HgCapital LLP

Consolidated financial statements

for the year ended 31 March 2016

Registered number: OC301825

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

BOARD
N J Humphries
L J Stone
T Attwood (Non-Executive)
R Reason (Non-Executive)

AUDITOR
Deloitte LLP
2 New Street Square
London
EC4A 3BZ

REGISTERED OFFICE
2 More London Riverside
London
SE1 2AP

MEMBERS' REPORT

The members present their annual report and audited Group financial statements for the year ended 31 March 2016.

These financial statements for HgCapital LLP ("the LLP" or "the Partnership" or "the firm") reflect the results for the year to 31 March 2016. The financial statements consolidate the accounts of the LLP and of all its subsidiary undertakings (together, "the Group"), drawn up to 31 March 2016. The Group has taken advantage of the exemption under section 408 of the Companies Act 2006 not to present a separate statement of comprehensive income for the LLP.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The LLP through its subsidiaries, provides investment management services to the European private equity and renewable energy markets, investing on behalf of collective investment schemes (fund partnerships). Funds under management at the end of the year were £5.2 billion (2015: £5.2 billion).

The Group's operating profit has decreased from £61,289,000 for the year ended 31 March 2015 to £38,667,000 for the year ended 31 March 2016. This was primarily driven by a decrease in the receipt of carried interest and reduction of management fees from the HgCapital 6 fund partnership following realisations during the period. Receipt of carried interest proceeds decreased to £3,782,000 (2015: £20,971,000) and management fee income decreased to £65,972,000 (2015: £72,084,000).

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 for buyouts is to seek companies with predictable revenues, which offer a platform for growing market share or have the potential for significant performance improvements. The Group focuses on middle-market buyouts with enterprise values of between £80 million and £500 million, lower mid-market buyouts in the Technology, Media and Telecoms (TMT) sector with enterprise values of between £20 million and £80 million and renewable power generating projects between €10 million and €50 million. The Group primarily focuses its buyout investments in the UK and Northern Europe and its renewable energy investments are focused on the UK, Ireland, the Nordic region and Spain.

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

KEY PERFORMANCE INDICATORS

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

RISK ASSESSMENT

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

Liquidity and cash flow risk

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

MEMBERS' REPORT (CONTINUED)

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 the balance sheet date, the Board and management do not consider it necessary to hedge the Group's exposure to interest rate risk.

Currency risk

A proportion of the Group's 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 Consolidated Statement of Comprehensive Income on page 9. Members' remuneration and profit allocations of £52,695,000 were made during the year (2015: £44,599,000).

MEMBERS

Nicholas Turner ceased to be a member on 31 December 2015.

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

These responsibilities are exercised by the Board.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

MEMBERS' REPORT (CONTINUED)

AUDITOR

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

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

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

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

On behalf of the members:

S M Bough
Designated Member

M J Block
Designated Member

19 July 2016

STATEMENT OF MEMBERS' RESPONSIBILITIES

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

The Limited Liability Partnerships (Accounts & Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland." The financial statements are required by law to give a true and fair view of the state of affairs of the LLP and of the Group and of the profit or loss of the Group for that year.

In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards including FRS 102 have been followed, subject to any material departures and disclosed and explained in the financial statements: and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the firm will continue in business.

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HgCAPITAL LLP

We have audited the financial statements of HgCapital LLP for the year ended 31 March 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, Consolidated Statement of Changes in Members' interests, the Limited Liability Partnership Balance Sheet, the reconciliation of members' interests 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland."

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 annual report to identify material inconsistencies with the audited consolidated financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2016 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 HgCAPITAL 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 applicable 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

19 July 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2016

	Notes	2016 £'000	2015 £'000
Fee income	2a	65,972	72,084
Carried interest proceeds	2b	3,782	20,971
Operating expenses	3	(32,870)	(32,174)
Operating profit	5	36,884	60,881
Interest receivable	6	10	68
Investment income		-	500
Profit on realisation of investments		6	119
Unrealised gain/(loss) on investments	10	1,767	(279)
Group profit before taxation		38,667	61,289
Group tax credit/(charge)	7	2,040	(1,423)
Profit for the year before members' remuneration and profit shares		40,707	59,866
Members' remuneration charged as an expense		(6,295)	(6,850)
Retained profit for the year available for discretionary division among members		34,412	53,016

All amounts are in respect of continuing activities.

