.

The company was created in 2008 from the merger of QVEDIS (previously part of Siemens) and KUNDO SystemTechnik and currently has more than 250 employees. QUNDIS supplies a comprehensive range of sub-metering and communication devices used to measure, collect and transmit accurate consumption data for heat and water usage at the household unit level, serving the SME independent sub-metering supplier and building technology markets across Europe.

Why did we invest?

QUNDIS has a robust business model, benefiting from a large installed base that generates a recurring and predictable revenue stream. A significant proportion of sales are replacement-related, driven by regular upgrades to more advanced read-out solutions. New installations are also increasing, due to more rigorous energy efficiency regulations across Europe.

How do we intend to create value?

HgCapital is supporting management in its expansion strategy. This includes building on QUNDIS' technological expertise in the area of remote, cloud-based, read-out solutions and further establishing and strengthening QUNDIS' presence in emerging sub-metering markets in adjacent European countries. Further value will be created through: cost efficiencies; smart metering solutions; and the growing demand effectively to address energy savings.

What has been achieved?

Management has been strengthened and internal processes have been improved. The company consolidated its production facilities into a single modern site in 2013, allowing for additional capacity to drive international growth and profitability through increased efficiency. Furthermore, a highly-advanced gateway solution has been developed for a great range of applications and superior product features. Additionally there has been a development of QUNDIS in the wider energy efficiency, home automation and 'Internet of Things' markets.

How is it performing?

2016 saw strong growth for QUNDIS. While political turmoil in the large potential markets of Russia and Turkey is still holding back the company's full potential, it has further broadened its customer base in the core markets of Germany and Italy and has built strong platforms to exploit the growing markets in France and other European countries. QUNDIS has established itself as a clear technology leader, providing some of the most advanced read-out solutions in the industry. We anticipate the enforcement of the European Energy Directive (mandatory installation of smart meters and likely move towards intra-year billing) will contribute to sustained growth rates going forward. The Company's valuation of its stake in QUNDIS has seen a £16 million increase over the year driven by accelerated profit growth arising from new business wins, cash generation and positive currency movements.

How will we crystallise value?

There has been a strong appetite from a number of strategic buyers looking to diversify their product portfolio in the area of energy efficiency. The large market opportunity, robust business model, positioning as a leading solution provider in the submetering sector and the associated market opportunities will additionally drive interest from financial investors looking for assets in this growing market segment.

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Original enterprise value: €151 million

HgCapital clients' total equity: 85.0%

QUNDIS - The Company's underlying investment through HGT 6 LP

Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
Industrials	Germany	May 2012	12,540	33,844



6. JLA

Business description

JLA is a leading provider of 'on-premises' laundry and catering services, providing distribution, rental and servicing of commercial laundry machines and catering equipment to the UK SME market, mainly to care homes and boutique hotels, primarily through the 'Total Care' offering (an eight-year rental and service contract of commercial laundry machines). The company is also a leading provider of coin operated, commercial laundry machines into accommodation units (e.g. universities, worker accommodation units, leisure parks, etc.), which it serves via its Circuit brand.

Why did we invest?

JLA has enjoyed strong operating performance, including sustained organic growth through the period 2007–2009 and displayed many of the business model characteristics that we look for: a diverse customer base that considers laundry and catering as a mission-critical part of their day-to-day business; a large proportion of customers in long-term contracts (representing a high level of revenues and a greater proportion of profits); a high level of recurring revenues providing good visibility of future revenues; and potential for selective M&A.

How do we intend to create value?

HgCapital is working alongside management to increase the benefit of selling new products and services through JLA's existing sales force and service network. Following the successful extension into the catering industry, the management team are working on new industry verticals where JLA's service proposition could also add value.

In addition, we plan to continue to make further bolt-on acquisitions, both in the laundry and catering markets. Since we invested, JLA has made numerous acquisitions across both markets.

What has been achieved?

A number of projects have been initiated covering strategic planning, customer retention and pricing. Management has been strengthened and fourteen acquisitions of laundry and catering companies have been completed, all funded with free cash flow. The business now has a dedicated M&A team, with two acquisitions completed in 2016 (in both Laundry and Catering) and a pipeline for further acquisitions under development. 2016 also saw the opening of a second contact centre in Manchester to extend the existing sales & marketing capabilities. The new site is already delivering promising results seeing large cohorts of new customers.

In December 2015, HgCapital completed the refinancing of JLA and the sale of a minority interest to institutional investors, returning £17.3 million of cash proceeds to the Trust. These transactions, together with previous distributions, have delivered a 1.8x multiple on original investment in cash, whilst retaining 59% of the equity in the company.

How is it performing?

JLA has continued to experience year-on-year double-digit sales and profit growth driven by growth in the core Total Care and Circuit divisions. This has been supported by expansion into the catering sector (now c.20% of group revenue). Continued investment into the catering division and transition of customers to the Total Care offering should increase margins further. JLA has continued to grow equity value through strong and consistent underlying trading.

How will we crystallise value?

HgCapital is focused on positioning JLA as a platform for selling critical asset maintenance services into SMEs. We believe that the long-term recurring nature of contracts coupled with strong customer loyalty will support an attractive rating at exit to a private equity investor or a trade buyer.

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Original enterprise value: £150 million

HgCapital clients' total equity: 58.8%

Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
Services	UK	Mar 2010	3,511	24,619



7. Radius

Business description

Radius was established by merging Nair & Co. with High Street Partners. The company provides tailored solutions for fast growing companies that are looking to expand into international markets. Radius sets up the required international entities and integrates legal, accounting, payroll, tax and human resources services to ease the process of international expansion. It is headquartered in the US, and has over 900 employees based in offices in Boston, San Francisco, New York, Houston, India, UK, Singapore, Japan and China.

Why did we invest?

Our Services Team had previously identified accountancy services as a core focus area and the investment in Radius illustrates HgCapital's approach of making repeatable investments in its target sectors. We have a demonstrable track record of identifying and working with leading technology-enabled service companies to achieve sustainable growth. Radius has all the characteristics that we look for in an investment: it is a provider of mission-critical services to a fragmented customer base; benefiting from a repeat revenue model; and utilising a scalable technology platform to generate high margins.

How do we intend to create value?

HgCapital intends to support continued organic growth of the business through increased customer wins. We will target various operational and system improvements with potential for efficiency gains (e.g. billing/invoicing processes) and margin expansion. Further M&A opportunities to expand the service offering or global scope of the business as well as potential product extensions have been identified.

Additionally, we see a significant opportunity for the business to be re-rated following fundamental improvements in the business model and processes.

What has been achieved?

HgCapital has worked with Radius to strengthen the management team, processes and systems, evaluate further M&A opportunities, support integration and review professional services billing.

Radius has undergone significant integration over the past two years. This is now largely complete and the business is now fully focused on future growth.

How is it performing?

Radius has continued to grow through a period of substantial change, with strong double-digit EBITDA growth in FY16. We also completed two small acquisitions: B&B Gestão in Brazil to aid our delivery in this complex jurisdiction; and Montage in San Francisco.

Favourable exchange rate movements over 2016 have benefited Radius' profitability and the valuation of the Company's stake at 31 December when translated into sterling.

How will we crystallise value?

We believe that the margin and sales growth profile of Radius will support an IPO, when the company has reached sufficient scale. However, we would also consider a sale to another financial investor.

Website: www.radiusworldwide.com
Original enterprise value: \$280 million
HqCapital clients' total equity: 82.0%

Radius - The Company's underlying investment through HGT 6 LP

Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
Services	UK	Aug 2013	17,966	24,073



8. A-Plan

Business description

A-Plan is a UK-based distributor of motor and household insurance policies to SMEs and individuals. It also specialises in a number of high net worth and commercial niches, and in providing policies for foreign language speaking customers. It has a broad base of over 30 underwriters.

The business currently operates over 80 high street branches nationwide, focusing on high levels of customer service and more complex cases than online brokers, serving over 600,000 policyholders.

Why did we invest?

The Services Team identified the insurance broking sub-sector as attractive for potential investment in 2011, as it is characterised by businesses with high levels of recurring revenues, providing a non-discretionary purchase for customers, with strong cash generation and opportunities for bolt-on M&A. A-Plan was identified as part of this market mapping exercise, and had been tracked by the Services Team for three years, prior to our investment in the business.

A-Plan has a personal, service-oriented approach leading to best-in-class levels of customer satisfaction, driving high retention rates and low customer acquisition costs, due to a high referral rate.

How do we intend to create value?

HgCapital intends to support A-Plan's experienced management through organic growth of its current business volumes in the existing branches and assisting with the roll-out of new branches. Additionally, there are potential opportunities for further growth, through selective M&A and new product lines.

What has been achieved?

HgCapital is supporting A-Plan with ongoing and future projects, including: sales and marketing initiatives, such as direct mail campaigns and the contracting of a search engine optimisation agency; recruitment of senior executives; support on M&A development; and an upgrade of the legacy broking administration system.

How is it performing?

A-Plan is performing well and is ahead of our original investment case on both a revenue and EBITDA basis with growth over 2016 of 12% and 7% respectively. The company's principal KPIs stand at: 15% new policies growth; 78% retention rate; and revenue per policy of £120.

New business policies are benefiting from the continued branch roll-outs (ten since HgCapital initially invested in the company) and marketing initiatives driving new business at existing branches.

Continued growth in equity value from consistent underlying trading growth has added to the Company's valuation of its interest in A-Plan by £3.4 million over the year.

How will we crystallise value?

A-Plan appeals to many buyer groups, including a trade or financial buyer. The company could also be of interest to yield investors or, when it reaches critical size, an IPO might be feasible.

Original enterprise value: £270 million

HgCapital clients' total equity: 72.2%

A-Plan – The Comp	pany's underl	ying investment the	rough HGT 7 LP
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Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
Services	UK	Apr 2015	14,573	22,461



9. CogitalGroup

Business description

CogitalGroup is a leading pan-European provider of regulatory-driven services to SMEs. Core services include accountancy, payroll and taxation. The business was formed from three cornerstone investments completed during 2016: (i) Visma's BPO ('Business Process Outsourcing') business, active throughout the Nordics (now renamed Azets); (ii) Baldwins, based in the Midlands; and (iii) Blick Rothenberg, based in London. In total, the combined business operates across six countries, with c. 38,000 clients, over 100 offices and more than 3,000 employees.

Why did we invest?

CogitalGroup continues the Services team's record of investing in regulatory-driven businesses within HgCapital's "sweet spot" business model focus.

We have been looking at the SME accountancy and advisory services sector for more than five years as it addresses several attractive business model criteria, including: a high share of repeatable revenue (>80%); high retention rates (c. 90%); high margin improvement opportunity, with the potential for efficiency gains through the use of technology, near-shoring and scale; a fragmented customer base; and fragmented competitive landscape, with significant M&A opportunities.

How do we intend to create value?

We will focus on organic growth across the Group, continued evolution of the operating model, including increased use of technology and, lastly, M&A.

What has been achieved?

The three businesses are currently undergoing significant integration. Priorities over the next six to twelve months will include: the carve out of Azets from Visma Group in order to operate on a standalone basis and operational resourcing for scale at Baldwins.

How is it performing?

It is early days for this investment within the portfolio and, so far, all three business are trading in line with expectations. Whilst new to the portfolio, CogitalGroup is valued slightly above cost, due to strong trading.

How will we crystallise value?

We expect the business model characteristics of CogitalGroup to be appealing to a wide range of financial sponsors at exit. We also think an IPO is a possible exit strategy.

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Original enterprise value: £494 million

HgCapital clients' total equity: 57.3%

$\label{lem:continuous} \mbox{CogitalGroup-The Company's underlying investment through HGT 7 LP} \\ \mbox{and co-investment through HGT LP} \\$

Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
Services	UK	Oct 2016	20,966	21,572



10. Achilles

Business description

Achilles manages a global network of collaborative industry communities. The business provides a cloud-based service, enabling networks of buyers to create industry standards for collecting and validating supplier information. This is made available through the Achilles platform, together with search, reporting and risk management tools.

Suppliers join the platform to gain access to the whole community of buyers and information to help them achieve and maintain compliance. Both buyers and suppliers pay annual subscription fees.

The verified data gathered and delivered by Achilles is crucial to support processes around risk management and compliance with regulatory, social responsibility, and health & safety requirements. Achilles currently operates more than 30 communities, across 22 countries, in five continents.

Why did we invest?

Achilles is a subscription-based network business model with significant recurring revenue streams. It is a leading company in supply chain data, with stable growth driven by the increasing need for risk management.

How do we intend to create value?

With high levels of contracted revenue, Achilles' position as a global, scalable business model has considerable potential in revenue and margin growth, as well as multiple opportunities for expansion into new geographies and industries.

What has been achieved?

We have made a significant investment into the business, focusing on the development of their technology, processes and sales to support global growth. The business is currently developing a variety of data products, further to benefit stakeholders in the supply chains.

During 2015, Achilles raised an additional £40 million of equity (of which the Company's share was £10 million) to continue to enhance significantly the global scalability and competitive positioning of the business.

How is it performing?

With the considerable transformation of the business that is underway, Achilles is experiencing lower than trend revenue growth year-on-year, influenced in part by macro trends in the Oil & Gas sector. Significant investment in the company's global infrastructure has reduced profits in the short-term and we expect margins to rise over the next year, as global efficiencies are achieved.

The Company's valuation of its stake in Achilles has fallen by £7 million over the year. The business has seen broadly flat revenues over 2016, which has led to a lower rating being applied to this investment.

How will we crystallise value?

There has been strong interest in Achilles from both strategic and private equity buyers and the business's recurring revenue base is likely to maintain this interest throughout the economic cycle. It could also be an attractive IPO candidate.

	Website: www.achilles.com					
Original enterprise value: £75 million						
	HgCapital clients' total equity: 63.0%					

Achilles – The Company's underlying investment and co-investment through HGT LP

Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
TMT	UK	Jul 2008	15,218	21,125



II. Ullink

Business description

Ullink is a leading global provider of electronic trading applications and connectivity to the financial community. Founded in 2001, Ullink has grown quickly to become a global provider of multi-asset trading technology and infrastructure. Ullink has over 2,000 customers from c.40 countries with customers ranging from tier I global sell-side brokers to regional niche specialists across Europe, North America and Asia Pacific. The business is headquartered in France, although c. 75% of staff and c. 90% of revenue are outside that country.

Why did we invest?

Capital markets software has been a strong focus for HgCapital since 2002 and the TMT Team has followed Ullink since 2009. This investment is in line with HgCapital's sector-focused approach of investing in leading global providers of vertical market application software. Ullink shares many of the core characteristics that HgCapital looks for: an excellent platform for growth; a subscription revenue model; and a diversified and loyal client base.

How do we intend to create value?

Ullink has differentiated itself by offering a more modern and flexible trading system at a lower cost of ownership. HgCapital will help the business accelerate its strong organic growth, through increased new customer wins resulting from investment into the sales and marketing functions. We also believe there is an opportunity to consolidate smaller players in electronic trading, with the acquisition of NYFIX and Metabit in September 2014, a significant step forward. The acquisition has given the business a broad international footprint and offers substantial opportunities to increase sales to the current customer base, as well as efficiencies in the cost base and shared infrastructure.

What has been achieved?

The acquisition of NYFIX and Metabit was transformative for Ullink and more than doubled the revenue of the business. Since then, the management team has been focused on the integration of the three businesses and realising the strategic value of the combination.

A new senior management team was appointed in 2015 with Didier Bouillard joining as CEO and Graham Howell as CFO, Bertrand Sciard also moved from interim CEO to Chairman. HgCapital is currently working with Ullink on the following initiatives: implementation of a new pricing plan; implementation of detailed customer satisfaction measures and account management; assessment of further M&A; and a review of segment profitability and drivers of margin and investment.

How is it performing?

The NYFIX acquisition has been well integrated into Ullink and its performance has substantially improved in comparison to that prior to acquisition.

Investment was made in late 2015 into sales and research and development to drive increased revenue growth in 2016. We are seeing the benefit of this with stronger revenue and accelerated EBITDA growth. Ullink is highly cash generative and we therefore expect net debt to continue to reduce.

A combination of strong trading, high cash generation and positive currency movements have led to a significant increase of £9 million in the Company's valuation of its stake in Ullink over 2016.

How will we crystallise value?

Ullink has a financial profile that is very attractive, with high levels of recurring revenue and organic growth, a scalable cost base and a high rate of cash conversion. We believe the company will be an attractive acquisition for both trade and financial buyers.

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Original enterprise value: \$329 million

HgCapital clients' total equity: 63.8%

Illlink - The Company's underlying investment through HGT 7 LP						
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Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
TMT	France	Mar 2014	10,034	19,166



12. Raet

Business description

Headquartered in Amersfoort, the Netherlands, Raet is a leading provider of HR cloud software and services, serving more than 10,000 customers internationally. The company is in the process of expanding its international footprint in both Europe and South America and currently employs more than 1,000 staff.

Why did we invest?

This investment represents a continuation of HgCapital's theme of investing in leading payroll and HR-related businesses. Raet demonstrates many of the business model characteristics that HgCapital looks for, including: high levels of recurring revenue; high cash flow generation; strong customer loyalty; and a strong management team. The investment is another example of the close cooperation between our teams, with the Munich and TMT teams working closely together on the transaction, sharing resources and knowledge from prior transactions in this space.

How do we intend to create value?

HgCapital will support the management team to accelerate growth in the Netherlands, with a greater focus on sales force effectiveness accelerating new wins and improved customer engagement.

We believe there is opportunity to deliver cash margin improvements through operating leverage and efficiency gains available in R&D, service delivery and central functions; and we see a significant opportunity to expand operations beyond the core Netherlands market, both organically and through M&A and partnerships. We see a substantial opportunity to leverage Raet's expertise and technology across geographies and grow the scale of the addressable market.

What has been achieved?

HgCapital has prepared plans, for implementation over the next 12-18 months, to support Raet in the following initiatives: rolling out more detailed financial reporting and key performance indicator packs; putting the cost reduction plan into operation; strengthening the M&A function; and building out review processes.

How is it performing?

Raet completed 2016 slightly behind its original budget, yet broadly in line with expectations at the time of HgCapital's investment. In 2017, we would expect to see some acceleration in revenue performance and will continue to invest in the business to support large new client wins delivered in 2016 and drive future growth.

The business has been valued modestly above the original investment value, primarily due to favourable currency movements.

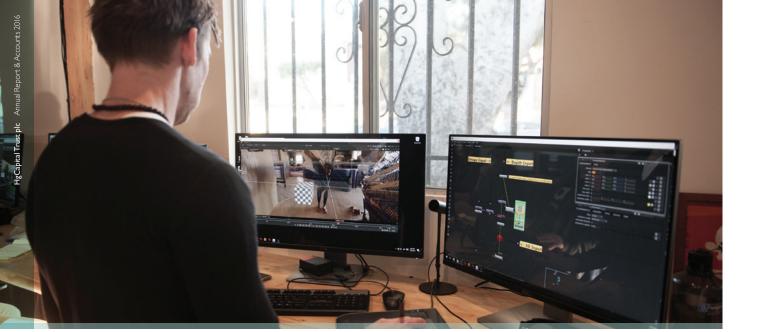
How will we crystallise value?

At the time of exit, we would expect there to be significant interest in the business from financial buyers, with likely acquirers ranging from large cap private equity firms, with a focus on software, to alternative capital pools. We also anticipate some interest from trade buyers which have strategic overlap.

Website: www.raet.nl
Original enterprise value: £493 million
HgCapital clients' total equity: 84.0%

Raet – The Company's underlying investment through HGT 7 LP

Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
TMT	The Netherlands	May 2016	16,127	17,034



13. The Foundry

Business description

The Foundry is a leading global developer of computer graphics, high-end visual effects ('VFX') and 3D design software for the design, visualisation and entertainment industries. The company was founded in 1996 and is headquartered in London, with offices in Manchester, Los Angeles and Silicon Valley; it has more than 2,000 customers in over 100 countries and employs c. 270 people.

The firm has set the de facto standard in the film post-production VFX space with its NUKE product. In 2012, the company acquired MODO, a 3D modelling product that gained the company access to the gaming and design segments. Since the acquisition, The Foundry has grown MODO significantly by funding development projects in the design sector.

Why did we invest?

HgCapital has known the company for several years and this investment is in line with our sector-focused approach of investing in leading global providers of vertical market application software. The Foundry shares many of the characteristics that we look for, providing an excellent platform for growth across a diversified client base and a commitment to innovation.

The Foundry is rich in intellectual property and positioned well against favourable segment trends that could allow for an upside return to be achieved through a number of new business initiatives. We see potential from continuing to leverage world-class products in new segments.

How do we intend to create value?

HgCapital will work closely with the management team to help the business accelerate its high rate of organic growth, in particular the ongoing development of disruptive technologies driving creative control and production efficiency. We will also work with The Foundry, with the aim to identify value accretive M&A to support the business and its management in building a global software champion.

What has been achieved?

In December 2015, we appointed a new CEO and CFO to lead the business in its next phase of growth. We have also assisted the management team to refinance the $\pounds 50$ million bridge loan, which was used to finance the initial purchase of The Foundry.

HgCapital has supported management to implement new pricing and business models, launch a number of specialist products in the 3D design sector, improve the organization and processes of the sales function and assess potential M&A opportunities.

How is it performing?

In 2016, The Foundry's revenues grew by 11% while EBITDA increased by 7%. The core NUKE business is performing in line with our investment plan, but existing non-NUKE products – particularly MODO - and new investment products are substantially behind our initial plan on both revenue and EBITDA contribution.

The Foundry is valued broadly in line with its initial investment value.

How will we crystallise value?

We believe The Foundry will be an attractive acquisition target to both trade and financial buyers, given robust organic revenue growth, high EBITDA margins and large market share – particularly of its core NUKE product.

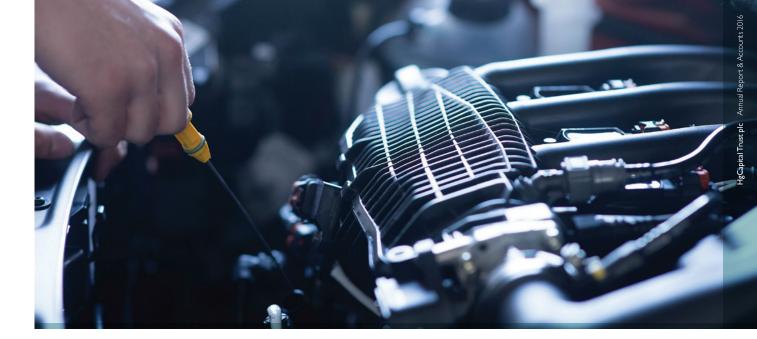
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Original enterprise value: £200 million

HgCapital clients' total equity: 82.9%

The Foundry – The Company's underlying investment through HGT 7 LP

Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
TMT	UK	May 2015	15,175	14,640



14. Parts Alliance

Business description

The Parts Alliance is a UK buying group for aftermarket car parts distributors. It currently consists of thirteen parts distributors and a central organisation which acts as a "virtual head office" supplying the distributors with a full suite of central services such as national sales and marketing, IT, procurement, product and category management and central warehousing. To date, we have acquired six members of the Parts Alliance (CES, Allparts, SC Motor Factors, GMF, BMF and CPA), the central buying group and its IT development arm (the Parts Alliance and DDS), and I5 branches from the Unipart estate. In 2015, we announced the acquisition of GSF, and in 2016 we added SAS Autoparts and Waterloo Ltd.

