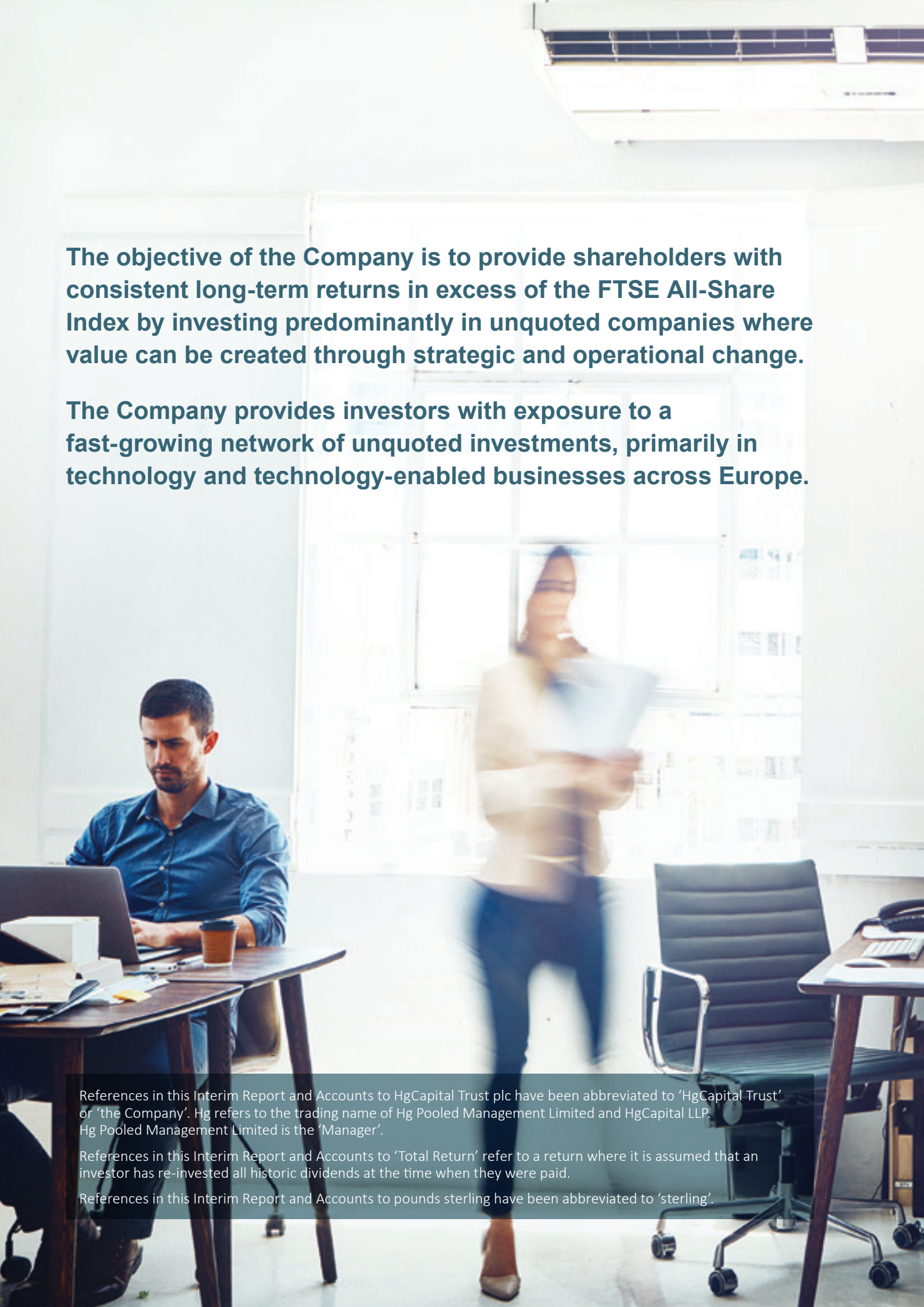




Interim Report and Accounts

30 June 2018

A blurred office scene. In the foreground, a man with a beard, wearing a blue button-down shirt, is seated at a dark wooden desk, focused on his laptop. A coffee cup sits on the desk next to him. In the background, a woman in a light-colored top and dark trousers is walking towards the right, carrying a folder or stack of papers. The office has large windows in the background, letting in bright light, and another desk with a chair is visible on the right.

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

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

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

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

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



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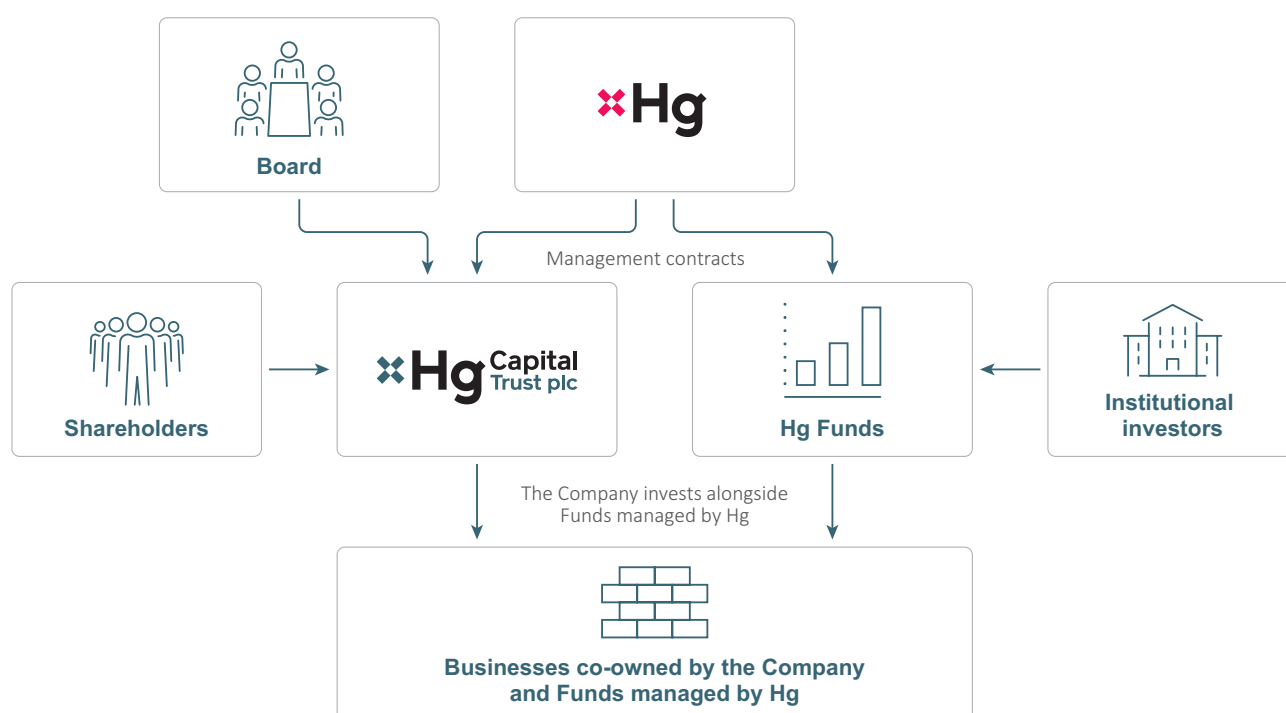
The investment opportunity

The Company provides investors with the **opportunity** to share in the growth in value of a network of **more than thirty unquoted businesses** brought together by Hg. Value is created by capturing the benefits of network-wide knowledge and expertise, while giving individual management teams autonomy and incentives to reward outstanding performance.

By applying this philosophy to businesses where technology offers scope for enhancement, Hg has delivered consistently strong growth in sales and EBITDA, with high levels of conversion of profits into cash. The **top 20** businesses in which the Company is invested, representing **90%** by value of the Company's investments, reported aggregate **sales of £3.0 billion** and **EBITDA of £829 million** over the last twelve months, with **EBITDA margins of 28%**.

Hg brings to the Company an experienced team of over 135 employees, including more than 80 investment and other professionals, supported by a network of close to 20 Operating Partners, all of them seasoned senior managers from across industry, who work with management teams to create value for shareholders. At the centre of this network, Hg builds and shares knowledge and expertise by facilitating the active collaboration of management teams across sectors and geographies.

The structure in which our Manager, Hg, invests the Company's funds *pro-rata* alongside those of its large institutional clients enables wealth managers, smaller institutions and individuals to invest, on similar terms, with some of the world's most sophisticated institutions in businesses that would otherwise be difficult to access. This allows the Company to achieve diversification across markets and geographies, and gain exposure to businesses at different stages of their development and size, from an enterprise value of £50 million to in excess of £3 billion.





Financial highlights

Six-month performance:

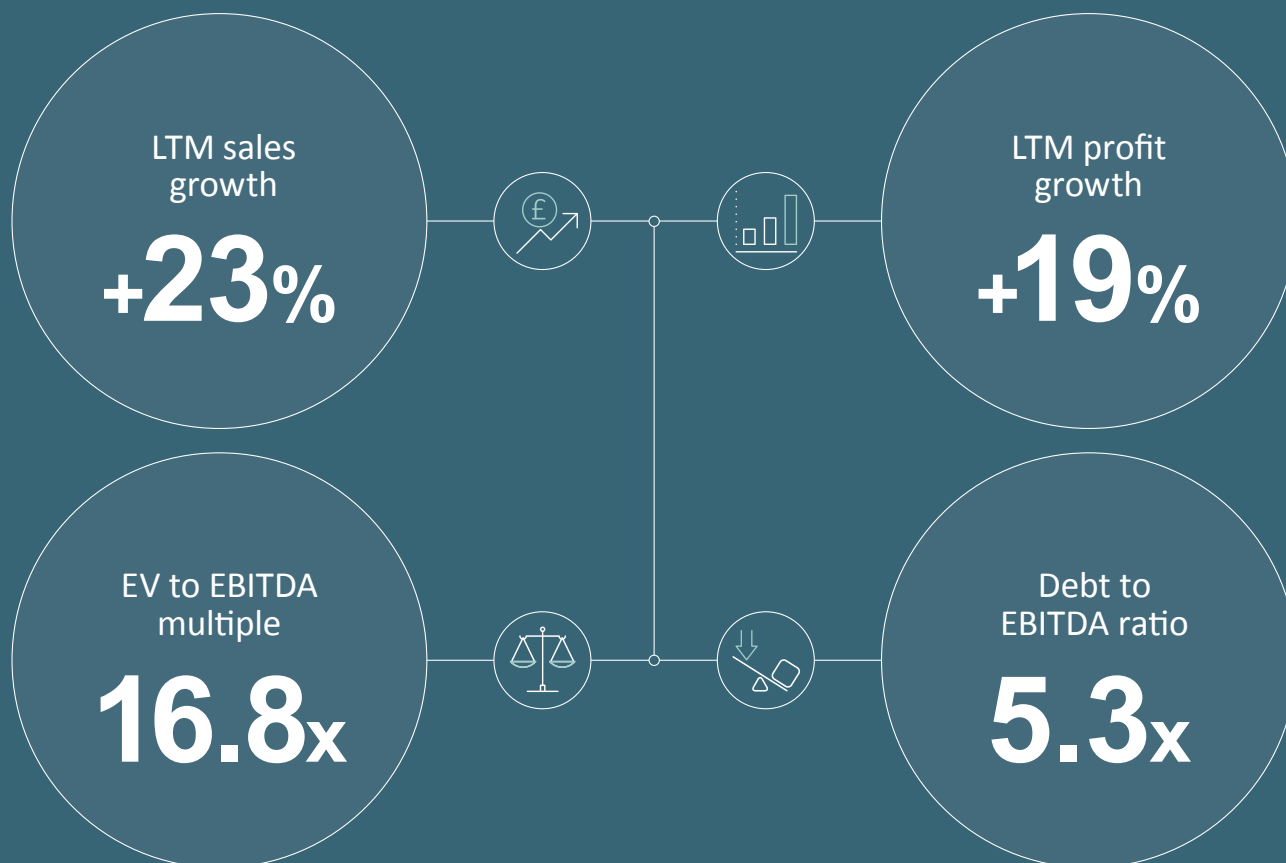


Please refer to page 72 for further detail of the calculation of ongoing charges.



Financial highlights continued

Top 20 investments as at 30 June 2018:



These figures are calculated on a value-weighted basis. For further information on the top 20 portfolio trading data, please refer to pages 30 to 31 of the Manager's review.

Balance sheet analysis as at 30 June 2018:



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

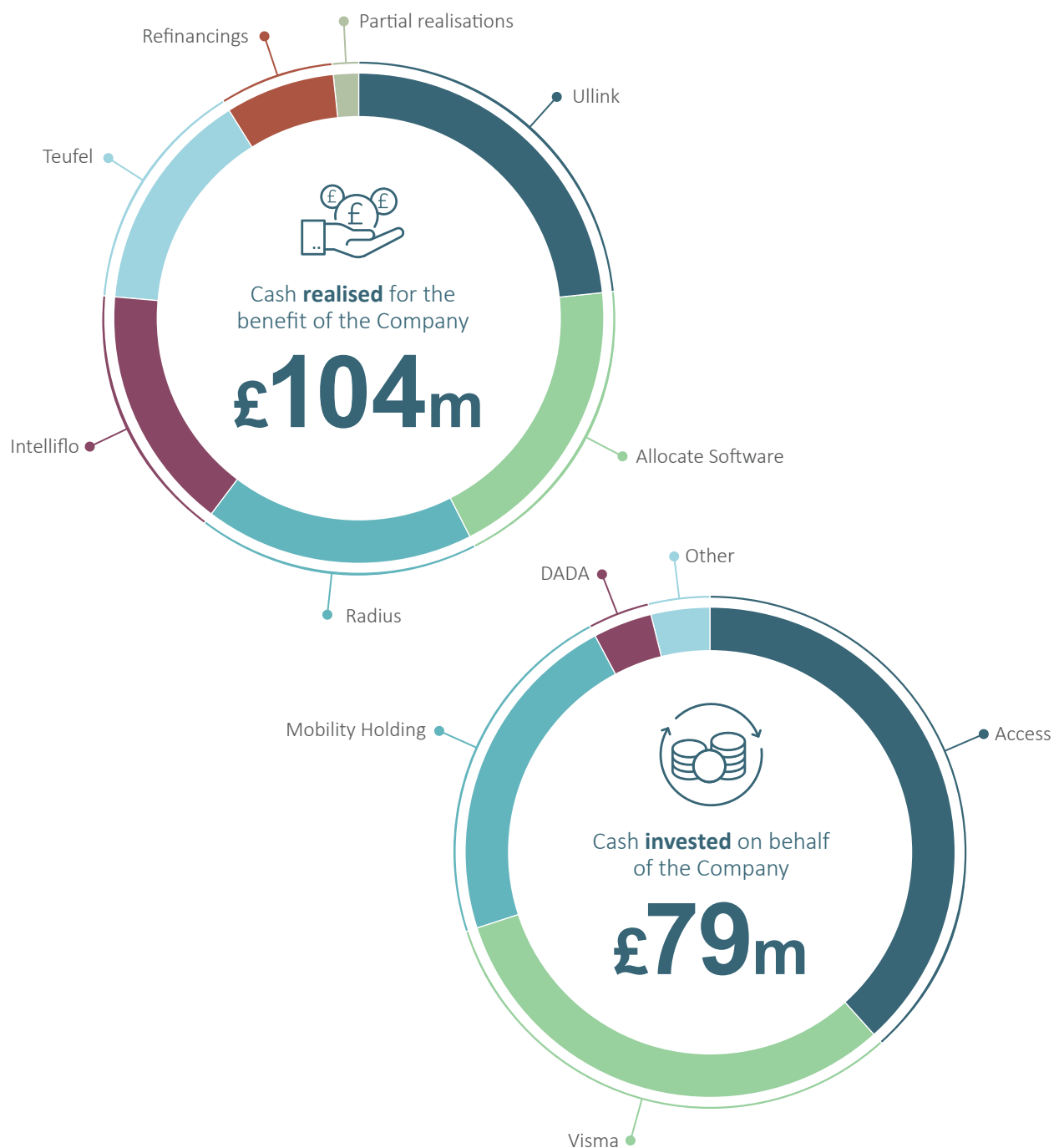
Commitments will be drawn down over the next two to three years (2019-2021), an average cash outflow of c. £190 million p.a.

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

Financial highlights continued

Strong realisation activity over the first half of 2018, with further liquidity events since June, taking advantage of a buoyant environment for realising value at good prices.

Investment and realisation activity over the period:



For further information on investment and realisation activity over the period, please refer to pages 34 to 40



Financial highlights continued

Long-term performance record

Historic record

Year ended 31 December	Net assets attributable to shareholders £'000	NAV per share p	Share price p	Revenue return/ (loss) available for shareholders £'000	Revenue return/(loss) per share ¹ p	Dividend per share ² p
2009	236,044	937.2	844.0	7,148	28.4	25.0
2010	347,993	1,118.8	1,006.0	10,053	34.0	28.0
2011	346,832	1,089.9	970.0	(645)	(2.0)	10.0
2012	437,956	1,231.5	1,016.0	10,398	32.1	23.0
2013	440,584	1,180.4	1,010.0	12,913	35.3	29.0
2014	476,918	1,277.8	1,057.5	21,933	58.8	51.0 ³
2015	530,023	1,420.0	1,115.0	17,907	48.0	40.0
2016	615,756	1,649.7	1,541.0	20,140	54.0	46.0
2017	721,024	1,931.7	1,768.0	20,043	53.7	46.0
30 June 2018	768,661	2,059.4	1,935.0	5,650	15.1	16.0 ⁴

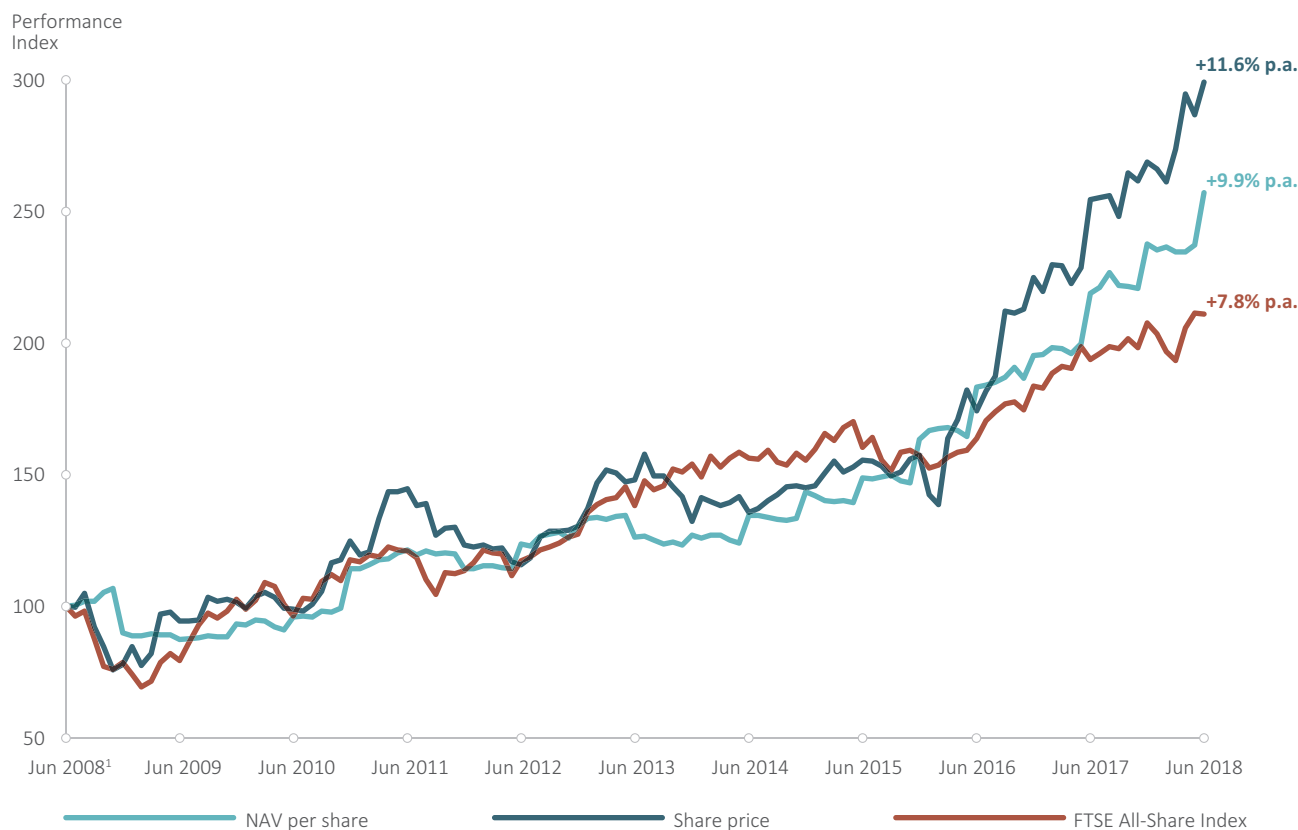
¹ Based on weighted number of shares in issue during the year.

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

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

⁴ Interim dividend of 16 pence per Ordinary share to be paid on 26 October 2018.

Long-term performance – ten year share price total return: +199%



¹ Performance record rebased to 100 at 30 June 2008. Source: Factset, Hg.

