

HgCapital LLP

Consolidated financial statements
for the year ended 31 March 2012

Registered number 0C301825

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COMPANIES HOUSE

HgCapital LLP

DESIGNATED MEMBERS

I Armitage
S Bough
N Humphries
F C Jacob
L Stone

BOARD

I Armitage
N Humphries
F C Jacob
T Attwood (Non-Executive)

AUDITOR

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

REGISTERED OFFICE

2 More London Riverside
London
SE1 2AP

MEMBERS' REPORT

MEMBERS' REPORT

The members present their report and group financial statements for the year ended 31 March 2012

These financial statements for HgCapital LLP ("the LLP" or "the Partnership" or "the firm") reflect the results for the year to 31 March 2012. The financial statements consolidate the accounts of the LLP and of all its subsidiary undertakings (together, "the group"), drawn up to 31 March 2012. The group has taken advantage of the exemption under section 408 of the Companies Act 2006 not to present a profit and loss account for the LLP.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The LLP directly, and through its subsidiaries, provides investment management services to the European private equity and renewable energy markets, investing on behalf of collective investment schemes (fund partnerships). Funds under management increased during the year to £3.7 billion (2011: £3.4 billion) due primarily to the launch of a new fund, HgCapital Mercury, and also due to further closings in HgCapital Renewable Power Partners 2.

The group's operating profit has increased from £38,427,000 for the year ended 31 March 2011 to £44,357,000 for the year ended 31 March 2012. This increase was primarily driven by higher funds under management, resulting in an increase in fee income to £62,761,000 (2011: £53,157,000) offset by an increase in staff costs and legal & professional fees.

BUSINESS AND STRATEGY

The objective of the group is to manage fund partnerships that provide investors with broad exposure to European private equity and renewable energy markets. The strategy is to achieve the best 'reward for risk' returns available in the European middle-market through the identification and development of strong, established businesses with significant opportunities for improvement, growth and repositioning. The group focuses on middle-market buyouts with enterprise values of between £50 million and £500 million and renewable power generating projects using proven technologies. The group primarily focuses its buyout investments in the UK, Germany and the Nordic Region, as well as Switzerland, Italy and Benelux, and its renewable energy investments are currently focused on the British Isles, the Nordic region and Spain.

There are no plans which will significantly change the activities and risks of the LLP or the Group.

KEY PERFORMANCE INDICATORS

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

RISK ASSESSMENT

The group is exposed to a variety of financial and operational risks as detailed below.

Liquidity and cash flow risk

The group's management actively reviews the liquidity position on a regular basis to ensure the group is always in a position to meet its debt and commitments on a timely basis.

MEMBERS' REPORT (CONTINUED)

RISK ASSESSMENT (CONTINUED)

Interest rate risk

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

Currency risk

A proportion of the group's income is denominated in foreign currencies. This income is naturally hedged due to a similar quantum of expenditure incurred in the corresponding currencies, and as such, no additional measures are considered necessary.

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

The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account.

Credit and counterparty risk

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

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

Operational risk

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

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

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

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

MEMBERS' REPORT (CONTINUED)

GOING CONCERN

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

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

REGULATION

The LLP became regulated by the Financial Services Authority on 16 October 2008.

RESULTS AND DISTRIBUTIONS

The results for the year are shown in the profit and loss account on page 9. Members' remuneration and profit allocations of £42,407,000 were made during the year (2011: £40,918,000).

MEMBERS

An additional member joined during the year, together with four additional associate members. One member and one associate member ceased to be members during the year.

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

BOARD

The Board members are detailed on page 1.

MEMBERS' DRAWINGS, SUBSCRIPTIONS AND REPAYMENT OF CAPITAL

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

PARTNERSHIP FINANCIAL STATEMENTS

Clause 8 of the LLP Deed specifies that the financial statements shall be drawn up to 31 March or such other date as the Board may decide, and proper accounting records shall be kept by the Partnership and that the accounting policies to be adopted shall be as laid down by the Board.