Our intention is to build a strong national player which we believe will be attractive to a range of potential trade and financial buyers.

Why did we invest?

The £5.2 billion UK car parts market is amongst the most fragmented in Europe, with c. 1,400 participants, and is characterised by greater levels of owner-management. We believe several market, regulatory and commercial catalysts will encourage consolidation of this sector in both the UK and Europe, which will offer a number of interesting investment opportunities and exit options. So far, we have invested c. £70 million of client capital with all of the previous owners reinvesting between 10% and 20% of their proceeds; as a result, we take some comfort that the founder/key man risk in these transactions has been mitigated and that they have confidence in the commercial logic behind our investment thesis.

How do we intend to create value?

We intend to create value in the investment in three ways: improving gross margin with better procurement, category management and more effective pricing; building EBITDA margin by improving productivity, performance management and customer segmentation; and removing duplication in the back office.

What has been achieved?

The business has been scaled through M&A and the management team has been focused on sustainable growth from the core estate, as well as improving the online offering by utilising DDS (the IT development arm of the Parts Alliance). Management's key focus remains: improving gross margin; implementing EBITDA margin improvement opportunities; and

How is it performing?

The Parts Alliance has seen a continuation of its positive trading performance over the last couple of years driven by scale benefits. Management is forecasting this trend to continue in the financial year ending 30 April 2017.

An improvement in trading over 2016 has led to an uplift of £2 million in the Company's valuation of its stake in the Parts Alliance.

harmonising the management information systems.

How will we crystallise value?

We believe the national footprint created by the roll-up of the Parts Alliance will potentially appeal to US and European trade parties. Moreover, the fragmented nature of the market and the roll-out model inherent in a branch-based business model should additionally appeal to financial sponsors and trade buyers alike. This is evidenced by recent M&A activity in the sector.

Website: www.thepartsalliance.com

Original enterprise value: £44 million

HgCapital clients' total equity: 77.9%

Parts Alliance – The	Company's und	erlying investment	through HGT 6 LP
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Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
Services	UK	Aug 2012	10,495	14,600



15. Frösunda

Business description

Frösunda is one of the leading Swedish providers of care for individuals with learning disabilities, severe physical disabilities or psychological / behavioural issues. It offers personal assistance, elderly care, schools and youth rehabilitation. Frösunda is driven by strong values and the goal of offering its customers the highest possible quality of life.

Headquartered in Solna, Sweden, Frösunda employs around 4,300 full-time equivalents and cares for approximately 3,000 people across Sweden.

Why did we invest?

Frösunda has a reputation for being a very high quality operator in its markets and enjoys strong advocacy amongst customers and employees.

Sweden has one of the strongest economies in Europe and commits to providing high quality healthcare to its citizens. HgCapital is supporting Frösunda in continuing to focus on quality care combined with operational flexibility.

How do we intend to create value?

HgCapital is working with management to maintain profitable growth against the background of political change particularly affecting the Assistance division. We are reviewing small potential add-ons in existing business areas.

What has been achieved?

In September 2014, the Individual and Family business in Norway was successfully divested, with the consideration used to pay down debt.

How is it performing?

Frösunda has seen revenue growth over the year but has underperformed at an EBITDA level in 2016. This was primarily caused by macro headwinds in the Swedish healthcare market, particularly within the Personal Assistance business. However, we have seen continued growth in the Individual and Family and Elderly Care segments.

Frösunda was originally written down in 2011 and saw a further £1 million write-down in the Company's valuation of its stake over 2016. With the support of HgCapital, the management are working hard to grow back value.

How will we crystallise value?

The role of privately-owned companies in welfare provision is a closely-monitored political topic in Sweden and the future continues to be uncertain. However, we would expect Frösunda to have multiple roads to exit, potentially through one of the large Swedish healthcare conglomerates, another financial buyer, or by coming to market via an IPO, given sentiment towards healthcare assets following the IPOs of Capio and Attendo.

Website: www.frosunda.se				
Original enterprise value: SEK 1.5 billion				
HgCapital clients' total equity: 90.4%				

Frösunda – The Company's underlying investment through HGT 6 LP

Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
Healthcare	Nordic Region	Jun 2010	14,296	11,429



16. Citation

Business description

Citation is a leading provider of outsourced HR, Employment Law, Health & Safety and ISO certification services to over 17,000 customers across the UK.

Citation helps SMEs comply with the relevant Employment Law and Health & Safety regulations. Customers have access to 24/7 advice from highly-skilled and qualified experts in the fields of HR, Employment Law and Health & Safety who can assist with a broad range of business-related issues.

Citation also provides ISO certification and consultancy services to SMEs under a separate brand ('QMS'). QMS has helped implement over 20,000 management systems in organisations across the UK, which are then certified as being in line with international standards of quality. Its services are highly complementary to Citation's, with a significant opportunity to cross-sell services across both customer bases.

Why did we invest?

Citation operates in the regulatory-driven compliance services sector for SMEs which is structurally growing at mid-single digit rates. Under the current management team, the business has improved and professionalised its sales & marketing function which has driven double-digit organic growth. The business is one of the highest quality in this sector, noted for its high levels of customer satisfaction resulting in market-leading retention rates.

How do we intend to create value?

We believe that satisfaction levels among Citation's customers provide the opportunity to sell more through new adjacent services and an expansion of their offering. There is also a significant opportunity for M&A in both the Employment Law

and Health & Safety compliance and ISO certification markets, which are highly fragmented with a large number of smaller local players.

What has been achieved?

The key areas of focus for the management team at present are: investing in the sales & marketing function for future growth by continuing to gain market share; improving financial reporting, budgeting and controls to ensure these processes are robust enough for the business as it moves through its next phase of growth; and executing the value creation plan which developed over the first six months.

How is it performing?

Citation is seeing year on year double digit EBITDA growth with the ISO division experiencing particularly strong performance in 2016. FY16 EBITDA was 21% ahead of prior year, driven by 10% growth in the Employment Law and Health & Safety customer base and 14% growth in the ISO customer base. Further improvements in the sales & marketing function, including developing new channels, have driven a reduction in customer acquisition costs as the team becomes more efficient at gaining new customers.

Citation is a relatively new investment within the portfolio and is valued broadly in line with its initial investment value.

How will we crystallise value?

Citation's regulatory-driven services and long-term subscription-based revenue model will continue to attract private equity interest at exit. In addition, there are also a number of potential trade exit opportunities across the accounting, payroll, HR and legal services space.

Original enterprise value: £185 million

HgCapital clients' total equity: 74.6%

Citation – The	Company ¹	's underlyir	g investment	through HO	GT 7 LP
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Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
Services	UK	Mar 2016	10,068	11,022



17. Lumesse

Business description

Lumesse is a European provider of strategic HR software (for recruiting, talent management and learning) to medium and large enterprises in Europe. It operates in 16 countries, with almost 700 full-time equivalents (mostly based in the UK and Germany), driving a subscription-based revenue model (more than 60% of total revenue) with a strong consulting element required to configure their solution to customer requirements. Lumesse's products cover the entire HR management process, grouped into three areas: talent acquisition, talent management and learning management.

Why did we invest?

Strategic HR software for large enterprises is a long-term growth sector. As an online SaaS provider, Lumesse experiences high levels of recurring revenue, leading to higher predictability as this product segment takes share from traditional 'on-premises' software products. With strong organic sales growth, it was identified that further investment would drive share of the relevant sectors, revenue and strategic value over the longer-term.

How do we intend to create value?

Strategic HR software for large enterprises is a long-term growth sector. Lumesse's management intends to drive increased subscription revenues by capitalising on their innovative technology, improving cross-selling and up-selling into the existing customer base, as well as acquiring new customers in what remains an underpenetrated sector. There is also an increased focus on efficiency and scale effects, with a view to improving margins.

What has been achieved?

Supported by HgCapital, management initiated a strategic review in 2014 in order to bring the business back to growth. This has encompassed significant investment into our core products, entering into an exclusive partnership with Salesforce. com to build an HR talent tool on the Salesforce platform, organisational restructuring to drive accountability for our products, an increase in efficiency through reductions in non-profitable cost areas and strengthening of the management team (including the appointment of HgCapital Operating Partner, Didier Bench, as Executive Chairman in 2015). As a result, Lumesse has seen a return to profitability in early 2016 while still pursuing its roadmap for future growth.

How is it performing?

Lumesse is a business that has historically underperformed; however, the last 6-12 months have seen good progress in terms of product strategy, sales and margin improvement.

Overall, many of the performance issues at Lumesse are business-specific and we believe they can be resolved. The market remains competitive, but fundamentally healthy and it continues to provide an opportunity for future growth. Initially written-down in 2013, the Company's valuation of its stake has seen a further write-down of £1 million at the end of 2016. We will look to restore value over the medium-term.

How will we crystallise value?

There is high demand for SaaS companies, providing multiple options for exit. Lumesse has attracted strong interest from trade buyers, although we will also consider a sale to another private equity buyer in due course.

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Original enterprise value: €110 million

HgCapital clients' total equity: 81.8%

Lumesse – The Con	npany's underlyin	g investment throug	gh HGT 6 LP
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Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
TMT	UK	May 2010	20,807	10,189



18. Kinapse

Business description

Established ten years ago, Kinapse is a leading global provider of advisory, capability building and operational services to the life sciences industries, focused on regulatory compliance and quality. The business, which is headquartered in London, has offices in the UK, India and the United States and employs over 500 people worldwide.

The business has grown rapidly over the last few years and now partners with nine out of the top ten global pharmaceutical companies.

Why did we invest?

Kinapse operates in a global market estimated to be worth \$8 billion growing at mid-single digits and benefitting from an ongoing increase in outsourcing penetration. The business has a strong position in its core sector, with long term relationships with nine out of the top ten global pharmaceutical companies and strong customer feedback.

The long-term nature of outsourcing contracts provide high visibility of future growth, with high renewal rates and a track record of upselling further work to its existing customer base. In addition, its consulting activities show a consistent track record of winning and delivering projects for new clients who then typically will engage on longer-term outsourcing contracts.

How do we intend to create value?

Kinapse is well-invested to support future growth, whilst maintaining margins and represents an attractive platform for potential M&A opportunities and expanding into adjacent sectors or services.

What has been achieved?

In June 2016, Kurt Brykman started as the new CEO, assuming the role from Andy Black (co-founder) and ending a longer than anticipated transitional period. In January 2017, Daniel Bednar joined as the new CFO.

Kinapse has a near-term pipeline of large outsourcing deals and we have already been successful in winning one of these; management is now focused on winning at least one more in the near future. We have also supported Kinapse in building a more rigorous account management process to support pipeline management and conversion.

How is it performing?

Current trading has been in line with plan in the BPO business, but the Advisory business has traded behind plan with a longer-than-planned management succession (now completed) particularly affecting this.

Kinapse is a new investment in the portfolio and is valued broadly in line with its original investment value.

How will we crystallise value?

Kinapse's regulatory-driven and long-term contracted business model will continue to attract private equity interest at exit. In addition, there are also a number of potential trade exit opportunities from large contract research organisations and other large global life sciences outsourcing players.

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Webs	ite: \	WWW.	kina	pse.com

Original enterprise value: £108 million

HgCapital clients' total equity: 71.8%

Kinapse – The Company's underlying investment through HG
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Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
Services	UK	Feb 2016	9,959	9,986



19. Allocate Software

Business description

Allocate Software is a leading provider of workforce management software to the healthcare and other complex regulated industries. Allocate's mission is to be the leading international provider of SaaS healthcare workforce management software, delivering enhanced value for healthcare systems through significant savings and improved outcomes. Its core product is used for workforce rostering, time & attendance, and associated compliance workflows (e.g. monitoring and reporting on safe staffing levels). Allocate's products address a clear and increasingly pressing need for improved staff efficiency, patient safety, and regulatory compliance. The business is a leader in its segments in the UK and Sweden, and has a strong and growing position in Australia.

Why did we invest?

Allocate has a long-term growth opportunity driven by the fundamental needs of its customers for efficiency, compliance and safety. The business has many of the characteristics that HgCapital looks for in an investment: a leader in its sector with strong growth potential, with a large and engaged client base, and a significant and predictable proportion of repeat business.

How do we intend to create value?

HgCapital will support Allocate's management team in delivering continued development and sustainable growth of its product portfolio and in improving operational effectiveness. HgCapital will also support Allocate's management to identify potential bolt-on acquisitions and exploring further international growth beyond its existing markets. Further, there are a number of direct opportunities for collaboration between Allocate and other technology businesses within HgCapital's existing investment portfolio which will provide the potential for additional growth.

What has been achieved?

Following the appointment of Dr Sati Sian as CEO in September 2015, HgCapital has supported the management through: introductions to senior healthcare experts and systems from our extensive network in the sector; helping to review M&A and partner relationships; and hiring new key personnel. The business has also completed an initiative to increase the level of recurring revenue, reaching c. 74% of the total in the 2016 financial year, compared with c. 50% at the time

In May, the Mercury Team completed the refinancing of Allocate Software, representing a 30% return on the original investment made.

In November, the company completed the separation of the core Healthcare operations from the Defence & Maritime business unit, spinning this into a new legal entity called Dynama Solutions.

In December, the company completed a small acquisition providing market presence in France.

How is it performing?

of investment.

Allocate reported strong organic revenue growth in the financial year to 31 May 2016 and this has continued to the calendar year end, with 19% revenue growth and 25% for the LTM to 31 December 2016, with recurring revenue growing significantly ahead of this.

Given this strong trading performance, the Company's valuation of its stake in Allocate Software has risen by £2.5 million over 2016.

How will we crystallise value?

Allocate operates in a valuable, niche sector and we would expect this to attract both trade and financial buyers. An IPO might also be an option.

Website: www.allocatesoftware.com

Original enterprise value: £93 million

HgCapital clients' total equity: 80%

Allocate Software – The Company's underlying investment through HgCapital Mercury D LP

Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
TMT	UK	Dec 2014	4,094	9,545



20. Intelliflo

Business description

Intelliflo is a UK SaaS provider of front and back-office software solutions to financial intermediaries, including SME IFAs, wealth managers, adviser networks, insurance/life companies and brokers. The business combines a decade-long track record in the UK market, with a best-in-class SaaS product. Significant capability was created by investment ahead of the Retail Distribution Review ('RDR'), which is creating substantial change in the structure and professionalisation of retail financial services. Over 14,000 IFAs, mortgage advisors and administrators use Intelliflo's software on a daily basis to manage front and back-office workflows and to respond quickly to consumer and regulatory needs. Headquartered in Kingston upon Thames, Intelliflo employs c.130 people.

Why did we invest?

This investment continues HgCapital's strategy of partnering with great management teams in leading vertical application software companies.

Intelliflo has an attractive, scalable business model with a high component of strong, organic recurring revenue growth; business-critical product; and high customer loyalty. There is also the possibility of significant value creation through sector share gains and cross-selling of new modules to existing customers.

How do we intend to create value?

HgCapital identified initiatives to improve sales and marketing processes, improve retention, accelerate product release cycles, reduce support costs and optimise pricing. HgCapital further intends to maximize the potential of the business by expanding Intelliflo's product suite by new module development and partnership with complementary third party vendors.

What has been achieved?

The Mercury team has worked with management to implement a value growth plan across a number of areas, including: investment in sales and marketing capability, introducing a new inbound marketing platform; implementing best-in-class SaaS practices in technology development and operations; and strengthening Board capabilities.

How is it performing?

2016 trading remains very strong with double digit revenue and EBITDA growth over the period. This is accelerating as Intelliflo continues to gain market share in the UK. The two organic growth priorities remain continued share gain in the UK wealth management sector and the roll-out of an industry-leading automated advice offering.

Intelliflo is highly cash generative, which enabled us to complete a refinancing in December 2016. This cash generation combined with strong trading performance underpins the £3.2 million uplift in the Company's valuation of its interest in the business.

How will we crystallise value?

Given the combination of Intelliflo's end-user base, strong SaaS technology and natural positioning for cross-selling, the business should be attractive to a number of parties, including both UK and international trade and financial buyers.

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Original enterprise value: £43 million

HgCapital clients' total equity: 57.9%

Intelliflo – The Company	r's underlying investment	through HgC	apital Mercur	y D LP
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Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
TMT	UK	July 2013	3,978	8,546

OTHER INVESTMENTS

Many of our companies outside the top 20 are also performing very well. The majority of these are within the Mercury Fund, which invests in TMT companies with EVs between £20 million and £80 million. The Mercury investments are seeing high double-digit growth in both revenues and profits across its portfolio. They also sit firmly in HgCapital's 'sweet spot', with a high level of recurring revenues, business-critical products, fragmented customer and competitor bases and low exposure to economic cycles. The vast majority of our investments have been into founder-owned businesses, and we have a strong proprietary pipeline.



Sequel Business Solutions (21) Mercury TMT www.sequel.com

Sequel is a provider of software and services to the Lloyd's of London and the broader London insurance market. We continue to invest into new innovative products and the business continues to see very strong sales growth. This has led to an uplift of \pounds I.2 million in the Company's valuation of its interest in Sequel over the year.



TeamSystem (22) TMT www.teamsystem.com

TeamSystem is a leading provider of business-critical, regulatory-driven software products to accountants, HR professionals and SMEs in Italy. Following the majority sale to Hellman & Friedman LLC, which completed in January 2016, the Company retains a residual stake in TeamSystem which is currently valued at c. \pounds 7.7 million. The business has continued to see strong trading in 2016 driven by continued robust trading growth, leading to an increase of £1.8 million in the Company's valuation of its interest.



Trace One (23) Mercury TMT www.traceone.com

Trace One is a SaaS-based platform for the design and management of private label products headquartered in Paris. It serves customers across Europe and North America. Whilst these are early days within the HgCapital portfolio, we are pleased to see significant growth in EBITDA over the last twelve months. The Company's valuation of its stake in Trace One has increased by £3.0 million over 2016.



Eidos Media (24) TMT www.eidos media.com

EidosMedia, headquartered in Milan, is a leading global provider of digital publishing solutions with its digital publishing platform, Méthode. It is used daily by 30,000 journalists across more than 600 titles globally to create, customise and deliver content across print and web media channels. The business has seen poor trading over 2016 leading to a write-down of £1.9 million in the value of the Company's stake. A new CEO has been appointed with a focus on the transition to recurring revenues and new business wins.



STP (25) Mercury TMT www.stp-online.de

STP is a key provider of specialist software to insolvency administrators and law practices in Germany and Switzerland. STP employs c.180 people serving over 1,200 customers. STP has a strong track record in product development, customer service and innovation and is trading well, leading to an uplift of \pounds 1.3 million in the Company's valuation of its interest in December.



P&I (26) TMT www.pi-ag.com

In November 2016, we completed the partial sale of P&I, a German-based supplier of payroll and HR-related software to SMEs, to a company backed by funds of Permira. HgCapital has retained a minority stake in the business which is continuing to see consistent year-on-year double-digit growth, with the Company's share currently valued at £6.6 million.

OTHER INVESTMENTS



Eucon (27) Mercury TMT www.eucon.de

Eucon is a leading provider of automotive parts pricing data & services to vehicle and parts manufacturers globally. The business also provides a highly-automated claims management service to insurers in Germany. The business has seen strong growth over the second half of 2016, driven by management initiatives leading to new contracts and an improved pipeline in both divisions. Driven by this strong performance, the Company's valuation of its stake in Eucon rose by £1.7 million in 2016.



Mobyt (28) Mercury TMT www.mobyt.it

Established in 2002, Mobyt provides Application-to-Person (A2P) SMS services to a range of large businesses and SMEs in Italy and France. Mobyt is headquartered in Ferrara, Italy. The A2P industry operates in a fast-growing sector and is a leader in this space. Mobyt is a new investment to the portfolio and is valued slightly above its investment value.



Zitcom (29) Mercury TMT www.zitcom.dk

A leading Danish hosting and Cloud solutions provider, Zitcom has demonstrated fifteen years of consistent revenue growth providing cloud services to more than 100,000 business and private customers in Denmark. Following our investment in Zitcom in December 2015, ScanNet, another leading Danish hosting and Cloud solutions provider, was also acquired, creating a clear champion in Denmark. In September 2016, the Mercury team completed the refinancing of Zitcom, returning 40% of the original investment. Strong performance has led to the Company's valuation of its stake in the business rising by £2.1 million.



Evaluate (30) Mercury TMT www.evaluategroup.com

Evaluate is a London-headquartered provider of commercial intelligence to the global life sciences industry, including all the top 25 pharmaceutical companies. This is a new investment to the portfolio and we are pleased with its initial progress. The company has a track record of consistent double-digit revenue growth within a segment with long-term growth potential.



Atlas (31) Services www.atlasknowledge.com

Based in Aberdeen, Atlas is an international learning technology solutions provider for safety critical industries (in particular for the oil and gas sector). Founded in 1995, it operates in well over 100 countries, serving more than 700 customers with over 500,000 employees. 2016 has been a difficult year for trading with delayed customer decision-making and cancelled projects. The business was originally written-down in 2014, with a further provision in 2016 of £4.6 million. The management, supported by HgCapital, are working hard to recover value.



Teufel (32) Industrials www.teufel.de

Teufel is a leading designer and online retailer of high-tech audio products, based in Germany. Whilst the initial investment thesis was to further internationalise the business, this was not successful and with a decline in profitability the investment was subsequently written-down, including a further provision of £3.6 million against the Company's valuation of its interest in the business in 2016. HgCapital are working hard with the management to restore value.



Mainio Vire (33) Healthcare www.mainiovire.fi

In June, we agreed the sale of Mainio Vire, a provider of elderly care, mental health and home services in Finland, to Mehiläinen. Mehiläinen is a private provider of social and health care services, also based in Finland. HgCapital has retained a small residual stake in Mehiläinen, with the Company's share currently valued at $\pounds 2.7$ million.



Valueworks (34) Mercury TMT www.valueworks.co.uk

Valueworks provides a private B2B electronic marketplace through which buyers (principally social housing organisations), procure goods and services, primarily relating to planned repairs and maintenance. The business has underperformed over its life with HgCapital and a new management team is currently focused on securing the existing customer base, as well as new customer wins.



OTHER INVESTMENTS: RENEWABLE ENERGY

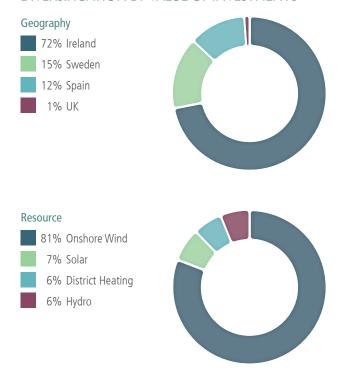
HgCapital's specialist Renewable Energy team used private equity skills to identify and acquire high quality European renewable energy projects with limited GDP risk, favourable inflation links and the use of proven technologies.

Investment returns in this asset class are generated through a combination of yield during operation and capital gain at refinancing or exit. By bringing individual investments together into platforms, we can enhance value through economies of scale, shared expertise and aggregated generation capacity.

A portfolio of high quality projects has been built on time and on budget and operational performance is ahead of the investment case. However, valuations have been materially reduced by retroactive tariff changes in Spain and depressed power prices in Sweden.

There are opportunities to grow significant value both in the Irish wind platform and the Swedish district heating platform. HgCapital is developing groups of projects based on the platforms shown in the table below. These platforms can then be refinanced efficiently or sold as portfolios of closely related projects to industry buyers or financial investors.