Financial highlights continued

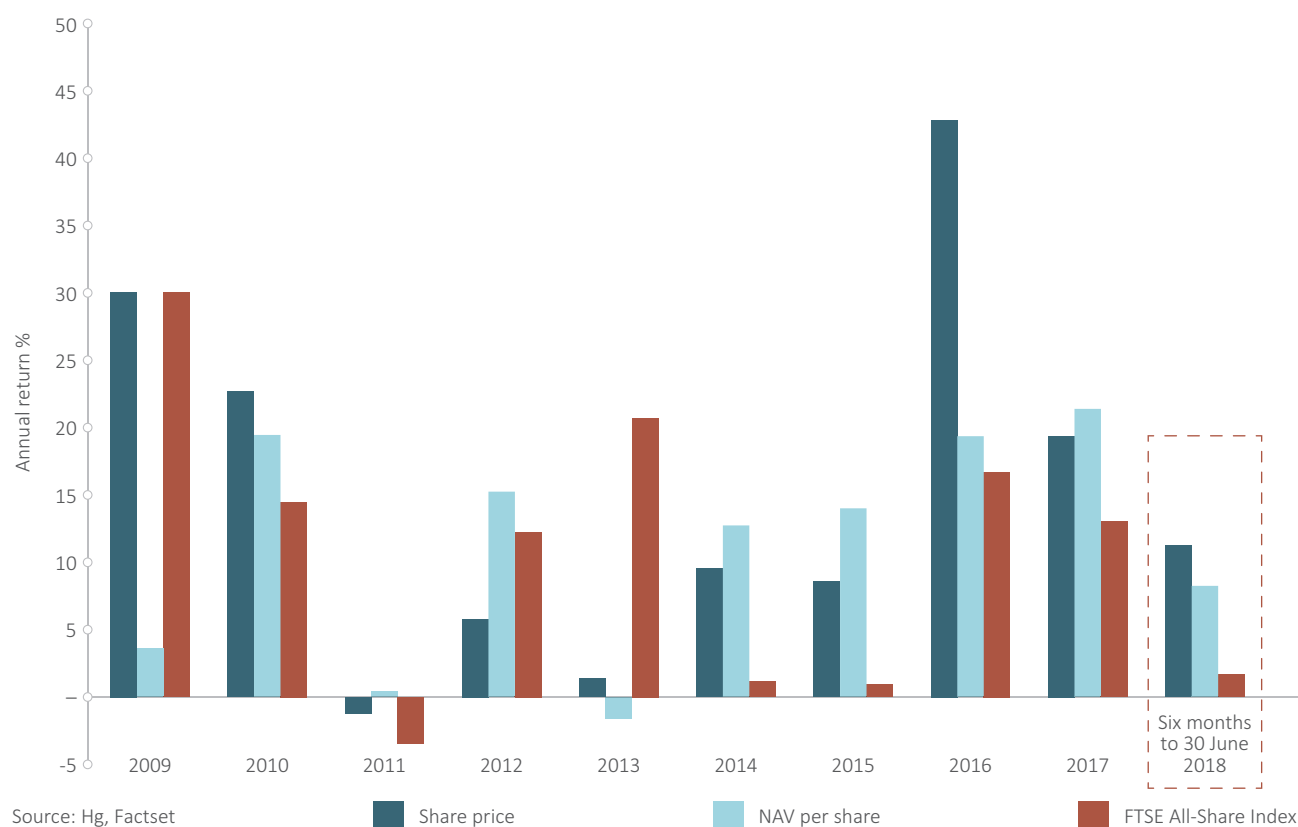
Both the Company's share price and net asset value per share have continued to outperform the FTSE All-Share Index.

Historical total return performance

	Six months to 30 June 2018 % p.a.	One year % p.a.	Three years % p.a.	Five years % p.a.	Ten years % p.a.	Twenty years % p.a.
Share price	11.3	17.6	24.4	15.1	11.6	13.7
NAV per share	8.3	17.4	20.0	15.3	9.9	12.8
FTSE All-Share Index	1.7	9.0	9.6	8.8	7.8	5.6
Share price performance relative to the FTSE All-Share Index	+9.6	+8.6	+14.8	+6.3	+3.8	+8.1
NAV per share performance relative to the FTSE All-Share Index	+6.6	+8.4	+10.4	+6.5	+2.1	+7.2

Based on the Company's share price at 30 June 2018 and allowing for all historic dividends being reinvested, an investment of £1,000 made twenty years ago would now be worth **£12,976**, a total return of **1,198%**. An equivalent investment in the FTSE All-Share Index would be worth £2,967.

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





Chairman's statement

The Company has sold a significant number of investments over the last eighteen months, while many of the newer investments are now in the earlier stages of their planned period of value creation, with much work going on to drive growth and embed operational improvements, the fruits of which we expect to become progressively reflected in their valuations over time.

Performance in the first half

At 30 June 2018, the Company's NAV per share reached a new high of £20.59 (after the payment of a final dividend in respect of 2017 of 30 pence per share), reflecting total return growth during the half year of 8.3%. The total NAV of the Company at 30 June reached £769 million, an increase of £48 million over the year-end, after the payment to shareholders of £11 million in final dividends in respect of 2017.

With the NAV breaching £20 per share, it is perhaps worth noting that when the Company last made a placing of new shares, in March 2010, the net asset value per share stood at 937.2 pence. A shareholder who invested at the Offer Price would, by June 2018, have easily more than doubled that investment.

The appreciation achieved in the first half of 2018 reflected both further strong growth in sales and earnings in almost all of the businesses we own and substantial uplifts above carrying value on the sale of investments.

Over the twelve months to 30 June 2018, the top 20 companies, that make up 90% of our portfolio, continued to achieve strong growth in sales and profits, reporting sales growth of 23% and EBITDA growth of 19%. The significant majority of our investments are reporting sales and EBITDA ahead of the previous year. Growth in profits has added more than £48.5 million (130 pence per share) to the unrealised value of the investment portfolio at 30 June. Gains over carrying value on the realisation of investments contributed £21.3 million (57 pence per share) to growth in NAV; higher ratings used in some valuations, reflecting the values of listed technology shares and M&A activity but also the strategic changes made in some of our holdings, contributed £18.9 million (51 pence per share) to NAV. Partial hedging of foreign exchange risk dampened the impact of movements in foreign exchange rates.

The analysis of NAV movements and attribution analysis (on pages 28 and 29 of this report) set out a breakdown of movements in the NAV and the underlying investment portfolio.

It is worth noting that the Company currently holds 14% of NAV in co-investments, which are free of any fees or carried interest payable. The Company will continue to take up co-investment opportunities as they arise.

Returns to shareholders

The Company's share price closed at £19.35 on 30 June 2018, an increase of 11.3% on a total return basis in the first six months of the year, compared with a 1.7% total return from the FTSE All-Share Index. While this represents another excellent short-term performance, the Board has always emphasised that investment in private equity should be judged over longer time periods, reflecting the cycle over which the Manager identifies attractive opportunities, acquires them, and then deploys its own personnel to work with the management of each business to add value through strategic and operational change. This creates sustainable value, that is ultimately realised through sale, and has resulted in the Company delivering a compound annual share price total return of 11.6% p.a. over the last ten years, and 13.7% p.a. over the last twenty years. We believe that the performance achieved over the long-term, well in excess of the FTSE All-Share Index, justifies an allocation of shares in the Company within a diversified portfolio seeking long-term growth.

Dividend

The Board has previously advised shareholders that it expects to distribute an annual dividend of not less than 46 pence per share. The Board has decided to pay an interim dividend of 16 pence per share and therefore anticipates recommending a final dividend of not less than 30 pence. Long-term investors focused on growth in the value of their holding might wish to consider automatically reinvesting all dividends through the Company's dividend re-investment plan (or 'DRIP'), details of which appear on page 60 of this report.

Broadening our investment universe

The investment strategy adopted by the Manager and supported by the Board has for some time been to focus carefully on selected business models, while broadening the range of opportunities available for investment. As the Company has grown in scale we have progressively increased the upper size of businesses in which we can invest.

Six months ago, we announced that we intended to commit £150 million to invest alongside the Hg Saturn Fund, for which the Manager has now raised £1.35 billion from large institutional investors.

Chairman's statement continued

The objective of Saturn is to invest in companies valued at an enterprise value of £1 billion or more, with the same technology and tech-enabled business models in which we are invested through Hg's existing strategies. It is expected that this commitment will be invested over the next three years. I am pleased to report that we have completed our first two investments in this strategy, Visma and IRIS, businesses which we know well and have been invested in for some years. This allows the Company to remain invested in growing businesses as they become major players and consolidators in their respective sectors and countries.

Importantly, we have not vacated the smaller end of the market where Hg has delivered impressive returns for two decades. With Hg's investment focus on technology and tech-enabled businesses, it is important to remain active among smaller companies that are developing software and services for new applications and business needs, and achieve robust growth as they roll out new solutions. Our investments in the Hg Mercury funds target just these types of business.

In March, we also announced our decision to commit to another ancillary vehicle targeting these same sized businesses, offering Transition Capital to businesses with an enterprise value of £50 million to £100 million, but where the owners are not yet ready to cede control. These transactions will be structured to deliver a largely fixed return, with a set date for redemption. The Company has committed £75 million to this strategy, which is expected to fund three to four investments in the range of £15 million to £25 million over the next three years.

Risk Management

The Board makes commitments to invest in each of Hg's strategies, to be drawn over four to five years. These commitments are made after careful analysis of estimated future cash flows and shareholders can take comfort that, should the Company have insufficient funds to meet its commitments in future, it will across all its strategies have the benefit of an 'opt-out', as a last resort, allowing it to be excused from investment without penalty if it does not have sufficient cash available. In addition, as previously reported, we have an unsecured bank facility of £80 million available until 30 June 2019 and this helps the Board to remain confident that the Company can participate in all of Hg's investments without financial strain.

Our objective is to manage shareholders' funds efficiently, keeping the Company fully committed and well invested throughout any cycle, maintaining cash at levels that are proportionate to the investment commitments we have made.

The Board and Manager do not believe in trying to predict cycles in macro-economic conditions or equity markets. However, the Manager will look for opportunities to capture high values by realising investments earlier than planned, whilst equity valuations remain elevated.

By replacing these with new investments presenting opportunities to add value through active management, we can achieve our aim of delivering compelling compound returns over long periods while reducing the risk implicit in high valuations.

Investment activity

In our 2017 interim report, the Manager observed that market conditions were 'hot' – in other words, a time to exit holdings where we could realise their potential value and be highly selective in making new investments.

Between January 2017 and June 2018, Hg has realised 18 investments bringing expected cash proceeds to the Company of over £420 million. This includes five businesses (Ullink, Allocate Software, Radius, Intelliflo and Teufel) where the sales were completed in the first half of 2018, contributing proceeds of £104 million to the Company. Further announced realisations (JLA, IRIS and Kinapse), have been completed in the second half of the year. The sale prices of JLA and IRIS have been reflected in the 30 June valuations.

During the first half of 2018, we invested £79 million. The Manager continues to focus on investing in businesses that are core to Hg's investment strategy: technology and technology-enabled businesses that provide products and solutions, often to regulatory-driven workflow problems, which are mission-critical to their businesses' customers and enjoy highly recurring revenues. All the recent investments have many similarities to prior Hg investments and are in similar "clusters", serving workflow problems and the needs of similar business customer sets in similar end markets.

The first four investments from Hg Mercury 2 have deployed an estimated total of £26 million year-to-date and are close replicas of earlier successful Hg investments, which we hope will deliver similarly successful outcomes.

The first investment, DADA, is an SME hosting business (similar to Zitcom, exited in 2017). The second, Financial Express, is a UK retail investment fund documentation and dissemination business (the UK equivalent to fundinfo, a European leader in this area, acquired in 2017). The German healthcare software investment, Medifox, provides Healthcare ERP software (similar to Allocate Software, which we sold in 2018), while Rhapsody, based in Massachusetts, is a provider of integration platform services that connect various systems within hospitals and other healthcare providers.

Hg8 has had a similar start over the last six months and the Company has invested a total of £48 million, with an estimated further £40 million since 30 June.

The first investment, Mobility Holding, is a combination of two businesses (MeinAuto and Mobility Concept) to create a leading car leasing business in Germany.



“ The Board believes that the Company's current portfolio contains exciting opportunities which should deliver continuing long-term growth to shareholders ”

This investment completed in two stages in December 2017 and March 2018, with the further addition of Athletic Sport Sponsoring (announced in July 2018). This is a similar thesis to that of the Zenith investment in the UK, successfully realised in early 2017.

The second investment from Hg8 was into The Access Group which completed in June 2018 and is an ERP software provider in the UK – similar to IRIS but with a focus on different SME segments of the market. Hg8's third investment, IT Relation, announced in June, is a provider of managed IT services for SME customers in Denmark and also resembles the investment thesis in Zitcom.

Finally, Hg8 recently exercised its option with Vista Equity Partners to re-invest c. £100 million into Allocate Software, including c. £13 million from the Company. Allocate is a company Hg has known for several years and which performed strongly during Hg's ownership. The Manager is investing alongside Vista, a US based firm, which has well-proven capability to support Allocate to scale further in the US.

At 30 June, the Company held £154 million in liquid resources awaiting investment and is likely to receive further cash proceeds from realisations and refinancings later in 2018.

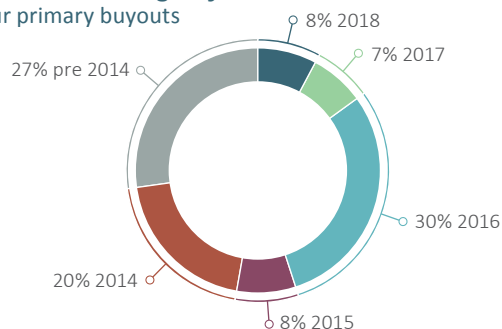
Prospects

Following the exits and new investments announced this year, our current portfolio of over 30 individual holdings is entirely positioned in Hg's target sectors of technology and technology-enabled business. In their report (on page 19) the Manager illustrates how these businesses predominantly fall into eight clusters defined by their markets, technologies or other characteristics. These create real network benefits from sharing experience and innovation between essentially similar business models, with Hg's Operations Innovation team and experienced Operating Partners helping each management team to create value quickly and with reduced execution risk.

The Company has sold a significant number of investments over the last eighteen months, while many of the newer investments are now in the earlier stages of their planned period of value creation, with much work going on to drive growth and embed operational improvements, the fruits of

which we expect to become progressively reflected in their valuations over time. The chart below shows that, at 30 June, more than 50% by value of our investments had been held for three years or less. With further post-period realisations, close to 70% of the portfolio has been held now for three years or less.

Investment vintage by value at 30 June*
of our primary buyouts



*Excluding carried interest provision

The case study of our successful investment in Intelliflo, described on pages 26 and 27 of this report, illustrates how value is added during the period between investment and realisation. The top 20 investments' sales growth of 23% in the last twelve months resulted in a slightly more modest growth of 19% in EBITDA, reflecting the scale of investment being made, depressing margins in the short term, but which will deliver rapid EBITDA growth in future periods. The Board believes that the Company's current portfolio contains exciting opportunities which should deliver continuing long-term growth to shareholders.

Roger Mountford
Chairman
7 September 2018



Investment objective and investment policy

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

Investment policy

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

Risk management

The Company has adopted formal policies to control risk arising through excessive leverage or concentration. The Company's maximum exposure to unlisted investments is 100% of the gross assets of the Company from time to time. On investment, no investment in a single business will exceed a maximum of 20% of gross assets. The Company may invest in other listed closed-ended investment funds up to a maximum at the time of investment of 15% of gross assets.

Sectors and markets

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

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

Gearing

Each underlying investment is usually leveraged but no more than its own cash flow can support, in order to enhance value creation; it is impractical to set a maximum for such gearing across the portfolio as a whole. The Company commits to invest in new opportunities in order to maintain the proportion of gross assets that are invested at any time, but monitors such commitments carefully against projected cash flows.

The Company has the power to borrow and to charge its assets as security. The Articles restrict the Company's ability (without shareholder approval) to borrow, to no more than twice the Company's share capital and reserves, allowing for the deduction of debit balances on any reserves.

Hedging

Part of the Company's portfolio is located outside the UK, predominantly in Northern Europe, and a further part in businesses that operate in US dollars. The Company may therefore hold investments valued in currencies other than sterling. From time to time, the Company may put in place hedging arrangements with the objective of protecting the sterling translation of a valuation in another currency. Derivatives are also used to protect the sterling value of the cost of investment made or proceeds from realising investments in other currencies, between the exchange of contracts and the completion of a transaction.

Overcommitment

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

Liquid funds

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

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

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

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



Rationale and business model

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

Rationale

The Board believes that there is a convincing rationale for directly investing in well-researched private businesses where there is potential for substantial growth in value, especially where there is the ability to work with management to implement strategic or operational improvements.

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

Business model

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

The Company is currently invested in more than 30 companies (as set out on page 42 of these Accounts), ranging in size, sector and geography, providing diversification.

The Board has delegated the management of the Company's investments to Hg Pooled Management Limited (the "Manager"). Further details of the terms of the management agreement are set out on page 72 of this report. The Manager invests predominantly in unquoted technology and technology-enabled businesses in expanding sectors and provides portfolio management support. The Manager's Review on pages 17 to 58 of this report outlines how the Company's investments are managed on behalf of the Company.

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

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

The Company is usually the largest investor in each business. Following the 2016 commitment to invest £350 million alongside the Hg8 Fund, the Board, in 2017, committed a further £80 million with respect to the Mercury 2 Fund. In early 2018, the Board made a £75 million commitment to invest in Transition Capital and £150 million to invest alongside the Hg Saturn Fund. Further detail on these is provided in the Chairman's statement on pages 10 to 12.

The Board has a further objective of keeping the Company as fully invested as is practical, while ensuring that it will have the necessary cash available when a new investment arises. The Board, on the advice of the Manager, makes assumptions about the rate of deployment of funds into new investments and the timing and value of realisations. However, to mitigate the risk of being unable to fund any draw-down under its commitments to invest, the Board has negotiated a right for the Company to opt out, without penalty, of its obligation to fund such draw-downs where certain conditions exist.

The Company may also take up a co-investment in some businesses (in addition to the investment it has committed to make). The Company has no liability to pay fees on such co-investment and no carried interest incentive is payable to the Manager on realisation (currently 14% of the Company's NAV is in co-investments). The Company may also offer to acquire a limited partnership interest in any of Hg's funds, in the event that an institutional investor wishes to realise its partnership interest.

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

Investment trust status

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



Rationale and business model continued



Performance targets

The Company's aim is to achieve returns in excess of the FTSE All-Share Index over the long-term. To this end, the Board monitors the Key Performance Indicators, as set out on pages 5 to 7 of these Accounts. In the six months to 30 June 2018, the Company's NAV per share increased by 8.3% on a total return basis. In comparison, the FTSE All-Share Index increased by 1.7%. The six month total return of the Company's share price was 11.3%.

NAV per share has grown by 9.9% p.a. compound over the last ten years and 12.8% p.a. compound over the last twenty years. The share price has seen broadly similar performance growing by 11.6% p.a. compound over the last ten years and 13.7% p.a. compound over the last twenty years.

All of the above returns assume the reinvestment of all historical dividends. The Board and the Manager aim to continue to achieve consistent, long-term returns in this range.

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

Dividends

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

Where possible, the Trust has elected to 'stream' its income from interest-bearing investments as dividends for tax efficiency purposes. More details can be found on page 74.



Interim management report and responsibility statement

Interim management report

The important events that have occurred during the period under review are described in the Chairman's Statement and in the Manager's Review, which also include the key factors influencing the financial statements.

The Directors do not consider that the principal risks and uncertainties have changed materially since the publication of the Annual Report for the year ended 31 December 2017. A detailed explanation of the risks summarised below can be found on pages 17 and 18 of the 2017 Annual Report which is available at www.hgcapitaltrust.com.

Performance risk

An inappropriate investment strategy may lead to poor performance. The Board is responsible for deciding the investment strategy to fulfil the Company's objectives and for monitoring the performance of the Manager.

Financial risks

The Company's investment activities expose it to a variety of financial risks that include valuation risk, liquidity risk, market price risk, credit risk, foreign exchange risk and interest rate risk.

Liquidity risk

The Company, by the very nature of its investment objective, invests predominantly in companies whose shares are not traded on a market. The Manager has the benefit of control over most of the companies, but to realise its investment would require negotiation of a sale to a purchaser or a flotation on the stock market, which might not be achievable at the Directors' published valuation.

Borrowing risk

The Board and the Manager agree that prudent use of borrowing to fund acquisitions can increase rates of return to shareholders. Businesses held in the underlying portfolio usually utilise bank borrowing and this is raised at levels that can be serviced from the cash flows generated within that business.

Regulatory risk

The Company operates as an investment trust in accordance with Sections 1158 and 1159 of the Corporation Tax Act 2010 ('CTA 2010'). As such, the Company is exempt from corporation tax on capital gains realised from the sale of its investments, so the impact of losing investment Company status would be significant to the Company.

Operational risk

In common with most other investment trust companies, the Company has no employees. The Company therefore relies upon the services provided by third parties and is dependent upon the internal control systems of the Manager and the Company's other service providers.

Responsibility statement

The Directors confirm that to the best of their knowledge:

- The condensed set of interim financial statements has been prepared in accordance with the Statement on Half-yearly Financial Reports issued by the UK Accounting Standards Board and gives a true and fair view of the assets, liabilities, financial position and return of the Company;
- The Interim Management Report (incorporating the Chairman's Statement and the Manager's Review) includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the 2017 Annual Report that could do so.

We consider the Interim Report & Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This interim financial report was approved by the Board of Directors on 7 September 2018.

Roger Mountford
Chairman
7 September 2018



Building businesses that change how we all do business

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

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

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

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

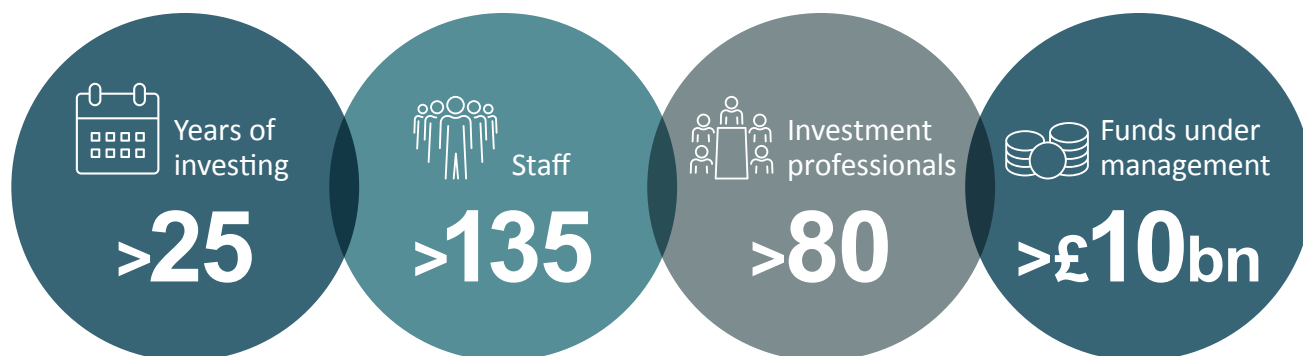
- indirect investments by the Company through its direct investments in fund limited partnerships (HGT LP, HGT 6 LP, HGT 7 LP, HGT 8 LP, HgCapital Mercury D LP ('Hg Mercury') and HGT Mercury 2 LP) of which the Company is the sole Limited Partner;
- a secondary purchase of a direct interest in Hg's 6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

Hg Pooled Management Limited was authorised as an Alternative Investment Fund Manager with effect from 22 July 2014. For further details, refer to pages 120 to 122 of the 2017 Annual Report.



Overview

A clear and robust business model focus to provide long-term consistent growth



About Hg

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

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

With investment offices in London and Munich and over 135 employees, including more than 80 investment professionals, further enhanced by the considerable experience of close to 20 Operating Partners, we have funds of over £10 billion under management, serving more than 100 highly regarded institutional investors. These include private and public pension funds, endowments, insurance companies and funds of funds, investing alongside the Company. We have progressively invested in and strengthened the business of Hg over the years, to establish a significant competitive advantage.

