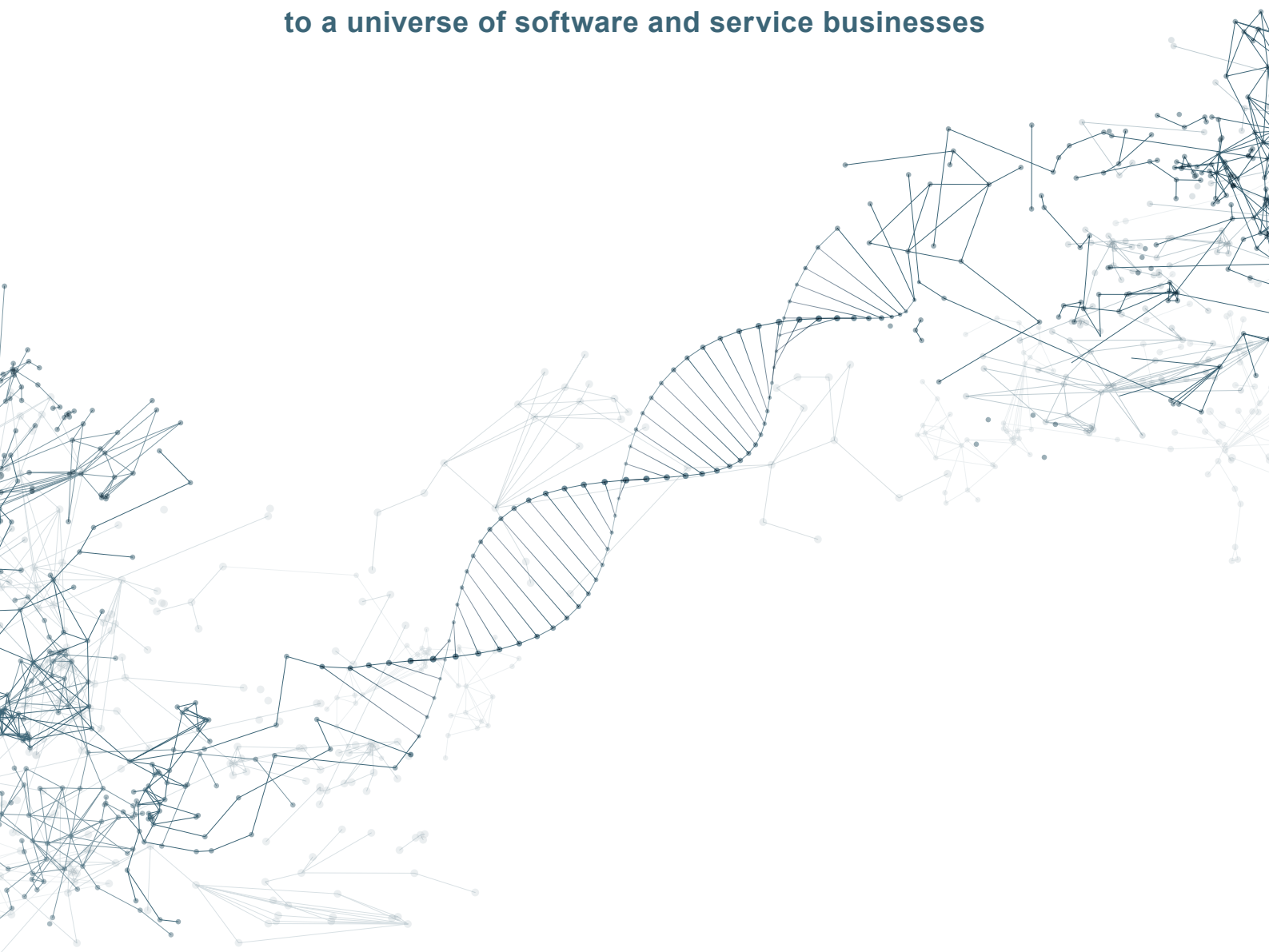



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Annual report and accounts

31 December 2020



The objective of HgCapital Trust (HGT) 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.

HGT provides investors with exposure to a fast-growing network of unquoted investments, primarily in software and business services across Europe.

References in this annual report and accounts to HgCapital Trust plc have been abbreviated to 'HgCapital Trust' or 'HGT'. Hg refers to the trading name of Hg Pooled Management Limited and HgCapital LLP. Hg Pooled Management Limited is the 'Manager'.

References in this annual report and accounts to 'total return' refer to a return where it is assumed that an investor has reinvested all historic dividends at the time when they were paid.

References in this annual report and accounts to pounds sterling have been abbreviated to 'sterling'.