DIVERSIFICATION BY VALUE OF INVESTMENTS



PRINCIPAL INVESTMENTS BY PLATFORM

	Total valuation £'000
Irish Onshore Wind	12,578
Swedish Onshore Wind	1,605
Spanish Hydro	1,107
Swedish District Heating	988
Other	497
UK Solar	222
RPP2 Fund	16,997
Spanish Solar	968
Other	185
RPP1 Fund	1,153
Total renewable energy investments	18,150



INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

		Revenue return		Capital return		Total return	
	Notes	2016	2015	2016	2015	2016	2015
		£′000	£′000	£′000	£′000	£′000	£′000
Gains on investments and liquidity funds	13	_	_	76,667	46,122	76,667	46,122
Gains on priority profit share loans							
recovered from General Partners	5(b)	_	_	3,856	1,020	3,856	1,020
Net income	4	23,326	21,838	_	_	23,326	21,838
Other expenses	6(a)	(1,772)	(2,560)	_	_	(1,772)	(2,560)
Net return before finance costs and taxation		21,554	19,278	80,523	47,142	102,077	66,420
Finance costs	6(b)	(833)	(1,023)	_	_	(833)	(1,023)
Net return from ordinary activities before taxation		20,721	18,255	80,523	47,142	101,244	65,397
Taxation on ordinary activities	9(a)	(581)	(348)	_	_	(581)	(348)
Net return from ordinary activities after taxation	1						
attributable to reserves		20,140	17,907	80,523	47,142	100,663	65,049
Return per Ordinary share	10(a)	53.96p	47.98p	215.74p	126.30p	269.70p	174.28p
	()						

The total return column of this statement represents the Company's income statement. The supplementary revenue and capital return columns are both prepared under guidance published by the Association of Investment Companies ('AIC'). All recognised gains and losses are disclosed in the revenue and capital columns of the income statement and as a consequence no statement of total recognised gains and losses has been presented.

The movements in reserves are set out in note 21 to the financial statements.

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued during the year.

BALANCE SHEET

AS AT 31 DECEMBER 2016

	Notes	2016 £'000	2015 £'000
Fixed asset investments			
Investments at fair value through profit and loss:			
Unquoted investments	12	506,961	428,462
Total fixed asset investments		506,961	428,462
Current assets – amounts receivable after one year:			
Accrued income on fixed assets	14	65,280	64,162
Current assets – amounts receivable within one year:			
Debtors	14	572	707
Investments at fair value through profit and loss:			
Liquidity funds	15	39,590	30,835
Cash	16	6,180	9,512
Total current assets		111,622	105,216
Creditors – amounts falling due within one year	17	(2,827)	(3,655)
Net current assets		108,795	101,561
Net assets		615,756	530,023
Capital and reserves:			
Called up share capital	20	9,331	9,331
Share premium account	21	120,368	120,368
Capital redemption reserve	21	1,248	1,248
Capital reserve – unrealised	21	81,061	14,023
Capital reserve – realised	21	366,592	353,107
Revenue reserve	21	37,156	31,946
Total equity shareholders' funds		615,756	530,023
Net asset value per Ordinary share	10(b)	1,649.7p	1,420.0p
Ordinary shares in issue at 31 December		37,324,698	37,324,698

The financial statements of HgCapital Trust plc (registered number 01525583) on pages 64 to 86 were approved and authorised for issue by the Board of Directors on 3 March 2017 and signed on its behalf by:

Roger Mountford, Chairman

Richard Brooman, Director

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £'000	2015 £'000
Net cash inflow from operating activities	7	22,903	11,390
Investing activities:			
Purchase of fixed asset investments	12	(104,100)	(65,489)
Proceeds from the sale of fixed asset investments	12	102,193	43,070
Purchase of liquidity funds	15	(88,737)	(31,559)
Redemption of liquidity funds	15	80,200	60,796
Net cash (outflow)/inflow from investing activities		(10,444)	6,818
Financing activities:			
(Repayment of)/proceeds from loan facility		(28)	1,250
Servicing of finance		(833)	(1,023)
Equity dividends paid	11	(14,930)	(11,944)
Net cash outflow from financing activities		(15,791)	(11,717)
(D) (S	4.5	(2.222)	C 404
(Decrease)/increase in cash and cash equivalents in the year	16	(3,332)	6,491
Cash and cash equivalents at 1 January	16	9,512	3,021
Cash and cash equivalents at 31 December	16	6,180	9,512

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

			Non-c	distributable		Distri	butable	
	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve – unrealised £'000	Capital reserve – realised £'000	Revenue reserve £'000	Total £'000
At 31 December 2015		9,331	120,368	1,248	14,023	353,107	31,946	530,023
Net return from ordinary activ	rities	-	_	_	67,038	13,485	20,140	100,663
Equity dividend paid	11	_	_	_	_	_	(14,930)	(14,930)
At 31 December 2016	20, 21	9,331	120,368	1,248	81,061	366,592	37,156	615,756
At 31 December 2014		9,331	120,368	1,248	(33,390)	353,378	25,983	476,918
Net return from ordinary activ	rities	_	_	_	47,413	(271)	17,907	65,049
Equity dividend paid	11	_	_	_	_	_	(11,944)	(11,944)
At 31 December 2015	20, 21	9,331	120,368	1,248	14,023	353,107	31,946	530,023

NOTES TO THE FINANCIAL STATEMENTS

1. Principal activity

The principal activity of the Company is investment. The Company is an investment company as defined by Section 833 of the Companies Act 2006 and an investment trust under Sections 1158 and 1159 of the Corporation Tax Act 2010 ('CTA 2010'), and is registered as a public company in England and Wales under number 01525583 with its registered office at 2 More London Riverside, London SE1 2AP.

2. Basis of preparation

The financial statements have been prepared under the historical cost convention, except for the revaluation of financial instruments at fair value as permitted by the Companies Act 2006, and in accordance with applicable UK law and UK Accounting Standards ('UK GAAP'), including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ('SORP'), dated November 2014. All of the Company's operations are of a continuing nature.

The Company has considerable financial resources and, as a consequence, the Directors believe that the Company is well placed to manage its business risks. After making enquiries, the Directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

The same accounting policies, presentation and methods of computation are followed in these financial statements as applied in the Company's previous annual audited report and accounts.

3. Organisational structure and accounting policies

Partnerships where the Company is the sole limited partner

The Company entered into five separate partnership agreements with general and founder partners in May 2003 (subsequently revised in January 2009), January 2009, July 2011 and March 2013; at each point an investment holding limited partnership was established to carry on the business of an investor, with the Company being the sole limited partner in these entities.

The purpose of these partnerships, HGT LP, HGT 6 LP, HgCapital Mercury D LP and HGT 7 LP (together the 'primary buyout funds') is to hold all the Company's investments in primary buyouts. Under the partnership agreements, the Company made capital commitments into the primary buyout funds, with the result that the Company now holds direct investments in the primary buyout funds and an indirect investment in the fixed asset investments that are held by these funds, as it is the sole limited partner. These direct investments are included under fixed asset investments on the balance sheet and in the investment portfolio on page 31. The underlying investments that are held indirectly are included in the overview of investments on page 38.

Partnerships where the Company is a minority limited partner

In July 2011, the Company acquired a direct secondary investment in HgCapital 6 E LP ('Hg6E LP'), one of the partnerships that comprise the HgCapital 6 Fund, in which the Company is now a limited partner alongside other limited partners. This is a direct investment in the Hg6E LP Fund, as shown on the balance sheet and in the investment portfolio on page 31.

The Company also entered into partnership agreements with the purpose of investing in renewable energy projects by making capital commitments alongside other limited partners in Hg Renewable Power Partners LP ('Hg RPP LP') and HgCapital Renewable Power Partners 2 C LP ('Hg RPP2 LP') (together the 'renewable funds'). These are direct investments in the renewable funds, as shown on the balance sheet and in the investment portfolio on page 31.

Priority profit share and other operating expenses, payable by partnerships in which the Company is a minority limited partner, are recognised as unrealised losses in the capital return section of the income statement and are not separately disclosed within other expenses.

Priority profit share and carried interest under the primary buyout limited partnership agreements

Under the terms of the primary buyout fund limited partnership agreements ('LPAs'), each general partner (see note 23) is entitled to appropriate, as a first charge on the net income of the funds, an amount equivalent to its priority profit share ('PPS'). The Company is entitled to net income from the funds, after payment of the PPS.

In years in which these funds have not yet earned sufficient net income to satisfy the PPS, the entitlement is carried forward to the following years. The PPS is payable quarterly in advance, even if insufficient net income has been earned. Where the cash amount paid exceeds the net income, an interest free loan is advanced to the general partner by these primary buyout funds, which is funded via a loan from the Company. Such loan is only recoverable from the general partner by an appropriation of net income; until net income is earned, no value is attributed to this loan.

3. Organisational structure and accounting policies continued

Furthermore, under the primary buyout funds' LPAs, each founder partner (see note 23) is entitled to a carried interest distribution once certain preferred returns are met. The LPAs stipulate that the primary buyout funds' capital gains (or net income), after payment of the carried interest, are distributed to the Company.

Accordingly, the Company's entitlement to net income and net capital gains is shown in the appropriate lines of the income statement. Notes 4, 5, 7, 12, 14, 16 and 17 to the financial statements and the cash flow statement disclose the gross income and gross capital gains of the primary buyout funds (including the associated cash flows) and also reflect the proportion of net income and capital gains in the buyout funds that have been paid to the general partner as its PPS and to the founder partner as carried interest, where applicable.

The PPS paid from net income is charged to the revenue account in the income statement, whereas PPS paid as an interest-free loan, if any, is charged as an unrealised depreciation to the capital return on the income statement.

The carried interest payments made from net income and capital gains are charged to the revenue and capital account respectively on the income statement.

Investment income and interest receivable

As stated on the previous page, all income that is recognised by the primary buyout funds, net of PPS, is attributed to the Company. The Company will recognise such net income and reflect this as income in its financial statements, once it has been recognised in the buyout funds. Income from HgCapital 6 E LP and the renewable funds would normally consist of income distributions and these distributions are recognised as income in the financial statements of the Company when the right to such distribution is established.

The accounting policies below apply to the recognition of income by the primary buyout funds.

Interest income on non-equity shares and fixed income securities is recognised on a time apportionment basis so as to reflect the effective yield when it is probable that it will be realised. Dividends receivable on unlisted equity shares where there is no ex-dividend date and on non-equity shares are brought into account when the Company's right to receive payment is established.

Income from listed equity investments, including taxes deducted at source, is included in revenue by reference to the date on which the investment is quoted ex-dividend. Where the Company elects to receive dividends in the form of additional shares rather than cash dividends, the equivalent of the cash dividend is recognised as the income in the revenue account and any excess in the value of the shares received over the amount of the cash dividend is recognised in the capital reserve — realised.

Expenses

All expenses are accounted for on an accruals basis. All administrative expenses are charged wholly to the revenue account.

Dividends

Dividend distributions to shareholders are recognised as a liability in the year that they are approved unconditionally.

Current and other non-current assets

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Trade receivables are stated at nominal value. Appropriate allowances for estimated irrecoverable amounts are recognised in the revenue return on the income statement.

Government securities are short-term investments made in fixed rate UK Government securities. Cash comprises current accounts held with banks.

Foreign currency

The functional and presentation currency is pounds sterling, reflecting the economic environment in which the Company predominantly operates. All transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the dates of such transactions and the resulting exchange differences are taken to the capital reserve – realised. Foreign currency assets and liabilities at the balance sheet date are translated into sterling at the exchange rates ruling at that date and the resulting exchange differences are taken to the capital reserve – unrealised.

Taxation

Income taxes represent the sum of the tax currently payable, withholding taxes suffered and deferred tax. Tax is charged or credited in the income statement. Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future, or the right to pay less, have occurred at the balance sheet date. This is subject to deferred assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences between the Company's taxable profits and its results, as stated in the financial statements, which are capable of reversal in subsequent periods.

3. Organisational structure, manager arrangements and accounting policies continued

Investments

The general principle applied is that investments should be reported at 'fair value', in accordance with Financial Instruments: Recognition and Measurement ('IAS 39') and the International Private Equity and Venture Capital ('IPEV') Valuation Guidelines, December 2015 edition. Where relevant, the Company applies the policies stated below to the investments held by HGT LP, HGT 6 LP, HGT 7 LP and HgCapital Mercury D LP, in order to determine the fair value of its investments in these limited partnerships.

Purchases of investments are recognised on a trade date basis. Sales of investments held through the primary buyout funds are recognised at the trade date of the disposal. Sales from the investments in HgCapital 6 E LP and the renewable energy funds would normally consist of capital distributions and these distributions are recognised as a realisation when the right to such distribution is established. Proceeds are measured at fair value, which is regarded as the proceeds of sale less any transaction costs.

Quoted: Quoted investments are designated as held at fair value, which is deemed to be their bid price.

Unquoted: Unquoted investments are also designated as held at fair value and are valued using the following guidelines:

- (i) initially, investments are valued at the price of recent investment less fees and transaction costs, unless the prevailing market conditions and/or trading prospects of the investment result in this price being an inappropriate measure of fair value and (ii) or (iv) below is required;
- (ii) subsequently, investments are valued based on the level of maintainable earnings or revenue and an appropriate earnings or revenue multiple, unless (iv) is required;
- (iii) where more appropriate, investments can be valued based on other methodologies, including using their net assets or discounted cash flows, rather than on their earnings or revenue; and
- (iv) appropriate provisions are made against all individual valuations where necessary to reflect unsatisfactory financial performance or a fall in comparable ratings, leading to an impairment in value.

Limited partnership funds: these are investments that are set up by a manager in which the Company has a direct investment, but is not the sole limited partner and does not hold a majority share. These investments are valued at fair value, based on HgCapital's valuation after any adjustment required by the Directors.

Liquidity funds: these are short-term investments made in a combination of fixed and floating rate securities and are valued at the current fair value as determined by the manager of the fund. They can be realised at short notice.

Derivative financial instruments: derivative financial instruments are held at fair value and are valued using quoted market prices for financial instruments traded in active markets, or dealer price quotations for financial instruments that are not actively traded.

Both realised and unrealised gains and losses arising on fixed asset investments, financial assets and liabilities and derivative financial instruments, are taken to the capital reserves.

Capital reserves

Capital reserve – realised

The following are accounted for in this reserve:

- (i) gains and losses on the realisation of investments;
- (ii) attribution of gains to the founder partners for carried interest;
- (iii) losses on investments within the portfolio where there is little prospect of realisation or recovering any value;
- (iv) realised exchange differences of a capital nature; and
- (v) expenses, together with the related taxation effect, charged to this reserve in accordance with the above policies.

Capital reserve – unrealised

The following are accounted for in this reserve:

- (i) increases and decreases in the valuation of investments held at the year end;
- (ii) increases and decreases in the valuation of the loans to general partners; and
- (iii) unrealised exchange differences of a capital nature.

3. Organisational structure, manager arrangements and accounting policies continued

Critical accounting estimates and key sources of estimation uncertainty

The preparation of these financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

The estimates and assumptions are reviewed on an on-going 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 key accounting judgment is in respect of the determination of the fair value of financial assets classified as fair value through profit or loss (FVTPL). The methodology used in determining fair values is disclosed above.

4. Income

	Reve	nue return
	2016 £'000	2015 £'000
Income from investments held by HGT LP, HGT 6 LP, HGT 7 LP and HgCapital Mercury D LP:		
UK unquoted investment income	16,964	17,536
Foreign unquoted investment income	16,393	13,129
Foreign dividend income	354	_
Other investment income:		
UK unquoted investment income	774	103
Liquidity funds income	180	263
Total investment income	34,665	31,031
Total other income	167	46
Total income	34,832	31,077
Priority profit share charge against income:		
Current year - HGT 7 LP	(4,981)	(3,793)
Current year - HgCapital Mercury D LP	(3,765)	(1,725)
Current year - HGT 6 LP	(2,760)	(3,120)
Current year - HGT LP	_	(601)
Total priority profit share charge against income	(11,506)	(9,239)
Total net income	23,326	21,838
Total net income comprises:		
Interest	22,816	21,799
Dividend	354	_
Non-interest income	156	39
Total net income	23,326	21,838

5. Priority profit share and carried interest

	F	Revenue return		
(a) Priority profit share payable to General Partners	2016 £'000	2015 £'000		
Priority profit share payable:				
Current year amount	7,650	8,219		
Less: Current year loans advanced to General Partners	(448)	_		
Add: Prior year loans recovered from General Partners	4,304	1,020		
Current year charge against income	11,506	9,239		
Total priority profit share charge against income	11,506	9,239		

The priority profit share payable on HGT LP, HGT 6 LP, HGT 7 LP and HgCapital Mercury D LP rank as a first appropriation of net income from investments held in HGT LP, HGT 6 LP, HGT 7 LP and HgCapital Mercury D LP respectively and is deducted prior to such income being attributed to the Company in its capacity as a Limited Partner. The net income of HGT LP, HGT 6 LP, HGT 7 LP and HgCapital Mercury D LP earned during the year, after the deduction of the priority profit share, is shown on the income statement. Details of these arrangements are disclosed in the Directors' report on page 94.

The terms of the above priority profit share arrangements during 2016 were:

Fund partnership	Priority profit share
HGT 7 LP	1.75% on the fund commitment during the investment period
HgCapital Mercury D LP	1.75% on the fund commitment during the investment period
HGT 6 LP	1.5% of original cost of investments in the fund less the original cost of investments that have been realised or written off (previously 1.75% of the fund commitment during the investment period that ended on 19 November 2013)
HGT LP	1.5% on the value of investments in fund (excluding co-investments)

In addition, priority profit shares are payable on partnerships where the Company is a minority limited partner. These amounts are initially and indirectly funded by the Company through the amounts invested in these partnerships and these amounts are recognised as unrealised losses in the capital account in the income statement.

Fund partnership	Priority profit share
HgCapital 6 E LP	1.5% of original cost of investments in the fund, less the original cost of investments that have been realised or written off (previously 1.75% of the fund commitment during the investment period that ended on 19 November 2013)
HgCapital Renewable Power Partners 2 C LP	1.25% of lesser of value or cost of investments (previously 1.64% of the fund commitment during the investment period that ended on 27 May 2015 and was subsequently extended to 31 December 2015)
Hg Renewable Power Partners LP	1.5% of original cost of investments in the fund, less the original cost of investments that have been realised or written off (previously 1.75% of the fund commitment during the investment period that ended on 31 May 2010)

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NOTES TO THE FINANCIAL STATEMENTS continued

5. Priority profit share and carried interest continued

		Capital return		
(b) Priority profit share loans to General Partners	2016 £'000	2015 £'000		
Movements on loans to General Partners:				
Losses on current year loans advanced to General Partners	(448)	_		
Gains on prior year loans recovered from General Partners	4,304	1,020		
Total gains on priority profit share loans recovered from General Partners	3,856	1,020		

In years in which the funds described in note 5(a) have not yet earned sufficient net income to satisfy the priority profit share, the entitlement is carried forward to the following years. The priority profit share is payable quarterly in advance, even if insufficient net income has been earned. Where the cash amount paid exceeds the net income, an interest free loan is advanced to the general partner by these primary buyout funds, which is funded via a loan from the Company. Such loan is only recoverable from the general partner by an appropriation of net income. Until sufficient net income is earned, no value is attributed to this loan and hence an unrealised capital loss is recognised and reversed if sufficient income is subsequently generated.

		Capital return
(c) Carried interest to Founder Partners	2016 £'000	2015 £'000
Carried interest provision:		
Current year amount provided	27,076	28,118
Total carried interest charge against capital gains (note 13)	27,076	28,118

The carried interest payable ranks as a first appropriation of capital gains on the investments held in HGT LP, HGT 6 LP, HGT 7 LP and HgCapital Mercury D LP, limited partnerships established solely to hold the Company's investments, and is deducted prior to such gains being paid to the Company in its capacity as a Limited Partner. The net amount of capital gains of HGT LP, HGT 6 LP, HGT 7 LP and HgCapital Mercury D LP during the year, after the deduction of carried interest, is shown on the income statement.

The details of the carried interest contracts, disclosed in the Directors' report on page 94, state that carried interest is payable once a certain level of repayments have been made to the Company. Based on the repayments, no carried interest was payable in respect of the current or prior financial year. However, if the investments in HGT6 LP, HGT7 LP, HgCapital Mercury D LP and HgCapital 6 E LP are realised at the current fair value and then distributed to Partners, an amount of £56,282,000 will be payable to the Founder Partner and therefore the Directors have made a provision for this amount. No provision is required in respect of the Company's investment in the other fund limited partnerships.

6. Other expenses

	Re	Revenue return	
(a) Operating expenses	2016 £'000	2015 £'000	
Registrar, management and administration fees	711	549	
Directors' remuneration (note 8)	206	203	
Share of aborted deal fees	240	989	
Legal and other administration costs	520	655	
	1,677	2,396	
Fees payable to the Company's auditor in relation to the Company and Fund Limited Partnerships:			
Audit fees	67	64	
Tax compliance services	28	32	
Other non-audit services	_	68	
Total fees payable to the Company's auditor	95	164	
Total other expenses	1,772	2,560	

Share of aborted deal fees includes a provision for ongoing transactions that had not completed at the balance sheet date.

(b) Finance costs	Reven	ue return
	2016 £'000	2015 £'000
Interest paid	114	_
Non-utilisation fees and other expenses	519	383
Arrangement fees	200	640
Total finance costs	833	1,023

7. Cash flow from operating activities

Reconciliation of net return before finance costs and taxation to net cash flow from operating activities	2016 £′000	2015 £'000
Net return before finance costs and taxation	102,077	66,420
Add back: gains on investments held at fair value	(103,743)	(74,240)
Increase in carried interest provision	27,076	28,118
Increase in accrued income from liquidity funds	(143)	(204)
Increase in prepayments, accrued income and other debtors	(1,142)	(9,825)
(Decrease)/increase in creditors	(397)	761
Taxation (paid)/received	(825)	360
Net cash inflow from operating activities	22,903	11,390

8. Directors' remuneration

The aggregate remuneration of the Directors for the year to 31 December 2016 was £206,000 (2015: £203,000). Further information on the Directors' remuneration is disclosed in the Directors' remuneration report on pages 104 and 105.

9. Taxation on ordinary activities

In the opinion of the Directors, the Company has complied with the requirements of Section 1158 and Section 1159 of the CTA 2010 and will therefore be exempt from corporation tax on any capital gains reflected in the capital return during the year. The Company will elect to designate all of the proposed dividend (see note 11) as an interest distribution to its shareholders. This distribution is treated as a tax deduction against taxable income in the revenue return and results in a reduction of corporation tax being payable by the Company at 31 December 2016.

The standard rate of corporation tax in the UK for a large company remained unchanged at 20% during the year (2015: effective pro-rata tax rate of 20.25%). However, the tax charge in the current and prior year was lower than the standard effective pro-rata tax rate, largely due to the reduction in corporation tax from the interest distribution noted above. The effect of this and other items affecting the tax charge is shown in note 9(b) below.