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

The accompanying notes on pages 17 to 32 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET
at 31 March 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Tangible fixed assets	9	553	462
Investments	10	6,823	6,114
		7,376	6,576
Current assets			
Debtors	11	12,708	9,004
Cash		28,946	33,166
		41,654	42,170
Creditors: amounts falling due within one year	12	(29,476)	(18,515)
Net current assets		12,178	23,655
Non-current debtors	11	1,928	2,907
Net assets		21,482	33,138
Represented by:			
Members' Capital classified as a liability		1,290	1,290
Other reserves classified as equity		20,192	31,848
		21,482	33,138
Total members' interests represented by:			
Loans and other debts due to members		1,290	1,290
Members' other interests		20,192	31,848
		21,482	33,138

The financial statements of HgCapital LLP (registered number 0C301825) were approved by the Board and authorised for issue on 19 July 2016. They were signed for and on behalf of the Members by:

S M Bough
Designated Member

19 July 2016

The accompanying notes on pages 17 to 32 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW
for the year ended 31 March 2016

	Notes	2016 £'000	2015 £'000
Net cash generated from operating activities	*13a*	47,480	65,449
Cash flows from investing activities			
Purchase of equipment		(403)	(179)
Foreign currency adjustments		(8)	18
Interest received		10	68
Investment income		-	500
Purchases of investments		(716)	(1,042)
Disposals of investments		1,780	315
Net cash inflows/(outflows) from investing activities		663	(320)
Cash flows from financing activities			
Payments to members		(52,695)	(44,599)
Net cash flows from financing activities		(52,695)	(44,599)
Net (decrease)/increase in cash and cash equivalents		(4,552)	20,530
Cash equivalents at beginning of year		33,166	13,086
Effect of foreign exchange rate changes		332	(450)
Cash and cash equivalents at end of year		28,946	33,166
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		28,946	33,166
Cash and cash equivalents		28,946	33,166

The accompanying notes on pages 17 to 32 form an integral part of these financial statements.

PARTNERSHIP BALANCE SHEET
at 31 March 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Tangible fixed assets	9	431	342
Investments in subsidiaries	10	429	441
Other investments	10	6,369	5,762
		7,229	6,545
Current assets			
Debtors	11	8,923	1,854
Cash		19,297	18,331
		28,220	20,185
Creditors: amounts falling due within one year	12	(20,841)	(8,171)
Net current assets		7,379	12,014
Non-current debtors	11	457	469
Net assets		15,065	19,028
Represented by:			
Members' Capital classified as a liability		1,290	1,290
Other reserves classified as equity		13,775	17,738
		15,065	19,028
Total members' interests represented by:			
Loans and other debts due to members		1,290	1,290
Members' other interests		13,775	17,738
		15,065	19,028

The accounts were approved by the Board.

For and on behalf of the Members by:

S M Bough
Designated Member

19 July 2016

The accompanying notes on pages 17 to 32 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' INTERESTS
at 31 March 2016

Group	*2016*	*2016*	*2016*	*2016*
	Members' Other Interests £'000	*Members' capital classified as a liability £'000*	*Members' Other amounts £'000*	*Total Members' Interests £'000*
Members' interests:				
At 1 April 2015	31,848	1,290	-	33,138
Members' remuneration charged as an expense	-	-	6,295	6,295
Profit for the year available for discretionary division among members	34,412	-	-	34,412
Members' interests after profit for the year	66,260	1,290	6,295	73,845
Profit allocations made during the year	(46,400)	-	46,400	-
Drawings	-	-	(52,695)	(52,695)
Exchange differences on consolidation	332	-	-	332
At 31 March 2016	20,192	1,290	-	21,482