Contents



Strategic Report

The investment opportunity.....	04
Financial and performance highlights	05
Chairman's statement	10
Investment objective and investment policy	13
Business model and risk framework	14
Directors' duties	19



Hg's review

About Hg	26
Responsible investment.....	39
Year in review.....	44
Investments and realisations.....	50
Hg's outlook.....	57
Overview of underlying investments	58
Top 20 investments	59
Other investments	80



Financial statements

Income statement.....	83
Balance sheet	84
Statement of cash flows	85
Statement of changes in equity.....	86
Notes to the financial statements	87
Independent auditor's report	106



Corporate governance

Directors' report	115
Directors' responsibilities statement.....	122
Corporate governance statement	123
Reports from the Committees of the Board.....	127
Directors' remuneration report.....	134



Further information

AIFM Directive.....	138
Shareholder information	141
Notice of Annual General Meeting.....	148
Board, management and administration	156



Strategic report



Hg's review



Financial statements



Corporate governance



Further information

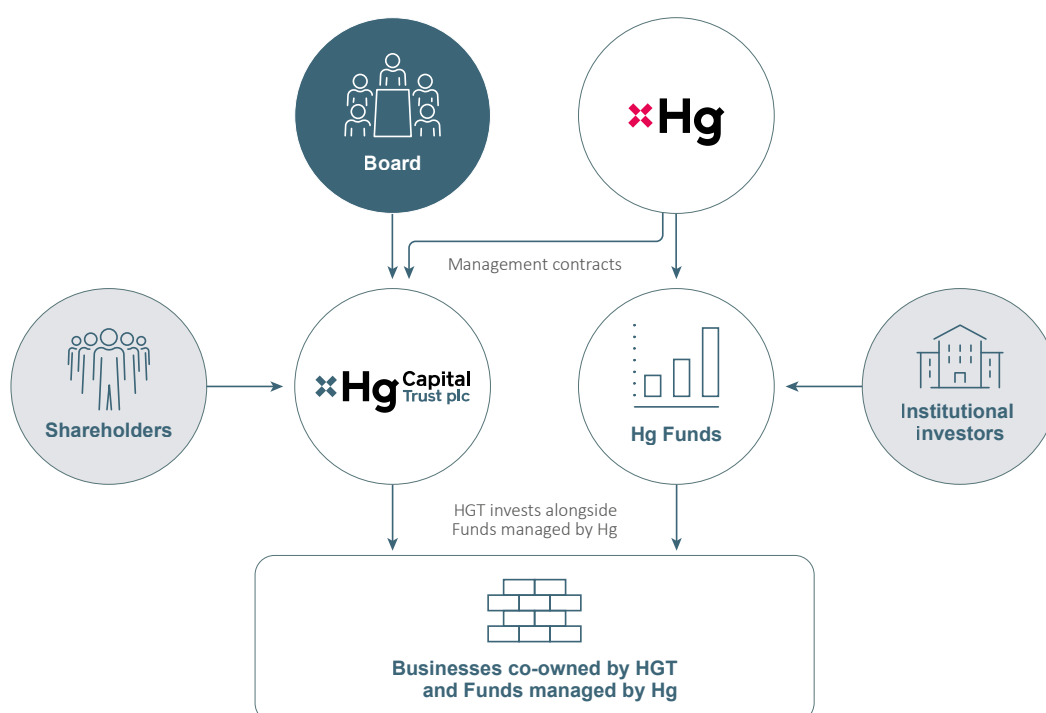
The investment opportunity

HGT provides investors with the **opportunity** to share in the growth in value of a portfolio of more than 30 investments brought together by Hg. Value is created via an investment strategy focused on software and business service companies with highly recurring revenues and from leveraging the network and expertise of Hg to support management teams to deliver the full potential of their respective businesses.

By applying this philosophy to software and business services, Hg has delivered consistently strong growth in sales and EBITDA, with highly predictable cash flows. The **top 20** businesses, representing **83%** by value of HGT's investments, reported aggregate **sales of £4.5 billion** and **EBITDA of £1.5 billion** over the last 12 months, with **EBITDA margins of 33%**.

Hg brings to HGT an experienced team of **230 employees**, including more than **140 investment and portfolio management professionals**, supported by a **network of portfolio partners**, all of them seasoned senior managers from across industry, who work with the management teams of the companies in which we are invested 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 sector clusters and geographies.

HGT's funds are invested pro rata alongside those of Hg's other institutional clients. This enables shareholders to invest, on similar terms, alongside some of the world's largest investors in private equity in high-growth private companies, which would otherwise be inaccessible. This allows HGT to achieve diversification across markets and geographies and gain exposure to fast growing portfolio companies at different stages of their development and size – from an enterprise value of **£100 million** to over **£10 billion**.





