

# HgCapital LLP

Consolidated financial statements  
for the year ended 31 March 2013

Registered number 0C301825

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# HgCapital LLP

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## **DESIGNATED MEMBERS**

S M Bough  
M J Block  
C M Donaldson  
N J Humphries

## **BOARD**

N J 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

The members present their report and group financial statements for the year ended 31 March 2013

These financial statements for HgCapital LLP ("the LLP" or "the Partnership" or "the firm") reflect the results for the year to 31 March 2013. The financial statements consolidate the accounts of the LLP and of all its subsidiary undertakings (together, "the group"), drawn up to 31 March 2013. 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 £5.0 billion (2012: £3.7 billion) due primarily to the launch of a new fund, HgCapital 7, and also due to further closings in HgCapital Mercury.

The group's operating profit has decreased from £44,357,000 for the year ended 31 March 2012 to £38,009,000 for the year ended 31 March 2013. This decrease was primarily as a result of a reduction in the fee basis of certain fund partnerships following the realisation of investments, resulting in a decrease in fee income to £59,591,000 (2012: £62,761,000) alongside an increase in staff costs and legal and professional fees. During the financial year no fees were earned from the HgCapital 7 Fund.

### 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, lower mid-market buyouts in the TMT sector with enterprise values of between £20 million and £80 million and renewable power generating projects using proven technologies. The group primarily focuses its buyout investments in the UK, Northern Europe, Benelux and the Nordic Region, 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

### RISK ASSESSMENT (CONTINUED)

#### *Interest rate risk*

At the balance sheet date, the group has a significant proportion of its assets held in interest-bearing bank accounts and deposits at call. As such, the group's revenues and assets are subject to interest rate risk to the extent that the cash rate falls over any given period. Given that the group does not have any material interest-bearing liabilities at 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. 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 also subject to risks associated with the tax and regulatory regimes within which its business operates. The Board and management engage consultants where necessary to ensure their understanding of current and impending laws and regulations is sufficient.

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

## MEMBERS' REPORT (CONTINUED)

### GOING CONCERN

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

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

### REGULATION

The LLP is regulated by the Financial Conduct Authority.

### 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 £36,552,000 were made during the year (2012: £42,407,000).

### MEMBERS

An additional associate member joined during the year and four members and four associate members 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 10 of the LLP Deed specifies that the financial statements shall be drawn up to 31 March or such other date as the Board may decide, and proper accounting records shall be kept by the Partnership and that the accounting policies to be adopted shall be as laid down by the Board.

These responsibilities are exercised by the Board.

### DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

**MEMBERS' REPORT (CONTINUED)**

**AUDITOR**

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

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

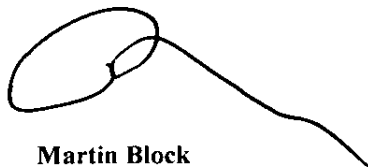
This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

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

On behalf of the members



**Stephen Bough**  
Designated Member



**Martin Block**  
Designated Member

23 July 2013

## 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 year. In preparing these financial statements, the members are required to

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

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

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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HgCAPITAL LLP

We have audited the statements of HgCapital LLP for the year ended 31 March 2013 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 2013 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

23 July 2013

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
for the year ended 31 March 2013

	<i>Notes</i>	<i>2013 £'000</i>	<i>2012 £'000</i>
<b>Fee Income</b>	<b>2</b>	<b>59,661</b>	<b>62,831</b>
<b>Operating Expenses</b>	<b>3</b>	<b>(21,652)</b>	<b>(18,474)</b>
<b>Operating Profit</b>	<b>5</b>	<b>38,009</b>	<b>44,357</b>
Interest receivable	6	224	316
Profit on realisation of investments		61	395
<b>Group profit before taxation</b>		<b>38,294</b>	<b>45,068</b>
Group tax credit /(charge)	7	414	(1,648)
<b>Profit for the year before members' remuneration and profit shares</b>		<b>38,708</b>	<b>43,420</b>
Members' remuneration charged as an expense	14	(6,228)	(6,246)
<b>Retained profit for the year available for discretionary division among members</b>		<b>32,480</b>	<b>37,174</b>