These responsibilities are exercised by the Board.

DIRECTORS' & OFFICERS' LIABILITY INSURANCE

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

MEMBERS' REPORT (CONTINUED)

AUDITOR

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

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


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

Deloitte LLP have expressed their willingness to continue in office as auditor. A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting

On behalf of the members



Stephen Bough
Designated Member



Frances Jacob
Designated Member

25 July 2012

STATEMENT OF MEMBERS' RESPONSIBILITIES

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

The Limited Liability Partnerships (Accounts & Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the LLP and of the group and of the profit or loss of the group for that period. In preparing these financial statements, the members are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the firm will continue in business.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HG CAPITAL LLP

We have audited the financial statements of HgCapital LLP for the year ended 31 March 2012 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Cash Flow Statement, the Limited Liability Partnership Balance Sheet and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the limited liability partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditor

As explained more fully in the Statement of Members' Responsibilities, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent limited liability partnership's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the designated members, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Members' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent limited liability partnership's affairs as at 31 March 2012 and of the group's profit 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 as applied to limited liability partnerships.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion

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



Garrath Marshall (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
25 July 2012

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2012

	<i>Notes</i>	2012 £'000	2011 £'000
Fee Income	2	62,761	53,157
Operating Expenses	3	<u>(18,404)</u>	<u>(14,730)</u>
Operating Profit	5	44,357	38,427
Interest receivable	6	316	128
Profit on realisation of investments	10	<u>395</u>	<u>-</u>
Group profit before taxation		45,068	38,555
Group tax charge	7	<u>(1,648)</u>	<u>(438)</u>
Profit for the year before members' remuneration and profit shares		43,420	38,117
Members' remuneration charged as an expense	14	<u>(6,246)</u>	<u>(6,640)</u>
Retained profit for the year available for discretionary division among members		37,174	31,477
Division of profit	14	<u>(36,161)</u>	<u>(34,278)</u>
Retained profit / (loss)		<u>1,013</u>	<u>(2,801)</u>

All amounts are in respect of continuing activities

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 March 2012

There were no recognised gains and losses in the year other than the profit for the year and the £185,000 loss on exchange differences on consolidation (2011 £17,000 loss) disclosed in note 13

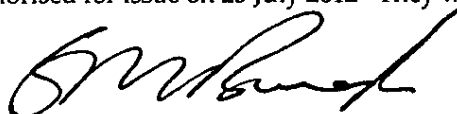
The accompanying notes form an integral part of these financial statements

HgCapital LLP

CONSOLIDATED BALANCE SHEET at 31 March 2012

	Notes	2012 £'000	2011 £'000
Fixed Assets			
Tangible fixed assets	9	533	558
Investments	10	<u>5,313</u>	<u>4,266</u>
		5,846	4,824
Current Assets			
Debtors	11	11,339	5,460
Cash		<u>21,231</u>	<u>24,225</u>
		32,570	29,685
Creditors amounts falling due within one year	12	<u>(19,811)</u>	<u>(16,269)</u>
Net Current Assets		12,759	13,416
Non-Current Debtors	11	<u>2,326</u>	<u>1,846</u>
Net Assets		<u>20,931</u>	<u>20,086</u>
Represented by:			
Members' Capital classified as a liability	14	1,990	1,973
Other reserves classified as equity	14	<u>18,941</u>	<u>18,113</u>
		<u>20,931</u>	<u>20,086</u>
Total Members' Interests represented by:			
Loans and other debts due to members	14	1,990	1,973
Members' other interests	14	<u>18,941</u>	<u>18,113</u>
		<u>20,931</u>	<u>20,086</u>

The financial statements of HgCapital LLP (registered number 0C301825) were approved by the Board and authorised for issue on 25 July 2012. They were signed for and on behalf of the Members by



25 July 2012

The accompanying notes form an integral part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 March 2012

