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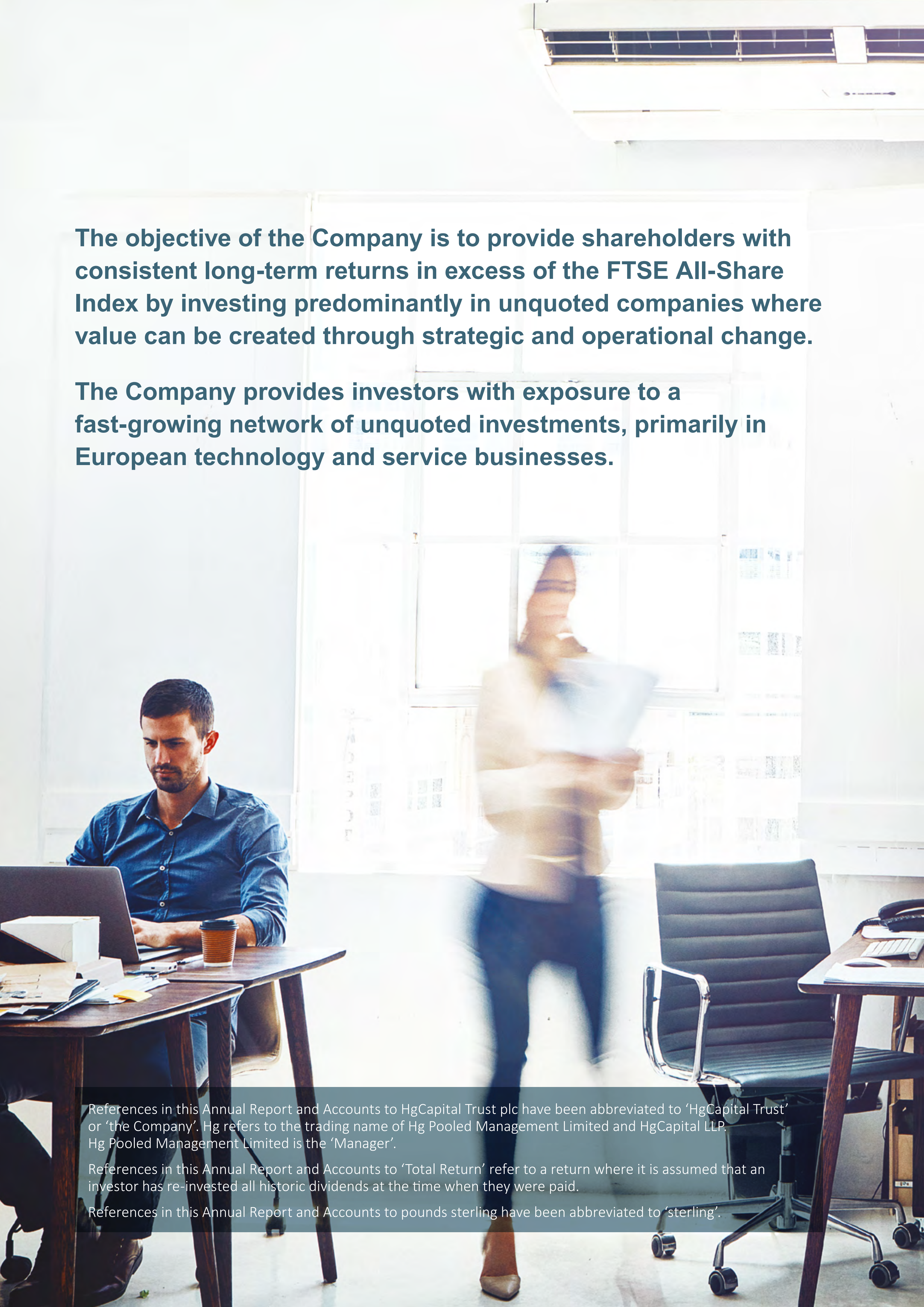
HgCapital Trust plc

Annual report and accounts

31 December 2018



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 network of unquoted investments, primarily in European technology and service businesses.

References in this Annual Report and Accounts to HgCapital Trust plc have been abbreviated to 'HgCapital Trust' or 'the Company'. Hg 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'.

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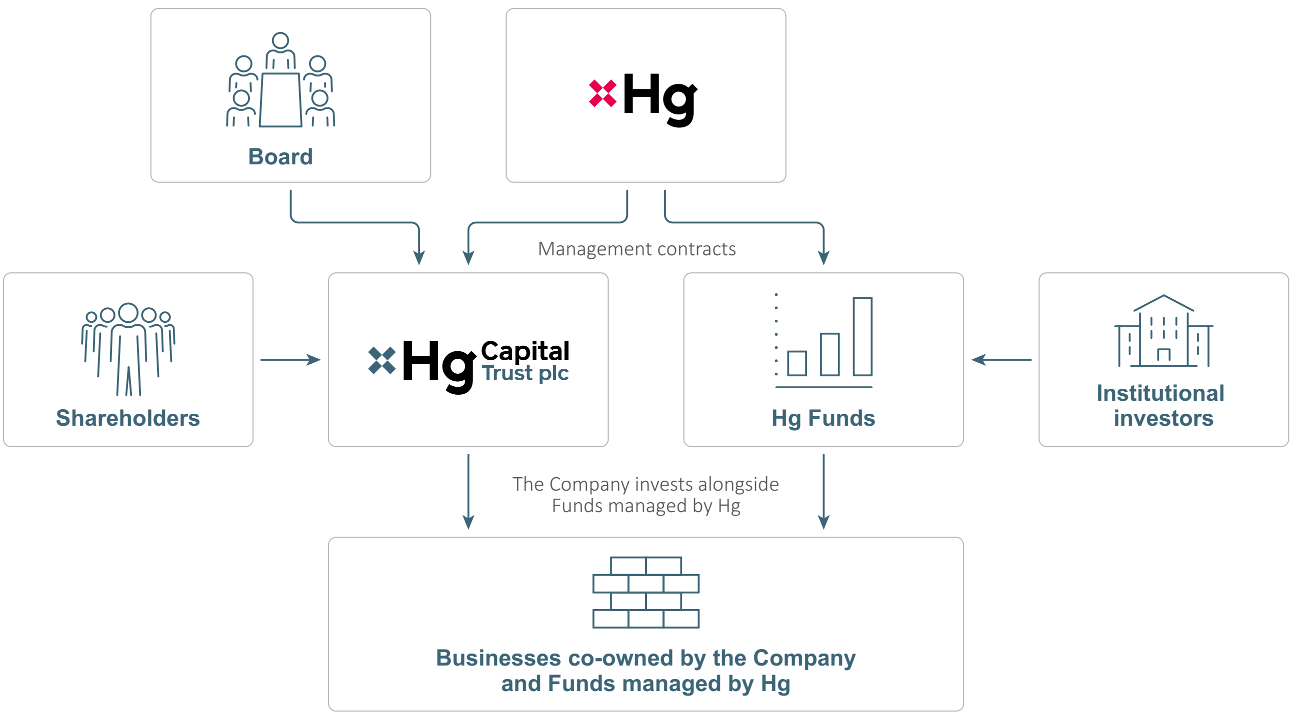
The investment opportunity

The Company provides investors with the **opportunity** to share in the growth in value of a network of **thirty unquoted businesses** brought together by Hg. Value is created by leveraging the network and expertise of Hg to support management teams to deliver the full potential of their respective businesses.

By applying this philosophy to technology and service businesses, Hg has delivered consistently strong growth in sales and EBITDA, with high levels of conversion of profits into cash. The **top 20** businesses, representing **89%** by value of the Company's investments, reported aggregate **sales of £3.0 billion** and **EBITDA of £832 million** over the last twelve months, with **EBITDA margins of 27%**.

Hg brings to the Company an experienced team of over 150 employees, including more than 90 investment and other professionals, supported by a network of close to 20 Operating Partners, all of them seasoned senior managers from across industry, who work with management teams to create value for shareholders. At the centre of this network, Hg builds and shares knowledge and expertise by facilitating the active collaboration of management teams across sectors and geographies.

The structure in which our Manager, Hg, invests the Company's funds *pro rata* alongside those of its large institutional clients enables wealth managers, smaller institutions and individuals to invest, on similar terms, with some of the world's most sophisticated institutions in businesses that would otherwise be inaccessible. This allows the Company to achieve diversification across markets and geographies and gain exposure to businesses at different stages of their development and size, from an enterprise value of £50 million to over £1 billion.



Financial highlights

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

2018 performance:

NAV per share
at 31 December 2018 was £21.57, a total return for the year of:

+14.3%

Net assets
The total NAV of the Company at 31 December 2018 was:

£805m

Share price
at 31 December 2018 was £17.85 a total return for the year of:

+3.5%

Market capitalisation
The market capitalisation of the Company at 31 December 2018 was:

£666m

Full year dividend
(2017: 46p)

46p

Total ongoing charges
The total ongoing charges for the year to 31 December 2018:

1.9%

Please refer to page 106 for further detail of the calculation of ongoing charges.

Financial highlights continued

Top 20 investments as at 31 December 2018:

LTM sales growth
+25%

LTM profit growth
+27%

EV to EBITDA multiple
17.3x

Net debt to EBITDA ratio
5.6x

These figures are calculated on a value-weighted basis. For further information on the top 20 portfolio trading data, please refer to pages 36 to 37 of Hg's review.

Balance sheet analysis as at 31 December 2018:

Liquid resources (19% of NAV)
£157m

Outstanding commitments (59% of NAV)
£471m

In addition, the Company has an undrawn bank facility of £80 million.

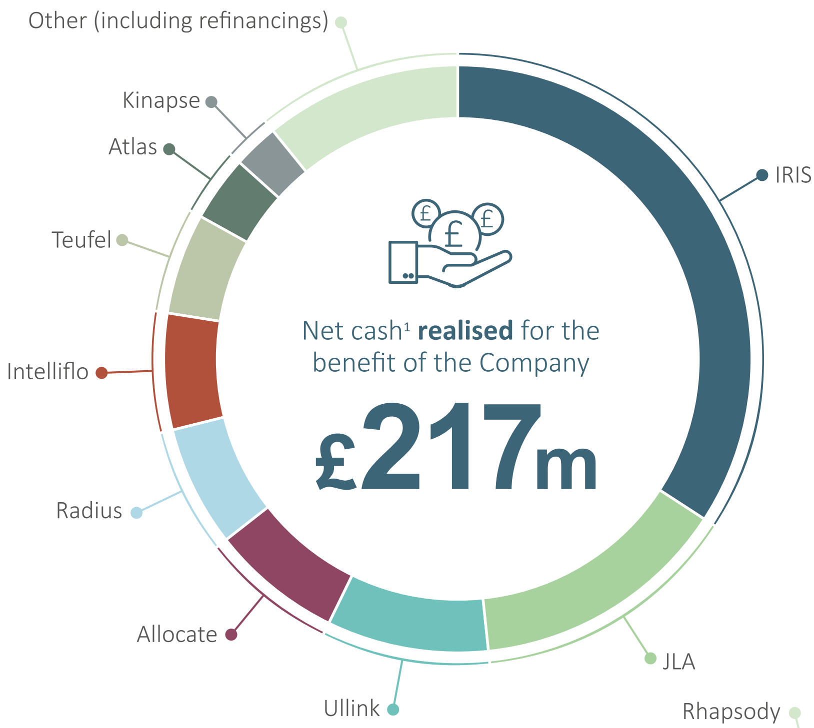
Commitments will be drawn down over the next two to three years (2019-2021), an average cash outflow of c. £160 million p.a.

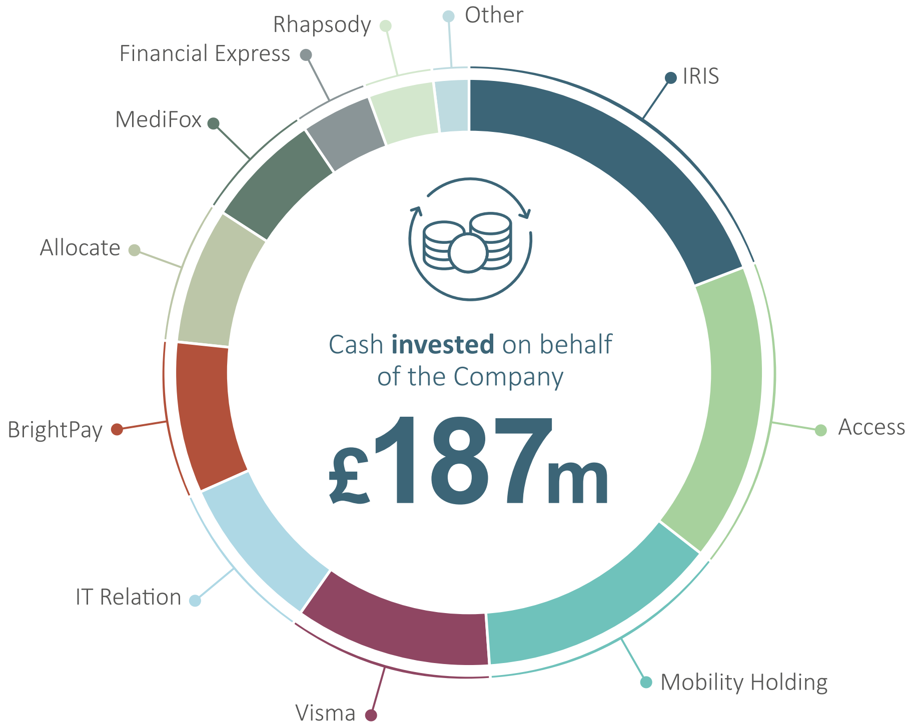
The Company can opt out of a new investment without penalty, should it not have the cash available to invest.

Financial highlights continued

Strong realisation activity throughout 2018, with further liquidity events since the year-end, taking advantage of a buoyant environment for realising value at good prices.

Investment and realisation activity in 2018:





[1]Figure shown net of carried interest of £55 million paid to the Manager, please refer to page 46.

For further information on investment and realisation activity over the year, please refer to pages 40 to 46.

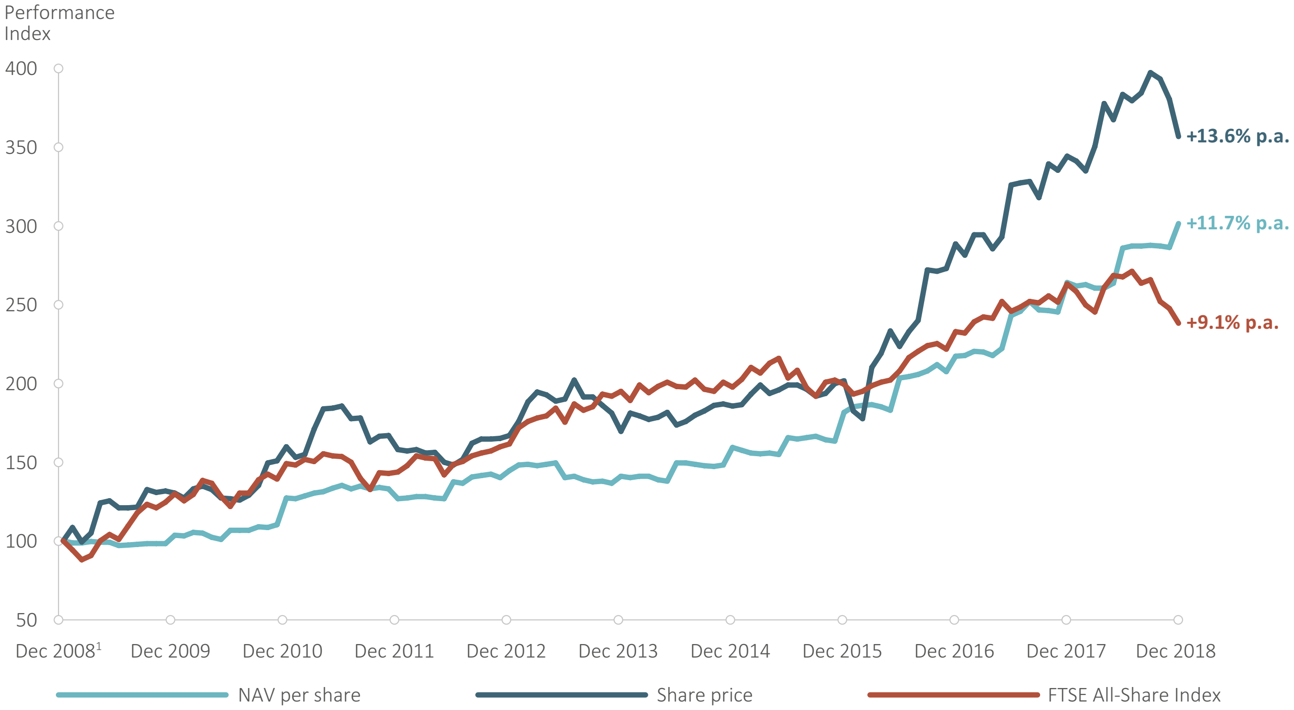
Long-term performance record

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 share [1] p	Dividend per share [2] p
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	46.0
2017	721,024	1,931.7	1,768.0	20,043	53.7	46.0
2018	**804,987**	**2,156.7**	**1,785.0**	**13,665**	**36.6**	**46.0[4]**

[1] Based on weighted number of shares in issue during the year.
[2] Dividend proposed in respect of reported financial year, but declared and paid in the following year.
[3] Includes a special dividend of 19 pence per Ordinary share.
[4] Proposed final dividend of 30 pence per Ordinary share for the year ended 31 December 2018, to be paid on 30 April 2019, subject to shareholder approval. Interim dividend of 16 pence per Ordinary share was paid on 26 October 2018.

Long-term performance – ten year total return



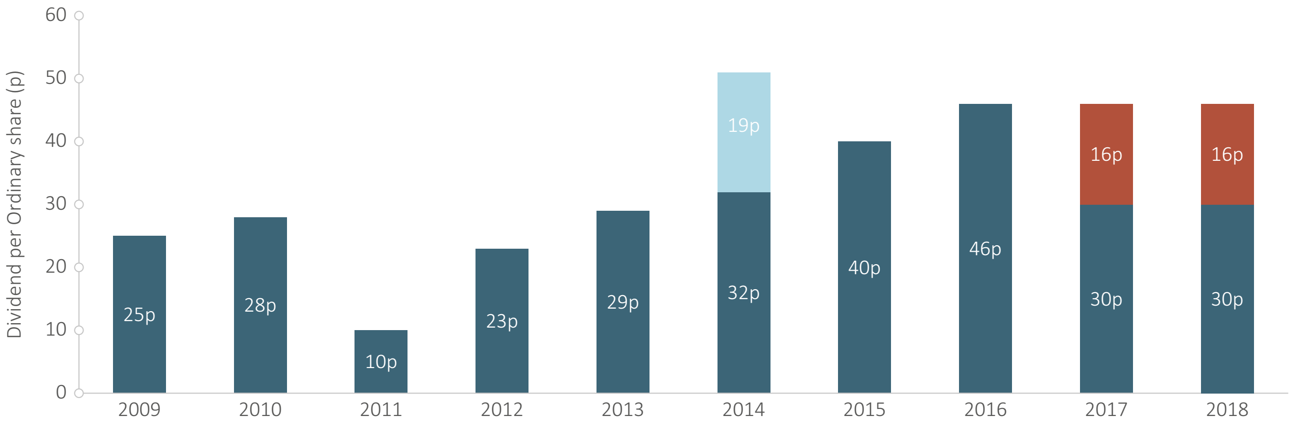
[1] Performance record rebased to 100 at 31 December 2008. Source: Factset, Hg.

Financial highlights continued

Historical total return performance

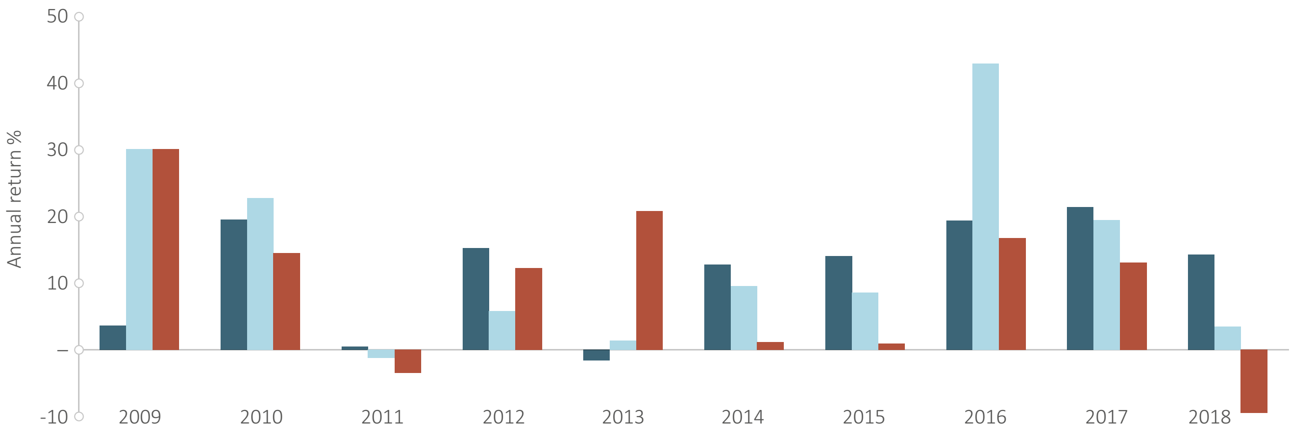
	One year % p.a.	Three years % p.a.	Five years % p.a.	Ten years % p.a.	Twenty years % p.a.
NAV per share	14.3	18.4	16.4	11.7	13.8
Share price	3.5	20.9	16.0	13.6	14.5
FTSE All-Share Index	(9.5)	6.1	4.1	9.1	5.0
NAV per share performance relative to the FTSE All-Share Index	+23.8	+12.3	+12.3	+2.6	+8.8
Share price performance relative to the FTSE All-Share Index	+13.0	+14.8	+11.9	+4.5	+9.5

Ten year dividend record



Source: Hg | Final dividend | Special dividend | Interim dividend

Discrete annual total return performance against the FTSE All-Share Index



Source: Hg, Factset | NAV per share | Share price | FTSE All-Share Index

Chairman's statement

The Company has sold a record number of investments during 2018, whilst continuing to invest selectively in businesses that offer opportunities for value creation. We expect these to deliver substantial growth over the next few years.

We have announced excellent results for 2018 — a total return in NAV per share of 14.3%, mostly from growth in profits, and well ahead of the wider market. Our top twenty investments (89% of the portfolio) achieved 25% growth in revenues and 27% growth in earnings over the year, accelerating from 2017 when revenues grew by 17% and earnings by 15% (on a value weighted basis). This excellent trading performance in 2018 and exits above book value led to the NAV per share reaching £21.57 at 31 December, an all-time high, with the net assets of the Company at £805 million.

In 2018, we realised a record number of businesses, investing cash proceeds into companies that could grow and add value through any potential market correction. In total, we sold 12 businesses, realising gross cash proceeds of £247 million and adding £46.3 million to NAV, with the great majority of these sales achieved at prices above their most recent valuations. In addition to these exits, a further £24.7 million was returned to the Company through refinancings. Growth in the earnings of our unrealised investments added £99.2 million to NAV.

When we value our investments, we apply the ratings of similar technology and service businesses; these continue to be high relative to the wider market, reflecting their resilience, robust sales growth and strong margins. The Manager and Board assess each valuation carefully, selecting and weighting comparable companies to derive a multiple for valuing each of our businesses. At 31 December, roughly half the businesses benefited from slightly higher ratings than at 30 June, while half of the valuations were based on lower multiples. Overall, 22 of our investments were revalued upwards and 8 downwards before the effects of foreign exchange. FX movements made a small net contribution overall, with volatility in exchange rates dampened by a number of hedges.

Share price performance

Over the course of the year, the Company's share price moved ahead marginally from £17.68 to £17.85. In the last quarter of the year, the equity market as a whole was nervous, with the FTSE All-Share Index ending the year 9.5% down on the year; our share price suffered in the final quarter along with others. Nevertheless, the Company's share price total return over the year was 13.0% above that of the FTSE All-Share Index. The Company's share price has recovered strongly so far in 2019 to reach a new high of £20.50, before the release of our year-end NAV. At this price, the Company has a market capitalisation of £765 million. I am pleased to report that, with effect from 11 October 2018, the Company was promoted into the FTSE 250 index as a result of its consistent growth in market value.

During 2018, we were very pleased to receive the Investment Week Award for Private Equity Company of the Year, and to be selected by FTAdvisor as their Fund of the Year in the specialist sectors segment.

Proposed dividend

We have proposed an unchanged final dividend of 30 pence, making 46 pence for the year, a yield of 2.6% on the year-end share price. As I have explained in previous years, the Company is not managed to achieve earnings, but rather for growth in total return; income will fluctuate from year to year depending on the financial structure of the investments we hold and on returns on liquid funds awaiting deployment. In 2018, the Company's earned income was slightly below previous years and so the Board has held the dividend flat, although it remains our intention to increase dividends in future when the conditions are suitable, as we recognise that yield is important to some investors.

Trading in our Ordinary shares

Maintaining a liquid market in our Ordinary shares is important to all shareholders.

Over the years, as the Company has grown in size and visibility, volumes of trading in our shares have increased and promotion into the FTSE 250 is likely to attract more investors and enhance this liquidity further. At the same time, the strong growth in our share price, from close to £11 per share 5 years ago to over £20 per share, has resulted in a heavy share price which is inconvenient to some shareholders and can be an impediment to investment for some types of investor.

With that in mind, the Board would like to split each share into 10. At the AGM, we will propose that each of the Company's shares of 25p nominal value is subdivided into

The performance of the Company over 2018 is consistent with its long-term record, achieving our target and demonstrating the superior returns that can be gained by an allocation to the Company’s shares in the portfolio of an investor looking for long-term growth.

Roger Mountford, *Chairman, HgCapital Trust plc*

10 shares of 2.5p nominal value (as detailed on pages 109 and 133 of this Report). If approved at the AGM, your holding will be multiplied by 10 and the share price of each new share is anticipated to adjust downwards accordingly. I should emphasise that shareholders will lose no value as a direct result of this change and, indeed, easier trading in our shares might increase demand for them. The Board’s statement that it anticipates that future dividends will be no less than 46.0 pence per share, split between an interim and final dividend, should be interpreted as referring to dividends of not less than 4.6 pence per new share, should the sub-division resolution be approved.

Our investment proposition

The Company’s strategic objective is to provide patient investors with sustained long-term value creation, principally through capital growth. At any one time we will hold around thirty carefully selected businesses, across the technology and services area. We aim to hold these during periods of transition and expansion that we expect to create substantial shareholder value through active and engaged ownership. Together, these businesses are equivalent in scale to some of the largest technology groups in Europe. The private equity approach enables us to capture the network benefits that flow from sharing know-how and feedback from the experiences of companies in the Hg network while maintaining the autonomy of each management team and rewarding them for their own performance through ownership incentives in the particular business they manage. Hg has continued to invest in building its own Operations Group including many highly experienced Operating Partners and its Operations Innovation team. Members of this group go into the businesses we own to help drive substantial change, without the constraints that often impede large listed companies. During 2018, the Manager organised 14 events, attended by over 700 portfolio company executives, each focused on a particular area of business improvement; the network effect of this creates a powerful tool for sharing best practice across comparable businesses. This is described in detail in pages 25 to 27 of this Report.

In my statement last year, I suggested that businesses that do not address, and adopt, technological change are likely to go into decline: investors need to be well briefed about these opportunities and threats and to be able to identify, with confidence, which businesses understand and can exploit these changes.

Hg targets businesses with proven, repeatable models. It does not invest in companies with unproven technology or directly in early-stage businesses. These businesses have benefitted for several years from the shift from the sale of software packages that are purchased and then operated in-house, to offering Software-as-a-Service (‘SaaS’), using the Cloud for secure delivery, data storage, and access. The transition in many of our businesses to Cloud-based computing further enhances ratings as well as widening margins; an insight describing this effect is set out on page 23 of this Report and there is further information on the Manager’s website (www.hgcapital.com). A number of the businesses in our current portfolio (notably Visma, Sovos, IRIS, Access and Allocate Software) are already offering SaaS solutions and we expect this technological wave to continue to provide us with excellent returns.

Improvements in our shareholder communications

We remain committed to the continuous improvement of our communications to investors and industry commentators. Last year, as we do every few years, we commissioned a perception audit: a specialist firm interviewed many of our shareholders, potential shareholders and analysts in order to provide us with comprehensive feedback on our strategy and communications. In order to increase our reach to current and potential shareholders, we have agreed with Edison Research that they will produce written research on the Company, its investments and prospects; this will facilitate wider demand for our shares via IFAs and platforms by providing them with regular research coverage. Such research is paid for by the Company, but will be freely distributed to thousands of investors; we expect coverage to commence in due course. In 2019, we also look forward to launching a new website that we hope will be more engaging, informative and easier to navigate for all our visitors. In the meantime, regular updates on Hg’s investments and the technology sector are available at www.hgcapital.com.

Corporate governance

I reported last year that, following an online search, we had appointed two new non-executive directors, Dr Jim Strang and Dr Guy Wakeley. The Board had carried out an annual review of its own effectiveness and resolved to broaden the skills and experience of the Board in order to be better able to support and challenge the Manager. To do this we needed to add deep knowledge of the global private equity sector and hands-on experience of the application of technology to service businesses. These have built on our existing skills in investment management, wealth management, corporate finance, audit and risk management and corporate governance. It is already clear that adding broader experience to the Board has enriched our discussions and enabled us to engage more effectively with the Manager across all aspects of the business. Our aim is to be as well-equipped as the Board of any large technology group to give direction and scrutiny to the Company's activities.

The Board pays particular attention to identifying and mitigating risks; it engages with the Manager regularly to discuss risks facing the Company and businesses we own, and where necessary to challenge Hg to provide assurance that specific risks are being adequately managed. One area of risk that the Board has focused on over several years is cyber-risk, which has the potential to damage the reputation and value of the technology and service businesses in which we specialise. Hg's management responded well and early to this risk, recruiting an expert, as a full-time Operating Partner, who has worked with management teams across the portfolio to support them in their work to build suitable protections and share best practice. The Company's Annual Report last year contained a detailed insight into Hg's work on managing cybersecurity. This risk has been highlighted recently by a cyber-attack, known as Cloudhopper, against Visma and other global technology groups in the USA and Europe. I am pleased to report that Visma revealed and disarmed this attack quickly, with no adverse impact on its own systems or any of its clients' data or operations. Moreover, to assist all users of software, Visma not only disclosed this cyber-attack promptly, but in February 2018 also published a detailed analysis of the attack. I and my colleagues on the Board commend Visma's management and Hg for the honesty and transparency which they have demonstrated and their contribution to industry-wide collaboration, which is vital in the fight against this pervasive threat.

Before this cyber-attack occurred, as a result of one of our regular reviews of the Company's risk register, the Board asked our two new Directors to review our approach to overall risk management. They have recently presented their proposals which will provide the Company with new tools to keep our analysis of risks up-to-date and prioritise our actions to manage and mitigate them. This work demonstrates the benefits of regularly refreshing the Board, introducing new thinking and experience into our debates and to our dialogue with the Manager.

The Association of Investment Companies ('AIC') published its revised Corporate Governance Code shortly before this Report was finalised. The Board will consider its contents carefully and whether we should do more to adopt best practice across everything we do. The Board has asked our Senior Independent Director, Anne West, to take the lead in considering what steps we should take to improve corporate governance; as a former Chief Investment Officer of Cazenove she will be well aware of the expectations of leading institutions.

Maintaining momentum

Every two to three years, the Company makes a commitment to invest in parallel with the funds raised by our Manager, Hg, on the same terms as major global institutional investors who are limited partners in those funds; we invest with them in each business *pro rata* to our respective commitments. These funds are all focused on identifying businesses in the same segments of the market, but in different sizes and at different stages of development. The Company is thus able to invest in a far wider range of opportunities, and in much larger businesses, than its own size alone would allow; we can also hold successful, growing businesses for longer, where value will continue to be created. The Company has additionally benefited from the much greater resources in terms of people, skills and research the Manager can deploy.

The Company is currently investing in parallel with Hg Saturn, Hg8 and Hg Mercury 2 Funds, with aggregate commitments of £580 million to these funds. In addition, last year we committed a further £75 million to Hg to invest in Transition Capital—structured minority positions in businesses where the founders expect to move towards selling control within five years; during 2018 we made our first investment of this kind, £15 million into BrightPay.

We also have ongoing agreements with the Manager to make equity co-investments alongside the Hg Saturn, Hg8 and Hg Mercury 2 Funds. This gives the Company more opportunity to invest the balance sheet efficiently and to reduce the cost to investors.

By committing to invest across all these strategies we are able to target investments with enterprise values ranging from £50 million to over £1 billion. We expect to benefit not only from the strong organic growth in these businesses but also from the very broad experience and insights gained from across the market and which can be shared between established, large players and younger, innovative businesses that were born in the Cloud.

At the time of completing this Report, the Company's three principal commitments – to Hg Saturn, Hg8 and Hg Mercury 2 – are c. 40% invested. Although the Board and Manager share a degree of caution about asset prices in general there continues nonetheless to be an attractive pipeline of potential opportunities of all sizes targeted by Hg.

> **By committing to invest across all Hg's Funds we are able to target investments with enterprise values ranging from £50 million to over £1 billion. We expect to benefit not only from the strong organic growth in these businesses but also from the very broad experience and insights gained from across the market and which can be shared between established, large players and younger, innovative businesses that were born in the Cloud.**

Roger Mountford, *Chairman, HgCapital Trust plc*

Against the background of the very stable and successful business model we have developed with the Manager over some twenty years, the Board has been discussing with Hg the likely timing and potential size of new commitments. We expect to have detailed discussions towards the Autumn of 2019 and enter into new commitments at the start of next year. In order to maintain the Company's momentum, these future commitments may represent a further step up in size, and therefore the Board will consider a potential share issue, providing the market conditions permit, offering existing and new shareholders the opportunity to subscribe and increase our equity base.

As further support for the next wave of new commitments, the Company has recently extended its £80 million bank facility until June 2022, with the option of adding a further £80 million via an 'accordion' facility, subject to the bank's agreement at the time.

Risks and prospects

Equity markets in general are displaying nervousness arising from heightened risk of a slowdown in global growth, which may be exacerbated by trade wars or at least the uncertainty created by threats of tariffs and quotas impeding and distorting international trade. The UK and the EU face added uncertainty from the difficulties in reaching agreement for an orderly Brexit.

The Board and Manager have continued to review the analysis made since the referendum in 2016, to assess the potential impact on businesses we own. Few of these trade between the UK and the EU27, and none participates in physical deliveries; nor can we identify any specific adverse effects of a separation in the regulatory frameworks to which any business is exposed. There remains some risk of increased volatility in foreign exchange rates where the Company has net investments in assets valued in Euro, US dollar and Norwegian Krone.

Many of the companies we own provide business-critical services that customers find difficult to replace. While a general slowdown in economic activity could affect demand for such services, the secular growth in demand arising from the benefits of new technology is likely to continue at a faster rate than any cyclical downturn. We therefore anticipate strong continuing growth in the underlying earnings of the businesses we own.

The sectors in which we invest command above-average multiples; these may be affected by a general correction in equity markets, but these businesses remain in great demand from investors and concerns about a cyclical decline only encourage such demand, thanks to their resilience. In any event, businesses that are growing earnings at 25% per annum can rapidly make up for any, possibly temporary, easing in trading multiples.

While we continue to hold some large and very successful businesses, we also have a large number of more recent investments that we expect to deliver substantial growth over the next few years. On average, we have owned our current investments for only 2 years, which offers many further opportunities for enhancement to operations. The data on pages 8 and 9 of this Report show that the Company's net asset value and share price continue to outperform the FTSE All-Share Index. The twenty-year compound NAV per share total return has been 13.8% p.a., and the annualised share price total return has been 14.5%, compared with a return of just 5% p.a. from the Index. The Company's outperformance against the Index has been accelerating over the last five years.

These rates of return over long periods achieve our target and demonstrate the superior performance that can be achieved by an allocation to the Company's shares in the portfolio of an investor looking for long-term growth.

Roger Mountford
Chairman
8 March 2019

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 Hg 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 the date of first investment, no investment in a single business will exceed a maximum of 20% 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 Hg can play an active role in supporting management, Hg 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 Hg 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 Hg 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 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 Northern Europe, and a further part in businesses that operate in US dollars. The Company may therefore hold investments valued in currencies other than sterling. From time to time, the Company may put in place hedging arrangements with the objective of protecting the sterling translation of a valuation in another currency. Derivatives are also used to protect the sterling value of the cost of investment made or proceeds from realising investments in other currencies, between the exchange of contracts and the 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 Hg.

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 Hg 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.

Rationale and business model

The Board has a clear view of the rationale for investing in unquoted businesses where there is the potential for accelerating the growth in value through a private equity approach. 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 there is the ability to work with management to implement strategic or operational improvements.

By taking on the burdens of administration, monitoring and accounting that such investments require, the Company offers a simple and liquid means by which shareholders can achieve an investment in unquoted growth companies, monitored by an independent Board.

Business model

To achieve the Company's Investment Objective and within the limits set by the Investment Policy, the Company is a direct investor in unquoted businesses managed, and in most cases controlled, by the Manager. From time to time, the Company may hold listed securities in pursuit of its Investment Policy.

The Company is currently invested in 30 companies (as set out on page 48 of these Accounts), ranging in size, sector and geography, providing diversification.

The Board has delegated the management of the Company's investments to Hg Pooled Management Limited (the "Manager" or "Hg"). Further details of the terms of the management agreement are set out on page 106 of this Report. The Manager invests predominantly in unquoted technology and service businesses in expanding sectors and provides portfolio management support. Hg's review on pages 19 to 72 of this Report outlines how the Company's investments are managed on behalf of the Company.

Most of the Company's investments are held through special-purpose partnerships, of which it is the sole limited partner.

Periodically, the Company enters into a formal commitment to invest in businesses identified by the Manager, alongside institutional investors who invest in a Hg Limited Partnership Fund. Such commitments are normally drawn down over three to four years. The institutional investors and the Company invest on substantially identical terms.

The Company is usually the largest investor in each business. Following the 2016 commitment to invest £350 million alongside the Hg8 Fund, in 2017 the Board committed a further £80 million with respect to the Hg Mercury 2 Fund. In early 2018, the Board made a £75 million commitment to invest in Transition Capital and £150 million to invest alongside the Hg Saturn Fund. Further detail on these is provided in the Chairman's statement on pages 10 to 13.

The Board has a further objective of keeping the Company as fully invested as is practical, while ensuring that it will have the necessary cash available when a new investment arises. The Board, on the advice of the Manager, makes 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, the Board has negotiated a right to opt out, without penalty, of its obligation to fund such draw-downs where certain conditions exist.