		Revenue return	
(a) Analysis of charge in the year	2016 £′000	2015 £'000	
Current tax:			
UK corporation tax	4,005	3,806	
Income streaming relief	(3,434)	(3,024)	
Prior year adjustment	(149)	(333)	
Current revenue tax charge for the year	422	449	
Deferred tax:			
Reversal/(origination) of timing differences	159	(101)	
Total deferred tax charge/(credit) for the year (note 9(c))	159	(101)	
Total taxation charge on ordinary activities	581	348	
		Revenue return	
(b) Factors affecting current tax charge for the year	2016 £'000	2015 £'000	
Net revenue return on ordinary activities before taxation	20,721	18,255	
UK corporation tax charge at 20% thereon (2015: 20.25%)	4,144	3,697	
Effects of:			
Tax relief from interest distribution	(3,434)	(3,024)	
Impact of change in tax rates	20	8	
Prior year tax adjustment	(149)	(333)	
Total differences	(3,563)	(3,349)	
Total taxation charge on ordinary activities	581	348	

9. Taxation on ordinary activities continued

	Revenu	Revenue return	
(c) Deferred tax	2016 £'000	2015 £'000	
Deferred tax:			
Movement in taxable income not recognised in revenue return	159	(101)	
Total deferred tax charge/(credit) for the year (note 9(a))	159	(101)	
Deferred tax recoverable:			
Recoverable deferred tax at 31 December	668	567	
Deferred tax (charge)/credit for the year	(159)	101	
Recoverable deferred tax at end of year (note 14)	509	668	

Deferred tax assets of £509,000 (2015: £668,000) are recognised at a rate of 19.25% (2015: 20.0%) in respect of the net amounts of taxable income that have not yet been recognised in the revenue return, but are expected to be recognised in the revenue return for the accounting period ending 31 December 2017, during which the effective pro-rata corporation tax rate will be 19.25%.

10. Return and net asset value per Ordinary share

	Revenue return		Capital return	
(a) Return per Ordinary share	2016	2015	2016	2015
Amount (£'000):				
Return from ordinary activities after taxation	20,140	17,907	80,523	47,142
Number of Ordinary shares ('000):				
Weighted average number of shares in issue	37,325	37,325	37,325	37,325
Return per Ordinary share (pence)	53.96	47.98	215.74	126.30

	Capital return	
(b) Net asset value per Ordinary share	2016	2015
Amount (£'000):		
Net assets	615,756	530,023
Number of Ordinary shares ('000):		
Number of Ordinary shares in issue	37,325	37,325
Net asset value per Ordinary share (pence)	1,649.7	1,420.0

11. Dividends on Ordinary shares

	Record date	Payment date	2016 £'000	2015 £'000
Dividend of 40.0p for the year ended 31 December 2015	7 April 2016	16 May 2016	14,930	_
Dividend of 32.0p for the year ended 31 December 2014	7 April 2015	18 May 2015	_	11,944
Total equity dividends paid			14,930	11,944

11. Dividends on Ordinary shares continued

The proposed dividend of 46.0 pence per Ordinary share for the year ended 31 December 2016 is subject to approval by the shareholders at the annual general meeting and has not been included as a liability in these financial statements. The total dividends payable in respect of the financial year, which form the basis of the retention test as set out in Section 1159 of the CTA 2010, are set out below:

	2016 £'000
Revenue available for distribution by way of dividend for the year	20,140
Proposed dividend of 46.0p for the year ended 31 December 2016 (based on 37,324,698 Ordinary shares in issue at 31 December 2016)	(17,169)
Undistributed revenue for Section 1159 purposes*	2,971

^{*}Undistributed revenue comprises 13.6% of the estimated total taxable income of £21,797,000.

12. Fixed asset investments

	2016 £'000	2015 £'000
Investments held at fair value through profit and loss:		
Unquoted investments held in HGT 6 LP	229,986	235,441
Unquoted investments held in HGT 7 LP	175,957	100,654
Unquoted investments held in HGT LP	69,874	62,387
Unquoted investments held in HgCapital Mercury D LP	54,828	30,618
Other unquoted investments held by the Company	32,598	28,568
Total fixed asset investments gross of carried interest provision	563,243	457,668
Carried interest provision (note 5(c))	(56,282)	(29,206)
Total fixed asset investments	506,961	428,462
Total fixed asset investments consist of:		
Fund limited partnerships	506,961	428,462
	2016 £'000	2015 £'000
Opening valuation as at 1 January	428,462	359,930
Add back: opening unrealised (appreciation)/depreciation – investments	(48,039)	26,925
Add back: opening carried interest provision	29,206	1,088
Opening book cost as at 1 January	409,629	387,943
Movements in the year:		
Additions at cost	104,100	65,489
Disposals – proceeds	(102,193)	(43,070)
– realised gains/(losses) on sales	13,284	(733)
Closing book cost of investments	424,820	409,629
Add: closing unrealised appreciation — investments	138,423	48,039
	(56,282)	(29,206)
Less: closing carried interest provision	(30,202)	(23,200)

12. Fixed asset investments continued

The investments on page 77 include investments in companies that are indirectly held by the Company through its investment in HGT LP, HGT 6 LP, HGT 7 LP and HgCapital Mercury D LP, as set out in note 3 on page 66, and investments in fund limited partnerships in HgCapital 6 E LP, Hg Renewable Power Partners LP and HgCapital Renewable Power Partners 2 C LP.

13. Gains/(losses) on investments and liquidity funds

		Capit	al return	
		2016	2015	
		£′000	£′000	
Realised:				
Realised gains/(losses) on sales	s — fixed asset investments	13,284	(733)	
	– liquidity funds	201	462	
Net realised gains/(losses)		13,485	(271)	
Unrealised:				
Unrealised gains/(losses)	 fixed asset investments 	90,384	74,964	
	– liquidity funds	(126)	(453)	
		90,258	74,511	
Carried interest charge against	capital gains (note 5(c))	(27,076)	(28,118)	
Net unrealised gains		63,182	46,393	
Total gains		76,667	46,122	

14. Debtors and accrued income

	2016 £'000	2015 £'000
Amounts receivable after one year:		
Accrued income on fixed assets	65,280	64,162
Amounts receivable within one year:		
Deferred tax recoverable (note 9(c))	509	668
Prepayments and other accrued income	63	39
Total amounts receivable within one year	572	707
Total debtors	65,852	64,869

The Directors consider that the carrying amount of debtors approximates their fair value.

15. Liquidity funds

	2016 £'000	2015 £'000
Investments held at fair value through profit and loss:		
Opening valuation	30,835	59,859
Purchases at cost	88,737	31,559
Sales and redemptions	(80,200)	(60,796)
Movement in unrealised capital losses	(126)	(453)
Accrued income	143	204
Realised capital gains	201	462
Closing valuation	39,590	30,835

16. Movement in net funds

	2016 £′000	2015 £'000
Analysis and reconciliation of net funds:		
Change in cash	(3,332)	6,491
Net funds at 1 January	9,512	3,021
Net funds at 31 December	6,180	9,512
Net funds comprise:		
Cash	6,180	9,512

Cash includes £2,198,000 held by the fund limited partnerships in which the Company is the sole limited partner.

17. Creditors - amounts falling due within one year

	2016 £'000	2015 £'000
Taxation payable	575	978
Loan facility (note 18)	1,458	1,487
Sundry creditors	794	1,190
Total creditors	2,827	3,655

The Directors consider that the carrying amount of creditors approximate their fair value.

18. Bank facility

On 24 August 2011, the Company entered into a £40,000,000 multi-currency revolving credit standby facility on an unsecured basis. The facility was initially available for three years, before it was extended during August 2014 to 31 December 2015. In December 2015, the facility was extended by a further three and a half years to 30 June 2019. In addition, the facility was increased to £80,000,000, with an additional £40,000,000 available from 31 December 2016. Under the facility agreement, the Company is liable to pay interest on any drawn amount at LIBOR plus a margin of 2.25% to 2.50%, dependent on the loan to value ratio. A commitment fee of 0.95% p.a. is liable on any undrawn commitment and a ticking fee of 0.30% p.a. is liable on the increase of £40,000,000 during 2016 only. The facility was undrawn as at the end of the year.

On 28 November 2012, HgCapital Mercury D LP, alongside the other Hg Mercury funds, entered into a four-year multi-currency revolving term loan facility to provide short-term funds to facilitate acquisitions. HgCapital Mercury D LP participated for an amount of £4,736,842. Under the facility agreement, it is liable to pay interest on any drawn amount at base rate plus a margin of 3.00%. A commitment fee of 0.50% p.a. is liable on any undrawn commitment. At the end of the year, the Company's indirect share of amounts drawn via HgCapital Mercury D LP, was £1,458,000.

19. Financial risk

The following disclosures relating to the risks faced by the Company are provided in accordance with sections 11 and 12 of FRS 102. The reference to investments in this note is in relation to the Company's direct investments in Hg RPP LP, Hg RPP 2 LP, HgGE LP and the underlying investments in HGT LP, HGT 6 LP, HGT 7 LP and HgCapital Mercury D LP as described in note 3 on page 68.

Financial instruments and risk profile

The Company's investment objective is to achieve long-term capital appreciation by indirectly investing in unquoted companies. It does this through its investments in fund partnerships, mostly in the UK and Europe. Additionally, the Company holds UK Government securities, cash, liquidity funds and items such as debtors and creditors arising directly from its operations. In pursuing its investment objective, the Company is exposed to a variety of risks that could result in either a reduction of the Company's net assets or a reduction in the profits available for distribution by way of dividends. Valuation risk, market risk (comprising currency risk and interest rate risk), liquidity risk and credit risk, and the Directors' approach to the management of them, are described below. The Board and HgCapital coordinate the Company's risk management. The objectives, policies and processes for managing the risks, and the methods used to manage the risks, that are set out below, have not changed from the previous accounting period.

Valuation risk

The Company's exposure to valuation risk arises mainly from movements in the value of the underlying investments (held through fund partnerships), the majority of which are unquoted. A breakdown of the Company's portfolio is given on page 31 and a breakdown of the most significant underlying investments is given on page 38. In accordance with the Company's accounting policies, the investments in fund limited partnerships are valued by reference to their underlying unquoted investments, which are valued by the Directors following the IPEV Valuation Guidelines. The Company does not hedge against movements in the value of these investments, apart from foreign exchange movements as explained below, though the borrowing arranged to fund these investments is normally denominated in the currency in which the business is operating. The Company has exposure to interest rate movements, through bank deposits, UK government securities and liquidity funds.

In the opinion of the Directors, the diversified nature of the Company's portfolio significantly reduces the risks of investing in unquoted companies.

FRS 102 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy, within which the fair value measurement is categorised in its entirety, is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes an 'observable' input requires significant judgement by the Board. The Board considers observable data relating to investments actively traded in organised financial markets, in which case fair value is generally determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date, without adjustment for transaction costs necessary to realise the asset.

19. Financial risk continued

The following table analyses, within the fair value hierarchy, the fund's financial assets (by class) measured at fair value at 31 December.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments held at fair value through profit and loss:				
Unquoted investments – Investment in HGT 6 LP	_	_	229,986	229,986
 Investment in HGT 7 LP 	_	_	175,957	175,957
Investment in HGT LP	_	_	69,874	69,874
 Investment in HgCapital Mercury D LP 	_	_	54,828	54,828
– Investment in Hg RPP2 LP	_	_	16,997	16,997
– Investment in Hg 6 E LP	_	_	14,448	14,448
— Investment in Hg RPP LP	_	_	1,153	1,153
– Liquidity funds	_	39,590	_	39,590
 Carried interest provision 	_	_	(56,282)	(56,282)
Other assets:				
Accrued income	_	_	65,280	65,280
As at 31 December 2016	-	39,590	572,241	611,831
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments held at fair value through profit and loss:				
Unquoted investments – Investment in HGT 6 LP	_	_	235,441	235,441
– Investment in HGT 7 LP	_	_	100,654	100,654
– Investment in HGT LP	_	_	62,387	62,387
 Investment in HgCapital Mercury D LP 	_	_	30,618	30,618
– Investment in Hg 6 E LP	_	_	14,684	14,684
– Investment in Hg RPP2 LP	_	_	12,459	12,459
— Investment in Hg RPP LP	_	_	1,425	1,425
– Liquidity funds	_	30,835	_	30,835
 Carried interest provision 	_	_	(29,206)	(29,206)
Other assets:				
Accrued income	_	_	64,162	64,162
As at 31 December 2015	-	30,835	492,624	523,459

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include government securities and actively traded listed equities. The Company does not adjust the quoted bid price of these investments.

Financial instruments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs, are classified within level 2. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs. Level 3 instruments include private equity and corporate debt securities. As observable prices are not available for these securities, the Board has used valuation techniques to derive the fair value. In respect of unquoted instruments, or where the market for a financial instrument is not active, fair value is established by using recognised valuation methodologies, in accordance with IPEV Valuation Guidelines. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

There were no transfers of assets from level 1 to level 2 or 3, level 2 to level 1 or 3 and level 3 to level 1 or 2.

19. Financial risk continued

The following table presents the movement in level 3 investments for the year ended 31 December 2016 by class of financial instrument.

	Accrued income on investments 2016 £'000	Investments in limited partnerships 2016 £'000	Total 2016 £'000
Unquoted investments:			
Opening balance	64,162	428,462	492,624
Purchases	_	104,100	104,100
Realisations at 31 December 2015 valuation	(31,497)	(86,706)	(118,203)
Total gains for the year included in the income statement	32,615	88,181	120,796
Movement in carried interest provision	_	(27,076)	(27,076)
Closing unrealised valuation of level 3 investments	65,280	506,961	572,241
Total gains for the year included in the income statement for investments held at the end of the year	33,626	81,830	115,456

Equity price risk

Equity price risk is the risk of a fall in the fair value of the Company's ownership interests (comprising equities and shareholder loans) held by the Company indirectly through its direct investments in fund limited partnerships. The Board revalues each investment twice each year. The Board manages the risks inherent in the investment portfolio by ensuring full and timely access to relevant information from HgCapital. The Board meets regularly and at each meeting reviews the trading performance of the principal underlying investments. If there appears to the Board to be an impairment in value between regular valuations, it can revalue the investment. The Board also monitors HgCapital's compliance with the Company's investment objective and investment policy.

HgCapital's best estimate of the effect on the net assets and total return due to a reasonably possible change in the value of all unquoted securities, with all other variables held constant, is as follows:

	Change %	£'000	NAV per Ordinary share Pence
Sensitivity to equity price risk:			
Unquoted investments	±10%	±57,224	±153.3

Credit risk

Credit risk is the risk of financial loss in the event that any of the Company's market counterparties fail to fulfil their contractual obligations to the Company. The Company's financial assets (excluding fixed asset investments) that are subject to credit risk, were neither impaired nor overdue at the year-end. The Company's cash balances were held with the Royal Bank of Scotland and amounts not required for day-to-day use were invested in liquidity funds managed by Royal London Asset Management which are rated AAA by Fitch. Foreign exchange forward contracts and options are held with counterparties which have credit ratings which the Board considers to be adequate. The Board regularly monitors the credit quality and financial position of these market counterparties. The credit quality of the above mentioned financial assets was deemed satisfactory.

Market risk

The fair value of future cash flows of a financial instrument held by the Company may fluctuate due to changes in market prices of comparable businesses. This market risk may comprise: currency risk (see below), interest rate risk and/or equity price risk (see above). The Board of Directors reviews and agrees policies for managing these risks. HgCapital assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

19. Financial risk continued

Currency risk and sensitivity

The Company is exposed to currency risk as a result of investing in fund partnerships which invest in companies that operate and are therefore valued in currencies, other than sterling. The value of these assets in sterling, being the Company's functional currency, can be significantly influenced by movements in foreign exchange rates. Borrowing raised to fund each acquisition in such companies is normally denominated in the currency in which the business is operating and valued, thus limiting the Company's exposure to the value of its investments, rather than the gross value. From time to time, the Company is partially hedged against movements in the value of foreign currency against sterling where a movement in exchange rate could affect the value of an investment, as explained below. HgCapital monitors the Company's exposure to foreign currencies and reports to the Board on a regular basis. The following table illustrates the sensitivity of the revenue and capital return for the year in relation to the Company's year-end financial exposure to movements in foreign exchange rates against sterling. The rates represent the range of movements against sterling over the current year for the currencies listed. In the opinion of the Directors, the sensitivity analysis below may not be representative of the year as a whole, since the level of exposure changes as the portfolio changes through the purchase and realisation of investments to meet the Company's objectives.

	Reve	Revenue return		oital return
	£′000	NAV per Ordinary share Pence	£′000	NAV per Ordinary share Pence
Highest value against sterling during the year:				
Danish krone (8.2227)	4	_	1,904	5.1
Euro (1.1052)	808	2.2	8,212	22.0
Norwegian krone (9.9597)	_	_	4,497	12.0
Swedish krona (10.6981)	242	0.6	321	0.9
Swiss franc (1.1949)	_	_	10	_
US dollar (1.2131)	154	0.4	1,098	2.9
	1,208	3.2	16,042	42.9
Lowest value against sterling during the year:				
Danish krone (10.1935)	(9)	_	(4,666)	(12.5)
Euro (1.3665)	(1,922)	(5.1)	(19,539)	(52.3)
Norwegian krone (13.1106)	_	_	(12,498)	(33.5)
Swedish krona (12.6356)	(548)	(1.5)	(727)	(1.9)
Swiss franc (1.4821)	_	_	(30)	(0.1)
US dollar (1.4807)	(1,374)	(3.7)	(9,772)	(26.2)
	(3,853)	(10.3)	(47,232)	(126.5)

At 31 December 2016, the following rates were applied to convert foreign denominated assets into sterling: Danish krone (8.7108); euro (1.1715); Norwegian krone (10.6361); Swedish krona (11.2254); Swiss franc (1.2559); and US dollar (1.2357).

Portfolio hedging

At times, the Company uses derivative financial instruments such as forward foreign currency contracts and option contracts to manage the currency risks associated with its underlying investment activities. The contracts entered into by the Company are denominated in the foreign currency of the geographic areas in which the Company has significant exposure against its reporting currency. The contracts are designated as a hedge and the fair values thereof are recorded in the balance sheet as investments held at fair value. Unrealised gains and losses are taken to capital reserves. At the balance sheet date, there were no outstanding derivative financial instruments.

The Company does not trade in derivatives but may hold them from time to time to hedge specific exposures with maturities designed to match the exposures they are hedging. It is the intention to hold both the financial investments giving rise to the exposure and the derivatives hedging them until maturity and therefore no net gain or loss is expected to be realised.

19. Financial risk continued

Derivatives are held at fair value, which represents the replacement cost of the instruments at the balance sheet date. Movements in the fair value of derivatives are included in the income statement. The Company does not adopt hedge accounting in the financial statements.

Interest rate risk and sensitivity

The Company has exposure to interest rate movements as this may affect the fair value of funds awaiting investment, interest receivable on liquid assets and managed liquidity funds, and interest payable on borrowings. The Company has little immediate direct exposure to interest rates on its fixed assets, as the majority of the underlying investments are fixed rate loans or equity shares that do not pay interest. Therefore, and given that the Company has no borrowings and maintains low cash levels, the Company's revenue return is not materially affected by changes in interest rates.

However, funds awaiting investment have been invested in managed liquidity funds and, as stated above, their valuation is affected by movements in interest rates. The sensitivity of the capital return of the Company to movements in interest rates has been based on the UK base rate. With all other variables constant, a 0.25% decrease in the UK base rate should increase the capital return in a full year by about £60,000, with a corresponding decrease if the UK base rate were to increase by 0.25%. In the opinion of the Directors, the above sensitivity analyses may not be representative of the year as a whole, since the level of exposure changes as investments are made and realised throughout the year.

Liquidity risk

Investments in unquoted companies, which form the majority of the Company's investments, may not be as readily realisable as investments in quoted companies, which might result in the Company having difficulty in meeting its obligations. Liquidity risk is currently not significant as 7% of the Company's net assets at the year-end are liquid resources and, in addition, the Company has an £80 million multi-currency undrawn bank facility available. The Board gives guidance to HgCapital as to the maximum amount of the Company's resources that should be invested in any one company. For further details refer to the Company's Investment Policy on page 11.

Currency and interest rate exposure

The Company's financial assets that are subject to currency and interest rate risk are analysed below:

		2016	5			2015	5	
	Fixed and floating rate £'000	Non- interest- bearing £'000	Total £'000	Total %	Fixed and floating rate £'000	Non- interest- bearing £'000	Total £'000	Total %
Sterling	45,770	244,518	290,288	47.0	39,546	224,071	263,617	49.5
Euro	_	150,396	150,396	24.3	_	167,399	167,399	31.4
US dollar	_	67,346	67,346	10.9	_	17,378	17,378	3.3
Norwegian krone	_	66,217	66,217	10.7	_	44,228	44,228	8.3
Danish krone	_	32,141	32,141	5.2	801	22,488	23,289	4.4
Swedish krona	_	11,428	11,428	1.9	_	12,309	12,309	2.3
Swiss franc	_	195	195	_	_	4,751	4,751	0.8
Total	45,770	572,241	618,011	100.0	40,347	492,624	532,971	100.0

Short-term debtors and creditors, which are excluded, are mostly denominated in sterling, the functional currency of the Company. The fixed and floating rate assets consisted of cash and liquidity funds, of which the underlying investments are a combination of fixed and floating rate. The non-interest-bearing assets represent the investment portfolio held in fund limited partnerships, net of the provision for carried interest.

Through its investment into the HgCapital Mercury D LP fund, the Company had outstanding borrowings of £1,458,000 (notes 17 and 18) at the year-end (2015: £1,487,000). The numerical disclosures above exclude short-term debtors and creditors.

19. Financial risk continued

Capital management policies and procedures

The Company's capital management objectives are to ensure that it will be able to finance its business as a going concern and to maximise the revenue and capital return to its equity shareholders.

The Company's capital at 31 December comprised:

	2016 £'000	2015 £'000
Equity:		
Equity share capital	9,331	9,331
Share premium	120,368	120,368
Capital redemption reserve	1,248	1,248
Retained earnings and other reserves	484,809	399,076
Total capital	615,756	530,023

With the assistance of HgCapital, the Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review covers:

- the projected level of liquid funds (including access to bank facilities);
- the desirability of buying back equity shares, either for cancellation or to hold in treasury, balancing the effect (if any) this may have on the discount at which shares in the Company are trading against the advantages of retaining cash for investment;
- the opportunity to raise funds by an issue of equity shares; and
- the extent to which revenue in excess of that which is required to be distributed should be retained, whilst maintaining its status under Section 1158 of the CTA 2010.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

20. Called-up share capital

	2016		2015	
	No. '000	£'000	No. '000	£'000
Ordinary shares of 25p each:				
Allotted, called-up and fully paid:				
At 1 January	37,325	9,331	37,325	9,331
At 31 December	37,325	9,331	37,325	9,331
Total called-up share capital	37,325	9,331	37,325	9,331

Whilst the Company no longer has an authorised share capital, the Directors will still be limited as to the number of shares they can at any time allot, as the Companies Act 2006 requires that Directors seek authority from shareholders for the allotment of new shares.