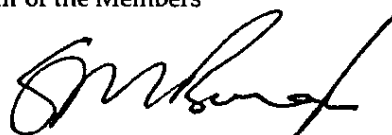
	<i>Notes</i>	<i>2012 £'000</i>	<i>2011 £'000</i>
Net cash inflow from operating activities	<i>13a</i>	40,494	42,120
Return on investment and servicing of finance	<i>13b</i>	316	128
Taxation	<i>13b</i>	(214)	(18)
Capital expenditure and financial investment	<i>13b</i>	<u>(1,015)</u>	<u>(923)</u>
Cash inflow before transactions with members		39,581	41,307
Transactions with members	<i>13b</i>	<u>(42,390)</u>	<u>(46,703)</u>
Decrease in cash	<i>13c</i>	<u>(2,809)</u>	<u>(5,396)</u>

The accompanying notes form an integral part of these financial statements

LIMITED LIABILITY PARTNERSHIP BALANCE SHEET
at 31 March 2012

	Notes	2012 £'000	2011 £'000
Fixed Assets			
Tangible fixed assets	9	405	350
Investments in subsidiaries	10	441	412
Other investments	10	<u>5,022</u>	<u>3,863</u>
		5,868	4,625
Current Assets			
Debtors	11	4,748	6,412
Cash		<u>9,836</u>	<u>5,886</u>
		14,584	12,298
Creditors: amounts falling due within one year	12	<u>(18,036)</u>	<u>(9,515)</u>
Net Current Assets		(3,452)	2,783
Non-Current Debtors	11	<u>2,326</u>	<u>1,846</u>
Net Assets		<u>4,742</u>	<u>9,254</u>
Represented by:			
Members' Capital classified as a liability	14	1,990	1,973
Other reserves classified as equity	14	<u>2,752</u>	<u>7,281</u>
		<u>4,742</u>	<u>9,254</u>
Total Members' Interests represented by:			
Loans and other debts due to members	14	1,990	1,973
Members' other interests	14	<u>2,752</u>	<u>7,281</u>
		<u>4,742</u>	<u>9,254</u>

The accounts were approved by the Board
For and on behalf of the Members



25 July 2012

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

1. STATEMENT OF ACCOUNTING POLICIES

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

Basis of accounting

The consolidated financial statements have been prepared under the historical cost convention. They have been prepared in accordance with the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships' (SORP) issued in March 2010 and with applicable United Kingdom accounting standards and law. The group has taken advantage of the exemption under section 408 of the Companies Act 2006 not to present a profit and loss account for HgCapital LLP.

Basis of consolidation

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

Going concern

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

Fixed assets

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

Depreciation

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

Leasehold improvements and Fixtures and fittings	-	Life of lease (5 years)
Computer equipment	-	2 years
Motor vehicle	-	3 years

Investments in subsidiaries

The group and LLP holds its investments stated at cost less impairment.

Other investments

Other investments are stated at cost less impairment.

Deferred income

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Deferred expenditure

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

Foreign currencies

Group

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All such differences are taken to the profit and loss account.

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

Company

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Leasing commitments

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

Pensions

HgCapital LLP operates a pension scheme for staff and members, the HgCapital LLP stakeholders' scheme. The plan is a defined contribution plan and contributions on behalf of staff are charged to the profit and loss account when they become payable. These amounts are charged to the profit and loss account when they become payable. Contributions on behalf of Members are included within the Members' Interests.

Taxation

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

Deferred taxation

Provision in the subsidiary companies is made for corporation tax at the current rates on the excess of taxable income over allowable expenses. Provision is made for deferred tax on all material timing differences arising from the different treatment of items for accounting and tax purposes. A deferred tax asset is recognised only to the extent that it is more likely than not that there will be taxable profits in the future against which the asset can be offset. Deferred tax is measured on a non-discounted basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2012

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Members' remuneration

In respect of any period, subject to the LLP maintaining its regulatory capital requirements, each member is entitled to fixed and contractual profit share distributions as defined in the Limited Partnership Agreement. These amounts are charged as an expense in the profit and loss account. In addition, where sufficient profits of the partnership are available, each member may be allocated a further discretionary profit share distribution with the approval of the Remuneration Committee. Such discretionary profit distributions are shown as part of the reconciliation of movements in members' other and members' total interests (refer to note 14 for further information).