Financial and performance highlights

Annualised share price total return over the last 20 years: **+14%**

2020 performance:



NAV per share

at 31 December 2020 was 310.3p
a total return for the year of:

+24.0%

(31 December 2019: +20.8%)
Please refer to note 10(b) on page 94
for further detail on the
calculation of NAV per share



Net assets

The total NAV of HGT
at 31 December 2020 was:

£1.29bn

(31 December 2019: £1.04bn)



Share price

at 31 December 2020 was 305.0p
a total return for the year of:

+20.9%

(31 December 2019: +47.5%)



Market capitalisation

The market capitalisation of HGT
at 31 December 2020 was:

£1.27bn

(31 December 2019: £1.05bn)



Full-year dividend

5.0p

(31 December 2019: 4.8p)



Total ongoing charges

1.8%

for the year to 31 December 2020
(31 December 2019: 1.6%)
Please refer to page 118 for further detail
on the calculation of ongoing charges.





Financial and performance highlights continued

6

Strategic report

Top 20 investments as at 31 December 2020:

Representing 83% by value of HGT's investments



LTM sales
growth

+22%

(31 December 2019: +24%)



LTM EBITDA
growth

+31%

(31 December 2019: +35%)



EV to EBITDA
multiple

22.1x

(31 December 2019: 19.8x)



Net debt to
EBITDA ratio

6.4x

(31 December 2019: 6.2x)

These figures are calculated on a value-weighted basis. For further information on the top-20 portfolio trading performance and valuation and net debt analysis, please refer to Hg's review on pages 46–47.

Balance sheet analysis as at 31 December 2020:



Liquid resources
(15% of NAV)

£188m

(31 December 2019: £189m)

HGT has an undrawn bank facility of £200 million.



Outstanding commitments
(50% of NAV)

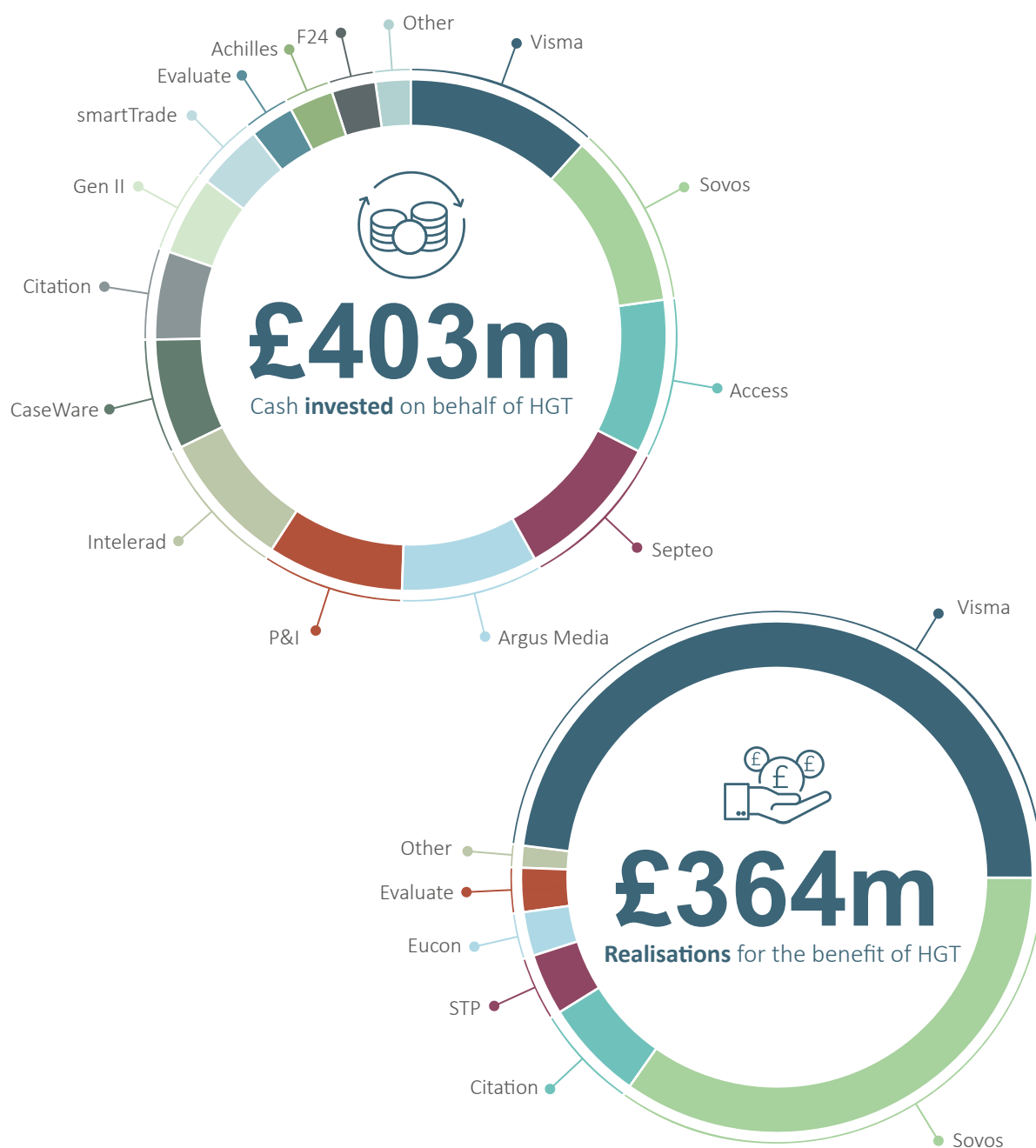
£647m

(31 December 2019: £336m)

These commitments will be drawn down over the next four years (2021–25) and are likely to be financed partly by cash from future realisations. HGT can opt out of a new investment without penalty, should it not have the cash available to invest.