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 the Manager on realisation (currently 14% of the Company's NAV is in co-investments). The Company may also offer to acquire a limited partnership interest in any of Hg's funds, in the event that an institutional investor wishes to realise its partnership interest.

The Board regularly monitors progress in all the businesses in which it is invested, and their valuation; the development of the Manager's investment strategy; the resources and sustainability of the business model.

Investment trust status

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. To this end, the Board monitors the Key Performance Indicators, as set out on pages 5 and 6 of these Accounts. In the year to 31 December 2018, the Company's NAV per share increased by 14.3% on a total return basis. In comparison, the FTSE All-Share Index decreased by 9.5% on a total return basis. The twelve month total return of the Company's share price was 3.5%.

Rationale and business model continued

NAV per share has grown by 11.7% p.a. compound over the last ten years and 13.8% p.a. compound over the last twenty years. The share price has seen broadly similar performance growing by 13.6% p.a. compound over the last ten years and 14.5% p.a. compound over the last twenty years.

All of the above returns assume the reinvestment of all historical dividends. The Board and the Manager 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.

Dividends

In 2017, the Board announced that it anticipated that future dividends would be no less than 46.0 pence per share and that these would be split between an interim distribution made in or around October, and a final distribution made in or around April.

Where possible, the Trust has elected to 'stream' its income from interest-bearing investments as dividends for tax efficiency purposes. More details can be found on page 126.

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 Hg's Review. The financial position of the Company, its cash flows, liquidity and borrowing facilities are described in the 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 have considered the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting and 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 at least the next twelve-month period from the date of this Report and be able to meet its outstanding commitments. Accordingly, they continue to adopt the going concern basis in preparing these results.

Principal risks and uncertainties

During the period under review, the Board has carried out a robust assessment of the principal risks facing the Company and the controls in place to mitigate them, including those that would threaten its business model, future performance, solvency or liquidity. This process involves the maintenance of a risk register, which identifies the risks facing the Company and assesses each risk and classifies the likelihood of the risk and the potential impact of each risk on the Company.

The Board has established controls to mitigate against risk faced by the Company. The Audit and Valuation Committee regularly reviews these policies for managing each risk, as summarised on the following pages.

Long-term viability statement

In accordance with provision C.2.2 of the 2016 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 2023.

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 17 and 18 of the Strategic Report. The Directors recognise the importance of its close working relationship with the Manager and regularly monitor and review Hg'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 2023.

Rationale and business model continued

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 the Manager's performance in carrying it out. To help manage this risk, the Manager provides an explanation of all investment decisions and the rationale for their selection of sectors and businesses. 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 manage the risks associated with particular countries or factors specific to particular sectors.

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. The Manager 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.

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 Hg8, Hg Mercury 2, Hg Saturn and in Transition Capital. 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 Hg 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 Royal London Asset Management Cash Funds. 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 the Manager 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. Hg acquires businesses 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.

The Company has arranged a committed facility on an unsecured basis with Lloyds Bank Corporate Markets plc of £80 million to provide funds for investment when necessary; this is available until 30 June 2022 with the option of adding a further £80 million via an 'accordion' facility, subject to the bank's agreement at the time. The facility was not utilised during the year and remained undrawn at 31 December 2018. The Directors believe the borrowing facility gives the Board further flexibility in managing the Company's resources, without adding undue risk.

Operational

The Company has no employees and relies upon the services provided by third parties, notably Hg to which the principal managerial functions have been delegated. The Company is dependent upon the internal control systems of the Manager 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 the Manager and reviewed by the Board and the Audit and 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 Hg Pooled Management Limited 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 the Manager, and independently reviewed by Deloitte LLP, for the year ended 31 December 2017. The Board will consider the 2018 Assurance Report when issued later in the year.

Rationale and business model continued

Regulatory

The Board continues to believe that it is in shareholders' interests to retain the tax advantages that flow from meeting the requirements for an investment trust under Sections 1158 and 1159 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. The Board believes the likelihood of this risk occurring is low. The Manager 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 the CTA are not breached. The Company's compliance with the conditions for retaining investment trust status is certified by the Manager 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.

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.

Environmental, Social and Governance Matters

Socially responsible investment

The Board has endorsed Hg's policy to invest the Company's funds in a socially responsible manner, as set out in this Annual Report (pages 30 to 32) and on their website at 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 Hg's management of investments takes account of social, environmental and ethical factors where appropriate. The sectors in which the Manager 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, Hg complies with the provisions of the UK Modern Slavery Act 2015. For further information please visit: https://hgcapital.com/wp-content/themes/hgcapital/pdf/Slavery.pdf

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 103 to 105. 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 five men and one woman. The Company seeks to enhance diversity and looks for the best qualified male and female candidates. The Manager has an equal opportunities policy and currently employs 86 men and 68 women. Nic Humphries, Senior Partner, Hg, is a member of the Level 20 Advisory Council, a not-for-profit organisation that aims to inspire more women to join and succeed in the European private equity industry.

For and on behalf of the Board

Roger Mountford
Chairman of the Board
8 March 2019

Hg's review

Hg

Building businesses that change how we all do business

Hg is an investor predominantly in unquoted technology and service businesses.

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

Hg's vision is to be the most sought after private equity investor within our sector focus 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 investments, held as:

- indirect investments by the Company through its direct investments in fund limited partnerships (HGT LP, HGT 6 LP, HGT 7 LP, HGT 8 LP, HgCapital Mercury D LP ('Hg Mercury), HGT Mercury 2 LP, HGT Saturn LP and HGT Transition Capital LP) of which the Company is the sole Limited Partner;
- a secondary purchase of a direct interest in Hg's 6 fund through HgCapital 6E LP ('Hg6E'), in which the Company is a Limited Partner; and
- direct investments in renewable energy fund limited partnerships (Asper Renewable Power Partners LP ('Asper RPP I LP') and Asper Renewable Power Partners 2 C LP ('Asper RPP II LP'), 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 122 to 124 of this Annual Report.

About Hg

Years of investing
>25

Staff
>150

Investment professionals
>90

Funds under management
c.£10bn

Overview

Hg began life as Mercury Private Equity, the private equity arm of Mercury Asset Management plc. Mercury Asset Management was acquired by Merrill Lynch in 1997. In December 2000, the executives of Mercury Private Equity negotiated independence from Merrill Lynch, and Hg was established as a fully independent partnership, owned entirely by its Partners and employees.

Since then, Hg has worked hard to develop a unique culture and approach – setting us apart from other investors. We're committed to building ambitious businesses across the technology and services space.

With investment offices in London and Munich and over 150 employees, including more than 90 investment professionals, further enhanced by the considerable experience of close to 20 Operating Partners, we have funds of close to £10 billion under management, serving more than 100 highly regarded institutional investors. These include private and public pension funds, endowments, insurance companies and funds of funds, investing alongside the Company.

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

The Company is the largest client of Hg, which has been contracted to manage the Company's assets since 1994 and offers investors a liquid investment vehicle, through which they can obtain exposure to Hg's diversified network of unquoted 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. The Company is committed to invest in parallel with all of Hg's current funds.

One strategy over four funds across the size range in technology and service businesses

Fundraising activity has seen Hg close on c. £4.5 billion of institutional capital in the last two years, across four distinct funds. The Company has made commitments to invest on the same financial terms as institutional investors in all of these Hg funds.

Team	Year	Focus	Characteristics
Hg Saturn	2018	Large-cap (EVs focus: >£1 billion)	• Fund size: £1.5 billion • Typical hold: £400 million – £500 million • Target number of investments: c. 4
Hg Genesis[1]	2018	Mid-market (EVs: £250 million – £1 billion)	• Fund size: £2.5 billion • Typical hold: £100 million – £250 million • Target number of investments: c. 12
Hg Mercury	2017	Lower mid-market (EVs: £50 million – £250 million)	• Fund size: £575 million • Typical hold: £30 million – £60 million • Target number of investments: c. 12
Transition Capital[2]	2018	Lower mid-market (EVs: £50 million – £250 million)	• Fund size: £75 million • Typical hold: £15 million – £30 million • Target number of investments: c. 3

[1] The Genesis team are currently working on investing the Hg8 fund.
[2] The Company is the sole investor in this strategy.

"We focus our investments in technology and service businesses with specific business characteristics that we believe have the ability to grow across market cycles and are attractive to future buyers"

Nic Humphries, *Senior Partner, Hg*

Investment strategy

Hg has a flexible approach to investing, primarily focused on defensive growth buyouts in technology and service businesses in specific end-market 'clusters' with enterprise values ('EVs') of £50 million to over £1 billion predominantly, but not exclusively, in the UK and Northern Europe.

These companies typically provide opportunities for strategic and operational improvement and offer multiple exit options across market cycles, but with the scale and potential to attract high-quality management.

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

Clear investment criteria

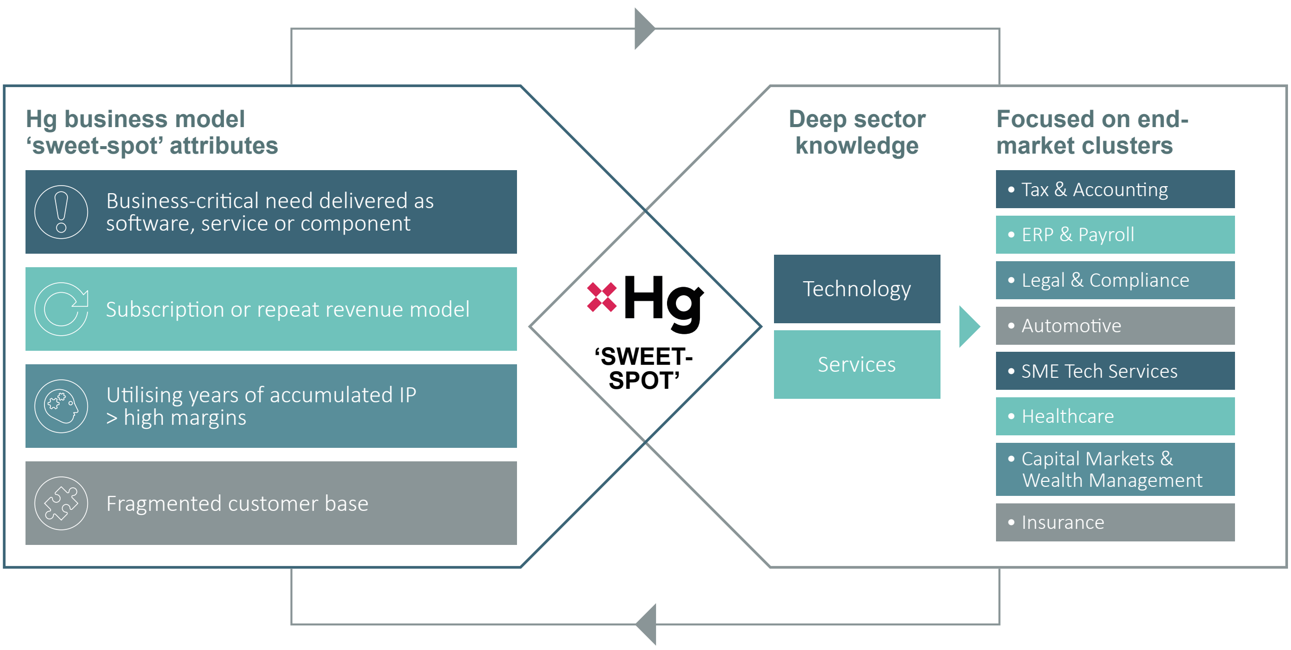
Hg applies a rigorous approach when evaluating all investment opportunities. Our objective is to invest in the most attractive businesses, rather than be constrained by a top-down asset allocation.

We seek companies 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.

The Hg "sweet-spot" business model

A clear and robust business model focused on long-term consistent growth predominantly through investment in buyouts with a Northern European angle.



Sector specialists in technology and services

Our experience means we can recognise the specific challenges faced by management teams and the know-how required to support them to deliver business success.

We specialise in investing in technology and service companies focused on eight core end markets (or 'clusters'), with enterprise values of between £50 million and more than £1 billion. We offer a level of understanding, expertise and commercial drive you won't find anywhere else.

We invest primarily in two main market sectors:

Technology

Technology is our largest sector of investment. We focus on businesses providing B2B vertical market application software and data, regulatory software and fintech and internet infrastructure.

We have invested in high-quality, market leaders which have strong and defensible sector positions, diverse customer bases, and which feature subscription-based business models generating predictable revenues and cash flows. With more than 20 technology companies in our portfolio, we bring a unique set of networks and insights to help support value creation in our businesses.

Services

Our services investments focus on companies with high levels of intellectual property, 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 sector-leading positions within a niche, and we aim to grow and scale these businesses, either organically within existing markets or through acquisitions.

We primarily focus on eight core end markets to build deep know-how

Current
Exited

Tax & Accounting

Current: Sovos Compliance, Visma, TeamSystem, Cogital Group, IRIS

Exited: Addison, Visma, e-conomic, Radius, IRIS

ERP & Payroll

Current: access, P&I Pure HR, TeamSystem, brightpay, IRIS, Visma

Exited: raet, Visma, IRIS

Legal & Compliance

Current: Mitratech, Citation, STP, TraceOne, Achilles

Exited: ATC, CSH, CSGroup

Automotive

Current: Eucon, Mobility Holding

Exited: Zenith, SFC Koenig, epyx, Parts Alliance

SME Tech Services

Current: combell.group, Commify, iTRelation, DADA

Exited: Zitcom, manx telecom, NetNames, noventic

Healthcare

Current: Rhapsody, Medifox, Evaluate, Allocate

Exited: kinapse, Allocate

Capital Markets & Wealth Management

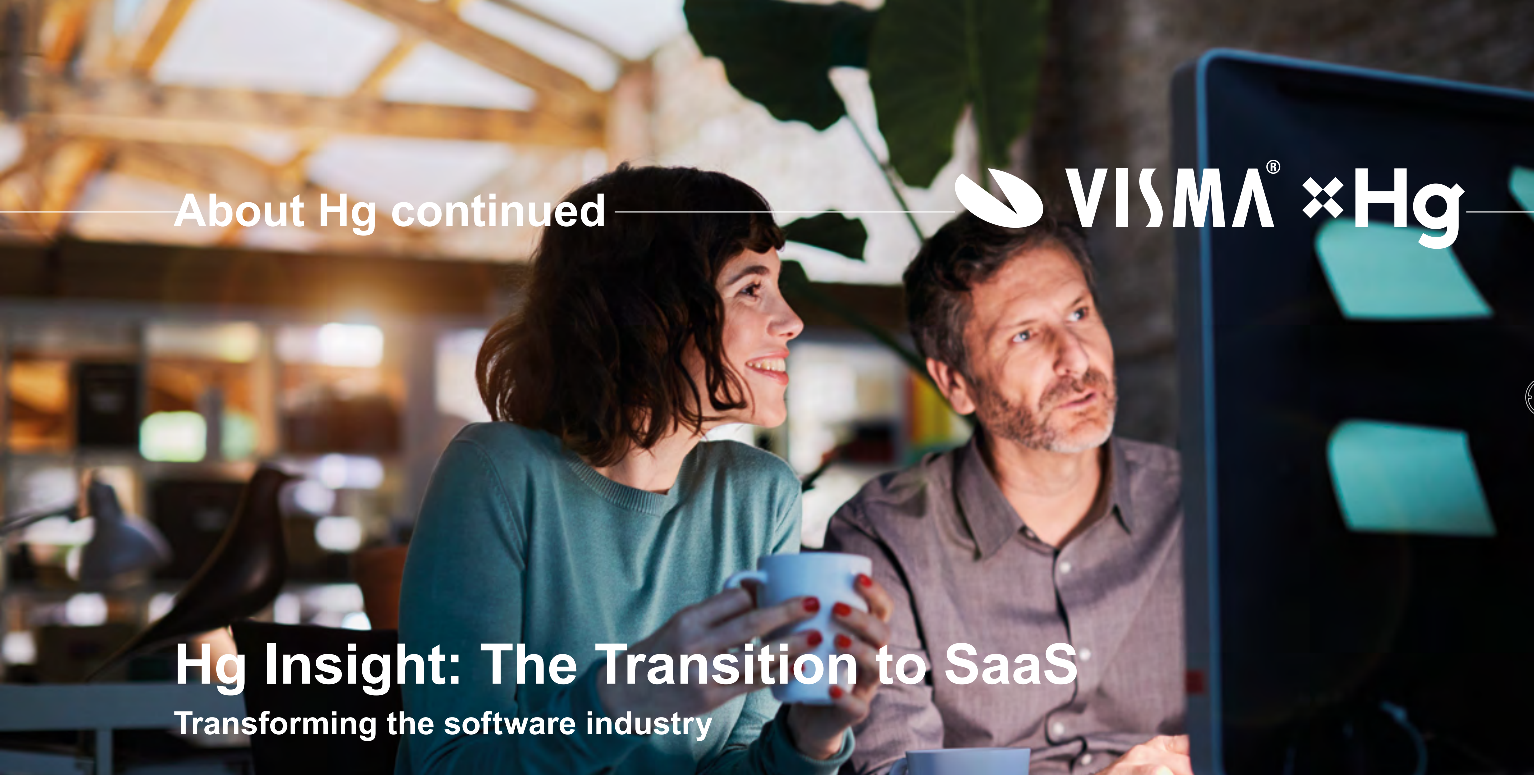
Current: fundinfo, FE

Exited: Rolfe & Nolan, Intelliflo, Ullink

Insurance

Current: a-plan, Eucon

Exited: sequel, Relay



Hg Insight: The Transition to SaaS

Transforming the software industry

Software-as-a-Service ('SaaS') is transforming the software industry. Whilst pure-play newcomers receive considerable attention, the transformation of an existing franchise can be just as valuable.

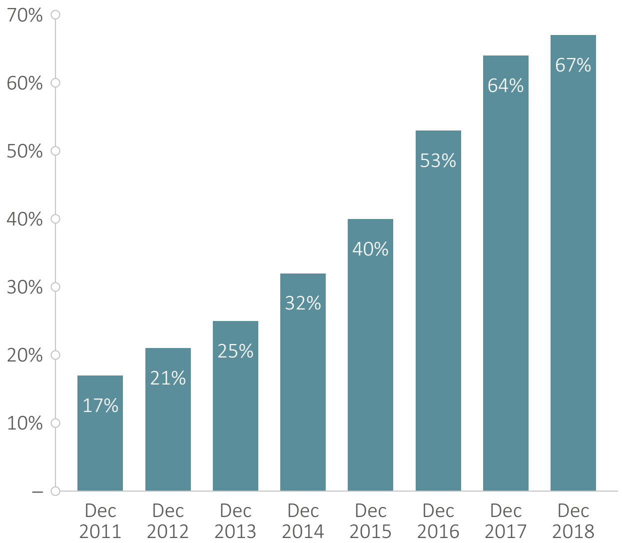
Visma is in a rare group of companies that have delivered such a transformation, leveraging a combination of organic investment and M&A to pivot its business to a SaaS-led model, thus creating a European-centric SaaS provider that to our knowledge is second only to SAP in terms of scale of SaaS revenue.

By relieving its customers of much of the burden of installing, integrating and operating software, Visma's SaaS products deliver a better proposition at a lower overall IT cost.

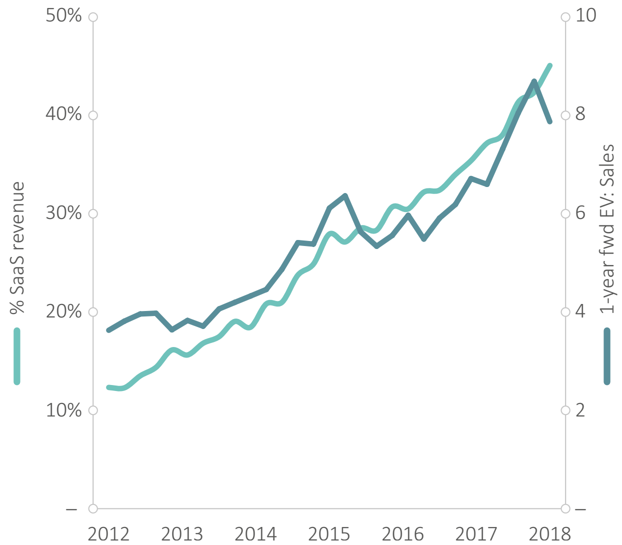
Crucially, investors benefit from faster growth and higher multiples, as SaaS catalyses rapid adoption and new revenue opportunities. We show below Visma's swift evolution in this process, and also the profile at key US listed peer Intuit, where a similar mix shift has coincided with a doubling of its EV:Sales valuation multiple.

David Toms, *Technology Research Director, Hg*

Visma SaaS revenue as % of all software revenue



Intuit % SaaS revenue vs EV:Sales multiple



Source: Hg analysis, company filings, Factset

By relieving its customers of much of the burden of installing, integrating and operating software, Visma's SaaS products deliver a better proposition at a lower overall IT cost.

"By continuing to invest in our people and our expertise, we are able to work with the best management teams in our target clusters and actively help them to build great businesses"

Steven Batchelor, *Chief Operating Officer, Hg*

Our team

Hg succeeds through the analysis and understanding of new and emerging dynamics in the clusters in which it invests. This requires profound knowledge of technology, markets and business practices. To this end, we employ exceptionally talented teams to identify and execute investment opportunities and accelerate value creation during our ownership.

This specialisation – both in investment selection and portfolio management – requires significant resources and we have built a business employing over 150 people, including over 90 investment and other professionals.

Our people come from a range of backgrounds and experience including private equity, consulting, investment banking, accounting and industry specialists. Supporting these in-house resources are Hg's Operating Partners, 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, they have all worked with Hg and other private equity firms over long periods.

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 sixteen European countries and the USA. Our Partners have, on average, fifteen years' experience in the management of private businesses.

A description of Hg's key staff is available at
www.hgcapital.com/meet-us/

Positioning ourselves as a best-in-class recruiter

Hg's recruitment and selection processes are rigorous and agile which, along with our strong brand, leadership, sector focus, fund performance and vibrant culture, allows us to attract and hire the best talent in our industry.

Improving our ability to identify talent

We have enhanced our talent processes so that we can identify and accelerate the development of our top performers and high potential talent within the business. We believe that this is the basis of effective career and succession planning.

Employee engagement

Our people are highly motivated by, and committed to, delivering outstanding value to the Company, our other institutional 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 Hg.

Our values have evolved over many years and are embodied in our working culture; these are aligned with our performance and reward structures. Hg works hard to ensure our employees are engaged. We use independent external benchmarks to gauge levels of engagement and take appropriate actions to ensure highest possible levels of engagement. We have a strong focus on career and development and provide a range of development solutions to enable our talent to reach their full potential.

Developing future leaders

We are explicit about the behaviours we wish to encourage at Hg and have aligned recruitment, training, coaching, performance and rewards to our values – for everybody across the organisation, including our leadership.

LEVEL 20

Level 20 is a not-for-profit organisation that was started a few years ago with the aim of inspiring more women to join and succeed in the European private equity industry. Nic Humphries, Senior Partner, Hg, is a member of the Level 20 Advisory Council.

Working together

By virtue of the fact that Hg repeatedly invests in specific business models, our dedicated Operations Innovation ('OI') Team has been able to tailor a differentiated approach to driving value creation during our ownership. Following each investment, our OI team works with management to focus on a set of operational levers that are key to performance in an Hg 'sweet-spot' business model: sales, digital marketing, pricing, customer success, IT and data analytics. For each of these levers, the OI team has codified the Hg experience and best-practices into set 'plays' that are deployed together with management.

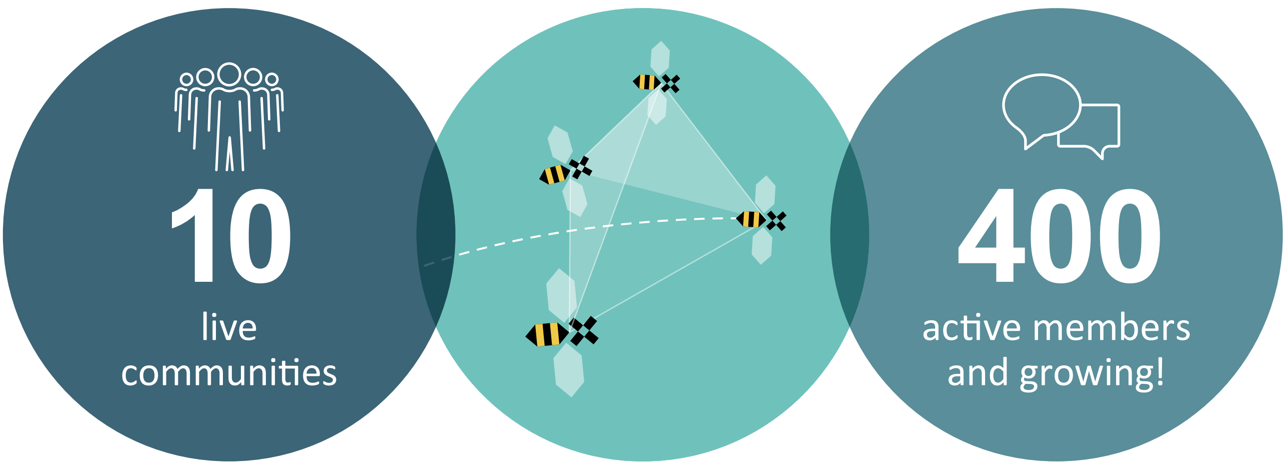
Every company gets full access to the team up-front, but the nature of support can take a variety of forms. Often, members of our OI team provide direct support, taking on roles to help the company pursue growth more quickly. Other times, our experienced operators will mentor senior executives, helping them build more scalable functions (through our Operating Partner relationships). In other instances, most of the support comes through introducing management teams to their counterparts in other Hg companies, specifically those who have faced the same challenges.

One of the most powerful ways the OI team motivates change is through peer-to-peer collaboration. In 2018, over 700 portfolio company executives attended 14 forums hosted by Hg. These executives spent days together sharing and adopting each other's best practices. Across these Hg forums, Allocate explained how they achieved a tremendous step forward in Customer Success, Visma explained how to build in-house capabilities to complete and integrate 20 acquisitions a year and Sovos presented a methodology to hire and retain the very best technology talent. In addition, we also hosted a diversity forum, specifically focused on rising female leaders in our portfolio companies.

> **"This is not your grandmother's private equity. Progressive PE firms like Hg are doing things differently, focusing on growth, playing a longer game and, most importantly, embracing the power of the portfolio to help each business acquire the knowledge and skills required to lead their market. I'm grateful to be part of it."**
>
> Eric Olson, *Chief Marketing Officer of Sovos*

Collaboration

To enable the continued collaboration across the portfolio, Hg launched 'Hive', its online trusted environment, in 2018. Hive far exceeds the capabilities that any other private equity firm currently offers to its portfolio. With 10 live communities and over 400 members, peer-to-peer collaboration is unparalleled. Individuals are able to pose questions, start discussions, share and collaborate on content, and have access to best practice playbooks from world-class experts. This is a clear differentiator in the market.



For further information, please visit **hive.hgcapital.com**

Hg Insight: Customer success

Building your customer capabilities to unlock value in your business

The idea is simple: successful customers are your best customers. They adopt and use your product as it was intended when you developed it to solve one of their key business issues.

This, in turn, makes them more successful as a business – and they value this. They renew their subscriptions and buy more from you when you release additional products and services. They accept price changes as a product develops and recognise fair exchange of value. They advocate you amongst their peers and positively endorse your product and services – helping you win new business.

As a result, your revenue grows – not just when you add new customers – but because you lose less revenue from customers who would otherwise leave you or downgrade. You also generate more expansion revenue, e.g. from upsell and cross-sell.

Of course, it's easier said than done. Products aren't always built with the user in mind. Expectations about what your product or service will do aren't always set clearly in the initial marketing and sales process. Onboarding and professional services don't always lead to good adoption. Customers don't always get the support they need along the way.

This is one area that Hg can help with and many of our companies are now well underway on this journey. It's a complex and cross-functional problem – but getting it right can unlock meaningful business value.

One of the underlying problems that we've identified is the lack of alignment across an organisation. Functions operate in siloes, because that's a good way of organising individuals with different skillsets. But customer outcomes and customer experiences are created through many touchpoints and over a period of time. Product technology isn't geared up to deliver insights on whether customers use it as intended. Business IT systems (and the data within them) are created and maintained with individual, functional users in mind. Traditional management information does not tell you much about the quality of the end-to-end experience your customers are receiving, or whether they are achieving their business outcomes. Which makes it hard for you to manage as well.

> **“When you are providing compliance services solutions to other businesses, you are providing something that is absolutely critical for that company. As such, customer satisfaction and trust are crucial. Once you have established trust, customers often see what other services you can help them with and what other problems you can help solve.”**

Chris Morris, *CEO of Citation*

For further insights from Hg, please refer to **www.hgcapital.com/our-thinking/**

Together. Better.

At this year's Hg Customer Success Forum, 38 executives from across Hg's portfolio, as well as a number of external experts and practitioners, came together to share tangible knowledge and experience – and to commit to specific actions to build their customer-focused business capabilities and realise results. Speakers from Allocate Software and Access Group shared perspectives on their customer success journey to date. We also heard from independent advisers David Jackson, Jason Noble and the Customer Success leader at ATRAQT software, Jonathan Schradi.

It's all about value.	Make sure your customers realise value from your product or service, and in turn, create business value through growing customer revenue by optimising sales and pricing. A key metric for the latter is net revenue retention (NRR) – and the goal is to drive this above the inflection point of 100%, which will meaningfully change the value of your customer base – and your business.
If you don't measure it, you can't manage it.	This is true for both customer outcomes and experience, as well as realising your business value. Metrics are key – they allow you to prioritise activity, demonstrate impact – and further your career as an executive.
It's a team sport.	Everyone in the company has a role to play in – and a responsibility for – customer success. If you have a customer success function, they can help break down siloes and make connections – but you will fail if they are the only ones thinking about the customer.
It's a journey – get started somewhere.	It is best to prioritise. For example, start first with Net Promoter Score 'NPS', then customer health scoring for churn prediction, then up/cross-sell propensity etc. Chop off the tip of the iceberg, then deal with the next section that subsequently emerges.
Be ready for the worms once you open the can.	Once you start listening to your customers, be prepared to get some uncomfortable news. But remember, critics make you stronger!
Customer data is an important asset.	It is worth investing in and safeguarding. Creating a single view of the customer and starting to generate insight might seem complex, but it's a challenge you can overcome! Whether it's using Excel, embarking on a data engineering project, or on IT systems changes – there is something you can start doing today.
Ultimately, it's all about your product or service.	That's what your customers are buying in the first place. Make sure you continuously leverage insights from increased customer intimacy to improve your product or service – making it easier for customers to adopt, use and obtain value. Can you create a 'driverless' experience to obtain value for your customers?

We work with executive and sales teams across our portfolio to encourage 'Customer Success' as a strategy and a business practice. From using detailed analytics to understand the causes of customer loss, through to creating processes to monitor customer health, taking proactive action to manage both high-risk and healthy customers, as well as addressing the root causes of existing customer issues, we provide hands-on support and genuine expertise, thereby bringing the value of Customer Success to the businesses we partner with.

Joachim Kiefer, Hg
Operations Innovation team

Case study: Building one of the UK's most trusted providers of business-critical software

Hg first invested in IRIS in 2004, backing a long-term thesis on the growth of software for small and medium sized enterprises ('SMEs') and for professionals. Since then, Hg has worked with IRIS to invest in Cloud technology and transition the business to a Software-as-a-Service ('SaaS') model.

website:	www.iris.co.uk
Investment sector:	Technology
Cluster:	Tax & Accounting
Location:	United Kingdom

Both revenue and EBITDA CAGR
17%+
since 2002

Growth of EV
>1,000%
£102m to £1.4bn+

Increase in employee numbers
200%
500 to 1,500

IRIS Software Group is a leading UK provider of business-critical software solutions for compliance and regulatory driven industries, such as the accountancy, education, bookkeeping and Human Capital Management markets.

Over the last decade, IRIS has become one of the most trusted providers of business-critical software and services to SMEs and accounting professionals in the UK today. Over 21,000 accountancy practices, 10,000 schools / academies and more than 80,000 SMEs, corporates and payroll bureaux rely on IRIS to run their businesses every day.

Whilst partnering with Hg, IRIS has shown strong, consistent growth of 17% p.a. over 17 years and completed over 15 acquisitions. IRIS' EV has grown from £102 million in 2004 to over £1.4 billion today – nearly 14x.

A 15-year partnership in value creation

Creating a UK software champion in regulatory and compliance software

IRIS is one of the earliest examples of Hg's focus on business-critical software firms operating in attractive, predictable end markets. IRIS is a UK software champion, operating a business model with over 85% of revenues coming from subscriptions. High customer retention rates are driven by consistent regulatory updates and new additional features delivered as part of the annual subscription.

By understanding the fundamental characteristics of IRIS and its market, Hg formed a long-term thesis on the secular growth of software for the Tax & Accounting sector and developed a "cluster" investment strategy to make multiple investments into different companies in this sector.

Hg has invested in 11 platform companies in this cluster and made more than 200 acquisitions in this space over the last 15 years. We own businesses worth over $9bn in this sector including IRIS, Visma and Sovos, all growing faster than their quoted peer group. This clustered investment focus gives us unique insights and experience which benefit the companies we back, their customers and their employees.

IRIS and Hg working together

IRIS started life providing software only to accounting practices. Management and Hg realised that they could grow their own business, and help their core customers, by also providing software to their customers – SMEs that were served by the accounting practices. Through several strategic acquisitions in bookkeeping, payroll, HR and education Hg helped IRIS to realise this ambition and expand its addressable market by 600%.

Through its experience with other software businesses, and its US West Coast contact network, Hg understood the potential of SaaS and Cloud technology earlier than most European investors. As early as 2007, Hg pushed IRIS both to develop Cloud products and to buy others. Today, the majority of IRIS' customers have access to Cloud products, with over three million individual users and 30% of group revenues being derived from these products.

Transitioning to one of the UK's largest SaaS companies

15 years of strong performance

By continually being ahead of technology trends, and being prepared to reconsider and refocus IRIS every few years, management and Hg have delivered 15 years of consistently strong performance. Over this time, revenues and EBITDA have grown organically at over 10% p.a. Total growth including M&A has averaged 17% p.a. organic revenue and, over this fifteen year period, IRIS has grown every single year, including through the Global Financial Crisis – it has never had a negative growth quarter in any of that time.

2004-2011

Reinforcing a subscription-based model, introducing new products and M&A

Hg recognises the value of highly recurring, business-critical, subscription software.

During the initial phase of Hg's investment, the aim was to increase the percentage of subscription renewals and sector share in IRIS's core accounting practice business.

As well as maintaining this solid revenue growth, Hg helped IRIS to sell-through additional products and services into the existing practice client base, providing clients with both the best core product in its market and a wider choice of other modules and functionality than any competitor.

In addition to developing new products, Hg also supported a series of M&A transactions, focusing on strategically complementary products for SME customers – payroll, HRM and bookkeeping. From an organisational point of view, by dividing IRIS into clearly defined units with different management teams focused on accounting practices and SMEs Hg was able to achieve tight customer focus and intimacy, which drove superior performance.

"Hg is Europe's leading software investor, that means they truly understand our business. They have enabled us to develop best-in-class products, continuously improve customer service and extend our product portfolio, through strategic acquisitions in new and existing markets."

Kevin Dady, *CEO of IRIS*

2012-2017

Transition to SaaS and further accretive M&A

Hg's decision to re-invest in IRIS in 2011 was driven by a belief that the business could continue to deliver over 10% p.a. revenue and EBITDA growth by using its very high customer engagement to deliver more new products and services via Cloud subscription and delivery.

IRIS expanded into new areas for core accounting practice customers (e.g. website management, online client portals, Cloud document storage) and also further penetrated the SME market – growing IRIS' SME payroll base and developing new propositions in both Cloud bookkeeping and HR.

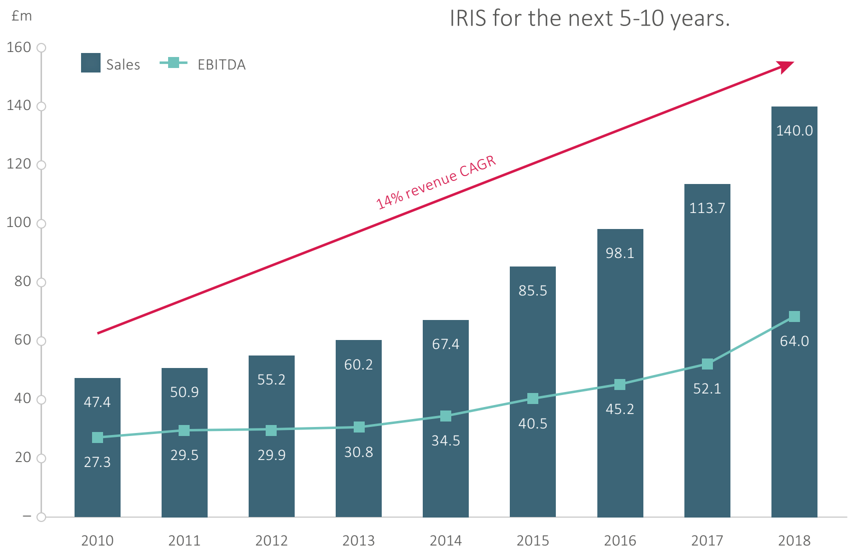
Transitioning to a SaaS model was a key part of this, with many of these newer products developed internally as Cloud-based, complemented by strategic Cloud product acquisitions.

2018 onwards

Future ambitions – Repeating the Growth Playbook

IRIS has applied a repeatable 'growth playbook' into new sectors, providing core regulatory and compliance products at the heart of a customer's business operations, consistently for over 20 years. IRIS benefits from a trusted position driving the adoption of new functionality and modules to existing clients; it remains well-positioned to continue this growth for many years to come, accelerated by Cloud technologies.

IRIS' scale allows it to invest in state-of-the-art infrastructure, including Cloud IT and related analytics. Artificial intelligence (AI) embedded into customer products is enhancing customer experience and the ability to analyse and understand their pools of data, IRIS' internal use of AI is improving operational efficiency and enriching customer service experiences. AI and Cloud will be the fundamentals that drive the next wave of growth for IRIS for the next 5-10 years.



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Further information

Responsible investing

"Growing sustainable businesses which are great employers, have a low environmental impact and are good corporate citizens"

Why responsible investing is important to us

For Hg, Responsible Investment ('RI') means growing sustainable businesses which are great employers, have a low environmental impact and are good corporate citizens, whilst generating superior risk adjusted returns for the millions of pensioners and savers globally who are invested with us.

We want the businesses we invest in to be genuinely focused on doing well for all stakeholders including employees, customers, suppliers, shareholders and the wider society. We firmly believe that responsible business practices help generate superior long-term performance.