21. Share premium account and reserves

	Share premium account £'000	Capital redemption reserve £'000	Capital reserve unrealised £'000	Capital reserve realised £'000	Revenue reserve £'000
As at 1 January 2016	120,368	1,248	14,023	353,107	31,946
Transfer on disposal of investments	_	_	2,203	(2,203)	_
(Losses)/gains on liquidity funds	_	_	(126)	201	_
Net gain on sale of fixed asset investments	_	_	_	15,487	_
Net movement in unrealised appreciation of fixed asset investments	_	_	88,181	_	_
Dividend paid	_	_	_	_	(14,930)
Net return for the year after taxation	_	_	-	_	20,140
Net loans recovered from General Partners	_	_	3,856	_	_
Carried interest provision	_	_	(27,076)	_	_
As at 31 December 2016	120,368	1,248	81,061	366,592	37,156

22. Commitment in fund partnerships and contingent liabilities

	Original	Outstanding at 31 Dec		
Fund	commitment £'000	2016 £'000	2015 £'000	
HGT 8 LP ¹	350,000	350,000	_	
HGT 7 LP ¹	200,000	39,774	102,765	
HGT 6 LP	285,029	11,050	17,860	
HgCapital Mercury D LP	60,000	10,285	27,540	
Hg RPP2 LP	29,4812	7,482³	8,219 ³	
HGT LP ⁴	120,000	1,261	1,261	
Hg RPP LP	15,949⁵	846 ⁶	1,0166	
Hg 6 E LP	15,000	582	940	
Total outstanding commitments		421,280	159,601	

¹ The Company has the benefit of an opt-out provision in connection with its commitment alongside HgCapital 8, allowing it to opt out of its obligation to fund draw-downs under its commitment, without penalty, where certain conditions exist.

23. Key agreements, related party transactions and ultimate controlling party

HgCapital acts as Manager of the Company through a management agreement and indirectly participates through fund limited partnership agreements as the general partners and, alongside a number of HgCapital's executives (past and present), as the founder partners of the fund partnerships in which the Company invests. In addition, HgCapital acts as Administrator of the Company.

The Company has no ultimate controlling party.

The Company's related parties are its directors. Fees paid to the Company's board are disclosed in the Directors' Remuneration Report on page 104. There are no other identified related parties at the year end, and as of 3 March 2017.

² Sterling equivalent of €40,000,000.

³ Sterling equivalent of €8,765,000 (2015: €11,152,000).

⁴ With effect from 21 October 2011, £12.0 million of the commitment was cancelled, followed by £9.0 million on 31 March 2013 and £4.7 million on 1 August 2014. These amounts represent 10.0%, 7.5% and 3.9% respectively of the original £120 million commitment to the HgCapital 5 fund.

⁵ Sterling equivalent of €21,640,000.

⁶ Sterling equivalent of €992,000 (2015: €1,378,000).

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HgCAPITAL TRUST PLC

Opinion on financial statements of HgCapital Trust plc (the 'Company')

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice issued by the Association of Investment Companies in November 2014 "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ('AIC SORP'); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

The financial statements that we have audited comprise:

- the Income Statement;
- the Balance Sheet;
- the Statement of Cash Flows;
- the Statement of Changes in Equity; and
- the related notes I to 23.

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

Summary of our audit approach				
Key risks	The key risks that we identified in the current year were: 1. The valuation of unquoted investments; 2. The ownership of investments; and 3. Revenue recognition. Within this report, any new risks are identified with and any risks which are the same as the prior year identified with .			
Materiality	The materiality that we used in the current year was £12.3 million which was determined on the basis of 2% of net asset value.			
Scoping	Our audit scope was focused at the London offices of Hg Pooled Management Ltd ('HgCapital') and undertaken to the materiality level mentioned above.			
Significant changes in our approach	There have been no material changes in our audit approach.			

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Company

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 2 to the financial statements and the directors' statement on the longer-term viability of the Company contained within the Board's Strategic Report on page 14.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the directors' explanation on page 15 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- · the disclosures on page 15 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation on page 14 as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT continued

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the Company and we have fulfilled our other ethical responsibilities in accordance with those standards. We confirm that we are independent of the Company and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Risk: The valuation of unquoted investments **2**

Unquoted investments, including accrued income, of \pounds 572 million (2015: \pounds 493 million), were held by the fund limited partnerships, in which the Company invests.

The valuation of these unquoted investments involves the use of a significant degree of judgement in applying the International Private Equity and Venture Capital Valuations ('IPEV') guidelines, including valuation method, market multiples and

comparable companies.

There is a risk that these unquoted investments may not be reflected at the appropriate value.

The key accounting policies on unquoted investments are included under note 3 on page 68 and the breakdown of these investments is presented under note 12 on page 77 of the financial statements.

How the scope of our audit responded to the risk

We evaluated the design and implementation of key controls in place in relation to the valuation of unquoted investments at HgCapital to determine whether appropriate controls were in place.

We attended the Audit and Valuation Committee meeting where these unquoted investment valuations were reviewed and discussed in detail, to observe this process.

We tested the valuations by critically assessing the methodology applied and challenging the reasonableness of the underlying assumptions and judgements. We evaluated significant inputs to the valuations and agreed these to supporting documentation such as earnings, revenue and

capital structure information provided by the underlying businesses, and market multiples, comparable companies and net asset values used by the Directors in the valuations, analysing year on year movements and testing their arithmetical accuracy.

We determined whether the forecast information provided for the underlying investments was reasonable in light of the historical performance and expected future earnings based on a review of the valuations and forecast information which included future plans of the businesses.

We determined whether the valuations were carried out in accordance with IPEV guidelines.

Risk: The ownership of unquoted investments **>**

The Company holds investments in fund limited partnerships, which in turn hold unquoted investments, including accrued income, of £572 million (2015: £493 million), through various investment holding companies. The Company also holds investments in a liquidity fund of £40 million (2015: £31 million).

There is a risk that these investments may not be held in the name of the Company or the limited fund partnerships in which it invests, and any error in the holdings could impact the Company's net asset value.

The key accounting policies on investments are included under note 3 on page 68. The breakdown of these unquoted investments is presented under note 12 on page 77 of the financial statements. Further details on the liquidity funds are presented under note 15 on page 79 of the financial statements.

How the scope of our audit responded to the risk

We reviewed and assessed the design and implementation of the controls round the ownership of investments at HgCapital, where a number of the share certificates are held, to determine whether appropriate controls are in place at HgCapital to maintain accurate records of investment holdings. We evaluated the existence and ownership of the fund limited partnerships held by the Company by verifying the proportion held through independent confirmations from the general

partners of the fund limited partnerships, and agreed the underlying investments held by agreeing the units held to share certificates or registers held by the registrar.

We evaluated the existence and ownership of the liquidity fund held by the Company by obtaining an independent confirmation from the liquidity fund's third party manager to verify the holdings at the year-end.

INDEPENDENT AUDITOR'S REPORT continued

Risk: Revenue recognition D

The Company has recognised income of £23 million (2015: £22 million) in revenue, and gains on investments and priority profit share loans of £81 million (2015: £47 million) in capital.

There is a risk that the allocation between revenue and capital may be inaccurate, which could impact the level of distribution required by the Investment Trust Company (ITC) regulations, as well as the revenue recognised by the Company as earned by the limited partnerships.

The key accounting policies on income and investment gains are included under note 3 on page 69. The breakdown of income is presented under note 4 on page 71 of the financial statements. The breakdown of the gains on investments is presented under note 13 on page 78 of the financial statements, and a breakdown on the priority profit share loans is presented note 5 on page 72 of the financial statements.

How the scope of our audit responded to the risk

We assessed the design and implementation of controls over revenue recognition and allocation between the revenue and capital columns in the financial statements to determine whether the controls in place are appropriate.

We also reviewed the accounting policies and tested that the relevant ones have been applied and that these are in line with the requirements of the investment Trust regulations and the

Statement of Recommended Practice issued by the Association of Investment Companies (AIC SORP).

We tested the completeness of the revenue recognised by recalculating the revenue in accordance with the underlying agreements and determining whether the recognition of revenue is in line with the financial reporting standards.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality – £12.3 million (2015: £10.6 million).

Basis for determining materiality – 2% of the net asset value at the year end (2015: 2% of the net asset value at the year end).

Rationale for the benchmark applied – We consider the net asset value to be one of the most important financial metrics on which shareholders would assess the value of the Company.

We agreed with the Audit and Valuations Committee that we would report to the Committee all audit differences in excess of £0.25 million (2015: £0.21 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Valuations Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

The scope of our audit of the Company was undertaken to the materiality level specified above by the London-based audit team and was performed at the London offices of HgCapital.

Opinion on other matters prescribed by the Companies Act 2006

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

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- 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 Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

INDEPENDENT AUDITOR'S REPORT continued

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code.

We have nothing to report arising from our review.

Our duty to read other information in the Annual Report Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- · otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control I (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and nonfinancial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Andrew Partridge CA (Senior statutory auditor) for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor London, United Kingdom

3 March 2017

CORPORATE GOVERNANCE

DIRECTORS' REPORT

The Directors present the Annual Report and Accounts of HgCapital Trust plc (the 'Company') (Reg. No. 01525583) for the year ended 31 December 2016.

The Strategic Report, Chairman's Statement and Corporate Governance Report forms part of this Directors' Report.

Status of the Company

The Company is an investment company, as defined in section 833 of the Companies Act 2006, and qualifies as an investment trust under section 1158 and section 1159 of the Corporation Tax Act 2010. The Company has received confirmation from HMRC that it has been accepted as an approved investment trust with effect from 1 January 2012, provided it continues to meet the eligibility conditions for section 1158 and the ongoing requirements for approved companies in the Investment Trust (Approved Company) (Tax) Regulations 2011.

Capital structure

As at 31 December 2016 the Company had 37,324,698 Ordinary shares of 25 pence each in issue. Each Ordinary share has one voting right attached to it. The total number of voting rights in the Company at this date was 37,324,698. Further information on the share capital of the Company can be found in note 20 of the financial statements.

Results and dividend

The total return for the Company is set out in the income statement on page 64. The total return after taxation for the year, was £100,663,000 (2015: £65,049,000) of which the revenue return was £20,140,000 (2015: revenue return of £17,907,000).

The Directors recommend the payment of a dividend of 46.0 pence per Ordinary share for the year ended 31 December 2016 (2015: 40.0 pence). Subject to approval of this dividend at the forthcoming annual general meeting ('AGM'), it will be paid on 15 May 2017 to shareholders on the register of members at the close of business on 7 April 2017.

Calculation of ongoing charges

For the year to 31 December 2016, the Company's ongoing charges were calculated as 1.6% (2015: 2.0%).

The calculation is based on the ongoing charges expressed as a percentage of the average published (monthly for the Company) ordinary shareholders' NAV over the relevant year. The ongoing charges, in accordance with guidelines issued by The Association of Investment Companies ('AIC'), are the annualised expenses that are operational and recurring by nature and specifically exclude, amongst others, the expenses and gains or losses relating to the acquisition or disposal of investments, performance related fees (such as carried interest), taxation and financing charges.

The Company's ongoing charges consist of its operating expenses (excluding the share of aborted deal fees) and current year priority profit share payable, as described in notes 5 and 6 to the financial statements.

Greenhouse gas emissions

The Company has no greenhouse gas emissions to report from the operations of the Company, nor does it have responsibility for any other emissions producing sources reportable under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Stewardship

Our Manager, HgCapital, seeks to invest the Company's funds in businesses that are well managed, with high standards of corporate governance.

The Directors of the Company believe this creates the proper conditions to enhance long-term shareholder value and to achieve a high level of corporate performance.

The exercise of voting rights attached to the Company's underlying proportion of the portfolio lies with HgCapital. HgCapital has a policy of active portfolio management and ensures that significant time and resource is dedicated to every investment, with HgCapital executives typically being appointed to investee company boards, in order to ensure the application of active, results-orientated corporate governance. Further information regarding the stewardship of investee companies by HgCapital can be found in their review on pages 17 to 62.

Derivative transactions

The Company had no outstanding derivative contracts at 31 December 2016.

DIRECTORS' REPORT

The Company's Board of Directors

The Board currently comprises five non-executive directors, all of whom are considered to be independent. Through its Nomination Committee, Directors review the Board's effectiveness and succession plans annually; this review includes consideration of the skills, knowledge and experience that the business of the Company will need in the future, and identifies any gap or weakness in the current Board that needs to be rectified.

The Board considers how to refresh the Board and discusses succession planning and potential recruitment, and reviews the performance of each director who is standing for re-election.

Set out below is a description of the skills and experience that each of the current directors brings to the Company from relevant current and former positions.

Roger Mountford (Chairman of the Board)

As a managing director in the corporate finance department of a leading merchant bank Roger Mountford advised a range of listed companies, including the boards of investment trusts on complex restructuring and the terms of engagement of their managers. He led the bank's advisory practice in the private equity market, advising on many transactions, providing an understanding of the structure and processes involved in transactions similar to those in which the Company is involved. Since retiring from banking he has led several large pension schemes, gaining experience of institutional asset management, including allocations to private markets. He has served for many years on the global advisory board of VenCap International, a long-established investor in early-stage venture investment, which provides him with insights into emerging technologies and disruptive business models that inform consideration of the Company's investments in businesses ready for transformational change.

Roger is also a government-appointed director of HS2 Limited and is a member of the Council of the London School of Economics. He is aged 68 and has served on the Board since 2004

In accordance with the recommendations of the AIC Code, having served more than nine years as a Director of the Company, Roger will stand for re-election at the AGM.

Richard Brooman

(Chairman of the Audit & Valuation Committee)

Richard Brooman chairs audit and risk committees in a number of companies and charities. He qualified as a chartered accountant with Price Waterhouse. He held senior operational and financial positions at Mars, going on to be Chief Financial Officer of the global Consumer Healthcare business of SmithKline Beecham. These roles gave him comprehensive experience of financial and risk management in two leading global companies and of both acquisitions and disposals of

businesses. Moving to the SME sector he became Group Finance Director of VCI plc, and subsequently CFO of Sherwood International plc, both mid-capitalisation businesses listed on the London Stock Exchange; he is currently senior independent director of Acal plc, a listed manufacturer of custom electronic components. This career provides a strong basis for assessing, and where appropriate challenging, the financial and risk management framework not only of the Company but also of companies across a wide range of industries, including companies in our portfolio. As Chairman of the Audit & Valuation Committee, he takes the lead in scrutinising the valuation of each company in the portfolio prepared by HgCapital.

Richard has long experience in the investment trust sector, notably as Deputy Chairman of the Board, and Chairman of the Audit Committee, of Invesco Perpetual UK Smaller Companies Investment Trust plc. Together with his role as Chairman of this Company's Audit and Valuation Committee, his appointments ensure that he remains well briefed about accounting and regulatory issues affecting the Company.

Richard is aged 61 and has served on the Company's Board since 2007.

In accordance with the recommendations of the AIC Code, having served more than nine years as a Director of the Company, Richard will stand for re-election at the AGM.

Peter Dunscombe

(Chairman of the Management Engagement Committee)

A career in the senior management of major pension funds provided Peter Dunscombe with long experience of asset allocation and investment management in major institutions. He was joint managing director of Imperial Investments Ltd, the manager of the Imperial Tobacco pension fund. Following this he was Head of Pensions Investments at the BBC Pension Trust, where he was responsible for allocating funds to a variety of private assets classes, including private equity. He selected managers and negotiated limited partnership interests in many private equity funds, including funds raised by HgCapital, experience that informs his role as Chairman of the Company's Management Engagement Committee: he leads on the Board's annual review of the performance, resources and strategy of HgCapital, to give the Board assurance that HgCapital remains well equipped to act as the Company's Manager. He also leads on regular reviews of all the Company's other service providers. He continues to be active in institutional fund management as a member of the investment committees of the Reed Elsevier Pension Fund, St James Place plc and the Nuffield Foundation.

Peter also brings valuable experience of the investment trust sector as a director of the Murray International Trust plc and GCP Student Living plc. He is aged 67, has served as a director since 2014.

DIRECTORS' REPORT

Mark Powell

(Senior Independent Director)

Mark Powell brings to the Board long experience of the London Stock Exchange. He spent many years in investment management and, as Managing Director and later Chairman of Rathbone Brothers Plc, led one of the leading wealth management businesses in the UK serving private clients, charities and smaller institutional investors. He served as a member of the Panel on Takeovers and Mergers and as Chairman of the Association of Private Client Investment Managers and Stockbrokers (now the Wealth Managers Association). As over 40% of the share capital of the Company's shares are held by wealth managers and private investors this experience is of great value to the Board in deciding how best to present the Company, considering the discount or premium at which the shares trade, and on setting dividend policy. Well known in investment markets, he is well placed to rehearse shareholders' views at the Board, in his role as the Company's Senior Independent Director.

He also serves as a trustee of several charities, is aged 71 and has served on the Board since 2010.

Anne West

Anne West joined the Company's Board following a long career as an equity investment manager, initially in Hong Kong. She spent 23 years at Cazenove Capital Management, one of the UK's largest wealth managers, rising to Chief Investment Officer. As manager of the investment teams, she was responsible for leading the firm's strategy on asset allocation, including diversification into private markets using listed vehicles such as the Company. She was also responsible for communication of investment views and policy to the wealth managers and to clients and introduced investment risk management tools to portfolio construction. This experience provides the Board with insights into the decision-making processes of many of the Company's shareholders and potential investors.

Anne brings her experience of investing in emerging markets, especially in Asia, to The Scottish Oriental Smaller Companies Trust plc, and this together with serving on the investment committee of the Battle against Cancer Investment Trust, also adds depth to her understanding of the investment trust sector.

She was previously a member of the investment committee for Oxford University Endowment Management which had a large commitment to private equity.

Anne is aged 66 and was appointed to the Board in 2014 and will stand for re-election at the AGM.

Information on the Board of Directors

The general powers of the Directors are set out in Article 93 of the Company's constitution. This Article provides that the business of the Company shall be managed by the Board, which may exercise all the powers of the Company, subject to any limitations imposed by applicable legislation, the Articles and any directions given by special resolution of the shareholders of the Company.

All Directors are members of the Audit & Valuation, Nomination and Management Engagement Committees; further details are provided in the Corporate Governance Statement on page 99. All Directors are non-executive.

None of the Directors have any other connections with HgCapital or served together as directors of any other company.

As outlined on page 92, the Board considered in detail the composition of the Board. The Directors believe that the Board includes an appropriate balance of skills, experience and knowledge. The Board confirms that the performance of each of the Directors seeking re-election continues to be effective and demonstrates commitment to the role, and the Board believes that it is therefore in the best interests of shareholders that these Directors be re-elected.

Substantial interests

As at 31 December 2016, the Company had received notice that the persons noted in the table below had interests in 3% or more of the total voting rights of the Company.

	Ordinary shares*	% of voting rights
Schroders plc	4,475,196	12.0
Prudential plc	4,321,512	11.6
Oxfordshire County Council Pension Fund	1,934,000	5.2

As at 28 February 2017, being the latest practicable date prior to the publication of this report, the Company had received notice that the persons noted in the table below had interests in 3% or more of the total voting rights of the Company.

	Ordinary shares*	% of voting rights
Schroders plc	5,225,424	13.9%
Prudential plc	4,699,857	12.6%
Oxfordshire County Council Pension Fund	1,934,000	5.2%

^{*}Notifications are required where an investor reaches the 3% threshold and for every 1% increase or decrease thereafter. The above holdings may therefore not be wholly accurate statements of the actual investor holdings at 31 December 2016 and at 28 February 2017.

In addition to their direct holdings in HgCapital funds, the partners and staff of HgCapital also hold shares in the Company.

As at 31 December 2016, the partners and staff of HgCapital owned 1,381,857 shares; 3.7% of the total voting rights (2015: 1,851,690 shares, 5.0% of the total voting rights).

DIRECTORS' REPORT

ANALYSIS OF REGISTERED ORDINARY SHAREHOLDERS AS AT 31 DECEMBER 2016

Number % of total		total	Number	% of total		
By size of holding	of shares	31 Dec 2016	31 Dec 2015	of holders	31 Dec 2016	31 Dec 2015
1 – 5,000	662,353	1.77	2.33	533	70.87	77.41
5,001 - 50,000	2,124,511	5.69	5.82	126	16.76	13.58
50,001 - 100,000	2,153,169	5.77	4.79	29	3.86	2.49
over 100,000	32,384,665	86.77	87.06	64	8.51	6.52
Total	37,324,698	100.00	100.00	752	100.00	100.00

Investment management and administration

During 2016, the Company's assets were managed by Hg Pooled Management Limited ('HgCapital').

The Company pays a priority profit share in respect of its commitment to invest alongside the HgCapital 6, HgCapital Mercury and HgCapital 7 funds. These shares are the same as those payable by all institutional investors in these funds.

Amounts of 1.75% p.a. are payable on the commitments during the investment period of these funds, which normally lasts for between four and five years. These amounts will then reduce to 1.5% p.a. calculated on the basis of the original cost of the assets, less the original cost of any assets which have been realised or permanently written off.

Under the previous arrangements, implemented in January 2009, the Company pays a priority profit share of 1.5% p.a. on the current value of the HGT LP portfolio, excluding any co-investment participations and investments in other collective investment funds.

Under incentive schemes, in which the executives of HgCapital participate alongside HgCapital, carried interest is payable in order to provide an incentive to deliver good performance. For the Company's investment alongside the HgCapital 6, HgCapital Mercury and HgCapital 7 funds, the carried interest arrangements are identical to that which applies to all other investors in these funds. Under these arrangements, carried interest is payable based on 20% of the aggregate profits, but is only payable after the repayment to the Company of its invested capital and it has received a preferred return, based on 8% p.a., calculated daily, on the aggregate of its net cumulative cash flows in each fund and such preferred return amount that is capitalised annually.

The previous incentive scheme introduced in May 2003 remains in place but only in respect of the Company's investments in HGT LP. This arrangement allows for a carried interest of 20% of the excess annual growth in average NAV over an 8%

preferred return, based on a three-year rolling average NAV, calculated half-yearly and aggregated with any dividends declared by the Company in respect of that financial year.

No priority profit share or carried interest will apply to any co-investment made alongside HgCapital 5, HgCapital 6, HgCapital Mercury and HgCapital 7, in excess of the Company's pro-rata commitment. Thus, the co-investments made by the Company in P&I, Visma, Achilles, Sovos Compliance and CogitalGroup do not entitle HgCapital to any priority profit share or carried interest.

HgCapital has also been appointed as administrator of the Company for a fee equal to 0.1% p.a. of the NAV. Capita Company Secretarial Services Limited ('Capita') replaced HgCapital as company secretary on 13 May 2015.

Continued appointment of HgCapital

The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis and a formal review is conducted annually.

As part of this review, the Board considered the quality and continuity of HgCapital's personnel, succession planning, sector and geographic coverage, investment process and the results achieved to date. The Board also considered HgCapital's ongoing commitment to the promotion of the Company's shares.

The principal contents of the agreement with HgCapital have been set out in the previous section. Having considered the terms of this agreement and those of comparable companies, the Board considers that the terms of the agreement represent an appropriate balance between cost and incentivisation of HgCapital.

Following its review, the Board has concluded that it is in shareholders' interests that HgCapital should continue to manage the Company on the existing terms.

DIRECTORS' REPORT

Donations

The Company made no political or charitable donations during the year.

Annual General Meeting ('AGM')

The AGM of the Company, which will include a presentation by HgCapital, will be held at the offices of HgCapital, 2 More London Riverside, London SEI 2AP on Wednesday 10 May 2017 at 11am. Light refreshments will be available from 10.30am. Notice of the AGM is given on pages 116 to 119. The Board is of the opinion that the passing of all resolutions being put to the AGM would be in the best interests of the Company and its shareholders. The Directors therefore recommend that shareholders vote in favour of resolutions 1 to 14, as set out in the Notice of Meeting.

Authority to buy back shares

The Directors' authority to buy back shares was renewed at last year's AGM and will expire at the end of the AGM in 2017.