An active pipeline of investment opportunities led to new and follow-on investments, while returning cash to HGT through both realisations and refinancing.

Investment and realisation activity over the year:



Further information on all investments and realisations is provided on pages 50–56.



Historical total return performance

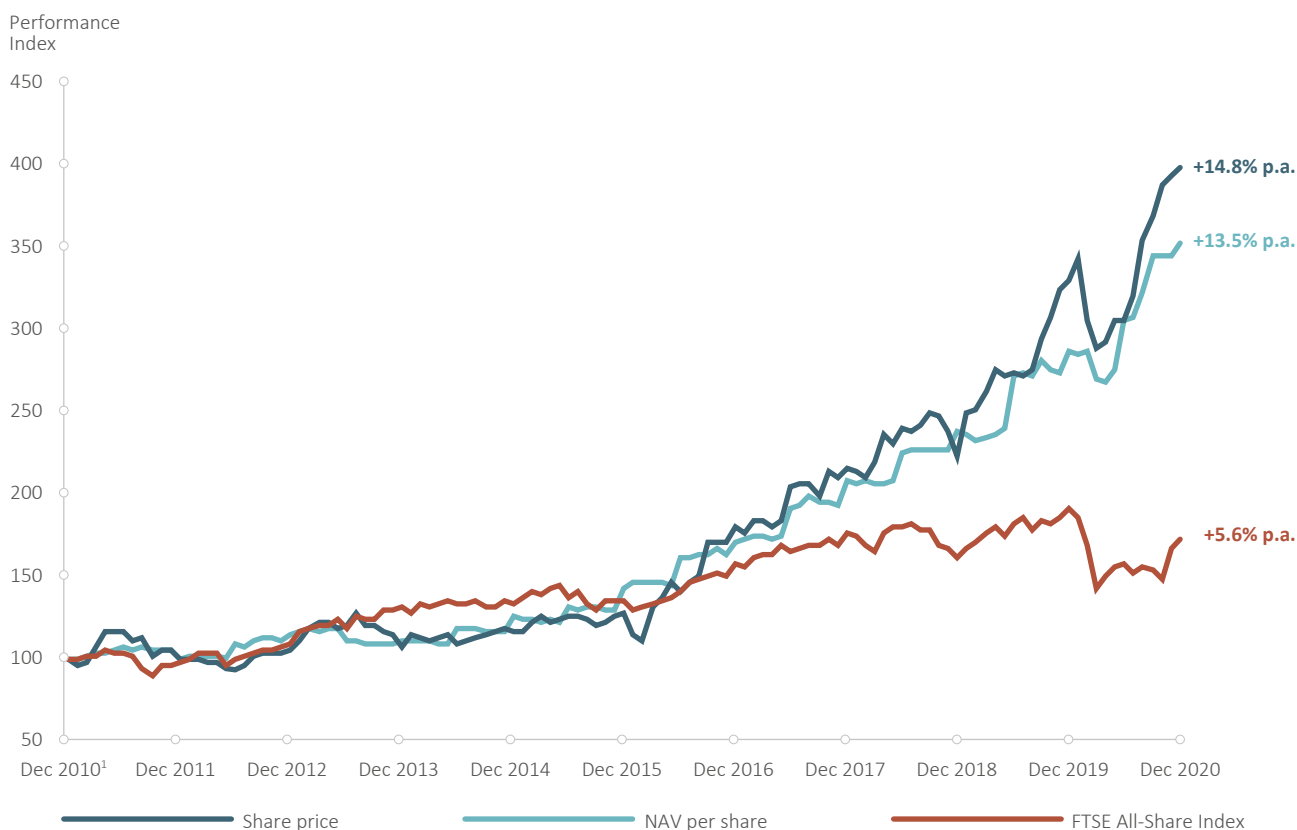
Both HGT's share price and net asset value per share have continued to outperform the FTSE All-Share Index.

	One year %	Three years % p.a.	Five years % p.a.	10 years % p.a.	20 years % p.a.
NAV per share*	24.0	19.7	20.0	13.5	13.2
Share price	20.9	22.7	25.8	14.8	14.4
FTSE All-Share Index	(9.8)	(0.9)	5.1	5.6	4.6
NAV per share performance relative to the FTSE All-Share Index	33.8	20.6	14.9	7.9	8.6
Share price performance relative to the FTSE All-Share Index	30.7	23.6	20.7	9.2	9.8

*Please refer to note 10(b) on page 94 for further detail on the calculation of NAV per share.