*All amounts are in respect of continuing activities*

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
for the year ended 31 March 2013

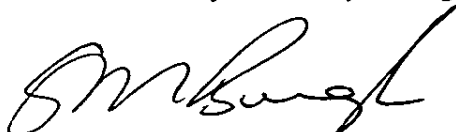
There were no recognised gains or losses in the year other than the profit for the year and the £14,000 loss on exchange differences on consolidation (2012 £185,000 loss) as disclosed in note 14

*The accompanying notes form an integral part of these financial statements*

**CONSOLIDATED BALANCE SHEET**  
at 31 March 2013

	<i>Notes</i>	<i>2013</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>
<b>Fixed Assets</b>			
Tangible fixed assets	9	747	533
Investments	10	4,524	5,313
		<u>5,271</u>	<u>5,846</u>
<b>Current Assets</b>			
Debtors	11	7,538	11,339
Cash	13 (c)	27,067	21,231
		<u>34,605</u>	<u>32,570</u>
<b>Creditors</b> amounts falling due within one year	12	<u>(18,950)</u>	<u>(19,811)</u>
<b>Net Current Assets</b>		15,655	12,759
<b>Non-Current Debtors</b>	11	<u>1,447</u>	<u>2,326</u>
<b>Net Assets</b>		22,373	20,931
<b>Represented by:</b>			
Members' Capital classified as a liability	14	1,290	1,990
Other reserves classified as equity	14	21,083	18,941
		<u>22,373</u>	<u>20,931</u>
<b>Total Members' Interests represented by.</b>			
Loans and other debts due to members	14	1,290	1,990
Members' other interests	14	21,083	18,941
		<u>22,373</u>	<u>20,931</u>

The financial statements of HgCapital LLP (registered number 0C301825) were approved by the Board and authorised for issue on 23 July 2013. They were signed for and on behalf of the Members



**Stephen Bough**  
Designated Member

23 July 2013

*The accompanying notes form an integral part of these financial statements*

**CONSOLIDATED CASH FLOW STATEMENT**  
for the year ended 31 March 2013

	<i>Notes</i>	<i>2013</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>
<b>Net cash inflow from operating activities</b>	<i>13a</i>	42,553	40,494
Return on investment and servicing of finance	<i>13b</i>	224	316
Taxation paid	<i>13b</i>	(52)	(214)
Capital expenditure and financial investment	<i>13b</i>	<u>377</u>	<u>(1,015)</u>
<b>Cash inflow before transactions with members</b>		43,102	39,581
Transactions with members	<i>13b</i>	<u>(37,252)</u>	<u>(42,390)</u>
<b>Increase / (decrease) in cash</b>	<i>13c</i>	<u>5,850</u>	<u>(2,809)</u>

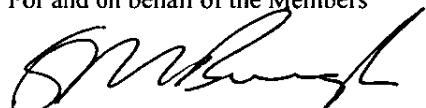
*The accompanying notes form an integral part of these financial statements*

**LIMITED LIABILITY PARTNERSHIP BALANCE SHEET**  
at 31 March 2013

	<i>Notes</i>	<i>2013</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>
<b>Fixed Assets</b>			
Tangible fixed assets	9	579	405
Investments in subsidiaries	10	441	441
Other investments	10	4,233	5,022
		5,253	5,868
<b>Current Assets</b>			
Debtors	11	4,951	5,925
Cash		5,022	9,836
		9,973	15,761
<b>Creditors</b> amounts falling due within one year	12	(9,607)	(18,036)
<b>Net Current Assets / (Liabilities)</b>		366	(2,275)
<b>Non-Current Debtors</b>	11	813	1,149
<b>Net Assets</b>		6,432	4,742
<b>Represented by:</b>			
Members' Capital classified as a liability	14	1,290	1,990
Other reserves classified as equity	14	5,142	2,752
		6,432	4,742
<b>Total Members' Interests represented by:</b>			
Loans and other debts due to members	14	1,290	1,990
Members' other interests	14	5,142	2,752
		6,432	4,742