Hg manages four currently investing funds:

- Hg Saturn, a technology-focused large-cap buyout fund (£1.4 billion raised in 2018);
- Hg8, the latest mid-market control buyout fund across technology, services and industrial technology (£2.5 billion raised in 2017);
- Hg Mercury 2, a technology-focused small-cap control buyout fund (£585 million raised in 2017); and
- Transition Capital, a technology-focused small-cap minority investment fund (£75 million raised in 2018).

Hg is committed to being a responsible investor and, as such, is a signatory of the UN Principles for Responsible Investment.

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

Investment strategy

Hg has a flexible approach to investing, primarily focused on defensive growth buyouts in technology and technology-enabled businesses in specific end-market 'clusters' with enterprise values ('EVs') of £50 million to over £3 billion predominantly, but not exclusively, in the UK and Northern Europe.

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

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

Clear investment criteria

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

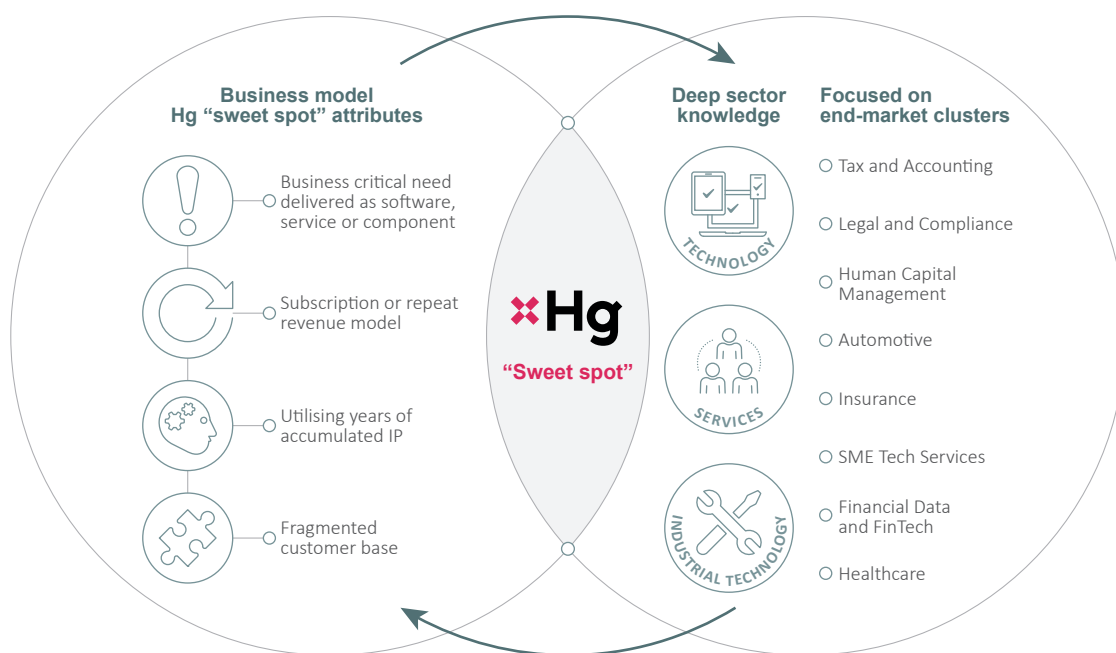
We seek companies that share similar characteristics, such as: high levels of recurring or contracted revenues; a product or service that is business-critical but typically low-spend; low customer concentration; high customer loyalty and low sensitivity to market cycles; and often providing a platform for merger and acquisition ('M&A') opportunities.

We believe that these companies have the potential for significant performance improvement.

Overview continued

“We focus our investments in technology and tech-enabled businesses with specific business characteristics that we believe have the ability to grow across market cycles and are attractive to future buyers.”

Nic Humphries, Senior Partner, Hg



We primarily focus on 8 core end markets to build deep know-how

Current
Exited

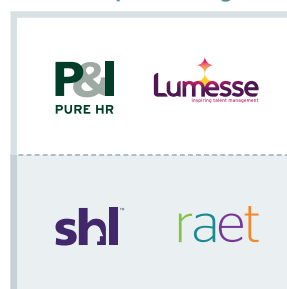
Tax & Accounting



Legal & Compliance



Human Capital Management



Automotive



Insurance



SME Tech Services



Financial Data and FinTech



Healthcare





Overview continued

Active management of businesses in our network

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

The nature of support provided by Hg can take a variety of forms. At a Board level, we often appoint a member of the OI team as a non-executive director responsible for applying active, results-oriented corporate governance.

Beyond the boardroom, members of our OI team provide either direct support through hands-on best-practice project work, or collaborate with management teams to draw on expertise from our proprietary network of specialists and Operating Partners, who each bring a specific, operational specialism to company situations.

"Our differentiation is how focused we can be on a few high impact areas that are relevant to all our tech and services companies. The OI team members are experts in their areas, and they work the same topics over and over again from one company to the next."

Amanda Good, Partner, Hg

One of the most powerful ways the OI team motivates change is through peer-to-peer collaboration. Over the first few months of 2018, for example, 27 M&A executives, 62 CTOs/ CIOs and 130 Sales & Marketing leaders spent up to two days together essentially sharing and adopting each other's best practices. By way of example, across these Hg Forums: Visma has explained how to build in-house capabilities to complete and integrate 20 acquisitions a year; Allocate has explained to the CTOs how to transition from on-premise to cloud software in less than a year; and Sovos has helped sales leaders understand what systems and processes are required to generate \$10 million in sales leads in a month.

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

Eric Olson, Chief Marketing Officer of Sovos





Data Analytics

The nature of the businesses we invest in means that our portfolio companies are particularly data rich, each producing a stream of information from their usage of our software, service calls, marketing engagement and so on. These businesses have the potential to become uniquely data driven – and therefore more valuable through better marketing, sales and retention.

In the past, stitching these data streams together to form an end-to-end view of the customer would have been technically unrealistic – especially for a medium-sized business with a three to five year window to maximise shareholder returns.

However, the past few years have seen a data and technology revolution. Amazon, Google and Microsoft's cloud data platforms have made data storage and processing power quick, cheap and secure; new data transformation tools enable disparate legacy IT systems to be joined up.

In response to this shift, over the past two years we have established an Hg Operations Innovation ('OI') Data Analytics team to bring these capabilities to our portfolio, with in-house data scientists, a suite of pre-configured cloud platforms and tools, and a dedicated near-shore Romanian team to provide scalability.

The impact has been significant, with each of our first 10 projects adding an average of £1 million to £2 million EBITDA. The work typically starts by setting up a data platform: cleaning and connecting all the data sources into a single data set in the cloud to give management automated, end-to-end visibility of the business. Step two is to deploy AI and machine-learning techniques to help shape how the business is run – typically via two or three projects per portfolio company. For example, in one business, a machine-learning early warning system to combat loss of customers has saved more than £1 million EBITDA, with a similar uplift from a predictive sales lead prioritisation model. Elsewhere, a machine-learning model is informing a team of the best day and time to call clients – and how many times to try – in order to maximise renewal rates.

Looking ahead, the Data Analytics team will continue to act as a data science 'centre of excellence' for our portfolio, scaling as more projects are rolled out and evolving as new technologies emerge. Our ambition is not only to drive EBITDA impact, but also to offer a truly differentiated, value-adding capability to our portfolio companies.

"Enabling our companies to harness data science is an important strategic enabler and provides a real competitive edge. At Hg, we will build out further this capability and reinforce our differentiation."

Christopher Kindt, OI Principal, Head of Data Analytics team



Our people

“ We continue to invest heavily in our team and their expertise, enabling us to work with the best executives in our target sectors and actively help them to build great businesses ”

Matthew Brockman, Managing Partner, Hg



Our people

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

This specialisation – both in investment selection and portfolio management – requires significant resources and we have built a business employing over 135 staff, including more than 80 investment and other professionals.

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

Investing primarily in European businesses, many of which have a global footprint, requires time and a deep understanding of local cultures. Accordingly, our people come from around the globe, including ten European countries and the USA. Our partners have, on average, nineteen years' experience in the management of private businesses.



Positioning ourselves as a best-in-class recruiter

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



Improving our ability to identify talent

We have strengthened our talent identification processes to accelerate the development of our top performers within the business. We believe that this is the basis of effective succession planning.



Employee engagement

Our people are highly motivated by, and committed to, delivering outstanding value to the Company, our other institutional clients, and our portfolio company leadership teams. They are engaged by their work, our values and the opportunity to grow to their full potential within Hg.

Our values have evolved over many years and are embodied in our working culture; these are aligned with our performance review and compensation structures. Hg works hard to ensure our employees are engaged and we strive to improve levels of engagement, using independent external benchmarks.



Developing future leaders

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



Responsible investment

“growing sustainable businesses which are great employers, have a low environmental impact and are good corporate citizens”



Why responsible investment is important to us

For Hg, Responsible Investment ('RI') means growing sustainable businesses which are great employers, have a low environmental impact and are good corporate citizens, whilst generating superior risk adjusted returns for the millions of pensioners and savers globally who are invested with us. We want the businesses we invest in to be genuinely focused on doing well for all stakeholders including: employees, customers, suppliers, shareholders and the wider society. We firmly believe that responsible business practices help generate superior long-term performance.

Our responsible investing journey

Hg has been a signatory of the UN Principles for Responsible Investment ('UNPRI') since 2012. At the end of 2017 we reviewed and updated our RI framework, policy and approach to set our ambition and ensure we focus on the ESG opportunities and issues most relevant for the types of businesses we invest in. Our new Responsible Business framework forms the foundation of our work and all businesses are assessed against the framework on an annual basis.



How we integrate Responsible Investment into our investment process

Investment screening & Due Diligence

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

Ownership

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

Realisation

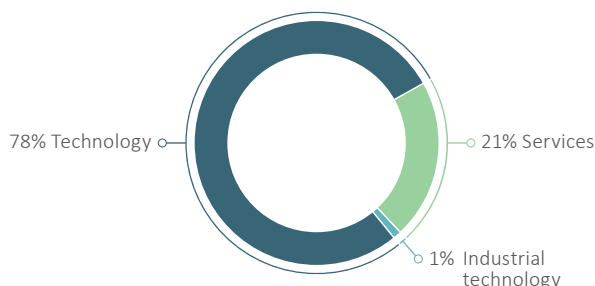
- Upon realisation, we aim to demonstrate the increased value from improved ESG performance with case studies and performance metrics.

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



Sector specialisation

Sector by value*
of our primary buyouts



*Excluding carried interest provision



Deep sector focus

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

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

This deep sector focus is channelled through a rigorous, research based investment process; systematically identifying the most attractive growth sub-sectors or 'clusters' and business models, primarily in Europe; and through repeated investment in similar types of companies that we know well, our deal flow is optimised and our returns improved.



Technology

Technology covers a broad range of markets. Driven by our deep sector approach, Hg's Technology teams focus on specific sub-sectors, including: vertical market application software – particularly delivered via a Software as a Service ('SaaS') model; private electronic marketplaces; B2B media data/publishing; and SME technology services.

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

The size and experience of the team mean that we are well placed to identify, assess and complete investments quickly and thoroughly. We work to bring this experience and expertise to support management teams, aiming to have the knowledge of a trade buyer, coupled with the speed and focused delivery of a financial buyer. The team benefits from the depth and breadth of many years of private equity experience in technology, and is complemented by an extensive network of industry experts and advisers.

Given the breadth of opportunity in European technology, Hg is currently investing in the sector on behalf of the Company and from three funds, Hg Saturn, Hg8 and Hg Mercury 2; targeting buyouts in companies with typical enterprise values of over £50 million to more than £3 billion.

In aggregate, the funds we have to invest across the sector allow us to review a wider field of investments, whilst providing a very comprehensive resource for the management teams that we support.

Sector specialisation continued



Services

This team focuses on companies which provide business critical services with high levels of intellectual property, large fragmented customer bases, preferably with a repeat or recurrent model and often with an increasing degree of technology enablement.

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

We target businesses with leading positions within a niche, typically reflected by strong margins; and we aim to grow and scale these businesses, either organically within existing markets, or through acquisition.

Existing investments include companies that serve a range of industries such as: employment law and health & safety; bookkeeping and payroll services; and insurance distribution. In all of these companies, the improved delivery of service via technology is an important theme.



Industrial technology

Our industrial technology investment team focuses on growth businesses, particularly within the DACH market, which is characterised by a large number of highly successful, family owned businesses (the 'Mittelstand').

We have earned a reputation with many of these Mittelstand companies as a preferred partner with which to scale into international businesses.

The Industrial Technology Team, based in Munich, is located in the heart of an economic zone containing numerous high quality, cutting edge, technology-led industrial businesses, many of which have strong national or international positions in a specific niche sector, but with the opportunity to achieve further scale.

Our thematic research within this sector has been concentrated over many years on the characteristics that define a strong industrial technology investment.

As a result, we have developed certain themes and business models that we regard as particularly attractive: aftermarket companies; product champions/niche manufacturers with technology-enabled and mission critical products; and smart distribution models. These themes are overlaid with specific industrial sub-sectors where we have a strong understanding.

For further information on the sectors we look at, please refer to www.hgcapital.com/sectors/



Case study – Intelliflo



Creating a leading technology platform for UK financial advisers and the distribution of financial products



www.intelliflo.com Sector: Technology ('FinTech') Geography: UK

About Intelliflo

Intelliflo is a leading UK Software as a Service ('SaaS') provider of front and back office solutions for financial intermediaries – including SME Independent Financial Advisors ('IFAs'), wealth managers, advisor networks, insurance/life companies and brokers. The business has developed a strong cloud-based product suite called Intelligent Office ('IO'), which supports the financial advice process and back-office administration in a range of workflow requirements. Intelliflo also offers a number of additional modules and functionalities, including a client facing portal, fund analytics and a mortgage office software package. Intelliflo serves a wide customer base of more than 14,000 IFAs, mortgage advisors and administrators, primarily in the SME space, but with a number of strong reference enterprise relationships. Headquartered in Kingston (South London), Intelliflo employs c. 170 people.

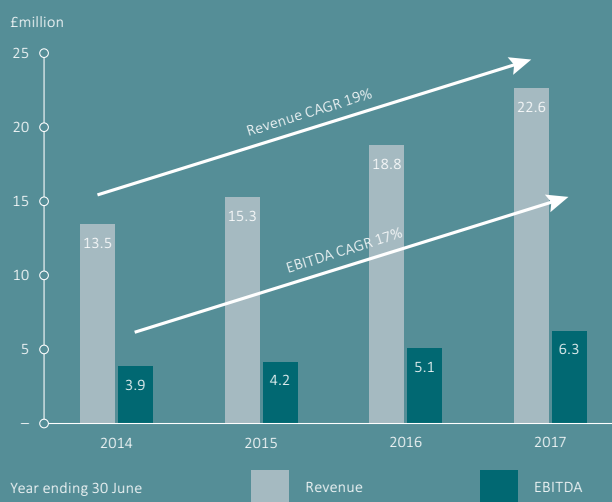
Why did we invest in Intelliflo?

Financial advisers are a critical part of the distribution of retail financial products (investments, pensions, insurance and mortgages) to UK consumers. This segment has historically been characterised by low levels of technology adoption and highly manual processes, but there are several commercial and regulatory catalysts driving professionalisation of this ecosystem, creating a need for more technology support. The most significant of these was the Retail Distribution Review ('RDR') regulatory change in 2013.

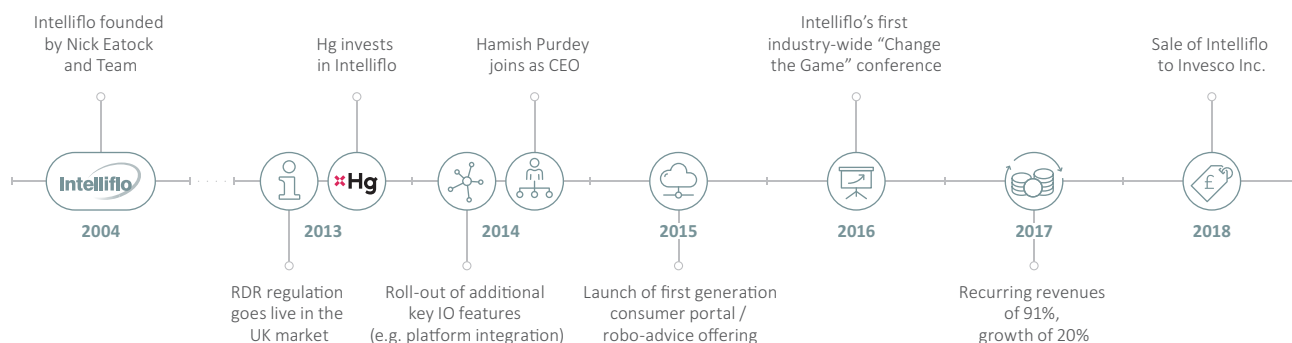
Within this market context, Intelliflo had developed a strong 'true SaaS' technology platform, which makes the IO

product significantly more scalable and future proof than a number of legacy on premise providers, putting it in a strong position to gain market share. Intelliflo shares similar attractive investment characteristics with a number of the SME regulatory software investments Hg has made, including: a scalable business model in a regulated end vertical market; organic recurring revenue growth potential from increasing subscriptions, usage and cross-sell; business critical service but typically a low-spend item; and high customer loyalty. These characteristics create significant opportunities for sharing best practice and creating value.

Financial performance



Case study – Intelliflo continued



We would like to thank Hg for all their support since 2013 in getting us to this stage in our development. In a comparatively short space of time, we have built one of the UK's largest pure-play software as a service businesses, and we now look forward to expanding our business, taking our leading technology into new markets across the globe. We will continue with our open architecture philosophy after the sale – it remains critically important to us that our financial adviser customers continue to be able to select from a wide range of product providers.

Hamish Purdey, Chief Executive Officer at Intelliflo

The investment process

Hg Mercury initially partnered with Intelliflo in August 2013 and acquired a majority investment from the three founders. Two out of three (CEO and CTO) stayed and rolled a material portion of their proceeds into the deal. The investment was originally acquired for a consideration of £34.4 million at an enterprise value of £43.0 million.

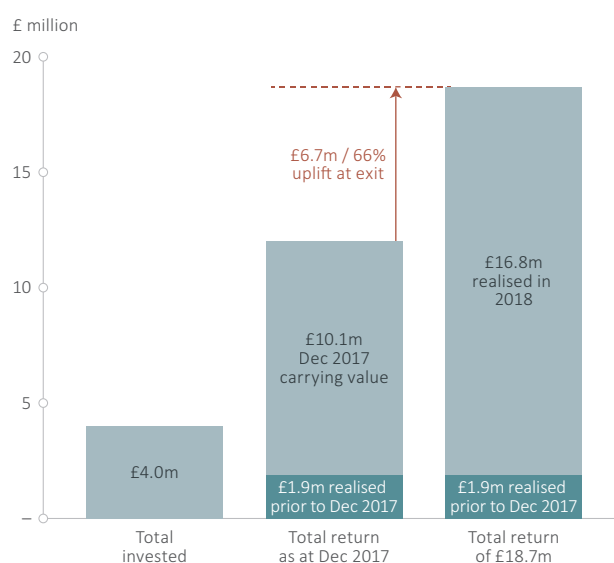
How did we support them and create value?

Hg actively supported the development of the business in a number of key areas – which were important to obtaining a very successful investment outcome. In 2014, we supported the Management expansion and transition of Intelliflo – through the recruitment of Hamish Purdey as CEO, with Nick Eatock becoming Executive Chairman. Hamish brought considerable SaaS and technology operations experience, which have been very important to delivering the growth plan. In 2015, Hg supported the management with the development of a 5 year business and strategic plan which allowed the business to commit to material investment in sales, marketing and sales operations. The result was a significant acceleration in the rate of recurring revenue growth and Intelliflo's UK market share.

How did we realise the value?

Confirming the strategic nature of Intelliflo's position at the heart of the UK advice market and financial flows, Intelliflo was acquired by Invesco Inc, a leading global asset manager, in June 2018. Invesco saw the strength of Intelliflo's technology, the position in the UK market and associated customer/end client base and the management team as critical to the future of their UK and global adviser offering. The overall exit represented a 4.7x CoC and 39% IRR return over the investment period.

Total return



The numbers in this chart relate to the Company's share of Hg's investment in Intelliflo.

4.7x

Investment return multiple of cost

39% p.a.

Gross IRR



Review of the period

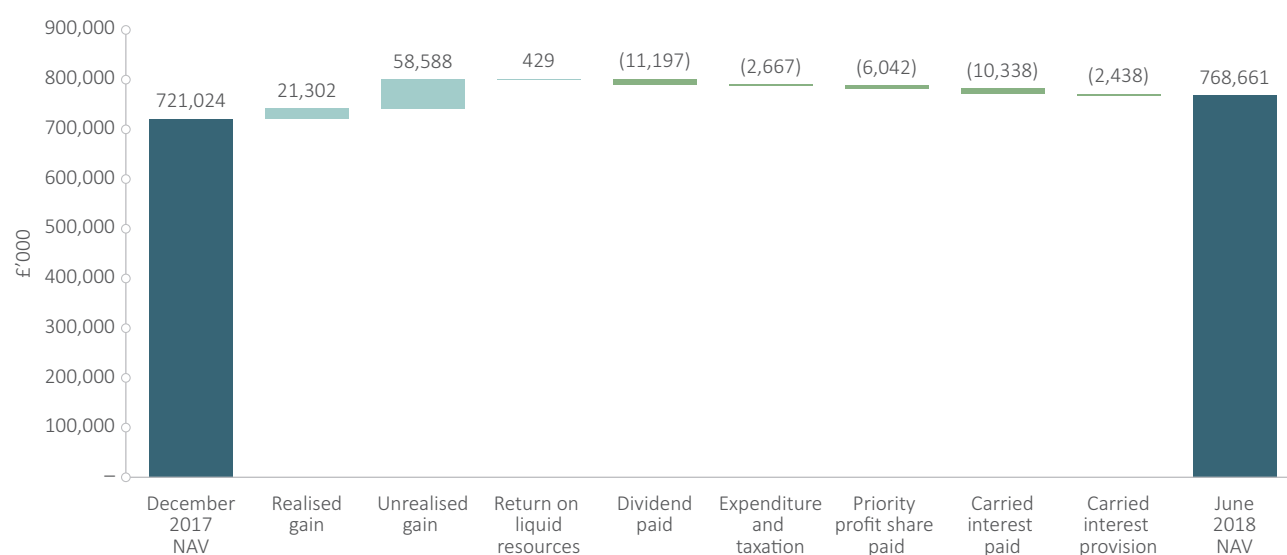
Net asset value (NAV)

Over the first six months of 2018, the NAV of the Company increased by £47.7 million, from £721.0 million to £768.7 million at 30 June 2018.