Our responsible investing journey

Hg has been a signatory of the UN Principles for Responsible Investment ('UNPRI') since 2012. At the end of 2017, we reviewed and updated our RI framework, policy and approach to set our ambition and ensure we focus on the ESG opportunities and issues most relevant for the types of businesses we invest in. Our new Responsible Business framework forms the foundation of our work and all businesses are assessed against the framework on an annual basis. All businesses get a score from 1 – 10 (10 being the best) and a list of opportunities to consider. In 2018, the average score across the portfolio was 8.6. This is a good reflection of the performance of our companies and demonstrates the low level of inherent ESH risks across the sectors and geographies we invest in.

How we integrate Responsible Investment into our investment process

Investment screening & Due Diligence

- When considering potential new investments, we screen their activity against our exclusion list and assess the quality and sustainability of their business model.
- During due diligence, we assess companies for compliance with relevant laws in relation to environmental, social, governance, health and safety, bribery and corruption issues.

Ownership

- We take an active approach to managing ESG during our ownership. This starts with an ESG onboarding and maturity assessment to prioritise ESG topics and agree an action plan.
- We conduct an annual ESG assessment and work with our businesses to identify areas for improvement and help them to realise their ambitions within and beyond our Responsible Business framework.
- We organise face-to-face events for our management teams to share best practice, network and receive support. In 2018, we have held forums on diversity, implementing GDPR and best practice in HR.

Realisation

- Upon realisation, we aim to demonstrate the increased value from improved ESG performance with case studies and performance metrics.

"We've found it unique and reassuring that Hg values non-financial metrics and ESG performance so highly, while genuinely caring about the employees across the portfolio. Hg's Responsible Business assessment helped us review measurements towards how we do business and the impact we have on our employees and society. It proved to be a valuable exercise in understanding how we perform against the rest of the industry and Hg's portfolio, while also enabling us to reflect on what we do well and what we could do differently.

Hg's portfolio forums are a great way to share these best practices and learn from others across the Hg family. Hg is truly a responsible investor and Sovos is happy to have their backing and support as we continue our mission to Solve Tax for Good."

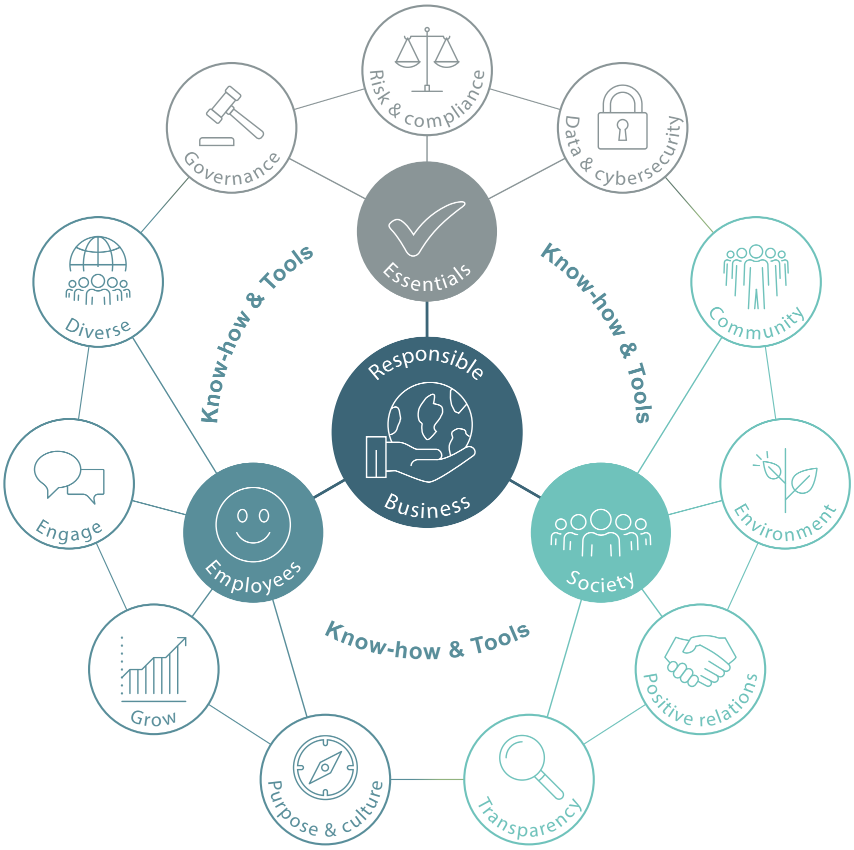
Colleen Schlagel, *Chief Talent Officer, Sovos*

Responsible investing continued

PRI Principles for Responsible Investment ✕Hg

A signatory to the UNPRI since 2012.

AA 2018 PRI Assessment Score:
'A' for Strategy & Governance, and
'A' for Private Equity Ownership



Our Responsible Business framework

Hg's Responsible Business framework outlines key ESG areas of focus and how Hg can support our businesses.

The framework is used to assess prospects both before investment and businesses we own throughout our ownership. It focuses on three key areas:

Essentials

There are certain minimum ESG requirements that Hg expects from all our businesses.

These include:

- Governance and Business Integrity, such as code of conduct, appropriate controls, board composition and appropriate health & safety and grievance procedures;
- Risk and Compliance, including compliance with all laws and regulations, active risk management, as well as standards and policies to combat bribery, corruption, money laundering and other malpractice;
- Data and Cybersecurity, which includes Hg's minimum standards for cybersecurity along with appropriate information protection practices and GDPR compliance.

Employees

Among the most important assets of our businesses are their employees. A diverse workplace with engaged and motivated employees is vital for growth and business success. We look at employees from four aspects:

- Diversity of talent and equal opportunities irrespective of ethnicity, gender, disability and background;
- Engagement and motivation by promoting transparent communications, health and wellbeing, learning opportunities, recognition and good leadership;
- Grow businesses and talent, including organic job growth, healthy staff turnover, talent management and succession planning;
- Purpose and culture, including appropriate and value driving vision, mission, values, norms and behaviours.

Society

Our businesses contribute to society in a number of ways:

- Community engagement including community engagement initiatives, apprenticeships, charitable giving and volunteering;
- Environmental impact – The majority of our businesses have low carbon footprints and minimal impact on the environment. We still encourage them to consider how they can improve their energy use and waste management, as well as reduce business travel;
- Positive relationships with key external stakeholders including customers and suppliers. For example, by responsible pricing and sales and supplier relationships;
- Transparency of company commitments and progress, including external reporting and sustainability communications.

For more information please go to **www.hgcapital.com/responsibility**

Case study: Maximising care, minimising cost in the healthcare sector

The siloed nature of most global healthcare systems makes effective treatment across the 'patient journey' a complex challenge to solve. Investment in technology provides one solution and we at Hg believe that the healthcare technology landscape will be transformed over the next decade.

website:	www.allocatesoftware.com
Investment sector:	Technology
Cluster:	Healthcare
Location:	United Kingdom

Overall, Allocate enables healthcare organisations to ensure:

- **Higher quality, safer care:** ensuring the right staff are in the right place, at the right time to meet real patient needs.
- **Engaged staff:** greater involvement of staff in rostering process, visibility of schedules and fairness of allocations.
- **Maximised use of highly skilled resources:** staffing matched to patient needs, optimised over weeks and months to reduce costs of care.
- **Reduced cost and administrative burden:** 80% quicker to create rosters and improved compliance with workplace regulations and policies.

Healthcare IT is an area that we at Hg have followed for many years and we initially invested in Allocate Software ('Allocate'), a leading international provider of workforce solutions to the healthcare, defence and maritime sectors, in 2014.

Allocate's software solutions help health and care organisations safeguard savings and safety by deploying their workforce effectively based on service and patient needs. Each client typically achieves annual savings in excess of £1 million – money which can be spent on creating even better care and service for patients.

Allocate optimises the medical profession's most valuable assets – its people – to deliver excellent care for patients. Its core software product allows for the smooth running of workforce rostering, time and attendance, monitoring and reporting, resulting in increased productivity and morale of staff and better care quality and safety for patients.

Allocate's Optima platform is a workforce optimisation solution deploying 800,000 nurses, care professionals and doctors in more than 800 organisations worldwide every day. Built around the specific needs of health and care organisations, the platform brings together staff and patient needs in one tool, providing a clear view of staffing for every audience from the bedside to the boardroom.

There is also increasing recognition that patient outcomes are reliant on strong operational delivery throughout their patient journey. Furthermore, the ways that healthcare systems are reimbursed, and regulated, are changing towards a system that rewards (or punishes) based on patient outcomes.

Not only do we see this new dynamic as creating opportunities to grow tech businesses in the healthcare space, but there is also a knock-on positive effect for many stakeholders, including buyers of these systems (hospitals and other care providers), patients and, ultimately, wider society. For example, research shows that there is a positive correlation between technology maturity within hospitals and patient outcomes. More efficient systems result in reduced costs and the right level of staffing, which in turn has a positive impact on the flow of patients through the hospital as well as the service provided. With increasing evidence that better healthcare operations result in better healthcare outcomes, we also see a benefit to wider society, reducing the development of chronic conditions and the resulting need for follow up treatment.

Hg's review

A high quality and focused portfolio of investments delivered a strong year of performance for the Company, driven primarily by robust trading across Hg's unrealised investments and a record year of realisations made above book value.

In October 2018, the Company was promoted to the FTSE 250 reflecting its growth in market capitalisation.

Highlights over 2018:

+£46m gain on realised investments

+£85m gain from the unrealised portfolio

Top 20 investments:
(89% of the portfolio value)

+25% Top 20 LTM sales growth

+27% Top 20 LTM EBITDA growth

> **"If Hg software and technology service companies were listed as a single group, it would be the third largest and fastest growing technology company in Europe."**

Year in review

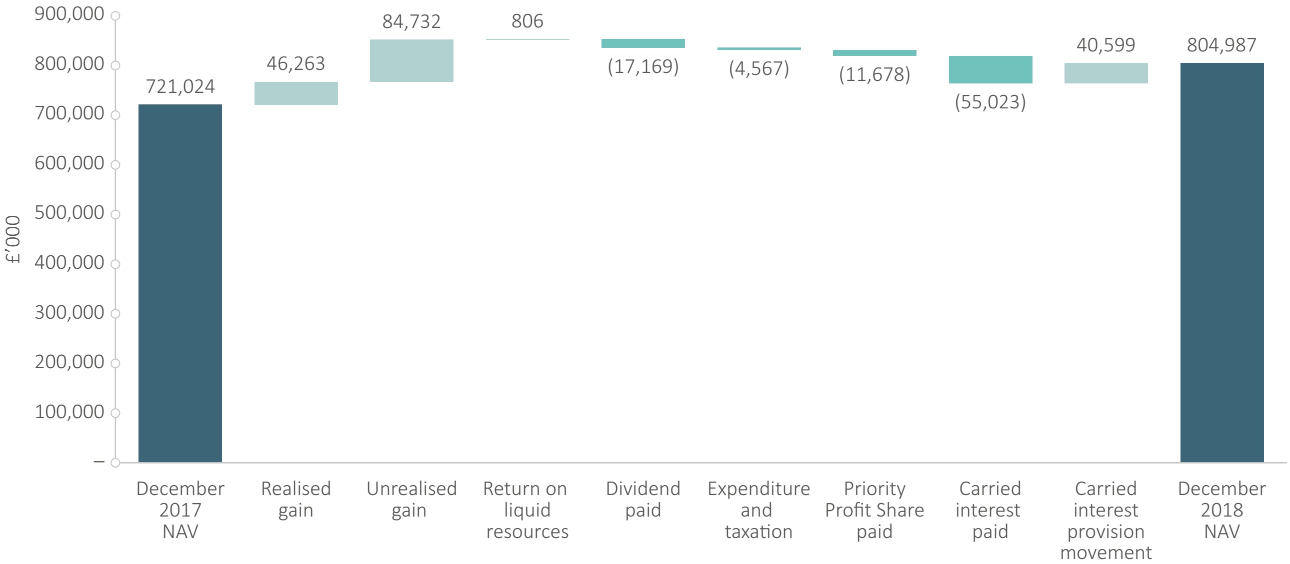
Net asset value (NAV)

During the year, the NAV of the Company increased by £84 million, from £721 million at 31 December 2017 to £805 million at 31 December 2018.

Attribution analysis of movements in NAV

	Revenue £'000	Capital £'000	Total £'000
Opening NAV as at 1 January 2018	34,058	686,966	721,024
Realised capital and income proceeds from investment portfolio in excess of 31 December 2017 book value	6,796	39,467	46,263
Net unrealised capital and income appreciation of investment portfolio	14,524	70,208	84,732
Net realised and unrealised gains from liquid resources	1,161	(355)	806
Dividend paid	(17,169)	–	(17,169)
Expenditure	(3,221)	(1,104)	(4,325)
Taxation	(242)	–	(242)
Investment management costs:			
Priority profit share – current year paid	(11,678)	–	(11,678)
Priority profit share – re-allocation between revenue and capital	6,325	(6,325)	–
Carried interest – current year paid	–	(55,023)	(55,023)
Carried interest – current year release of provision	–	40,599	40,599
Closing NAV as at 31 December 2018	30,554	774,433	804,987

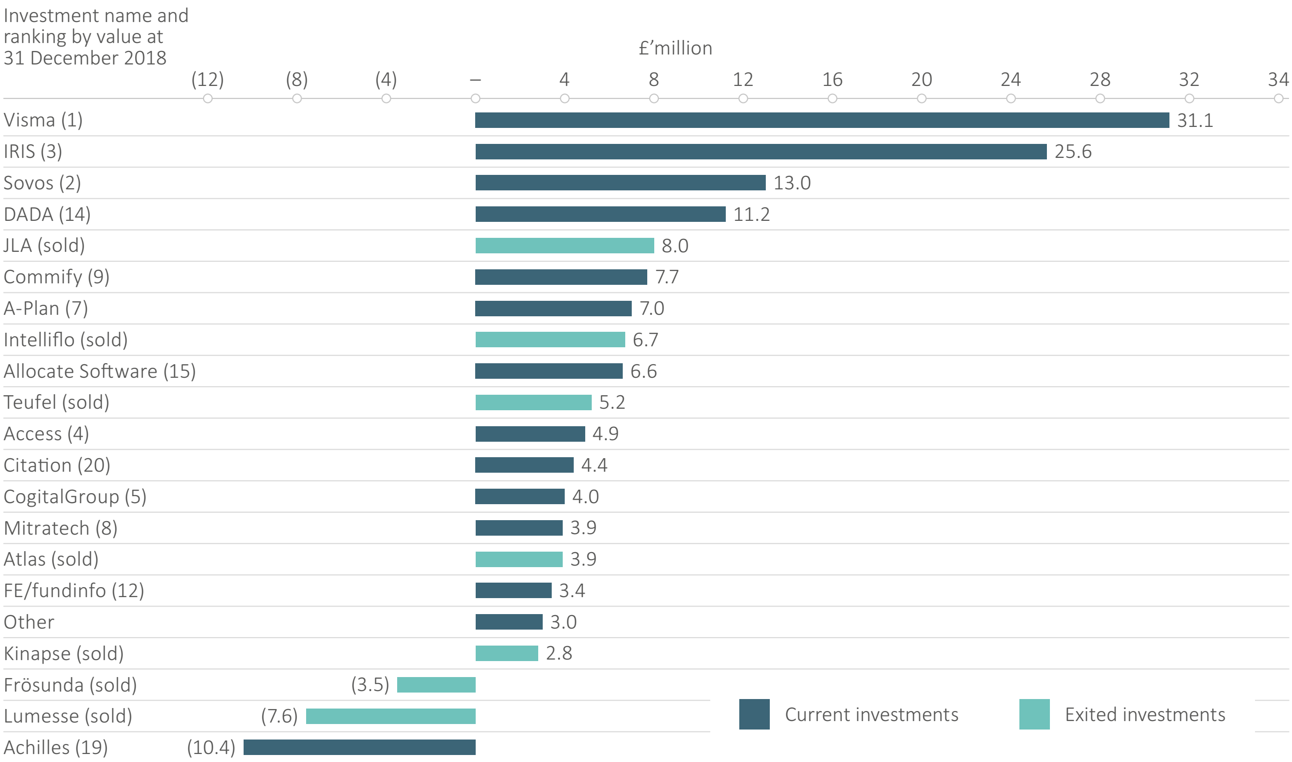
Analysis of NAV movements



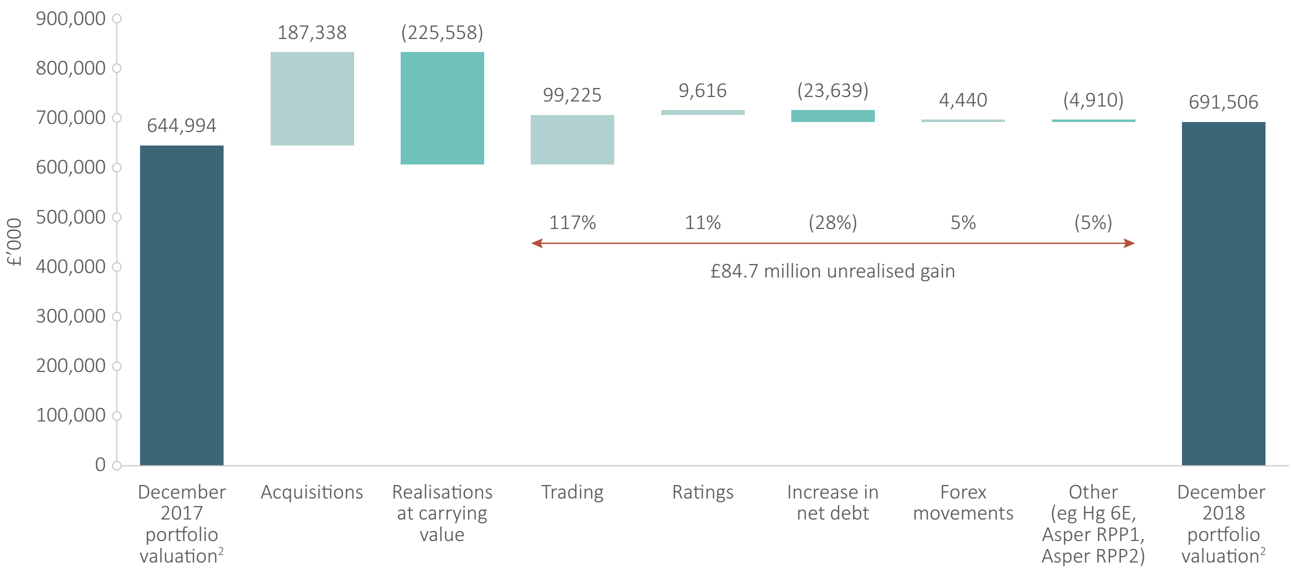
There were a number of underlying factors contributing to the increase in the NAV. Positive impacts were the £84.7 million revaluation of the unquoted portfolio and uplifts of £46.3 million on the realisation of investments compared with their carrying value at the start of the year.

Reductions in the NAV included: the payment of £17.2 million of dividends to shareholders and Hg's remuneration (£11.7 million and £55.0 million with a corresponding £40.6 million reduction in the provision for future carried interest).

Realised and unrealised movements in the value of investments



Attribution analysis of movements in the value of investments[1]



[1] Including accrued income and excluding carried interest provision. [2] Before the deduction of the carried interest provision.

During the year, the value of the unrealised investments increased by £84.7 million, before the provision for carried interest. The majority of the increase (£99.2 million) relates to increases from profit growth in the underlying investments and £9.6 million from increased ratings.

These were partially offset by £38.2 million of decreases driven by realisations at carrying value net of acquisitions and an increase in net debt of £23.6 million resulting from refinancings that returned cash to the Company and further M&A activity within the portfolio.

Year in review continued

Top 20 portfolio trading performance as at 31 December 2018

The top 20 investments (representing 89% of total investments by value) have delivered strong sales growth of 25% and EBITDA growth of 27% over the last twelve months ('LTM').[1]

The business model characteristics of these companies give us confidence that this level of growth can be achieved consistently going forward.

More than 80% of the top 20 businesses we invest in are seeing double-digit revenue growth, and more than 75% of these businesses have delivered double-digit EBITDA growth over the last twelve months.

Profits have grown at a faster rate than revenues. Investment made over the last few years into the cost base of a number of our companies, for example, to finance increased sales and marketing capabilities, strengthen management and new product development, continues to bear fruit.

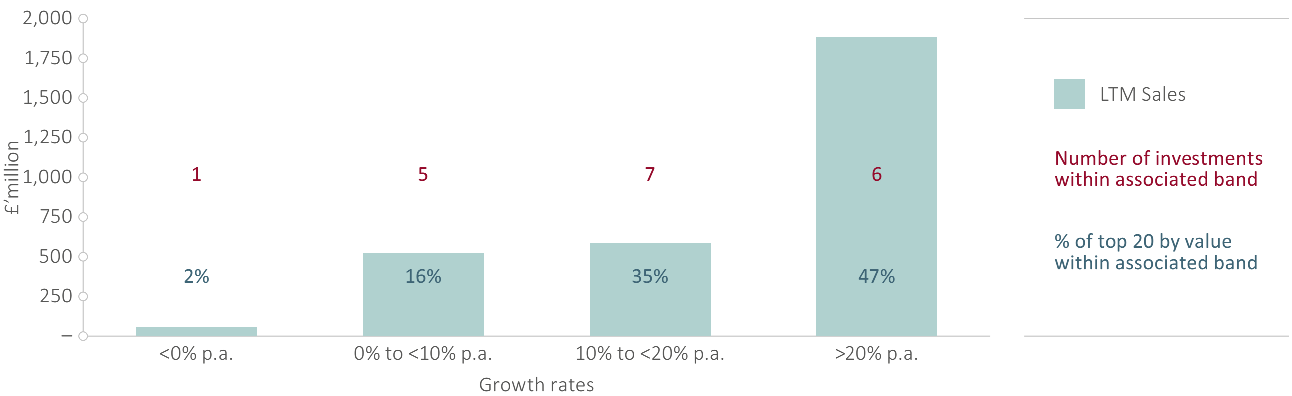
We have seen robust and consistent double-digit trading performance from the majority of the portfolio including: FE/fundinfo, Access, DADA, Visma, IRIS, Allocate Software, Sovos, and Mitratech, in the technology sector; and Citation, IT Relation, CogitalGroup, and A-Plan in the services sector.

Of the smaller investments, Commify, STP and Evaluate are all trading well. Whilst new to the portfolio, BrightPay and Medifox have had a good start to their lives with Hg.

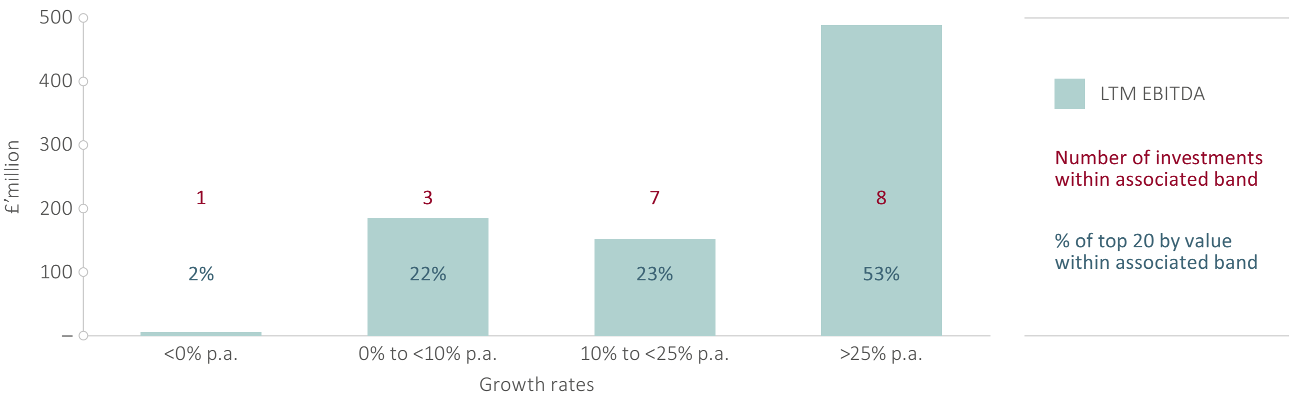
During 2018, we took the decision to write down one of our top twenty investments, Achilles, whose operational performance has been below expectations over the year.

Overall, continued robust earnings growth and strong cash generation continue to drive equity value in our investments.

Top 20[2] LTM sales growth: +25%



Top 20[2] LTM profit growth: +27%



1 Sales and EBITDA growth have been calculated on a weighted basis, based on the respective gross valuations of the underlying investments. In the 2017 Annual Report, these were calculated on an unweighted basis. The equivalent comparative figures as at 31 December 2017, using the new methodology, are 17% for sales and 15% for EBITDA.

2 Excluding Raet.

Valuation and gearing analysis as at 31 December 2018

Our valuation policy is applied consistently, in accordance with the IPEV Valuation Guidelines. Each company has been valued individually, based on the trading multiples of comparable businesses; this resulted in a weighted average EBITDA multiple[1] for the top 20 investments of 17.3x (16.8x at 30 June 2018).

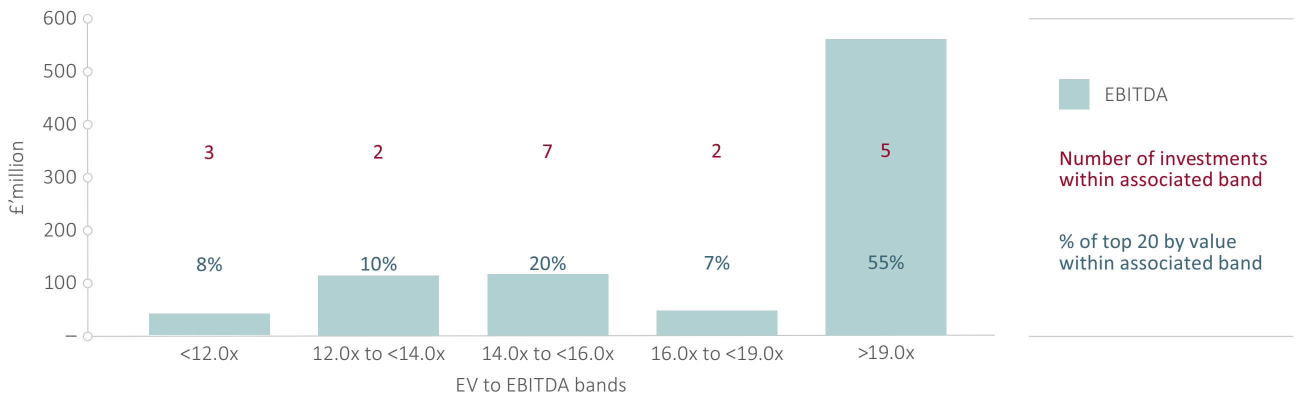
Over 2018, the shift in the mix of the portfolio from legacy companies to higher growth businesses, in particular in the technology sector, continued. We hold a number of companies with substantial opportunities to grow their SaaS business. Visma, the largest holding within the Company's portfolio is now one of the world's most successful B2B SaaS companies.

Fourteen of the top 20 companies (representing 82% by value) are valued at a multiple of over 14x (including the four largest holdings: Visma, Access, IRIS and Sovos). All have attractive business models, are growing strongly and generating cash and are also in demand from investors.

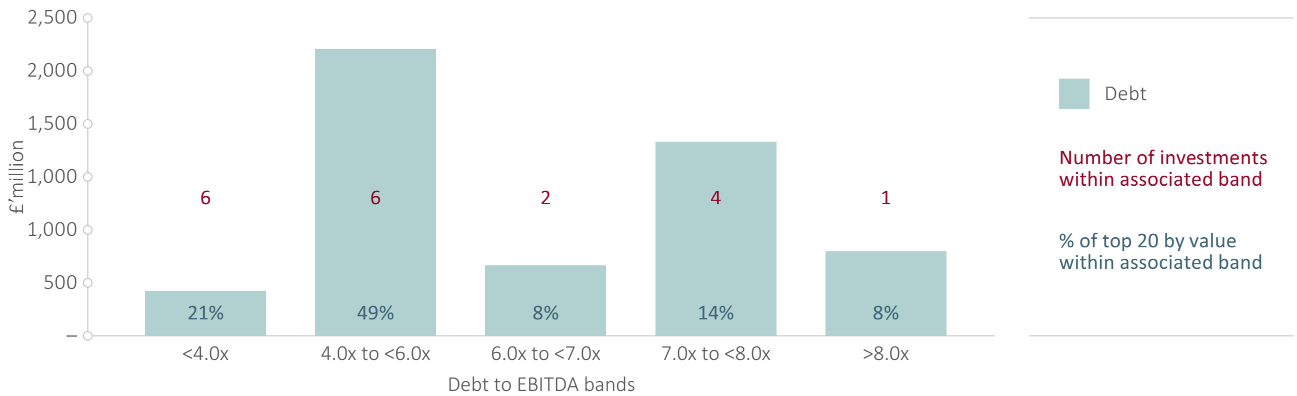
We continue to take a considered and prudent approach in determining the level of maintainable earnings to use in each valuation. Most holdings have been valued using the LTM earnings to 30 November 2018, unless we have anticipated that the outlook for the full current financial year is likely to be 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.

Our companies make appropriate use of gearing, with an average net debt for the top 20 of 5.6x LTM EBITDA[1]. Many of our businesses have highly predictable, strong earnings growth and are very cash generative, enabling us to use debt to leverage our returns. During 2018, we took the opportunity to refinance Trace One, Foundry, DADA, Citation, STP and Evaluate as detailed on page 45.

Top 20[2] EV to EBITDA valuation multiple: 17.3x



Top 20[2] net debt to EBITDA ratio: 5.6x



[1] EBITDA multiple and net debt ratio have been calculated on a weighted basis, based on the respective valuations of the underlying investments. In the 2017 Annual Report, these were calculated on an unweighted basis. The equivalent comparative figures as at 31 December 2017, using the new methodology, are 15.9x for EBITDA multiple and 5.2x for net debt ratio.

[2] Excluding one investment valued on a basis other than earnings.

Outstanding commitments of the Company

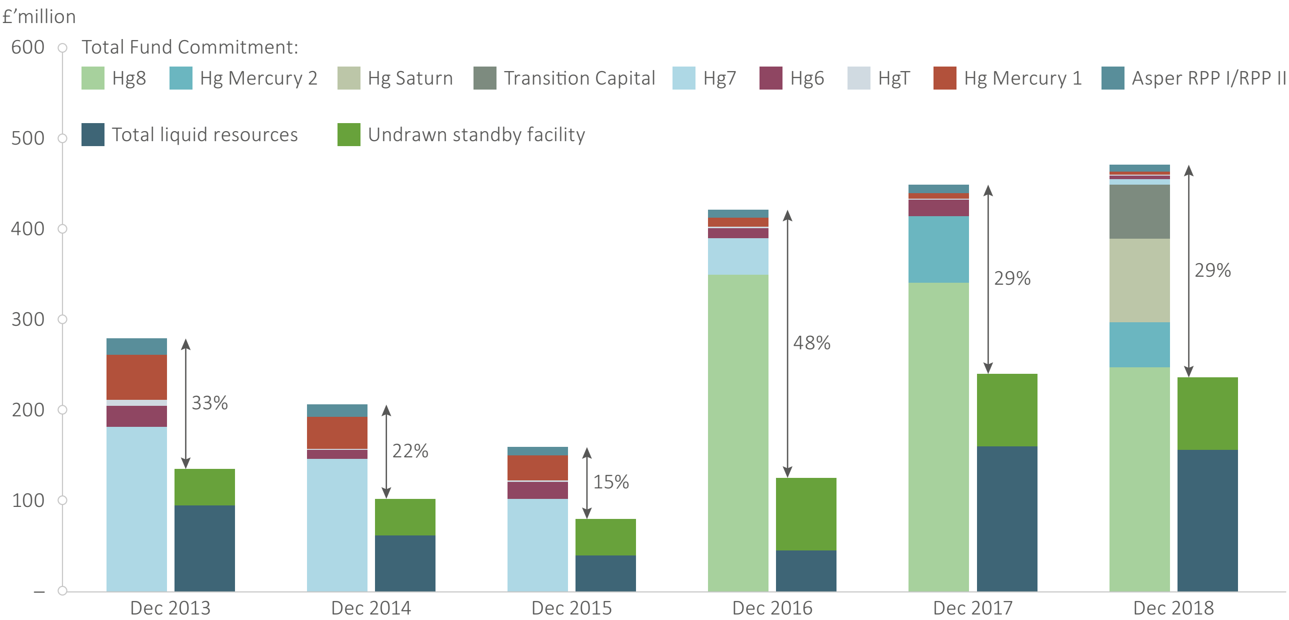
2018 ended with liquid resources of £157 million, supported by an undrawn bank facility of £80 million. Outstanding commitments as at 31 December 2018 were £471 million, as listed below. We anticipate that the majority of these outstanding commitments will be drawn down progressively over the next two to three years and are likely to be partly financed by future cash flows from realisations.

Additionally, to mitigate the risk of being unable to fund any draw-down under its commitments to invest alongside Hg's funds, the Board has negotiated a right to opt out, without penalty, of the Company's obligation to fund such commitments where it does not have the funds to do so or certain other conditions exist.

Fund	Fund vintage	Original commitment	Outstanding commitments as at 31 December 2018		Outstanding commitments as at 31 December 2017	
		£'million	£'million	% of NAV	£'million	% of NAV
Hg8	2018	350.0	247.9	30.8%	341.1	47.3%
Hg Saturn	2018	150.0	92.4	11.5%	–	–
Transition Capital	2018	75.0	59.5	7.4%	–	–
Hg Mercury 2	2017	80.0	49.8	6.2%	73.3	10.2%
Asper RPP II	2010	36.0[1]	6.5	0.8%	8.3	1.1%
Hg7	2013	200.0	5.5	0.7%	–	–
Hg6	2009	285.0	3.8	0.5%	17.2	2.4%
Hg Mercury 1	2011	60.0	3.2	0.4%	6.2	0.9%
Pre-Hg6 vintage	pre-2009	120.0[2]	1.3	0.2%	1.3	0.2%
Asper RPP I	2006	19.0[3]	0.7	–	0.8	0.1%
Hg6E	2009	15.0[4]	0.2	–	0.9	0.1%
Total			470.8	58.5%	449.1	62.3%
Liquid resources			156.5	19.4%	160.3	22.2%
Net outstanding commitments unfunded by liquid resources			314.3	39.1%	288.8	40.1%

[1] Sterling equivalent of €40.0 million.
[2] Excluding any co-investment participations made through HGT LP.
[3] Sterling equivalent of €21.6 million.
[4] Partnership interest acquired during 2011.

Outstanding commitments unfunded by liquid resources as % of NAV



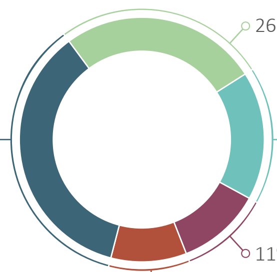
Investment portfolio of the Company

Fund limited partnerships	Residual cost £'000	Total valuation[1] £'000	Value %
Primary buyout funds:			
HGT 7 LP	148,560	265,839	40.9%
HGT 7 LP – Provision for carried interest	–	(29,599)	(4.6%)
HGT LP	76,062	121,594	18.8%
HGT 8 LP	92,205	97,759	15.1%
HGT Saturn LP	56,935	67,812	10.5%
HgCapital Mercury D LP	23,781	44,110	6.8%
HgCapital Mercury D LP – Provision for carried interest	–	(8,868)	(1.4%)
HGT Mercury 2 LP	25,274	37,804	5.8%
HGT 6 LP	14,861	18,275	2.8%
HGT 6 LP – Provision for carried interest	–	(3,653)	(0.6%)
Total primary buyout funds	437,678	611,073	94.1%
Secondary buyout funds:			
HgCapital 6 E LP	–	962	0.1%
HgCapital 6 E LP – Provision for carried interest	–	(192)	–
Total secondary buyout funds	–	770	0.1%
Total buyout funds	**437,678**	**611,843**	**94.2%**
Transition capital funds:			
HGT Transition Capital LP	14,973	15,319	2.4%
Total transition capital funds	14,973	15,319	2.4%
Renewable energy funds:			
Asper RPP II	21,042	20,267	3.1%
Asper RPP I	5,017	1,765	0.3%
Total renewable energy funds	26,059	22,032	3.4%
Total investments net of carried interest provision	**478,710**	**649,194**	**100.0%**

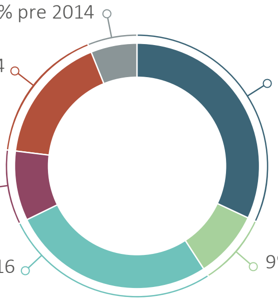
[1] Includes accrued income.

Sector by value

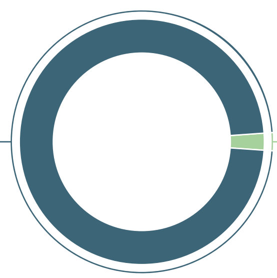
Geographic spread by value



Investment vintage by value



Analysis by value
of investment return relative to its original cost[2]



[2] Representing aggregate realised proceeds and unrealised valuations of an investment

Investments and realisations

Investments 2018

Over the course of the year, Hg has invested a total of £1.4 billion on behalf of its clients, with the Company's share being £187 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 sectors and clusters.

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 companies with these characteristics will remain in high demand.

Over 2018, the Company has invested £4.4 million in MediFox by way of co-investment, in addition to its commitment to invest alongside Hg Mercury 2. This is an attractive way to invest more funds, when available, with no fees or carried interest being payable.

New investments

IRIS

£36m invested on behalf of the Company

IRIS – IRIS is a leading provider of business-critical software and services to the UK accountancy, education and business market. Hg and IRIS have had a long-standing joint history since 2004 and, in September, Hg Saturn completed a joint investment into IRIS with Intermediate Capital Group ('ICG'), representing an EV of £1.3 billion.

access

£30m invested on behalf of the Company

The Access Group ('Access') – Access is a provider of fully integrated, business-critical business management software to UK mid-market organisations. Its portfolio spans finance, HR, payroll, hospitality, recruitment, heath & social care, manufacturing & distribution, education and not-for-profit sectors.

Access has a strong management team focused on delivering an ever-expanding portfolio of business-critical software to a growing base of loyal customers demonstrating many of the business characteristics that Hg looks for. This investment has been made alongside TA Associates.

ITRelation

£16m invested on behalf of the Company

IT Relation – IT Relation is a leading Danish supplier of managed IT services to small and medium sized enterprises ('SMEs'). This investment is consistent with Hg's focus on SME Technology Services in Europe, with other activity in this sector including investments in Zitcom (2015) and DADA (2017), both providers of online hosting services to SMEs. Hg will support the management team to build a clear industry champion based on IT Relation's excellent customer service and operating platform.

Further detail on investments as at 31 December 2018 can be found on pages 50 to 72.