The accounts were approved by the Board

For and on behalf of the Members



**Stephen Bough**

Designated Member

23 July 2013

*The accompanying notes form an integral part of these financial statements*

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 March 2013

**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 as a stand-alone entity.

***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

***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 2013

**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.

***The Partnership***

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

***Leasing commitments***

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

***Pensions***

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

***Taxation***

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

***Deferred taxation***

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
for the year ended 31 March 2013

**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' 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 2013

**3. ANALYSIS OF OPERATING EXPENSES**

	<i>2013</i>	<i>2012</i>
	<i>£'000</i>	<i>£'000</i>
Staff costs (note 4)	14,241	11,768
Legal and professional fees	2,647	1,074
Depreciation of tangible fixed assets	259	388
Other operating expenses	4,505	5,244
	<u>21,652</u>	<u>18,474</u>

**4. STAFF COSTS**

The aggregate employment costs of staff (excluding members) were

	<i>2013</i>	<i>2012</i>
	<i>£'000</i>	<i>£'000</i>
Salaries including bonus	13,095	10,785
Social security costs	786	725
Pension costs	360	258
	<u>14,241</u>	<u>11,768</u>

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

	<i>2013</i>	<i>2012</i>
	<i>Number</i>	<i>Number</i>
Revenue staff	33	26
Support staff	37	33
	<u>70</u>	<u>59</u>

**5. OPERATING PROFIT**

Operating profit is stated after charging / (crediting)

	<i>2013</i>	<i>2012</i>
	<i>£'000</i>	<i>£'000</i>
Auditor's remuneration		
- for audit of the group	46	49
- services pursuant to legislation	2	2
- taxation services (non-audit)	65	87
Depreciation of tangible fixed assets	259	388
Operating lease payments	820	744
Foreign exchange (gains)/losses	(60)	383

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
for the year ended 31 March 2013

**6. INTEREST RECEIVABLE**

Interest receivable is interest earned on cash balances and deposits held at banks

**7. GROUP TAX (CREDIT) / CHARGE**

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

The group tax charge is made up as follows

	2013 £'000	2012 £'000
<i>Current tax</i>		
UK Corporation tax	(520)	1,520
Overseas tax	106	128
Total current tax	(414)	1,648
Deferred tax	-	-
Total tax (credit) / charge	(414)	1,648

*Factors affecting tax charge for the year*

The tax assessed for the year is lower (2012 lower) than the standard rate of corporation tax in the UK for a large company. The differences are explained below

	2013 £'000	2012 £'000
Group Profit before taxation	38,294	45,068
Corporation tax at 24% (2012 26%)	9,191	11,718
<b>Effects of:</b>		
Income attributable to HgCapital LLP and taxable on members directly	(9,335)	(9,871)
Overseas tax items and rate differences	100	(49)
Adjustments in respect of previous periods	(17)	(12)
Decrease in corporation tax rate	(389)	(185)
Expenditure not deductible for corporation tax purposes	36	47
	(9,605)	(10,070)
Corporation tax (recoverable) / charge for the year	(414)	1,648

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

There is no material unprovided deferred tax

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
for the year ended 31 March 2013

**8. MEMBERS' REMUNERATION AND DIVISION OF PROFIT**

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

	<i>2013 Number</i>	<i>2012 Number</i>
Average number of members	<u>28</u>	<u>31</u>
	<i>2013 £'000</i>	<i>2012 £'000</i>
Average profit and remuneration per member	<u>1,305</u>	<u>1,368</u>

Members remuneration and profit allocations of £36,552,000 (2012: £42,407,000) were made during the year.