Attribution analysis of movements in NAV

	Revenue £'000	Capital £'000	Total £'000
Opening NAV as at 1 January 2018	34,058	686,966	721,024
Realised capital and income proceeds from investment portfolio in excess of 31 December 2017 book value	3,626	17,676	21,302
Net unrealised capital and income appreciation of investment portfolio	5,501	53,087	58,588
Net realised and unrealised gains from liquid resources	163	266	429
Dividend paid	(11,197)	–	(11,197)
Expenditure	(1,753)	(773)	(2,526)
Taxation	(141)	–	(141)
Investment management costs:			
Priority profit share – current period paid	(6,042)	–	(6,042)
Priority profit share – net loan allocation	4,296	(4,296)	–
Carried interest – current period paid	–	(10,338)	(10,338)
Carried interest – current period provision	–	(2,438)	(2,438)
Closing NAV as at 30 June 2018	28,511	740,150	768,661

Analysis of NAV movements



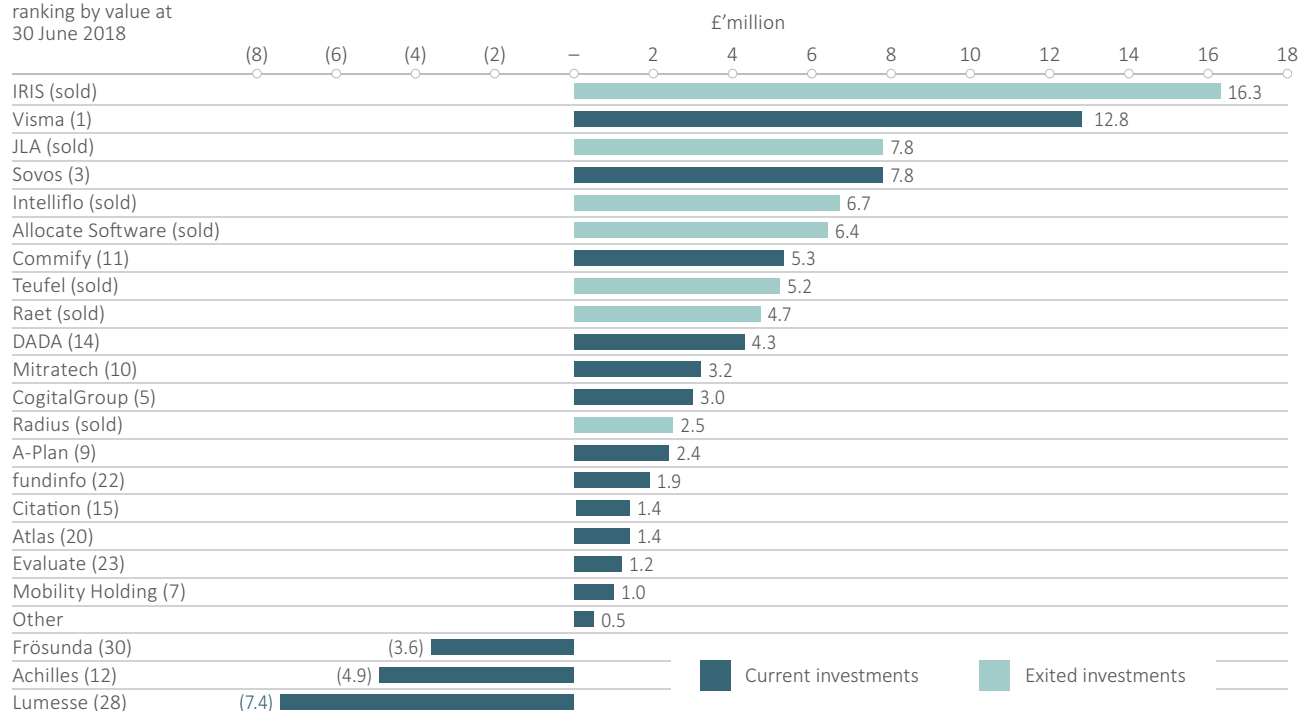
There were a number of underlying factors contributing to the increase in the NAV. Positive impacts were the £58.6 million revaluation of the unquoted portfolio and uplifts of £21.3 million on the realisation of investments compared with their carrying value at the start of the year.

Reductions in the NAV included: the payment of £11.2 million of dividends to shareholders and Hg's remuneration (£16.4 million and a £2.4 million increase in the provision for future carried interest).

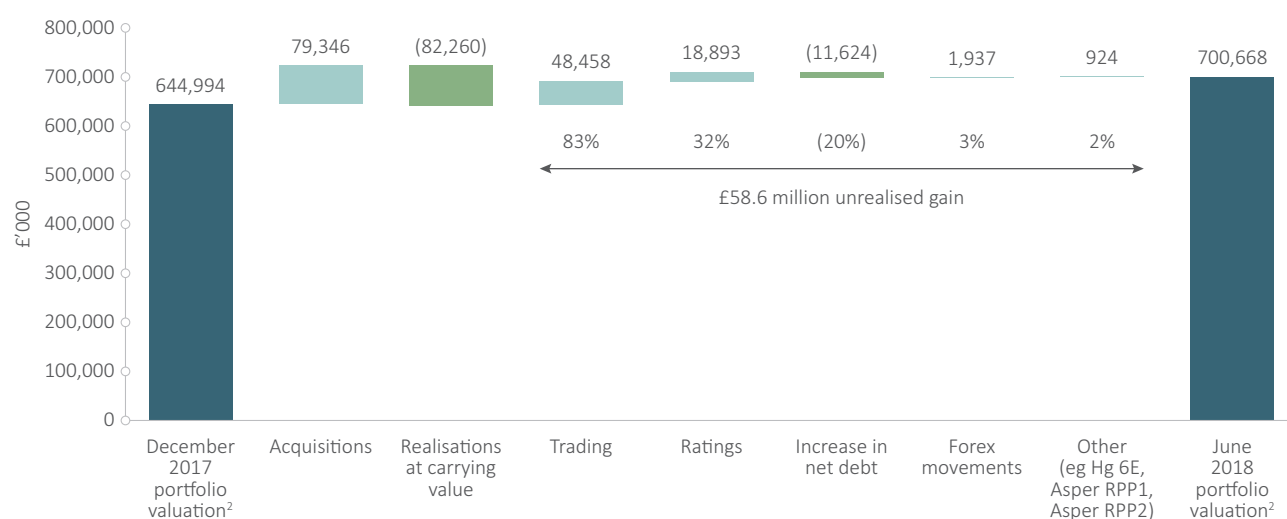
Review of the period continued

Realised and unrealised movements in the value of investments

Investment name and ranking by value at 30 June 2018



Attribution analysis of movements in the value of investments¹



¹ Including accrued income and excluding carried interest provisions

² Before the deduction of the carried interest provision

During the period, the value of the unrealised investments increased by £58.6 million, before the provision for carried interest. The majority of the increase (£48.5 million) relates to increases from profit growth in the underlying investments and £18.9 million from increased ratings.

These were partially offset by £2.9 million of decreases driven by realisations at carrying value net of acquisitions and an increase in net debt of £11.6 million resulting from refinancings that returned cash to the Company and further M&A activity within the portfolio.



Review of the period continued

Top 20 portfolio trading performance as at 30 June 2018

The top 20 buyout investments of the Company (representing 90% of total investments by value) have delivered strong sales growth of 23% and EBITDA growth of 19% over the last twelve months ('LTM').*

This further demonstrates continued robust revenue and EBITDA growth over the last three years. The business model characteristics of these companies give us confidence that this double-digit growth can be achieved consistently going forward.

Close to 70% by value of the businesses we are invested in are seeing double-digit revenue growth, and more than 70% of the portfolio has delivered double-digit EBITDA growth over the last twelve months.

Profits have grown at a slightly slower rate than revenues over the last year, reflecting investment being made into the cost base of a number of our companies, for example to finance increased sales and marketing capabilities,

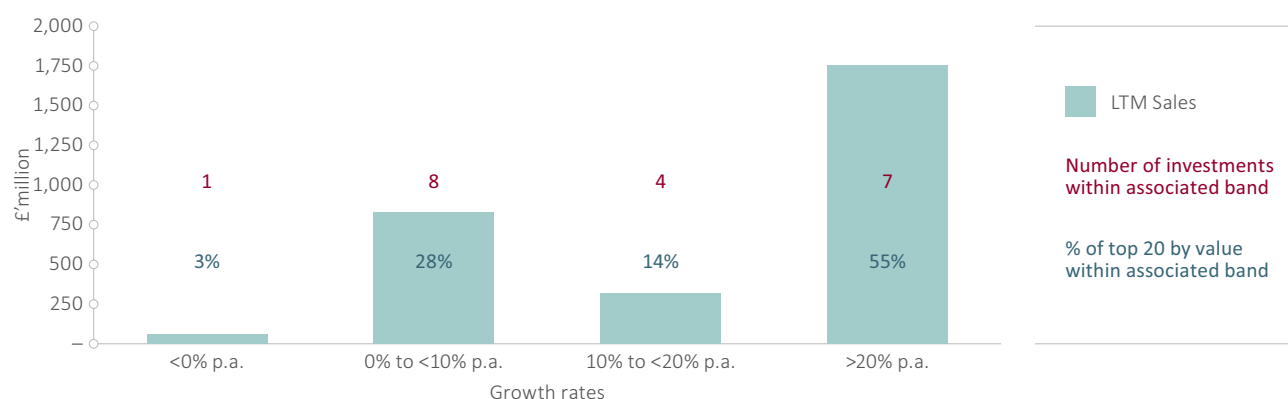
strengthen management and new product development. We have seen very robust and consistent double-digit trading performance from Visma, IRIS, Foundry, Mitrastech, Commify and DADA in the technology sector, and CogitalGroup, A-Plan, Citation and JLA in the Services sector.

Whilst new to the portfolio, Mobility Holding and Access have seen a good start to their partnership with Hg. Atlas has seen a significant improvement in its performance over the period.

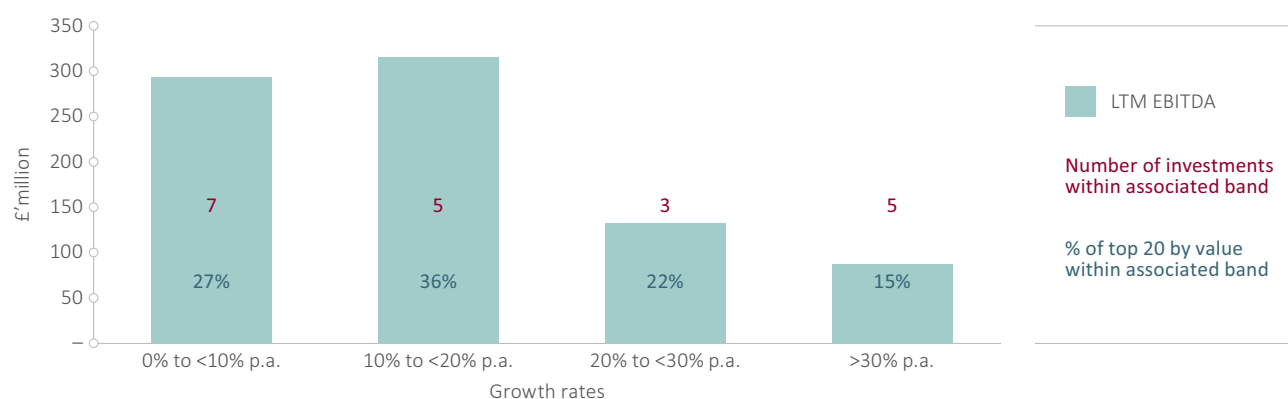
In June 2018, we took the decision to write down two of our top twenty investments, Lumesse and Achilles, as we work to achieve improved performance.

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

Top 20 LTM sales growth: +23%



Top 20 LTM profit growth: +19%



*Sales and EBITDA growth have been calculated on a weighted basis, based on the respective gross valuations of the underlying investments. Previously, these were calculated on an unweighted basis and the equivalent figures using the previous methodology are 18% for Sales and 19% for EBITDA

Review of the period continued

Valuation and gearing analysis as at 30 June 2018

Our valuation policy is applied consistently, in accordance with the IPEV Valuation Guidelines. Each company has been valued individually, based on the trading multiples of comparable businesses and relevant M&A activity; this resulted in an average EBITDA multiple for the top 20 buyout investments of 16.8x*.

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

Seven of the top 20 companies (representing 62% by value) are valued at a multiple of over 16x (Mitrastech, IRIS, Visma, TeamSystem, Access, Sovos, and Foundry).

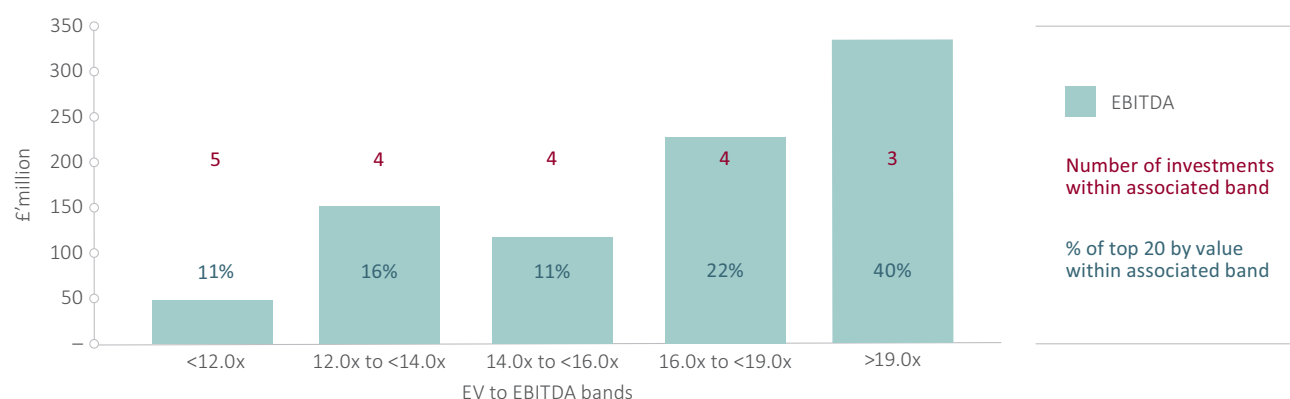
All have attractive business models, are growing strongly and generating cash, and are in demand from investors.

As noted on page 34, we have increased our exposure to Visma during the period, via the Company's commitment to invest alongside the Hg Saturn fund.

We continue to take a considered and prudent approach in determining the level of maintainable earnings to use in each valuation. Most holdings have been valued using the LTM earnings to 31 May 2018, unless we have anticipated that the outlook for the full current financial year is likely to be lower, in which case we have used forecast earnings. In selecting an appropriate multiple to apply to a company's earnings, we look at a basket of comparable companies, primarily from the quoted sector, but where relevant and recent, we will also use M&A data.

Our companies make appropriate use of gearing, with a weighted average net debt for the top 20 of 5.3x LTM EBITDA*. Many of our businesses have highly predictable, strong earnings growth and are very cash generative, enabling us to use debt to reduce their cost of capital and improve returns on the equity we hold. Over the period we took the opportunity to refinance JLA and Foundry as detailed on page 39.

Top 20 EV to EBITDA valuation multiple: 16.8x



Top 20 net debt to EBITDA ratio: 5.3x



*EBITDA multiple and net debt ratio have been calculated on a weighted basis, calculated using the respective gross valuations of the underlying investments. Previously, these were calculated on an unweighted basis and the equivalent figures using the previous methodology are 17.1x for EBITDA multiple and 5.8x for net debt ratio



Review of the period continued

Outstanding commitments of the Company

The period ended with liquid resources of £154 million, supported by an undrawn bank facility of £80 million. Outstanding commitments as at 30 June 2018 were £575 million, as listed below. We anticipate that the majority of these outstanding commitments will be drawn down progressively over the next two to three years and are likely to be partly financed by future cash flows from realisations. Additionally, to mitigate the risk of being unable to fund any draw-down under its commitments to invest alongside certain of Hg's funds, the Board has negotiated a right for the Company to opt out of the Company's obligation to fund such commitments, without penalty, if it does not have the funds to do so or certain other conditions exist.

Fund	Fund vintage	Original commitment £'million	Outstanding commitments as at 30 June 2018		Outstanding commitments as at 31 December 2017	
			£'million	% of NAV	£'million	% of NAV
Hg8	2017	350.0	288.3	37.5%	341.1	47.3%
Hg Saturn	2018	150.0	124.6	16.2%	—	—
Transition Capital	2018	75.0	74.9	9.7%	—	—
Hg Mercury 2	2017	80.0	69.2	9.0%	73.3	10.2%
Asper RPP II	2010	35.4 ¹	6.6	0.9%	8.3	1.1%
Hg6	2009	285.0	6.0	0.8%	17.2	2.4%
Hg Mercury 1	2011	60.0	2.4	0.3%	6.2	0.9%
Pre-Hg6 vintage	pre-2009	120.0 ²	1.3	0.2%	1.3	0.2%
Hg7	2013	200.0	1.0	0.1%	—	—
Asper RPP I	2006	19.1 ³	0.8	0.1%	0.8	0.1%
Hg 6E ⁴	2009	15.0	0.3	0.0%	0.9	0.1%
Total			575.4	74.8%	449.1	62.3%
Liquid resources			153.9	20.0%	160.3	22.2%
Net outstanding commitments unfunded by liquid resources			421.5	54.8%	288.8	40.1%

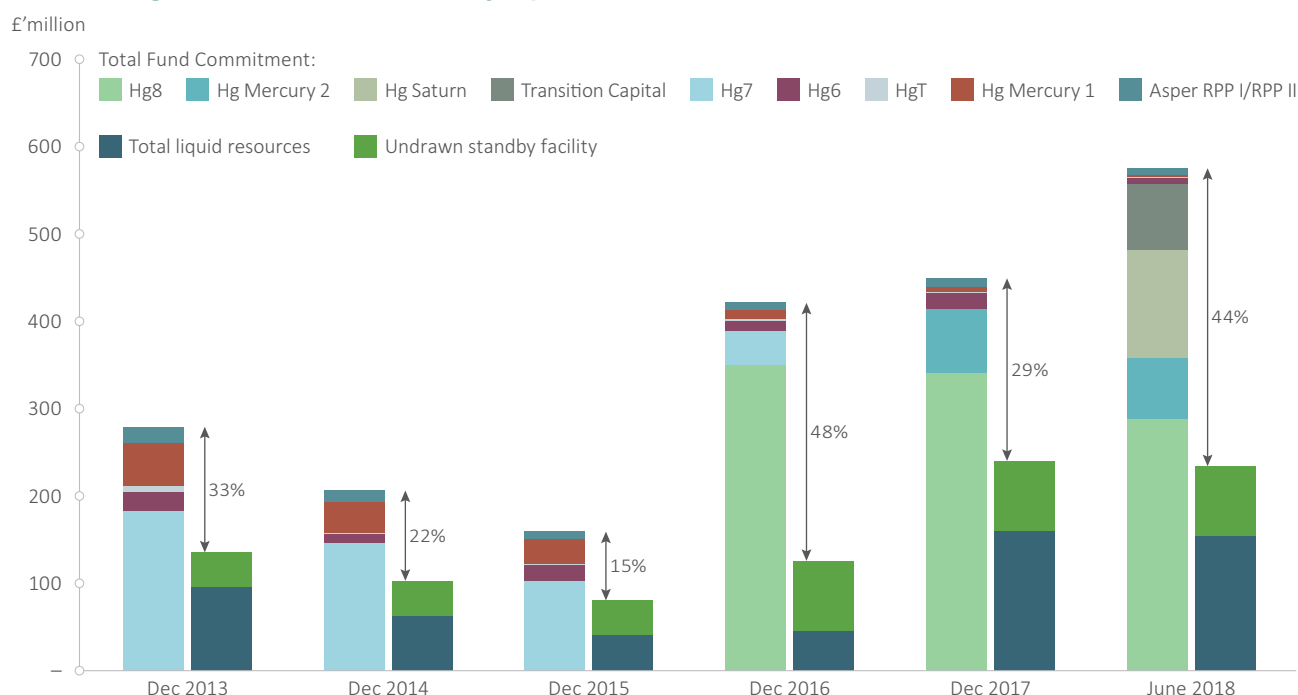
¹ Sterling equivalent of €40.0 million.

² Excluding any co-investment participations made through HGT LP.

³ Sterling equivalent of €21.6 million.

⁴ Partnership interest acquired during 2011.

Outstanding commitments unfunded by liquid resources as % of NAV





The Company's investments

Investment portfolio of the Company

Fund limited partnerships	Residual cost £'000	Total valuation ¹ £'000	Value %
Primary buyout funds:			
HGT 7 LP	161,115	258,910	42.1%
HGT 7 LP – Provision for carried interest	–	(25,817)	(4.2%)
HGT 6 LP	60,972	147,995	24.1%
HGT 6 LP – Provision for carried interest	–	(46,917)	(7.6%)
HGT LP	76,093	123,098	19.8%
HGT 8 LP	54,775	56,101	9.1%
HgCapital Mercury D LP	28,598	49,671	8.1%
HgCapital Mercury D LP – Provision for carried interest	–	(10,005)	(1.6%)
HGT Saturn LP	25,187	23,165	3.8%
HGT Mercury 2 LP	9,513	14,208	2.3%
Total primary buyout funds	416,253	590,409	95.9%
Secondary buyout funds:			
HgCapital 6E LP	–	7,851	1.3%
HgCapital 6E LP – Provision for carried interest	–	(2,610)	(0.4%)
Total secondary buyout funds	–	5,241	0.9%
Total buyout funds	416,253	595,650	96.8%
Renewable energy funds:			
Asper RPP II	20,964	18,015	2.9%
Asper RPP I	4,961	1,654	0.3%
Total renewable energy funds	25,925	19,669	3.2%
Total investments net of carried interest provision	442,178	615,319	100.0%

¹ Includes accrued income.

Hg funds update

Fundraising activity has seen Hg close on c. £4.5 billion of institutional capital in the last 18 months, across four distinct funds, to all of which the Company has made commitments pari passu with institutional investors in Hg funds.

Focus	Fund	Characteristics
Large-cap (EVs focus: >£1 billion)	Hg Saturn 2018	• Fund size: £1.5 billion • Typical hold: £400 million – £500 million • Target number of investments: c. 4
Mid-market (EVs: £200 million – £1 billion)	Hg8 2018	• Fund size: £2.5 billion • Typical hold: £100 million – £250 million • Target number of investments: c. 12
Lower mid-market (EVs: £50 million – £200 million)	Hg Mercury 2 2017	• Fund size: £575 million • Typical hold: £30 million – £60 million • Target number of investments: c. 12
Lower mid-market (EVs: £50 million – £200 million)	Transition Capital* 2018	• Fund size: £75 million • Typical hold: £15 million – £30 million • Target number of investments: c. 3

*The Company is the sole investor in this strategy



Investments and realisations

Investments

Over the course of the period, Hg has invested a total of £377 million on behalf of its clients, with the Company's share being £79 million.