Investments and realisations continued

£15m invested on behalf of the Company

BrightPay – Based near Dublin, BrightPay provides easy-to-use and cutting-edge software solutions to enable SMEs to manage payroll, supported by excellent customer service. BrightPay's software is used by over 120,000 employers across the UK and Ireland under two brands, BrightPay and Thesaurus Software.

This represents the first investment of Transition Capital, a structured minority investment strategy and is within a cluster where Hg has invested for many years. Payroll in Ireland is undergoing significant change since January 2019, as Ireland rolls out PAYE modernisation, which will require employers to report PAYE in real time to the Irish Revenue Commissioners. BrightPay has invested significantly ahead of this change to prepare to support Irish SMEs through this transition.

£14m invested on behalf of the Company

Allocate Software – Hg initially invested in Allocate, a leading international provider of workforce management software to the healthcare, defence and maritime sectors, via Mercury 1 at the end of 2014. Hg sold the company to Vista Equity Partners, a leading US investor in technology, in April 2018. In August 2018, Hg completed the acquisition of a co-controlling stake in Allocate in order to develop Allocate in line with a strategy agreed with Vista with the benefit of both firms' expertise.

£12m invested on behalf of the Company

MediFox – MediFox is a provider of software solutions to outpatient and inpatient care providers and therapy practices in Germany. The investment from the Hg Mercury 2 Fund, recognises MediFox's attractive business model characteristics, being a well-established player with a strong position in a fragmented sector, showing a positive underlying growth trajectory whilst also having a compelling product offering, a robust financial profile and a highly competent management team.

£7m invested on behalf of the Company

FE – Financial Express ('FE') supplies investment data, research and software to the financial services industry in the UK and operates a proprietary database of complete retail funds data with global coverage and history, built up over 20 years. Trusted by thousands of investors, advisers, asset managers and platforms who use FE data, software and investment advice every day, FE is a leading player in supporting the UK fund industry. FE has a number of business characteristics that Hg looks for, including a strong position in the wealth/asset management software and data sector, a well-recognised brand, business-critical products, and a strong management team.

£7m invested on behalf of the Company

Rhapsody – In October, Hg completed the acquisition of the majority ownership of Orion Health's Rhapsody business and investment in Orion Health's Population Health business. Healthcare technology is a core investment area for Hg, having recently completed a number of transactions across the sector. This investment was made from the Hg Mercury 2 Fund. The combination of Rhapsody's global team and Hg's resources will extend Rhapsody as a leader in the interoperability platform space, building on both Rhapsody's world-class technology and highly rated customer service.

Further detail on investments as at 31 December 2018 can be found on pages 50 to 72.

Investments and realisations

Further investments

MOBILITY HOLDING

£25m invested on behalf of the Company

Mobility Concept (Holding) – Mobility Concept is a leading B2B fleet leasing company, headquartered in Germany. The business sits in the Hg investment 'sweet-spot', with a strong and predictable business model, including recurring revenues and a loyal customer base and continues Hg's strategy to develop technology-enabled service providers in the automotive financing space. Mobility Concept is the result of considerable sector work undertaken in recent years and will, together with MeinAuto.de (a leading B2C online platform for new car purchases), be part of Mobility Holding, a platform set-up by Hg to acquire businesses in the automotive distribution and financing space.

VISMA

£21m invested on behalf of the Company

Visma – In March, Hg made a further investment in Visma, a leading provider of business-critical business software to SMEs in the Nordic region via the Hg Saturn Fund. In 2002, Hg identified regulatory-driven, subscription-based software as an attractive sub-sector with scope for considerable growth over the following decade and initially invested in Visma in 2006. Since this time the business has consistently exceeded our investment plans, having acquired more than 140 companies over our ownership to become one of today's leading and largest SaaS companies in Europe, with more than NOK 4 billion of pure SaaS revenues.

( ) DADA

£1m invested on behalf of the Company

DADA – DADA is a key provider of online hosting services to SMEs in Italy, the UK and other regions across Europe. Following the initial acquisition made in October 2017, Hg announced in February 2018 that it had successfully completed a tender offer for the remaining Ordinary shares and would complete a public-to-private transaction of DADA from the Italian Stock Exchange.
This represents the first investment by the Hg Mercury 2 Fund and Hg has extensive experience of investing in SME-focused technology businesses and is well placed to partner with DADA for the next phase of their growth.

Further investments since the year-end

TRANSPOREON GROUP

An estimated £41m invested on behalf of the Company, including £6m in co-investment

Transporeon – In January, Hg announced that it had invested in Transporeon Group ('Transporeon'), one of the world's leading Cloud-based logistics platforms, via the Hg8 Fund. Founded in 2000 and headquartered in Ulm, Germany, Transporeon is a Cloud-based logistics platform with strong network effects, connecting a global network of over 1,000 shippers and almost 90,000 carriers, enabling them to source, communicate, collaborate and transact more efficiently, whilst also helping to lower CO_2 emissions. This investment represents another example of Hg's focus on Cloud-based software and network companies, providing SaaS solutions to the business community.

combell.group

£22m invested on behalf of the Company

Combell – In March, Hg completed an investment in Combell Group ('Combell'), a leader in mass hosting services for SMEs across Europe, via the Hg8 Fund, subject to regulatory approval. Established in 1999, Combell is a leading mass hosting player in Belgium and Denmark, with growing positions in the Netherlands, Sweden and Switzerland. Combell has over 800,000 SME and Small Office/Home Office ('SoHo') customers and is a one-stop partner for web hosting, domains, e-commerce and application solutions. This represents Hg's 8th investment in the technology services sector, with other recent hosting investments including Zitcom (2015), DADA (2017) and most recently, IT Relation (2018). Combell shows similar characteristics to these businesses, having consistently delivered strong organic revenue growth, best-in-class customer satisfaction metrics and an exceptional M&A track record.

Further detail on investments as at 31 December 2018 can be found on pages 50 to 72.

Realisations 2018

Over the course of the year, Hg has returned a total of £1.9 billion to its clients, including £272 million to the Company.

2018 was a very active year for realisations. We have made several references to 'frothy' markets over the past year and this has helped inform our approach to selling investments, whilst also carefully considering our appetite for selling versus the benefits of remaining invested in selected businesses for longer.

We have also taken advantage of buoyant debt markets during the period 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

IRIS

£93m returned to the Company

IRIS – In September, Hg completed the sale of and reinvestment into IRIS, a leading provider of business-critical software and services to the UK accountancy, education and business market, representing the largest UK and third largest European private equity software buyout ever. Hg6 originally invested in IRIS in December 2011 and, over the course of the Fund's investment, the business has experienced strong revenue, EBITDA and cash flow growth, across market cycles. At an exit valuation of £1.3 billion, the business has more than trebled in size over the last six years. This transaction delivered a 4.2x investment multiple and a 26% gross IRR over the investment period. The sale of IRIS resulted in an uplift of 22% over the carrying value of the business at 31 December 2017.

JLA

£38m returned to the Company

JLA – In August, Hg completed the sale of JLA, a UK leader for critical-asset solutions in the commercial laundry, catering, heating and fire safety markets, to Cinven. Hg's Genesis team invested in JLA at the beginning of 2010, identifying JLA as a 'hidden champion' services business. JLA displays best-in-class services characteristics: stable and predictable revenue streams, growth from both existing and new customers, and a wide customer base with high customer satisfaction levels. This transaction delivered a 4.9x investment multiple and a 26% gross IRR over the investment period. The sale of JLA resulted in an uplift of 26% over the carrying value of the business at 31 December 2017.

Ullink

£24m returned to the Company

Ullink – In February, the Genesis team completed the sale of Ullink, a leading global provider of electronic trading and connectivity solutions to the financial community to Itiviti, a company backed by Nordic Capital. Hg initially invested in Ullink in 2014 and has been working with the management of the company since 2014 to build a leading Financial Information Exchange ('FIX') based trading community through strong organic growth and the acquisitions of NYFIX and Metabit.

This transaction delivered a 3.0x investment multiple and a 35% gross IRR over the investment period. The sale of Ullink resulted in an uplift of 27% over the carrying value of the business at 31 December 2017.

ALLOCATE

£20m returned to the Company

Allocate Software – In April, the Mercury team announced the sale of Allocate Software ('Allocate'), an international provider of healthcare workforce management software, to Vista Equity Partners. Hg initially invested in Allocate at the end of 2014, completing a public-to-private transaction from the London Stock Exchange. Since then, Hg has worked with management to materially enhance the capabilities of Allocate's software suite, achieved greater customer engagement and supported a substantial increase in employment and skills development. This transaction delivered a 3.6x investment multiple and a 50% IRR. The sale resulted in a 47% uplift to the carrying value of the investment as at 31 December 2017.

Further detail on investments as at 31 December 2018 can be found on pages 50 to 72.

Exits continued

£18m returned to the Company

Radius – In April, the Genesis team completed the sale of Radius, which provides tailored solutions for fast growing companies that are looking to expand into international markets, to Vistra, one of the world's leading providers of corporate service to international corporations and to trust fiduciaries and fund administrators. This transaction delivered a 1.0x investment multiple. The sale resulted in an 18% uplift to the carrying value of the investment as at 31 December 2017.

£17m returned to the Company

Intelliflo – In June, the Mercury team completed the sale of Intelliflo, a UK provider of front and back office software solutions to financial intermediaries, including IFAs, wealth managers, adviser networks, insurance/life companies and brokers. It was sold to Invesco, the Atlanta-based global investment management company. Over the past five years, Hg has supported the business to implement best-in-class SaaS practices in development, operations, sales and marketing. This transaction delivered a 4.7x investment multiple and a 39% gross IRR over the investment period. The sale of Intelliflo resulted in an uplift of 66% over the carrying value of the business at 31 December 2017.

£15m returned to the Company

Teufel – In June, Hg completed the sale of Teufel, a European direct-to-consumer online brand for audio solutions, based in Germany, to Naxicap Partners, one of France's leading private equity companies. Since Hg partnered with Teufel in 2010, it has supported the successful transition from a traditional loudspeaker company to a high-quality brand for state-of-the-art audio solutions, through the introduction of new categories and technologies, including wireless streaming, headphones and portables. This transaction delivered a 1.4x investment multiple. The sale resulted in a 56% uplift to the carrying value of the investment as at 31 December 2017.

£10m returned to the Company

Atlas – In November, Hg completed the sale of Atlas, a specialist Learning Technology Services business, offering learning solutions to safety critical industries, to Mintra Group, a leading provider of e-learning and HR related solutions to the global oil and gas, maritime, construction and renewables market, and a portfolio company of The Riverside Company, a global private equity firm. This transaction resulted in an uplift of 60% over the carrying value of the business at 31 December 2017.

£7m returned to the Company

Kinapse – In August, Hg completed the realisation of Kinapse, a leading international provider of advisory, capability building and operational services to the life sciences and pharmaceutical industries, to Syneos Health, a Nasdaq-listed, fully integrated, biopharmaceutical solutions organisation. The sale of Kinapse has resulted in an uplift of c. 39% over the carrying value of the business at 31 December 2017.

£2m returned to the Company

Raet – In May, Hg agreed the sale to Visma of Raet's HR solutions operations. This transaction followed a competitive sales process, commenced earlier in the year by the Hg7 Fund. We strongly believe in the benefits of the integration and anticipated synergies. The Raet holding structure remains, owning the right to deferred consideration from the sale, of which the Company's share is £13.0 million. This transaction has delivered a 1.6x investment multiple and a 20% gross IRR over the investment period to date. The sale of Raet's operations resulted in an uplift of 25% over the carrying value of the business at 31 December 2017.

£2m returned to the Company

Lumesse – In October, Hg agreed the sale of Lumesse, a provider of strategic HR software to medium and large sized enterprises, to Saba Software Inc., a global leader in talent development solutions, and a portfolio company of Vector Capital, a leading global technology private equity firm based in San Francisco.

£0.5m returned to the Company

Frösunda – In February, Hg agreed the sale of Frösunda, a care home business based in Sweden, to Norlandia. The sale of Frösunda was largely based on deferred consideration which will be determined by future earnings.

Further detail on investments as at 31 December 2018 can be found on pages 50 to 72.

Investments and realisations continued

Further realisations since the year-end

VISMA

An estimated £22m returned to the Company

Visma – In January 2019, Hg announced the part-realisation of Visma, a leading provider of business-critical software to private and public enterprises in the Nordic, Baltic and Benelux regions, from the Hg7 Fund, to the Canada Pension Plan Investment Board (CPPIB). Following completion of this transaction, Hg will remain the lead investor in Visma alongside some of the world's largest institutional investors. Together, Visma and its strong investor base will continue to reinforce Visma's position as a leading SaaS business in Europe and one of the world's most successful SaaS companies.

Refinancings

TRACEONE

£6m returned to the Company

Trace One – In July, the Mercury team completed the refinancing of Trace One, a business that enables global retailers and suppliers to collaborate and develop high-quality compliant private label products.

FOUNDRY

£4m returned to the Company

Foundry – In May, the Genesis team completed the refinancing of Foundry, a UK headquartered global developer of computer graphics, high-end visual effects and 3D design software.

DADA

£4m returned to the Company

DADA S.p.A – In July, the Mercury team completed the refinancing of DADA, an international leader in digital services for professionals and SMEs.

Citation

£3m returned to the Company

Citation – In November, the Genesis team completed the refinancing of Citation, a provider of long-term, subscription-based Compliance (HR/Employment Law, Health & Safety) and Quality (ISO certification, supplier verification) services to over 35,000 SMEs throughout the UK.

STP

£1m returned to the Company

STP – In October, the Mercury team refinanced STP, a provider of insolvency and law practice software in Germany.

Evaluate

£1m returned to the Company

Evaluate – In December, the Mercury team completed the refinancing of Evaluate, a platform that provides commercial data to the life sciences industry.

Further re-financings since the year-end

a-plan

An estimated £14m returned to the Company

A-Plan – In January, the Genesis announced the refinancing of A-Plan, a leading independent high-street insurance broker in the UK. A-Plan has now returned 1.4x the original investment made in April 2015 to the Hg7 fund. This transaction is expected to complete later in March.

Further detail on investments as at 31 December 2018 can be found on pages 50 to 72.

Summary of investment and realisation activity

Investments made during the year

Company	Sector	Geography	Activity	Cost £'000
IRIS	Technology	UK	Software and services to the UK accountancy market	36,380
The Access Group	Technology	UK	Business-management software	30,491
IT Relation	Services	Scandinavia	Managed IT services to SMEs	16,037
BrightPay	Technology	Ireland	Accounting and payroll software to SMEs	15,344
Allocate Software	Technology	UK	Software to the healthcare sector	13,959
MediFox	Technology	Germany	Software to the healthcare sector	11,796
Financial Express	Technology	UK	Investment data and research software to the finance sector	7,387
Rhapsody	Technology	North America	Software to the healthcare sector	6,689
New investments				138,083
Mobility Holding	Services	Germany	Automotive distribution and financing platform	24,998
Visma	Technology	Scandinavia	Provider of business software to SMEs	20,555
Other				3,702
Further investments				49,255
Total investments on behalf of the Company				**187,338**

Realisations made during the year

Company	Sector	Exit route	Proceeds[1] £'000
IRIS	Technology	Secondary sale	93,113
JLA	Services	Secondary sale	38,254
Ullink	Technology	Trade sale	24,357
Allocate Software	Technology	Secondary sale	19,920
Radius	Services	Trade sale	18,312
Intelliflo	Technology	Trade sale	16,801
Teufel	Industrial Technology	Secondary sale	15,106
Atlas	Services	Trade sale	9,996
Kinapse	Services	Trade sale	6,812
Raet[2]	Technology	Trade sale	2,367
Lumesse	Technology	Trade sale	1,573
Frösunda	Healthcare	Trade sale	487
Full realisations			247,098
TraceOne	Technology	Refinancing	5,677
HgCapital 6 E LP Fund	Technology and Services	Distribution received	5,495
Foundry	Technology	Refinancing	3,795
DADA	Technology	Refinancing	3,733
Citation	Services	Refinancing	3,345
STP	Technology	Refinancing	1,320
Evaluate	Technology	Refinancing	762
Other			596
Partial realisations			24,723
Total proceeds from realisations			**271,821**
Carried interest paid to the Manager			(55,023)
Total proceeds from realisations received by the Company			**216,798**

[1] Includes gross revenue received during the year ended 31 December 2018.
[2] Sale of operations to Visma.

Hg's outlook

Strong trading from the unrealised portfolio, realisations at uplifts to book value, refinancing activity and ongoing support of the management teams we back should continue to drive value for shareholders in HgCapital Trust plc.

Realisations

It has been a very active year for Hg in realising capital for our investors. We have completed twelve full exits and six refinancings over 2018 and the Company is now invested in a relatively young portfolio, with an average age since acquisition of just under two years.

This exit activity has continued to demonstrate the attractiveness of Hg's "sweet-spot" business model investments to both trade and financial buyers, as most recently evidenced by a partial sale of Visma to Canada Pension Plan Investment Board (CPPIB), announced in January 2019.

Going forward we will continue to focus on opportunities to crystallise value across our portfolio, with further exit and refinancing processes already underway. The current and planned level of realisations should be broadly commensurate with our levels of liquidity generation since the start of 2017.

Investments

We have an active pipeline for investments in 2019 and believe that, in the current market environment, the clarity and distinctive focus of our strategy provides us with several clear advantages as a cautious and disciplined investor.

Despite a focus on realisations, Hg has continued to invest selectively, capitalising on situations where we have a specific angle and have built many years of knowledge of the business and its end-market cluster, and strong relationships with the founders and management teams. Indeed, the relative de-risking of our existing portfolio gives our investment teams more time and space to consider attractive new investments in our core areas of focus, across our funds and the size spectrum.

Specifically, we will continue to concentrate on companies that provide a business-critical product or service, to a fragmented customer base, and which benefit from strong contracted or recurring revenues. This should enable us to identify opportunities that will generate strong, risk adjusted returns for our clients.

Despite the heat of the current market, we do continue to see attractive investment opportunities in our target clusters, just as we did in the closing stages of the last period of high valuations, in 2005 to 2008. This has led to eight new investments and further capital deployed into businesses we know well, with Transporeon, announced in January 2019, being the most recent example.

Current Portfolio

The portfolio is in good health and growing strongly. Trading over 2018 has continued to generate double-digit sales and EBITDA growth across almost all the businesses. Given their defensive growth characteristics and our focus on protected business models, we believe our current investments are well positioned to continue to create value on both an absolute and relative basis going forward, even if macro-economic conditions deteriorate.

Our belief in these defensive qualities is reinforced by our historic portfolio's performance during the Global Financial Crisis from 2008 to 2010, when our businesses in aggregate continued to grow revenues and EBITDA, without a down year. We believe our current portfolio is of better quality than the one we held during the financial crisis.

Prospects

The scale and reach of Hg's network within the global technology and service sectors is now broader and deeper than ever before.

We continue to consider the UK's forthcoming exit from the EU and our prognosis remains that this will have a relatively limited impact on our current portfolio given the characteristics of these businesses, their geographic profile and their relatively protected nature. Hg's pan-European focus and our office in Germany also offer flexibility in terms of the breadth of our focus, regulatory regime and general fund management approach.

The drive for operational improvements in our investments, aligned with the efforts of our dedicated Operations Group, means that we believe we can continue to generate significant long-term value across the portfolio on a repeatable basis, irrespective of the challenges of the broader macro-environment. From pricing analysis and customer success, to cybersecurity and bolt-on M&A; these initiatives will continue to remain an area of real focus going forward.

We remain confident in our strong group of businesses with resilient, recurring growth characteristics that are benefiting from the wealth of expertise in the areas in which we invest and the scale to continue to be one of the largest software investors in Europe.

"A significant number of realisations in 2018 reflected a strong market for exits. This leaves us with a young, focused portfolio where we are very active in driving further capital growth through trading performance, business improvement initiatives and accretive M&A."

Matthew Brockman, *Managing Partner, Hg*

Overview of the underlying investments

held through the Company's limited partnerships

	Investments (in order of value)	Fund	Sector	Location	Year of investment	Residual cost £'000	Unrealised value[7] £'000	Value %	Cum. value %
1	Visma[1]	HGT 7/HGT/Saturn	Technology	Scandinavia	2014	65,921	153,636	22.2%	22.2%
2	Sovos[2]	HGT 7/HGT	Technology	N. America	2016	38,508	84,737	12.3%	34.5%
3	IRIS	HGT Saturn	Technology	UK	2018	36,380	45,387	6.6%	41.1%
4	The Access Group	HGT 8	Technology	UK	2018	30,491	35,388	5.1%	46.2%
5	CogitalGroup[2]	HGT 7/HGT	Services	UK	2016	20,966	33,090	4.8%	51.0%
6	Mobility Holding	HGT 8	Services	Germany	2018	31,718	32,248	4.7%	55.7%
7	A-Plan	HGT 7	Services	UK	2015	10,447	29,463	4.3%	60.0%
8	Mitratech[2]	HGT 7/HGT	Technology	N. America	2017	22,258	23,491	3.4%	63.4%
9	Commify[3]	Mercury/HGT	Technology	UK	2016	12,548	22,066	3.2%	66.6%
10	IT Relation	HGT 8	Services	Scandinavia	2018	16,037	16,070	2.3%	68.9%
11	Foundry	HGT 7	Technology	UK	2015	15,142	15,726	2.3%	71.2%
12	FE/fundinfo	Mercury/Mercury 2	Technology	UK	2018	11,407	15,616	2.3%	73.5%
13	BrightPay	Transition Capital	Technology	Ireland	2018	14,973	15,477	2.2%	75.7%
14	DADA	Mercury 2	Technology	Italy	2017	3,800	14,962	2.2%	77.9%
15	Allocate Software	HGT 8	Technology	UK	2018	13,959	14,157	2.0%	79.9%
16	Raet[4]	HGT 7	Technology	Netherlands	2016	15,419	13,024	1.9%	81.8%
17	MediFox[5]	Mercury 2/HGT	Technology	Germany	2018	11,796	12,926	1.9%	83.7%
18	TeamSystem	HGT 6	Technology	Italy	2010	144	12,211	1.8%	85.5%
19	Achilles[6]	HGT	Technology	UK	2008	17,298	11,847	1.7%	87.2%
20	Citation	HGT 7	Services	UK	2016	7,904	11,564	1.7%	88.9%
21	P&I	HGT 7/HGT	Technology	Germany	2013	1,796	8,524	1.2%	90.1%
22	STP	Mercury	Technology	Germany	2016	4,260	7,761	1.1%	91.2%
23	Rhapsody	Mercury 2	Technology	N. America	2018	6,689	6,870	1.0%	92.2%
24	Eucon	Mercury	Technology	Germany	2015	4,658	6,489	0.9%	93.1%
25	EidosMedia	HGT 7	Technology	Italy	2015	8,414	6,467	0.9%	94.0%
26	Evaluate	Mercury	Technology	UK	2016	3,733	5,439	0.8%	94.8%
27	Trace One	Mercury	Technology	France	2016	493	4,342	0.6%	95.4%
28	Noventic	HGT 6	Technology	Germany	2012	922	4,229	0.6%	96.0%
29	Gentrack	HGT 7	Technology	New Zealand	2017	2,069	2,383	0.3%	96.3%
30	e-conomic	HGT 6	Technology	Scandinavia	2013	–	1,006	0.1%	96.4%
	Non-active investments (7)					22,501	1,873	0.3%	96.7%
	Total investments (37)					452,651	668,469	96.7%	
	Currency hedges	Various	Forward sale of US$ and €			–	43	–	96.7%
	Secondary fund interests	Hg 6E	Secondary fund interests			–	962	0.1%	96.8%
	Renewable energy	Asper RPP I / II	Renewable energy			26,059	22,032	3.2%	100.0%
	Total all investments					478,710	691,506	100.0%	

[1] Investment through HGT 7 LP, HGT Saturn LP and co-investment participation through HGT LP.
[2] Investment through HGT 7 LP and co-investment participation through HGT LP.
[3] Investment through HgCapital Mercury D LP and co-investment participation through HGT LP.
[4] Deferred consideration from sale of operations to Visma.
[5] Investment through HGT Mercury 2 LP and co-investment participation through HGT LP.
[6] Investment and co-investment participation through HGT LP.
[7] Including accrued income but before the provision for carried interest of £42,312,000.

Top 20 investments

representing 89% of the value of the Company's investments

Investments are held through limited partnerships, of which the Company is the sole limited partner. The Company invests alongside other clients of Hg. Typically, the Company's holding forms part of a much larger majority interest held by Hg's clients in buyout investments in companies with an enterprise value ('EV') of between £50 million and more than £1 billion.

Hg'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.

VISMA®

Business description

Visma is a leading provider of business-critical software to SMEs and the public sector in the Nordic and Benelux regions. Headquartered in Oslo with significant revenues in Norway, Sweden, Finland, Denmark and the Netherlands, the company provides the following services to its customer base of above 900,000 enterprises: accounting; resource planning and payroll software; and transaction process outsourcing, such as debt collection and procurement services.

Visma produces detailed reporting on its website on a quarterly basis: www.visma.com/investors-relations/results-figures/overview/

For a full case study on Visma please visit:
https://hgcapital.com/case-studies/#overlay/case/4393

The Company's investment through HGT 7 LP, HGT Saturn LP and co-investment through HGT LP

website:	www.visma.com
Investment sector:	Technology
Cluster:	Tax & Accounting
Location:	Scandinavia
Investment date:	Aug 2014
Hg clients' total equity:	44.5%
Residual cost (£'000):	65,921
Unrealised value (£'000):	153,636

Why did we invest?

Visma was an early example of Hg partnering with a business with a high degree of recurring revenues, which related to serving a fragmented SME customer base with business-critical application software – a focus which forms some of our key 'sweet-spot' investment criteria today. At the time of acquisition, in 2006, we had identified opportunities for Visma not only to grow its existing segments and acquire new segments, but also to further transition the business to a SaaS focused model.

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, Hg 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%. Hg clients then reinvested £409 million in the business for a 31% stake, via the Hg7 Fund and co-investment, as a co-lead investor, alongside KKR and Cinven. This valued the business at a total EV of NOK 21 billion (£2.1 billion). In 2017, Hg announced a further investment into Visma following the sale of KKR's stake valuing the business at NOK 45 billion (£4.2 billion). In 2018, Hg made a further investment in Visma via Hg Saturn and in 2019 welcomed the Canada Pension Plan Investment Board (CPPIB) as an investor in the company valuing the business at NOK 61 billion (£5.5 billion). The continued reinvestment in Visma reflects 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 2006, Visma has acquired over 150 companies across the Nordic and Benelux regions. These transactions strengthened organic growth from innovation in new products, as well as driving margin improvement through a reorganisation of Visma's internal processes. Visma is now positioned as one of the leading and largest SaaS companies in Europe, with more than £500 million of annualised recurring pure-SaaS revenues.

How is it performing?

Visma continues to see year-on-year strong double-digit growth with revenue and EBITDA growth, including recent M&A, of 33% and 32% respectively over the last twelve months to 31 December 2018. Following the investment in early 2019 by CPPIB, the increase in valuation has been fully reflected in this Annual Report. This led to the Company's valuation of its stake in Visma rising by £31.1 million over the course of the year.

How will we crystallise value?

Hg will continue to support Visma's next stage of development given a number of attractive elements of the company's business model, strength of the management team, and upside potential from the SaaS transition. Visma has a scale and growth profile which would make it an attractive candidate for an initial public offering ('IPO') or a large 'private IPO', where multiple larger institutional or sovereign wealth investors could invest in the business without requiring its shares to be listed.

SOVOS Compliance

Business description

Sovos is a leading global provider of tax compliance software solutions. These solutions include sales, tax determination and filing, 1099 and 10 series tax information reporting, beverage alcohol compliance reporting, VAT compliance reporting, e-invoice filing and reporting, and Automatic Exchange of Information ('AEOI') reporting (FATCA, CDOT & CRS).

Sovos is headquartered in Boston, Massachusetts and also has a presence in Europe and Latin America. The majority of revenue is generated from a US customer base of c. 4,500, which are predominantly large enterprises.

The Company's investment through HGT 7 LP and co-investment through HGT LP

website:	www.sovos.com
Investment sector:	Technology
Cluster:	Tax & Accounting
Location:	North America
Investment date:	Mar 2016
Hg clients' total equity:	98.5%
Residual cost (£'000):	38,508
Unrealised value (£'000):	84,737

Why did we invest?

Hg's technology 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 Hg 'sweet-spot' with a strong and predictable business model, including: c. 95% contractually recurring revenue; a fragmented, loyal customer base; high margins; and robust cash conversion. Sovos' largest, core products have achieved close to 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 expanded the company's capabilities in Latin America and added 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. In August 2017, Sovos announced the acquisition of Paperless, based in Santiago, Chile, which complements Invoiceware's product offering and provides Sovos with a sector leading solution for business to government reporting – a form of regulatory compliance which has spread to more than 60 countries. In July 2018, Sovos completed the acquisition of TrustWeaver, a leading provider of Cloud software that helps businesses authenticate and centrally archive electronic documents for VAT audit purposes.

Hg has supported the management team at Sovos in several initiatives across the business and helped to operationalise the customer success team, leading to increased customer loyalty.

How is it performing?

Sovos has seen rapid growth since our investment in early 2016, driven by strong organic growth in its core products. We have also been successful in deploying material capital into M&A and see a significant number of additional opportunities ahead of us.

The Company has benefited from an increase of £13.0 million in the Company's valuation of its stake over 2018.

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 global equity story. Lastly, there are several potential trade buyers.

IRIS

Business description

IRIS Software Group is a leading UK provider of business-critical software solutions for compliance and regulatory driven industries, such as the accountancy, education, bookkeeping & human capital management markets.

Over the last decade, IRIS has become one of the most trusted providers of business-critical software & services to SMEs in the UK today.

Over 21,000 accountancy practices, 10,000 schools / academies and more than 80,000 SMEs, corporates and payroll bureaux rely on IRIS to run their businesses every day.

For a full case study on IRIS, please refer to pages 28 and 29.

The Company's investment through HGT Saturn LP

website:	www.iris.co.uk
Investment sector:	Technology
Cluster:	Tax & Accounting
Location:	UK
Investment date:	Sept 2018
Hg clients' total equity:	65.0%
Residual cost (£'000):	36,380
Unrealised value (£'000):	45,387

Why did we invest?

IRIS is an early example of our focus on business-critical software firms operating in attractive, predictable end markets; the original investment decision was based on the potential for organic growth and acquisition-led consolidation opportunities. IRIS operates a highly recurring business model with over 85% of revenues from software and managed service subscriptions, much of which is based on annual renewals paid in advance.

How do we intend to create value?

IRIS continues to deliver added value to its existing customers through regular regulatory and feature updates, leading to high customer loyalty. The strong level of re-investment into new product development and outstanding customer support has continued to fuel outperformance vs. other providers. Combined, this has delivered revenue growth of typically 10% p.a. 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 their needs. We also think there is a substantial upside in developing or acquiring SaaS products to target adjacent sectors.

What has been achieved?

Hg and IRIS' long-standing history started with the 2004 buyout led by Hg, followed by retaining a minority shareholding after the sale to Hellman & Friedman in 2007. In 2011, we again became the majority shareholder through the Hg6 Fund. In 2018, Hg6 completed the sale of IRIS to Hg Saturn and ICG in a joint control deal, representing an EV of £1.3 billion.

IRIS has been successful in expanding its offering, both by organic product development and by acquisition. IRIS has also established a Cloud Division to sell SaaS products to UK accountants and SMEs. In 2016, IRIS acquired Octopus HR and PS Financial, then SAAF Analytics, Results Squared and ParentMail in 2017. This M&A momentum has continued in 2018 including the acquisitions of Contact Group, Taxfiler and STAR Payroll.

How is it performing?

IRIS has been able to maintain strong levels of revenue, EBITDA and cash flow growth across market cycles. For the past few years, revenues have seen high double digit growth rates year on year, and the annual EBITDA margin has consistently been close to 50%, excluding the investment in the Cloud division. In 2018, the Company's valuation of its stake in IRIS saw an increase of £25.6 million.

How will we crystallise value?

We believe IRIS will be an attractive software business acquisition target for financial buyers as it demonstrates high levels of organic revenue growth, strong Net Recurring Revenue and high EBITDA margins coupled with a leading sector position; however, we also see an IPO as a potential route to exit given the strong cash generation. Lastly, there are several potential trade buyers.

access

Business description

With its portfolio spanning finance, HR, payroll, hospitality, recruitment, health and social care, manufacturing and distribution, education and not for profit sectors, The Access Group ('Access') is a vendor of business-critical business software to mid-market organisations in the UK. Access software helps over 12,000 UK businesses to work efficiently with expertise across numerous industries. In June 2018, Hg8 completed an investment in Access for an EV of £1 billion. As part of the transaction, TA Associates rolled over part of their stake in order to maintain a stake equal to Hg's equity ownership in the business, while management and AlpInvest also rolled over as minority shareholders alongside Hg and TA.

The Company's investment through HGT 8 LP

website:	www.theaccessgroup.com
Investment sector:	Technology
Cluster:	ERP & Payroll
Location:	UK
Investment date:	June 2018
Hg clients' total equity:	32.1%
Residual cost (£'000):	30,491
Unrealised value (£'000):	35,388

Why did we invest?

This investment builds on our prior experience in SME software, accounting and tax software as well as the HR and Payroll software space. Hg has made multiple investments in this space already (HR and payroll: IRIS, P&I, Raet, Visma, SHL; accounting and tax: Cogital, Visma, TeamSystem, IRIS, ATC, Sovos). Access demonstrates many of the characteristics that Hg looks for in an investment including: business-critical software, a strong management team and potential for M&A.

How do we intend to create value?

The top priorities for the Board and management team currently include: integration of recent acquisitions; acceleration in the pace of transition to subscription sales; building out capabilities acquired through recent M&A; successfully launching the Workspace user interface across multiple products; delivering on bookings growth in accordance with management plan; and continuing to execute M&A in accordance with the M&A strategy. There are additional opportunities for margin improvement.

What has been achieved?

Following the completion of Hg's investment, we have kicked off a number of workstreams with the business including: M&A support; evaluating the pace of transition to a fully SaaS and subscription sales model; and exploring a data analytics project and sales incentive refresh to support the company's cross-sell efforts.

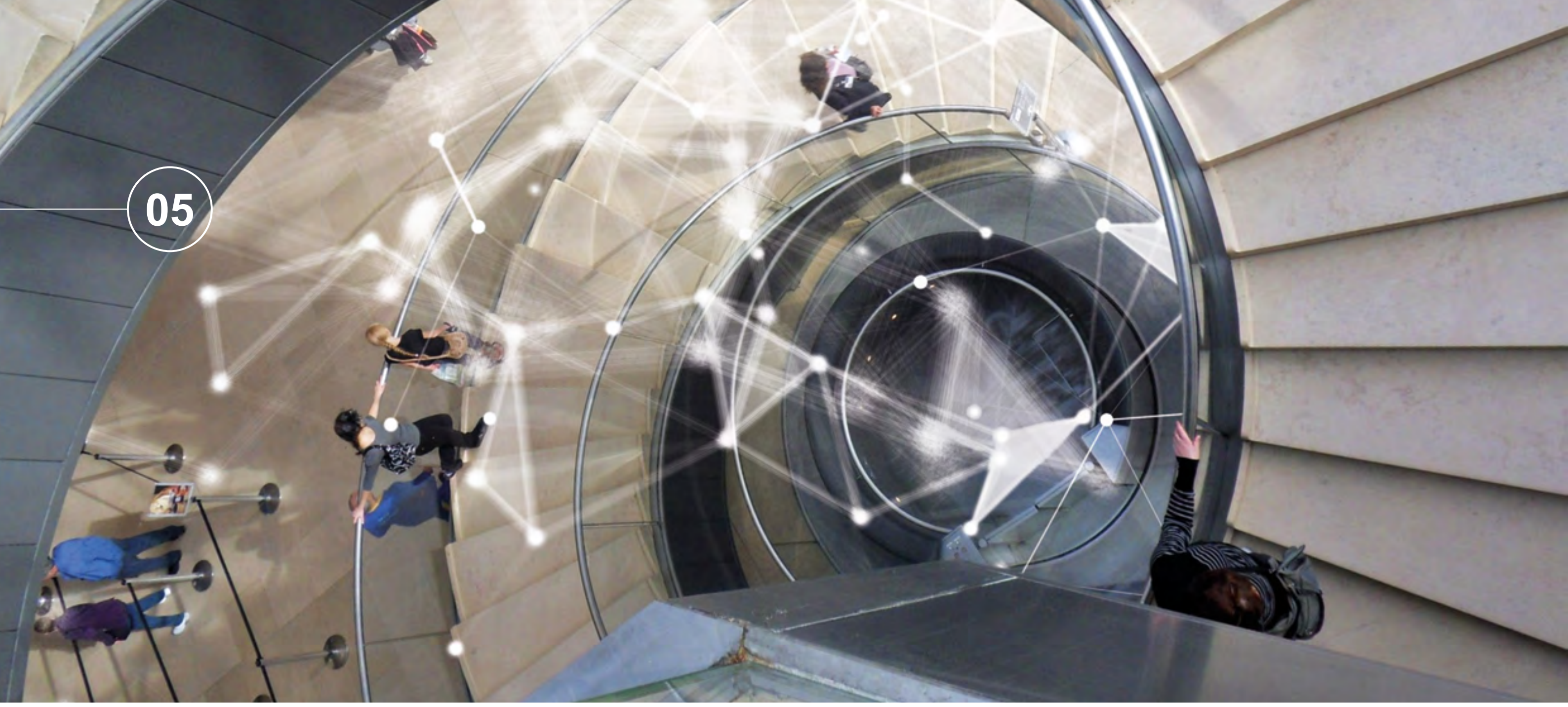
How is it performing?

Access is trading well and recently reported significant year-on-year growth in its 2018 fiscal year, with turnover rising 42% from £101.1 million to £143.1 million. The company also announced its EBITDA had risen 71% from £27.9 million to £47.6 million year-on-year. This growth was fuelled by a combination of strategic acquisitions and a rise in organic growth to 13%, with recurring revenue making up 70% of total revenue.

Whilst this is a new investment to the portfolio, strong trading has led to a small increase of £4.9 million in the Company's valuation of its stake over 2018.

How will we crystallise value?

We believe Access will be an attractive acquisition target for private equity buyers as it demonstrates high levels of organic revenue growth, strong Net Recurring Revenue and high EBITDA margins; however, we also see an IPO as a potential route to exit given the business' growth profile and strong cash generation. Lastly, there are several potential trade buyers.



Business description

CogitalGroup ('Cogital' or 'the Group') was launched in December 2016 through the acquisitions and merger of Nordic based Azets (formerly named Visma BPO) and UK based firms Baldwins and Blick Rothenberg. The Group's focus is the provision of critical business support, BPO and advisory services to the entrepreneurial and private company business segments together with their owners and managers. In total, the Group now has c. 90,000 customers with more than 6,000 employees operating from 177 offices in the UK, Norway, Sweden, Denmark and Finland. The Group also has 700 employees based in Romania and Lithuania.