2. FEE INCOME

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2012

3 ANALYSIS OF OPERATING EXPENSES

	2012 £'000	2011 £'000
Staff costs (note 4)	11,768	9,899
Legal and professional fees	1,074	307
Depreciation of tangible fixed assets	388	390
Other operating expenses	5,174	4,134
	<u>18,404</u>	<u>14,730</u>

4. STAFF COSTS

The aggregate employment costs of staff (excluding members) were

	2012 £'000	2011 £'000
Salaries including bonus	10,785	9,047
Social security costs	725	637
Pension costs	258	215
	<u>11,768</u>	<u>9,899</u>

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

	2012 Number	2011 Number
Revenue staff	26	22
Support staff	33	30
	<u>59</u>	<u>52</u>

5 OPERATING PROFIT

Operating profit is stated after charging / (crediting)

	2012 £'000	2011 £'000
Auditor's remuneration		
- for audit of the group	49	47
- taxation services (non-audit)	87	86
Depreciation of tangible fixed assets	388	390
Operating lease payments	744	693
Foreign exchange losses / (gains)	383	(259)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2012

6. INTEREST RECEIVABLE

Interest receivable is interest earned on cash balances held at the bank

7. GROUP TAX CHARGE

The group tax charge represents the tax liability generated in the underlying subsidiaries held by the Limited Liability Partnership

The group tax charge is made up as follows

	2012 £'000	2011 £'000
<i>Current tax</i>		
UK Corporation tax	1,520	332
Overseas tax	128	106
Total current tax	1,648	438
Deferred tax	-	-
Total tax charge	1,648	438

Factors affecting tax charge for the year

The tax assessed for the year is lower (2011: lower) than the standard rate of corporation tax in the UK for a large company. The differences are explained below

	2012 £'000	2011 £'000
Profit before tax	45,068	38,555
Corporation tax at 26% (2011: 28%)	11,718	10,795
Effects of:		
Income attributable to HgCapital LLP and taxable on members directly	(9,871)	(10,326)
Overseas tax items and rate differences	(49)	(76)
Adjustments in respect of previous periods	(12)	-
Decrease in corporation tax rate	(185)	-
Expenditure not deductible for corporation tax purposes	47	45
	(10,070)	(10,357)
Corporation tax charge for the year	1,648	438

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

There is no material unprovided deferred tax

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2012

8 MEMBERS' REMUNERATION AND DIVISION OF PROFIT

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

	2012 Number	2011 Number
Average number of members	31	29
	2012 £'000	2011 £'000
Average profit per member	1,368	1,411

Members remuneration and profit allocations of £42,407,000 (2011 £40,918,000) were made during the year.

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

	2012 £'000	2011 £'000
Division of profit	28,309	25,257

9. TANGIBLE FIXED ASSETS

Group	Motor vehicle £'000	Fixtures & fittings £'000	Leasehold improvements £'000	Computer equipment £'000	Total £'000
Cost					
At 31 March 2011	54	812	921	1,539	3,326
Additions	-	228	-	143	371
Disposals	(54)	(98)	(24)	(6)	(182)
Foreign currency	-	(13)	(9)	(5)	(27)
At 31 March 2012	-	929	888	1,671	3,488
Depreciation					
At 31 March 2011	44	594	703	1,427	2,768
Provided during the year	10	141	100	137	388
Disposals	(54)	(98)	(24)	(6)	(182)
Foreign currency	-	(6)	(2)	(11)	(19)
At 31 March 2012	-	631	777	1,547	2,955
Net book value					
At 31 March 2012	-	298	111	124	533
At 31 March 2011	10	218	218	112	558