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

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

New investments in the six months to 30 June



The Access Group – Access is a provider of fully integrated, mission-critical business management software to UK mid-market organisations. Its portfolio spans Finance, HR, Payroll, Hospitality, Recruitment, Health and Social Care, Manufacturing and Distribution, Education and Not for Profit sectors.

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

Further investments in the six months to 30 June



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



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



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

Further detail on investments as at 30 June 2018 can be found on pages 44 to 58.

Investments and realisations continued

New investments since the period end



MediFox – MediFox is a provider of software solutions to outpatient and inpatient care providers and therapy practices in Germany. The investment from the Mercury 2 Fund, recognises MediFox's attractive business model characteristics, being a well-established player with a strong position in a fragmented sector, showing a positive underlying growth trajectory whilst also having a compelling product offering, a robust financial profile and a highly competent management team. The company will invest a total of approximately £8.0 million in MediFox with other institutional clients investing alongside the Company through the Mercury 2 fund.



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

The Company will invest an estimated £7.5 million in FE, alongside institutional clients of Hg investing through the Mercury 2 fund.



IRIS – IRIS is a leading provider of business-critical software and services to the UK accountancy, education and business market. In May, Hg announced a joint investment into IRIS with Intermediate Capital Group ('ICG').

The Company will invest an estimated £39.9 million in IRIS, in parallel with other clients of Hg via the Hg Saturn fund.



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

The Company has invested £16.0 million in IT Relation alongside Hg clients via the Hg8 fund.



Allocate Software – In August, Hg completed the acquisition of a co-controlling stake in Allocate Software ('Allocate'), a leading international provider of workforce solutions to the healthcare, defence and maritime sectors, from current majority owners, Vista Equity Partners.

Hg initially invested in Allocate via Mercury 1 at the end of 2014 and went on to sell the company to Vista in April 2018. Headquartered in the UK, Allocate is a business that Hg has known and tracked since 2012, performing strongly across economic cycles and operating in a cluster that we believe is attractive and have invested in on multiple occasions previously. We think this is an attractive opportunity to deploy further capital from Hg8 in a business that demonstrates many of the 'sweet-spot' business-model characteristics that Hg looks for including: mission-critical vertical application software; strong recurring revenues and double-digit growth; potential for new products; and M&A opportunities.

The Company has invested an £14.0 million in Allocate Software alongside Hg clients via the Hg8 fund.

Further detail on investments as at 30 June 2018 can be found on pages 44 to 58.



Investments and realisations continued

Investments continued

New investments since the period end continued

Rhapsody

Rhapsody – In July, Orion Health announced that it had reached an agreement for Hg to acquire majority ownership of Orion Health's Rhapsody business and to invest in Orion Health's Population Health business. Healthcare technology is a core investment area for Hg, having recently completed a number of transactions across the sector. This investment will be made from Hg's Mercury 2 Fund. The combination of Rhapsody's global team and Hg's resources will extend Rhapsody as a leader in the interoperability platform space, building on both Rhapsody's world class technology and highly rated customer service.

The Company will invest an estimated £7.3 million in Rhapsody alongside Hg clients.

Further investment since the period end



Athletic Sport Sponsoring

Athletic Sport Sponsoring – In September, Mobility Holding completed the acquisition of 100% in the shares of Athletic Sport Sponsoring, a German provider of flat-rate car subscriptions to members of closed user groups (especially sport associations and civil servants). This transaction represents the third acquisition onto our platform Mobility Holding which we created at the end of 2017 with the strategy to build a German multi-channel car distribution and leasing business.

The Company has invested £10.8 million with other institutional clients of Hg investing alongside the Company through the Hg8 fund.

Further detail on investments as at 30 June 2018 can be found on pages 44 to 58.

Investments and realisations continued

Realisations

Over the first six months of 2018, Hg has returned a total of £855 million to its clients, including £104 million to the Company.

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

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

Exits in the six months to 30 June



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

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



Allocate Software – In April, the Mercury team announced the sale of Allocate Software, an international provider of healthcare workforce management software, to Vista Equity Partners. Hg initially invested in Allocate at the end of 2014, completing a public-to-private transaction from the London Stock Exchange. Since then, Hg has worked with management to materially enhance the capabilities of Allocate's software suite, achieved greater customer engagement and supported a substantial increase in employment and skills development.

This transaction delivered a 3.6x investment multiple and a 50% IRR. The sale resulted in a 47% uplift to the carrying value of the investment as at 31 December 2017.



Radius – In April, the services team completed the sale of Radius, which provides tailored solutions for fast growing companies that are looking to expand into international markets, to Vistra, one of the world's leading providers of corporate service to international incorporations, trust, fiduciary, and fund administrators.

This transaction delivered a 1.0x investment multiple. The sale resulted in an 18% uplift to the carrying value of the investment as at 31 December 2017.



Intelliflo – In June, the Mercury team completed the sale of Intelliflo, a UK provider of front and back office software solutions to financial intermediaries, including IFAs, wealth managers, adviser networks, insurance/life companies and brokers. It was sold to Invesco, the Atlanta-based global investment management company. Over the past five years, Hg has supported the business to implement best in class SaaS practices in development, operations, sales and marketing.

This transaction delivered a 4.7x investment multiple and a 39% gross IRR over the investment period. The sale of Intelliflo resulted in an uplift of 66% over the carrying value of the business at 31 December 2017. A case study of this investment appears on pages 26 and 27.

Further detail on investments as at 30 June 2018 can be found on pages 44 to 58.



Investments and realisations continued

Realisations continued

Exits in the six months to 30 June continued

Teufel

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

frösunda.

Frösunda – Frösunda, a care home business based in Sweden, agreed a sale in February 2018 to Norlandia. The sale of Frösunda was largely based on deferred consideration which will be determined by future earnings.

Realisations since the period end

raet

Raet – In May, Hg announced the sale of Raet, a leading HR solutions provider, specialising in HR cloud software and services, to Visma, in which the Company already holds a substantial interest. This acquisition followed a competitive sales process, commenced earlier in the year by the Hg7 Fund. Raet and Visma Group combined will become one of Europe's leading HR solutions providers, delivering software and services to more than 10 million end-users. This transaction has delivered a 1.6x investment multiple and a 24% gross IRR over the investment period to date. The sale of Raet resulted in an uplift of 31% over the carrying value of the business at 31 December 2017.

JLA

JLA – In late-August, Hg completed the sale of JLA, a UK leader for critical assets solutions in the commercial laundry, catering, heating and fire safety markets, to Cinven. Hg's Services team invested in JLA at the beginning of 2010, identifying JLA as a 'hidden champion' services business. JLA displays best-in-class services characteristics: stable and predictable revenue streams, growth from both existing and new customers, and a wide customer base with high customer satisfaction levels. This transaction has returned £10.3 million to the Company, delivering a 4.9x investment multiple and a 26% gross IRR over the investment period. The sale of JLA resulted in an uplift of 29% over the carrying value of the business at 31 December 2017.

IRIS

IRIS – In September, Hg announced the sale of and reinvestment into IRIS, a leading provider of business-critical software and services to the UK accountancy, education and business market, representing the largest UK and third largest European private equity software buyout ever. Hg6 originally invested in IRIS in December 2011 and, over the course of the Fund's investment, the business has experienced strong revenue, EBITDA and cash flow growth, across market cycles. At an exit valuation of £1.3 billion, the business has more than trebled in size over the last 6 years. This transaction has returned £74.4 million to the Company, resulting in a 4.2x investment multiple and a 26% gross IRR over the investment period. The sale of IRIS resulted in an uplift of 22% over the carrying value of the business at 31 December 2017.

kinapse

Kinapse – In August, Hg announced the realisation of Kinapse, a leading international provider of advisory, capability building and operational services to the life sciences and pharmaceutical industries, to Syneos Health, a Nasdaq-listed, fully integrated, biopharmaceutical solutions organisation. Originally acquired in 2016, this transaction values the Company's investment at approximately £7.9 million following a distribution from the business, in April, of £2.3 million. The sale of Kinapse has resulted in an uplift of c. 43% over the carrying value of the business at 31 December 2017.

Further detail on investments as at 30 June 2018 can be found on pages 44 to 58.

Investments and realisations continued

Refinancings in the six months to 30 June



JLA – In January, the Services team completed the refinancing of JLA, a UK provider of laundry and catering services, returning £25 million to Hg clients, including £3.8 million to the Company.



Foundry – In May, the technology team completed the refinancing of Foundry, a UK headquartered global developer of computer graphics, high-end visual effects and 3D design software, returning £39 million to Hg clients, including £3.8 million to the Company.

Post-period refinancings



DADA S.p.A – In July, the Mercury team completed the refinancing of DADA, an international leader in digital services for professionals and SMBs, returning £46 million to Hg clients, including £6.1 million to the Company.



Trace One – In July, the Mercury team completed the refinancing of Trace One, a business that enables global retailers and suppliers to collaborate and develop high quality compliant private label products. This returned £36 million to Hg clients including £5.7 million to the Company.



STP – In August, the Mercury team refinanced STP, a provider of insolvency and law practice software in Germany. This returned an estimated £9.1 million to Hg clients including £1.4 million to the Company.



Further detail on investments as at 30 June 2018 can be found on pages 44 to 58.



Investments and realisations continued

Summary of investment and realisation activity

Investments made during the period

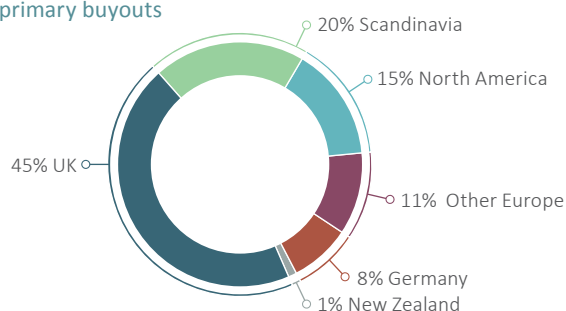
Company	Sector	Geography	Activity	Cost £'000
Access	Technology	UK	Provider of business management software	30,491
New investments				30,491
Visma	Technology	Scandinavia	Provider of business software to SMEs	25,187
Mobility Holding	Services	Germany	Automotive distribution and financing platform	17,565
DADA	Technology	Italy	Provider of on-line hosting services to SMEs	3,248
Other				2,855
Further investments				48,855
Total investments on behalf of the Company				79,346

Realisations made during the period

Company	Sector	Exit route	Proceeds ¹ £'000
Ullink	Technology	Trade sale	24,347
Allocate Software	Technology	Secondary sale	19,920
Radius	Services	Trade sale	18,312
Intelliflo	Technology	Trade sale	16,800
Teufel	Industrial Technology	Secondary sale	15,088
Full realisations			94,467
Foundry	Technology	Refinancing	3,795
JLA	Services	Refinancing	3,766
Other			1,533
Partial realisations			9,094
Total proceeds from realisations received by the Company			103,561

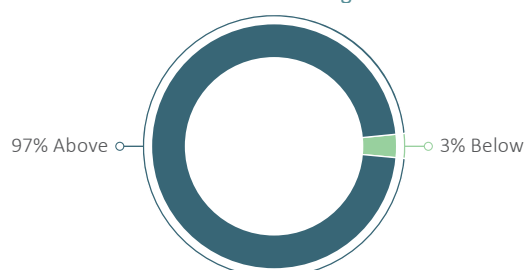
¹ Includes gross revenue received during the period ended 30 June 2018.

Geographic spread by value* of our primary buyouts



*Excluding carried interest provision

Analysis by value* of investment return relative to its original cost



Representing aggregate realised proceeds and unrealised valuations of an investment



Outlook

Following a successful year of realisations in 2017, we have continued to exploit the favourable exit environment in 2018 and crystallise value across our portfolio of companies. Strong trading from the unrealised portfolio, alongside realisations at attractive valuations and uplifts to prior book value, have driven the Company's NAV forward over the first six months of the year.

In terms of the Manager's outlook for the rest of the year, we expect further liquidity, with a number of refinancing and exit processes already underway, albeit at a slightly slower pace than seen over the past eighteen months.

Following the completion of all realisations announced year-to-date, the portfolio will be comprised mostly of businesses that we have held for three years or less.

Over 2018, to the date of this report, the portfolio has generated a return of close to £2 billion (including all post-period transactions) to our clients, including an estimated £210 million to the Company, from ten exits and five refinancings. These realisations continue to demonstrate the attractiveness of Hg portfolio companies to both trade and financial buyers, as evidenced by the recent sale of Intelliflo to Invesco, announced in June 2018, at a multiple of 4.7x original cost and a gross IRR of 39%. The largest of these exits were the sales of IRIS, announced in May, and JLA which completed in August.

Trading over the six months under review has continued to generate double-digit revenue and EBITDA growth across almost all the businesses, with a positive trajectory across the portfolio. Given their defensive growth characteristics and our focus on protected business models, we believe our current investments are well positioned to continue to create value on both an absolute and relative basis going forward, even if macro-economic conditions deteriorate. This is reinforced by our historic performance during the last financial crisis, when our portfolio of businesses in aggregate continued to grow both revenues and EBITDA throughout the period from 2008 to 2010, without a down year.

Despite the focus on realisations, Hg has continued to invest selectively over 2018, capitalising on situations where we have a specific angle and have built many years of knowledge of the business, and strong relationships with the founder and management teams. Despite the heat of the current market, we do continue to see exciting and attractive investment opportunities in our target sub-sectors, just as we did in the closing stages of the last period of high valuations, in 2005 to 2008. This has led to seven new and four further investments over the

year-to-date: The Access Group, a UK provider of business management software to mid-market companies; Mobility Concept, a German fleet leasing company; MediFox, a leading provider of software solutions to outpatient and inpatient care providers and therapy practices in Germany; Financial Express, a data, analytics and software vendor focused on the European retail investment funds market; and, most recently, IT Relation, a Danish supplier of managed IT services to SMEs. In addition to these new investments, significant further capital was deployed into three businesses we know well: Visma, Allocate and IRIS.

We continue to consider the UK's forthcoming exit from the European Union and our prognosis remains that this will have a relatively limited impact on our investments, especially given the characteristics of our businesses, their geographic profile and their relatively protected nature. Hg's pan-European presence and office in Germany (since 1999) also offers flexibility in terms of the breadth of our investment focus and general fund management approach.

We believe that in the current market environment, the clarity and focus of our investment strategy confers a number of clear advantages to us as a disciplined buyer. Specifically, we will continue to focus on investing in businesses that provide a business-critical product or service, to a fragmented customer base, and which benefit from strong contracted or recurring revenues. This should enable us to identify opportunities with the appropriate business model to generate strong, risk-adjusted returns for our clients. With the addition of the Hg Saturn Fund and Transition Capital, we have broadened our opportunity set of potential investments and added to the scale and reach of our network within European technology, whilst maintaining our distinctive focus.

Finally, the drive for operational improvements in our investments, aligned with the efforts of our dedicated and large internal 'Operations Innovation' team, also means that we believe we can continue to generate meaningful long-term value in a number of particular areas across the portfolio on a repeatable basis, irrespective of the challenges of the broader macro-environment. From pricing analysis and customer satisfaction to cyber security, these portfolio related initiatives will continue to remain an area of real focus going forward.

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

"A significant number of planned realisations in the first six months of the year have reshaped the overall Hg portfolio. This has provided us with the latitude to run some of our most successful investments for longer, with the intention of driving further capital growth in these companies through continued strong trading performance and accretive M&A."

Steven Batchelor, COO & Partner, Hg



Overview of the underlying investments

held through the Company's limited partnerships

Investments (in order of value)	Fund	Sector	Location	Year of investment	Residual cost £'000	Unrealised value ⁵ £'000	Value %	Cum. value %
1 Visma ¹	HGT 7/HGT/Saturn	Technology	Scandinavia	2014	70,553	134,973	19.3%	19.3%
2 IRIS	HGT 6	Technology	UK	2011	21,654	92,818	13.2%	32.5%
3 Sovos ²	HGT 7/HGT	Technology	N. America	2016	38,508	79,515	11.3%	43.8%
4 JLA	HGT 6	Services	UK	2010	3,511	34,344	4.9%	48.7%
5 CogitalGroup ²	HGT 7/HGT	Services	UK	2016	20,966	32,012	4.6%	53.3%
6 Access Group	HGT 8	Technology	UK	2018	30,491	30,510	4.4%	57.7%
7 Mobility Holding	HGT 8	Services	Germany	2018	24,285	25,480	3.6%	61.3%
8 Raet	HGT 7	Technology	Netherlands	2016	16,127	25,159	3.6%	64.9%
9 A-Plan	HGT 7	Services	UK	2015	10,447	24,873	3.5%	68.4%
10 Mitratesch ²	HGT 7/HGT	Technology	N. America	2017	22,258	22,736	3.2%	71.6%
11 Commify ³	Mercury 1/HGT	Technology	UK	2016	12,309	19,378	2.8%	74.4%
12 Achilles ⁴	HGT	Technology	UK	2008	17,298	17,354	2.5%	76.9%
13 Foundry	HGT 7	Technology	UK	2015	15,142	15,598	2.2%	79.1%
14 DADA	Mercury 2	Technology	Italy	2017	9,513	14,066	2.0%	81.1%
15 Citation	HGT 7	Services	UK	2016	10,892	12,567	1.8%	82.9%
16 TeamSystem	HGT 6	Technology	Italy	2010	144	11,165	1.6%	84.5%
17 Trace One	Mercury 1	Technology	France	2016	4,489	10,381	1.5%	86.0%
18 STP	Mercury 1	Technology	Germany	2016	5,422	8,896	1.3%	87.3%
19 P&I ²	HGT 7/HGT	Technology	Germany	2013	1,796	8,596	1.2%	88.5%
20 Atlas	HGT	Services	UK	2007	12,542	7,813	1.1%	89.6%
21 Eucon	Mercury 1	Technology	Germany	2015	4,408	6,745	1.0%	90.6%
22 fundinfo	Mercury 1	Technology	Switzerland	2017	4,020	6,732	1.0%	91.6%
23 Evaluate	Mercury 1	Technology	UK	2016	3,733	6,157	0.9%	92.5%
24 Noventic	HGT 6	Industrial tech	Germany	2012	922	5,955	0.8%	93.3%
25 EidosMedia	HGT 7	Technology	Italy	2015	8,414	5,648	0.8%	94.1%
26 Kinapse	HGT 7	Services	UK	2016	8,859	4,950	0.7%	94.8%
27 Gentrack	HGT 7	Technology	New Zealand	2017	2,069	3,431	0.5%	95.3%
28 Lumesse	HGT 6	Technology	UK	2010	20,602	2,228	0.4%	95.7%
29 e-economic	HGT 6	Technology	Scandinavia	2013	–	993	0.1%	95.8%
30 Frösunda	HGT 6	Healthcare	Scandinavia	2010	14,138	365	0.1%	95.9%
Non-active investments (3)					741	234	–	–
Total buyout investments (33)					416,253	671,672	95.9%	
Renewable energy	Asper RPP I / II	Renewable energy			25,925	19,669	2.8%	98.7%
Secondary fund interests	Hg 6E	Secondary fund interests			–	7,851	1.1%	99.8%
Currency hedges	Various	Forward sale of US\$, € and DKK			–	1,476	0.2%	100.0%
Total all investments					442,178	700,668	100.0%	

¹ Investment through HGT 7 LP, HGT Saturn LP and co-investment participation through HGT LP.

² Investment through HGT 7 LP and co-investment participation through HGT LP.

³ Investment through HgCapital Mercury D LP and co-investment participation through HGT LP.

⁴ Investment and co-investment participation through HGT LP.

⁵ Including accrued income but before the provision for carried interest of £85,349,000.



Top 10 investments

representing 72% of the value of the Company's investments

Investments are held through limited partnerships, of which the Company is the sole limited partner. The Company invests alongside other clients of Hg. Typically, the Company's holding forms part of a much larger majority interest held by Hg's clients in buyout investments in companies with an enterprise value ('EV') of between £50 million and £3 billion. Hg's review generally refers to each transaction in its entirety, apart from the tables detailing the Company's participation, or where it specifically says otherwise.



Business description

Visma is a leading provider of mission-critical business software to SMEs in the Nordic region and the Netherlands. Headquartered in Oslo, with significant revenues in Norway, Sweden, Finland, Denmark and the Netherlands, the company provides accounting, resource planning and payroll software to its customer base of over 800,000 enterprises. Hg has been invested in Visma since 2016.

Visma produces detailed reporting on their website on a quarterly basis:

www.visma.com/investors-relations/results-figures/overview/

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

website:	www.visma.com
Investment sector:	Technology
Location:	Scandinavia
Investment date:	Aug 2014
Original enterprise value:	NOK 21 billion
Hg clients' total equity:	41.5%
Residual cost (£'000):	70,553
Unrealised value (£'000):	134,973

Why did we invest?

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

How do we intend to create value?

Visma has consistently exceeded our investment plans. In April 2014, following a decision by majority owner KKR to sell part of its original 2010 stake in Visma, Hg decided to sell its remaining stake, generating a total return between 2006 and 2014 of 5.2x original cost and a gross IRR of 33%. Hg clients then reinvested £409 million in the business for a 31% stake, via the Hg7 fund and co-investment, as a co-lead investor, alongside KKR and Cinven. This valued the business at a total EV of NOK 21 billion (£2.1 billion). In 2017, Hg announced a further investment into Visma following the sale of KKR's stake valuing the business at NOK 45 billion (£4.2 billion). In 2018, Hg made a further investment in Visma via Hg Saturn. The continued reinvestment in Visma reflects our conviction in the continuing strength of the business, backing a management team we know well with a strong track record of creating value for investors.

What has been achieved?

Since 2006, Visma has acquired over 140 companies, notably: Mamut, an ERP software provider to small customers in Norway (2011); Netvisor, a provider of SaaS based ERP software to the Finnish small customer segment (2011); Agda, a Swedish provider of payroll software to SMEs (2012); InExchange, a Swedish e-invoicing leader (2013); Huldt & Lillevik, a payroll provider to SMEs (2014); e-conomic / SpeedLedger (2015); TripleTex, a Norwegian SaaS micro ERP player; EasyCruit, recruitment software solutions (2016); Bluegarden, a payroll provider in Denmark and Scandinavia (2017); Admincontrol, a SaaS company offering board portal solutions (2017); Raet, a provider of payroll & HR software to the Dutch and Belgian markets, boosting Visma's presence in Benelux (2018); and Aditro Public, increasing Visma's presence in the public sector payroll segment in Finland (2018). These deals strengthened organic growth from innovation in new products, as well as driving margin improvement through a reorganisation of Visma's internal processes. Visma is now positioned as one of the leading and largest SaaS companies in Europe, with more than NOK 4 billion of pure SaaS revenues.

How is it performing?

Visma continues to see year-on-year strong double-digit growth in both revenue and EBITDA. Following the further reinvestment by Hg, the Company's valuation of its stake in Visma saw an increase of £12.8 million over the first six months of 2018.