Based on HGT's share price at 31 December 2020 and allowing for all historic dividends being reinvested, **an investment of £1,000 made 20 years ago would now be worth £14,799, a total return of 1,380%.** An equivalent investment in the FTSE All-Share Index would be worth £2,463.

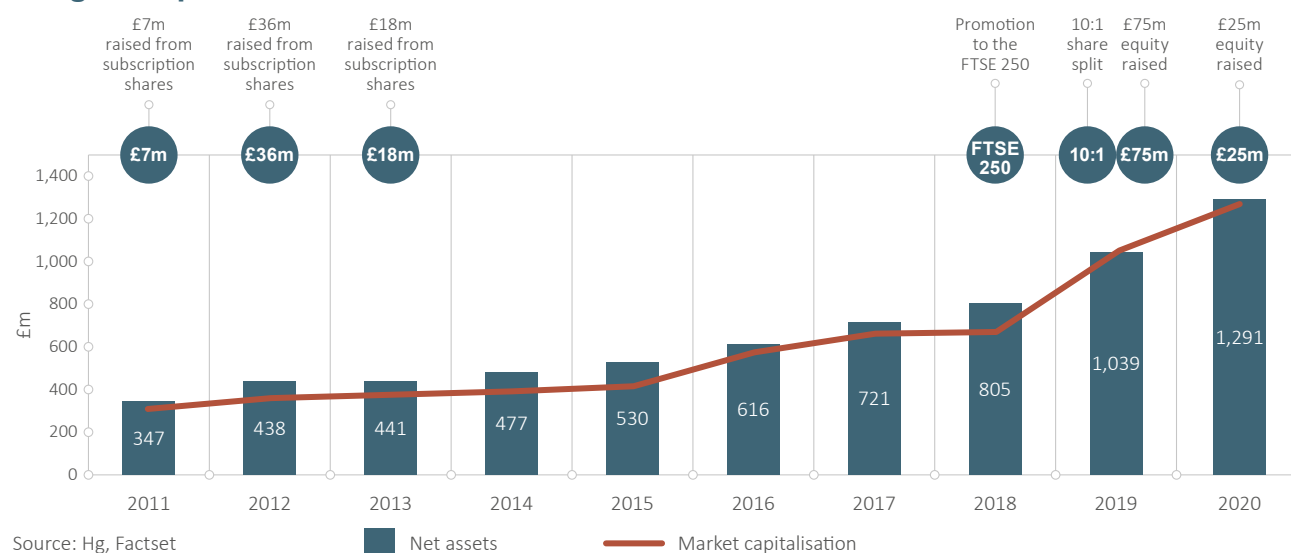
Long-term performance – 10-year share price total return: +14.8% p.a.



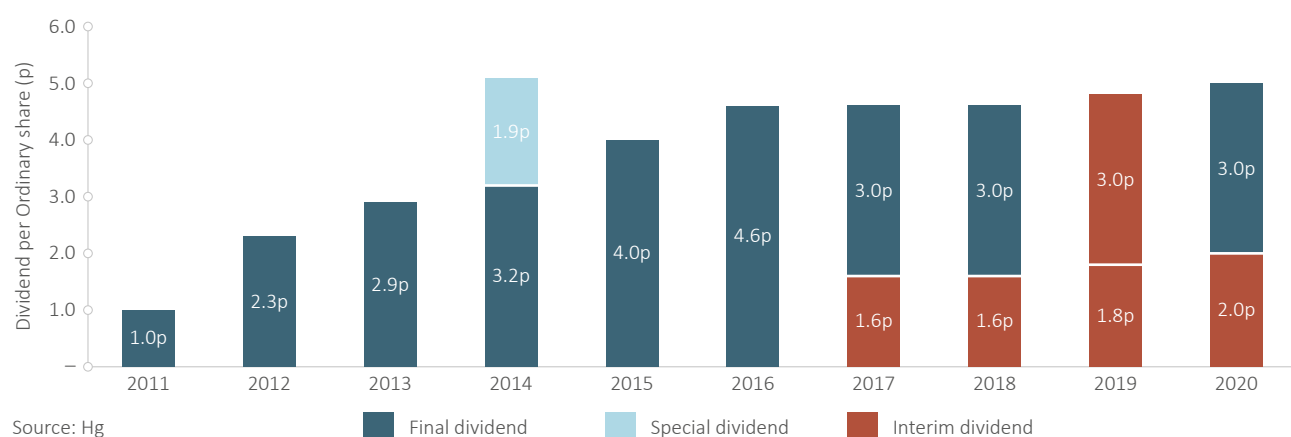
¹Performance record rebased to 100 at 31 December 2010. Source: Factset, Hg