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2012

9 TANGIBLE FIXED ASSETS (CONTINUED)

<i>Limited liability partnership</i>	<i>Motor vehicle</i> £'000	<i>Fixtures & fittings</i> £'000	<i>Leasehold improvements</i> £'000	<i>Computer equipment</i> £'000	<i>Total</i> £'000
Cost					
At 31 March 2011	54	602	764	1,442	2,862
Additions	-	228	-	143	371
Disposals	(54)	-	-	-	(54)
At 31 March 2012	-	830	764	1,585	3,179
Depreciation					
At 31 March 2011	44	459	672	1,337	2,512
Providing during the year	10	94	87	125	316
Disposals	(54)	-	-	-	(54)
At 31 March 2012	-	553	759	1,462	2,774
Net book value					
At 31 March 2012	-	277	5	123	405
At 31 March 2011	10	143	92	105	350

10. INVESTMENTS

<i>Group</i>	<i>Other investments</i> £'000	<i>Total</i> £'000
Cost		
At 31 March 2011	4,266	4,266
Investments during the year ⁽¹⁾	1,363	1,363
Disposals during the year ⁽²⁾	(316)	(316)
At 31 March 2012	5,313	5,313

⁽¹⁾ Representing additional investments in fund co-investment partnerships during the year⁽²⁾ Representing cost of disposal of investments in fund co-investment partnerships during the year

The group has investments in MUST 4 Carry LP, HgCapital SPLP 1 Carry LP, HgCapital SPLP 2 Carry LP and HgCapital RW SPLP Carry LP who invested in MUST 4 LP, GKN SPLP 1 LP, GKN SPLP 2 LP, RR SPLP 1 LP, RR SPLP 2 LP and RW SPLP LP respectively. The group also has a commitment of £119,000 (2011 £132,000) to HgCapital 5 Executive Co-Invest LP, €2,365,000 (2011 €2,365,000) to Hg Renewable Power Partners LP, £4,321,000 (2011 £4,321,000) to HgCapital 6 Executive Co-Invest LP and €3,522,000 (2011 €1,801,000) to HgCapital RPP2 Executive Co-Invest LP.

These investments are stated at cost less impairment

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2012

10. INVESTMENTS (CONTINUED)

Furthermore other investments include an investment of £281,000 in Hg Investment Managers Limited, incorporated in the United Kingdom. The investment consists of 10,210 B non-voting ordinary shares that have the right to receive all dividends declared by Hg Investment Managers Limited.

<i>Limited liability partnership</i>	<i>Investments in Subsidiaries £'000</i>	<i>Other Investments £'000</i>	<i>Total £'000</i>
Cost			
At 31 March 2011	412	3,863	4,275
Investments during the year ⁽¹⁾	29	1,475	1,504
Disposals during the year ⁽²⁾	-	(316)	(316)
At 31 March 2012	<u>441</u>	<u>5,022</u>	<u>5,463</u>

⁽¹⁾ Representing investment in HgCapital Mercury subsidiaries and additional investments in fund co-investment partnerships during the year

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

As at 31 March 2012, the LLP holds an interest in the share capital of the following subsidiary undertakings