The accompanying notes on pages 17 to 32 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' INTERESTS
at 31 March 2015

Group	*2015*	*2015*	*2015*	*2015*
	Members' Other Interests £'000	*Members' capital classified as a liability £'000*	*Members' Other amounts £'000*	*Total Members' Interests £'000*
Members' interests:				
At 1 April 2014	17,031	1,290	-	18,321
Members' remuneration charged as an expense	-	-	6,850	6,850
Profit for the year available for discretionary division among members	53,016	-	-	53,016
Members' interests after profit for the year	70,047	1,290	6,850	78,187
Profit allocations made during the year	(37,749)	-	37,749	-
Drawings	-	-	(44,599)	(44,599)
Exchange differences on consolidation	(450)	-	-	(450)
At 31 March 2015	31,848	1,290	-	33,138

The accompanying notes on pages 17 to 32 form an integral part of these financial statements.

PARTNERSHIP STATEMENT OF CHANGES IN MEMBERS' INTERESTS
at 31 March 2016

LLP	*2016*	*2016*	*2016*	*2016*
	Members' Other Interests	*Members' capital classified as a liability*	*Members' Other amounts*	*Total Members' Interests*
	£'000	*£'000*	*£'000*	*£'000*
Members' interests:				
At 1 April 2015	17,738	1,290	-	19,028
Members' remuneration charged as an expense	-	-	6,295	6,295
Profit for the year available for discretionary division among members	42,437	-	-	42,437
Members' interests after profit for the year	60,175	1,290	6,295	67,760
Profit allocations made during the year	(46,400)	-	46,400	-
Drawings	-	-	(52,695)	(52,695)
At 31 March 2016	13,775	1,290	-	15,065

The accompanying notes on pages 17 to 32 form an integral part of these financial statements.

PARTNERSHIP STATEMENT OF CHANGES IN MEMBERS' INTERESTS
at 31 March 2015

LLP	*2015*	*2015*	*2015*	*2015*
	Members' Other Interests	*Members' capital classified as a liability*	*Members' Other amounts*	*Total Members' Interests*
	£'000	*£'000*	*£'000*	*£'000*
Members' interests:				
At 1 April 2014	7,830	1,290	-	9,120
Members' remuneration charged as an expense	-	-	6,850	6,850
Profit for the year available for discretionary division among members	47,657	-	-	47,657
Members' interests after profit for the year	55,487	1,290	6,850	63,627
Profit allocations made during the year	(37,749)	-	37,749	-
Drawings	-	-	(44,599)	(44,599)
At 31 March 2015	17,738	1,290	-	19,028

The accompanying notes on pages 17 to 32 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

1. STATEMENT OF ACCOUNTING POLICIES

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

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

Basis of accounting

The consolidated financial statements have been prepared under the historical cost convention in line with applicable United Kingdom law and accounting standards on requirement of the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships' (SORP) issued in July 2014 and in accordance with Financial Reporting Standard 102 (FRS issued by the Financial Reporting Council). The Group has taken advantage of the exemption under section 408 of the Companies Act 2006 not to present a statement of comprehensive income for HgCapital LLP as a stand-alone entity. The functional currency of the LLP is considered to be pounds sterling because that is the currency of the primary economic environment in which the LLP operates. The consolidated financial statements are also presented in pounds sterling.

Basis of consolidation

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

This is the first year in which the financial statements have been prepared under FRS 102. Refer to note 17 for an explanation of the transition to FRS102 and its impact.

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

Going concern

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2016

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Tangible fixed assets
All tangible 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	-	5 years
Computer equipment	-	2 years

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

Other investments
Investments in private equity partnerships are measured at fair value through profit or loss (see note 10 for further details).

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2016

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Leasing commitments

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

Pensions

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

Taxation

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

Deferred taxation

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

Members' remuneration

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

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1 above, the Members are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2016

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

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

The following accounting estimates and judgements are considered important to the portrayal of the financial results and financial condition because (i) they are highly susceptible to change from period to period as assumptions are made to calculate the estimates, and (ii) any significant differences between the estimated amounts and the actual amounts could have a material impact on the future financial results and financial condition:

The assessment of possible impairment losses on certain assets (note 10).