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

	<i>2013 £'000</i>	<i>2012 £'000</i>
Division of profit	<u>20,469</u>	<u>28,309</u>

**9. TANGIBLE FIXED ASSETS**

<i>Group</i>	<i>Fixtures &amp; fittings £'000</i>	<i>Leasehold improvements £'000</i>	<i>Computer equipment £'000</i>	<i>Total £'000</i>
Cost				
At 31 March 2012	929	888	1,671	3,488
Additions	133	63	273	469
Foreign currency	2	2	2	6
At 31 March 2013	<u>1,064</u>	<u>953</u>	<u>1,946</u>	<u>3,963</u>
Depreciation				
At 31 March 2012	631	777	1,547	2,955
Provided during the year	96	17	146	259
Foreign currency	1	-	1	2
At 31 March 2013	<u>728</u>	<u>794</u>	<u>1,694</u>	<u>3,216</u>
Net book value				
At 31 March 2013	<u>336</u>	<u>159</u>	<u>252</u>	<u>747</u>
At 31 March 2012	<u>298</u>	<u>111</u>	<u>124</u>	<u>533</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
for the year ended 31 March 2013

9. TANGIBLE FIXED ASSETS (CONTINUED)

<i>Limited liability partnership</i>	<i>Fixtures &amp; fittings £'000</i>	<i>Leasehold improvements £'000</i>	<i>Computer equipment £'000</i>	<i>Total £'000</i>
Cost				
At 31 March 2012	830	764	1,585	3,179
Additions	77	63	274	414
At 31 March 2013	907	827	1,859	3,593
Depreciation				
At 31 March 2012	553	759	1,462	2,774
Providing during the year	83	13	144	240
At 31 March 2013	636	772	1,606	3,014
Net book value				
At 31 March 2013	271	55	253	579
At 31 March 2012	277	5	123	405

10. INVESTMENTS

<i>Group</i>	<i>Other investments £'000</i>
Cost	
At 31 March 2012	5,313
Investments during the year <sup>(1)</sup>	1,189
Disposals during the year <sup>(2)</sup>	(1,978)
At 31 March 2013	4,524

(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. These investments are stated at the lower of cost and cost less impairment.

The group also has a commitment of £109,000 (2012 £119,000) to HgCapital 5 Executive Co-Invest LP, €2,365,000 (2012 €2,365,000) to Hg Renewable Power Partners LP, £3,725,000 (2012 £4,321,000) to HgCapital 6 Executive Co-Invest LP, €3,522,000 (2012 €3,522,000) to HgCapital RPP2 Executive Co-Invest LP and £2,539,000 (2012 £Nil) to HgCapital Mercury Executive Co-Invest LP.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
for the year ended 31 March 2013

10. INVESTMENTS (CONTINUED)

Furthermore other investments include an investment of £281,000 (2012 £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 2012	441	5,022	5,463
Investments during the year <sup>(1)</sup>	-	1,189	1,189
Disposals during the year <sup>(2)</sup>	-	(1,978)	(1,978)
At 31 March 2013	441	4,233	4,674

(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

As at 31 March 2013, the LLP holds an interest in the share capital of the following subsidiary undertakings

	<i>Incorporated &amp; 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 Verwaltungen 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) Limited	Guernsey	Investment Management	100%
HgCapital RPP2 General Partner LP Inc	Guernsey	Investment Management	100%
HgCapital Mercury General Partner (Guernsey) Limited	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 2013

**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 £109,000 (2012 £119,000) to HgCapital 5 Executive Co-Invest LP, €2,365,000 (2012 €2,365,000) to Hg Renewable Power Partners LP, £3,725,000 (2012 £4,321,000) to HgCapital 6 Executive Co-Invest LP, €3,522,000 (2012 €3,522,000) to HgCapital RPP2 Executive Co-Invest LP and £2,539,000 (2012 £Nil) to HgCapital Mercury Executive Co-Invest LP