	<i>Incorporated and Registered</i>	<i>Nature of business</i>	<i>Ordinary Shares</i>
Hg Pooled Management Limited	England	Investment Management	100%
HgCapital Beratungs GmbH & Co Kg *	Germany	Investment Advisor	100%
HgCapital Verwaltungs GmbH	Germany	Investment Advisor	100%
HgCapital (Netherlands) BV	Netherlands	Investment Advisor	100%
MUST 4 Management GmbH	Germany	Investment Management	100%
MUST 4 General Partner (Guernsey) Ltd	Guernsey	Investment Management	100%
HGT General Partner Limited	England	Investment Management	100%
Hg Incorporations Limited	England	Non-trading	100%
HgCapital Segregated Client G P (UK) Limited	England	Non-trading	100%
HgCapital General Partner (Scotland) Limited	Scotland	Investment Management	100%
HgCapital Trustee Company Limited	England	Non-trading	100%
HgCapital 5 General Partner (Guernsey) Limited	Guernsey	Investment Management	100%
HgCapital 5 General Partner LP *	Scotland	Investment Management	100%
HgCapital 6 GP Feeder LP Inc*	Guernsey	Investment Management	100%
HgCapital 6 General Partner (Guernsey) Limited*	Guernsey	Investment Management	100%
HgCapital 6 General Partner LP Inc	Guernsey	Investment Management	100%
Hg Renewable Power GP (Guernsey) Limited	Guernsey	Investment Management	100%
Hg Renewable Power GP (Scotland) Limited	Scotland	Investment Management	100%
HgCapital RPP2 General Partner (Guernsey) Ltd	Guernsey	Investment Management	100%
HgCapital RPP2 General Partner LP Inc	Guernsey	Investment Management	100%
HgCapital Mercury General Partner (Guernsey) Ltd	Guernsey	Investment Management	100%
HgCapital Mercury General Partner LP Inc	Guernsey	Investment Management	100%
HgCapital (Luxembourg) SARL	Luxembourg	Investment Administration	100%

* Held through subsidiaries

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2012

10. INVESTMENTS (CONTINUED)

The members are of the opinion that the value of investments in subsidiaries is not less than the amount at which they are stated in the accounts

The partnership has investments in MUST 4 Carry LP, HgCapital SPLP 1 Carry LP, HgCapital SPLP 2 Carry LP and HgCapital RW SPLP Carry LP who invested in MUST 4 LP, GKN SPLP 1 LP, GKN SPLP 2 LP, RR SPLP 1 LP, RR SPLP 2 LP and RW SPLP LP respectively. The partnership also has a commitment of £119,000 (2011 £132,000) to HgCapital 5 Executive Co-Invest LP, £2,365,000 (2011 £2,365,000) to Hg Renewable Power Partners LP, £4,321,000 (2011 £4,321,000) to HgCapital 6 Executive Co-Invest LP and £3,522,000 (2011 £1,801,000) to HgCapital RPP2 Executive Co-Invest LP

Other investments also include an investment of £281,000 in Hg Investment Managers Limited, incorporated in the United Kingdom. The investment consists of 10,210 B non-voting ordinary shares that have the right to receive all dividends declared by Hg Investment Managers Limited

11. DEBTORS

	2012 Group £'000	2011 Group £'000	2012 LLP £'000	2011 LLP £'000
Amounts owed by related parties (note 15)	-	-	2,655	4,037
Client debtors	7,551	3,832	710	1,297
Deferred expenditure	2,639	1,260	919	1,238
Prepayments and accrued income	538	464	473	332
VAT recoverable	673	314	255	136
Other debtors	2,264	1,436	2,062	1,218
	<u>13,665</u>	<u>7,306</u>	<u>7,074</u>	<u>8,258</u>

Included in the above for both the group and the partnership are the following amounts which are due, or will be amortised, after more than one year

	2012 Group £'000	2011 Group £'000	2012 LLP £'000	2011 LLP £'000
Other debtors	755	1,058	755	1,058
Deferred expenditure	1,571	788	1,571	788
	<u>2,326</u>	<u>1,846</u>	<u>2,326</u>	<u>1,846</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2012

12. CREDITORS: amounts falling due within one year

	2012 <i>Group</i> £'000	2011 <i>Group</i> £'000	2012 <i>LLP</i> £'000	2011 <i>LLP</i> £'000
Amounts owed to related parties (note 15)	-	-	8,480	144
Trade creditors	2,971	1,895	2,811	1,882
Other creditors	5,253	5,091	2,582	2,610
Payroll and social security	853	664	632	629
Taxation	4,169	2,736	-	-
Accruals	6,565	5,883	3,531	4,250
	<u>19,811</u>	<u>16,269</u>	<u>18,036</u>	<u>9,515</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2012

13. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

a) Reconciliation of operating profit to net cash inflow from operating activities

	2012 £'000	2011 £'000
Operating profit	44,357	38,427
Depreciation	388	390
(Increase) / decrease in debtors	(6,360)	5,837
Increase / (decrease) in creditors	2,109	(2,534)
Net cash inflow from operating activities	<u>40,494</u>	<u>42,120</u>

b) Analysis of cash flows for headings netted in the consolidated cash flow statement

Return on investment and servicing of finance

Interest received	<u>316</u>	<u>128</u>
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Taxation

Corporation tax paid	<u>214</u>	<u>18</u>
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Capital expenditure and financial investment

Purchase of tangible fixed assets	(362)	(165)
Proceeds on disposal of investments	710	-
Purchase of investments	<u>(1,363)</u>	<u>(758)</u>
	<u>(1,015)</u>	<u>(923)</u>

Transactions with members

Members' remuneration paid	(6,246)	(6,640)
Division of profit paid	(36,144)	(33,595)
Loans repaid	<u>-</u>	<u>(6,468)</u>
	<u>(42,390)</u>	<u>(46,703)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2012

13. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

c) Analysis of changes in net funds

	2012 £'000	2011 £'000
Net funds		
At 1 April	24,225	29,638
Exchange differences on consolidation	(185)	(17)
Decrease in cash	<u>(2,809)</u>	<u>(5,396)</u>
At 31 March	<u>21,231</u>	<u>24,225</u>

14. RECONCILIATION OF MOVEMENTS IN MEMBERS' INTERESTS

Group	2012 Members' Other Interests £'000	2012 Loans and other debts due to Members £'000	2012 Total Members' Interests £'000	2011 Total Members' Interests £'000
Members' interests				
At 1 April	18,113	1,973	20,086	28,689
Members' remuneration charged as an expense	-	6,246	6,246	6,640
Profit for the year available for discretionary division among members	<u>37,174</u>	<u>-</u>	<u>37,174</u>	<u>31,477</u>
Members' interests after profit for the year	55,287	8,219	63,506	66,806
Advances repaid to members	-	-	-	(6,468)
Prior year profit allocations paid during the year	-	(683)	(683)	-
Profit allocations payable at balance date	-	700	700	683
Profit allocations made during the year	(36,161)	36,161	-	-
Drawings	-	(42,407)	(42,407)	(40,918)
Exchange differences on consolidation	<u>(185)</u>	<u>-</u>	<u>(185)</u>	<u>(17)</u>
At 31 March	<u>18,941</u>	<u>1,990</u>	<u>20,931</u>	<u>20,086</u>

Included in debtors (see note 11) is an amount of £1,356,000 (2011 £667,000) relating to outstanding amounts due to the group in relation to a loan scheme available to staff and members to invest in the co-investment participation scheme, available to executives of the group. Of this amount, £1,157,000 (2011 £576,000) is in relation to loans due from members, excluded from the loan above. Interest is charged on these amounts at the higher of LIBOR plus 1% or HMRC's beneficial loan arrangement interest rate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2012

14. RECONCILIATION OF MOVEMENTS IN MEMBERS' INTERESTS (Continued)

<i>Limited Liability Partnership</i>	2012	2012	2012	2011
	<i>Members' Other Interests</i>	<i>Loans and other debts due to Members</i>	<i>Total Members' Interests</i>	<i>Total Members' Interests</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Members' interests				
At 31 March 2011	7,281	1,973	9,254	19,342
Members' remuneration charged as an expense	-	6,246	6,246	6,640
Profit for the year available for discretionary division among members	31,632	-	31,632	29,975
Members' interests after profit for the year	38,913	8,219	47,132	55,957
Advances repaid to members	-	-	-	(6,468)
Prior year profit allocations paid during the year	-	(683)	(683)	-
Profit allocations payable at balance date	-	700	700	683
Profit allocations in the year	(36,161)	36,161	-	-
Drawings	-	(42,407)	(42,407)	(40,918)
At 31 March 2012	2,752	1,990	4,742	9,254