To view Cogital's Annual Review 2018, please visit: https://cdn.cogitalgroup.com/Cogital-Group-Annual-Review-2018.pdf

The Company's investment through HGT 7 LP and co-investment through HGT LP

website:	www.cogitalgroup.com
Investment sector:	Services
Cluster:	Tax & Accounting
Location:	UK
Investment date:	Oct 2016
Hg clients' total equity:	76.3%
Residual cost (£'000):	20,966
Unrealised value (£'000):	33,090

Why did we invest?

Cogital continues the Services team's record of investing in regulatory driven businesses within Hg's 'sweet-spot' business model focus. We have been tracking the SME accountancy and advisory services sector for many years as it exhibits several attractive criteria, including: a high share of repeatable revenue due to the business-critical nature of the services; high retention rates due to the trusted nature of the adviser relationship; serving fragmented customer bases; fragmented competitive landscapes allowing for significant M&A opportunities; and an opportunity for high margin improvement driven by the increased use of technology, nearshoring and scale.

How do we intend to create value?

We are principally focused on three valuation creation levers: driving organic growth across the Group; pursuing the acquisitions of small accounting, tax & payroll offices; and improving EBITDA margins through technology and nearshoring.

What has been achieved?

Since Hg invested in December 2016, Cogital has completed over 45 acquisitions, successfully increased its acquisition facilities and rolled out a group-wide incentive scheme.

How is it performing?

Cogital is trading in line with expectations, having seen strong double-digit revenue and EBITDA growth over the last year. Since the business launched in December 2016 it has seen a more than 60% increase in its sales and profits. This strong trading has led to an increase in the Company's valuation of its stake of £4.0 million over 2018.

How will we crystallise value?

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

MOBILITY HOLDING

Business description

Mobility Holding ('MH') is a platform investment to develop a leading independent multi-channel provider of subscription-based, full-service car leasing and flat-rate solutions. As part of this strategy, Hg8 initially acquired MeinAuto ('MA'), a leading German online B2C platform for new car purchases in Germany, from its founders in December 2017. Subsequently, MH acquired Mobility Concept ('MC'), a leading B2B leasing company in Germany, in a carve-out from Unicredit at the end of May 2018. In September 2018, MH bought Athletic Sport Sponsoring ('ASS'), a leading German provider of full-service, automotive leasing offers and mobility subscriptions to members of closed user groups, in a proprietary transaction. MH's products range from vehicle purchasing and leasing to innovative flat rate subscription offers for SMEs, private consumers as well as large commercial fleet customers.

The Company's investment through HGT 8 LP

website:	www.mobility-holding.de
Investment sector:	Services
Cluster:	Automotive
Location:	Germany
Investment date:	May 2018
Hg clients' total equity:	81.8%
Residual cost (£'000):	31,718
Unrealised value (£'000):	32,248

Why did we invest?

This investment continues Hg's strategy to develop technology-enabled service providers in the automotive financing and distribution space and is the result of considerable sector work undertaken in recent years. This includes prior investments in Zenith, Epyx, Eucon and Parts Alliance. Mobility Holding sits in the Hg investment 'sweet-spot', with a strong and predictable business model, recurring revenues and a loyal customer base. The business has a strong management team with significant experience in the German automotive leasing and online distribution space. Together, the Group will benefit from strong product synergies.

How do we intend to create value?

The combination of MC, MA and ASS, will allow us to build a new online SME and B2C subscription/leasing product including subscription-based mobility offers. Our intention is to build the leading German tech enabled multi-channel provider of full-service leasing and car subscription solutions to B2C and SME customers with a strong online focus.

What has been achieved?

As a result of the cooperation between MC and MA, the group successfully launched its new online SME and B2C subscription and leasing product.

How is it performing?

MH is trading well and showed high single digit EBIT growth in the 2018 financial year. The groups online leasing and subscription offering is trading ahead of plan and MH is on track to deliver its 2019 budget. This investment is currently valued at slightly above its initial transaction value.

How will we crystallise value?

We believe that a leading platform in online car distribution, specifically when combined with a direct leasing and subscription offering, is of high relevance to strategic buyers in the mobility ecosystem as well as being attractive to financial sponsors.

a-plan

Business description

A-Plan is a UK-based insurance broker focused on non-discretionary B2C motor and household insurance products.

A-Plan also distributes commercial lines insurance products and is active in a range of niches including high net worth individuals and foreign-speaking customers. A-Plan focuses on high levels of customer service and more complex cases than online brokers.

A-Plan's local, high-touch model enables it to offer customers products at the same price as those found on price comparison websites but with significantly higher levels of service and cover, whilst retaining industry beating margins. A-Plan's KPIs consistently outperform its peers, with sector-leading NPS scores, loss ratios and customer retention which have enabled the business to demonstrate 25 years of uninterrupted revenue growth.

The Company's investment through HGT 7 LP

website:	www.aplan.co.uk
Investment sector:	Services
Cluster:	Insurance
Location:	UK
Investment date:	Apr 2015
Hg clients' total equity:	72.2%
Residual cost (£'000):	10,447
Unrealised value (£'000):	29,463

Why did we invest?

The Genesis 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 Genesis team for three years, prior to our investment in the business in 2015.

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?

Hg 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?

Hg is supporting A-Plan with ongoing and future projects, including: support on M&A development; an upgrade of the legacy broking administration technology system; investment in the data and analytics team and infrastructure to use insight to drive new business growth and improve customer retention; and improved group reporting. In March 2017, the Genesis team completed a refinancing of A-Plan, returning £52 million to clients including £5.2 million to the Company (35% of the original investment made). In March 2019, Hg completed another refinancing, with proceeds of £138 million, including £13.7 million to the Company. Following this refinancing, c. 1.3x original cost of the A-Plan investment will have been returned without any reduction in Hg's equity ownership.

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 the last twelve months of 31% and 12% respectively. New business policies are benefiting from the continued branch roll-out and marketing initiatives to drive new business at existing branches. The inflation of premiums in motor insurance is slightly decreasing, but revenue per policy is staying stable given fee income is counterbalancing commission income.

Continued growth in equity value from consistent underlying trading growth has added £7.0 million to the Company's valuation of its interest in A-Plan over 2018.

How will we crystallise value?

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

For a full case study on A-Plan, please visit:
https://hgcapital.com/case-studies/#overlay/case/343

MITRATECH

Business description

Mitratech is a leading global provider of Enterprise Legal Management ('ELM') software to corporate legal departments. The core product is Matter Management software which acts as the Enterprise Resource Planning ('ERP') software at the heart of in-house legal teams, and an e-billing solution which provides e-invoicing capabilities between law department and external counsel with automatic invoice review.

Mitratech serves a wide customer base of c. 1,000 corporate customers across the world, including 40% of the Fortune 500. Over 650 law firms are using the e-billing platform to transmit invoices to clients, including all the AmLaw 200 and 99% of the Global 100 Law Firms. The business is based in Austin, Texas with further offices in the US, England, Wales and Australia, employing c. 400 people.

The Company's investment through HGT 7 LP and co-investment through HGT LP

website:	www.mitratech.com
Investment sector:	Technology
Cluster:	Legal & Compliance
Location:	North America
Investment date:	Apr 2017
Hg clients' total equity:	61.1%
Residual cost (£'000):	22,258
Unrealised value (£'000):	23,491

Why did we invest?

Legal process and regulatory compliance software is a core Hg sector, and one we have invested in before and are currently invested in through STP, which supports insolvency processes and mid-market practice management in the DACH region of Europe.

Hg's Genesis team have looked at many targets in this fragmented sector. However, Mitratech is one that is sufficiently large and attractive as a standalone investment and has a proven track record of performance backed by a strong management team with a clear strategy to create value. We see Mitratech as the best-placed platform to drive a global sector roll-up.

How do we intend to create value?

Hg intends to support Mitratech through both continued organic growth of the business and as the best-placed platform in this sector to achieve global scale through M&A. The business has a strong management team with a best-in-class core product winning customers from fragmented competition in a growing market.

What has been achieved?

Hg is supporting Mitratech to source further M&A opportunities following the acquisition in April 2018 of ThinkSmart, the workflow automation platform that fits well with Mitratech's core ELM product, TeamConnect. Hg's Operations Innovation ('OI') team is working with the management on proposition and product development as well as several customer success initiatives to put new systems and processes in place to enhance Mitratech's customer satisfaction and productivity.

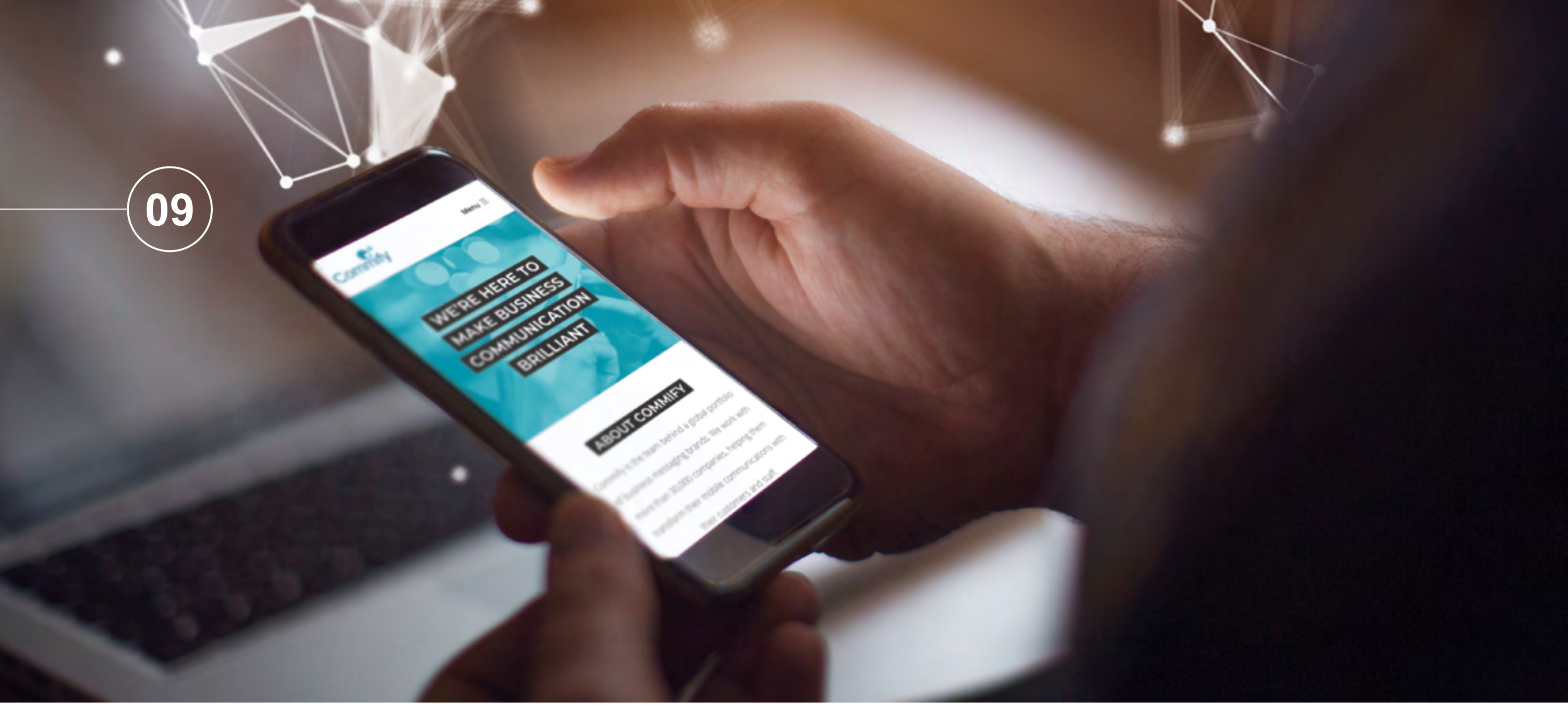
How is it performing?

Performance in the 2019 financial year was slightly below expectations but delivered double-digit growth in recurring revenue, revenue and EBITDA versus 2018. The business faces an increasingly intense competitive landscape for bookings in the core ELM segment but continues to display strong win rates. We have been pleased with cross-selling the newly acquired ThinkSmart product to key TeamConnect customers. Further, Mitratech has launched new LegalHold GRC modules.

Early 2019 saw the launch of TeamConnect Essentials, the new Cloud platform built for smaller/ medium-sized corporate legal departments. The early adoption programme with select customers has been successful and the business is looking to significantly increase presence in this market segment over the next 12 months.

How will we crystallise value?

We believe Mitratech will present an attractive acquisition target to a number of trade acquirers in the Legal, Enterprise Content Management ('ECM') and Governance Risk and Compliance ('GRC') sectors where its position as the leading ELM vendor holds high strategic value.



Commify

Business description

Commify Group ('Commify') is a leading Application-to-Person ('A2P') messaging service in Western Europe. The customer base is mainly SMEs and some larger enterprises who use Commify's services to communicate with their end customers through messages, voice, and a number of other media. The group is a combination of four businesses: Mobyt (acquired in Q4 2016), SMS Envoi (acquired by Mobyt in June 2017), Esendex (acquired in June 2017) and SMS Publi (acquired by Esendex in June 2017). Most messages are business-critical, operational content such as appointment reminders and delivery notifications.

The business also supports marketing/promotional messages and coupons, and surveys.

The Company's investment through HgCapital Mercury D LP and co-investment through HGT LP

website:	www.commify.com
Investment sector:	Technology
Cluster:	SME Tech Services
Location:	UK
Investment date:	Jun 2017
Hg clients' total equity:	82.6%
Residual cost (£'000):	12,548
Unrealised value (£'000):	22,066

Why did we invest?

The A2P industry is operating in a fast-growing market but remains fragmented in most geographies and the key bases of the investment hypothesis are: strong organic growth in the A2P sector is expected to continue, driven by further use case expansion and increasing adoption across Europe; an opportunity for targeted M&A; and a wider portfolio of messaging technologies to provide customers with a channel agnostic platform to communicate with their customers and employees.

How do we intend to create value?

Our initiatives are targeted at scaling the business and maximising our strategic value to potential acquirers through building a robust pan-European business. Key initiatives are: M&A; building out the management team and supporting the integration of the existing businesses into a much larger business; and improved financial reporting through an integrated finance function.

What has been achieved?

We have built out the management team through hiring a new CFO, CTO and CCO, to support the integration of the existing businesses and lay the platform for further M&A. The integration of the existing businesses is well underway with visible improvements across reporting and development of a cohesive pan-European strategy. We continue to support management through access to Hg's network of technology executives from across the portfolio, as well as support from Hg's Operations Innovation team across a number of functions such as sales and marketing, and HR.

How is it performing?

The business is performing well and current trading is strong with high teens EBITDA growth over 2018: a combination of organic growth and strong success in M&A with the acquisition of five businesses in 2018. This performance has led to an uplift in value of £7.7 million in the Company's valuation of its interest in Commify at the end of the year.

How will we crystallise value?

At the time of exit, we expect there to be significant interest in the business from trade buyers (other consolidators in Europe and the US). Historically, this has also been an active space in the US. We also expect interest from capital markets given the long runway of organic growth as well as the availability of M&A targets across Europe.

ITRelation

Business description

Founded in 2003, IT Relation provides services which allow SMEs to move their IT infrastructure and operations into the Cloud, as well as providing end user support and consulting as part of a full-service IT offering. The company has more than 450 employees supporting thousands of customers and tens of thousands of users in Denmark and around the world.

The Company's investment through HGT 8 LP

website:	www.itrelation.dk
Investment sector:	Services
Cluster:	SME Tech Services
Location:	Scandinavia
Investment date:	Aug 2018
Hg clients' total equity:	75.6%
Residual cost (£'000):	16,037
Unrealised value (£'000):	16,070

Why did we invest?

Hg had been tracking IT Relation since 2016, first identifying the business when we invested in Zitcom and continued to track it since then as we looked to invest behind managed IT services to SMEs as a key investment theme. This investment is consistent with Hg's focus on SME Technology Services in Europe, with other activity in the sector including investments in Zitcom (2015) and DADA (2017), both providers of online hosting services to SMEs. Hg will support the management team to build a clear industry champion based on IT Relation's excellent customer service and operating platform.

How do we intend to create value?

IT Relation has a strong track record of successfully executing this strategy, demonstrating strong net revenue retention metrics and the ability to drive high organic growth rates from existing and new customers. We expect this organic growth engine to continue to drive value creation during Hg's ownership period.

In addition, IT Relation has been supplementing its organic growth through acquisitions, having acquired and successfully integrated six businesses in the last three years prior to Hg's ownership period and having acquired two additional businesses during Hg's ownership in 2018 (Techbiz and Sotea); we expect further M&A to contribute material value creation going forward.

What has been achieved?

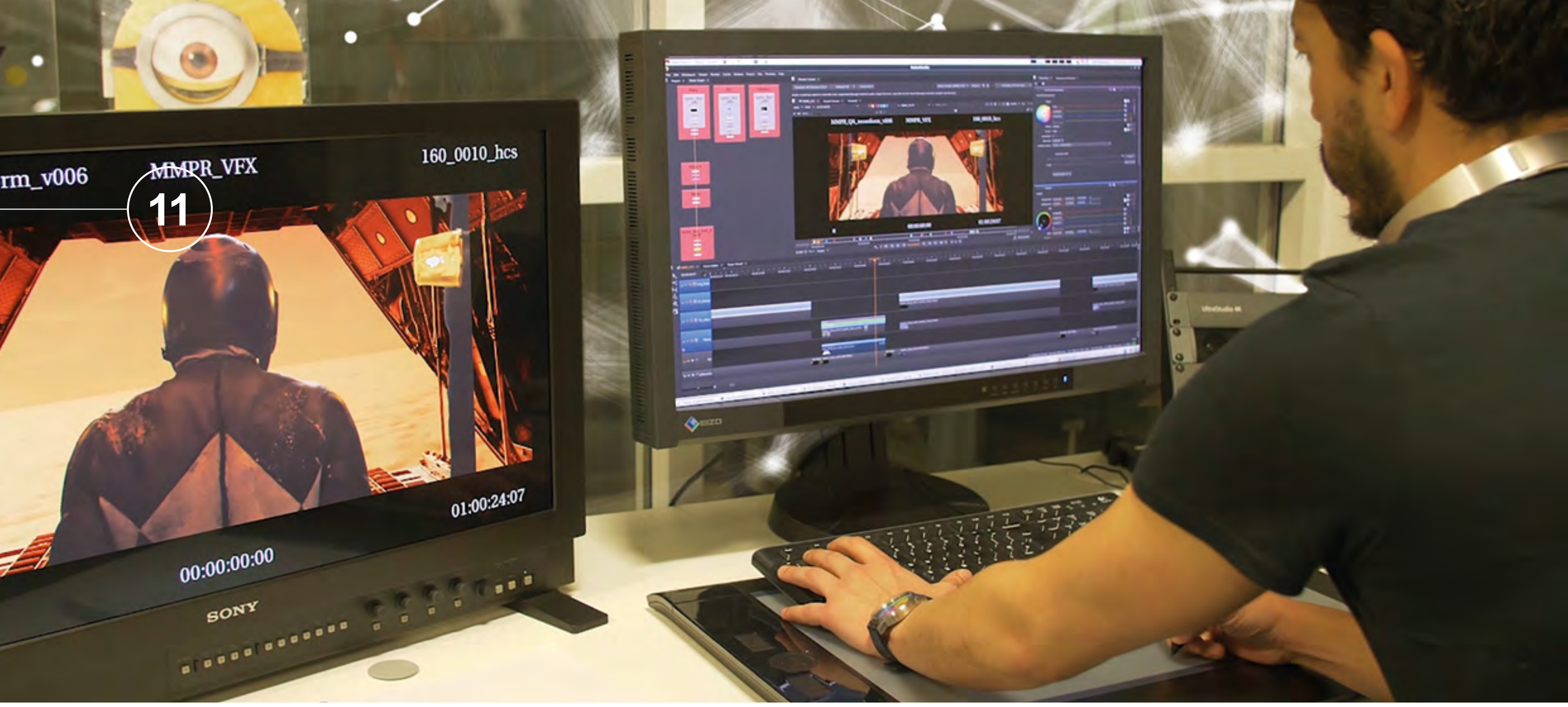
Hg is now focused on working on a number of workstreams with the IT Relation management team: increasing support for the management team at Board level and onboarding financial reporting; integration of the recently completed acquisitions; M&A support to source and assess more potential opportunities; increased operational scalability and automation.

How is it performing?

IT Relation is continuing its trajectory of double-digit organic revenue growth driven by strong new sales and upselling into the customer base. This has been supplemented by M&A driven growth via four acquisitions completed this year; IT-afdelingen, ACI, Techbiz and Sotea (the last 2 acquired under Hg ownership). Given IT Relation is a new investment, Hg's valuation of its stake in IT Relation is currently held just above its initial investment value.

How will we crystallise value?

We believe IT Relation will be an attractive acquisition target for private equity buyers as it demonstrates high levels of organic revenue growth, strong net recurring revenue retention, high EBITDA margins and strong cash conversion (with limited capex). We see the exit environment as robust, with a range of potential strategic as well as financial buyers.



FOUNDRY

Business description

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 Austin. It has more than 3,000 customers and 20,000 users in over 100 countries and employs c.300 people.

The firm has the *de facto* standard in the film post-production VFX (visual effects) software space with its NUKE product range and a series of related products. Additionally, in 2012, the company acquired MODO, a 3D modelling product that gained the company access to the gaming and design segments.

The Company's investment through HGT 7 LP

website:	www.foundry.co.uk
Investment sector:	Technology
Cluster:	Other
Location:	UK
Investment date:	May 2015
Hg clients' total equity:	79.1%
Residual cost (£'000):	15,142
Unrealised value (£'000):	15,726

Why did we invest?

Hg had known Foundry for several years and this investment was in line with our sector-focused approach of investing in leading global providers of vertical market application software. 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.

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?

Hg is working 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 such as Katana, a leading procedural lighting and look development product; Athera, a Cloud platform for the VFX segment; and the Digital Design division, where Foundry is transforming workflows in the design industry . We are also working with Foundry 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 management team to lead the business in its next phase of growth and supported them in refinancing the £50 million bridge loan which was used to finance the initial purchase of Foundry.

Hg has worked with management to implement new pricing and business models, launch a number of specialist products in the 3D design sector and improve the organisation and processes of the sales function.

How is it performing?

Over the last year, Foundry has seen strong double-digit EBITDA growth primarily driven from growth in its core Media and Entertainment products NUKE and Katana and strong cost control.

How will we crystallise value?

Foundry has the potential to be the leading provider of software to professional users in creative industries, both to the Media and Entertainment industry as well as Concept Design. Both are significant global markets with long-term growth potential. Foundry's position in these markets, combined with the business' robust organic growth, high EBITDA margins and strong cash generation, should attract interest from trade and financial buyers.

Business description

Financial Express ('FE') is a UK-based provider of fund data to IFAs, platforms, wealth managers and private investors. In November 2018, FE announced that it would combine forces with two previous Hg investments, fundinfo, a Swiss provider of fund data publication and distribution services connecting asset managers and wealth managers, and F2C, a Luxembourg-based SaaS platform for the creation and dissemination of fund documents. The three firms will integrate to create a single business with an international reach, sector-leading products and services, a greater level of scale and a continued focus on operational excellence and quality service. Combined, the firm will serve around 800 asset managers with over 3,000 fund distributors, including wealth managers, platforms, private banks and financial advice firms.

The Company's investment through HgCapital Mercury D LP and HGT Mercury 2 LP

website:	www.financialexpress.net
Investment sector:	Technology
Cluster:	Capital Markets & Wealth Management
Location:	UK
Investment date:	Nov 2018
Hg clients' total equity:	55.6%
Residual cost (£'000):	11,407
Unrealised value (£'000):	15,616

Why did we invest?

The Mercury team had been following FE for a number of years as it displays a number of the business characteristics that Hg looks for, including a strong position in the wealth management and asset management software and data sector, a well-recognised brand and business-critical products. This is a sector that Hg knows well, having been previously invested in Intelliflo in 2013, a provider of SaaS financial adviser software into the same market.

How do we intend to create value?

Over the next 12 to 18 months, Hg will be supporting the management of FE, fundinfo and F2C with a number of initiatives. The immediate plan is the integration of the three organisations; developing sales and marketing processes; assisting with senior executive recruitment; and implementation of KPI driven management tools and improved reporting. We also expect to look at further M&A opportunities in due course.

What has been achieved?

It is early in the life of FE's ownership under Hg. The acquisition of FE and combination with fundinfo/F2C completed in November 2018 and the focus is firmly on integrating the businesses and realising associated synergies. The merger is expected to create one of the largest players in the fund data, software and information field. This will create a platform for both geographic and product expansion.

How is it performing?

The businesses are performing ahead of expectations and current trading is strong across the group with double-digit LTM revenue and EBITDA growth.

The Company's valuation of its stake in FE/fundinfo has seen an increase of £3.4 million over 2018, driven by product growth and high cash conversion.

How will we crystallise value?

There are few data assets of this scale and quality in the sector and we believe that FE will be a key target for other large data vendors, fund platforms, and market infrastructure players. We would also expect high financial buyer interest at exit.

brightpay

Business description

Based outside Dublin, BrightPay provides payroll solutions to SMEs and payroll bureaux in the UK and Ireland. BrightPay's software is used by over 220,000 employers across the UK and Ireland under two brands, BrightPay and Thesaurus Software.

The Company's investment through HGT Transition Capital LP

website:	www.brightpay.ie
Investment sector:	Technology
Cluster:	ERP & Payroll
Location:	Ireland
Investment date:	Aug 2018
Residual cost (£'000):	14,973
Unrealised value (£'000):	15,477

Why did we invest?

BrightPay's business of Accounting and HR payroll software is a very familiar sector to Hg and represents our tenth investment in businesses within this space, and the first structured as Transition Capital.

The founder and management team had built an excellent reputation in the sector, with a highly satisfied customer base and award-winning product set but saw an opportunity to accelerate growth with a supportive commercial partner. The business is well positioned to benefit from the Irish PAYE Modernisation, the most significant reform of the Irish payroll reporting system since its introduction in 1960, which has required employers to report payroll in real time since January 2019 and will lead to many small businesses adopting payroll software for the first time. BrightPay has invested significantly ahead of this change to support Irish SMEs through this transition.

How do we intend to create value?

We are partnering with the founder and team at BrightPay to support the business through its next phase of growth, as the business scales up in Ireland and internationally. In the short-term, we support BrightPay to be well positioned to win significant new customers adopting payroll software on the back of the new PAYE Modernisation payroll reform.

What has been achieved?

It is early days for Hg's investment in BrightPay, but several initiatives where Hg is supporting the management team are underway including refining customer outreach, improving the website and marketing strategy, especially ahead of Irish PAYE reform, addressing potential additional marketing channels and development of an outbound sales model, and updating the strategic plan.

How is it performing?

The business is performing to plan with a positive outlook. We should have good visibility on FY19 (June year end) financials by the end of April, as growth is linked to the start of the new tax years in Ireland (January) and the UK (April).

In September 2018, the company won the high-profile AccountingWeb UK Payroll Software Product of the year award based on a survey of 13,000 accountants.

The Company's valuation of its stake in BrightPay is currently held at slightly above its initial investment value.

How will we crystallise value?

This structured equity investment has a term of 5 years. The investment was structured as redeemable preference shares, which have a minimum contracted return and the Company may additionally receive an equity uplift upon redemption or sale.

DADA

Business description

DADA is one of the few remaining independently owned pan-European mass hosting companies and has a presence across several attractive European markets including Italy, UK, Spain, Portugal, and France. DADA provides domains, website hosting and email services to more than 650,000 customers. The DADA management team have built the business through extensive M&A since 2006, acquiring businesses across Europe.

Why did we invest?

Hg have extensive experience of investing in SME-focused technology businesses and see an opportunity to continue to develop DADA's business in Italy and across Europe both organically and through acquisitions.

How do we intend to create value?

The completion of restructuring initiatives as well as a large amount of M&A means the shape of the business is very different to what we initially acquired.

This has happened significantly earlier in our investment period than originally envisaged. As a result, Hg is now working with the management team to formulate what could be achieved in the next three years to add further to the value that has already been created. We plan to support management more broadly in operational matters through introductions to Hg's network of executives and involvement in the various events run by Hg throughout the year.

What has been achieved?

Recent focus has been on supporting management to consolidate the six acquisitions the business made over the summer and realising the full benefits of this integration. The acquisitions have primarily been founder owned and run businesses with less professional processes around sales and marketing, product development and systems. Integrating these businesses fully into DADA will unlock both revenue and cost opportunities.

We are still early on in our investment period but, nevertheless, we have supported the business across a number of important initiatives including: recruiting a chair with local experience to help support the team at the Board level; and completing a refinancing of the business in July 2018 to help support acquisitions.

How is it performing?

DADA has significantly outperformed the prior year, with very strong double-digit sales and EBITDA, including the impact of M&A.

The Company's valuation of its stake in DADA has seen an increase over 2018, driven by continued strong trading.

How will we crystallise value?

We believe that DADA will have strategic value for large international consolidators in the wider European hosting sector given its position in Italy, as well as in other European geographies. Given the longer tail of M&A available in some of DADA's geographies, we also expect the asset to be of interest to financial buyers interested in investing behind further buy and build opportunities.

The Company's investment through HGT Mercury 2 LP

website:	www.dada.eu
Investment sector:	Technology
Cluster:	SME Tech Services
Location:	Italy
Investment date:	Nov 2017
Hg clients' total equity:	80.0%
Residual cost (£'000):	3,800
Unrealised value (£'000):	14,962

ALLOCATE

Business description

Allocate Software ('Allocate') is a leading provider of workforce management software to the healthcare sector and other complex regulated industries. The core product is used for workforce rostering, time and attendance management, and associated compliance workflows, such as monitoring and reporting on safe staffing levels. The product addresses a clear and increasingly pressing need for improved staff efficiency, regulatory compliance and safety in the healthcare sector, and results in more effective healthcare delivery. The company has a leading position in the UK, Sweden and Australia, and a very strong track record of renewals.

For a full case study on Allocate, please visit:
https://hgcapital.com/case-studies/#overlay/case/4276

The Company's investment through HGT 8 LP

website:	www.allocatesoftware.com
Investment sector:	Technology
Cluster:	Healthcare
Location:	UK
Investment date:	August 2018
Hg clients' total equity:	50.0%
Residual cost (£'000):	13,959
Unrealised value (£'000):	14,157

Why did we invest?

Allocate was previously owned by the Hg Mercury Fund which sold the business to Vista Equity Partners in April 2018. When evaluating exit options for the business in 2017, Hg felt there was still a substantial amount of near-term value creation in the UK business, as well as significant potential for international M&A (notably in the US) and therefore, we were keen to participate in the next stage of Allocate's growth.

Co-ownership with Vista, via Hg8, expands the opportunity to build Allocate's position in the US through M&A and strengthens the operational capabilities available to the business to help continue to improve its systems and processes.

How do we intend to create value?

The top priorities for the Board and management team are completing a systems re-platforming exercise, implementing new ERP and CRM systems and modernising processes; driving the sales of new products CloudStaff and Community and augmenting their offerings with the new acquisitions; investing diligently in international markets to drive bookings in Germany, Australia and other markets; and executing M&A in accordance with M&A strategy.

What has been achieved?

In the second half of 2018, two strategic acquisitions were completed in the UK – 247Time and Wambiz – which provide contingent labour management and workforce engagement software, respectively. 247Time adds a software solution used by more than 40 NHS Trusts in order to manage efficiently their expenditure on agency workers. The team plan to cross-sell it into the Allocate customer base which should improve the long-term growth potential and increase the addressable market.

How is it performing?

Allocate continues to see robust organic revenue and EBITDA growth, primarily driven by strong sales of the core product, Optima, in the UK Health segment.

How will we crystallise value?

We believe Allocate will be an attractive acquisition target for private equity buyers as it has high levels of organic revenue growth, strong net revenue retention and high EBITDA margins. There are also several potential trade buyers.

raet

Business description

Raet is a leading provider of Cloud-based payroll and Human Capital Management ('HCM') software and services. Raet's software is used by c. 10,000 clients and supports HR processes for c. 3 million active users. The business enjoys a strong historical base of customers in the Netherlands where it is a leading player in both the public and private sectors, having expanded beyond its payroll heritage into a provider of a full suite of Cloud-based HCM software solutions and services.

In recent years, Raet has expanded its footprint internationally both organically and through M&A.

The Company's Investment through HGT 7 LP

website:	www.raet.nl
Investment sector:	Technology
Cluster:	ERP & Payroll
Location:	The Netherlands
Investment date:	May 2016
Hg clients' total equity:	100.0%
Residual cost (£'000):	15,419
Unrealised value (£'000):	13,024

Why did we invest?

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

How do we intend to create value?

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

There is an 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?

Hg has worked closely with Raet on the following initiatives: strengthening of the team, including a new CFO, Head of Marketing and other senior executives; a focus on cost and operations to deliver margin improvement; a drive to improve sales and marketing, sharing Hg's best practice from the Hg OI team; and support on M&A.

How will we crystallise value?

In 2018, Hg agreed the sale of the whole of Raet's operations to Visma. We strongly believe in the benefits of the integration and anticipated synergies. The Raet holding structure remains, with the right to deferred consideration, of which the Company's share is £13.0 million.

MEDIFOX
care management software

Business description

MediFox is a leading provider of software solutions to over 6,000 outpatient care services, elderly care homes and therapists in Germany. It supports care providers with key challenges including: resource and route planning, care documentation, regulatory compliance and quality assurance of services provided, as well as invoicing, reimbursement and factoring. It is headquartered in Hildesheim, Germany and employs 275 people.

For a full case study on Medifox, please visit:
https://hgcapital.com/case-studies/#overlay/case/5115

The Company's investment through HGT Mercury 2 LP and co-investment through HGT LP

website:	www.medifox.de
Investment sector:	Technology
Cluster:	Healthcare
Location:	Germany
Investment date:	Oct 2018
Hg clients' total equity:	72.3%
Residual cost (£'000):	11,796
Unrealised value (£'000):	12,926

Why did we invest?

This investment, made from the Hg Mercury 2 Fund, recognises MediFox's attractive business model characteristics, being a well-established player with a strong position in a fragmented sector with structural fundamental growth for the next decades, driven by the global mega trend of an ageing population. In addition, MediFox has a robust financial profile and a highly competent management team offering a 'business-critical' product. We have followed the progress of MediFox for many years and recognise the strength of the business and the opportunity for further growth, both organically and through acquisitions. Our expertise and focus on software and Healthcare IT, following previous investments in Allocate Software and Evaluate, along with our strong presence in Germany, means we are well placed to support management in taking the business on to its next phase of growth.

How do we intend to create value?

We believe that the business has the ability to grow both organically and by acquisition with current priorities for the Board and management team over the next 12 months including: review of existing product/module priorities and planning processes; build up of digital demand generation engine; and looking to expand via inorganic growth.

What has been achieved?

The investment in MediFox completed relatively recently in October 2018 but there are a number of initiatives that Hg will support the management team over the next twelve months including: developing a five-year strategic plan to create a leading provider of software to the social economy in DACH, and potentially elsewhere in Europe, through double-digit organic growth and M&A; and providing guidance and support from our OI team and external advisors for the various on-going operational initiatives.

How is it performing?

MediFox is seeing consistent double-digit LTM sales and EBITDA growth.

The Company's valuation of its stake in MediFox is currently held slightly above its initial investment value.

How will we crystallise value?

MediFox is a high-quality business with a strong financial profile and multiple clearly identified growth paths; it is well-positioned in a structural growth sector. As such, we expect MediFox to attract strong interest from both the financial and strategic investor communities. With regard to trade buyers, there is a confirmed set of interested parties with whom we already have or seek to build a relationship ahead of the exit.

TeamSystem®

Business description

TeamSystem is a leading provider of business-critical, regulatory-driven software products to accountants, HR professionals and SMEs in Italy. Headquartered in Pesaro, the company has a large and diversified base of c.250,000 customers. It has 27 offices across Italy and employs c. 1,600 people. In December 2015, Hg agreed to sell TeamSystem to Hellman and Friedman. As part of the deal, Hg rolled over a small minority stake in the business and retains a seat on the board.

TeamSystem produces detailed reporting on its website on a quarterly basis: https://investors.teamsystem.com/quarterly_reporting

The Company's investment through HGT 6 LP

website:	www.teamsystem.com
Investment sector:	Technology
Cluster:	Tax & Accounting
Location:	Italy
Investment date:	Sep 2010
Hg clients' total equity:	7.4%
Residual cost (£'000):	144
Unrealised value (£'000):	12,211

Why did we invest?

Back in 2010, the TMT team sought to apply its experience of more mature markets (Nordics, UK and Germany) to the leader in a less developed market. The Italian business environment is characterised by high levels of frequently changing regulation, and a high proportion of companies are SMEs.

Also, the country has lower penetration of dedicated-purpose software than Northern Europe or the US. These factors make Italy an attractive place to own a regulatory-driven software business serving small professional services firms and SMEs.

TeamSystem is highly predictable due to its business-critical nature, strong customer loyalty and large, fragmented customer base.

How do we intend to create value?

Alongside organic growth, management has increased its cross selling of products to the existing client base through the use of add-on modules such as reporting, analytics and payroll. The potential to complete a number of bolt-on acquisitions of complementary businesses in Italy was identified at acquisition.

What has been achieved?

Several improvement projects were identified post acquisition including: enhanced reporting and pricing, a revised product strategy, cash collection and working capital improvement; investment in the M&A process; and sourcing new ways to grow the micro SME customer base.

In 2013, TeamSystem completed its debt refinancing through the issue of a public bond, lowering borrowing costs and providing financial flexibility for M&A.

The focus on M&A led to the completion of eleven acquisitions, most recently in 2014, the acquisitions of ACG from IBM and Il Sole Software in a carve-out from its parent company. These acquisitions significantly increased TeamSystem's presence in the SME and professional services markets.

How is it performing?

TeamSystem saw improved momentum in 2018 which was mostly driven by stronger than expected Cloud sales, particularly in e-invoicing, driven by a regulatory push. Moreover, growth in on-premise products has been consistently strong, sustained by increased software penetration among Italian SMEs.

Strong trading over the year has led to an increase of £1.5 million in the Company's valuation of its stake in TeamSystem.

How will we crystallise value?

In March 2016, Hg completed the sale of a majority interest in TeamSystem to Hellman & Friedman. This transaction resulted in cash proceeds to the Company of £39.0 million. Since the initial acquisition, TeamSystem has returned 2.0x multiple on cost. With the retained stake in the business, Hg look to benefit from the anticipated growth and drive a higher multiple of cost in due course. TeamSystem will likely remain an attractive candidate for a financial buyer, or potentially for an IPO.