Other investments also include an investment of £281,000 (2012 £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**

Amounts due within one year

	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>Group</i>	<i>Group</i>	<i>LLP</i>	<i>LLP</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Amounts owed by related parties (note 15)	-	-	1,154	2,655
Trade debtors	2,530	7,551	730	710
Deferred expenditure	937	1,068	394	525
Prepayments and accrued income	576	538	482	473
VAT recoverable	611	673	-	255
Other debtors	2,884	1,509	2,191	1,307
	<u>7,538</u>	<u>11,339</u>	<u>4,951</u>	<u>5,925</u>

The following amounts are due, or will be amortised, after more than one year

	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>Group</i>	<i>Group</i>	<i>LLP</i>	<i>LLP</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Other debtors	813	755	813	755
Deferred expenditure	634	1,571	-	394
	<u>1,447</u>	<u>2,326</u>	<u>813</u>	<u>1,149</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
for the year ended 31 March 2013

**12. CREDITORS:** amounts falling due within one year

	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>Group</i>	<i>Group</i>	<i>LLP</i>	<i>LLP</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Amounts owed to related parties (note 15)	-	-	458	8,480
Trade creditors	3,749	2,971	2,869	2,811
Other creditors	5,614	5,253	2,833	2,582
Payroll and social security	1,044	853	887	632
Taxation	3,703	4,169	-	-
Accruals	4,840	6,565	2,560	3,531
	<u>18,950</u>	<u>19,811</u>	<u>9,607</u>	<u>18,036</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
for the year ended 31 March 2013

**13. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**

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

	2013 £'000	2012 £'000
Operating profit	38,009	44,357
Depreciation	259	388
Decrease / (increase) in debtors	4,680	(6,360)
(Decrease) / increase in creditors	(395)	2,109
Net cash inflow from operating activities	<u>42,553</u>	<u>40,494</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>224</u>	<u>316</u>
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**Taxation**

Corporation tax (paid) / received	<u>(52)</u>	<u>214</u>
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**Capital expenditure and financial investment**

Purchase of tangible fixed assets	(469)	(362)
Proceeds on disposal of investments	2,039	710
Purchase of investments	(1,189)	(1,363)
Foreign currency adjustments	(4)	-
	<u>377</u>	<u>(1,015)</u>

**Transactions with members**

Members' remuneration paid	(6,228)	(6,246)
Division of profit paid	(30,324)	(36,144)
Prior year profit allocation paid during the year	(700)	-
	<u>(37,252)</u>	<u>(42,390)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
for the year ended 31 March 2013

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

c) Analysis of changes in net funds

	2013 £'000	2012 £'000
Net funds		
At 1 April	21,231	24,225
Exchange differences on consolidation	(14)	(185)
Increase / (decrease) in cash	<u>5,850</u>	<u>(2,809)</u>
At 31 March	<u>27,067</u>	<u>21,231</u>

14. RECONCILIATION OF MOVEMENTS IN MEMBERS' INTERESTS

Group	2013 Members' Other Interests £'000	2013 Loans and other debts due to Members £'000	2013 Total Members' Interests £'000	2012 Total Members' Interests £'000
Members' interests				
At 1 April	18,941	1,990	20,931	20,086
Members' remuneration charged as an expense	-	6,228	6,228	6,246
Profit for the year available for discretionary division among members	<u>32,480</u>	<u>-</u>	<u>32,480</u>	<u>37,174</u>
Members' interests after profit for the year	51,421	8,218	59,639	63,506
Prior year profit allocations paid during the year	-	(700)	(700)	(683)
Profit allocations payable at balance sheet date	-	-	-	700
Profit allocations made during the year	(30,324)	30,324	-	-
Drawings	-	(36,552)	(36,552)	(42,407)
Exchange differences on consolidation	<u>(14)</u>	<u>-</u>	<u>(14)</u>	<u>(185)</u>
At 31 March	<u>21,083</u>	<u>1,290</u>	<u>22,373</u>	<u>20,931</u>