How will we crystallise value?

Visma has a scale and growth profile which would make it an attractive candidate for an initial public offering ('IPO') or a large 'private IPO', where multiple larger institutional or sovereign wealth investors could invest in the business without requiring its shares to be listed.

IRIS

Business description

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

Hg has been an investor in IRIS since 2004, retaining a minority stake following its sale and merger with CSH in 2007 and becoming a majority investor again in 2011, when we separated the two businesses.

The Company's underlying investment through HGT 6 LP

website:	www.iris.co.uk
Investment sector:	Technology
Location:	UK
Investment date:	Dec 2011
Original enterprise value:	£425m
Hg clients' total equity:	81.5%
Residual cost (£'000):	21,654
Unrealised value (£'000):	92,818

Why did we invest?

IRIS is one of the earliest examples of our focus on business-critical software firms operating in attractive, predictable end markets. IRIS operates a business model with over 85% of revenues coming from subscriptions and with high customer retention rates, driven by consistent regulatory updates and additional features as part of their subscription. The investment decision was based on the potential for organic growth and acquisition-led consolidation opportunities in the sector.

How do we intend to create value?

The business continues to achieve strong organic revenue and profit growth through a combination of sector share gains, price optimisation and the ongoing development of new solutions to sell into the existing customer base. Furthermore, the UK accountancy and SME software markets remain fragmented, offering additional acquisition opportunities. IRIS has always been at the forefront of providing the most innovative products to its customers and will continue to invest in new technology to meet all of its customers' needs. In addition, we think there is a substantial upside in developing or acquiring SaaS products to target adjacent sectors.

What has been achieved?

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

In August 2015 and October 2017, IRIS was refinanced on the back of its strong trading performance. In December 2016, Hg agreed to purchase a further minority stake in IRIS from Lloyds Development Capital for a total consideration of £29.7 million. In 2018, Hg announced the sale of IRIS from the Hg6 fund and a joint investment into the business with ICG via Hg Saturn.

How is it performing?

IRIS is a business which has been able to maintain strong levels of revenue, EBITDA and cash-flow growth across market cycles. For the past few years, revenues have seen high double-digit growth rates year-on-year, and the annual EBITDA margin has consistently been close to 50%, excluding the investment in the Cloud division. The company also enjoys high revenue and earnings visibility, with over 80% of revenues being recurring and high customer loyalty.

The Company's valuation of its stake in IRIS has seen an increase of £16.3 million over the first six months of 2018.

How will we crystallise value?

In May 2018, Hg agreed the sale of IRIS to Hg Saturn and ICG which completed in September 2018. Going forward, IRIS remains an attractive acquisition target to a financial buyer, due to its strong organic growth, margins, cash conversion and recurring revenue. It would also represent a strong strategic fit with several trade players.

SOVOS

Compliance

Business description

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

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

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

website:	www.sovos.com
Investment sector:	Technology
Location:	North America
Investment date:	Mar 2016
Original enterprise value:	\$700m
Hg clients' total equity:	98.5%
Residual cost (£'000):	38,508
Unrealised value (£'000):	79,515

Why did we invest?

Hg's technology team tracked Sovos (previously Taxware) for two years, as we identified the company as a scale specialist in tax compliance for enterprise customers. We also saw the potential to expand the company outside the US market.

Sovos sits right in the Hg 'sweet spot' with a strong and predictable business model, including: c. 95% contractually recurring revenue; a fragmented, loyal customer base; high margins; and robust cash conversion. Sovos' largest, core products have achieved close to double-digit organic revenue growth.

How do we intend to create value?

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

What has been achieved?

In June 2016, Sovos announced the acquisition of Invoiceware International, based in Atlanta and Sao Paulo. This expanded the company's capabilities in Latin America and added the industry's only solution for handling electronic invoicing and fiscal reporting in multiple countries from a single platform. A new Chairman and CFO were also recruited. In August 2017, Sovos announced the acquisition of Paperless, based in Santiago, Chile, which complements Invoiceware's product offering and provides Sovos with a sector leading solution for business to government reporting – a form of regulatory compliance which has spread to more than 60 countries. In July 2018, Sovos completed the acquisition of TrustWeaver, a leading provider of cloud software that helps businesses authenticate and centrally archive electronic documents for VAT audit purposes. Hg has supported the management team at Sovos in key pricing improvement initiatives across the business and helped to operationalise the customer success team leading to higher customer loyalty.

How is it performing?

Sovos has seen rapid growth since our investment in early 2016, driven by strong organic growth in its core products. We have also been successful in deploying material capital into M&A and seen a significant number of additional opportunities ahead of us. The Company has benefited from an increase of £7.8 million in the Company's valuation of its stake over the first six months of 2018.

How will we crystallise value?

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

JLA

Business description

JLA is a leading provider of on-premise laundry, catering, heating and fire safety services, providing distribution, rental and servicing of commercial equipment to the UK SME market. JLA's core customers are characterised by the equipment provided being critical to business operations, though not itself a source of revenue. Representative examples of core customer segments include nursing homes, residential homes and small boutique hotels. JLA delivers its core services via three offerings: Total Care Solutions ('TCS'), being the rental and service of commercial laundry, catering and heating equipment under eight-year contracts; service solutions, providing a service for customers with their own machines and equipment; and machine sales, being the sale and installation of equipment.

The Company's underlying investment through HGT 6 LP

website:	www.jla.com
Investment sector:	Services
Location:	UK
Investment date:	Mar 2010
Original enterprise value:	£150m
Hg clients' total equity:	61.8%
Residual cost (£'000):	3,511
Unrealised value (£'000):	34,344

Why did we invest?

JLA had enjoyed strong performance, including sustained organic growth through the period 2007–2009 and displayed many of the business model characteristics that we look for: a diverse customer base that considers laundry, catering, heating and fire safety as mission-critical parts of their day to day business; a large proportion of customers on long-term contracts (representing a high level of revenue and a greater proportion of profits) providing good visibility of future revenues; significant headroom for further organic growth both via new customer wins and also upselling to existing customers; and potential for selective M&A.

How do we intend to create value?

Hg has worked alongside management to increase the benefit of selling new products and services through JLA's existing sales force and service network. Following the successful extension into the catering industry, the business is now rolling out a similar proposition in heating and fire safety, whilst the management team are working on other new industry verticals where JLA's service proposition could also add value. In addition, the business is focused on further M&A deals, in particular in Heating and Fire Safety to help build scale.

What has been achieved?

A number of projects have been initiated covering strategic planning, customer retention and pricing. Management has been strengthened and several acquisitions of laundry and catering companies have been completed, all funded from free cash flow. The business now has a dedicated M&A team with a pipeline for further acquisitions under development. 2016 saw the opening of a second contact centre in Manchester to extend the existing sales and marketing capabilities. The new site is delivering promising results, adding larger cohorts of new customers. In December 2015, Hg completed the refinancing of JLA and the sale of a minority interest to institutional investors, returning £17.3 million of cash proceeds to the Company. These transactions, together with previous distributions, and a further re-financing in January 2018 delivered a 2.1x multiple on original investment in cash, whilst retaining 62% of the equity in the business.

How is it performing?

JLA continues to see year-on-year organic growth driven largely by growth in the core Total Care division which has benefited from the recent launch of Heating Total Care into the market. JLA has continued to grow equity value through robust and consistent double-digit sales and EBITDA growth. The sale of JLA announced in May, has led to an increase of £7.8 million in the Company's valuation of its stake in JLA over the first six months of 2018.

How will we crystallise value?

In August 2018, Hg completed the sale of JLA to Cinven. This followed an extremely competitive exit process, with several bidders showing strong interest. The transaction valued the Company's investment in JLA at £34.3 million which has been fully reflected in the June valuation. Overall, the realisation delivered a return of 4.9x original cost, generating a gross IRR of 26% on the investment, with the sale also representing an uplift of 29% to the 31 December 2017 book value.

Cogital GROUP

Business description

CogitalGroup ('Cogital') was launched in December 2016 through the acquisitions and merger of Nordic based Azets (formerly named Visma BPO) and UK based businesses Baldwins and Blick Rothenberg. The Group's focus is the provision of business-critical support, BPO and advisory services to the entrepreneurial and private company business segments together with their owners and managers. In total, the Group now has c. 75,000 customers with more than 4,900 employees operating from 168 offices in the UK, Norway, Sweden, Denmark, and Finland. The Group also has 600 employees based in Romania and Lithuania.

Why did we invest?

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

How do we intend to create value?

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

What has been achieved?

Since December 2016, Cogital has completed over 40 acquisitions, successfully increased its acquisition facilities and rolled out a group-wide incentive scheme.

How is it performing?

Cogital is trading in line with expectations, seeing strong double-digit trading performance over the last year and this has led to an increase in the Company's valuation of its stake of £3.0 million over the period.

How will we crystallise value?

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

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

website:	www.cogitalgroup.com
Investment sector:	Services
Location:	UK
Investment date:	Oct 2016
Original enterprise value:	£494m
Hg clients' total equity:	82.4%
Residual cost (£'000):	20,966
Unrealised value (£'000):	32,012



Business description

With its portfolio spanning Finance, HR, Payroll, Hospitality, Recruitment, Health and Social Care, Manufacturing and Distribution, Education and Not for Profit sectors, The Access Group ('Access') is a vendor of mission-critical business software to mid-market organisations in the UK. Access software helps over 10,000 UK businesses to work efficiently with expertise across numerous industries. In June 2018, Hg8 completed an investment in Access for an EV of £1 billion. As part of the transaction, TA Associates rolled over part of their stake in order to maintain a stake equal to Hg's equity ownership in the business, while management and Alpinvest also rolled over as minority shareholders alongside Hg and TA.

Why did we invest?

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

How do we intend to create value?

The top priorities for the Board and management team currently include: integration of recent acquisitions; successful launch of the Workspace user interface across multiple products; delivery of bookings growth; and M&A execution.

What has been achieved?

Following the completion of Hg's investment, we have kicked off a number of workstreams with the business including: product development and the transition to a fully SaaS and subscription model; customer success improvements; a pricing study; cross-sell opportunities; and supporting potential M&A.

How is it performing?

Whilst Access is new to the Hg portfolio, it is trading well with robust double-digit sales and EBITDA growth over the LTM, primarily driven by recurring bookings. Revenue and EBITDA are both seeing strong organic growth.

How will we crystallise value?

We believe Access will be an attractive acquisition target for private equity buyers as it demonstrates high levels of organic revenue growth, strong Net Revenue Retention ('NRR') and high EBITDA margins. However, we also see an IPO as a potential route to exit given the strong cash generation and increasingly global equity story. Lastly, there are several notable potential trade buyers.

The Company's underlying investment through HGT 8 LP

website:	www.theaccessgroup.com
Investment sector:	Technology
Location:	UK
Investment date:	June 2018
Original enterprise value:	£1.0bn
Hg clients' total equity:	32.1%
Residual cost (£'000):	30,491
Unrealised value (£'000):	30,510

MOBILITY HOLDING

Business description

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

The Company's underlying investment through HGT 8 LP

website:	www.mobility-holding.de
Investment sector:	Services
Location:	Germany
Investment date:	May 2018
Original enterprise value:	€155m
Hg clients' total equity:	85.4%
Residual cost (£'000):	24,285
Unrealised value (£'000):	25,480

Why did we invest?

This investment continues Hg's strategy to develop technology-enabled service providers in the automotive financing and distribution space and is the result of considerable sector work undertaken in recent years. This includes prior investments in Zenith, Epyx, Eucon and Parts Alliance. Mobility Holding sits in the Hg investment 'sweet spot', with a strong and predictable business model, recurring revenues and a loyal customer base. The business has a strong management team with significant experience in the German automotive leasing and online distribution space. Together, the Group will benefit from strong synergies between MC which provides full fleet leasing operations, MA, a B2C online platform for new car purchases and ASS, a provider of flat-rate car subscriptions to members of closed user groups (especially sport associations and civil servants) which will allow for accelerated growth.

How do we intend to create value?

Our hypothesis is that MC's existing business can benefit from further professionalisation and margin improvement whilst MA and ASS offer additional organic growth potential within their original business models. Further, the combination of MC, MA and ASS, will allow us to build a new online SME and B2C subscription/leasing product including subscription-based mobility offers. Our intention is to build the leading German multi-channel provider of full service leasing solutions to B2C and SME customers with strong online focus.

What has been achieved?

Management is currently finalising the redesign of the MA webpage which will be optimised for strong conversion of leads to leasing sales. Further, management has made good progress in preparing the B2C leasing product which will be fully launched by the end of the year (first leasing products launched in Q3). Focus areas over the next 12 months are to launch the B2C leasing product, improving the efficiency of both acquisition financing and asset based funding, and supporting operational initiatives through Hg's OI team who are working on various initiatives such as packaging optimisation, predictive lead scoring, and controlling efficiency. Further, Hg are working towards a more robust reporting structure at MH Group level.

How is it performing?*

MA showed strong YTD performance with double-digit revenue and EBITDA trading over the last year. The business has benefited from strong market tailwinds due to a regulatory eco-premium which incentivised customers to bring new car purchases forward. Given that MC and ASS have only recently closed, we are currently preparing financial onboarding and detailed reporting.

How will we crystallise value?

We believe MH's leasing and flat-rate product IP, a highly loyal customer and multi-channel customer access, combined with strong growth, is of high strategic relevance to strategic buyers with a limited distribution footprint in Germany and is attractive to financial sponsors.

*represents MeinAuto standalone



Business description

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

Why did we invest?

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

How do we intend to create value?

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

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

What has been achieved?

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

How is it performing?

Raet saw improved performance in 2018 and the Company saw an increase in the valuation of its stake in the business of £4.7 million over the period.

How will we crystallise value?

In May 2018, Hg agreed the sale of Raet to Visma, who will acquire 100 percent of the shares of Raet at an EV of €590 million. Proceeds of the sale will comprise a combination of cash, deferred consideration and equity. We strongly believe in the benefits of the integration and anticipated synergies. This transaction values the Company's investment in Raet at £25.2 million, representing a multiple of 1.6x cost and 24% gross IRR over the investment period to date.

The Company's underlying investment through HGT 7 LP

website:	www.raet.nl
Investment sector:	Technology
Location:	The Netherlands
Investment date:	May 2016
Original enterprise value:	€493m
Hg clients' total equity:	84.0%
Residual cost (£'000):	16,127
Unrealised value (£'000):	25,159



Business description

UK-based insurance broker focused on non-discretionary B2C motor and household insurance products. A-plan distributes commercial lines insurance products and is active in a range of niches including HNW individuals and foreign-speaking customers.

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

The Company's underlying investment through HGT 7 LP

website:	www.aplan.co.uk
Investment sector:	Services
Location:	UK
Investment date:	Apr 2015
Original enterprise value:	£270m
Hg clients' total equity:	72.2%
Residual cost (£'000):	10,447
Unrealised value (£'000):	24,873

Why did we invest?

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

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

How do we intend to create value?

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

What has been achieved?

Hg is supporting A-Plan with ongoing and future projects, including: support on M&A development; an upgrade of the legacy broking administration technology system; investment in the data and analytics team and infrastructure to use insight to drive new business growth and improve customer retention; and improved group reporting.

In March 2017, the Services team completed a refinancing of A-Plan, returning £52 million to clients including £5.2 million to the Company (35% of the original investment made).

How is it performing?

A-Plan is performing well and is ahead of our original investment case on both a revenue and EBITDA basis, with growth over the last twelve months of 13% and 7% respectively.

New business policies are benefitting from the continued branch roll-out and marketing initiatives to drive new business at existing branches. The inflation of premiums in motor insurance is increasing, and this is now beginning to flow through to revenue, following a natural lag as the market takes time to adjust to the higher premium environment. Continued growth in equity value from consistent underlying trading growth has added £2.4 million to the Company's valuation of its interest in A-Plan over the first six months of 2018.

How will we crystallise value?

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

MITRATECH

Business description

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

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

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

website:	www.mitrtech.com
Investment sector:	Technology
Location:	North America
Investment date:	Apr 2017
Original enterprise value:	\$730m
Hg clients' total equity:	61.1%
Residual cost (£'000):	22,258
Unrealised value (£'000):	22,736

Why did we invest?

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

Hg's technology team have looked at many targets in this fragmented sector. However, Mitrtech is one that is sufficiently large and attractive as a standalone investment and has a proven track record of performance backed by a strong management team with a clear strategy to create value.

How do we intend to create value?

Hg intends to support Mitrtech through both continued organic growth of the business and as the best placed platform to drive a global sector roll-up. The business has a strong management team with a best in class core product taking share from fragmented competition in a growing market. Mitrtech has a proven track record of organic growth and we will look to add to this through M&A.

What has been achieved?

Hg is supporting Mitrtech to source further M&A opportunities following the acquisition of ThinkSmart in April 2018, particularly in Hg's core markets of Western Europe. Hg's Operations Innovation ('OI') team is working with the management on proposition and product development as well as several customer success initiatives to put new systems and processes in place to enhance Mitrtech's customer satisfaction and productivity.

How is it performing?

Performance in the 2018 financial year was slightly below budget expectations, and we are working with management on a revised plan for the 2019 financial year which will be more focussed on the strategic core of the business and key value drivers. However, the business has continued to deliver double-digit revenue and EBITDA growth over the last twelve months.

The Company's stake in Mitrtech has been written up by £3.2 million over the period, reversing previous adverse FX movements.

How will we crystallise value?

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

Equally, we expect that Mitrtech will continue to be attractive to Private Equity buyers given high organic growth, recurring revenue, EBITDA margins and market position.



Other investments

Many of our businesses outside the top 10 are also performing very well. Many of these are within the Hg Mercury Fund, which invests in smaller TMT companies with EVs of between £50 million and £200 million.

The Mercury investments are seeing high double-digit growth in both revenues and profits across its portfolio. They also sit firmly in Hg's 'sweet spot', with a high level of recurring revenues, business-critical products, fragmented customer and competitor bases and low exposure to economic cycles. The vast majority of our investments have been into founder-owned businesses, and we have a strong proprietary pipeline.

11 Commify

web: www.commify.com
Sector: Technology

Commify Group ('Commify') is a leading Application-to-Person ('A2P') messaging service in Western Europe. The customer base is mainly SMEs and some larger enterprises who use Commify's services to communicate with their end customers through messages, voice, and a number of other media. The group is a combination of four businesses: Moby (acquired in Q4 2016), SMS Envoi (acquired by Moby in June 2017), Esendex (acquired in June 2017) and SMS Publi (acquired by Esendex in June 2017). Most messages are mission-critical, operational content such as appointment reminders, delivery notifications. The business also supports marketing/promotional messages and coupons, and surveys. Commify is trading well and this has led to an uplift in value of more than £5 million in the Company's valuation of its interest at the end of June.

12 Achilles

web: www.achilles.com
Sector: Technology

Achilles manages a global network of collaborative industry communities. The business provides a cloud-based service, enabling networks of buyers to create industry standards for collecting and validating supplier information. This is made available through the Achilles platform, together with search, reporting and risk management tools. The Company's valuation of its stake in Achilles fell by £4.9 million over the first half of 2018 as we await improved operating performance.

13 FOUNDRY

web: www.foundry.co.uk
Sector: Technology

Foundry is a leading global developer of computer graphics, high-end visual effects ('VFX') and 3D design software for the design, visualisation and entertainment industries. The company was founded in 1996 and is headquartered in London, with offices in Manchester, Los Angeles, Silicon Valley and Austin; it has more than 2,000 customers and 16,000 users in over 100 countries and employs c. 270 people. Over the last year, Foundry has seen strong double-digit earnings growth primarily driven from its core Media and Entertainment products NUKE and Katana.

14 () DADA

web: www.dada.eu
Sector: Technology

DADA is a pan-European mass hosting business, and has a presence across several attractive European markets including Italy, UK, Spain, Portugal, and France. DADA provides domains, web-site hosting and email services to more than 650,000 customers. The management team have built the business through extensive M&A since 2006, acquiring businesses across Europe. This is a strategy the company continues to pursue as it builds strategic positions in a number of high growth countries. In March 2018, Hg Mercury 2 completed the purchase of 100% of the shares in DADA SpA, and de-listed the company from the Italian Stock Exchange. The first half of 2018 has seen strong performance resulting in an upward revaluation of the Company's investment by £4.3 million.

Other investments continued

15 Citation

web: www.citation.co.uk

Sector: Services

Citation is a leading provider of outsourced HR, Employment Law, Health and Safety and ISO certification services to over 20,000 customers across the UK. Citation helps SMEs comply with the relevant Employment Law and Health and Safety regulations. Customers have access to 24/7 advice from highly skilled and qualified experts in the fields of HR, Employment Law and Health and Safety who can assist with a broad range of business related issues. Citation has seen improved performance and this has led to a slight increase of £1.4 million over the period in the value of the Company's investment.

16 TeamSystem®

web: www.teamssystem.com

Sector: Technology

Established in 1979, TeamSystem is a leading provider of business-critical, regulatory driven software products to accountants, HR professionals and SMEs in Italy. Headquartered in Pesaro, the company has a large and diversified base of c. 250,000 customers. It has 27 offices across Italy and employs c. 2,000 people. In December 2015, Hg agreed to sell TeamSystem to Hellman and Friedman. As part of the deal, Hg rolled over a small minority stake in the business and retains a seat on the board. The business continues to perform well.

17 TRACEONE drive consumer trust

web: www.traceone.com

Sector: Technology

Trace One's cloud solutions enable global retailers and suppliers to collaborate and develop high quality, trusted and compliant private label products. The platform is critical for helping retailers and suppliers to manage innovation, product safety, traceability and quality. Trace One serves a blue-chip customer base of more than 25 leading retailers, across Europe and North America, with data on 20,000 member manufacturers. The business has a particularly strong footprint in France, serving 7 of the top 8 food retailers in the country. In July, the Mercury team completed a refinancing, returning £5.7 million to the Company.

18 Atlas™ Knowledge to perform

web: www.atlasknowledge.com

Sector: Services

Based in Aberdeen, Atlas is an international provider of learning technology solutions for safety critical industries (in particular for the oil and gas sector). Founded in 1995, it operates in well over 100 countries, serving more than 700 customers with over 500,000 employees. As a result of customers postponing investments, because of macro-economic factors, the business was originally written down in 2014, with a further provision in 2016. The management, supported by Hg, have worked hard to recover value, and following a write-up in 2017, Atlas has continued to perform in 2018 resulting in a further increase of £1.4 million in the value of the Company's stake.

19 STP

web: www.stp-online.de

Sector: Technology

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



Other investments continued

20



web: www.pi-ag.com

Sector: Technology

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

21



web: www.eucon.de

Sector: Technology

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

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

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

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

22



web: about.fundinfo.com

Sector: Technology

fundinfo, which is based in Switzerland, is a data and information platform used by more than 500 fund management companies to publish and disseminate their regulatory and commercial fund documents and fund data to fund distributors in over 15 countries.

fundinfo counts many global asset managers as its clients and distributes their documents and data to many key wealth managers, banks and platforms throughout the wealth management industry (including UBS, Credit Suisse, Deutsche Bank, Allfunds Bank etc.)