Achilles

Business description

Achilles is a business-critical Data-as-a-Service ('DaaS') provider of supply chain information that allows global purchasing organisations in industries with complex regulatory requirements to drive operational excellence.

It is a technology-enabled business model, whereby a network of buyers in a certain vertical industry (e.g. UK utilities, Scandinavian Natural Resources etc.) require their key suppliers to qualify to a set of standardised information in the Achilles DaaS platform.

As the network operator, Achilles provides value to both suppliers and buyers and, for suppliers, it is often mandatory to join if they wish to supply the buyer industry vertical. Both buyers and suppliers pay annual subscription fees for this automated service.

Achilles currently operates more than 30 vertical market communities across five continents.

The Company's investment and co-investment through HGT LP

website:	www.achilles.com
Investment sector:	Technology
Cluster:	Legal & Compliance
Location:	UK
Investment date:	Jul 2008
Hg clients' total equity:	63.0%
Residual cost (£'000):	17,298
Unrealised value (£'000):	11,847

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 which is now being evidenced.

How is it performing?

We have completed the recruitment of a high-quality management team who will deliver a strong exit for Hg's investment. The team have already made material improvements to the cost base by restructuring lower contribution communities, and through the 2018 financial year have evidenced material new client wins (buyer and supplier). In addition, Achilles has unified its technology offering which has enhanced delivery and margins.

2019 financial performance will establish a base for an exit in the medium term. As we look towards exit, the company's core objectives are to continue organic revenue growth, whilst defending and improving margins.

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.

Citation

Business description

The Citation Group provides long-term, subscription-based compliance (HR, employment law and health & safety) and quality (ISO certification and supplier verification) services to over 40,000 SMEs throughout the UK. In doing so, it helps SMEs navigate the critical and complex regulatory environment with which they need to comply through its proprietary 'Atlas' technology platform and by providing 24/7 advice from highly-skilled and qualified experts.

For a full case study on Citation, please visit:
https://hgcapital.com/case-studies/#overlay/case/3695

The Company's investment through HGT 7 LP

website:	www.citation.co.uk
Investment sector:	Services
Cluster:	Legal & Compliance
Location:	UK
Investment date:	Mar 2016
Hg clients' total equity:	75.3%
Residual cost (£'000):	7,904
Unrealised value (£'000):	11,564

Why did we invest?

Citation operates in the regulatory-driven compliance services sector for SMEs in the UK, which is structurally growing at high single-digit rates and is materially underpenetrated. Under the current management team, the business built out a strong sales and marketing function which has driven double-digit organic growth. Citation is one of the highest quality and largest businesses in this sector, noted for its high levels of customer satisfaction resulting in sector-leading retention rates.

How do we intend to create value?

We believe that Citation's role providing business-critical solutions to customers, backed up by industry leading customer satisfaction scores, provides the platform to become a trusted partner to SMEs, which enables the group to provide further adjacent solutions to deepen this relationship and accelerate growth further. Over the next 12 months, Hg will be focused on supporting Citation to implement this value creation plan through: developing new products to cross-sell into the existing customer base; together with the OI team implementing a number of data analytics projects focused on lead scoring optimisation and unified group KPI reporting; as well as identifying further accretive M&A targets, building on the track record over the last three years.

What has been achieved?

The management team, with the support of Hg, have launched several initiatives focused on improving lead generation, developing new products and services to sell to existing customers and improving financial reporting, budgeting and controls. Five acquisitions have been completed since we first invested, including for example: EPM, a provider of HR compliance services for the UK education market; SMAS, a provider of supplier quality assessment subscription services and SolutionHost Group, a provider of H&S and HR compliance software for micro SMEs. All acquisitions are highly complementary to Citation and provide significant opportunities for synergies and cross-sell between the customer bases, by building out the group's range of services.

How is it performing?

Citation continues to grow organically at double digit rates, with consistently increasing net revenue retention and industry-leading customer acquisition metrics. Strong trading over 2018 has led to an increase of £4.4 million in the Company's valuation of its stake in Citation.

How will we crystallise value?

Citation's regulatory driven services and long-term subscription-based revenue model, delivered to a fragmented customer base, will continue to attract private equity interest at exit. In addition, there are also a number of potential trade exit opportunities.

Other investments

Many of our businesses outside the top 20 are also performing very well. Many of these are within the Hg Mercury Funds, which invest in smaller technology companies with EVs of between £50 million and £250 million.

The Mercury investments are seeing strong double-digit growth in both revenues and profits across its portfolio. They also sit firmly in Hg'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 of investment opportunities.

21 P&I PURE HR

web: www.pi-ag.com
Sector: Technology

P&I is a leading provider of integrated software solutions for Human Resources Management to the German and European Mittelstand. The business delivers payroll, core HR, human capital management, time and attendance as well as analytics to 15,000 customers across DACH and 11 further European countries via an integrated and highly automated private Cloud-based platform. Hg took P&I private via a public takeover offer in 2013 and re-invested into the business in 2016 alongside Permira.

22 STP

web: www.stp-online.de
Sector: Technology

STP is a leading provider of insolvency and law practice software in Germany. Founded in 1993 and headquartered in Karlsruhe, the business employs more than 100 people serving over 1,000 legal customers with critical software. STP's core business provides software solutions for insolvency law firms where it has a leading position in the German market. In recent years, STP launched a legal practice management software suite which is growing strongly. In addition, the company offers an online portal in the insolvency space and has a document management software product which it sells into both the insolvency market, as well as in combination with its practice management software. In October, the Mercury team refinanced STP, returning £1.3 million to the Company. STP continues to see positive performance.

23 Rhapsody

web: www.rhapsody.health
Sector: Technology

In October, Hg completed the acquisition of majority ownership of Orion Health's Rhapsody business and an investment in Orion Health's Population Health business. Healthcare technology is a core investment area for Hg, having completed a number of transactions across the sector. This investment was made from the Hg Mercury 2 Fund. The combination of Rhapsody's global team and Hg's resources will extend Rhapsody as a leader in the interoperability platform space, building on both Rhapsody's world-class technology and highly rated customer service.

24 EUCON

web: www.eucon.de
Sector: Technology

Eucon consists of two business units: Automotive and Digital Services.

The Automotive division is a leading provider of automotive parts pricing and reference data to vehicle and parts manufacturers globally. Eucon collects, processes and supplies crucial data to support its customers in managing their parts and aftermarket operations.

The Digital Services division is a highly automated claims management service to insurers in Germany as well as data extraction tools for Real Estate clients. In the insurance claims management business, Eucon assists insurers in achieving lasting reductions in claims expenditure through the sophisticated automation of claims processes and the application of structured data, for both car insurance and property insurance claims. In addition to this, Digital Services helps Real Estate clients automate data extraction, leveraging AI and machine learning capabilities.

Eucon has c. 400 staff and is headquartered in Germany with an additional office in the USA. The business serves nearly 250 clients operating in 40 countries.

Other investments continued

25 EidosMedia

web: www.eidosmedia.com

Sector: Technology

EidosMedia is a leading global provider of high-value enterprise content management ('ECM') solutions for the media and financial services industries. Its Cloud-enabled ECM platform, Méthode, is used daily by 30,000 content authors across more than 600 titles globally to create and deliver content across mobile, web and print channels. EidosMedia's software enables real time, simultaneous creation and customisation of media (text, financials, images and video), content management, and omnichannel distribution.

Headquartered in Milan, EidosMedia serves a global client base with a focus on Western Europe and the US with c. 90% of its revenues generated outside of Italy.

26 Evaluate

web: www.evaluategroup.com

Sector: Technology

Evaluate is a leading provider of commercial data to the Life Science industry. The business supplies critical information for complex commercial decisions to pharmaceutical companies and their advisors.

The core information includes historical and forecast revenue at a product, indication, or geographic level, enriched with clinical trial, patent, pricing, and patient data. This is important for users in business development, licensing and corporate strategy. Data is collected from c. 200 organisations (directly and indirectly), reported financials, and government data sources, and Evaluate creates value by normalising, structuring and continuously updating this information into a single consistent dataset.

In December, the Mercury team completed a refinancing, returning £0.8 million to the Company.

During 2018, positive trading performance has led to a small uplift of £1.0 million in the valuation of the Company's stake in Evaluate.

27 TRACEONE

web: www.traceone.com

Sector: Technology

Trace One's Cloud solutions enable global retailers and suppliers to collaborate and develop high-quality, trusted and compliant private label products. The platform is critical for helping retailers and suppliers to manage innovation, product safety, traceability and quality. Trace One serves a blue chip customer base of more than 25 leading retailers, across Europe and North America, with data on 20,000 member manufacturers. The business has a particularly strong footprint in France, serving seven of the top eight food retailers in the country.

In July, the Mercury team completed a refinancing, returning £5.7 million to the Company.

28 noventic

web: www.noventic.com

Sector: Technology

Noventic (formerly QUNDIS) supplies a full data management solution for the housing and utilities industries to collect, measure, and transmit consumption dependent data for heating and water usage on an apartment unit level.

In May 2017, the Munich team completed the sale of QUNDIS to Noventic, retaining a minority position in the combined group.

29 Gentrack

web: www.gentrack.com

Sector: Technology

Gentrack is a provider of business-critical software including billing and CRM for utilities and management systems for airports. Gentrack's shares are listed on the NZX and ASX markets and Hg is the largest institutional shareholder in the business. Gentrack focuses on utilities in Australia, New Zealand and the UK and airports globally. This investment is valued at its market price.

Other investments continued

Renewable energy

Website:	http://asper-im.com/
Investment sector:	Renewable Energy
Location:	Europe
Residual cost (£'000):	26,059
Unrealised value (£'000):	22,032

The Company has investments in two renewable energy funds: Asper RPP I and Asper RPP II. These fund investments continue to be overseen by the Manager but are managed by a specialist renewable energy team formerly at Hg.

On 30 November 2017, the team transitioned to Asper, a newly formed independent investment management firm. This transition had been in preparation for close to two years and is in line with the strategic plans of both Hg and the Asper team. Asper uses private equity skills to identify, acquire and build high quality European renewable energy projects. 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, Asper enhances value through economies of scale, shared expertise and aggregated generation capacity.

Asper has built a portfolio of high-quality projects on time and on budget and operational performance remains ahead of the investment case across all platforms.

However, financial returns have been materially reduced by retroactive tariff changes in Spain and depressed power prices in Sweden between 2010-2013. Since 2014 the Asper team has been working on a value recovery plan centred on:

- investments in and realisations from the portfolio assets unaffected by the adverse events;
- arbitration proceedings against Spain for the retroactive tariff changes; and
- debt restructuring of distressed projects.

The NAV has increased in 2018, thanks to positive developments in the arbitrations against Spain, including successful investor awards in similar claims.

The Asper team is hard at work to increase NAV further and crystallise value.

Financial statements

Income statement

for the year ended 31 December 2018

	Notes	Revenue return 2018 £'000	Revenue return 2017 £'000	Capital return 2018 £'000	Capital return 2017 £'000	Total return 2018 £'000	Total return 2017 £'000
Gains on investments and liquidity funds	13	–	–	93,792	109,738	93,792	109,738
Losses on priority profit share loans advanced to General Partners	5(b)	–	–	(6,325)	(1,372)	(6,325)	(1,372)
Net income	4	17,128	22,920	–	–	17,128	22,920
Other expenses	6(a)	(2,468)	(2,009)	–	–	(2,468)	(2,009)
Net return before finance costs and taxation		14,660	20,911	87,467	108,366	102,127	129,277
Finance costs	6(b)	(753)	(825)	–	–	(753)	(825)
Net return before taxation		13,907	20,086	87,467	108,366	101,374	128,452
Taxation	9(a)	(242)	(43)	–	–	(242)	(43)
Net return after taxation attributable to reserves		13,665	20,043	87,467	108,366	101,132	128,409
Return per Ordinary share	10(a)	36.61p	53.70p	234.34p	290.33p	270.95p	344.03p

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 comprehensive income 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.

The notes on pages 78 to 96 form part of these financial statements.

Balance sheet

as at 31 December 2018

	Notes	2018 £'000	2017 £'000
Fixed asset investments			
Investments at fair value through profit or loss:			
Unquoted investments	12	609,663	490,976
Total fixed asset investments		**609,663**	**490,976**
Current assets – amounts receivable after one year:			
Accrued income on fixed assets	14	39,531	71,107
Current assets – amounts receivable within one year:			
Debtors	14	154	414
Investments at fair value through profit or loss:			
Liquidity funds	15	152,920	155,938
Uninvested capital in limited partnerships		169	429
Cash at bank	16	3,436	3,925
Total current assets		**196,210**	**231,813**
Creditors – amounts falling due within one year	17	(886)	(1,765)
Net current assets		**195,324**	**230,048**
Net assets		**804,987**	**721,024**
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	119,958	79,256
Capital reserve – realised	21	523,528	476,763
Revenue reserve	21	30,554	34,058
Total equity shareholders' funds		**804,987**	**721,024**
Net asset value per Ordinary share	**10(b)**	**2,156.7p**	**1,931.7p**
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 74 to 96 were approved and authorised for issue by the Board of Directors on 8 March 2019 and signed on its behalf by:

Roger Mountford, Chairman

Richard Brooman, Director

The notes on pages 78 to 96 form part of these financial statements.

Statement of cash flows

for the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Net cash (outflow)/inflow from operating activities	7	(17,850)	10,990
Investing activities:			
Purchase of fixed asset investments	12	(187,338)	(73,021)
Proceeds from the sale of fixed asset investments	12	218,925	201,584
Purchase of liquidity funds	15	(222,882)	(166,409)
Redemption of liquidity funds	15	226,578	50,700
Net cash inflow from investing activities		35,283	12,854
Financing activities:			
Servicing of finance		(753)	(760)
Equity dividends paid	11	(17,169)	(23,141)
Net cash outflow from financing activities		(17,922)	(23,901)
Decrease in cash and cash equivalents in the year	16	(489)	(57)
Cash and cash equivalents at 1 January	16	3,925	3,982
Cash and cash equivalents at 31 December	16	3,436	3,925

The notes on pages 78 to 96 form part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2018

	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
			Non-distributable			Distributable		
At 31 December 2017		9,331	120,368	1,248	79,256	476,763	34,058	721,024
Net return from ordinary activities		–	–	–	40,702	46,765	13,665	101,132
Equity dividends paid	11	–	–	–	–	–	(17,169)	(17,169)
At 31 December 2018	**20, 21**	**9,331**	**120,368**	**1,248**	**119,958**	**523,528**	**30,554**	**804,987**
At 31 December 2016		9,331	120,368	1,248	81,061	366,592	37,156	615,756
Net return from ordinary activities		–	–	–	(1,805)	110,171	20,043	128,409
Equity dividends paid	11	–	–	–	–	–	(23,141)	(23,141)
At 31 December 2017	**20, 21**	**9,331**	**120,368**	**1,248**	**79,256**	**476,763**	**34,058**	**721,024**

The notes on pages 78 to 96 form part of these financial statements.

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'), issued in November 2014 and updated in February 2018. 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 next twelve-month period from the date of this Report.

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 six separate partnership agreements with general and founder partners in May 2003 (subsequently revised in January 2009), January 2009, July 2011, March 2013, December 2016, February 2017, January 2018 and February 2018; 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, HGT 7 LP, HGT 8 LP, HgCapital Mercury D LP, HGT Mercury 2 LP, HGT Saturn LP and HGT Transition Capital 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 table of investments on page 39. The underlying investments that are held indirectly are included in the overview of investments on page 48.

Consolidated financial statements have not been prepared because the Company does not have control over the operating and financial activities of the underlying investment holding limited partnerships, as the general partners are responsible for the management of their activities.

Partnerships where the Company is a minority limited partner

In July 2011, the Company acquired a direct secondary investment in HgCapital 6 E LP ('Hg 6E LP'), one of the partnerships that comprise the Hg 6 Fund, in which the Company is now a limited partner *pari passu* with other limited partners. This is a direct investment in the Hg 6E LP Fund, as shown on the balance sheet and in the table of investments on page 39.

The Company also entered into partnership agreements with other limited partners with the purpose of investing in renewable energy projects by making capital commitments in Asper Renewable Power Partners LP ('Asper RPP I LP') and Asper Renewable Power Partners 2 C LP ('Asper RPP II LP') (together the 'renewable funds'). These are direct investments in the renewable funds, as shown on the balance sheet and in the table of investments on page 39.

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.

3. Organisational structure and accounting policies continued

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 (see note 5(b)).

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 allocated to the Company, when the right to these returns is established.

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 and 12 to the financial statements disclose the gross income and gross capital gains of the primary buyout funds 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 allocated to the Company and recognised when the right to this income is established. Income from Hg 6 E LP and the renewable energy 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, prior to allocation between the Partners:

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 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 dividends are received 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.

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 or revenue, as appropriate. 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 or revenue as appropriate.

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 tax is recognised on all timing differences at the reporting date. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

3. Organisational structure and accounting policies continued

Investments

The general principle applied is that investments should be reported at 'fair value', in accordance with Sections 11 and 12 of FRS 102 and the International Private Equity and Venture Capital ('IPEV') Valuation Guidelines, December 2015 edition. The December 2018 revision will be adopted in the 2019 Interim and Annual financial statements.
Where relevant, the Company applies the policies stated below to the investments held by the primary buyout funds, 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 Hg 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 held at fair value, which is deemed to be their bid price.

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

(i) initially, investments are valued at the price of recent investments less fees. Subsequently, investments are valued based on (ii) to (iv) below;

(ii) 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 fair value movements are made against all individual valuations where necessary to reflect unsatisfactory financial performance or a fall in comparable ratings.

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 the Manager'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 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 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 estimate 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. An attribution analysis of movements in the fair value of investments can be found on page 35 and an analysis of the trading performance and valuation and gearing analysis of the top 20 buyout investments by value can be found on pages 36 and 37. A sensitivity analysis to equity price risk can be found in note 19.

4. Income

	Revenue return 2018 £'000	Revenue return 2017 £'000
Total net income comprises:		
Interest	16,349	22,706
Dividend	706	60
Non-interest income	73	154
Total net income	**17,128**	**22,920**

All income that is recognised by the primary buyout funds, net of PPS, is allocated to the Company and recognised when the right to this income is established. This income and PPS is analysed further below.

	Revenue return 2018 £'000	Revenue return 2017 £'000
Income from investments held by HGT LP, HGT 6 LP, HGT 7 LP, HGT 8 LP, HgCapital Mercury D LP, HGT Mercury 2 LP, HGT Saturn LP and HGT Transition Capital LP:		
Unquoted investment income	19,453	27,332
Dividend income	706	60
Other investment income:		
Unquoted investment income	1,161	685
Liquidity funds income	1,033	1,028
Total investment income	22,353	29,105
Total other income	128	154
Total income	**22,481**	**29,259**
Priority profit share charge against income:		
Current year – HGT 7 LP	(2,445)	(3,179)
Current year – HGT 8 LP	(1,315)	–
Current year – HGT Mercury 2 LP	(736)	–
Current year – HgCapital Mercury D LP	(409)	(765)
Current year – HGT Saturn LP	(304)	–
Current year – HGT LP	(92)	(560)
Current year – HGT Transition Capital LP	(52)	–
Current year – HGT 6 LP	–	(1,835)
Total priority profit share charge against income (note 5(a))	(5,353)	(6,339)
Total net income	**17,128**	**22,920**

5. Priority profit share and carried interest

(a) Priority profit share payable to General Partners	Revenue return 2018 £'000	Revenue return 2017 £'000
Priority profit share payable:		
Current year amount	11,678	7,711
Less: Current year loans advanced to General Partners (note 5 (b))	(6,325)	(1,882)
Add: Prior year loans recovered from General Partners (note 5 (b))	–	510
Current year charge against income	5,353	6,339
Total priority profit share charge against income (note 4)	**5,353**	**6,339**

The priority profit share payable on the primary buyout funds rank as a first appropriation of net income from investments held in these partnerships respectively and is deducted prior to such income being attributed to the Company in its capacity as a Limited Partner. The net income of the primary buyout funds 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 106.

The terms of the above priority profit share arrangements during 2018 were:

Primary buyout Fund partnership	Priority profit share
HGT 8 LP	1.75% on the fund commitment during the investment period
HGT Mercury 2 LP	1.75% on the fund commitment during the investment period
HGT 7 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 30 September 2017).
HgCapital Mercury D 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 30 September 2017).
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.
HGT Saturn LP	1.0% on invested capital (commenced 19 March 2018)
HGT Transition Capital LP	1.25% on invested capital (commenced 20 September 2018)
HGT LP	0.5% on the value of investments in fund, excluding co-investments (from 1 March 2017, previously 1.5% on the value of investments, excluding co-investments).

In addition, priority profit shares are payable on partnerships where the Company is a minority limited partner invested *pari passu* with other institutional investors. 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
Hg 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.
Asper Renewable Power Partners 2 C LP	1.25% of lesser of value or cost of investments.
Asper 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.

5. Priority profit share and carried interest continued

(b) Priority profit share loans to General Partners	Capital return 2018 £'000	2017 £'000
Movement on loans to General Partners:		
Losses on current year loans advanced to General Partners	(6,325)	(1,882)
Gains on prior year loans recovered from General Partners	–	510
Total losses on priority profit share loans advanced to General Partners	(6,325)	(1,372)

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.

(c) Carried interest to Founder Partners	Capital return 2018 £'000	2017 £'000
Carried interest charge against capital gains:		
Current year charge against realised capital gains (note 13)	55,023	–
Current year (credit)/charge against unrealised capital gains (note 13)	(40,599)	26,629
Total carried interest charge against capital gains	14,424	26,629

The carried interest payable ranks as a first appropriation of capital gains on the investments held in the primary buyout funds, 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 the primary buyout funds during the year, after the deduction of carried interest, is shown in the income statement.

The details of the carried interest contracts, disclosed in the Directors' report on page 106, state that carried interest is payable once a certain level of repayments have been made to the Company. Based on the repayments made during 2018, £55,023,000 of carried interest was paid in respect of the current financial year (no carried interest was payable in respect of the prior financial year). If the investments in HGT 6 LP, HGT 7 LP, HgCapital Mercury D LP and Hg 6 E LP are realised at the current fair value and then distributed to Partners, an amount of £42,312,000 will be payable to the Founder Partner (2017: £82,911,000 payable to the Founder Partner) and therefore the Directors have made a provision for this amount (see note 12). No provision is required in respect of the Company's investment in the other fund limited partnerships.

6. Other expenses

(a) Operating expenses	Revenue return 2018 £'000	Revenue return 2017 £'000
Registrar, management and administration fees	837	721
Directors' remuneration (note 8)	261	216
Legal and other administration costs[1]	1,302	1,004
	2,400	1,941
Fees payable to the Company's auditor in relation to the Company:		
Audit fees	68	68
Total fees payable to the Company's auditor	68	68
Total other expenses	**2,468**	**2,009**

[1]Includes employer's National Insurance contributions of £29,427 (2017: £24,113).

(b) Finance costs	Revenue return 2018 £'000	Revenue return 2017 £'000
Interest paid	–	62
Non-utilisation fees and other expenses	753	763
Total finance costs	**753**	**825**

7. Cash flow from operating activities

Reconciliation of net return before finance costs and taxation to net cash flow from operating activities	2018 £'000	2017 £'000
Net return before finance costs and taxation	102,127	129,277
Gains on investments held at fair value and liquidity funds	(54,297)	(138,826)
Carried interest paid	(55,023)	–
(Decrease)/increase in carried interest provision	(40,599)	26,629
(Increase) in accrued income from liquidity funds	(1,033)	(1,020)
Decrease/(increase) in prepayments, accrued income and other debtors	31,577	(5,815)
(Decrease)/increase in creditors	(616)	1,214
Taxation received/(paid)	14	(469)
Net cash (outflow)/inflow from operating activities	**(17,850)**	**10,990**

8. Directors' remuneration

The aggregate remuneration of the Directors for the year to 31 December 2018 was £261,462 (2017: £215,500). Further information on the Directors' remuneration is disclosed in the Directors' remuneration report on pages 119 and 120.

9. Taxation

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 reported in the capital return during the year. To the extent possible, 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 2018.

9. Taxation continued

The rate of corporation tax in the UK for a company was 19% during the year (2017: effective tax rate of 19.25%). However, the tax charge in the current and prior year was lower than the standard and effective 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.

(a) Analysis of charge in the year	Revenue return 2018 £'000	Revenue return 2017 £'000
Current tax:		
UK corporation tax	2,173	3,305
Income streaming relief	(2,173)	(3,305)
Prior year adjustment	(17)	(103)
Current revenue tax credit for the year	(17)	(103)
Deferred tax:		
Reversal of timing differences	259	146
Total deferred tax charge for the year (note 9(c))	259	146
Total taxation charge	**242**	**43**

(b) Factors affecting current tax charge for the year	Revenue return 2018 £'000	Revenue return 2017 £'000
Net revenue return before taxation	**13,907**	**20,086**
UK corporation tax charge at 19% thereon (2017: 19.25%)	2,642	3,867
Effects of:		
Tax relief from interest distribution	(2,173)	(3,305)
Impact of change in tax rates	–	45
Tax relief from expenses allocated to capital	(210)	(461)
Prior year tax adjustment	(17)	(103)
Total differences	(2,400)	(3,824)
Total taxation charge	**242**	**43**

(c) Deferred tax	Revenue return 2018 £'000	Revenue return 2017 £'000
Deferred tax:		
Movement in taxable income not recognised in revenue return	259	146
Total deferred tax charge for the year (note 9(a))	259	146
Deferred tax recoverable:		
Recoverable deferred tax at 31 December	363	509
Deferred tax charge for the year	(259)	(146)
Recoverable deferred tax at end of year (note 14)	104	363

Deferred tax assets of £104,000 (2017: £363,000) are recognised at a rate of 19% (2017: 19%) 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 2019, during which the standard corporation tax rate will be 19%.

10. Return and net asset value per Ordinary share

(a) Return per Ordinary share	Revenue return 2018	Revenue return 2017	Capital return 2018	Capital return 2017
Amount (£'000):				
Net return after taxation	13,665	20,043	87,467	108,366
Number of Ordinary shares ('000):				
Weighted average number of Ordinary shares in issue	37,325	37,325	37,325	37,325
Return per Ordinary share (pence)	**36.61**	**53.70**	**234.34**	**290.33**

(b) Net asset value per Ordinary share	Capital return 2018	Capital return 2017
Amount (£'000):		
Net assets	804,987	721,024
Number of Ordinary shares ('000):		
Number of Ordinary shares in issue	37,325	37,325
Net asset value per Ordinary share (pence)	**2,156.7**	**1,931.7**

11. Dividends on Ordinary shares

	Record date	Payment date	2018 £'000	2017 £'000
Interim Dividend of 16.0p for the year ended 31 December 2018	20 September 2018	26 October 2018	5,972	–
Final Dividend of 30.0p for the year ended 31 December 2017	29 March 2018	27 April 2018	11,197	–
Interim Dividend of 16.0p for the year ended 31 December 2017	21 September 2017	27 October 2017	–	5,972
Dividend of 46.0p for the year ended 31 December 2016	6 April 2017	15 May 2017	–	17,169
Total equity dividends paid			**17,169**	**23,141**

The proposed final dividend of 30.0 pence per Ordinary share for the year ended 31 December 2018 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:

	2018 £'000	2017 £'000
Revenue available for distribution by way of dividend for the year	13,665	20,043
Interim dividend of 16.0 pence (2017:16.0 pence) for the year ended 31 December	(5,972)	(5,972)
Proposed final dividend of 30.0 pence (2017:30.0 pence) for the year ended 31 December (based on 37,324,698 Ordinary shares in issue at 31 December 2018 – 2017:37,324,698)	(11,197)	(11,197)
Distributions in excess of revenue for Section 1159 purposes	**(3,504)**	**2,874**

12. Fixed asset investments

	2018 £'000	2017 £'000
Investments held at fair value through profit and loss:		
Unquoted investments held in HGT 7 LP	248,186	245,698
Unquoted investments held in HGT LP	111,544	98,204
Unquoted investments held in HGT 8 LP	93,887	6,904
Unquoted investments held in HGT Saturn LP	66,427	–
Unquoted investments held in HgCapital Mercury D LP	38,595	59,048
Unquoted investments held in HGT Mercury 2 LP	37,105	6,510
Other unquoted investments held by the Company	22,994	25,622
Unquoted investments held in HGT 6 LP	18,275	131,901
Unquoted investments held in HGT Transition Capital LP	14,962	–
Total fixed asset investments gross of carried interest provision	651,975	573,887
Carried interest provision (note 5(c))	(42,312)	(82,911)
Total fixed asset investments	609,663	490,976
Total fixed asset investments consist of:		
Fund limited partnerships	609,663	490,976

		2018 £'000	2017 £'000
Opening valuation as at 1 January		490,976	506,961
Opening unrealised appreciation	– investments	(166,260)	(138,423)
Opening carried interest provision		82,911	56,282
Opening book cost as at 1 January		407,627	424,820
Movements in the year:			
Additions at cost		187,338	73,021
Disposals	– proceeds	(218,925)	(201,584)
	– realised gains on sales	102,670	111,370
Closing book cost of investments		478,710	407,627
Add: closing unrealised appreciation	– investments	173,265	166,260
Less: closing carried interest provision		(42,312)	(82,911)
Closing valuation of investments at 31 December		609,663	490,976

The investments above include investments in companies that are indirectly held by the Company through its investment in the primary buyout funds as set out in note 3 on page 78, and investments in fund limited partnerships in Hg 6 E LP, Asper Renewable Power Partners LP and Asper Renewable Power Partners 2 C LP. The net assets attributable to partners at 31 December 2017, being the date of the last audited balance sheet, of these primary buyout funds were £111,741,884 (HGT LP), £165,928,736 (HGT 6 LP), £261,926,931 (HGT 7 LP), £66,764,373 (HgCapital Mercury D LP), £5,631,128 (HGT 8 LP) and £6,540,546 (HGT Mercury 2 LP). The first set of audited financial statements for HGT Saturn LP and HGT Transition Capital LP will be prepared for the year-ended 31 December 2018.

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

		Capital return 2018 £'000	Capital return 2017 £'000
Realised:			
Realised gains/(losses)	– fixed asset investments	102,670	111,370
	– liquidity funds	1,057	128
	– aborted deal fees	(1,939)	(1,261)
	– loan facility	–	(66)
		101,788	110,171
Carried interest charge against realised capital gains (note 5(c))		(55,023)	–
Net realised gains		46,765	110,171
Unrealised:			
Unrealised gains/(losses)	– fixed asset investments	7,005	27,837
	– aborted deal fees	835	(1,132)
	– liquidity funds	(1,412)	(509)
		6,428	26,196
Carried interest credit/(charge) against unrealised capital gains (note 5(c))		40,599	(26,629)
Net unrealised gains		47,027	(433)
Total gains		93,792	109,738

14. Debtors and accrued income

	2018 £'000	2017 £'000
Amounts receivable after one year:		
Accrued income on fixed assets	39,531	71,107
Amounts receivable within one year:		
Deferred tax recoverable (note 9(c))	104	363
Prepayments and accrued income	50	51
Total amounts receivable within one year	154	414
Total debtors	39,685	71,521

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

15. Liquidity funds

	2018 £'000	2017 £'000
Investments held at fair value through profit or loss:		
Opening valuation	155,938	39,590
Purchases at cost	222,882	166,409
Redemptions	(226,578)	(50,700)
Movement in unrealised capital losses	(1,412)	(509)
Movement in accrued income	1,033	1,020
Realised capital gains	1,057	128
Closing valuation	152,920	155,938

16. Movement in net funds

	2018 £'000	2017 £'000
Analysis and reconciliation of net funds:		
Change in cash	(489)	(57)
Net funds at 1 January	3,925	3,982
Net funds at 31 December	3,436	3,925
Net funds comprise:		
Cash	3,436	3,925

17. Creditors – amounts falling due within one year

	2018 £'000	2017 £'000
Taxation payable	–	3
Accruals	886	1,762
Total creditors	886	1,765

The Directors consider that the carrying amount of creditors approximates 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. 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. 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 0.9% p.a. is liable on any undrawn commitment. The facility was undrawn as at the end of the year. In March 2019, the facility was extended until 30 June 2022 with the option of adding a further £80 million via an 'accordion' facility, subject to the bank's agreement at the time.

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 Asper RPP I LP, Asper RPP II LP, Hg 6E LP and the underlying investments in HGT LP, HGT 6 LP, HGT 7 LP, HGT 8 LP, HgCapital Mercury D LP, HGT Mercury 2 LP, HGT Saturn LP and HGT Transition Capital LP as described in note 3 on page 78.

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 Hg 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 39 and a breakdown of the most significant underlying investments is given on page 48. 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 and valued (see page 93). The Company has exposure to interest rate movements, through bank deposits and liquidity funds.

In the opinion of the Directors, the diversified nature of the Company's investments 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 7 LP	–	–	248,186	248,186
– Investment in HGT LP	–	–	111,544	111,544
– Investment in HGT 8 LP	–	–	93,887	93,887
– Investment in HGT Saturn LP	–	–	66,427	66,427
– Investment in HgCapital Mercury D LP	–	–	38,595	38,595
– Investment in HGT Mercury 2 LP	–	–	37,105	37,105
– Investment in Asper RPP II LP	–	–	20,266	20,266
– Investment in HGT 6 LP	–	–	18,275	18,275
– Investment in HGT Transition Capital LP	–	–	14,962	14,962
– Investment in Asper RPP I LP	–	–	1,766	1,766
– Investment in Hg 6 E LP	–	–	962	962
– Liquidity funds	–	152,920	–	152,920
– Carried interest provision	–	–	(42,312)	(42,312)
– Uninvested capital in limited partnerships	–	–	169	169
As at 31 December 2018	–	152,920	609,832	762,752

	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 7 LP	–	–	245,698	245,698
– Investment in HGT 6 LP	–	–	131,901	131,901
– Investment in HGT LP	–	–	98,204	98,204
– Investment in HgCapital Mercury D LP	–	–	59,048	59,048
– Investment in Asper RPP II LP	–	–	16,709	16,709
– Investment in Hg 6 E LP	–	–	8,119	8,119
– Investment in HGT 8 LP	–	–	6,904	6,904
– Investment in HGT Mercury 2 LP	–	–	6,510	6,510
– Investment in Asper RPP I LP	–	–	794	794
– Liquidity funds	–	155,938	–	155,938
– Carried interest provision	–	–	(82,911)	(82,911)
– Uninvested capital in limited partnerships	–	–	429	429
As at 31 December 2017	–	155,938	491,405	647,343

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.

19. Financial risk continued

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.

The following table presents the movement in level 3 investments for the year ended 31 December 2018 by class of financial instrument.

	Total Investments in limited partnerships 2018 £'000
Unquoted investments:	
Opening balance	490,976
Purchases	187,338
Realisations at 31 December 2017 valuation	(179,458)
Unrealised appreciation of fixed asset investments	70,208
Movement in carried interest provision	40,599
Closing unrealised valuation of level 3 investments	**609,663**

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 Company's investment activities by ensuring full and timely access to relevant information from Hg. 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 a fair value movement in value between regular valuations, it can revalue the investment. The Board also monitors Hg's compliance with the Company's investment objective and investment policy.

Hg'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%	±64,919	±173.9

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 International 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. Hg assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk across all of the Company's investments 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 enterprise 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. Hg 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 Company's holdings changes through the purchase and realisation of investments to meet the Company's objectives.

	Revenue return		Capital return	
	£'000	NAV per ordinary share Pence	£'000	NAV per ordinary share Pence
Highest value against sterling during the year:				
Danish krone (8.2009)	5	–	230	0.6
Euro (1.0996)	121	0.3	2,429	6.5
New Zealand dollar (1.8199)	–	–	104	0.3
Norwegian krone (10.5910)	–	–	5,924	15.9
Swedish krona (11.0099)	–	–	–	–
Swiss franc (1.2398)	–	–	–	–
US dollar (1.2525)	51	0.1	1,893	5.1
Potential gain if sterling depreciates	177	0.4	10,580	28.4
Lowest value against sterling during the year:				
Danish krone (8.6312)	(14)	–	(613)	(1.6)
Euro (1.1589)	(355)	(1.0)	(7,141)	(19.1)
New Zealand dollar (2.0370)	–	–	(161)	(0.4)
Norwegian krone (11.1601)	–	–	(1,692)	(4.5)
Swedish krona (12.1385)	–	–	–	–
Swiss franc (1.3817)	–	–	–	–
US dollar (1.4330)	(334)	(0.9)	(12,469)	(33.4)
Value at risk if sterling appreciates	(703)	(1.9)	(22,076)	(59.0)

At 31 December 2018, the following rates were applied to convert foreign denominated assets into sterling: Danish krone (8.3140); euro (1.1141); New Zealand dollar (1.8993); Norwegian krone (11.0284); Swedish krona (11.2916); Swiss franc (1.2555); and US dollar (1.2736).

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 used for hedging 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 (2017: nil).

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 £400,000, 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 19% 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 Hg 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 14.

Currency and interest rate exposure

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

	2018				2017			
	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	156,525	177,523	334,048	41.5	160,292	182,885	343,177	47.5
Euro	–	193,686	193,686	24.0	–	165,980	165,980	23.0
Norwegian krone	–	143,429	143,429	17.8	–	97,009	97,009	13.4
US dollar	–	115,097	115,097	14.3	–	107,724	107,724	14.9
Danish krone	–	17,076	17,076	2.1	–	997	997	0.1
New Zealand dollar	–	2,383	2,383	0.3	–	3,335	3,335	0.5
Swedish krona	–	–	–	–	–	3,991	3,991	0.6
Swiss franc	–	–	–	–	–	162	162	–
Total	156,525	649,194	805,719	100.0	160,292	562,083	722,375	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 investments held in fund limited partnerships, net of the provision for carried interest.

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:

	2018 £'000	2017 £'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	674,040	590,077
Total capital	**804,987**	**721,024**

With the assistance of Hg, 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

	2018		2017	
	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 2018	120,368	1,248	79,256	476,763	34,058
Transfer on disposal of investments	–	–	(63,203)	63,203	–
(Losses)/gains on liquidity funds	–	–	(1,412)	1,057	–
Gains/(losses) on aborted deal fees	–	–	835	(1,939)	–
Net gain on sale of fixed asset investments	–	–	–	39,467	–
Net movement in unrealised appreciation of fixed asset investments	–	–	70,208	–	–
Dividend paid	–	–	–	–	(17,169)
Net return for the year after taxation	–	–	–	–	13,665
Net loans recovered from General Partners	–	–	(6,325)	–	–
Carried interest	–	–	40,599	(55,023)	–
As at 31 December 2018	120,368	1,248	119,958	523,528	30,554

22. Commitment in fund partnerships and contingent liabilities

Fund	Original commitment £'000	Outstanding at 31 Dec 2018 £'000	Outstanding at 31 Dec 2017 £'000
HGT 8 LP[1]	350,000	247,905	341,084
HGT Saturn LP[1]	150,000	92,411	–
HGT Transition Capital LP[1]	75,000	59,460	–
HGT Mercury 2 LP[1]	80,000	49,774	73,306
Asper RPP II LP	35,903[2]	6,607[3]	8,354[3]
HGT 7 LP	200,000	5,451	–
HGT 6 LP[2]	285,029	3,750	17,174
HgCapital Mercury D LP[2]	60,000	3,228	6,182
HGT LP[4]	120,000	1,261	1,261
Asper RPP I LP	19,424[5]	749[6]	796[6]
Hg 6 E LP[2]	15,000	197	940
Total outstanding commitments		470,793	449,097

[1] The Company has the benefit of an opt-out provision in connection with its commitments to invest alongside Hg8, Hg Mercury 2 and Hg Saturn, and in Transition Capital, allowing it to opt out of its obligation to fund draw-downs under its commitments, without penalty, where certain conditions exist.