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

- The dividends received in relation to the total comprehensive income of the subsidiary company;
- The performance of the subsidiary company against budget; and
- Any external economic changes including interest and market rates.

Following these considerations there were deemed to be no indicators of impairment, therefore a full impairment review was not required or carried out. The carrying amount of investments in subsidiaries at the balance sheet date was £429,000 with no impairment loss recognised in the year.

Fair value of investments

The key accounting judgement is in respect of the determination of the fair value of financial assets held at FVTPL. The LLP uses the Fund's valuation of the portfolio which is based upon the International Private Equity and Venture Capital Valuation Guidelines, December 2012 Edition and is explained in note 10.

The assessment of whether to fair value carried interest.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2016

2. REVENUE

a) Fee income

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

b) Carried interest

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

3. ANALYSIS OF OPERATING EXPENSES

	2016	*2015*
	£'000	*£'000*
Staff costs (note 4)	24,293	23,637
Legal and professional fees	1,661	1,732
Depreciation of tangible fixed assets	320	284
Other operating expenses	6,596	6,521
	32,870	32,174

4. STAFF COSTS

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

	2016	*2015*
	£'000	*£'000*
Salaries including bonus	21,477	21,214
Social security costs	2,090	1,976
Pension costs	726	447
	24,293	23,637

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

	2016	*2015*
	Number	*Number*
Revenue staff	48	45
Support staff	52	45
	100	90

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2016

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

Operating profit is stated after charging/(crediting):

	2016	*2015*
	£'000	*£'000*
Depreciation of tangible fixed assets	320	284
Operating lease payments	1,033	809
Foreign exchange (gain)/loss	(383)	394

Analysis of the auditor's remuneration is as follows:

	2016	*2015*
	£'000	*£'000*
Fees payable to group's auditor and its associates for the audit of the Limited Liability Partnership's annual accounts	38	31
Subsidiary entities	27	28
Total audit fees	65	59

	2016	*2015*
	£'000	*£'000*
Taxation compliance services	63	66
Total non-audit fees	63	66

6. INTEREST RECEIVABLE

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2016

7. GROUP TAX (CREDIT)/CHARGE

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

The Group tax (credit)/charge is made up as follows:

	2016	*2015*
	£'000	*£'000*
Current tax		
UK Corporation tax	(2,133)	1,369
Overseas tax	93	54
Total current tax	(2,040)	1,423
Deferred tax	-	-
Total tax (credit)/charge	(2,040)	1,423

Factors affecting tax charge for the year:
The tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the UK for a large company. The differences are explained below:

	2016	*2015*
	£'000	£'000
Group Profit before taxation	38,667	61,289
Corporation tax at 20% (2015: 21%)	7,733	12,871
Effects of:		
Income attributable to HgCapital LLP and taxable on members directly	(9,758)	(11,440)
Overseas tax items and rate differences	74	49
Adjustments in respect of previous periods	23	-
Decrease in corporation tax rate	(126)	(71)
Expenditure not deductible for corporation tax purposes	14	14
	(9,733)	(11,448)
Corporation tax (recoverable)/payable for the year	(2,040)	1,423

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 2016

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.

	2016	*2015*
	Number	*Number*
Average number of members	13	13

	2016	*2015*
	£'000	*£'000*
Average profit and remuneration per member	4,053	3,431

Members remuneration and profit allocations of £52,695,000 (2015: £44,599,000) were made during the year.