Included in debtors (see note 11) is an amount of £1,356,000 (2011 £667,000) relating to outstanding amounts due to the LLP in relation to a loan scheme available to staff and members to invest in the co-investment participation scheme, available to executives of the group. Of this amount, £1,157,000 (2011 £576,000) is in relation to loans due from members, excluded from the loan above. Interest is charged on these amounts at the higher of LIBOR plus 1% or HMRC's beneficial loan arrangement interest rate.

15. RELATED PARTY DISCLOSURES

For the purposes of FRS, related parties include the group's subsidiary undertakings

Furthermore, the group provides business support services to Hg Investment Managers Limited (Hg IM) and Hg IM charges a management fee to the group. Hg IM ceased to be a subsidiary of the partnership on 6 March 2007, after which date the partnership ceased to have control over Hg IM. The partnership and IM continue to share certain key business interests, management, systems and processes, such that one party might be able to influence the other. The parties are therefore deemed to be related parties under FRS 8.

The group has taken advantage of the exemption in FRS 8 Related Party Disclosure relating to transactions between wholly-owned subsidiaries.

During the year, Hg IM received management fees of £309,000 (2011 £430,000) from the group and paid £70,000 (2011 £nil) to the group in respect of business support services.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2012

16. OTHER FINANCIAL COMMITMENTS AND CONTINGENCIES

Group

At 31 March 2012 the group had investment purchases of £4,031,002 (2011 £4,262,278) that had been authorised and contractually committed but not yet drawn

Furthermore, at 31 March 2012 the group had an annual commitment of £649,000 (2011 £614,000) under non-cancellable operating leases relating to land and buildings which expire in between five and six years (2011 three and four years), an annual commitment of £139,000 (2011 £155,000) under non-cancellable operating leases relating to land and buildings which expire in between seven and eight years (2011 eight and nine years) and an annual commitment of £19,000 (2011 £nil) under non-cancellable operating leases relating to motor vehicles which expire in between two and three years (2011 n/a)

On 23 April 2010, the group entered into a Security Interest Agreement with a financial institution granting security over the share capital and bank accounts of certain of its General Partner subsidiaries (refer note 10) in connection with the provision of a £45 million credit facility provided to Dogmer 4 Ltd, a member of the Partnership, by this financial institution. At the balance sheet date, the total outstanding credit facility was £10 million. This liability has been fully repaid since the balance sheet date following further repayments by Dogmer 4 Ltd.

Limited Liability Partnership

At 31 March 2012 the LLP had investment purchases of £4,031,002 (2011 £4,262,278) that had been authorised and contractually committed but not yet drawn

Furthermore, at 31 March 2012 the LLP had an annual commitment of £649,000 (2011 £614,000) under non-cancellable operating leases relating to land and buildings which expire in between five and six years (2011. three and four years) and an annual commitment of £19,000 (2011 £nil) under non-cancellable operating leases relating to motor vehicles which expire in between two and three years (2011 n/a)

On 23 April 2010, the LLP entered into a Security Interest Agreement with a financial institution granting security over the share capital and bank accounts of certain of its General Partner subsidiaries (refer note 10) in connection with the provision of a £45 million credit facility provided to Dogmer 4 Ltd, a member of the Partnership, by this financial institution. At the balance sheet date, the total outstanding credit facility was £10 million. This liability has been fully repaid since the balance sheet date following further repayments by Dogmer 4 Ltd.

17. ULTIMATE CONTROLLING PARTY

The Members are the ultimate controlling party. No single Member held a controlling interest in the LLP at the date of this report or at any stage during the financial year ended 31 March 2012.