[2] Sterling equivalent of €40,000,000.

[3] Sterling equivalent of €7,361,000 (2017: €9,412,000).

[4] 21.4% of the original £120 million commitment to the HgCapital 5 Fund, 5.0% of the original £300 million to the HgCapital 6 Fund and 7.6% of the £60 million to the Mercury 1 Fund, have subsequently been cancelled, as the Manager deemed that it was unlikely to be required.

[5] Sterling equivalent of €21,640,000.

[6] Sterling equivalent of €834,000 (2017: €897,000).

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

Hg 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 Hg's executives (past and present), as the founder partners of the fund partnerships in which the Company invests. In addition, Hg 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 119 and employer's National Insurance contributions are disclosed in note 6 (a). There are no other identified related parties at the year-end, and as of 8 March 2019.

24. Post balance sheet events

There were no post balance sheet events.

Independent auditor's report

to the members of HgCapital Trust plc

Opinion – Our opinion on the financial statements is unmodified

We have audited the financial statements of HgCapital Trust plc (the 'company') for the year ended 31 December 2018 which comprise the Income statement, Balance sheet, Statement of cash flows, Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its net return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law.

Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on pages 16 to 18 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation, set out on page 16 of the Annual Report, 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 Directors' Statement, set out on page 16 of the financial statements, about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' 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;
- whether the Directors' Statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation, set out on page 16 of the Annual Report, 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.

Overview of our audit approach

- Overall materiality: £15,373,000, which represent approximately 2% of the company's net assets.
- Key audit matters were identified as
  – Valuation of unquoted investments
  – Existence of unquoted investments, and
  – Revenue recognition
- Our audit approach was a risk based substantive audit focused on the investment activities of the company.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. 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.

Key Audit Matter: Valuation of unquoted investments

Unquoted investments are the largest asset class in the financial statements of the Company.

Valuation of unquoted investments includes a number of judgements such as the valuation methodology to be applied and key assumptions to be used.

These key assumptions include the maintainable earnings, a selection of a set of comparable listed companies and adjustments applicable to market multiples.

These subjective judgements introduce a risk that the fair value measurements of these unquoted companies may not be accurate.

We therefore identified valuation of unquoted investments as a significant risk, which was one of the most significant assessed risks of material misstatement.

How the matter was addressed in the audit

Our audit work included, but was not restricted to:

- Documenting and assessing the design and implementation of the investment valuation process and the controls in place at the Manager;
- Attending the Audit and Valuations Committee meetings during the period where we received detailed updates on investments from the Manager and observed the committee's effective review and challenge of unquoted investment valuations;
- Conducting procedures to satisfy ourselves of the qualifications and expertise of the Manager to prepare investment valuations for the Company;
- Obtaining an understanding of matters that may affect the fair value of the unquoted investments through discussions with the Manager and independent research into investee companies and industry trends;
- Assessing the appropriateness of the valuation methodologies used and whether the valuations were performed in accordance with International Private Equity and Venture Capital valuation guidelines and FRS 102;
- Using the experience and expertise of our internal valuation specialists, we tested the appropriateness of the key assumptions used in the valuations. Specifically, we:
  1. assessed the appropriateness of the adjustments made to earnings to arrive at a maintainable position;
  2. challenged the Manager on the selection of comparable listed companies as well as completeness of this basket by identifying alternative potential comparable companies; and
  3. challenged the investment manager on the discounts applied to the market multiples
- Tested the significant inputs to a sample of unquoted valuations by agreeing key information such as revenue, earnings and capital structure to information provided by the underlying businesses and checking the arithmetical accuracy; and
- Reviewed the cross-checking to alternative valuation methods prepared by the Manager.

The company's accounting policy on valuation of unquoted investments is shown in note 3 to the financial statements and related disclosures are included in note 12. The Audit and Valuation Committee identified valuation of unquoted investments as a key area of attention in its report on page 116 where the Audit and Valuations Committee also described the action that it has taken to address this issue.

Key observations

Our audit work did not identify any material misstatements concerning the valuation of unquoted investments.

Key Audit Matter: Existence of unquoted investments

The company holds significant investments in unquoted companies through several fund limited partnerships, as disclosed in note 3 of the financial statements. These investments represent the largest class of assets of the Company.

There is a risk that the beneficial rights of the Company over these investments may not exist through the fund partnerships in which it invests. An error in the holdings could materially impact the Company's net assets.

We therefore identified existence of unquoted investments as a significant risk, which was one of the most significant assessed risks of material misstatement.

How the matter was addressed in the audit

Our audit work included, but was not restricted to:

- Documenting and assessing the design and implementation of controls and processes in place at the Investment Manager around the ownership of investments held by the Company;
- Testing of material additions and disposals within the portfolio companies to supporting documentation such as the Sales and Purchase agreements; and
- Testing the beneficial rights to investments by verifying the proportion held through the fund limited partnerships to the underlying agreements and independent administrator confirmations. In addition, we agreed the underlying instruments held to share certificates and other supporting documentation.

The company's accounting policy on recognition of investments is shown in note 3 to the financial statements and related disclosures are included in note 12.

Key observations

Our audit work did not identify any material misstatements concerning the existence of investments.

Key Audit Matter: Revenue recognition

The company is subject to Investment Trust Company (ITC) regulations and as a result is required to allocate returns between revenue and capital. During the year, the Company has recognised income of £17 million (2017:£23 million) in revenue and £94 million (2017:£110 million) in capital.

There is a risk that income recognised in the year may be materially misstated through fraudulent transactions and error. This could also impact the level of distribution required under ITC regulations.

We therefore identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.

How the matter was addressed in the audit

Our audit work included, but was not restricted to:

- Assessing the design and implementation of processes in relation to revenue recognition by walking through the controls and processes in place;
- Assessing whether the Company's accounting policies in relation to revenue recognition are in compliance with FRS 102 and the Statement of Recommended Practice issues by the Association of Investment Companies (AIC SORP); and
- Recalculating the revenue recognised in accordance with the underlying agreements and checking the accuracy of the gains and losses recognised on investments in the year.

The Company's accounting policy on revenue recognition is shown in note 3 to the financial statements and related disclosures are included in note 4.

Key observations

Our audit work did not identify any material misstatements concerning revenue recognition.

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 in determining the nature, timing and extent of our work and in evaluating the results of that work.

We determined materiality for the audit of the financial statements as a whole to be £15,373,000, which is approximately 2% of the Company's net assets. This benchmark is considered the most appropriate because it represents a key financial metric used to measure the performance of the Company and is of primary interest to the users of the financial statements.

Materiality for the current year is higher than the level that was determined for the year ended 31 December 2017, reflecting an increase in the value of net assets in the year.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality. We also determine a lower level of materiality for areas such as Directors' remuneration.

We determined the threshold at which we will communicate misstatements to the Audit & Valuation Committee to be £769,000. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Company's business, its environment and risk profile. As part of the planning of the engagement, we attended periodic Audit and Valuation Committee meetings in order to document our understanding of the valuation process. In addition, we undertook walkthroughs of the systems and controls in place prior to the commencement of our audit in order to assess the effectiveness of the internal controls.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 110 – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit & Valuation Committee reporting set out on page 115 – the section describing the work of the Audit & Valuation Committee does not appropriately address matters communicated by us to the Audit & Valuation Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 111 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Our opinions on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

Matter on which we are required to report under the Companies Act 2006

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 material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 110, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). Our audit approach is a risk-based approach and is explained more fully in the 'An overview of the scope of our audit' section of our audit report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by the Board and approved at the Annual General Meeting on 10 May 2017. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 2 years.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit & Valuation Committee.

Use of our report

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

Marcus Swales
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
8 March 2019

Corporate governance

Directors' report

The Directors present the Annual Report and Accounts of HgCapital Trust plc (the 'Company') (Reg. No. 1525583) for the year ended 31 December 2018.

The Corporate Governance Report forms part of this Directors Report. Information about future developments and important events since the year end are included in the Chairman's statement on pages 4 to 13.

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 2018 the Company had 37,324,698 Ordinary shares of 25 pence each in issue, with no shares held in Treasury. 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.

Dividend Policy

The Board aims to sustain a minimum annual dividend level of 46.0p per Ordinary share, but is mindful of the Company's objective to achieve long-term growth in shareholder value. The ability to meet these two objectives depends significantly on income receivable from investments and on the level and timing of profitable realisations to generate sufficient cash and cannot be guaranteed. There will be variations in the amount of dividends paid year on year.

Results and dividend

The total return after taxation for the year, was £101,132,000 (2017: £128,409,000) of which the revenue return was £13,665,000 (2017: revenue return of £20,043,000).

Following payment of an interim dividend of 16 pence per Ordinary share in October 2018, the Directors recommend the payment of a final dividend of 30 pence per Ordinary share for the year ended 31 December 2018, making a total of 46 pence (2017: 46 pence). Subject to the approval of this dividend at the forthcoming Annual General Meeting ('AGM'), it will be paid on 30 April 2019 to shareholders on the register of members at the close of business on 22 March 2019.

Risk Management and Objectives

The Company is subject to various risks in pursuing its objectives. The nature of these risks and the controls and policies in place used to minimise these risks are further detailed in the Strategic Report and in note 19 to the financial statements.

The Company's Board of Directors

As at the date of this Report, the Board comprises six non-executive Directors, all of whom are considered to be independent. Jim Strang and Guy Wakeley joined the Board in March 2018 and Mark Powell retired at the Company's AGM in April 2018.

The Board met formally six times during 2018 and on one additional occasion for a Board strategy day. There is regular contact among the Directors and with Hg 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 rules concerning the appointment and replacement of Directors are contained within the Company's Articles of Association and the Companies Act 2006. Further details are provided in the Corporate Governance Statement. The Articles of Association can be amended by shareholders at a General Meeting.

In line with the recommendations of the 2019 AIC Corporate Governance Code, all Directors will stand for re-election at the forthcoming AGM.

Roger Mountford (Chairman of the Board)

As a managing director in the corporate finance department of Hambros, 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.

After retiring from banking he was corporate treasurer of a global communications company. 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 70 and has served on the Board since 2004.

Richard Brooman
(Chairman of the Audit and 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 DiscoverIE Group plc, a listed manufacturer and distributor 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 which we are invested. As Chairman of the Audit and Valuation Committee, he takes the lead in scrutinising the valuation of each company in the portfolio prepared by Hg.

Richard has long experience in the investment trust sector, notably as Deputy Chairman of the Board, and Chairman of the Audit & Valuation 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 63 and has served on the Company's Board since 2007.

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 and 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 asset classes, including private equity. He selected managers and negotiated limited partnership interests in many private equity funds, including funds raised by Hg, 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 Hg, to give the Board assurance that Hg 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 St James's 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.

He is aged 69 and has served as a Director since 2014.

Anne West
(Senior Independent Director)

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 board of The Scottish Oriental Smaller Companies Trust plc, and to the board of ScotGems plc, a Trust investing in small companies globally.

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 68 and was appointed to the Board in 2014.

Jim Strang

Jim currently leads Hamilton Lane's business, covering the EMEA region. Hamilton Lane is a NASDAQ listed public company and one of the largest investors and allocators of private capital in the world, investing over £25 billion each year into over 200 private markets transactions. As one of Hamilton Lane's global Investment Committee members, Jim participates in all such investment decisions.

In his day-to-day role, Jim advises a variety of different investors across the world on how to design, execute and implement their private markets investment strategies to meet their stated goals. He also represents Hamilton Lane's interests on the investor Boards of several of the leading private equity managers based in Europe and was recently voted one the top 50 most influential individuals in European private equity.

Jim has over 15 years of private markets investing experience, both as an investor and as an operator, gained within a private equity firm based in the UK.

In his career as an operating executive he has served as a board member of a number of different businesses, both in the UK and Europe. He has also direct operating experience of private equity investment trusts.

Prior to his private markets investing career, Jim worked as a strategy consultant at Bain and Company based in London where he provided a wide range of strategic advice to their leading corporate clients across Europe. He also spent significant time advising private equity managers in the region on their own business and investment strategies, as well as supporting them on numerous investments.

Jim started his career as a public markets fund manager focusing on UK equities, latterly at Edinburgh Fund Managers (now part of Aberdeen Standard plc), a role he combined with completing a Doctorate in Finance.

Jim is aged 47 and was appointed to the Board in March 2018.

Guy Wakeley

Guy Wakeley is chief executive of Equiniti Group plc, the FTSE 250 provider of processing, share dealing and payments platforms and services to the biggest businesses in the UK and the US. Guy joined the Board of Equiniti in January 2014 and led its flotation on the main market of the London Stock Exchange in October 2015. He is an FCA Approved Person, with control function responsibilities for Equiniti's regulated functions in the UK, and is President of Equiniti's US trust company bank. Guy's professional interests lie in the harnessing of technology to transform service delivery, and he has a particular specialism in the interplay between financial services, regulation and data security. He brings to the Board relevant and recent experience in international M&A, technology disruption, and large scale operational leadership and transformation.

Guy holds an MA in Engineering Science from the University of Cambridge, and a PhD in applications of artificial intelligence to engineering design. He is a Chartered Engineer, a Fellow of the Royal Institution of Chartered Surveyors, and is a member of the CBI's Public Services Strategy Board, promoting the role of business in transforming the UK's public services.

Guy is aged 48 and was appointed to the Board in March 2018.

Mark Powell
(formerly Senior Independent Director)

After serving ten years on the Board, Mark Powell retired in April 2018.

He brought extensive experience of the London Stock Exchange to the Board. 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 was 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 was well placed to rehearse shareholders' views at the Board, in his role as the Company's Senior Independent Director.

Powers of 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.

Directors' Indemnity

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 interests

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.

Investment management and administration

In 2018, the Company's assets were managed by Hg Pooled Management Limited ('Hg'). The Company pays a priority profit share in respect of either its commitments to or invested capital alongside Hg funds on the same terms as those payable by all institutional investors in these funds as listed below:

Fund partnership	Priority profit share (% p.a.)
Hg Saturn	1.0% on invested capital (commenced 19 March 2018)
Transition Capital	1.25% on invested capital (commenced 20 September 2018)
Hg8	1.75% on the fund commitment during the investment period (commenced 1 October 2017), stepping down to 1.5% on invested capital
Hg Mercury 2	1.75% on the fund commitment during the investment period (commenced 1 October 2017), stepping down to 1.5% on invested capital
Hg7	1.5% of original cost of investments in the fund less the original cost of investments that have been realised or written-off.
Hg Mercury 1	1.5% of original cost of investments in the fund less the original cost of investments that have been realised or written-off.
Hg6 and Hg6E	1.5% of original cost of investments in the fund less the original cost of investments that have been realised or written-off.
HGT	0.5% on the value of investments held in that fund, excluding co-investments.
Asper RPP II	1.25% of lesser of value or cost of investments.
Asper RPP I	1.5% of original cost of investments in the fund, less the original cost of investments that have been realised or written-off.

For the Company's investment alongside the Hg6, Hg Mercury 1, Hg7, Hg Mercury 2 and Hg8 funds, the carried interest arrangements are identical to that which applies to all limited partners in these funds. Under these arrangements, carried interest is payable based on 20% of the aggregate profits, but only after the repayment to the Company of its invested capital and 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. Carried interest in HGT Transition Capital will be calculated in the same way.

For the Company's investment alongside the Hg Saturn fund, carried interest is payable based on 12% of the aggregate profits, payable after the repayment to the Company of its invested capital and a preferred return based on 8% p.a. or 20% of the aggregate profits, payable after the repayment to the Company of its invested capital and a preferred return of 12%.

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 Hg5, Hg6, Hg Mercury, Hg7, Hg Mercury 2 and Hg8 in excess of the Company's pro-rata commitment. Thus, the co-investments made by the Company in P&I, Visma, Achilles, Sovos, CogitalGroup, Mitratech, Commify and MediFox do not entitle Hg to any priority profit share or carried interest. No compensation would be due to Hg on termination of the agreement.

Hg has also been appointed as administrator of the Company for a fee equal to 0.1% p.a. of the NAV.

Link Company Matters Limited was appointed as Company Secretary on 13 May 2015.

Calculation of ongoing charges

For the year to 31 December 2018, the Company's ongoing charges were calculated as 1.9% (31 December 2017: 1.5%). The calculation is based on the ongoing charges expressed as a percentage of the average published monthly 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 and current year priority profit share payable, as described in notes 7 and 8 to the financial statements.

Stewardship

Our Manager, Hg, 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 investments lies with Hg.

Hg has a policy of active portfolio management and ensures that significant time and resource is dedicated to every investment, with Hg executives and Operating Partners 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 Hg can be found in their review on pages 19 to 72.

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.

Financial Instruments

The Company had no outstanding derivative contracts at 31 December 2018. Note 19 to the financial statements describes the financial risk management objectives and the Company's exposures to credit risk and liquidity risk.

Listing Rule Disclosure

The Company confirms that there are no items which require disclosure under Listing Rule 9.8.4R in respect of the year ended 31 December 2018.

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 20 working days in advance sets out the business of the meeting and any item, not of an entirely routine nature, is explained below. Separate resolutions are proposed in respect of each substantive issue.

The Chairman of the Board, the Chairman of the Audit and Valuation Committee and the Chairman of the Management Engagement Committee, together with representatives of Hg, are available to answer shareholders' questions at the AGM. Proxy voting figures are available to shareholders at the AGM.

Hg 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.

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.

Substantial interests

As at 31 December 2018, 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[1]	% of voting rights
Schroders plc	4,866,530	13.04
Prudential plc group of companies	3,682,396	9.86
Oxfordshire County Council Pension Fund	1,934,000	5.2

As at 6 March 2019, 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[1]	% of voting rights
Schroders plc	4,866,530	13.04
Prudential plc group of companies	3,682,396	9.86
Oxfordshire County Council Pension Fund	1,934,000	5.2

[1]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 2018 and at 6 March 2019.

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

As at 31 December 2018, the Partners and staff of Hg owned 741,783 shares; 2.0% of the total voting rights (2017: 1,361,943 shares, 3.7% of the total voting rights).

Analysis of registered Ordinary shareholders as at 31 December 2018

By size of holding	Number of shares	% of total 31 Dec 2018	% of total 31 Dec 2017	Number of holders	% of total 31 Dec 2018	% of total 31 Dec 2017
1 – 5,000	594,832	1.59	1.79	522	68.50	71.10
5,001 – 50,000	2,355,624	6.31	6.28	132	17.33	16.11
50,001 – 100,000	2,991,640	8.02	6.08	43	5.64	4.22
over 100,000	31,382,602	84.08	85.85	65	8.53	8.57
Total	37,324,698	100.00	100.00	762	100.00	100.00

Annual General Meeting ('AGM')

The AGM of the Company, which will include a presentation by Hg, will be held at the offices of Hg, 2 More London Riverside, London SE1 2AP on Tuesday 23 April 2019 at 11.00 a.m. Light refreshments will be available from 10.30 a.m. Notice of the AGM is given on pages 132 to 138. 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 15, as set out in the Notice of Meeting.

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 2018.

The authority gives the Directors, for the period until the conclusion of the AGM in 2019, the necessary authority to allot securities up to a maximum nominal amount of £3,110,391, or what was at 31 December 2017 approximately 33.33% of the issued Ordinary share capital of the Company.

The Directors are proposing to renew the general authority to allot shares at the 2019 AGM.

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 £3,110,391 representing approximately 33.33% of the Company's Ordinary share capital. The power will last until the conclusion of the AGM in 2020. The Directors will consider a potential share issue, providing the market conditions permit. This power will be exercised only if, in the opinion of the Directors, it would be in the best interests of shareholders as a whole.

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 2018.

The Directors are proposing a resolution to renew and extend, subject to the passing of the resolution to allot shares, the Directors' authority to allot equity securities for cash without pre-emption rights applying in certain circumstances.

This resolution will authorise the Directors, until the date falling 15 months after the date of the passing of the resolution or, if earlier, the conclusion of the next annual general meeting of the Company, to issue Ordinary shares for cash, without pre-emption rights applying, of up to an aggregate nominal value of £933,117, representing approximately 10% of the Company's issued Ordinary share capital as at the date of the Notice.

No issuance of Ordinary shares without pre-emption rights will be made at a price less than the prevailing net asset value per Ordinary share at the time of issue.

This power will be exercised only if, in the opinion of the Directors, it would be in the best interests of shareholders as a whole.

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 2019.

Although no shares were bought back during the year, the Directors are proposing to renew the authority at the forthcoming AGM as set out in Resolution 15 in the Notice of AGM, and are seeking authority to purchase up to 14.99% of the issued share capital. This authority, unless renewed, will expire at the conclusion of the AGM in 2020 or 15 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 for an Ordinary share. The minimum price that may be paid will be the nominal value of such Ordinary share, being £0.025 pence if the Share Split is approved or £0.25 if such Share Split does not become effective.

Any shares purchased under this authority will be either be cancelled or held in treasury at the discretion of the Board for future re-sale in appropriate market conditions.

Sub-division of shares

Over the financial year ended 31 December 2018, the price of the Company's existing shares of 25 pence each has risen to the point where the closing mid-market price on 6 March 2019 (being the latest practicable date prior to publication of this document) was £20. To assist existing shareholders and potential new investors and in order to improve the liquidity of the Company's shares, the Directors believe that it is appropriate to propose the subdivision of each of the existing shares into 10 new shares of 2.5 pence each (the 'New Shares') pursuant to Resolution 13 at the Annual General Meeting (the 'Share Split'). Following the Share Split, each shareholder will hold 10 New Shares for each existing share they held immediately prior to the Share Split. The Share Split will increase the number of shares the Company has in issue, but it is expected that there will be a corresponding reduction in the net asset value and market price of each New Share, reflecting the fact that Shareholders will own 10 times as many New Shares. The Directors believe that this will benefit shareholders by improving the liquidity of their investments and will attract more investors.

The Share Split requires shareholder approval and, accordingly, Resolution 13 seeks such approval. The Share Split is conditional on the New Shares being admitted to the Official List of the UKLA and to trading on the London Stock Exchange's market for listed securities. The New Shares will rank *pari passu* with each other and will carry the same rights and be subject to the same restrictions as the existing shares.

The Company's issued share capital as at 6 March 2019 was £9,331,174.5 divided into 37,324,698 existing shares of 25 pence each. If the Share Split is applied to the existing share capital, the total value of the share capital will remain at £9,331,174.5 but will be divided into 373,246,980 New Shares of 2.5 pence each. A holding of New Shares following the Share Split will represent the same proportion of the issued share capital of the Company as the corresponding holding of existing shares Currently in issue.

The New Shares may be held in certificated or uncertificated form. Following the Share Split becoming effective, share certificates in respect of the existing shares will cease to be valid and will be cancelled. New certificates in respect of the New Shares will be issued to those shareholders who hold their existing shares in certificated form, and are expected to be dispatched by 4 June 2019. No temporary documents of title will be issued. Transfers of New Shares between 28 May 2019 (Note – date of admission of New Shares) and the dispatch of new certificates will be certified against the Company's register of members held by Computershare. CREST accounts are expected to be credited on 28 May 2019.

Applications will be made for admission of the New Shares to the Official List and to trading on the London Stock Exchange's market for listed securities. If the applications are accepted, it is proposed that the last day of dealings in the existing shares will be 24 May 2019 and the effective date for dealings to commence in New Shares will be on 28 May 2019.

The Share Split will not itself give rise to any liability to UK income tax (or corporation tax on income) for shareholders. For the purposes of UK capital gains tax and corporation tax on chargeable gains, the receipt of the New Shares from the Share Split will be a reorganisation of the share capital of the Company. Accordingly, the shareholder's holding of New Shares will be treated as the same asset as the shareholder's holding of existing shares and as having been acquired at the same time, and for the same consideration, as that holding of existing shares.

If Resolution 13 is passed, the Share Split will become effective on admission of the New Shares to the Official List, which is expected to be at 8.00am on 28 May 2019 or such later date as the Directors of the Company may in their absolute discretion determine.

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.

Donations

The Company made no political or charitable donations during the year (2017: nil).

Post balance sheet events

There were no post balance sheet events.

On behalf of the Board
Roger Mountford, Chairman
8 March 2019

Directors' responsibility 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statements that complies with that law and those regulations.

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 the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company taken as a whole; and
- the Strategic Report and Hg'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.

We consider 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 position, performance, business model and strategy.

On behalf of the Board
Roger Mountford, Chairman
8 March 2019

Corporate governance statement

This Corporate Governance Statement forms part of the Directors' Report.

Governance codes

The Board considers that the principles and recommendations of the AIC Code of Corporate Governance (July 2016) ('AIC Code'), suggested by the AIC Corporate Governance Guide for investment companies ('AIC Guide'), provides the most appropriate framework for the Company's governance and reporting to shareholders. The AIC Code and the AIC Guide address all the principles set out in the UK Corporate Governance Code (April 2016) as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

Throughout the year, the Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance 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 HgCapital Trust plc, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. 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.

Revised AIC Code

In February 2019 the AIC published the revised AIC Code to reflect the changes that had been introduced by the new 2018 edition of the UK Corporate Governance Code in so far as they are appropriate to an investment company. The new Code applies to financial periods beginning on and after 1 January 2019. In light of the updated AIC Code principles and provisions, as well as the new requirements simultaneously introduced by The Companies (Miscellaneous Reporting) Regulations 2018, the Board will review the Company's governance arrangements during the year and will report against the new AIC Code in its forthcoming Annual Report, including an explanation of how stakeholder interests and the matters set out under section 172 of the Companies Act 2006 are considered in board discussions and decision-making.

The Board recognises that, in light of the recent developments of the corporate governance landscape, some changes to its current governance practice may be necessary. The Company is committed to maintaining the highest standards of governance and during 2019 it will work to ensure that it continues to meet all applicable requirements.

The Board

AIC Code	Principle	Evidence of compliance / explanation of departure from the AIC Code
1	The chairman should be independent.	The non-executive Directors (excluding the Chairman) undertook an evaluation of the Chairman as part of the annual Board evaluation process and agreed that they do not consider that Roger Mountford has any conflict of interest that compromises his independence.
2	A majority of the board should be independent of the manager.	During the year under review, the Board consisted only of non-executive Directors and all of the Directors are deemed to be independent of the Manager. In the Board's opinion, Roger Mountford and Richard Brooman continue to qualify as independent, despite their length of service, as they are independent of Hg and free from any business or other relationships that could materially interfere with the exercise of their judgements. Jim Strang and Guy Wakeley are considered independent from the Manager upon appointment.

The Board continued

AIC Code	Principle	Evidence of compliance / explanation of departure from the AIC Code
3	Directors should be submitted for re-election at regular intervals. Nomination for re-election should not be assumed but be based on disclosed procedures and continued satisfactory performance.	In line with the recommendations of the 2019 AIC Corporate Governance Code, all Directors will stand for re-election at the forthcoming AGM. Director performance is assessed as part of the annual Board Evaluation process, prior to nomination for re-election.
4	The board should have a policy on tenure, which is disclosed in the annual report.	The Board has proactively addressed the matter of director tenure in its deliberations. It believes that adopting a policy whereby Directors may serve only for a limited period is not necessarily appropriate for investment in private equity. In an investment trust which has no executive management of its own, maintaining a long-term perspective is of particular importance. The Board recognises the value of refreshing its composition, and has regularly done so, while also believing that the continuity and experience brought to the Board by retaining some Directors with longer periods of service is desirable. In line with the recommendation of the 2019 AIC Code, a policy on chair tenure will be considered by the Board in 2019.
5	There should be full disclosure of information about the board.	The Directors' biographies, as set out on pages 103 to 105, highlight their wide range of business experience and reasons why their contribution is, and continues to be, important to the Company's long-term sustainable success. Details of the Board's Committees are set out elsewhere in this Report and terms of reference of these committees are available on the Company's website.
6	The board should aim to have a balance of skills, experience, length of service and knowledge of the company.	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 and develop an appropriate mix of skills and experience amongst Directors. During the year under review, Jim Strang and Guy Wakeley joined the Board in March and Mark Powell retired at the Company's AGM in April.
7	The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.	An appraisal of the Board, its Committees and the individual Directors is undertaken annually. The evaluation took the form of a detailed questionnaire, which looked to assess the effectiveness of the Board and committees' activities, processes and policies and identify any possible areas for improvement. The Chairman held one-to-one discussion with the Board members to consider the feedback on the performance of the individuals and the SID led the discussion on the performance of the Chairman. The results of the evaluation process were presented to and discussed by the Board and it was concluded that the Board was functioning effectively. The Board also continues to be satisfied that, collectively, the members of the Audit and Valuation Committee have a sufficient level of recent and relevant financial experience and competence relevant to the sector in which the Company operates. One of the actions arising from the 2018 evaluation is to increase the focus on aspects of strategy, including obtaining information from additional sources in order to develop a deeper understanding of emerging technology trends and their application to sectors relevant to the Company and to enhance the Board's oversight capability of ensuring alignment with the Manager's long-term strategy of investment in tech and tech-enabled companies. In line with the governance recommendations for FTSE 350 companies, applicable to the Company going forward,the Directors will consider an externally facilitated board evaluation.
8	Director remuneration should reflect their duties, responsibilities and the value of their time spent.	The Board considers the level of Directors' fees annually, in accordance with the Remuneration Policy approved by shareholders at the AGM held in 2017. Further details on Directors' remuneration are contained in the Directors' Remuneration Report on pages 119 and 120.

Board meetings and the relationship with the Manager

AIC Code	Principle	Evidence of compliance / explanation of departures from the AIC Code
9	The independent directors should take the lead in the appointment of new directors and the process should be disclosed in the annual report.	The Nomination Committee, which is comprised of all independent non-executive Directors, is responsible for identifying and recommending to the Board the appointment of new Directors. The Nomination Committee considered the balance of skills, experience, diversity and independence of the Board as well as Hg's investment strategy and identified the additional skills and experience that could strengthen the Board's composition. After Mark Powell had in 2017 signalled his intention to step down from the Board the following year, the Nomination Committee engaged an external search consultant, Nurole, to identify suitable candidates. As a result, Jim Strang and Guy Wakeley joined the Board in March 2018. The search and appointment process is described in the Nomination Committee report on page 118. The external recruitment agency, Nurole, has no connection to the Company.
10	Directors should be offered relevant training and induction.	New Directors are provided with an induction pack containing key information and governance documents relating to the Company. The Manager provides a tailored induction programme covering the Company's investment activities and the approach to investment. Directors receive updates on market and regulatory developments and are provided training, as identified through the Board evaluation process, as required.
11	The chairman (and the board) should be brought into the process of structuring a new launch at an early stage.	This principle applies to the launch of new investment companies and is therefore not applicable to the Company.
12	Boards and managers should operate in a supportive, co-operative and open environment.	Formal Board meetings provide a forum for Directors to receive reports and interact with key members of the Manager's team. In addition, there is ongoing informal interaction between the Directors and the Manager through the provision of updates on investments and any other queries that the Board may have.
13	The primary focus at regular board meetings should be a review of investment performance and associated matters such as gearing, asset allocation, marketing/investor relations, peer group information and industry issues.	The Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duty of investment oversight. A review of the Company's investments is presented at each Board meeting and a cash flow forecast, based on expected investments and realisations, is considered.
14	Boards should give sufficient attention to overall strategy.	Strategic issues and all operational matters of a material nature are determined and monitored on an ongoing basis by the Board. The Board holds an annual strategy meeting, where senior members of the Manager's investment team present Hg's strategy and direction to ensure that this remains aligned to the objectives of the Company and present information on the Manager's business strategy and resources.
15	The board should regularly review both the performance of, and contractual arrangements with, the manager (or executives of a self-managed company).	The Management Engagement Committee reviews the terms of the Management Agreement annually and makes recommendations to the Board as appropriate. Further details can be found on page 117. The Board believe that the continuing appointment of Hg Pooled Management Limited remains in the best interests of shareholders as a whole.

Shareholder communications

AIC Code	Principle	Evidence of compliance / explanation of departure from the AIC Code
16	The board should agree policies with the manager covering key operational issues.	The Management Agreement sets out the matters over which the Manager has authority and the limits above which Board approval must be sought. Certain matters, including strategy, investment and dividend polices, gearing and corporate governance procedures, are reserved for the approval of the Board. The Board has delegated to the Manager the exercise of any voting rights attaching to securities held by the Company. Hg does not operate a fixed policy when voting but reviews each case separately.
17	Boards should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it.	The Board monitors the share price on an ongoing basis. The Board has not attempted to manage any discount through a repurchase of shares as Directors believe that the discount is 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.
18	The board should monitor and evaluate other service providers.	The Board, through the Management Engagement Committee, monitors all third party service providers and has implemented a rolling programme of deep dive reviews, based upon the risk and materiality of each provider. Further information is provided in the Management Engagement Committee Report on page 117.
19	The board should regularly monitor the shareholder profile of the company and put in place a system for canvassing shareholder views and for communicating the board's views to shareholders.	Following Mark Powell's retirement at the 2018 AGM, Anne West assumed the role of the Senior Independent Director ('SID'). In this capacity, Anne provides an alternative channel for shareholder communication and is available to enter into dialogue with shareholders. The AGM is the main forum for canvassing shareholder views and for shareholders to receive a presentation from the Manager on progress during the year. Hg, as Manager of the Company, regularly meets with investors in the Company and provides a full investor relations service to shareholders. All feedback from the presentations is reported back to the Board of the Company.
20	The board should normally take responsibility for, and have a direct involvement in, the content of communications regarding major corporate issues even if the manager is asked to act as spokesman.	The Board approves the content and timing of all communications regarding major corporate issues and events. Communications normally take the form of stock exchange announcements, press releases, interim and annual reports and direct correspondence with shareholders.
21	The board should ensure that shareholders are provided with sufficient information for them to understand the risk:reward balance to which they are exposed by holding the shares.	The Board believes that the Company's Annual Report provides shareholders with sufficient information to understand the nature of their investment in the Company. The full investment portfolio is contained on page 48 of these financial statements.

Reports from the Committees of the Board

These Reports from the Committees of the Board form part of the Corporate Governance Statement.

Board committees

The Board has delegated a number of areas of responsibility to its committees.

During the period under review, all the Directors of the Company were non-executive and served on each committee of the Board. Each Director is considered independent of Hg, 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 that it was appropriate that every non-executive Director should be a member of all committees.

After the final Audit and Valuation Committee meeting in 2018, the Company has entered the FTSE 250 index. It is considered appropriate that the Chairman of the Company continues to be a member of the Committee, in particular in light of the Committee's responsibility for reviewing the valuations of the Company's investments.

With a relatively small Board, it was deemed both proportionate and practical to involve all the independent Directors in each committee.

Audit and Valuation Committee report

Chairman: Richard Brooman

Key responsibilities:

1. Considering and scrutinising the half-yearly and annual valuations as prepared by the Manager;
2. Reviewing the Company's risk management systems and internal controls;
3. Monitoring compliance with regulations;
4. Reviewing the integrity and content of the Financial Statements, including the on-going viability of the Company;
5. Assessing external auditor objectivity and independence; and
6. Reviewing the performance and remuneration of the external auditor.

The Committee 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 procedures for monitoring compliance.

Membership of the Audit and Valuation Committee

During 2018, all of the Directors of the Company have been members of this Committee enabling them to be kept fully informed of any issues that may arise and to participate fully in discussions on portfolio valuation. After the final Committee meeting in 2018, the Company has entered the FTSE 250 index. During the year, the composition of the Committee has been considered by the Nomination Committee. Having regard to the AIC Code's recommendations as they affect large investment companies, it was deemed appropriate that the Chairman of the Company continued to be a member of the Committee, recognising the value brought with his continuity and experience, in particular with respect of the bi-annual review of the proposed valuations of the Company's investments. All of the members of the Committee have recent and relevant financial experience across a broad range of sectors and areas of practice and the Committee, as a whole, has competence relevant to private equity investment.

The external auditor, Grant Thornton UK LLP ('Grant Thornton'), is invited to attend and present at Audit and Valuation Committee meetings and meets several times each year with the Committee and its Chairman, without representatives of Hg being present.

Valuations

The Committee considers carefully the methodology and the integrity of the recommended valuations of each of the Company's investments prepared by Hg and reviews analytical and performance data, as well as the valuation process. The valuations are carried out in accordance with the International Private Equity and Venture Capital ('IPEV') Valuation Guidelines.

Risk management and internal controls

The Committee is responsible for reasonably satisfying itself that:

- the Company's risk management system remains appropriate and effective;
- the assessment of the principal risks facing the Company undertaken annually is robust and includes those risks that would threaten the Company's business model, future performance, solvency or liquidity;
- the accounting and internal control systems of the Company, Hg, the Depositary and other service providers are adequate;
- Hg sets the appropriate "control culture" by communicating the importance of internal control and risk management both internally and across its portfolio and ensures that all relevant employees have an understanding of their roles and responsibilities;
- the systems put in place by Hg (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; and
- matters of compliance are under proper review; the Directors regularly review the relevant policies and have direct access to the Compliance Officer at Hg and receive a report on a bi-annual basis, confirming that the Company's affairs have been conducted in compliance with the applicable regulations.

The Committee regularly reviews the suitability of the Company's processes for mapping and monitoring risks and an ongoing process has been established, in conjunction with Hg and Link, for identifying, evaluating and managing the Company's significant risks. Throughout the year, the Committee received updates from Hg in respect of possible risks and opportunities arising from Brexit, including potential effects on the Company, Hg and portfolio businesses. Controls relating to the risks identified, covering financial, operational, compliance and risk management, are embedded in the operations of Hg, Link 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 Hg and the auditors of the other organisations. Hg reports to the Committee on its review of internal controls formally on a semi-annual basis and verbal updates are provided at each 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 and anti-bribery and corruption policies of Hg on a regular basis. In line with the UK Corporate Governance Code, the Committee also annually considers whether an internal audit function should be established. Taking into account that the Company is an investment company with no employees, the Committee concluded that it remained appropriate for the Company to rely on the internal controls implemented by Hg and other third-party providers and not have an internal audit function.