Although no shares were bought back during the year, the Directors are proposing to renew the authority at the forthcoming AGM, and are seeking authority to purchase up to 5,594,972 Ordinary shares (being 14.99% of the issued share capital) as set out in Resolution II in the Notice of AGM. This authority, unless renewed, will expire at the conclusion of the AGM in 2018 or eighteen months from the passing of the resolution. The authority will be used where the Directors consider it to be in the best interests of shareholders.

Purchases of Ordinary shares will only be made through the market for cash at prices below the prevailing NAV per Ordinary share. Under the Listing Rules of the Financial Conduct Authority, the maximum price that can be paid for each Ordinary share is the higher of: (a) 105% of the average of the mid-market quotations of the Ordinary shares in the Company for the five business days prior to the date on which such share is contracted to be purchased; and (b) the higher of the price of the last independent trade and the highest current independent bid. The minimum price that may be paid will be 25 pence per share (being the nominal value of a share). Any shares purchased under this authority will be cancelled. In making purchases, the Company will deal only with member firms of the London Stock Exchange.

Authority of Directors to allot shares

A general authority to allot new shares (or to grant rights over shares) was given to the Directors at the Company's AGM in 2016.

The authority gives the Directors, for the period until the conclusion of the AGM in 2017, the necessary authority to allot securities up to a maximum nominal amount of £6,158,575, or what was at 31 December 2015 approximately 66% of the issued Ordinary share capital of the Company. Of this amount, £3,079,287, or what was approximately 33% of the issued Ordinary share capital, may only be allotted in the event of a fully pre-emptive rights issue.

The Directors are proposing to renew the general authority to allot shares at the 2017 AGM. The authority to allot will be on broadly the same terms as the resolution passed at the 2016 AGM, and takes account of Investment Association guidelines.

The guidelines state that Investment Association members will permit, and treat as routine, resolutions seeking authority to allot shares representing up to one-third of a company's issued share capital. In addition, they will treat as routine a request for authority to allot shares representing an additional one-third of a company's issued share capital provided that it is only used to allot shares pursuant to a fully pre-emptive rights issue.

In light of these guidelines, the Board considers it appropriate that the Directors should be granted ongoing authority to allot shares in the capital of the Company up to a maximum nominal amount of £6,158,575 (or 24,634,300 Ordinary shares of 25 pence each) representing the guideline limit of approximately 66% of the Company's Ordinary share capital. Of this amount £3,079,287 (or 12,317,150 Ordinary shares of 25 pence each), representing approximately 33% of the Company's Ordinary share capital, can only be allotted pursuant to a fully preemptive rights issue. The power will last until the conclusion of the AGM in 2018 or, if earlier, 10 August 2018. The Directors have no present intention to allot new Ordinary shares; however, they consider it appropriate to maintain the flexibility that the authority provides.

DIRECTORS' REPORT

Disapplication of pre-emption rights

A general power to disapply the pre-emption rights set out in Section 561 of the Companies Act 2006 was granted to the Directors at the AGM in 2016.

In line with the Pre-Emption Group Statement of Principles on Disapplying Pre-Emption Rights, the Directors are proposing two resolutions to renew the general power to allot shares for cash without complying with the pre-emption rights in the Companies Act 2006 in certain circumstances. These authorities will permit the Directors to:

- (a) Disapply pre-emption rights for a nominal amount of up to £466,558 (being not more than 5% of the issued share capital); and
- (b) Disapply pre-emption rights for an additional nominal amount of up to £466,558 (being not more than 5% of the issued share capital) for transactions which the Board determines to be an acquisition or other capital investment.

Excluding any shares issued in connection with an acquisition or specified capital investment as described above, the Directors do not intend to issue more than 7.5% of the issued share capital on a non-pre-emptive basis in any rolling three-year period.

Notice period for general meetings

The Board believes that it is in the best interests of shareholders of the Company to have the ability to call meetings on 14 days' clear notice should a matter require urgency. The Board will therefore, as last year, propose a resolution at the AGM to approve the reduction in the minimum notice period from 21 clear days to 14 clear days for all general meetings other than annual general meetings. The Directors do not intend to give fewer than 21 clear days' notice, unless the circumstances require it.

Transfer of shares and voting rights

There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no restrictions on voting rights; no agreements between holders of securities regarding their transfer known to the Company; and no agreements to which the Company is a party that might affect its control following a successful takeover bid.

Disclosure of information to Auditors

Each of the persons 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/she ought to have taken as a Director in order to make himself/herself 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 Section 418 of the Companies Act 2006.

For the reasons outlined in the Chairman's Statement and the Report of the Audit and Valuation Committee, resolutions proposing the appointment of Grant Thornton LLP as auditor and authorising the Directors to determine its remuneration will be proposed at the AGM.

By order of the Board Roger Mountford, Chairman 3 March 2017

DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

The Directors are responsible for preparing the Annual Report and Accounts 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 Ireland".

Under company law the Directors must not approve the financial statements, unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; 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 are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies

Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102, "The Financial Reporting Standard applicable in the UK and Ireland", give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Strategic Report and HgCapital's Review include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; and
- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and the information provided to shareholders is sufficient to allow them to assess the Company's performance, business model and strategy.

On behalf of the Board Roger Mountford, Chairman 3 March 2017

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement forms part of the Directors' Report.

Governance codes

The UK Listing Authority's Disclosure Guidance and Transparency Rules (the 'Disclosure Rules') require listed companies to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code (the 'UK Code'). The provisions of the UK Code, as issued by the Financial Reporting Council (the 'FRC') in September 2014, were applicable in the year under review. The UK Code can be viewed at www.frc.org.uk.

In addition, the Board of the Company has considered the principles and recommendations of the AIC Code of Corporate Governance ('AIC Code'), published in February 2015, by reference to the AIC Corporate Governance Guide for investment companies ('AIC Guide'). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Code as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders

Throughout the year, the Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code, except as set out below. The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive;
- · executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers that these provisions are not relevant to the position of the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

A copy of the AIC Code and the AIC Guide can be obtained via the AIC's website, www.theaic.co.uk.

The Board's composition

During the year under review, the Board consisted of five non-executive Directors. All of the Directors are deemed to be independent of HgCapital. In the Board's opinion, Mr Mountford and Mr Brooman continue to qualify as independent, despite their length of service, as they are independent of HgCapital and free from any business or other relationships that could materially interfere with the exercise of their judgements.

The Directors' biographies, as set out on pages 92 and 93, highlight their wide range of business experience.

The Board has proactively addressed the matter of director tenure in their deliberations. It believes that adopting a policy whereby Directors may serve only for a limited period is not appropriate for investment in private equity, where maintaining a long-term perspective is of particular importance. The continuity and experience brought to the Board by Directors with longer periods of service is considered desirable. The Board further considers that implementation of a fixed tenure policy could bring with it the inherent risks of short-termism and abuse of position, particularly in the application of such a policy to the position of Chairman.

The Board has considered its plans for the succession of appointments to the Board, having due regard to the benefits of diversity on the Board and the need to maintain an appropriate balance of skills and experience amongst Directors.

Mr Powell serves as Senior Independent Director ('SID') of the Company, providing an alternative channel for shareholder communications.

Proceedings of the Board

The Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. Strategic issues and all operational matters of a material nature are determined by the Board.

The Board met formally six times during 2016 and on one additional occasion for a Board strategy day. There is regular contact among the Directors and with HgCapital between these meetings. The Directors also have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Where necessary, in the furtherance of their duties, the Directors may seek independent professional advice at the expense of the Company.

The Board has responsibility for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable it to ensure that the financial statements comply with UK company law. The Board is also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Further, it is the Board's responsibility to present a balanced and understandable assessment of the Company's position in all public communications.

CORPORATE GOVERNANCE STATEMENT

The Company has maintained appropriate directors' liability insurance cover throughout the year. The Company's Articles of Association take advantage of statutory provisions to indemnify the Directors against certain liabilities owed to third parties even where such liability arises from conduct amounting to negligence or breach of duty or breach of trust. In addition, under the terms of appointment of each Director, the Company has agreed, subject to the restrictions and limitations imposed by statute and by the Company's Articles of Association, to indemnify each Director against all costs, expenses, losses and liabilities incurred in execution of his or her office as Director or otherwise in relation to such office. Save for such indemnity provisions in the Company's Articles of Association and in the Directors' terms of appointment, there are no qualifying third party indemnity provisions in force.

Conflicts of interest

The Directors have declared any conflict or potential conflict of interest to the Board, which has the authority to approve such situations. A Register of the matters so approved is maintained and reviewed at each meeting of the Board. The Directors advise the Board as soon as they become aware of any conflict of interest. In the event that a Director has a relevant conflict of interest he would not be party to discussions or decisions on the matter on which he or she is conflicted. The Board can, however, confirm that it has not been necessary to exclude any Director from the consideration of Board or Committee matters on such a basis at any time during the year.

The Board's evaluation

An appraisal system has been agreed by the Board for evaluation, on an annual basis, of the Board, the Audit and Valuation Committee, the Management Engagement Committee and the individual Directors. The Senior Independent Director leads the evaluation of the Chairman. The evaluation takes the form of a detailed questionnaire, followed by discussions to identify how the effectiveness of the Board's activities, including its committees, policies or processes might be improved. The results of the evaluation process were presented to and discussed by the Board and it was agreed that the current composition of the Board provided a suitable mix of skills and experience and that the Board was functioning effectively and independently. The Board is also satisfied that, collectively, the members of the Audit & Valuation Committee have a sufficient level of recent and relevant financial experience.

Management and administration

The management of the investment portfolio is undertaken by HgCapital. HgCapital has also been appointed as administrator to the Company. IPES Depositary (UK) Limited has been appointed as depositary. The Board has delegated the exercise of any voting rights attaching to securities held in the portfolio to HgCapital. HgCapital does not operate a fixed policy when voting but reviews each case separately.

All other matters are reserved for the approval of the Board and its committees.

Board committees

The Board has delegated a number of areas of responsibility to its committees.

All the Directors of the Company are non-executive and serve on each committee of the Board. Each Director is considered independent of HgCapital, having had no previous or current connection with the investment management of the Company, other than in their capacity as a Director of the Company, and are further considered to be independent in mind and judgement.

The composition of the Board's standing committees was considered by the Nomination Committee during the year and as part of the annual evaluation process and it was felt appropriate that every non-executive Director should be a member of all committees. With a relatively small Board, it was deemed both proportionate and practical to involve all the independent Directors in each committee.

Throughout the financial year ended 31 December 2016, Mr Brooman was the Chairman of the Audit & Valuation Committee (and his report can be found on pages 102 and 103), Mr Dunscombe was Chairman of the Management Engagement Committee (and his report can be found on page 100) and Mr Mountford was Chairman of the Nomination Committee. The terms of reference of all the committees are available on the Company's website at www.hgcapitaltrust.com and will also be available at each AGM.

CORPORATE GOVERNANCE STATEMENT

Management Engagement Committee

Dear Shareholder,

I am pleased to provide you with an update on the activities of the Management Engagement Committee undertaken during the year.

The Committee has continued to support the Board in fulfilling its oversight responsibilities. During the year, the Committee has reviewed HgCapital's performance, with respect to the provision of investment management and other services to the Company. Due consideration was given to the quality and continuity of HgCapital's personnel, succession planning, sector and geographic coverage, investment processes and the results achieved to date. Alongside the performance review, the Committee completed an appraisal of the terms of the investment management contract to ensure the terms remained competitive and in the interest of shareholders. Following our review, we have recommended HgCapital's continued appointment to be in the best interests of all shareholders.

We also carry out in depth reviews of all of the Company's other third party appointments on a five-yearly cycle with a view to making recommendations to the Board in respect of these appointments. During 2016, the Committee completed a service provider review in respect of Numis (Company broker).

In addition, the committee also meets, on an annual basis, with the other key service providers, Capita Asset Services (Company Secretary) and Dickson Minto (Legal advisor).

The review processes were undertaken through the completion of a scorecard and it was agreed that this would be further enhanced for future service provider review meetings.

The Committee agreed that, for all three providers, no changes to the appointments would be recommended to the Board.

Yours sincerely

Peter Dunscombe Chairman, Management Engagement Committee 3 March 2017

Attendance record

The table below summarises the Directors' attendance at meetings of the Board and its committees, held in the year to 31 December 2016, compared with the number they were eligible to attend.

NUMBER OF MEETINGS ATTENDED/ ELIGIBLE TO ATTEND

Director	Board		Management Engagement	Nomination
Richard Brooman	6/6	6/6	1/1	1/1
Peter Dunscombe	6/6	6/6	1/1	1/1
Roger Mountford	6/6	6/6	1/1	1/1
Mark Powell	6/6	6/6	1/1	1/1
Anne West	6/6	6/6	1/1	1/1

Nomination Committee

The Nomination Committee meets when necessary to select and propose suitable candidates for appointment. The Board has noted the recommendation in the AIC Code of Corporate Governance that when looking for a new Chairman, the Nomination Committee should not be chaired by the incumbent. When looking for a new Director, the Board assesses the skills of the Board as a whole, to identify any areas that need strengthening.

The Board believes that, as a whole, it comprises an appropriate balance of skills, experience and knowledge. The Board also believes that diversity of experience and approach, including gender diversity, amongst Board members is of great importance and it is the Board's policy to give careful consideration to issues of board balance and diversity when making new appointments.

During 2016, the Committee considered the time spent by each Director on matters related to the Company, having due regard to the other commitments each Director has outside his or her involvement with the Company. It was agreed that each Director had demonstrated sufficient commitment to discharging his or her duties as a Director of the Company and had committed sufficient time to Company matters. The Committee also considered the membership of the standing committees of the Board and discussed the rationale for recommending the re-appointment of each Director who retired and offered himself or herself for re-appointment at the 2016 AGM

CORPORATE GOVERNANCE STATEMENT

Internal controls

The Board is responsible for the internal controls of the Company and for reviewing their effectiveness, for ensuring that financial information published or used within the business is reliable, and for regularly monitoring compliance with regulations governing the operation of investment trusts. The Board continually reviews the effectiveness of the internal control system.

The processes indicated below have been put in place to ensure that the Company fully complied with the AIC Code of Corporate Governance throughout the year ended 31 December 2016 and up to the date of this report, and will continue to do so in the year ending 31 December 2017.

As part of the Board's responsibility for the internal control system, an ongoing process has been established in conjunction with HgCapital and Capita Asset Services ('Capita') for identifying, evaluating and managing the Company's significant risks. Controls relating to the risks identified, covering financial, operational, compliance and risk management, are embedded in the operations of HgCapital, Capita and other outsourced service providers. There is a monitoring and reporting process to review controls put in place to track risks identified, carried out by the compliance function within HgCapital and the auditors of the other organisations. This accords with the guidance of the Financial Reporting Council's 'Guidance on Risk Management, Internal Control and related Financial and Business Reporting'. HgCapital reports to the Company on its review of internal controls formally on a semi-annual basis and orally at each Board and Audit & Valuation Committee meeting.

During the year, the Company has not identified any significant failings or weaknesses in the internal control systems.

The Board reviews the 'whistle blowing' procedures of HgCapital to ensure that the concerns of its staff may be raised in a confidential manner.

Following the implementation of the UK Bribery Act in 2011, the Company and HgCapital formally adopted anti-corruption policies. The Board reviews compliance with these policies on a bi-annual basis.

The Company does not have its own internal audit function, as all the administration is delegated to HgCapital. This matter is kept under annual review.

HgCapital prepares cash flow forecasts and management accounts, which allow the Board to assess the Company's activities and to review its performance. The Board and HgCapital have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are submitted to the Board at each meeting. HgCapital's evaluation procedure and financial analysis of the companies within the portfolio includes detailed research and appraisal, and also takes into account environmental policies and other business issues. The Board recognises that these control systems can only be designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss. It relies on the operating controls established by HgCapital and Capita.

Financial statements

The Board is required to ensure that the financial statements give a true and fair view of the affairs of the Company as at the end of each financial year and of the results of the Company for that period.

The Board considers that in preparing the financial statements, the Company has used appropriate accounting policies, consistently applied (except where disclosed) and supported by reasonable and prudent judgments and estimates and that all accounting standards that it considers to be applicable have been followed.

Relations with shareholders

All shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM. The notice of the AGM which is sent out at least twenty working days in advance sets out the business of the meeting and any item, not of an entirely routine nature, is explained in the Directors' Report. Separate resolutions are proposed in respect of each substantive issue.

The Chairman of the Board, the Chairman of the Audit & Valuation Committee, and the Chairman of the Management Engagement Committee, together with representatives of HgCapital, are available to answer shareholders' questions at the AGM. Proxy voting figures are available to shareholders at the AGM.

HgCapital holds regular discussions with major shareholders, the feedback from which is greatly valued by the Board. In addition, the Chairman and the Senior Independent Director are available to enter into dialogue and correspondence with shareholders regarding the progress and performance of the Company. The section of this report, entitled 'Shareholder Information', provides information which may be useful to shareholders.

AUDIT AND VALUATION COMMITTEE REPORT

Dear Shareholder,

I am pleased to report on the range of matters which the Audit and Valuation Committee has considered during 2016, the key risks and judgement areas and the decisions applied. The Committee, which met six times this year, has continued to support the Board in fulfilling its oversight responsibilities, reviewing the financial reporting process, the system of internal control and management of risk, the audit process and the procedure for monitoring compliance.

The responsibilities of a company's audit committee are set out in the UK Corporate Governance Code, Disclosure Guidance and Transparency Rule 7.1 and the Committee's terms of reference.

Membership of the Audit and Valuation Committee

All of the Directors of the Company are members of this Committee to enable them to be kept fully informed of any issues that may arise and to participate fully in discussions on portfolio valuation.

All of the members of the Committee, whose skills and experience are described on pages 92 and 93, have recent and relevant financial experience. I am a chartered accountant with considerable experience in senior financial roles in a number of business sectors. The external auditor, Deloitte LLP, is invited to attend and present at all Audit and Valuation Committee meetings and meets with the Committee and its Chairman without representatives of HgCapital being present.

Main issues considered by the Committee in 2016

During 2016, the principal matters considered by the Committee were as follows:

- The adequacy of the accounting, internal financial controls, systems and policies of the Company, HgCapital, Depositary and other service providers.
- Preparation of and monitoring the integrity of the Annual Report and Accounts and Interim Statements and review of the Company's going concern and viability.
- The main risks faced by the Company, in the context of the Company's Risk and Internal Control Framework, internal audit function, risk concentration and the Company's appetite to risk.
- The planning, reporting and findings of the audit, including the review and approval of the Auditor's remuneration and independence and the evaluation of the Auditor's performance.
- · Organisation of the audit tender process and the evaluation and recommendation on the appointment of new Auditors.
- Regular six monthly valuation of the underlying portfolio assets, in line with International Private Equity and Venture Capital ('IPEV') guidelines, and the calculation of NAV, including the impact of foreign exchange movements.
- · Liquidity and cash flow, including cash and balance sheet management.
- Tax risks and regulatory changes in the various jurisdictions in which investments are held.
- Significant accounting issues, including accounting for carried interest, and the impact of the revised Investment Trust SORP and FRS 102.
- · Legal and regulatory change and compliance, including the introduction of the new EU Audit legislation.

2017 action plan

Similar matters will be considered in 2017, particularly those relating to valuation and changes in the regulatory environment and the Common Reporting Standard and their subsequent impacts. The Annual Report and Accounts and the Interim Statements will occupy much Committee time. Additionally, we will continue to sharpen our focus on relevant risks and the appropriate mitigation of their impact. Of particular concern and attention will be the developments regarding the UK's vote to leave the European Union ('Brexit') and its associated uncertainties as well as the global cyber security risk.

Financial reporting

The Committee's key consideration in its work on the Annual Report and Accounts is that the Board can deliver to shareholders financial statements which are fair, balanced and understandable.

The Committee considers in detail the annual and interim statements. The Committee engages with HgCapital to facilitate any significant financial reporting judgements and also considers industry practice amongst its peers.

Following a discussion with the auditor and HgCapital, the Committee considers the main risk, in respect of the financial statements, to be the valuation of multiple unlisted assets held through fund limited partnerships. To address this risk, the Committee has followed IPEV valuation guidelines, considered comparable companies and questioned HgCapital about the performance of the underlying businesses.

AUDIT AND VALUATION COMMITTEE REPORT

Risk management and internal controls

The Committee is responsible for reasonably satisfying itself that:

- The accounting and internal control systems of the Company, HgCapital, Depositary and other service providers are adequate.
- HgCapital sets the appropriate "control culture" by communicating the importance of internal control and risk management and ensures that all relevant employees have an understanding of their roles and responsibilities.
- The systems put in place by HgCapital (specifically accounting and internal control systems) meet legal and regulatory requirements, initiating further investigations, as it sees fit to assess the effectiveness of the systems of control.
- Matters of compliance are under proper review. Directors have direct access to the Compliance Officer at HgCapital and receive a report on a bi-annual basis, confirming that the Company's affairs have been conducted in compliance with the regulations applying to it.

Details in respect of the Board's approach to monitoring internal controls are provided on page 101.

The Board and the Committee regularly review the suitability of the Company's processes for mapping and monitoring risks.

External audit

The Company's external auditor, Deloitte LLP, has been the Company's auditor since 2008, in which time no tender for the audit contract of the Company has been undertaken. The Committee monitors the Company's relationship with Deloitte LLP with a view to ensuring that the external auditor does not provide non-audit services that have the potential to impair or appear to impair the independence of its audit role.

The EU Audit Directive and Audit Regulation came into force on 17 June 2016. It affects the rotation of the audit engagement partner, provision of non-audit services, including a list of expressly prohibited services, and a cap on fees related to the provision of non-audit services. As a result, it was concluded by both the Board and Deloitte that, considering the level of fees paid for non-audit work over the past few years, as well as the type of the services performed by Deloitte, the Company was required to review its audit arrangements and engage different providers for performing the audit and the non-audit work. It was agreed that Deloitte would continue to provide the bulk of the non-audit work because of the value added by doing the tax planning and compliance work. The highly specialised nature of the work would also benefit from continuity. Consequently, it was agreed that a tender process would be undertaken to select an appropriate provider of audit services for the year ending 31 December 2017.

Four audit firms were invited to participate in the tender process. Two declined the invitation to tender due to conflicts of interest. The audit firms were requested to submit comprehensive audit proposals and subsequently the Manager and the Committee interviewed them. To assess their strengths and weaknesses, a detailed scorecard was used to assign scores against the chosen criteria.

The Audit & Valuation Committee recommended to the Board that Grant Thornton LLP be appointed auditor of the Company and the appropriate resolutions be put to the Annual General Meeting on 10 May 2017.

The Committee has discussed Deloitte LLP's business relationship with HgCapital and is satisfied that the external auditor remains independent of HgCapital. Deloitte LLP has appropriate measures in place to ensure auditor objectivity and independence are safeguarded; such measures include ensuring that separate engagement teams conduct the audits for the Company and HgCapital and its funds. The Committee has considered the independence and objectivity of the auditor, paying particular attention to the factors outlined above, and is satisfied that Deloitte LLP is independent of the Company and has fulfilled its obligations to the Company and its shareholders.

Following completion of the external audit, the Committee considers feedback from HgCapital on the conduct of the audit.

Internal audit

In line with the UK Corporate Governance Code, the Committee gave due consideration to whether there was a need for an internal audit function. It was agreed that it remained appropriate for the Company to rely on the internal controls implemented by HgCapital and other third party providers and not have an internal audit function.