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

	2016	*2015*
	£'000	*£'000*
Division of profit	27,220	34,977

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2016

9. TANGIBLE FIXED ASSETS

Group	*Fixtures & fittings £'000*	*Leasehold improvements £'000*	*Computer equipment £'000*	*Total £'000*
Cost:				
At 31 March 2015	1,103	948	2,192	4,243
Additions	5	-	398	403
Disposals	-	-	(1,356)	(1,356)
Foreign currency	13	11	7	31
At 31 March 2016	1,121	959	1,241	3,321
Depreciation:				
At 31 March 2015	905	823	2,053	3,781
Provided during the year	87	19	214	320
Disposals	-	-	(1,356)	(1,356)
Foreign currency	13	3	7	23
At 31 March 2016	1,005	845	918	2,768
Net book value:				
At 31 March 2016	116	114	323	553
At 31 March 2015	198	125	139	462

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2016

9. TANGIBLE FIXED ASSETS (CONTINUED)

Limited liability partnership	*Fixtures & fittings £'000*	*Leasehold improvements £'000*	*Computer equipment £'000*	*Total £'000*
Cost:				
At 31 March 2015	963	840	2,117	3,920
Additions	-	-	396	396
Disposals	-	-	(1,356)	(1,356)
At 31 March 2016	963	840	1,157	2,960
Depreciation:				
At 31 March 2015	803	800	1,975	3,578
Providing during the year	78	15	214	307
Disposals	-	-	(1,356)	(1,356)
At 31 March 2016	881	815	833	2,529
Net book value:				
At 31 March 2016	82	25	324	431
At 31 March 2015	161	37	144	342

10. INVESTMENTS

Group	*2016 £'000*	*2015 £'000*
Cost:		
At 1 April	6,114	4,764
Fair value adjustment (FRS 102)	-	783
Investments during the year (1)	716	1,042
Disposals during the year (2)	(1,774)	(196)
Unrealised gain/(loss)	1,767	(279)
At 31 March	6,823	6,114

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2016

10. INVESTMENTS (CONTINUED)

The Group and the partnership have 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 cost. The Group also has a commitment of £109,000 (2015: £109,000) to HgCapital 5 Executive Co-Invest LP, €2,635,000 (2015: €2,365,000) to Hg Renewable Power Partners LP, £3,869,000 (2015: £3,772,000) to HgCapital 6 Executive Co-Invest LP, €3,476,000 (2015: €3,508,000) to HgCapital RPP2 Executive Co-Invest LP, £1,907,000 (2015: £2,539,000) to HgCapital Mercury Executive Co-Invest LP and £258,000 (2015: £254,000) to HgCapital 7 Executive Co-Invest LP. Furthermore other investments include an investment of £281,000 (2015: £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.

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

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

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

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

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

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

Limited liability partnership	*Investments in Subsidiaries £'000*	*Other Investments £'000*	*Total £'000*
Cost:			
At 31 March 2015	441	4,446	4,887
Fair value adjustment (FRS 102)	-	1,316	1,316
Investments during the year (1)	-	617	617
Disposals during the year (2)	(12)	(1,747)	(1,759)
Revaluation	-	1,737	1,737
At 31 March 2016	429	6,369	6,798

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2016

10. INVESTMENTS (CONTINUED)

As at 31 March 2016, the LLP holds an interest in the share capital of the following subsidiary undertakings:

	Incorporated & Registered	*Nature of business*	*Ordinary Shares*
Hg Pooled Management Limited	England	Investment Management	100%
HgCapital Beratungs GmbH & Co. Kg	Germany	Investment Advisor	100%
HgCapital Verwaltungs GmbH	Germany	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 6 General Partner (Guernsey) Limited	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%

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 Members assess the value of investments semi-annually and do not believe there have been any indicators of impairment.

11. DEBTORS

Amounts due within one year:

	2016 Group £'000	*2015 Group £'000*	*2016 LLP £'000*	*2015 LLP £'000*
Amounts owed by related parties (note 14)	152	-	7,028	82
Trade debtors	9,694	5,603	152	2
Deferred expenditure	1,394	925	-	-
Prepayments and accrued income	372	562	713	440
VAT recoverable	426	412	402	319
Other debtors	670	1,502	628	1,011
	12,708	9,004	8,923	1,854

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2016

11. DEBTORS (CONTINUED)

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

	2016 Group £'000	*2015 Group £'000*	*2016 LLP £'000*	*2015 LLP £'000*
Other debtors	457	469	457	469
Deferred expenditure	1,471	2,438	-	-
	1,928	2,907	457	469

Included in debtors is an amount of £6,000 (2015: £15,000) 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. Interest is charged on these loan scheme amounts at the higher of LIBOR plus 1% or HMRC's beneficial loan arrangement interest rate. Interest of 7% is charged on this amount, compounding annually.