Financial reporting

The Committee's key focus in its work on the Annual Report and Accounts is to determine that the financial statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Committee considers in detail the annual and interim statements. It engages with Hg to facilitate any significant financial reporting judgements and also considers industry practice amongst its peers.

The Committee reviewed the Annual Financial Statements and it did not identify any significant issues, although particular attention is paid to all aspects of the bi-annual valuation of unquoted investments, especially matters of judgement and estimation, as well as any areas identified by the Committee or the external auditor as presenting significant risk. The Manager confirmed that the valuations had been performed consistently with prior years and in accordance with published industry guidelines, taking into account the latest available information about investee companies and current market data.

The Committee also advises the Board on how, taking into account the Company's position and principal risks, the Company's prospects have been assessed, over what period and why the period is regarded as appropriate. The Committee advises the Board on whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the said period, drawing attention to any qualifications or assumptions as necessary.

External audit

Grant Thornton was appointed by shareholders as the independent Auditor to the Company at the 2017 AGM, following a full audit tender process. The Committee expects to repeat a tender process in 2026 in respect of the audit for the year ending 31 December 2027. In accordance with professional guidelines, the senior statutory auditor, currently Marcus Swales, is rotated after at most five years. The current senior statutory auditor started working with the Company in 2017. Accordingly, the Company has complied throughout the year ended 31 December 2018 with the provisions of the Statutory Audit Services Order 2014, issued by the Competition and Markets Authority ('CMA Order').

During the year, the Committee reviewed its non-audit service policy that serves to ensure that the Auditor's independence and objectivity were not impaired. The Committee carefully considered the independence of Grant Thornton and was satisfied that there was a clear division between audit and non-audit services and the implementation of this policy ensures this division is maintained. No non-audit services were provided by Grant Thornton during the year.

Details of the remuneration for services provided by the Auditor are contained in Note 6 to the financial statements.

The Committee has met with the audit team and assessed Grant Thornton's performance to date, including a review of the Auditor's engagement letter and audit plan and an examination of the Auditor's remuneration, quality of work undertaken, including the audit report, the quality of the audit team and the resources available to it and the identification of audit risk.

Following this review of the effectiveness of the audit, the Committee was satisfied that Grant Thornton had carried out its duties in a diligent and professional manner and provided a high level of service. The Committee considers the impact of significant legal or regulatory issues it becomes aware of concerning audit quality by the incumbent firm or indeed, likely future tender participants. Having done so, a resolution to re-appoint Grant Thornton as the Company's Auditor will be put to shareholders at the 2019 AGM.

Richard Brooman
Chairman, Audit and Valuation Committee
8 March 2019

Management Engagement Committee report

Chairman: Peter Dunscombe

Key responsibilities:

1. Monitor the performance of the Manager;
2. Review the terms of the Management Agreement, including the remuneration of the Manager; and
3. Monitor compliance of other service providers with the terms of their respective agreements.

The Committee continues to support the Board in fulfilling its oversight responsibilities, primarily through its comprehensive review of the Manager's performance and compliance with the Company's investment policy. In considering Hg's performance with respect to the provision of investment management and other services to the Company, due regard was given to the quality and continuity of Hg's personnel, succession planning, sector and geographic coverage, investment processes and the results achieved to date. This included a consideration of Hg's work on assessing the possible impacts of Brexit and any potential risks to the business model. The Committee also evaluates the level and method of remuneration arrangements, including the methodology of the annual management and performance fee. In addition, Hg's ongoing commitment to the promotion of the Company's shares and its engagement with the Company's key stakeholders are also evaluated by the Committee. 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 the review, the Committee has recommended Hg's continued appointment to be in the best interests of all shareholders.

The Committee also has the responsibility for monitoring and reviewing the Company's other key service providers. To that end, in depth reviews are undertaken through a mix of completion of a scorecard and face to face meetings of all of the third party providers on a five-yearly cycle. Following consideration of the evaluation outcomes, the Committee makes recommendations to the Board in respect of these appointments.

During 2018, the Committee market tested the services of the Company Secretary, Link Company Matters, and recommended to the Board that Link Company Matters be re-appointed subject to updating the terms of the contract. The Committee also reviewed the Company's legal advisors, Dickson Minto, and the Company's Depositary, Ipes. The Committee agreed that no changes to these appointments were required.

Peter Dunscombe
Chairman, Management Engagement Committee
8 March 2019

Nomination Committee report

Chairman: Roger Mountford

Key responsibilities:

1. Review the composition of the Board and its Committees;
2. Consider succession plans for Directors and the Chairman;
3. Identify and nominate the appointment of additional Directors as and when considered appropriate; and
4. Consider the resolutions relating to the election and re-election of Directors.

Attendance record

The table to the right summarises the Directors' attendance at meetings of the Board and its Committees, held in the year to 31 December 2018, compared with the number they were eligible to attend.

Number of meetings attended/eligible to attend

Director	Board	Audit and Valuation	Management Engagement	Nomination
Richard Brooman	6/6	5/5	2/2	1/1
Peter Dunscombe	6/6	5/5	2/2	1/1
Roger Mountford	6/6	5/5	2/2	1/1
Mark Powell[1]	3/3	3/3	N/A	1/1
Jim Strang[2]	4/4	2/2	2/2	N/A
Guy Wakeley[2]	4/4	2/2	2/2	N/A
Anne West	6/6	5/5	2/2	1/1

[1] Retired in April 2018 [2] Appointed in March 2018

During the year, Mark Powell retired as a Director and the Board welcomed two new Directors, Jim Strang and Guy Wakeley, who were appointed as a direct result of the Committee's 2017 review of the mix of skills, experience, diversity and knowledge which the Board should have in future. Jim and Guy's experience and knowledge have complemented those of existing Directors; as a result, against a background of increasing complexity and continuing growth, the Board has enhanced its ability to oversee the Manager, monitor the strategy of investing in technology and service businesses, and assess and challenge valuations of the businesses in which we are invested.
The increased diversity in the experience and professional training of the Directors has resulted in greater cognitive diversity, enriching discussions at the Board and broadening the dialogue we have with the Manager concerning their operations and the businesses in which we are invested.

The search for suitable candidates commenced at the end of 2017 and was conducted by an independent external recruitment agency, Nurole. Further details of the search and appointment process were included in the Nomination Committee Report in the Annual Report and Accounts for the year ended 31 December 2017.

In 2018, the Committee considered the composition, tenure and succession plans of the enlarged Board and concluded that, as a whole, the Board comprises an appropriate balance of skills, experience, independence and knowledge. With the appointment of Jim and Guy, the Committee has recognised the value of regular refreshing of the Board's composition; however, the value brought through continuity and experience of Directors with longer periods of service is, in the Committee's opinion, not only desirable, but key for an investment company which makes large commitments to invest across a cycle of commitment-investment-realisation that extends over periods of up to eight years or longer. With an objective to deliver long-term returns to the shareholders it is important that the Board is also able to maintain its long-term perspective.

The Committee also considered the time spent by each Director during the year on matters related to the Company, including a review of other commitments each Director has outside their involvement with the Company. It was agreed that each Director had demonstrated sufficient commitment to discharging his or her duties and dedicated appropriate time to Company matters.

The Committee considers that the performance of all of the Directors submitting themselves for re-election continues to be effective and that they have all demonstrated commitment to their role. Consequently, the Board believes it is in the best interests of shareholders that each of the Directors be re-elected.

During 2019 the Committee will review the Board's composition, tenure and succession plans in light of the Company's entry to the FTSE 250 index, the revised 2019 AIC Code and wider developments in governance and applicable law, to ensure that the Board as a whole remains best placed to deliver shareholder value and returns in the long-term.

Roger Mountford
Chairman, Nomination Committee
8 March 2019

Directors' remuneration report

This Directors' Remuneration Report for the year ended 31 December 2018, has been prepared in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The law requires the Auditor to audit certain disclosures contained within this Report, and these are indicated accordingly. The Auditor's opinion is included in the Independent Auditor's Report on pages 97 to 101.

An Ordinary Resolution for the approval of this Report will be put to members at the forthcoming AGM.

Statement from the Chairman of the Board

The Company has decided 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. Therefore, the Board 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. Each Director abstains from voting on their individual remuneration.

During the year under review, the whole Board met once during the year to consider the annual fees. In order to reflect the increased time committed by Directors due to the continued increase in regulation applicable to the Company, with effect from 1 July 2018, the remuneration of the Directors was increased as follows:

- Mr Mountford (Chairman of the Board): from £61,000 to £65,000 per annum;
- Mr Brooman (Chairman of the Audit and Valuation Committee): from £46,000 to £47,000 per annum;
- Mr Dunscombe (Chairman of the Management Engagement Committee): from £41,000 to £43,500 per annum;
- Ms West (Senior Independent Director): from £35,000 to £43,500 per annum;
- All other Directors: from £35,000 to £37,000 per annum.

The Remuneration Policy, as set out below, which is also available on the Company's website, was approved by shareholders at the 2017 AGM. No changes to this policy are proposed and therefore it is intended that this policy will continue for the year ending 31 December 2019. 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 (0.01% Against, 0.00% Withheld) and, at the 2017 AGM, 99.99% of votes were cast in favour of the Directors' Remuneration Policy (0.01% Against, 0.00% Withheld) showing significant shareholder support for continuing to apply the Remuneration Policy in its current form.

The Board's approach in respect of recruitment of Directors is that fees for a non-executive Director should reflect the responsibilities and time commitment required.

The Board will review Directors' fees during 2019 against market benchmarks and time spent on Company business to determine whether any increase will be applied.

Other benefits

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.

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.

The Company is permitted 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.

The Company does not have a policy on termination payments and no past Director has been compensated for loss of office or otherwise. 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.

Policy on Directors' Remuneration

The Company has no employees other than its Directors, who are all non-executive and independent of Hg. 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.

Directors' remuneration report continued

Total remuneration paid to each Director

The Directors who served during the year received the following remuneration:

Directors' remuneration	Total remuneration 2018 £	Total remuneration 2017 £
Roger Mountford	63,000	60,500
Richard Brooman	46,500	45,500
Peter Dunscombe	42,250	40,500
Mark Powell[1]	10,904	34,500
Jim Strang[2]	29,779	–
Guy Wakeley[2]	29,779	–
Anne West[3]	39,250	34,000
Total remuneration	261,462	215,500

[1] Retired in April 2018. [2] Appointed in March 2018.
[3] Appointed as SID from May 2018.

The information in the above table 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 the Remuneration Policy and they are not eligible for bonuses, share options or long-term performance incentives.

Relative importance of spend on pay

	2018 £'000	2017 £'000	change %
Total Directors' remuneration	261	216	21.3[1]
Total dividend paid or declared	17,169	17,169	–

[1] During 2018, the number of Directors changed from 5 to 6 and a fee increase was applied from July 2018.

Directors' interests

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 (including their connected persons) 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	2018	2017
Richard Brooman	2,090	2,090
Peter Dunscombe	6,000	6,000
Roger Mountford	18,979	18,539
Mark Powell[1]	N/A	6,500
Jim Strang[2]	3,285	N/A
Guy Wakeley[2]	1,042	N/A
Anne West	20,000	20,000

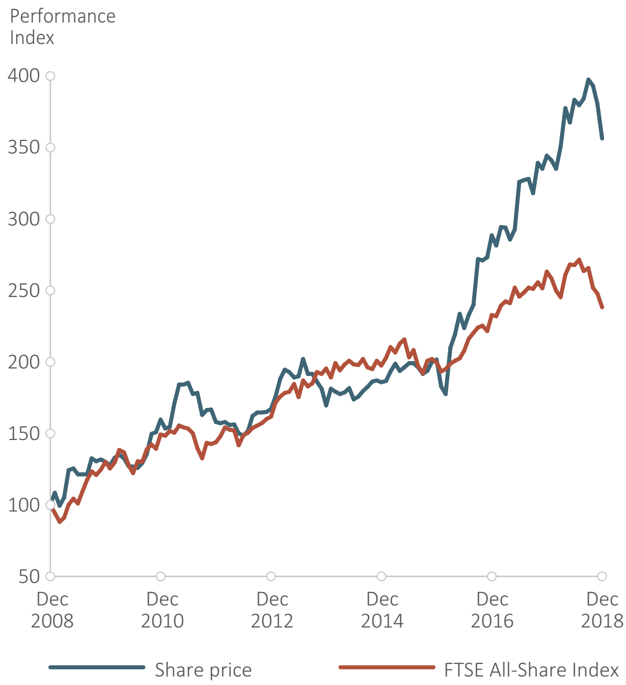
[1] Retired in April 2018. [2] Appointed in March 2018.

The above information has been audited.

The interests of the Directors (including their connected persons), in the Ordinary shares of the Company, as at the date of this Report is below:

No. Ordinary shares	as at 6 March 2019
Richard Brooman	2,090
Peter Dunscombe	6,000
Roger Mountford	18,979
Jim Strang	3,285
Guy Wakeley	1,042
Anne West	20,000

Share price performance from 31 December 2008 to 31 December 2018



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.

On behalf of the Board

Roger Mountford
Chairman of the Board
8 March 2019

Further information

Alternative Investment Fund Managers Directive ('AIFMD')

Pursuant to Article 23(1) 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 Hg 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 Hg 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 SE1 2AP.

Investment Policy and risk management

The investment objective, policy and strategy of the Company and Hg are set out in the Company's Investment Objective and Investment Policy section (page 14) and Hg's Review section (pages 19 to 72) of the 31 December 2018 Annual Report and Accounts.

The Company is subject to the UK Listing Authority listing rules and as such, any material 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 (pages 16 to 18) and the Financial Risk section (page 95; note 19) of the notes to the financial statements in the Annual Report and Accounts. Hg is responsible for risk management functions and has procedures in place to evaluate, monitor and mitigate the risks faced by the Company. Hg'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 ('Hg') is the manager of the Company, its registered office being 2 More London Riverside, London SE1 2AP. Hg is a limited company and is authorised and regulated (FRN 122466) by the Financial Conduct Authority ('FCA').

Hg was authorised to manage AIFs for the purpose of the AIFMD with effect from 22 July 2014.

Hg 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.

Hg 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). Hg 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 Hg.

Hg'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.

Hg 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.1 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 Hg) and maintaining a register of such as well as cash monitoring of the Company's bank accounts and oversight as required by Hg. 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.

Auditor

The Company has appointed Grant Thornton UK LLP, whose registered office is at 30 Finsbury Square, London EC2P 2YU, 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 Grant Thornton for the provision of audit services to the Company does not include any specific rights for shareholders.

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.

Alternative Investment Fund Managers Directive ('AIFMD') continued

Legal relationship with shareholders

The rights of the shareholders are governed by the Company's Articles of Association.

As at 31 December 2018, 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 95; 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 125).

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 an £80 million multi-currency standby facility with Lloyds Bank Corporate Markets plc on an unsecured basis, expiring on 30 June 2022. The facility was not utilised during the year and remained undrawn at 31 December 2018. Please refer to the Company's Rationale and Business Model (page 17) of the Annual Report and Accounts for further details.

Valuation policy and procedure

Hg'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 (pages 15 to 18) of the Annual Report and Accounts for further details.

Liquidity management

As the Company is closed-ended, and no redemptions are possible, its liquidity management is limited to ensuring it has the ability to meet the commitments made to make 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 Corporate Markets plc, pursuant to which additional temporary facilities of up to £80 million are available (as referred to in the Leverage section above), if required. In addition, an opt-out provision has been negotiated in connection with the Company's commitment alongside Hg8, Hg Mercury 2 and Hg Saturn. 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 Hg 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 (pages 16 to 18) section of the Annual Report and Accounts.

Fees, charges and expenses

For details of the fees payable by the Company to Hg in relation to its investment activities within the underlying fund partnerships, please refer to the priority profit share and carried interest section (page 81; note 4) of the notes to the financial statements in the Annual Report and Accounts.

In relation to the management of the Company, Hg is also entitled to receive £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

Hg and the Board are committed to treating shareholders fairly in accordance with UK company law. No preferential rights have been granted to any shareholder. Hg and the Board of the Company will not enter into any preferential arrangements which would lead to a material disadvantage to other shareholders.

Alternative Investment Fund Managers Directive ('AIFMD') continued

Remuneration disclosure

The Company does not directly employ any staff and instead HgCapital LLP, which also acts as investment adviser and provides administrative services to the Company, provides personnel to fulfil roles within its investment committee, portfolio review committee and the control and risk functions (the "Relevant Functions") and perform other activities for the Company. Personnel carrying out the Relevant Functions or who are senior management of Hg 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 2018.

	2018 £	2017 £
Fixed remuneration paid to Identified Staff	313,000	384,000
Variable remuneration paid to Identified Staff	68,000	85,000
Aggregate remuneration paid to Identified Staff who are senior management of the Manager	83,000	42,000
Aggregate remuneration paid to Identified Staff who have a material impact on the risk profile of the AIF by reason of performing Relevant Functions	298,000	427,000
Carried interest paid by the AIF to Identified Staff	4,514,000	–

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.

Remuneration policy

Hg has ensured that all remuneration is directly aligned with the specific requirements of the AIFMD.

Hg'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 Company and other AIFs that it manages;
- It is consistent with the objectives of Hg;
- The assessment of performance is set in a multi-year framework appropriate to the life-cycle of the AIFs it manages 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 2018 (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
April	• Annual General Meeting and payment of final dividend
September	• Interim figures announced and interim report published
October	• Payment of interim dividend

Dividend

The final dividend proposed in respect of the year ended 31 December 2018 is 30 pence per share.

Ex-dividend date (date from which shares are transferred without dividend)	21 March 2019
Record date (last date for registering transfers to receive the dividend)	22 March 2019
Last date for registering DRIP instructions (see below)	5 April 2019
Dividend payment date	30 April 2019

The final 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 5 April 2019.

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, financial advisor, bank or several share-dealing platforms.

To purchase this investment, you must have read the Key Information Document ('KID') before the trade can be executed. Please contact your stockbroker.

If you are proposing to use Computershare Investor Services PLC to purchase shares please contact them on +44 (0) 370 703 0084 and they can provide you with the KID either by email or by post.

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 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. Before you can trade you will need to register for this service. 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 as it will be required as part of the registration process. 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 certain jurisdictions. The commission is 1% plus a charge of £35. In addition, stamp duty, currently 0.5%, is payable on purchases. The service is available from 8.00 a.m. to 4.30pm Monday to Friday, excluding bank holidays, on telephone number 0370 703 0084.
Before you trade you will need to register for this service. This can be done by going online at www.computershare.trade. 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.

Please note that due to the regulations in the UK, Computershare are required to check that you have read and accepted the Terms & Conditions before being able to trade, which could delay your first telephone trade. If you wish to trade quickly, we suggest visiting their website and registering online first.

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.

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 included provisions which removed 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 brought 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 there is an individual annual allowance of £2,000 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 2018/2019, the first £11,700 per annum of such gains from all sources is exempt.

The following CGT rates currently 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 Hg 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 foreign exchange.
- Hg invests in a portfolio of small to mid-cap companies, with enterprise values of more than £30 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.

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 holdings

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 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 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 them. 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 log in to the Computershare Investor Centre site, detailed below.

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 SE1 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 Hg, 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
  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 co-investment 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
  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 private equity capital.
- 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

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 managers' 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 53 listed private equity companies, with aggregate market capitalisation of c. €69 billion, of which c. €24 billion are London-listed companies (source: LPX February 2018). 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

CAGR
Compound Annual Growth Rate.

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.

DACH
An acronym for D (Deutschland / Germany), A (Österreich / Austria), CH (Schweiz / Switzerland).

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 2,150 pence and the share price was 1,935 pence, the discount would be 10%.

EBITDA
Earnings Before Interest, Tax, Depreciation and Amortisation.

ESG
Environmental, Social and Governance.

ESH
Environmental, Social and Health.

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.

LTM
Last Twelve Months.

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 2018, shareholders' funds were £804,987,000 and there were 37,324,698 Ordinary shares in issue; the NAV was therefore 2,156.7 pence per 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 2,255 pence and the NAV were 2,050 pence, the premium would be 10%.

Quoted company
Any company whose shares are listed or traded on a recognised stock exchange.

Share split
A share split (or stock split) is the process by which a company divides its existing shares into multiple shares. Although the number of shares outstanding increases, the total net asset value of the shares remains the same as before.

The Company is proposing a share split at the AGM on 23 April 2019. Please refer to the explanations in the Chairman's Statement on pages 10 and 11 and in the Directors' Report on page 109.

Total ongoing charges
Please refer to page 106.

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 document is important and requires your immediate attention. If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant, or other independent professional adviser immediately. If you have sold or otherwise transferred all of your shares, please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

HgCapital Trust plc (Incorporated and registered in England and Wales under number 01525583)

Directors:
Roger Mountford
Richard Brooman
Peter Dunscombe
Jim Strang
Guy Wakeley
Anne West

Registered Office:
2 More London Riverside
London, SE1 2AP

Annual General Meeting 2019

I am pleased to present the Notice of the Annual General Meeting (the "AGM") of HgCapital Trust plc (the "Company") which will be held at 2 More London Riverside, London SE1 2AP on 23 April 2019 at 11.00 a.m. to transact the business set out in the resolutions below. The Notice of AGM sets out the business to be considered at the meeting. The purpose of this letter is to explain certain elements of that business to you.

Resolution 1 – To receive the Annual Report and Financial Statements

The Directors are required to present the financial statements, Strategic Report, Directors' Report and Auditor's Report to the meeting. These are contained in the Company's Annual Report and Accounts for the year ended 31 December 2018 (the "Annual Report"). A resolution to receive the financial statements, together with the Strategic Report, Directors' Report and the Auditor's Report on those accounts is included as an ordinary resolution.

Resolution 2 – Remuneration

An advisory resolution to approve the Directors' Remuneration Report is included. The Directors' Remuneration Report is set out in the Annual Report.

Resolution 3 – Final dividend

The Board proposes a final dividend of 30 pence per share in respect of the year ended 31 December 2018. If approved, the recommended final dividend will be paid on 30 April 2019 to all Ordinary shareholders who are on the register of members on 22 March 2019. The shares will be marked ex-dividend on 21 March 2019.

Resolutions 4 to 9 – Re-election of Directors

In line with the recommendations of the 2019 AIC Corporate Governance Code, all Directors of the Company are required to retire and offer themselves for re-election at each AGM. In accordance with this requirement, Mr Mountford, Mr Brooman, Mr Dunscombe, Mr Strang, Mr Wakeley and Ms West retire and offer themselves for re-election as Directors. Both Mr Mountford and Mr Brooman have served on the Board for a period longer than nine years. In an investment trust which has no executive management of its own, maintaining a long-term perspective is of particular importance. While the Board recognises the value of refreshing its composition regularly, it also considers that the continuity and experience brought to the Board by retaining some Directors with longer periods of service is an important factor in creating long-term sustainable success of the Company.

All Directors are recommended by the Board for re-election.

Full biographies of all the Directors are set out in the Annual Report on pages 103 to 105 and are also available for viewing on the Company's website http://www.hgcapitaltrust.com. The Nomination Committee considered the Directors' performance and recommended their re-election. The Board believes it is in the best interests of shareholders that each of the Directors be re-elected. Further information can be found on page 118 of the Annual Report.

Resolutions 10 and 11 – Re-appointment and remuneration of Auditor

At each meeting at which the Company's financial statements are presented to its members, the Company is required to appoint an auditor to serve until the next such meeting. The Board, on the recommendation of the Audit and Valuation Committee, recommends the re-election of Grant Thornton UK LLP and this will be proposed to the AGM as Resolution 10. Resolution 11 authorises the Directors to fix the auditor's remuneration.

Resolution 12 – Authority to allot Ordinary shares

Resolution 12 authorises the Board to allot Ordinary shares generally and unconditionally in accordance with Section 551 of the Companies Act 2006 (the "Act") up to an aggregate nominal value of £3,110,391, representing approximately one third (33.33 per cent.) of the issued Ordinary share capital at the date of the Notice.

No Ordinary shares will be issued at a price less than the prevailing net asset value per Ordinary share at the time of issue other then on a pre-emptive basis or with the prior consent of Shareholders provided in accordance with the Listing Rules. This authority shall expire at the next Annual General Meeting of the Company.

Resolution 13 – Sub-division of shares

Resolution 13 is an ordinary resolution whereby the Directors will seek authority to sub-divide each existing ordinary share of 25 pence each into ten new ordinary shares of 2.5 pence each. The resolution is conditional upon the new ordinary shares being listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange. Further details in respect of the Share Split can be found on page 109 of the Annual Report.

Resolution 14 – Authority to dis-apply pre-emption rights

Resolution 14 is a special resolution which is being proposed to authorise the Directors to disapply the pre-emption rights of existing Shareholders in relation to issues of Ordinary shares under Resolution 12 (being in respect of Ordinary shares up to an aggregate nominal value of £933,117, representing approximately 10 per cent. of the Company's issued Ordinary share capital as at the date of the Notice).

No issuance of Ordinary shares without pre-emption rights will be made at a price less than the prevailing net asset value per Ordinary share at the time of issue.

This authority shall expire at the next Annual General Meeting of the Company.

Resolution 15 – Purchase of own shares

Resolution 15 is a special resolution that will grant the Company authority to make market purchases of up to 5,594,972 Ordinary shares, representing 14.99 per cent. of the Ordinary shares in issue as at the date of the Notice. The Ordinary shares bought back will either be cancelled or placed into treasury at the determination of the Directors.

The maximum price which may be paid for each Ordinary share must not be more than the higher of (i) 105 per cent. of the average of the mid-market values of the Ordinary shares for the five business days before the purchase is made or (ii) the higher of the price of the last independent trade and the highest current independent bid for the Ordinary shares. The minimum price which may be paid for each Ordinary share is £0.25.

There are currently no shares held in treasury by the Company. In addition, the Directors would not exercise the authority granted under this resolution unless they consider it to be in the best interests of Shareholders, which may include addressing any significant imbalance between the supply and demand for the Company's Ordinary shares and to manage a any discount to net asset value at which the Ordinary shares trade. Purchases would be made in accordance with the provisions of the Act and the Listing Rules. This authority shall expire at the next Annual General Meeting of the Company when a resolution to renew the authority will be proposed. The Company currently intends that any Ordinary shares repurchased would be held in treasury, subject to applicable law and regulation.

Action to be Taken

If you would like to vote on the resolutions but will not be attending the AGM, you may appoint a proxy by completing and returning the enclosed Form of Proxy in accordance with the instructions printed on it. Forms of Proxy should be returned so as to be received by the Company's Registrar, Computershare Investor Services plc, at The Pavilions, Bridgwater Road, Bristol BS99 6ZY as soon as possible and in any event no later than 11.00 a.m. on 17 April 2019.

Alternatively, you may appoint a proxy electronically via www.investorcentre.co.uk/eproxy by following the instructions on that website or, if you hold your shares in CREST, via the CREST system. Please note that all proxy appointment forms should reach the Company's registrar, Computershare Investor Services plc, by no later than 11.00 a.m. on 17 April 2019.

If you hold your shares through a nominee service, please contact the nominee service provider regarding the process for giving voting instructions.

Recommendation

Full details of the above resolutions are contained in the Notice. The Directors consider that all the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its members as a whole. The Directors unanimously recommend that Shareholders vote in favour of all the resolutions.

Roger Mountford
Chairman, HgCapital Trust plc
8 March 2019

Notice of Annual General Meeting continued

Notice is hereby given that the Annual General Meeting of HgCapital Trust plc will be held at 2 More London Riverside, London SE1 2AP on 23 April 2019 at 11.00 a.m. to transact the business set out in the resolutions below.

Resolutions 1 to 13 will be proposed as ordinary resolutions; this means that for each of those ordinary resolutions to be passed, more than half of the votes cast must be in favour. Resolutions 14 and 15 will be proposed as special resolutions; this means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour.

Ordinary resolutions

1. To receive the Company's annual financial statements for the year ended 31 December 2018 together with the Directors' Report, the Strategic Report and the Auditor's Report on those financial statements.
2. To approve the Directors' Remuneration Report set out on pages 119 to 120 of the Company's Annual Report and Accounts for the financial period ended 31 December 2018.
3. To declare a final dividend of 30 pence per share in respect of the year ended 31 December 2018.
4. To re-elect Richard Brooman as a Director.
5. To re-elect Peter Dunscombe as a Director.
6. To re-elect Roger Mountford as a Director.
7. To re-elect Jim Strang as a Director.
8. To re-elect Guy Wakeley as a Director.
9. To re-elect Anne West as a Director.
10. To re-appoint Grant Thornton UK LLP as Auditor of the Company, to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting at which financial statements are laid before the Company.
11. To authorise the Directors to determine the remuneration of the Auditor.
12. THAT, in accordance with Section 551 of the Companies Act 2006 (the "Act"), the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot Ordinary shares in the Company up to a maximum aggregate nominal amount of £3,110,391, (being approximately 33.33 per cent. of the issued Ordinary share capital of the Company at the date of this Notice), such authority (i) to replace any existing authorities in respect of Ordinary shares of the Directors pursuant to Section 551 of the Act, which are hereby revoked and (ii) to expire at the conclusion of the next Annual General Meeting of the Company (unless previously renewed, varied or revoked by the Company in a general meeting), save that the Company may, before such expiry, make offers or agreements which would or might require Ordinary shares to be allotted after such expiry and the Directors may allot Ordinary shares in pursuance of such offers or agreements as if the authority conferred by this resolution had not expired.
13. THAT each of the ordinary shares of 25 pence each in the capital of the Company be subdivided into 10 ordinary shares of 2.5 pence each (the 'New Ordinary Shares'), the New Ordinary Shares having the rights and being subject to the restrictions set out in the Articles of Association of the Company, provided that such sub-division is conditional on, and shall take effect on, admission of the New Ordinary Shares to the Official List of the FCA and to trading on the London Stock Exchange's market for listed securities by 8.00am on 28 May 2019 (or such other time and/or date as the Directors of the Company may in their absolute discretion determine).

Special resolutions

14. THAT subject to the passing of Resolution 12, and in accordance with Sections 570 and 573 of the Act, the Directors be and are hereby generally empowered to allot equity securities (as defined in Section 560(1) of the Act) for cash pursuant to the authority conferred on the Directors by Resolution 12 and to sell Ordinary shares from treasury for cash, as if Section 561 of the Act did not apply to any such allotment or sale, up to

an aggregate nominal amount of £933,117 (being approximately 10 per cent. of the issued Ordinary share capital of the Company at the date of this Notice), such power to expire at the conclusion of the next Annual General Meeting of the Company (unless previously renewed, varied or revoked by the Company in general meeting) save that the Company may, at any time prior to the expiry of such power, make an offer or enter into an agreement which would or might require Ordinary shares to be allotted or sold from treasury after the expiry of such power and the Directors may allot or sell Ordinary shares from treasury in pursuance of such an offer or agreement as if such power had not expired.

15. THAT the Company be and is hereby generally and unconditionally authorised for the purpose of Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary shares in the capital of the Company, provided that:

(a) the maximum number of Ordinary shares which may be purchased is 55,949,720 if Resolution 13 above is approved and becomes effective (representing approximately 14.99% of the issued Ordinary share capital of the Company following the share split), or otherwise 5,594,972 (representing approximately 14.99% of the issued Ordinary share capital of the Company as at 6 March 2019, being the nearest practicable date prior to the publication of this Notice) or, if less the number representing 14.99% of the issued Ordinary share capital of the Company as at the date of the passing of this resolution;

(b) the minimum price, exclusive of any expenses, which may be paid for each Ordinary share is the nominal value of that Ordinary share;

(c) the maximum price, exclusive of any expenses, which may be paid for each Ordinary share is an amount equal to the higher of:

(i) 105 per cent. of the average of the mid-market values of the Ordinary shares for the five business days before the purchase is made; and

(ii) the higher of the price of the last independent trade of an Ordinary share and the highest current independent bid for an Ordinary share,

provided that all Ordinary shares purchased pursuant to the said authority shall:

(i) be cancelled immediately upon completion of the purchase; or

(ii) be held, sold or otherwise dealt with as treasury shares in accordance with the provisions of the Act.

This authority shall expire at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied, renewed or extended by the Company in general meeting) save that the Company may, before such expiry, enter into a contract to purchase shares which will or may be executed wholly or partly after the expiry of such authority.

By order of the Board
Link Company Matters Limited
Company Secretary
8 March 2019

Registered Office:
2 More London Riverside,
London SE1 2AP

Notice of Annual General Meeting continued

Important notes

The following notes explain your general rights as a shareholder and your right to attend and vote at this Annual General Meeting or to appoint someone else to vote on your behalf.

1. To be entitled to attend and vote at the Annual General Meeting (and for the purposes of the determination by the Company of the votes they may cast), members must be registered in the Register of Members of the Company at 6.00pm on 17 April 2019 (or, in the event of any adjournment, 48 hours before the time of the adjourned meeting excluding non-working days). Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Annual General Meeting.
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member, but must attend the Annual General Meeting to represent you. Details of how to appoint the Chairman of the Annual General Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Annual General Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
3. To appoint more than one proxy, an additional proxy form(s) may be obtained by contacting the Company's registrars, Computershare Investor Services PLC, helpline on 0370 707 1037 or you may photocopy the proxy form. Please indicate in the box next to the proxy holder's name, the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
4. A personalised form of proxy is enclosed with Shareholders' copies of this document. To be valid, it should be lodged with the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY so as to be received not later than 48 hours (excluding non-working days) before the time appointed for the Annual General Meeting or any adjourned meeting or, in the case of a poll taken subsequent to the date of the Annual General Meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.
5. 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 share:
   (a) if they purport to exercise the power in the same way as each other, the power is treated as exercised in that way; or
   (b) if they do not purport to exercise the power in the same way as each other, the power is treated as not exercised.
6. Any person receiving a copy of this Notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a ''Nominated Person'') should note that the provisions in Notes 2 and 3 above concerning the appointment of a proxy or proxies to attend the Annual General Meeting in place of a member, do not apply to a Nominated Person as only Shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the Annual General Meeting.
7. Nominated persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy information rights (or, perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from a Nominated Person.

8. Appointment of a proxy will not preclude a member from subsequently attending and voting at the Annual General Meeting should the member subsequently decide to do so. A member can only appoint a proxy using the procedures set out in these notes and the notes to the proxy card. The termination of the authority of a person to act as a proxy must be notified to the Company in writing. Amended instructions must be received by Computershare Investor Services PLC by the deadline for receipt of proxies. Should a member wish to appoint a proxy electronically, such proxy appointment must be registered electronically at www.eproxyappointment.com, so as to be received not later than 48 hours (excluding non-working days) before the time appointed for the Annual General Meeting or any adjourned meeting or, in the case of a poll taken subsequent to the date of the Annual General Meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed to take the poll. To vote electronically, you will be asked to provide the Control Number, Shareholder Reference Number (SRN) and PIN, details of which are contained in the personalised proxy card enclosed. This is the only acceptable means by which proxy instructions may be submitted electronically.
9. As at 8 March 2019 the Company's issued share capital consists of 37,324,698 Ordinary shares with none held in treasury. The total number of voting rights in the Company is 37,324,698.
10. A copy of the Notice of Annual General Meeting and the information required by Section 311A of the Companies Act 2006 is included on the Company's website, http://www.hgcapitaltrust.com.
11. Section 319A of the Companies Act 2006 requires the Directors to answer any question raised at the Annual General Meeting which, relates to the business of the Annual General Meeting, although no answer need be given (a) if to do so would interfere unduly with the preparation of the Annual General Meeting or involve disclosure of confidential information; (b) if the answer has already been given on the Company's website; or (c) if it is undesirable in the best interests of the Company or the good order of the Annual General Meeting.
12. Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to (a) 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 Annual General Meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the Annual General Meeting. The Company cannot require the members requesting the publication to pay its expenses, any statement required to be placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required to publish on its website.
13. Members satisfying the thresholds in section 338 of the Companies Act 2006 may require the Company to give, to members of the Company entitled to receive notice of the Annual General Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Annual General Meeting. A resolution may properly be moved at the Annual General Meeting 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. 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 six weeks before the date of the Annual General Meeting.
14. Members satisfying the thresholds in section 338A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the Annual General Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Annual General Meeting. A matter may properly be included in the business at the Annual General Meeting 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 Annual General Meeting.

15. By attending the Annual General Meeting, members and their proxies and representatives are understood by the Company to have agreed to receive any communications relating to the Company's shares made at the Annual General Meeting.

16. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by utilising 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.

17. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a ''CREST Proxy Instruction'') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the Issuer's agent (3RA50) by the latest time for receipt of proxy appointments specified in note 4 above. 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.

18. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited 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 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.

19. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001.

20. The Annual Report incorporating this notice of Annual General Meeting, details of the number of shares in respect of which members are entitled to exercise voting rights at the Annual General Meeting as at 8 March 2019 (the business day prior to publication of this notice) and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the dates of this notice will be available on the Company's website, http://www.hgcapitaltrust.com.

21. None of the Directors has a contract of service with the Company. A copy of the generic terms and conditions of appointment that have been adopted by the Directors will be available for inspection at the registered office of the Company during usual business hours on any weekday (except weekends and public holidays) until the date of the Annual General Meeting and at the place of the Annual General Meeting for a period of fifteen minutes prior to and during the Annual General Meeting.

Board, management and administration

Directors
Roger Mountford
(Chairman)

Richard Brooman
(Chairman of the Audit
and Valuation Committee)

Peter Dunscombe
(Chairman of the Management
Engagement Committee)

Jim Strang

Guy Wakeley

Anne West
(Senior Independent Director)

Mark Powell[1]

Company Secretary
Link Company Matters Limited
65 Gresham Street
London
EC2V 7NQ

Registered office
2 More London Riverside
London
SE1 2AP

Registered number
01525583

Website
www.hgcapitaltrust.com

[1] Retired on 23 April 2018.

[2] Authorised and regulated by the Financial Conduct Authority.

Investment Manager
Hg Pooled Management Limited[2]
2 More London Riverside
London
SE1 2AP

Telephone: 020 7089 7888
www.hgcapital.com

Registrars and Transfer Office
Computershare Investor Services PLC[2]
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

Telephone: 0370 707 1037

Brokers
Numis Securities Ltd[2]
The London Stock Exchange Building
10 Paternoster Square
London
EC4M 7LT

Telephone: 020 7260 1000
www.numiscorp.com

Auditors
Grant Thornton UK LLP[2]
30 Finsbury Square
London
EC2A 1AG

Administrator
Hg Pooled Management Limited[2]
2 More London Riverside
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Telephone: 020 7089 7888
www.hgcapital.com

Depositary
IPES Depositary (UK) Limited[2]
9th Floor
No.1 Minster Court
Mincing Lane
London
EC3R 7AA

AIC
Association of Investment Companies
www.theaic.co.uk

The AIC represents closed-ended investment companies. It helps its member companies through lobbying, media engagement, technical advice, training, and events.

The AIC's website includes information about investments via investment companies, including investments in listed private equity companies.

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

designed by &inc – info@andinc.co.uk