In March 2018, fundinfo acquired F2C, a Luxembourg-based company with a multi-tenant SaaS platform that allows fund management companies to publish and distribute their fund documents and data.

Strong trading has continued in 2018 and has led to a small uplift in the Company's valuation of its stake in the business over the period of £1.9 million.

23



web: www.evaluategroup.com

Sector: Technology

Evaluate is a leading provider of commercial data to the Life Science industry, supplying critical information for complex commercial decisions to pharmaceutical companies and their advisors. The core data around which Evaluate has been built is the supply of third-party research analyst consensus forecasting, at a product, disease indication and geographic level, which is important for users in business development, licensing and corporate strategy. Data is collected from c. 200 organisations (directly and indirectly), company reports, and government data sources, and Evaluate creates value by normalising, structuring and continuously updating this information into a single consistent dataset which is delivered to key decision makers.

Over the first six months of 2018, positive trading performance has led to a small uplift of £1.2 million in the valuation of the Company's stake in Evaluate.

Other investments continued

24 noventic

web: www.noventic.com

Sector: Industrial technology

Noventic (formerly QUNDIS) supplies a full data management solution for the housing and utilities industries to collect, measure, and transmit consumption-dependent data for heating and water usage on an apartment unit level. In May 2017, the Munich team completed the exit of QUNDIS, retaining a minority position in the combined group, Noventic.

25 EIDOSMEDIA

web: www.eidosmedia.com

Sector: Technology

EidosMedia is a leading global provider of digital publishing solutions for the media and financial services industries. Its digital publishing platform, Méthode, is used daily by 30,000 journalists across more than 600 titles globally to create and deliver content across print and web media channels. This software enables real-time creation and customisation of various media (text, images and video), media workflow management, and cross-media publishing. In recent years, EidosMedia has also expanded into the financial services market, applying the workflow and collaboration functionality of the Méthode platform to the production of investment research reports published by financial institutions. Headquartered in Milan, EidosMedia serves a global client base with a focus on Western Europe and the US; 94% of its revenues are generated outside of Italy.

26 kinapse

web: www.kinapse.com

Sector: Services

Kinapse is a leading global provider of advisory, capability building and operational services to the life sciences industries, focused on regulatory compliance and quality. The business, which is headquartered in London, has offices in the UK, India and the United States and employs around 650 people worldwide. Kinapse was established thirteen years ago to service the world's leading life sciences organisations, their customers, suppliers and regulators across a range of specialist areas, including quality and compliance, regulatory and medical affairs, pharmacovigilance and clinical trial disclosure. The business has grown rapidly over the last few years and now partners with 19 out of the top 25 global pharma companies. In August, Hg announced the sale of Kinapse to Syneos Health, a leading biopharmaceutical solutions organisation, returning £7.9 million to the Company.

27 Gentrack

web: www.gentrack.com

Sector: Technology

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

28 Lumesse

web: www.lumesse.com

Sector: Technology

Lumesse is a leading provider of strategic HR software to medium and large-sized enterprises in Europe, operating in 16 countries with almost 550 FTEs (mostly based in the UK and Germany). It operates a subscription-based revenue model (more than 60% of total revenue) with a strong consulting element required to configure their solution to customer requirements. Lumesse's products cover the entire HR management process, grouped into three areas: talent acquisition, talent management and learning.

Lumesse's performance has stabilised over the last year and the business is currently seeing a return to growth. However, we have taken a conservative view to valuations leading to a reduction in the valuation of the Company's stake over the first six months of 2018.



Other investments continued

Renewable energy

Website:	http://asper-im.com/
Investment sector:	Renewable Energy
Location:	Europe
Residual cost (£'000):	25,925
Unrealised value (£'000):	19,669

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

On 30 November 2017, the team transitioned to Asper, a newly formed independent investment management firm. This transition had been in preparation for close to two years and is in line with the strategic plans of both Hg and the Asper team. Asper uses private equity skills to identify, acquire and build high quality European renewable energy projects. Investment returns in this asset class are generated through a combination of yield during operation and capital gain at refinancing or exit. By bringing individual investments together into platforms, Asper enhances value through economies of scale, shared expertise and aggregated generation capacity.

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

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

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

Three successful exits in 2017 (the main one in Ireland, others in Sweden and the UK) and the robust operating performance of the rest of the portfolio contributed to a substantial uplift of over 30% in the NAV of Asper RPP II over 2017.

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

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



Financial statements





Income statement

for the six months ended 30 June 2018

	Notes	Revenue return			Capital return			Total return		
		Six months ended	Year ended	Year ended	Six months ended	Year ended	Year ended	Six months ended	Year ended	Year ended
		30.06.18	30.06.17	31.12.17	30.06.18	30.06.17	31.12.17	30.06.18	30.06.17	31.12.17
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(audited)
Gains on investments and liquidity funds		–	–	–	57,480	65,736	109,738	57,480	65,736	109,738
(Losses)/gains on priority profit share loans (advanced to)/recovered from General Partners	7(b)	–	–	–	(4,296)	510	(1,372)	(4,296)	510	(1,372)
Net income	6	7,544	7,937	22,920	–	–	–	7,544	7,937	22,920
Other expenses	8(a)	(1,383)	(1,492)	(2,009)	–	–	–	(1,383)	(1,492)	(2,009)
Net return before finance costs and taxation		6,161	6,445	20,911	53,184	66,246	108,366	59,345	72,691	129,277
Finance costs	8(b)	(370)	(408)	(825)	–	–	–	(370)	(408)	(825)
Net return before taxation		5,791	6,037	20,086	53,184	66,246	108,366	58,975	72,283	128,452
Taxation	10	(141)	(18)	(43)	–	–	–	(141)	(18)	(43)
Net return after taxation attributable to reserves		5,650	6,019	20,043	53,184	66,246	108,366	58,834	72,265	128,409
Return per Ordinary share	11(a)	15.14p	16.13p	53.70p	142.49p	177.49p	290.33p	157.63p	193.62p	344.03p

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

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

No operations were acquired or discontinued during the period.

The notes on pages 64 to 70 form part of these financial statements.



Balance sheet

as at 30 June 2018

	Notes	30.06.18 £'000 (unaudited)	30.06.17 £'000 (unaudited)	31.12.17 £'000 (audited)
Fixed asset investments				
Investments at fair value through profit or loss:				
Unquoted investments		558,676	491,013	490,976
Total fixed asset investments		558,676	491,013	490,976
Current assets – amounts receivable after one year:				
Accrued income on fixed assets		56,643	65,176	71,107
Current assets – amounts receivable within one year:				
Debtors		271	490	414
Investments at fair value through profit or loss:				
Liquidity funds		148,459	106,716	155,938
Uninvested capital in Limited Partnerships		337	–	429
Cash at bank		5,127	12,707	3,925
Total current assets		210,837	185,089	231,813
Creditors – amounts falling due within one year		(852)	(5,250)	(1,765)
Net current assets		209,985	179,839	230,048
Net assets		768,661	670,852	721,024
Capital and reserves:				
Called up share capital		9,331	9,331	9,331
Share premium account		120,368	120,368	120,368
Capital redemption reserve		1,248	1,248	1,248
Capital reserve – unrealised		109,285	78,455	79,256
Capital reserve – realised		499,918	435,444	476,763
Revenue reserve		28,511	26,006	34,058
Total equity shareholders' funds		768,661	670,852	721,024
Net asset value per Ordinary share	11(b)	2,059.4p	1,797.3p	1,931.7p
Ordinary shares in issue at 30 June / 31 December	11(b)	37,324,698	37,324,698	37,324,698

The financial statements of HgCapital Trust plc (registered number 01525583) on pages 60 to 70 were approved and authorised for issue by the Board of Directors on 7 September 2018 and signed on its behalf by:

Roger Mountford, Chairman

Richard Brooman, Director

The notes on pages 64 to 70 form part of these financial statements.



Statement of cash flows

for six months ended 30 June 2018

		Six months ended		Year ended
	Notes	30.06.18 £'000 (unaudited)	30.06.17 £'000 (unaudited)	31.12.17 £'000 (audited)
Net cash inflow from operating activities	9	4,249	6,861	10,990
Investing activities:				
Purchase of fixed asset investments		(79,346)	(40,315)	(73,021)
Proceeds from the sale of fixed asset investments		79,971	122,014	201,584
Purchase of liquidity funds		(23,900)	(93,609)	(166,409)
Redemption of liquidity funds		31,795	26,700	50,700
Net cash inflow from investing activities		8,520	14,790	12,854
Financing activities:				
Proceeds from loan facility		—	2,453	—
Servicing of finance		(370)	(408)	(760)
Equity dividends paid		(11,197)	(17,169)	(23,141)
Net cash outflow from financing activities		(11,567)	(15,124)	(23,901)
Increase/(decrease) in cash and cash equivalents in the period		1,202	6,527	(57)
Cash and cash equivalents at 1 January		3,925	6,180	3,982
Cash and cash equivalents at 30 June / 31 December		5,127	12,707	3,925

The notes on pages 64 to 70 form part of these financial statements.



Statement of changes in equity

for six months ended 30 June 2018

		Non-distributable				Distributable		
	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve – unrealised £'000	Capital reserve – realised £'000	Revenue reserve £'000	Total £'000
At 31 December 2017		9,331	120,368	1,248	79,256	476,763	34,058	721,024
Net return		–	–	–	30,029	23,155	5,650	58,834
Equity dividends paid	4	–	–	–	–	–	(11,197)	(11,197)
At 30 June 2018		9,331	120,368	1,248	109,285	499,918	28,511	768,661
At 31 December 2016		9,331	120,368	1,248	81,061	366,592	37,156	615,756
Net return		–	–	–	(1,805)	110,171	20,043	128,409
Equity dividends paid	4	–	–	–	–	–	(23,141)	(23,141)
At 31 December 2017		9,331	120,368	1,248	79,256	476,763	34,058	721,024

The notes on pages 64 to 70 form part of these financial statements.



Notes to the financial statements

1. Principal activity

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

2. Basis of preparation

The financial statements have been prepared under the historical cost convention, except for the revaluation of financial instruments at fair value as permitted by the Companies Act 2006, and in accordance with applicable UK law and UK Accounting Standards ('UK GAAP'), including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ('SORP'), issued in November 2014 and updated in January 2017. All of the Company's operations are of a continuing nature.

The Company has considerable financial and management resources and, as a consequence, the Directors believe that the Company is well placed to manage its business risks. After making enquiries, the Directors have a reasonable expectation that the Company will have adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

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

3. Organisational structure and accounting policies

Partnerships where the Company is the sole limited partner

The Company entered into eight separate partnership agreements with general and founder partners in May 2003 (subsequently revised in January 2009), January 2009, July 2011, March 2013, December 2016, February 2017, January 2018 and February 2018; at each point an investment holding limited partnership was established to carry on the business of an investor, with the Company being the sole limited partner in these entities.

The purpose of these partnerships, HGT LP, HGT 6 LP, HgCapital Mercury D LP, HGT 7 LP, HGT 8 LP, HGT Mercury 2 LP, HGT Transition Capital LP and HGT Saturn LP (together the 'primary buyout funds'), is to hold all the Company's investments in primary buyouts. Under the partnership agreements, the Company made capital commitments into the primary buyout funds, with the result that the Company now holds direct investments in the primary buyout funds and an indirect investment in the fixed asset investments that are held by these funds, as it is the sole limited partner. These direct investments are included under fixed asset investments on the balance sheet and in the investment portfolio on page 33. The underlying investments that are held indirectly are included in the overview of investments on page 42.

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

Partnerships where the Company is a minority limited partner

In July 2011, the Company made a direct secondary investment in HgCapital 6 E LP ('Hg6E'), one of the partnerships that comprise the Hg6 Fund, in which the Company is now a limited partner *pari passu* with other limited partners. This is a direct investment in the Hg6E Fund, as shown on the balance sheet and in the investment portfolio on page 33.

The Company also entered into partnership agreements with the purpose of investing in renewable energy projects by making capital commitments with other limited partners in Asper Renewable Power Partners LP ('Asper RPP I LP') and Asper Renewable Power Partners 2 C LP ('Asper RPP II LP') (together the 'renewable funds'). These are direct investments in the renewable funds, as shown on the balance sheet and in the investment portfolio on page 33.

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

Notes to the financial statements continued

3. Organisational structure and accounting policies continued

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

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

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

Furthermore, under the primary buyout funds' LPAs, each founder partner is entitled to a carried interest distribution once certain preferred returns are met. The LPAs stipulate that the primary buyout funds' capital gains or net income, after payment of the carried interest, are allocated to the Company, when the right to these returns is established.

Accordingly, the Company's entitlement to net income and net capital gains is shown in the appropriate lines of the income statement. Notes 6, 7, and 9 to the financial statements disclose the gross income and gross capital gains of the primary buyout funds and also reflect the proportion of net income and capital gains in the buyout funds that have been paid to the general partner as its PPS and to the founder partner as carried interest, where applicable.

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

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

4. Dividends

A dividend of 16.0 pence per share (2017: interim dividend in respect of the year ended 31 December 2017 of 16.0 pence per share and final dividend of 30.0 pence per share in respect of the year ended 31 December 2016; £23,141,000).

5. Issued share capital

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

	Six months ended				Year ended	
	30.06.18 (unaudited)		30.06.17 (unaudited)		31.12.17 (audited)	
	No. '000	£'000	No. '000	£'000	No. '000	£'000
Ordinary shares of 25p each:						
Allotted, called-up and fully paid:						
At 1 January	37,325	9,331	37,325	9,331	37,325	9,331
At 30 June / 31 December	37,325	9,331	37,325	9,331	37,325	9,331



Notes to the financial statements continued

6. Income

	Revenue return		
	Six months ended		Year ended
	30.06.18	30.06.17	31.12.17
	£'000	£'000	£'000
	(unaudited)	(unaudited)	(audited)
Income from investments held by HGT LP, HGT 6 LP, HGT 7 LP, HGT 8 LP, HgCapital Mercury D LP, HGT Mercury 2 LP, HGT Transition Capital LP and HGT Saturn LP:			
UK unquoted investment income	8,887	10,510	22,733
Foreign unquoted investment income	(996)	657	4,599
Foreign dividend income	706	21	60
Other investment income:			
UK unquoted investment income	530	281	685
Liquidity funds income	150	241	1,028
Total investment income	9,277	11,710	29,105
Total other income	13	154	154
Total income	9,290	11,864	29,259
Priority profit share charge against income:			
Current period - HGT 7 LP	(1,288)	(1,707)	(3,179)
Current period - HgCapital Mercury D LP	(237)	(545)	(765)
Current period - HGT Mercury 2 LP	(172)	–	–
Current period - HGT LP	(49)	(549)	(560)
Current period - HGT 6 LP	–	(1,126)	(1,835)
Total priority profit share charge against income (note 7(a))	(1,746)	(3,927)	(6,339)
Total net income	7,544	7,937	22,920
Total net income comprises:			
Interest	6,825	7,838	22,706
Non-interest income	13	21	154
Dividend	706	78	60
Total net income	7,544	7,937	22,920

7. Priority profit share and carried interest

	Revenue return		
	Six months ended		Year ended
	30.06.18	30.06.17	31.12.17
	£'000	£'000	£'000
	(unaudited)	(unaudited)	(audited)
(a) Priority profit share payable to General Partners			
Priority profit share payable:			
Current period amount	6,042	3,417	7,711
Less: Current period loans advanced to General Partners	(4,296)	–	(1,882)
Add: Prior period loans recovered from General Partners	–	510	510
Current period charge against income	1,746	3,927	6,339
Total priority profit share charge against income	1,746	3,927	6,339

Notes to the financial statements continued

7. Priority profit share and carried interest continued

The priority profit share payable on the primary buyout funds rank as a first appropriation of net income from investments held in the primary buyout funds respectively and is deducted prior to such income being attributed to the Company in its capacity as a Limited Partner. The net income of the primary buyout funds earned during the period, after the deduction of the priority profit share, is shown in the income statement.

	Capital return		
	Six months ended		Year ended
	30.06.18	30.06.17	31.12.17
	£'000	£'000	£'000
(b) Priority profit share loans to General Partners	(unaudited)	(unaudited)	(audited)
Movements on loans to General Partners:			
Losses on current period loans advanced to General Partners	(4,296)	—	(1,882)
Gains on prior period loans recovered from General Partners	—	510	510
Total (losses)/gains on priority profit share loans (advanced to)/recovered from General Partners	(4,296)	510	(1,372)

In years in which the funds described in note 7(a) have not yet earned sufficient net income to satisfy the priority profit share, the entitlement is carried forward to the following years. The priority profit share is payable quarterly in advance, even if insufficient net income has been earned. Where the cash amount paid exceeds the net income, an interest free loan is advanced to the general partner by these primary buyout funds, which is funded via a loan from the Company. Such loan is only recoverable from the general partner by an appropriation of net income. Until sufficient net income is earned, no value is attributed to this loan and hence an unrealised capital loss is recognised and reversed if sufficient income is subsequently generated.

	Capital return		
	Six months ended		Year ended
	30.06.18	30.06.17	31.12.17
	£'000	£'000	£'000
(c) Carried interest to Founder Partners	(unaudited)	(unaudited)	(audited)
Carried interest			
Current period amount provided	2,438	15,310	26,629
Current period amount paid	10,338	—	—
Total carried interest charge against capital gains	12,776	15,310	26,629

The carried interest payable to the Founder Partners ranks as a first appropriation of capital gains on the investments held in primary buyout funds limited partnerships established solely to hold the Company's investments, and is deducted prior to such gains being paid to the Company in its capacity as a Limited Partner. The net amount of capital gains of primary buyout funds during the period, after the deduction of carried interest, is shown in the income statement. The details of the carried interest contracts, as set out on page 104 of the 2017 Annual Report, states that carried interest is payable once a certain level of cash repayments have been made to the Company. Based on the repayments received to date, £10,338,000 carried interest was paid during the period.

If the investments in HGT 6 LP, HGT 7 LP, HgCapital Mercury D LP and HgCapital 6 E LP are realised at the current fair value and then distributed to Partners, an amount of £85,349,000 will be payable to the Founder Partner and therefore the Directors have made a provision for this amount. No provision is required in respect of the Company's investment in the other fund limited partnerships.



Notes to the financial statements continued

8. Other expenses

	Revenue return	
	Six months ended	Year ended
	30.06.18	30.06.17
	£'000	£'000
(a) Operating expenses	(unaudited)	(unaudited)
Registrar, management and administration fees	394	336
Legal and other administration costs ¹	989	1,156
	1,383	1,492
		2,009

¹Includes employer's National Insurance contributions of £14,077 (2017: £24,113).

	Revenue return	
	Six months ended	Year ended
	30.06.18	30.06.17
	£'000	£'000
(b) Finance costs	(unaudited)	(unaudited)
Interest paid	—	31
Non-utilisation fees and other expenses	370	377
Total finance costs	370	408
		825

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

9. Cash flow from operating activities

	Six months ended	Year ended
	30.06.18	30.06.17
	£'000	£'000
Reconciliation of net return before finance costs and taxation to net cash flow from operating activities	(unaudited)	(unaudited)
Net return before finance costs and taxation	59,345	72,691
Gains on investments held at fair value	(60,691)	(81,046)
Carried interest paid	(10,338)	—
Increase in carried interest provision	2,438	15,310
Increase in accrued income from liquidity funds	(150)	(232)
Decrease/(increase) in prepayments, accrued income and other debtors	14,466	122
(Decrease)/increase in creditors	(910)	19
Taxation received/(paid)	89	(3)
Net cash inflow from operating activities	4,249	6,861
		10,990

Notes to the financial statements continued

10. Taxation

Taxation for the six month period is charged at 19% (31 December 2017: 19.25%), representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the six month period.

In the opinion of the Directors, the Company has complied with the requirements of Section 1158 and Section 1159 of the CTA 2010 and will therefore be exempt from corporation tax on any capital gains made in the year. Where possible, the Company aims to designate all of any dividends declared in respect of this financial year as interest distributions to its shareholders. These distributions are treated as a tax deduction against taxable income, resulting in no corporation tax being payable by the Company on any interest income designated as a dividend.

11. Return and net asset value per Ordinary share

	Revenue return			Capital return		
	Six months ended	Year ended		Six months ended	Year ended	
(a) Return per Ordinary share	30.06.18 £'000 (unaudited)	30.06.17 £'000 (unaudited)	31.12.17 £'000 (audited)	30.06.18 £'000 (unaudited)	30.06.17 £'000 (unaudited)	31.12.17 £'000 (audited)
Amount (£'000):						
Net return after taxation	5,650	6,019	20,043	53,184	66,246	108,366
Number of Ordinary shares ('000):						
Weighted average number of shares in issue	37,325	37,325	37,325	37,325	37,325	37,325
Return per Ordinary share (pence)	15.14	16.13	53.70	142.49	177.49	290.33

	Six months ended		Year ended
	30.06.18 £'000 (unaudited)	30.06.17 £'000 (unaudited)	31.12.17 £'000 (audited)
(b) Net asset value per Ordinary share			
Amount (£'000):			
Net assets	768,661	670,852	721,024
Number of Ordinary shares ('000):			
Number of Ordinary shares in issue	37,325	37,325	37,325
Net asset value per Ordinary share (pence)	2,059.4	1,797.3	1,931.7



Notes to the financial statements continued

12. Commitment in fund partnerships and contingent liabilities

Fund	Original commitment £'000	30.06.18 £'000 (unaudited)	Outstanding at 30.06.17 £'000 (unaudited)	31.12.17 £'000 (audited)
HGT 8 LP ¹	350,000	288,295	350,000	341,084
HGT Saturn LP ¹	150,000	124,598	—	—
HGT Transition Capital LP ¹	75,000	74,862	—	—
HGT Mercury 2 LP ¹	80,000	69,203	80,000	73,306
Asper RPP II LP	35,373 ²	6,592 ³	6,118 ³	8,354 ³
HGT 6 LP	285,029 ⁴	6,000	12,608	17,174
Hg Mercury D LP	60,000 ⁵	2,368	3,814	6,182
HGT LP ⁶	120,000	1,261	1,261	1,261
HGT 7 LP	200,000	1,045	22,390	—
Asper RPP I LP	19,137 ⁷	793 ⁸	846 ⁸	796 ⁸
Hg 6 E LP	15,000	316	940	940
Total outstanding commitments		575,333	477,977	449,097

¹ The Company has the benefit of an opt-out provision in connection with its commitment alongside Hg 8, Hg Mercury 2 and HGT Saturn LP, allowing it to opt out of its obligation to fund draw-downs under its commitment, without penalty, where certain conditions exist. The Company is the sole investor in the Transition Capital strategy and no commitment will be made if the Company does not have cash available to invest.