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

	2016 Group £'000	*2015 Group £'000*	*2016 LLP £'000*	*2015 LLP £'000*
Amounts owed to related parties (note 14)	-	303	-	574
Trade creditors	803	2,539	559	247
Other creditors	17,735	5,226	2,548	2,264
Payroll and social security	1,353	1,296	1,275	1,289
Taxation	63	2,159	-	-
Accruals	9,523	6,992	16,459	3,797
	29,477	18,515	20,841	8,171

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2016

13. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2016 *£'000*	*2015* *£'000*
Operating profit	36,884	60,881
Depreciation	320	284
Operating cash flow before movement in working capital	37,204	61,165
(Increase)/decrease in debtors	(2,945)	1,826
Increase in creditors	13,277	2,761
Cash generated by operations	47,536	65,752
Income taxes paid	(56)	(303)
Net cash inflow from operating activities	47,480	65,449

14. RELATED PARTY DISCLOSURES

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

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 102 Section 33.

During the year, Hg IM received management fees of £164,000 (2015: £572,000) from the Group and paid £70,000 (2015: £70,000) to the Group in respect of business support services. £152,000 was due from Hg IM at the balance sheet date (2015: £303,000 payable).

15. OTHER FINANCIAL COMMITMENTS AND CONTINGENCIES

Group and Limited Liability Partnership

At 31 March 2016 the Group and the LLP had investment purchases of £2,716,000 (2015: £3,182,000) that had been authorised and contractually committed but not yet drawn.

Furthermore, at 31 March 2016 the Group had a total commitment of £161,000 (2015: £786,000) under non-cancellable operating leases relating to land and buildings which expire in between one and five years. The LLP does not share this commitment.

In addition, the Group and the LLP had a total commitment of £1,385,000 (2015: £Nil) under non-cancellable operating leases relating to land and buildings which expire in over five years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2016

15. OTHER FINANCIAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 £60.0 million credit facility provided to Dogmer 4 Limited, a member of the Partnership, by this financial institution. In March 2014 the facility was increased to £63.0 million. During the current year the outstanding £40.0 million was repaid following a repayment by Dogmer 4 Ltd. In November 2015 a further £60.0 million credit facility was provided to Dogmer 4 Ltd. £4.0 million of this liability was paid during the current year. At the balance sheet date, the total outstanding credit facility was £56.0 million (2015: £40.0 million). LLP is a joint guarantor of the lending facility.

16. 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 2016.

17. TRANSITION TO FRS 102

This is the first year that the Group has presented its financial statements under FRS 102. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 March 2014 and the date of transition to FRS 102 was therefore 1 April 2014. As a consequence of adopting FRS 102, accounting policies have changed to comply with that standard.

The below tables reconcile the adjustments to 2015 equity and 2016 profit as a result of transitioning to FRS 102.

Reconciliation of equity

	Group At 1 April 2015 *£'000*	*LLP* At 1 April 2015 *£'000*
Equity reported under previous UK GAAP	31,822	17,712
Adjustments to equity on transition to FRS 102		
Revaluation of investments to fair value	1,316	1,316
Equity reported under FRS 102	33,138	19,028

Reconciliation of profit for 2016

	Group £	*LLP* £
Profit for the financial year under previous UK GAAP	32,645	40,700
Revaluation of investments to fair value	1,767	1,737
Profit for the financial year under FRS 102	34,412	42,437

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2016

17. TRANSITION TO FRS 102 (CONTINUED)

Fair value measurement
The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique (see note 10 for more details).