Yours sincerely,

Richard Brooman Chairman, Audit and Valuation Committee 3 March 2017

DIRECTORS' REMUNERATION REPORT

Statement from the Chairman of the Board

This Directors' Remuneration Report for the year ended 31 December 2016, has been prepared in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008.

The shareholder vote on the Directors' Remuneration Report is, as previously, an advisory vote, whilst the Directors' Remuneration Policy is subject to a binding vote. The Remuneration Policy was approved by shareholders at the 2014 AGM. In accordance with the regulations, an ordinary resolution to approve the Directors' Remuneration Policy will be put to shareholders at least once every three years. Ordinary resolutions for the approval of this remuneration report and the Directors' Remuneration Policy will be put to members at the forthcoming AGM. The Board are proposing no changes to the Remuneration Policy approved by shareholders in 2014.

The Companies Act 2006 requires the auditors to report to shareholders on certain parts of the Directors' Remuneration Report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Regulations. The parts of the Annual Report on Remuneration that are subject to audit are indicated in that report. The statement by the Chairman of the Board and the Policy on Directors' Remuneration are not subject to audit.

The Company decided in 2012 that, as it has no employees or executive directors and the level of fees to be paid to the non-executive Directors and the Chairman are only considered within the limits prescribed by the Articles of Association, the maintenance of a separate Remuneration Committee added little value. On this basis, the Board as a whole is responsible for deciding the level of fees to be paid to the non-executive Directors and the Chairman, at its discretion within an aggregate ceiling of £300,000 per annum. Should a new non-executive Director be appointed, their remuneration would be decided by the Board and required to remain within the total aggregate ceiling of £300,000 per annum. Each Director abstains from voting on their own individual remuneration.

During the year under review, the whole Board met once during the year to consider the Directors' Remuneration Policy and annual fees. In order to reflect the increased time committed by Directors, with effect from 1 July 2016, the remuneration of the Directors was increased as follows:

- Mr Mountford (Chairman of the Board): from £55,000 to £60,000 per annum;
- Mr Brooman (Chairman of the Audit and Valuation Committee): from £42,000 to £45,000 per annum;
- Mr Dunscombe (Chairman of the Management Engagement Committee): from £38,000 to £40,000 per annum;
- All other Directors: from £32,000 to £34,000 per annum.

Policy on Directors' Remuneration

The Company has no employees other than its Directors, who are all non-executive and independent of HgCapital. The Company Secretary provides a comparison of the Directors' remuneration with other investment trusts of similar size and/or mandate. This comparison, together with consideration of any change in non-executive Directors' responsibilities, is used to review annually whether any change in remuneration is appropriate.

The remuneration of the Directors is determined within the limits set out within the Company's Articles of Association and the total aggregate annual fees payable to the Directors in respect of any financial period shall not exceed £300,000.

Any views expressed by shareholders at the Company's AGM in respect of the Directors' remuneration are taken into account in formulating the Directors Remuneration Policy. At the last AGM, over 99.99% of votes were cast in favour of the Directors' Remuneration Report. At the 2014 AGM, 99.93% of votes were cast in favour of the Directors' Remuneration Policy, with 0.07% voting against, showing significant shareholder support.

Annual Remuneration Report

Share price performance from 31 December 2006 to 31 December 2016



The FTSE ALL-Share Index (total return) has been used for comparative purposes as this is the comparator used when reporting to shareholders. All figures are based on the total return to shareholders.

DIRECTORS' REMUNERATION REPORT

Total remuneration paid to each Director

The Directors who served during the year received the following remuneration:

Directors' remuneration	Total remuneratio	
	2016 £	2015 £
Roger Mountford (Chairman)	57,500	52,500
Richard Brooman (Chairman of the Audit & Valuation Committee)	43,500	41,000
Peter Dunscombe (Chairman of the Management Engagement Committee)	39,000	36,500
Mark Powell	33,000	31,000
Anne West	33,000	31,000
Andrew Murison (retired 13 May 2015)	_	11,038
Total remuneration	206,000	203,038
Mark Powell Anne West Andrew Murison (retired 13 May 2015)	33,000 33,000 –	31,00 31,00 11,03

The above information has been audited.

None of the fees referred to in the above table were paid to any third party in respect of the services provided by any of the Directors.

No element of the Directors' remuneration is performance related. The remuneration of the Directors is determined within the limits set out within the Company's Articles of Association and they are not eligible for bonuses, share options or long-term performance incentives.

Other benefits

Taxable benefits

Article 97 of the Company's Articles of Association provides that Directors are entitled to be reimbursed for reasonable expenses incurred by them in connection with the performance of their duties and attendance at Board and General Meetings.

Pensions related benefits

Article 98 permits the Company to provide pension or similar benefits for Directors and employees of the Company. However, no pension schemes or other similar arrangements have been established and no Director is entitled to any pension or similar benefits.

Relative importance of spend on pay

None of the Directors has a service contract with the Company. The terms of their appointments are detailed in a letter sent to them when they join the Board. These letters state that a Director shall retire and be subject to election at the first AGM after their appointment and re-election at least every three years after that. The Company does not have a policy on termination payments and no past Director has been compensated for loss of office. All of the Company's Directors are subject to retirement by rotation in accordance with the Company's Articles of Association.

None of the Directors receive any non-cash benefits.

Directors' interests

	2016	2015	change %
Total Directors' remuneration (£'000)	206	203	1%
Total dividend paid or declared (£'000)	17,169	14,930	15%

There is no requirement under the Company's Articles of Association or letters of appointment for Directors to hold shares in the Company. The interests of the Directors in the shares of the Company, at the end of the year under review and at the end of the previous year, were as follows:

No. Ordinary shares	2016	2015
Richard Brooman	2,090	1,840
Peter Dunscombe	6,000	4,000
Roger Mountford	17,840	15,367
Mark Powell	6,500	5,000
Anne West	20,000	20,000

The above information has been audited.

There have been no changes in the interests of the Directors (including their connected persons), in the Ordinary shares of the Company, between 31 December 2016 and the date of this report.

On behalf of the Board Roger Mountford Chairman of the Board 3 March 2017

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ('AIFMD')

Pursuant to Article 23(I) of the AIFMD, Hg Pooled Management Limited as manager of the Company, makes available the following information to the existing shareholders of the Company in order to supplement and update (where relevant) the information provided to them before they invested.

Please note that where HgCapital has determined that the required information is already detailed elsewhere in the Annual Report and Accounts (as defined below) or other available source documents, this supplemental disclosure contains a reference to such source documents. Where HgCapital has determined that the required information has not been provided to shareholders, this supplemental disclosure contains the relevant details.

Status and legal form

The Company is an EU Alternative Investment Fund ('AIF'), being a public limited company incorporated in England and Wales and listed on the London Stock Exchange. The Company's registered office is 2 More London Riverside, London SEI 2AP.

Investment Policy and risk management

The investment objective, policy and strategy of the Company and HgCapital are set out in the Company's Investment Objective and Investment Policy section (page 11) and HgCapital's Review section (page 17) of the 31 December 2016 Annual Report and Accounts.

The Company is subject to the UK Listing Authority listing rules and as such, any change to the Company's investment policy can only be made with the approval of shareholders in a general meeting.

The principal risks associated with the Company's investment policy are set out in The Company's Rationale and Business Model section (page 12) and the Financial Risk section (page 80; note 19) of the notes to the financial statements in the Annual Report and Accounts. HgCapital is responsible for risk management functions and has procedures in place to evaluate, monitor and mitigate the risks faced by the Company. HgCapital's risk management function is reviewed by the Board and the Audit and Valuation Committee in order to ensure that the best processes are in place and properly followed.

Manager

Hg Pooled Management Limited ('HgCapital') is the manager of the Company, its registered office being 2 More London Riverside, London SEI 2AP. HgCapital is a limited company and is authorised and regulated (FRN 122466) by the Financial Conduct Authority ('FCA'). HgCapital was authorised to manage AIFs for the purpose of the AIFMD with effect from 22 July 2014.

HgCapital has been appointed to manage the Company pursuant to an agreement dated 14 January 2009 as amended and restated on 22 July 2014 (the 'Management Agreement') to include appropriate provisions relating to AIFMD.

HgCapital has sole responsibility for managing the Company, including investigating and negotiating any potential investments and making investment decisions for the Company (subject to the Investment Policy). HgCapital has delegated certain administration and investment support services to HgCapital LLP, its parent undertaking. In addition, HgCapital LLP is appointed as an investment adviser to HgCapital.

HgCapital's duties under the Management Agreement are owed to the Company as a whole and not directly to the shareholders, whether individually or in groups.

HgCapital maintains appropriate additional own funds to meet its regulatory capital requirements under the AIFMD, including in relation to professional liability risks.

Depositary

The Company has appointed IPES Depositary (UK) Limited (the 'Depositary'), whose registered office is at 9th Floor, No. I Minster Court, Mincing Lane, London EC3R 7AA, as the depositary in relation to the Company under an agreement dated 22 July 2014 (the 'Depository agreement').

The Depositary is authorised and regulated (FRN 610203) by the FCA and is responsible for verifying ownership of the Company's investments (on the basis of evidence provided by HgCapital) and maintaining a register of such as well as cash monitoring of the Company's bank accounts and oversight as required by HgCapital. The Depositary's duties under the Depositary agreement are owed to the Company as a whole and not directly to the shareholders, whether individually or in groups.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ('AIFMD')

continued

Auditor

The Company has appointed Deloitte LLP, whose registered office is at 2 New Street Square, London EC4A 3BZ, as auditor.

The auditor's duties are to carry out the annual audit of the Company. The auditor is primarily responsible for evaluating the application of the Company's accounting policies and the review of the financial statements.

The agreement between the Company and Deloitte for the provisions of audit services to the Company does not include any specific rights for shareholders.

Following an audit tender process, the Company is recommending that Grant Thornton LLP be appointed auditor at the AGM commencing with the 2017 financial year.

Legal Adviser

The Company has appointed Dickson Minto W.S., whose registered office is at 16 Charlotte Square, Edinburgh EH2 4DF as the Company's legal adviser.

The agreement between the Company and Dickson Minto W.S. does not include any specific rights for shareholders.

Prime Broker

The Company does not retain a prime broker.

Legal relationship with shareholders

The rights of the shareholders are governed by the Company's Articles of Association, the relevant provisions of the Companies Act 2006, the UK Listing Authority listing rules and the disclosure and transparency rules of the FCA.

The Articles of Association may only be amended by special resolution of the shareholders.

As at 31 December 2016, the Company had 37,324,698 Ordinary shares of 25 pence each in issue. Each Ordinary share has one voting right attached to it. The total number of voting rights in the Company at this date was 37,324,698. Further information on the share capital of the Company can be found in the Ordinary share capital (page 85; note 20) section of the notes to the financial statements in the Annual Report and Accounts. Shares are not offered on an ongoing basis but may be bought or sold through a stockbroker, financial intermediary, or one of the share dealing services detailed in the Shareholder Information section of the Annual Report and Accounts (page 110).

The Company is incorporated under the laws of England and Wales. As such, the courts of England and Wales will have jurisdiction to hear and determine any proceeding, and to settle any dispute, in accordance with English law, which may arise out of a shareholder's shareholding in the Company. Consequently, for shareholders residing outside that jurisdiction it may not be possible to effect service of process in an alternative jurisdiction or enforce any judgement obtained against the Company in an alternative jurisdiction.

Leverage

The aggregate amount of borrowing shall not exceed an amount equal to twice the aggregate of:

- (a) the amount paid up, or credited as paid up, on the share capital of the Company (excluding any share capital presented as debt); and
- (b) the total of any credit balance on the distributable and undistributable reserves of the Company's group, but excluding amounts attributable to outside shareholders in subsidiary undertakings of the Company and deducting any debit balance on any reserve.

The Company has in place a £80 million multi-currency standby facility with Lloyds Bank plc on an unsecured basis, expiring on 30 June 2019. Please refer to The Company's Investment Objective and Investment Policy section (page 11) of the Annual Report and Accounts for further details.

Valuation policy and procedure

HgCapital's valuation policy is to value investments in accordance with the International Private Equity and Venture Capital ('IPEV') guidelines. The Company has an Audit and Valuation Committee which reviews these valuations and provides oversight of the valuation process and methodology. Please see The Company's Rationale and Business Model section (page 12) of the Annual Report and Accounts for further details.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ('AIFMD')

continued

Liquidity management

As the Company is closed-ended with no redemptions, its liquidity management is limited to ensuring it has the ability to meet the commitments made to its investments. A number of levers are available in order to manage the Company's liquidity profile. A proportion of the assets of the Company is normally maintained in liquid readily realisable form (cash, money market instruments, gilts and a managed liquidity fund) to meet draw-downs. A borrowing facility has been arranged with Lloyds Bank, pursuant to which additional temporary facilities of up to £80 million are available (as referred to in the Leverage section on page 107), if required. In addition, an opt-out provision has been negotiated in connection with the Company's commitment alongside HgCapital 8. This permits the Company to opt out of its obligation to fund its commitment for certain liquidity or regulatory reasons if to do so would result in the Company (i) not having the cash resources to meet any of its liabilities, expenses or obligations to fund its commitments to other funds or investment vehicles of the HgCapital that are reasonably likely to become due within 12 months or (ii) not being able to undertake any share buy-back, in each case subject to certain conditions. For further details, refer to the Company's Rationale and Business Model (page 12) section of the Annual Report and Accounts.

Fees, charges and expenses

For details of the fees payable by the Company to HgCapital in relation to its investment activities within the underlying fund partnerships, please refer to the priority profit share and carried interest section (page 68; note 3) of the notes to the financial statements in the Annual Report and Accounts.

In relation to the management of the Company, HgCapital is also entitled to receive $\pounds 5,000$ per quarter for its activities as the Manager of the Company and 0.025% of the NAV of the Company per quarter for its activities as administrator.

The Company also incurs fees in the form of depositary fees, bank fees, marketing fees, legal fees, auditor's fees and other fees. It is not possible to provide a maximum fee payable due to the nature of these amounts.

Fair treatment of shareholders and Preferential Treatment

HgCapital and the Board are committed to treating shareholders fairly in accordance with UK company law. No preferential rights have been granted to any shareholder. HgCapital and the Board of the Company will not enter into any preferential arrangements which would lead to a material disadvantage to other shareholders.

Remuneration disclosure

HgCapital does not directly employ any staff and instead HgCapital LLP, which also acts as investment adviser and provides administrative services to HgCapital, provides personnel to HgCapital to fulfil roles within investment committee, portfolio review committee and the control and risk functions (the "Relevant Functions") and perform other activities of HgCapital. Personnel carrying out the Relevant Functions or who are senior management of HgCapital are referred to below as "Identified Staff". The table below sets out the disclosures required under AIFMD in relation to the proportion of remuneration attributable to work done for the Company during the year ended 31 December 2016.

	2016 £	2015 £
Fixed remuneration paid to Identified Staff	319,000	313,000
Variable remuneration paid to Identified Staff	92,000	96,000
Aggregate remuneration paid to Identified Staff who are senior management of HgCapital	73,000	73,000
Aggregate remuneration paid to Identified Staff who have a material impact on the risk profile of the Company by reason of performing Relevant Functions	338,000	336,000
Carried interest paid by the Company to Identified Staff	-	_

The number of Identified Staff for the year was 21. Please note that there was no carried interest paid in respect of the Company during the year.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ('AIFMD')

continued

Remuneration policy

HgCapital has ensured that all remuneration is directly aligned with the specific requirements of the AIFMD.

HgCapital's remuneration policy (which also applies directly to HgCapital LLP) seeks to avoid conflicts of interest by ensuring that:

- It comprises an appropriate mix of fixed and variable remuneration that encourages staff to make a positive contribution to the AIFs;
- It is consistent with the objectives of HgCapital;
- The assessment of performance is set in a multi-year framework appropriate to the life-cycle of the AIF in order to ensure that the assessment process is based on longer term performance;
- It is under the oversight of a remuneration committee with one independent member;
- It contains measures to promote effective risk management;
- It applies a carried interest model which (a) aligns the interests of staff involved in investment management with the risks of the AIFs and investors in the AIFs; and (b) does not incentivise inappropriate risk taking; and
- It does not pay out remuneration for future potential revenues that are not certain.

Reporting and updates

The Company's historic performance has been disclosed to shareholders in its Annual Report and Accounts, the most recent one covering the year ended 31 December 2016 (and being sent to all shareholders).

Any further information about the Company's risk profile and risk management, any material changes to the liquidity arrangements, the proportion of assets subject to special arrangements arising from liquidity and the maximum permitted leverage will be provided via the Company's Annual Report and Accounts and on the Company's website at www.hgcapitaltrust.com.

SHAREHOLDER INFORMATION

Financial calendar

The announcement and publication of the Company's results may normally be expected in the months shown below:

March • Final results for year announced

• Annual Report and Accounts published

May • Annual General Meeting

September • Interim figures announced and interim

report published

October • Payment of interim dividend

Dividend

The dividend proposed in respect of the year ended 31 December 2016 is 46 pence per share.

Ex-dividend date 6 April 2017

(shares transferred without dividend)

Record date 7 April 2017

(last date for registering transfers to receive the dividend)

Last date for registering DRIP

instructions (see below) 21 April 2017

Dividend payment date 15 May 2017

The dividend is subject to approval of the shareholders at the forthcoming AGM.

Payment of dividends

Cash dividends will be sent by cheque to the first-named shareholder at their registered address, together with a tax voucher, to arrive on the payment date. Alternatively, dividends may be paid direct into a shareholder's bank account via Bankers' Automated Clearing Service ('BACS'). This may be arranged by contacting the Company's registrar, Computershare Investor Services PLC ('Computershare'), on 0370 707 1037.

Dividend re-investment plan ('DRIP')

Shareholders may request that their dividends be used to purchase further shares in the Company.

Dividend re-investment forms may be obtained from Computershare on 0370 707 1037 or may be downloaded from www-uk.computershare.com/investor. Shareholders who have already opted for dividend re-investment do not need to re-apply. The last date for registering for this service for the forthcoming dividend is 21 April 2017.

Share price

The Company's mid-market Ordinary share price is published daily in the Times and the Daily Telegraph under the section 'Investment Companies'. In the Financial Times, the Ordinary share price is listed in the sub-section 'Conventional-Private Equity'.

ISIN/SEDOL numbers

The ISIN/SEDOL numbers and mnemonic code for the Company's Ordinary shares are:

ISIN GB0003921052

SEDOL 0392105 Reuters code HGT.L

Share dealing

Investors wishing to purchase or sell shares in the Company may do so through a stockbroker or a bank.

The following share dealing services are available through our Registrars, Computershare Investor Services PLC:

Internet share dealing

Please note that, at present, this service is only available to shareholders in certain European jurisdictions, including the UK. Please refer to the website for an up to date list of these countries. This service provides shareholders with an easy way to buy or sell the Company's Ordinary shares on the London Stock Exchange. The commission is 1.0%, subject to a minimum charge of £30. In addition, stamp duty, currently 0.5%, is payable on purchases. There is no need to open an account in order to deal. Real-time dealing is available during market hours. In addition, there is a convenient facility to place your order outside of market hours.

Up to 90 day limit orders are available for sales. To access the service log on to www.computershare.com/dealing/uk.

Shareholders should have their Shareholder Reference Number ('SRN') available. The SRN appears on share certificates. A bank debit card will be required for purchases.

Telephone share dealing

Please note this service is, at present, only available to shareholders resident in the UK and Ireland. The commission is 1% plus a standard charge of £35. In addition, stamp duty, currently 0.5%, is payable on purchases. The service is available from 8.00am to 4.30pm Monday to Friday, excluding bank holidays, on telephone number 0370 703 0084. Shareholders should have their SRN ready when making the call. The SRN appears on share certificates. A bank debit card will be required for purchases. Detailed terms and conditions are available on request by telephoning 0370 703 0084.

These services are offered on an execution only basis and subject to the applicable terms and conditions. This is not a recommendation to buy, sell or hold shares in HgCapital Trust plc. Shareholders who are unsure of what action to take should obtain independent financial advice. Share values may go down as well as up which may result in a shareholder receiving less than he/she originally invested.

SHAREHOLDER INFORMATION continued

To the extent that this statement is a financial promotion for the share dealing service provided by Computershare Investor Services PLC, it has been approved by Computershare Investor Services PLC for the purpose of Section 21 (2) (b) of the Financial Services and Markets Act 2000 only. Computershare Investor Services PLC is authorised and regulated by the Financial Conduct Authority. Where this has been received in a country where the provision of such a service would be contrary to local laws or regulations, this should be treated as for information only.

Uncertificated Securities Regulations 1995 - CREST

The Company's Ordinary shares have joined CREST, an electronic system for uncertificated securities trading.

Private investors can continue to retain their share certificates and remain outside the CREST system. Private investors are able to buy and sell their holdings in the same way as they did prior to the introduction of CREST, although there may be differences in dealing charges.

Income tax

Where possible, dividends can be designated as an interest distribution (interest streaming) for tax purposes. The Finance Bill 2017 includes provisions which will remove the requirement to deduct income tax at source from dividends notionally designated as interest distributions by investment trust companies when they are made on or after 6 April 2017.

This will bring this type of income into line with the treatment of interest paid on bank and building society accounts following the introduction of the Personal Savings Allowance. The amount of your Personal Savings Allowance depends on your adjusted net income. Where interest streaming is not possible, with effect from 6 April 2016, the 10% tax credit on dividends has been replaced with an individual annual allowance of £5,000 across all dividend income, above which there is a tax liability.

For further information, please visit the HMRC.gov.uk website. For queries about your own tax position, please speak to an independent tax advisor.

Capital gains tax ('CGT') for UK tax payers

Qualifying investment trusts currently pay no corporation tax on capital gains made within the portfolio. When investors sell all or part of their holdings, they may be liable to CGT. For the tax year 2016/2017, the first £11,100 per annum of such gains from all sources is exempt.

Since 6 April 2016 the following CGT rates apply:

- 10% and 20% for individuals (depending on total taxable income and gains);
- 20% for trustees or personal representatives; and
- 10% for gains qualifying for Entrepreneurs' Relief.

Investments held in ISAs continue to remain exempt from CGT. Please remember that we are unable to offer individual investment or taxation advice. Investors who are in any doubt as to their liability for CGT should seek professional advice.

Risk factors

- Investments in predominantly unquoted companies, which form the majority of the Company's investments, may not be as readily realisable as investments in quoted companies.
- As HgCapital invests in Continental Europe and in companies that trade internationally, the value of the Company's shares may be affected by changes in rates of exchange.
- HgCapital invests in a portfolio of small to mid-cap companies, with enterprise values between £20 million and £500 million (at the time of acquisition), the performance of which can fluctuate.
- The price at which the Company's shares trade on the London Stock Exchange is not the same as their NAV (although they are related) and therefore you may realise returns that are lower or higher than NAV performance.
- Past performance is not necessarily a guide to future performance and an investor may not get back the amount originally invested.
- The value of investments in the Company and the income from them can fluctuate, as the value of the underlying investments fluctuates.
- The Company invests in unquoted companies and although great care is taken in their valuation, such valuations cannot, by their nature, be exact and are liable to change.

SHAREHOLDER INFORMATION continued

Duration of the Company

An ordinary resolution was approved by shareholders at the Annual General Meeting in May 2015 to continue the life of the Company for a further five years and a similar resolution will be put to the shareholders in 2020 and every fifth year thereafter. If the resolution to continue the life of the Company is not approved, a General Meeting will be convened within six months after the date of the AGM to put forward proposals for the reorganisation or reconstruction of the Company.