Financial and performance highlights continued

Long-term performance record



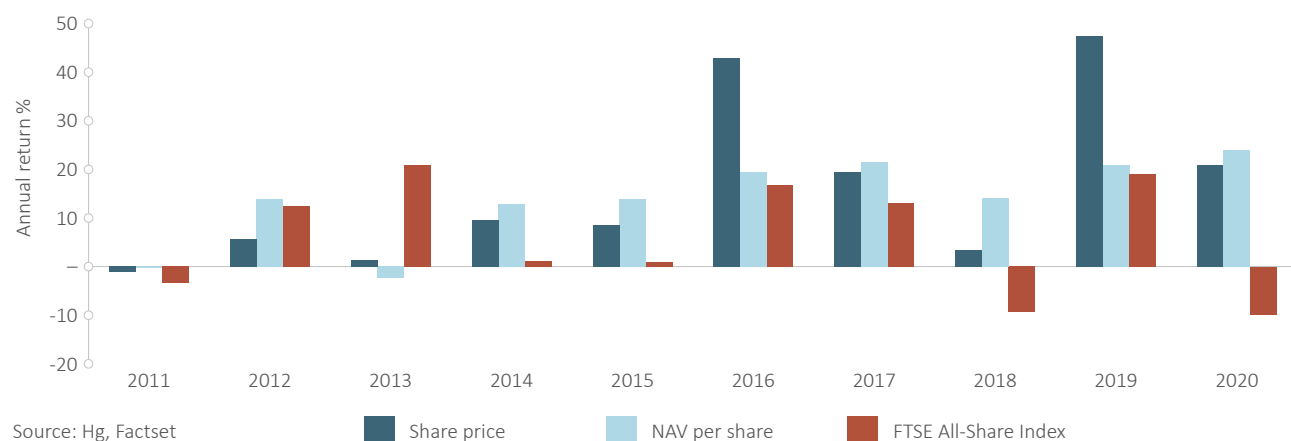
Ten-year dividend record



*In 2020, the Board redesignated the 2019 final dividend of 3.0 pence per share as a second interim dividend; this was to ensure that our shareholders received this dividend and that it was paid according to the timetable which we had announced in March.

Historic dividends restated for the 10:1 share-split completed in May 2019.

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





“This last year has proven to be a uniquely challenging one with great difficulties, many hardships and sadly, for many, personal tragedy. Against this background, HGT has performed extremely well, as the resilience and attractiveness of the investment model and the underlying investments have been proven. While 2021 seems set to be a year of further challenges, HGT is well placed to continue the progress of recent years in what will hopefully be an improving climate.”

Jim Strang, *Chairman, HgCapital Trust plc*



Dear shareholder,

This past year, I am sure, will be one which we will all be glad to see behind us. It brought extreme uncertainty, disruption, hardship and tragedy to many. For us all, it has proven a most challenging time. Hopefully, with a new year upon us and progress with the vaccine development, we may be able to return to some semblance of normality and start on a path to recovery from the COVID-19 pandemic. In that spirit, please allow me to pass on the best wishes of us all at HGT to our shareholders for the year ahead.

Despite these unprecedented times, I am pleased to report that HGT weathered this last year extremely well and delivered a very strong performance in 2020.

Highlights in 2020 included:

- 24% NAV per share growth, with net assets attaining a record level of £1.29 billion at 31 December 2020;
- 21% share price growth resulting in a market capitalisation of £1.27 billion at 31 December 2020;
- A total of £750 million committed to Hg funds, securing HGT's access to the Hg investment platform;
- A record £403 million of new and further investments by HGT into 15 businesses across the core investment clusters targeted by Hg;
- A record £364 million (net of carry) of proceeds returned to HGT, primarily from six realisations;
- A further strengthening of HGT's balance sheet through the issuance of new equity of £25 million and the formalisation of new and extended banking arrangements in the form of a £200-million revolving credit facility.

Performance

Despite the significant challenges which the year has brought, I am happy to report a very commendable performance from HGT. In 2020, the NAV per share of HGT increased from £2.55 to £3.10, an increase of 24.0% on a total return basis. The share price improved from £2.57 to £3.05, a total return of 20.9%. HGT benefited from strong fundamental business performance from the underlying portfolio companies, as well as the attractive stance which the stock market continues to take towards technology investments and, in particular, software. We have long spoken of the resilient nature of the types of company held within the HGT portfolio, reflecting the investment positioning of the Manager – Hg.

If ever there were an acid test of this feature, then the past year would have been just that. The portfolio performed well, with the underlying companies generating year-on-year growth of 22% in revenue terms and 31% in EBITDA. These businesses continue to trade successfully and, with their significant and predictable forward cash flows, are appropriately financed, with an average net debt-to-EBITDA ratio of 6.4x. Currently, only 3 of the total 36 companies held within the HGT portfolio are valued at less than their cost of acquisition, excluding the impact of currency movements.