Included in debtors (see note 11) is an amount of £1,151,000 (2012 £1,356,000) 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. Interest is charged on these loan scheme amounts at the higher of LIBOR plus 1% or HMRC's beneficial loan arrangement interest rate. Of this amount, £1,026,000 (2012 £1,157,000) is in relation to loans due from members. Interest of 7% is charged on this amount, compounding annually.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
for the year ended 31 March 2013

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

<i>Limited Liability Partnership</i>	<i>2013</i>	<i>2013</i>	<i>2013</i>	<i>2012</i>
	<i>Members'</i>	<i>Loans and</i>	<i>Total</i>	<i>Total</i>
	<i>Other</i>	<i>other debts</i>	<i>Members'</i>	<i>Members'</i>
	<i>Interests</i>	<i>due to</i>	<i>Interests</i>	<i>Interests</i>
	<i>£'000</i>	<i>Members</i>	<i>£'000</i>	<i>£'000</i>
Members' interests				
At 31 March 2012	2,752	1,990	4,742	9,254
Members' remuneration charged as an expense	-	6,228	6,228	6,246
Profit for the year available for discretionary division among members	32,714	-	32,714	31,632
Members' interests after profit for the year	35,466	8,218	43,684	47,132
Prior year profit allocations paid during the year	-	(700)	(700)	(683)
Profit allocations payable at balance sheet date	-	-	-	700
Profit allocations in the year	(30,324)	30,324	-	-
Drawings	-	(36,552)	(36,552)	(42,407)
At 31 March 2013	5,142	1,290	6,432	4,742

Included in debtors (see note 11) is an amount of £1,151,000 (2012 £1,356,000) 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. Interest is charged on these loan scheme amounts at the higher of LIBOR plus 1% or HMRC's beneficial loan arrangement interest rate. Of this amount, £1,026,000 (2012 £1,157,000) is in relation to loans due from members. Interest of 7% is charged on this amount, compounding annually.

**15. RELATED PARTY DISCLOSURES**

For the purposes of FRS 8, related parties include the group's subsidiary undertakings. The group has taken advantage of the exemption in FRS 8 Related Party Disclosure relating to transactions between wholly-owned subsidiaries.

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 Hg 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.

During the year, Hg IM received management fees of £171,000 (2012 £309,000) from the group and paid £70,000 (2012 £70,000) to the group in respect of business support services.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
for the year ended 31 March 2013

**16. OTHER FINANCIAL COMMITMENTS AND CONTINGENCIES**

*Group and Limited Liability Partnership*

At 31 March 2013 the group and the LLP had investment purchases of £4,980,000 (2012 £4,031,002) that had been authorised and contractually committed but not yet drawn

Furthermore, at 31 March 2013 the group and the LLP had an annual commitment of £649,000 (2012 £649,000) under non-cancellable operating leases relating to land and buildings which expire in between four and five years (2012 five to six years) and an annual commitment of £19,000 (2012 £19,000) under non-cancellable operating leases relating to motor vehicles which expire in between one and two years (2012 two and three years)

In addition, the group has an annual commitment of £128,000 (2012 £139,000) under non-cancellable operating leases relating to land and buildings which expire in between six and seven years (2012 seven and eight years) The LLP does not share in this commitment

On 22 May 2012, the group and the LLP entered into a Security Interest Agreement with a financial institution granting security over the share capital and bank accounts of certain of its General Partner subsidiaries (refer note 10) in connection with the provision of a £60 million credit facility provided to Dogmer 4 Limited, a member of the Partnership, by this financial institution At the balance sheet date, the total outstanding credit facility was £57.4 million A further £2.75 million of this liability has been repaid since the balance sheet date following a further repayment by Dogmer 4 Limited

**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 2013