Nominee code

Where shares are held in a nominee company name, the Company undertakes:

- to provide the nominee company with multiple copies of shareholder communications, so long as an indication of quantities has been provided in advance; and
- to allow investors holding shares through a nominee company to attend general meetings, provided the correct authority from the nominee company is available.

Nominee companies are encouraged to provide the necessary authority to underlying shareholders to attend the Company's general meetings.

Non-Mainstream Pooled Investments

The Board notes the changes to the FCA rules relating to the restrictions on the retail distribution of unregulated collective investment schemes and close substitutes which came into effect on 1 January 2014.

Legal advice obtained by the Company confirms that the shares of the Company's shares will qualify as an 'excluded security' under these new rules and will therefore be excluded from the FCA's restrictions which apply to non-mainstream investment products. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

The Company conducts its affairs so that the shares issued by the Company can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

Common Reporting Standard

With effect from 1 January 2016, new tax legislation under The OECD ('Organisation for Economic Co-operation and Development') The Common Reporting Standard for Automatic Exchange of Financial Account Information ('The Common Reporting Standard') was introduced.

The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. As an affected company, the Company provides information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders, and corporate entities.

All shareholders, excluding those whose shares are held in CREST, entered onto the share register from 1 January 2016 will be sent a certification form for the purposes of collecting this information.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information, information for account holders: https://www.gov.uk/government/publications/exchange-of-information-account-holders

ISA status

The Company's shares are eligible for stocks and shares ISAs.

Shareholder enquiries

In the event of queries regarding your shares, please contact the Computershare Investor Centre. Computershare now offers a free secure share management website that allows you to:

- view your share portfolio and see the latest market price of your shares;
- elect to receive your shareholder communications online;
- calculate the total market price of each shareholding;
- · view price histories and trading graphs;
- update bank mandates and change of address details; and
- · use online dealing services.

Log on to www-uk.computershare.com/investor and enter your Shareholder Reference Number and Company Code (this information can be found on the last dividend voucher or your share certificate).

Changes of name or address must be notified in writing to:

Computershare Investor Services PLC

The Pavilions

Bridgwater Road

Bristol BS99 6ZZ

General enquiries about the Company should be directed to:

Hg Pooled Management Ltd

2 More London Riverside

London SEI 2AP

Telephone: 020 7089 7888

INVESTING IN PRIVATE EQUITY

PRIVATE EQUITY

Private equity is the term given to the provision of equity and equity type risk capital to unlisted companies.

It is normally used to finance beneficial change in businesses. The changes that require equity finance are manifold and ever present. They include a change in the scale of a business (through fast growth or acquisitions), a change in ownership, often in conjunction with management (the management buyout), a change in the strategic direction of a company, a significant change in the structure and operations of a business, or financing the commercialisation of new technologies.

Healthy economies require constant change in their corporate sector, otherwise they stultify. Private equity is a form of finance well-suited to pay for this change as it is patient, welcomes considered risk taking, and participates directly in outcomes.

In return for their investment, private equity investors receive a share of the equity in the businesses they finance and do so with the objective of making a significant capital gain over holding periods, typically from three to seven years.

Private equity investors, like HgCapital, aim to deliver their clients higher returns than may be obtained from a portfolio of public equity investments over any rolling period of five to ten years. Attractive returns can be garnered if the private equity manager exploits the advantages private equity investors have over investors in public markets.

Investment profile

Private equity investments are less liquid than publicly traded equities. To compensate for this, they offer greater control and aim for more attractive returns.

Individual private equity investments have a risk profile dependent on the nature of the underlying business. Investing in a diversified portfolio helps to mitigate some of these risks; the quality of company selections by the private equity manager and the manager's ability to manage its portfolio further mitigates risk. Manager selection is a key determinant of returns.

Advantages of the private equity model

Compared with investment in the public markets, a private equity investor has significant advantages:

• Better governance model

Theory and experience tells us that businesses run by their owners tend to perform better than those run by salaried agents. In a private equity backed business almost everybody around the board table and often a high percentage of the management and staff own shares in the companies they run. In addition, the private equity managers also have an equity interest in the portfolio companies through their coinvestment obligations and via their carried interest. Accordingly, the interests of all parties are closely aligned and focused on creating value and realising a substantial capital gain. This is achieved by selecting ambitious medium to long-term goals and allowing managers to pursue them, free from short-term distractions that often beset the managers of listed companies.

Better control

private equity capital.

The private equity manager has more control over the method and timing of the sale of the business than a manager of listed equities. This superior control also extends to the appointment of management.

- Ability to attract the best management talent
 Working in a private equity backed business is highly
 attractive to the best and most ambitious managers. They will
 be incentivised by capital returns that the listed companies
 rarely, if ever, match and are given the challenge and
 satisfaction of running their own business.
- Larger universe of opportunities

 The universe of privately owned businesses is much larger than the publicly traded one, so the investor has greater choice. The choice available to private equity also includes listed companies which can be de-listed and refinanced with
- Better access presenting the possibility for better assessment Prior to investing, private equity managers often have better access to information, including detailed market, financial, legal and management due diligence.

INVESTING IN PRIVATE EQUITY continued

LISTED PRIVATE EQUITY

Listed Private Equity ('LPE') refers to public companies whose shares are listed and traded on a primary stock exchange.

In Europe, primary exchanges include the London Stock Exchange and Euronext. Some private equity companies quoted on the London Stock Exchange are structured as investment trusts. All listed private equity companies provide the shareholder with an exposure to a differentiated portfolio of private companies, either directly or via funds.

By buying shares in LPE companies, the investor benefits from liquidity while participating in the potentially superior returns of a private equity portfolio. In addition, LPE companies allow investors access to private equity without having to commit to the ten year lock-in and minimum investment required when investing in private equity via limited partnerships.

For the most comprehensive single source of information on listed private equity go to www.lpeq.com.

London Stock Exchange-listed private equity investment trusts are supervised by boards of directors, the majority of whom are independent, in order to reinforce the manager's accountability to shareholders.

Provided they meet certain criteria, investment trusts pay no corporation tax on capital gains but may not retain more than 15% of their income in each financial year.

The objective of listed private equity is usually to provide shareholders with long-term capital appreciation, rather than income.

Each listed company, like each private equity firm, has its own investment strategy relating to geography, size and type of investment, etc. Listed private equity companies vary considerably in the number of their own holdings, ranging from specialist direct investment trusts, with a handful of portfolio companies in one country, to a fund-of-funds manager with holdings in over 300 private equity funds worldwide.

Listed private equity companies continually invest and reinvest; most have no fixed life span like a limited partnership. Proceeds from the sale of assets are generally retained for re-investment, rather than being distributed to investors, which would trigger taxable gains. This, together with the long-term horizon of private equity, means that listed private equity is best suited to long-term holding, rather than frequent trading.

In Europe, there are 56 listed private equity companies, with aggregate market capitalisation of c. €60 billion, of which c. €22 billion are London-listed companies (source: LPX February 2017). These listed private equity companies should not be confused with Venture Capital Trusts ('VCTs'), which offer targeted tax advantages to investors, but must follow stringent regulations as to the size and nature of the companies in which they can invest. Such companies are generally embryonic businesses.

Advantages of listed private equity

Compared with an investment in a limited partnership with a ten year life, the normal route to obtaining a diversified exposure to private equity, listed private equity offers significant advantages:

- listed private equity offers the opportunity for retail investors as well as institutions to participate in a diversified portfolio of mainly unlisted companies for the price of one share, rather than a typical minimum commitment of over £5 million to a limited partnership;
- by buying shares in a listed private equity company, investors have liquidity in the shares and do not have to make a ten year commitment to a fund. Accordingly, they can trade without requiring the manager's consent and the need to run a private auction of their interest;
- listed vehicles handle the cash management and administration, which are complex for a limited partnership interest. All listed private equity investors need do is monitor the value of their shareholdings in the quoted vehicle itself; and
- capital gains retained within London-listed trusts are not taxed

The listed sector is diverse, offering a wide range of private equity investment vehicles adopting different investment strategies and criteria.

GLOSSARY

Carried interest

Equivalent to a performance fee, this represents a share of the capital profits that will accrue to the investment manager, after achievement of an agreed preferred return.

Discount

Investment trust shares frequently trade at a discount to NAV. This occurs when the share price is less than the NAV. In this circumstance, the price that an investor pays or receives for a share would be less than the value attributable to it by reference to the underlying assets. The discount is the difference between the share price and the NAV, expressed as a percentage of the NAV. For example, if the NAV was 1,650 pence and the share price was 1,485 pence, the discount would be 10%.

FRITDA

Earnings Before Interest, Tax, Depreciation and Amortisation.

EV (enterprise value)

This is the aggregate value of a company's entire issued share capital and net debt.

Expansion capital

The provision of capital to an existing, established business, to finance organic growth or acquisitions.

Hedging

Hedging is an investment technique designed to offset a potential loss on one investment by purchasing a second investment that is expected to perform in the opposite way.

IPO (initial public offering)

An offering by a company of its share capital to the public with a view to seeking an admission of its shares to a recognised stock exchange.

IRR (internal rate of return)

The annualised rate of return received by an investor in a fund. It is calculated from cash drawn from and returned to the investor together with the residual value of the investment.

LBO (leveraged buyout)

The purchase of all or most of a company's share capital, often involving its managers, funded mainly by borrowings often secured on the company's assets, resulting in a post-financing capital structure of the company that is geared.

LP (limited partnership)

An English limited partnership includes one or more general partners, who have responsibility for managing the business of the partnership and have unlimited liability, and one or more limited partners, who do not participate in the operation of the partnership and whose liability is ordinarily capped at their capital and loan contribution to the partnership. In typical fund structures, the general partner receives a priority profit share ahead of distributions to limited partners. In addition, a limited partner, designated as the 'founder partner', will share in the profits of the partnership alongside the other limited partners once limited partners have been returned all loan contributions plus a hurdle rate of return as agreed with the partnership.

MBI (management buy-in)

A change of ownership, where an incoming management team raises financial backing, normally a mix of equity and debt, to acquire a business.

MBO (management buyout)

A change of ownership, where the incumbent management team raises financial backing, normally a mix of equity and debt, to acquire a business it manages.

NAV (net asset value per share)

This is the value of the Company's assets attributable to one Ordinary share. It is calculated by dividing 'shareholders' funds' by the total number of Ordinary shares in issue. For example, as at 31 December 2016, shareholders' funds were £615,756,000 and there were 37,324,698 Ordinary shares in issue; the NAV was therefore 1,649.7 pence per Ordinary share.

Shareholders' funds are calculated by deducting current and long-term liabilities, and any provision for liabilities and charges, from the Company's total assets.

P2P (public to private)

The purchase of all of a listed company's shares using a special-purpose vehicle funded with a mixture of debt and unquoted equity.

Preferred return

A preferential rate of return on an individual investment or a portfolio of investments.

Premium

A premium occurs when the share price is higher than the NAV and investors would therefore be paying more than the value attributable to the shares by reference to the underlying assets. For example, if the share price were 1,815 pence and the NAV were 1,650 pence, the premium would be 10%.

Quoted company

Any company whose shares are listed or traded on a recognised stock exchange.

Total return

The total return to shareholders comprises both changes in the Company's NAV or share price and dividends paid to shareholders; it is calculated on the basis that all historic dividends have been reinvested in the Company's shares on the date the dividend is paid.

Unquoted company

Any company whose shares are not listed or traded on a recognised stock exchange.

Venture capital

Investing in companies at a point in that company's life cycle that is either at the concept, start-up or early stage of development.

NOTICE OF ANNUAL GENERAL MEETING

This Notice of Meeting is an important document. If shareholders are in any doubt as to what action to take, they should consult an appropriate independent advisor.

Notice is hereby given that the Annual General Meeting (the 'AGM') of HgCapital Trust plc will be held at the Company's registered office at 2 More London Riverside, London SEI 2AP, on Wednesday 10 May 2017 at 11.00am to consider the following business:

Ordinary resolutions

To consider and, if thought fit, pass resolutions I to I0 as ordinary resolutions.

- To receive the Report of the Directors, the Strategic Report and the Financial Statements for the year ended 31 December 2016, together with the report of the independent auditor thereon.
- 2. To approve the Directors' Remuneration Report other than the part containing the Directors' Remuneration Policy.
- 3. To approve the Directors' Remuneration Policy.
- 4. To declare a dividend of 46.0p per share.
- 5. To re-elect Mr R Brooman as a Director
- 6. To re-elect Mr R Mountford as a Director.
- 7. To re-elect Mrs A West as a Director.
- 8. To appoint Grant Thornton LLP as independent Auditor to the Company.
- 9. To authorise the Directors to determine the independent Auditor's remuneration.
- 10. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Act to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ('Rights'):
 - (a) up to an aggregate nominal amount of £3,079,287; and
 - (b) up to a further aggregate nominal amount of £3,079,287 provided that (i) they are equity securities (within the meaning of Section 560(I) of the Act) and (ii) they are offered by way of a rights issue to holders of Ordinary shares on the register of members at such record dates as the Directors may determine where the equity securities respectively attributable to the interests of the Ordinary shareholders are proportionate (as nearly as may be practicable) to the respective numbers of

Ordinary shares held or deemed to be held by them on any such record dates, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter,

provided that this authority shall expire at the end of the next annual general meeting of the Company, or, if earlier, on 10 August 2018, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors shall be entitled to allot shares and grant Rights pursuant to any such offer or agreement as if this authority had not expired; and all unexercised authorities previously granted to the Directors to allot shares and grant Rights be and are hereby revoked.

Special resolutions

To consider and, if thought fit, pass resolutions 11, 12, 13 and 14 as special resolutions.

- 11. THAT in substitution for the Company's existing authority to make market purchases of Ordinary shares of 25p in the Company ('Ordinary shares'), the Company be and it is hereby authorised in accordance with Section 701 of the Companies Act 2006 (the 'Act') to make market purchases of Ordinary shares (within the meaning of Section 693 of the Act) provided that:
 - (i) the maximum number of Ordinary shares hereby authorised to be purchased is 5,594,972;
 - (ii) the minimum price which may be paid for an Ordinary share shall be 25p;
 - (iii) the maximum price payable by the Company for each Ordinary share is the higher of:
 - (a) 105% of the average of the mid-market quotations of the Ordinary shares in the Company for the five business days prior to the date on which such share is contracted immediately to be purchased; and

NOTICE OF ANNUAL GENERAL MEETING continued

- (b) the value of an ordinary share calculated on the basis of the higher of the price quoted for the last independent trade of, or the highest current independent bid for, any number of ordinary shares on the trading venue where the purchase is carried out:
- (iv) the authority hereby conferred shall expire at the end of the next annual general meeting of the Company or, if earlier, on 10 November 2018 unless previously renewed, varied or revoked by the Company in general meeting; and
- (v) the Company may make a contract to purchase Ordinary shares under the authority hereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority, and may purchase Ordinary shares in pursuance of any such contract.
- 12. THAT if Resolution 10 is passed, the Board be authorised to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be limited:
 - (i) to the allotment of equity securities in connection with an offer or issue of equity securities to or in favour of holders of ordinary shares in proportion (as nearly as may be practicable) to their existing holdings; and
 - (ii) to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (i) above) up to a nominal amount of £466.558.

such authority to expire at the end of the next AGM of the Company (or, if earlier, at the close of business on 10 August 2018) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

- 13. THAT if Resolution 10 is passed, the Board be authorised in addition to any authority granted under Resolution 12 to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be:
 - (i) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £466,558;
 and
 - (ii) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Board of the Company determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,
 - such authority to expire at the end of the next AGM of the Company (or, if earlier, at the close of business on 10 August 2018 but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.
- 14. THAT the Company be and is hereby generally and unconditionally authorised to hold general meetings (other than annual general meetings) on 14 clear days' notice.

By order of the Board Roger Mountford Chairman 3 March 2017

NOTICE OF ANNUAL GENERAL MEETING continued

NOTES

- I. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the number of votes they may cast) Ordinary shareholders must be entered on the Company's register of members at 6.00pm on 5 May 2017 (or, in the event of any adjournment, 6.00pm on the date which is two days (excluding weekends and bank holidays) before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the AGM.
- 2. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the AGM. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form that may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact the Company's registrars, Computershare Investor Services plc on 0370 707 1037.
- 3. To be valid, the enclosed reply-paid form of proxy, together, if appropriate, with the power of attorney (if any) under which it is signed, or a notarially certified copy of such power of attorney must be deposited at the offices of Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not later than 11.00am on 5 May 2017.
- 4. To appoint more than one proxy, shareholders will need to complete a separate proxy form in relation to each appointment (you may photocopy the proxy form), stating clearly on each proxy form how many shares the proxy is appointed in relation to. A failure to specify the number of shares each proxy appointment relates to or specifying an aggregate number of shares in excess of those held by the member will result in the proxy appointment being invalid. Please indicate if the proxy instruction is one of multiple instructions being given. All proxy forms must be signed and should be returned together in the same envelope.
- 5. The appointment of a proxy will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.
- 6. A shareholder present in person or by proxy shall have one vote on a show of hands. On a vote by poll every member present in person or by proxy shall have one vote for every Ordinary share of which he/she is the holder. The termination of the authority of a person to act as proxy must be notified to the Company in writing.
- 7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the register of members in respect of the joint holding (the first-named being the most senior).
- 8. A person authorised by a corporation is entitled to exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company. On a vote on a resolution on a show of

- hands, each authorised person has the same voting rights as the corporation would be entitled to. On a vote on a resolution on a poll, if more than one authorised person purports to exercise a power in respect of the same shares:
- (a) if they purport to exercise the power in the same way as each other, the power is treated as exercised in that way;
- (b) if they do not purport to exercise the power in the same way as each other, the power is treated as not exercised.
- 9. Any person to whom this notice is sent who is a person nominated under Section 146 of the Act to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statements of the rights of shareholders in relation to the appointment of proxies in notes I to 4 above does not apply to a Nominated Person. The rights described in those notes can only be exercised by registered shareholders of the Company.
- 10. Pursuant to regulation 41(1) of the Uncertificated Securities Regulations 2001, only those shareholders registered in the register of members of the Company as at 6.00pm on 5 May 2017 shall be entitled to attend and vote at the aforesaid AGM in respect of the number of shares registered in their name at the that time. Changes to entries on the relevant register of members after 6.00pm on 5 May 2017 ('the specified time') shall be disregarded in determining the rights of any person to attend or vote at the AGM. If the AGM is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned AGM. If, however, the AGM is adjourned for a longer period then, to be so entitled, shareholders must be entered on the Company's register of members at the time which is 48 hours before the time fixed for the adjourned AGM or, if the Company gives notice of the adjourned AGM, at the time specified in that notice.
- II. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for this meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual, which is available to download from the Euroclear website (www.euroclear.com/CREST). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
 - In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual.

NOTICE OF ANNUAL GENERAL MEETING continued

The message, regardless of whether it constitutes the appointment or an amendment of a proxy or to an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

- 12. As at the date of this Notice, the Company's issued share capital consisted of 37,324,698 Ordinary shares carrying one vote each. Therefore, the total voting rights in the Company as at 3 March 2017 are 37,324,698.
- 13. In accordance with Section 319A of the Act, the Company must cause any question relating to the business being dealt with at the AGM put by a shareholder attending the meeting to be answered. No such answer need be given if: (a) to do so would:
 - - (i) interfere unduly with the conduct for the AGM, or
 - (ii) involve the disclosure of confidential information;
 - (b) the answer has already been given on a website in the form of an answer to a question; or
 - (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
- 14. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under Section 527 of the Act, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts

- and reports were laid in accordance with Section 437 of the Act. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under Section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Act to publish on a website.
- 15. Members satisfying the thresholds in Section 338 of the Act may require the Company to give, to members of the Company entitled to receive notice of the AGM, notice of a resolution which those members intend to move (and which may properly be moved) at the AGM. A resolution may properly be moved at the AGM unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous or vexatious. The business which may be dealt with at the AGM includes a resolution circulated pursuant to this right. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by the Company not later than 6 weeks before the date of the AGM.
- 16. Members satisfying the thresholds in Section 338A of the Act may request the Company to include in the business to be dealt with at the AGM any matter (other than a proposed resolution) which may properly be included in the business at the AGM.
 - A matter may properly be included in the business at the AGM unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the AGM.
- 17. A copy of this Notice of Annual General Meeting and, if applicable, any member's statements, member's resolutions or member's matters of business received by the Company after the date of this notice will be available on the Company's website: www.hgcapitaltrust.com
- 18. The terms and conditions of appointment of non-executive Directors will be available for inspection at the registered office of the Company during usual business hours on any weekday (except Saturdays and public holidays) until the date of the AGM and at the place of the AGM for a period of fifteen minutes prior to and during the meeting. None of the Directors has a contract of service with the Company.
- 19. If a shareholder receiving this notice has sold or transferred all shares in the Company, this notice and any other relevant documents (e.g. form of proxy) should be passed to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

BOARD, MANAGEMENT AND ADMINISTRATION

Board of Directors

Roger Mountford (Chairman)

Richard Brooman (Chairman of the Audit and Valuation Committee)

Peter Dunscombe (Chairman of the Management Engagement Committee)

Mark Powell (Senior Independent Director) Anne West

HgCapital Trust plc

2 More London Riverside London SEI 2AP

www.hgcapitaltrust.com

Registered office

(Registered in England No. 01525583) 2 More London Riverside London SEI 2AP

Manager

Hg Pooled Management Limited* 2 More London Riverside London SEI 2AP

Telephone: 020 7089 7888 www.hgcapital.com

Company Secretary

Capita Company Secretarial Services Limited Ist Floor 40 Dukes Place London EC3A 7NH

Telephone: 020 7204 1601 www.capitaassetservices.com/cosec

Administrator

Hg Pooled Management Limited* 2 More London Riverside London SEL 2AP

Telephone: 020 7089 7888 www.hgcapital.com

Depositary

IPES Depositary (UK) Limited* 9th Floor No.1 Minster Court Mincing Lane London EC3R 7AA

Registrar

Computershare Investor Services PLC* The Pavilions Bridgwater Road Bristol BS99 677

Telephone: 0370 707 1037 www-uk.computershare.com/investor

Stockbroker

Numis Securities Ltd* The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT

Telephone: 020 7260 1000 www.numiscorp.com

Independent auditor

Deloitte LLP 2 New Street Square London EC4A 3BZ

AIC

Association of Investment Companies www.theaic.co.uk

The AIC is the trade body for closedended investment companies. It helps its member companies deliver better returns for their investors through lobbying, media engagement, technical advice, training, and events.

LPEO

Listed Private Equity www.lpeq.com

HgCapital Trust plc is a founder member of LPEQ. This is a group of private equity investment trusts and similar vehicles listed on the London Stock Exchange and other major European stock markets, formed to raise awareness and increase understanding of what listed private equity is and how it enables all investors - not just institutions - to invest in private equity.

LPEQ provides information on private equity in general, and the listed sector in particular, undertaking and publishing research and working to improve levels of knowledge about the asset class among investors and their advisers.

*Authorised and regulated by the Financial Conduct Authority.





www.hgcapitaltrust.com is constantly updated to ensure that the you can always access the Company's latest data and information on your computer or mobile device in a transparent, convenient and intuitive manner.

If you have any suggestions on improvements we can make to the site, please do get in touch at investorrelations@hgcapitaltrust.com

www.hgcapitaltrust.com