Investments and realisations

Despite the obvious challenges to deal-making and the move to operating 'virtually', it is very pleasing to report that the flow of investments and exits continued throughout 2020.

The Hg investment model is built around deep knowledge and understanding of the dynamics of target investment clusters and the attractive companies within them. As many of these companies have long-standing engagements with Hg, this allowed the Hg deal team to continue to function effectively, despite having to pivot to a more 'virtual' way of operating. Furthermore, the reputation of Hg for building high-quality, market-leading businesses, with strong growth profiles, has allowed a series of lucrative exits to be achieved over the year.

HGT invested more than £400 million in 15 new and further investments in the year, including: Visma, Sovos, Septeo, Argus Media, P&I, Intelrad and CaseWare. All of these new portfolio investments share the characteristics of previous successful Hg investments. These new transactions are a result of long-term engagement with their respective management teams. Notably, the further investment in Visma, a leading provider of business-critical software to private and public enterprises in the Baltic, Benelux and Nordic regions, valued the business at US\$12.2 billion and was the world's largest-ever software buyout.

For further information about new and further investments, please see pages 50–53 of this report.

A key part of HGT's investment strategy is to make use of co-investments: investments directly into certain deals completed by Hg, as opposed to via a commitment to an Hg fund. Such co-investments allow HGT to manage its balance sheet in a more effective manner. Additionally, since these investments typically do not bear any management or performance fees, they reduce the total fee load on HGT.

HGT recently agreed on a new co-investment framework with Hg which aims to allocate 10%-15% of HGT's balance sheet to co-investments in future. Currently, co-investments are valued at £80.2 million, representing 6.2% of NAV at 31 December 2020.

As regards realisations, the high-quality assets within the portfolio proved to be attractive acquisition targets for strategic acquirers and other private equity managers alike.

Consequently, it was a very strong year for exits, with proceeds of £364 million (net of carry) delivered from six transactions. These included Visma, Sovos, The Citation Group, STP, Eucon and Evaluate.

The average multiple of cost achieved on exits, within the period, was an impressive 3.5x, with the average uplift to the last carrying value of those investments being 25%, reinforcing the rigour of the valuation process, but also the value which buyers placed on the quality assets within the portfolio.

For further information on realisations over the year, please see pages 54–56 of this report.

New commitments

Shareholders will be familiar with the commitment-investment-realisation cycle which underpins the HGT investment model. Every three to four years, HGT and Hg's other institutional clients make commitments to invest in funds which seek to make investments over the following four to five years. HGT thereby enables shareholders to invest alongside the world's largest institutional investors in businesses which would otherwise be inaccessible to public market investors.

In 2020, HGT committed £750 million to new Hg funds across Hg Saturn 2, Hg Genesis 9 and Hg Mercury 3, ensuring that HGT can continue to participate in the investments made by Hg. Further detail on all commitments to Hg funds can be found on page 48 of the Manager's Review. Across all funds, HGT will continue to have the benefit of an 'opt-out' from the commitment to invest in any individual new transaction, if HGT does not have sufficient funds available; this feature, unique to HGT, is of considerable benefit to managing HGT's balance sheet efficiently.

Impact and responsible investment

While the pure financial returns of the year have been commendable, I would like to draw your attention to the continued and ever-increasing effort which your Board and the Manager, Hg, apply to how they do business. The Board of HGT and the Manager share a firmly held perspective that not only should the financial returns to you, the shareholders, be attractive, but these must be delivered in a manner which is consistent with our responsibility to society.

2020 has been a year when this focus on responsibility, sustainability and the overall commitment to ESG is more important than ever. As a technology investor, we understand the need to ensure that those businesses in which we invest reduce their carbon footprint and contribute to tackling climate change. During 2020, Hg was, itself, independently certified as a carbon-neutral company. I am pleased to report that the UNPRI assessment of Hg's approach to responsible investment has remained at AA++ during the year. The Board of HGT meets with the Hg responsible investment team to ensure that Hg's work is fully understood and endorsed by the Board.

In July 2020, Hg launched The Hg Foundation – a new charitable initiative to provide funding and operational support

to schemes across Europe, the UK and the US – whose goal is to have an impact on the development of those skills most required for employment within the technology industry, focusing on individuals who may otherwise experience barriers to access this education. This foundation is funded by the Hg management company and its team members. For further information about this and the responsible investment focus at Hg, please see pages 39–41 of the Manager's Review.

Balance sheet

In 2020, with a new commitment programme established, the Board agreed on a new multi-currency revolving credit facility of £200 million, which is currently undrawn. This is in keeping with the level of these commitments and with optimising the balance sheet management of HGT.