² Sterling equivalent of €40,000,000.

³ Sterling equivalent of €7,454,000 (2017: €9,412,000).

⁴ 4.2% of the original £285 million commitment to the Hg6 fund has

subsequently been cancelled, as the Manager deemed that it was unlikely to be required

⁵ 7.6% of the original £80 million commitment to the Mercury 1 fund has subsequently been cancelled, as the Manager deemed that it was unlikely to be required

⁶ 21.4% of the original £120 million commitment to the Hg5 fund has subsequently been cancelled, as the Manager deemed that it was unlikely to be required.

⁷ Sterling equivalent of €21,640,000.

⁸ Sterling equivalent of €897,000 (2017: €897,000).

13. Publication of non-statutory accounts

The financial information contained in this half-yearly financial report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information for the six months ended 30 June 2018 and 30 June 2017 has not been audited. The information for the year ended 31 December 2017 has been extracted from the latest published audited financial statements, which have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under section 498 (2) or (3) of the Companies Act 2006.

14. Annual results

The Board expects to announce the results for the year ending 31 December 2018 in March 2019. The 2018 Annual Report should be available by the end of March 2019, with the Annual General Meeting being held in April 2019.



Further information





Investment management and ongoing charges

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

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

For the Company's investment alongside the Hg6, Hg Mercury 1, Hg7, Hg Mercury 2 and Hg8 funds, the carried interest arrangements are identical to that which applies to all limited partners in these funds. Under these arrangements, carried interest is payable based on 20% of the aggregate profits, but only after the repayment to the Company of its invested capital and a preferred return, based on 8% p.a., calculated daily, on the aggregate of its net cumulative cash flows in each fund and such preferred return amount that is capitalised annually. Carried interest in HGT Transition Capital will be calculated in the same way.

For the Company's investment alongside the Hg Saturn fund, the carried interest arrangement is also identical to that which applies to all Limited Partners in this fund. Under this arrangement, carried interest is payable based on 12% of the aggregate profits, payable after the repayment to the Company of its invested capital and a preferred return based on 8% p.a. or 20% of the aggregate profits, payable after the repayment to the Company of its invested capital and a preferred return of 12%.

The previous incentive scheme introduced in May 2003 remains in place but only in respect of the Company's investments in HGT LP. This arrangement allows for a carried interest of 20% of the excess annual growth in average NAV over an 8% preferred return, based on a three-year rolling average NAV, calculated half-yearly and aggregated with any dividends declared by the Company in respect of that financial year.

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

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

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

Calculation of ongoing charges

For the period to 30 June 2018, the Company's annualised ongoing charges were calculated as 2.1% (31 December 2017: 1.5%). The calculation is based on the ongoing charges expressed as a percentage of the average published monthly NAV over the relevant year. The ongoing charges, in accordance with guidelines issued by The Association of Investment Companies ('AIC'), are the annualised expenses that are operational and recurring by nature and specifically exclude, amongst others, the expenses and gains or losses relating to the acquisition or disposal of investments, performance related fees (such as carried interest), taxation and financing charges.

The Company's ongoing charges consist of its operating expenses and current year priority profit share payable, as described in notes 7 and 8 to the financial statements.



Shareholder information

Financial calendar

The announcement and publication of the Company's results may normally be expected in the months shown below:

March	• Final results for year announced • Annual Report and Accounts published
April	• Annual General Meeting and payment of final dividend
September	• Interim figures announced and interim report published
October	• Payment of interim dividend

Dividend

The Interim dividend proposed in respect of the year ended 31 December 2018 is 16 pence per share.

Ex-dividend date (date from which shares are transferred without dividend)	20 September 2018
Record date (last date for registering transfers to receive the dividend)	21 September 2018
Last date for registering DRIP instructions (see below)	5 October 2018
Dividend payment date	26 October 2018

The final dividend is subject to approval of the shareholders at the forthcoming AGM.

Payment of dividends

Cash dividends will be sent by cheque to the first-named shareholder at their registered address, together with a tax voucher, to arrive on the payment date. Alternatively, dividends may be paid direct into a shareholder's bank account via Bankers' Automated Clearing Service ('BACS'). This may be arranged by contacting the Company's registrar, Computershare Investor Services PLC ('Computershare'), on 0370 707 1037.

Dividend re-investment plan ('DRIP')

Shareholders may request that their dividends be used to purchase further shares in the Company.

Dividend re-investment forms may be obtained from Computershare on 0370 707 1037 or may be downloaded from www-uk.computershare.com/investor. Shareholders who have already opted for dividend re-investment do not need to re-apply. The last date for registering for this service for the forthcoming dividend is 5 October 2018.

Share price

The Company's mid-market Ordinary share price is published daily in the Times and the Daily Telegraph under the section 'Investment Companies'. In the Financial Times, the Ordinary share price is listed in the sub-section 'Conventional-Private Equity'. The share price is also available on our website, subject to a fifteen minute delay: www.hgcapitaltrust.com.

ISIN/SEDOL numbers

The ISIN/SEDOL numbers and mnemonic code for the Company's Ordinary shares are:

ISIN	GB0003921052
SEDOL	0392105
Reuters code	HGT.L

Share dealing

Investors wishing to purchase or sell shares in the Company may do so through a stockbroker, financial advisor, bank or several share-dealing platforms. To purchase this investment, you must have read the Key Information Document ("KID") before the trade can be executed. This, and other information, is available on the Company's website: www.hgcapitaltrust.com.

If you are proposing to use Computershare Investor Services PLC to purchase shares please contact them on +44 (0) 370 703 0084 and they can provide you with the KID either by email or by post.

The following share dealing services are available through our Registrars, Computershare Investor Services PLC:

Internet share dealing

Please note that, at present, this service is only available to shareholders in certain jurisdictions, including the UK. Please refer to the website for an up to date list of these countries. This service provides shareholders with an easy way to buy or sell the Company's Ordinary shares on the London Stock Exchange. The commission is 1.0%, subject to a minimum charge of £30. In addition, stamp duty, currently 0.5%, is payable on purchases. There is no need to open an account in order to deal. Real-time dealing is available during market hours. In addition, there is a convenient facility to place your order outside of market hours. Up to 90 day limit orders are available for sales. Before you can trade you will need to register for this service. To access the service log on to www.computershare.com/dealing/uk. Shareholders should have their Shareholder Reference Number ('SRN') available. The SRN appears on share certificates as it will be required as part of the registration process. A bank debit card will be required for purchases.



Shareholder information continued

Telephone share dealing

Please note this service is, at present, only available to shareholders resident in certain jurisdictions. The commission is 1% plus a charge of £35. In addition, stamp duty, currently 0.5%, is payable on purchases. The service is available from 8.00 a.m. to 4.30 p.m. Monday to Friday, excluding bank holidays, on telephone number 0370 703 0084.

Before you trade you will need to register for this service. This can be done by going online at www.computershare.trade. Shareholders should have their SRN ready when making the call. The SRN appears on share certificates. A bank debit card will be required for purchases. Detailed terms and conditions are available on request by telephoning 0370 703 0084.

Please note that due to the regulations in the UK, Computershare are required to check that you have read and accepted the Terms & Conditions before being able to trade, which could delay your first telephone trade. If you wish to trade quickly, we suggest visiting their website and registering online first.

These services are offered on an execution only basis and subject to the applicable terms and conditions. This is not a recommendation to buy, sell or hold shares in HgCapital Trust plc. Shareholders who are unsure of what action to take should obtain independent financial advice. Share values may go down as well as up which may result in a shareholder receiving less than he/she originally invested.

To the extent that this statement is a financial promotion for the share dealing service provided by Computershare Investor Services PLC, it has been approved by Computershare Investor Services PLC for the purpose of Section 21 (2) (b) of the Financial Services and Markets Act 2000 only. Computershare Investor Services PLC is authorised and regulated by the Financial Conduct Authority. Where this has been received in a country where the provision of such a service would be contrary to local laws or regulations, this should be treated as for information only.

Uncertificated Securities Regulations 1995 – CREST

The Company's Ordinary shares have joined CREST, an electronic system for uncertificated securities trading.

Private investors can continue to retain their share certificates and remain outside the CREST system. Private investors are able to buy and sell their holdings in the same way as they did prior to the introduction of CREST, although there may be differences in dealing charges.

Income tax

Where possible, dividends will be designated as an interest distribution (interest streaming) for tax purposes. The Finance Bill 2017 included provisions which removed

the requirement to deduct income tax at source from dividends notionally designated as interest distributions by investment trust companies when they are made on or after 6 April 2017.

This brought this type of income into line with the treatment of interest paid on bank and building society accounts following the introduction of the Personal Savings Allowance. The amount of your Personal Savings Allowance depends on your adjusted net income. Where interest streaming is not possible there is an individual annual allowance of £2,000 across all dividend income, above which there is a tax liability.

For further information, please visit the HMRC.gov.uk website. For queries about your own tax position, please speak to an independent tax advisor.

Capital gains tax ('CGT') for UK tax payers

Qualifying investment trusts currently pay no corporation tax on capital gains made within the portfolio. When investors sell all or part of their holdings, they may be liable to CGT. For the tax year 2018/2019, the first £11,700 per annum of such gains from all sources is exempt.

The following CGT rates currently apply:

- 10% and 20% for individuals (depending on total taxable income and gains);
- 20% for trustees or personal representatives; and
- 10% for gains qualifying for Entrepreneurs' Relief.

Investments held in ISAs continue to remain exempt from CGT.

Please remember that we are unable to offer individual investment or taxation advice. Investors who are in any doubt as to their liability for CGT should seek professional advice.

Risk factors

- Investments in predominantly unquoted companies, which form the majority of the Company's investments, may not be as readily realisable as investments in quoted companies.
- As Hg invests in Continental Europe and in companies that trade internationally, the value of the Company's shares may be affected by changes in rates of exchange.
- Hg invests in a portfolio of small to mid-cap companies, with enterprise values of more than £30 million (at the time of acquisition), the performance of which can fluctuate.
- The price at which the Company's shares trade on the London Stock Exchange is not the same as their NAV (although they are related) and therefore you may realise returns that are lower or higher than NAV performance.

Shareholder information continued

- Past performance is not necessarily a guide to future performance and an investor may not get back the amount originally invested.
- The value of investments in the Company and the income from them can fluctuate, as the value of the underlying investments fluctuates.
- The Company invests in unquoted companies and although great care is taken in their valuation, such valuations cannot, by their nature, be exact and are liable to change.

Duration of the Company

An ordinary resolution was approved by shareholders at the Annual General Meeting in May 2015 to continue the life of the Company for a further five years and a similar resolution will be put to the shareholders in 2020 and every fifth year thereafter.

If the resolution to continue the life of the Company is not approved, a General Meeting will be convened within six months after the date of the AGM to put forward proposals for the reorganisation or reconstruction of the Company.

Nominee holdings

Where shares are held in a nominee company name, the Company undertakes:

- to provide the nominee company with multiple copies of shareholder communications, so long as an indication of quantities has been provided in advance; and
- to allow investors holding shares through a nominee company to attend general meetings, provided the correct authority from the nominee company is available.

Nominee companies are encouraged to provide the necessary authority to underlying shareholders to attend the Company's general meetings.

Non-Mainstream Pooled Investments

The Board notes the changes to the FCA rules relating to the restrictions on the retail distribution of unregulated collective investment schemes and close substitutes which came into effect on 1 January 2014.

Legal advice obtained by the Company confirms that the Company's shares will qualify as an 'excluded security' under these new rules and will therefore be excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

The Company conducts its affairs so that the shares issued by the Company can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

Common Reporting Standard

With effect from 1 January 2016, new tax legislation under The OECD ('Organisation for Economic Co-operation and Development') The Common Reporting Standard for Automatic Exchange of Financial Account Information ('The Common Reporting Standard') was introduced.

The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in them. As an affected company, the Company provides information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders, and corporate entities.

All shareholders, excluding those whose shares are held in CREST, entered onto the share register from 1 January 2016 will be sent a certification form for the purposes of collecting this information.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information, information for account holders: <https://www.gov.uk/government/publications/exchange-of-information-account-holders>

ISA status

The Company's shares are eligible for stocks and shares ISAs.

Shareholder enquiries

In the event of queries regarding your shares, please contact the Computershare Investor Centre. Computershare now offers a free secure share management website that allows you to:

- view your share portfolio and see the latest market price of your shares;
- elect to receive your shareholder communications online;
- calculate the total market price of each shareholding;
- view price histories and trading graphs;
- update bank mandates and change of address details; and
- use online dealing services.

Log on to www-uk.computershare.com/investor and enter your Shareholder Reference Number and Company Code (this information can be found on the last dividend voucher or your share certificate).

Changes of name or address must be notified in writing to:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

General enquiries about the Company should be directed to:

Hg Pooled Management Ltd
2 More London Riverside
London SE1 2AP
Telephone: 020 7089 7888



Investing in private equity

Private Equity

Private equity is the term given to the provision of equity and equity type risk capital to unlisted companies.

It is normally used to finance beneficial change in businesses. The changes that require equity finance are manifold and ever present. They include a change in the scale of a business (through fast growth or acquisitions), a change in ownership, often in conjunction with management (the management buyout), a change in the strategic direction of a company, a significant change in the structure and operations of a business, or financing the commercialisation of new technologies.

Healthy economies require constant change in their corporate sector, otherwise they stultify. Private equity is a form of finance well-suited to pay for this change as it is patient, welcomes considered risk taking, and participates directly in outcomes.

In return for their investment, private equity investors receive a share of the equity in the businesses they finance and do so with the objective of making a significant capital gain over holding periods, typically from three to seven years.

Private equity investors, like Hg, aim to deliver their clients higher returns than may be obtained from a portfolio of public equity investments over any rolling period of five to ten years. Attractive returns can be garnered if the private equity manager exploits the advantages private equity investors have over investors in public markets.

Investment profile

Private equity investments are less liquid than publicly traded equities. To compensate for this, they offer greater control and aim for more attractive returns.

Individual private equity investments have a risk profile dependent on the nature of the underlying business. Investing in a diversified portfolio helps to mitigate some of these risks; the quality of company selections by the private equity manager and the manager's ability to manage its portfolio further mitigates risk. Manager selection is a key determinant of returns.

Advantages of the private equity model

Compared with investment in the public markets, a private equity investor has significant advantages:

- **Better governance**
Theory and experience tells us that businesses run by their owners tend to perform better than those run by salaried agents. In a private equity backed business almost everybody around the board table and often a high percentage of the management and staff own shares in the companies they run. In addition, the private equity managers also have an equity interest in the portfolio companies through their co-investment obligations and via their carried interest. Accordingly, the interests of all parties are closely aligned and focused on creating value and realising a substantial capital gain. This is achieved by selecting ambitious medium to long-term goals and allowing managers to pursue them, free from short-term distractions that often beset the managers of listed companies.
- **Better control**
The private equity manager has more control over the method and timing of the sale of the business than a manager of listed equities. This superior control also extends to the appointment of management.
- **Ability to attract the best management talent**
Working in a private equity backed business is highly attractive to the best and most ambitious managers. They will be incentivised by capital returns that the listed companies rarely, if ever, match and are given the challenge and satisfaction of running their own business.
- **Larger universe of opportunities**
The universe of privately owned businesses is much larger than the publicly traded one, so the investor has greater choice. The choice available to private equity also includes listed companies which can be de-listed and refinanced with private equity capital.
- **Better access presenting the possibility for better assessment**
Prior to investing, private equity managers often have better access to information, including detailed market, financial, legal and management due diligence.

Shareholder information continued

Investing in private equity

Listed Private Equity

Listed Private Equity ('LPE') refers to public companies whose shares are listed and traded on a primary stock exchange.

In Europe, primary exchanges include the London Stock Exchange and Euronext. Some private equity companies quoted on the London Stock Exchange are structured as investment trusts. All listed private equity companies provide the shareholder with an exposure to a differentiated portfolio of private companies, either directly or via funds.

By buying shares in LPE companies, the investor benefits from liquidity while participating in the potentially superior returns of a private equity portfolio. In addition, LPE companies allow investors access to private equity without having to commit to the ten year lock-in and minimum investment required when investing in private equity via limited partnerships.

For the most comprehensive single source of information on listed private equity go to www.lpeq.com.

London Stock Exchange-listed private equity investment trusts are supervised by boards of directors, the majority of whom are independent, in order to reinforce the manager's accountability to shareholders.

Provided they meet certain criteria, investment trusts pay no corporation tax on capital gains but may not retain more than 15% of their income in each financial year.

The objective of listed private equity is usually to provide shareholders with long-term capital appreciation, rather than income.

Each listed company, like each private equity firm, has its own investment strategy relating to geography, size and type of investment, etc. Listed private equity companies vary considerably in the number of their own holdings, ranging from specialist direct investment trusts, with a handful of portfolio companies in one country, to a fund-of-funds manager with holdings in over 300 private equity funds worldwide.

Listed private equity companies continually invest and reinvest; most have no fixed life span like a limited partnership. Proceeds from the sale of assets are generally retained for re-investment, rather than being distributed to investors, which would trigger taxable gains. This, together with the long-term horizon of private equity, means that listed private equity is best suited to long-term holding, rather than frequent trading.

Advantages of listed private equity

Compared with an investment in a limited partnership with a ten year life, the normal route to obtaining a diversified exposure to private equity, listed private equity offers significant advantages:

- listed private equity offers the opportunity for retail investors as well as institutions to participate in a diversified portfolio of mainly unlisted companies for the price of one share, rather than a typical minimum commitment of over £5 million to a limited partnership;
- by buying shares in a listed private equity company, investors have liquidity in the shares and do not have to make a ten year commitment to a fund. Accordingly, they can trade without requiring the manager's consent and the need to run a private auction of their interest;
- listed vehicles handle the cash management and administration, which are complex for a limited partnership interest. All listed private equity investors need do is monitor the value of their shareholdings in the quoted vehicle itself; and
- capital gains retained within London-listed trusts are not taxed.

The listed sector is diverse, offering a wide range of private equity investment vehicles adopting different investment strategies and criteria.



Glossary

CAGR

Compound Annual Growth Rate.

Carried interest

Equivalent to a performance fee, this represents a share of the capital profits that will accrue to the investment manager, after achievement of an agreed preferred return.

DACH

An acronym for D (Deutschland / Germany), A (Österreich / Austria), CH (Schweiz / Switzerland).

Discount

Investment trust shares frequently trade at a discount to NAV. This occurs when the share price is less than the NAV. In this circumstance, the price that an investor pays or receives for a share would be less than the value attributable to it by reference to the underlying assets. The discount is the difference between the share price and the NAV, expressed as a percentage of the NAV. For example, if the NAV was 2,050 pence and the share price was 1,845 pence, the discount would be 10%.

EBITDA

Earnings Before Interest, Tax, Depreciation and Amortisation.

ESG

Environmental, Social and Governance.

EV (enterprise value)

This is the aggregate value of a company's entire issued share capital and net debt.

Expansion capital

The provision of capital to an existing, established business, to finance organic growth or acquisitions.

Hedging

Hedging is an investment technique designed to offset a potential loss on one investment by purchasing a second investment that is expected to perform in the opposite way.

IPO (initial public offering)

An offering by a company of its share capital to the public with a view to seeking an admission of its shares to a recognised stock exchange.

IRR (internal rate of return)

The annualised rate of return received by an investor in a fund. It is calculated from cash drawn from and returned to the investor together with the residual value of the investment.

LBO (leveraged buyout)

The purchase of all or most of a company's share capital, often involving its managers, funded mainly by borrowings often secured on the company's assets, resulting in a post-financing capital structure of the company that is geared.

LP (limited partnership)

An English limited partnership includes one or more general partners, who have responsibility for managing the business of the partnership and have unlimited liability, and one or more limited partners, who do not participate in the operation of the partnership and whose liability is ordinarily capped at their capital and loan contribution to the partnership. In typical fund structures, the general partner receives a priority profit share ahead of distributions to limited partners. In addition, a limited partner, designated as the 'founder partner', will share in the profits of the partnership alongside the other limited partners once limited partners have been returned all loan contributions plus a hurdle rate of return as agreed with the partnership.

Shareholder information continued

LTM

Last Twelve Months.

MBI (management buy-in)

A change of ownership, where an incoming management team raises financial backing, normally a mix of equity and debt, to acquire a business.

MBO (management buyout)

A change of ownership, where the incumbent management team raises financial backing, normally a mix of equity and debt, to acquire a business it manages.

NAV (net asset value per share)

This is the value of the Company's assets attributable to one Ordinary share. It is calculated by dividing 'shareholders' funds' by the total number of Ordinary shares in issue. For example, as at 30 June 2018, shareholders' funds were £768,661,000 and there were 37,324,698 Ordinary shares in issue; the NAV was therefore 2,059.4 pence per Ordinary share. Shareholders' funds are calculated by deducting current and long-term liabilities, and any provision for liabilities and charges, from the Company's total assets.

P2P (public to private)

The purchase of all of a listed company's shares using a special-purpose vehicle funded with a mixture of debt and unquoted equity.

Preferred return

A preferential rate of return on an individual investment or a portfolio of investments.

Premium

A premium occurs when the share price is higher than the NAV and investors would therefore be paying more than the value attributable to the shares by reference to the underlying assets. For example, if the share price were 2,255 pence and the NAV were 2,050 pence, the premium would be 10%.

Quoted company

Any company whose shares are listed or traded on a recognised stock exchange.

Total ongoing charges

Please refer to page 72.

Total return

The total return to shareholders comprises both changes in the Company's NAV or share price and dividends paid to shareholders; it is calculated on the basis that all historic dividends have been reinvested in the Company's shares on the date the dividend is paid.

Unquoted company

Any company whose shares are not listed or traded on a recognised stock exchange.

Venture capital

Investing in companies at a point in that company's life cycle that is either at the concept, start-up or early stage of development.



Board, management and administration

Directors

Roger Mountford
(Chairman)

Richard Brooman
(Chairman of the Audit
and Valuation Committee)

Peter Dunscombe
(Chairman of the Management
Engagement Committee)

Jim Strang

Guy Wakeley

Anne West
(Senior Independent Director)

Company Secretary

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AIC

Association of Investment Companies
www.theaic.co.uk

The AIC represents closed-ended investment companies. It helps its member companies through lobbying, media engagement, technical advice, training, and events.

The AIC's website includes information about investments via investment companies, including investments in listed private equity companies.

¹ Authorised and regulated by the Financial Conduct Authority.





www.hgcapitaltrust.com is constantly updated to ensure that the you can always access the Company's latest data and information on your computer or mobile device in a transparent, convenient and intuitive manner.

If you have any suggestions on improvements we can make to the site, please do get in touch at investorrelations@hgcapitaltrust.com



www.hgcapitaltrust.com

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