Over the year, as shares in HGT have traded predominantly at a premium, HGT has taken the opportunity to increase balance sheet liquidity through a series of equity tap issuances, raising a further £25 million. This follows on from the successful raising of £75 million in 2019. When possible, the Board will continue to consider new equity issuance, providing that market conditions permit, offering existing and new investors the opportunity to subscribe and increase our equity base, while, at all times, bearing in mind our current shareholders' interests.

Dividend

Following the increase in the interim dividend from 1.8 pence to 2.0 pence per share in 2020, the Board is proposing a final dividend of 3.0 pence (subject to shareholder approval), making a total of 5.0 pence per share, as indicated in the interim report.

As noted previously, HGT aims to achieve growth in the net asset value per share and in the share price, rather than to achieve a specific level of dividend. Furthermore, the ability of HGT to pay dividends is very much influenced by the capital structures of the transactions entered into by the Manager and on income received on any liquid resources being held subject to investment.

Board and corporate governance

I am happy to report that your Board was able to operate successfully throughout this challenging year, switching rapidly to 'virtual' Board meetings and leveraging technology to ensure HGT's smooth running. I would like to extend my thanks to the many involved in ensuring that this all took place. The results of the annual Board effectiveness evaluation process show the Board to be operating well; however, we continue to strive for better and will endeavour to do so in the year ahead.

An important change to the governance of HGT over the reporting period took place in July as we welcomed a new colleague to the Board. After an extensive externally facilitated search process, Mrs Pilar Junco joined the Board of Directors, bringing the number of Directors back to a total of six. Pilar brings a wealth of relevant skills and knowledge to HGT from her career at Altamar Capital Partners, where she currently serves as Managing Partner, Chief Strategy and Chief Client Officer, and also from her tenure at Blackstone, where she served as a Senior Managing Director. Pilar's joining the Board brings a set of skills which is highly complementary to those of the rest of the Board and is in keeping with the skill-mapping exercise undertaken in 2019.





Valuation and risk

Over the course of 2020, the Board has more closely aligned HGT's risk management and valuation processes, to deepen the analysis of operational risk and further stress-test the valuation. An important element of this evolution has been to expand the remit of the Audit and Valuation Committee which is now named the Audit, Valuation and Risk Committee, which continues to be chaired by my Board colleague, Richard Brooman.

The Board considers that an extensive and dynamic risk management framework is an important tool to underpin the creation of shareholder value, and to provide resilience against an increasingly volatile external environment.

I am happy to report that HGT continues to operate within the bands of this risk framework. As I have noted, to date, HGT has weathered the challenges of COVID-19. Furthermore, the prospect of Brexit, which figured prominently on the risk register last year, has not proven to have created any material difficulties for HGT.

The valuation of investments remains a key risk, given the elevated valuations which prevail in the sectors in which HGT invests. The Board and Hg regularly engage on the manner in which the valuations of underlying companies are set. Shareholders will be aware that HGT has increased the cadence with which valuations are communicated to the market, to improve the transparency of the valuations within the portfolio. Furthermore, the Board has worked alongside Hg to develop even more rigorous ways to triangulate different valuation methodologies to arrive at appropriate valuations for the portfolio's individual assets.

As a result, the Board considers that the valuation policy, which conforms with best-practice guidance from the industry body, IPEV, is robust. It is of further comfort that the appropriateness of valuations continues to be underpinned by values achieved in realisations. The average EBITDA valuation multiple for the top 20 investments (83% of the overall portfolio) at 31 December 2020 was 22.1x (19.8x at 31 December 2019). Further detail on the valuation environment can be found in the Manager's Outlook on page 57 of this report.

HGT strategy

Over the course of the year, the Board spent considerable time and effort reviewing HGT's strategy. While HGT has enjoyed a period of sustained success over several years, this very fact prompted the Board to undertake a review, as the best time to undertake such a task is from a position of relative strength, such as HGT currently enjoys. I am happy to report that the results of this rigorous review outlined the validity, scalability and longevity of the investment strategy which HGT has adopted, along with the credentials and capability of the Manager, Hg, in being able to support it. As a result, HGT aims to follow a strategic path which is consistent with its historical one, retaining the investment focus and working with Hg to take advantage, selectively, of opportunities to grow which are consistent with those which have served HGT so well in the past.

Arrangements for the Annual General Meeting (AGM)

At the time of writing this Annual Report, the UK remains subject to strict regulations regarding meetings. The Board would normally welcome the AGM as an opportunity to present to shareholders and listen to your questions in person.

However, given current circumstances, physical attendance at the AGM this year will not be possible. Arrangements will be made by HGT to ensure that the minimum number of shareholders required to form a quorum will attend the AGM in order that the meeting may proceed to discuss the formal business of the meeting only.

As shareholders will not be able to attend, alternative arrangements are being made to enable shareholders to see the AGM presentation which would otherwise have been given at the meeting by HGT's investment manager. This will be filmed and published on our website www.hgcapitaltrust.com in advance of the AGM. Should you wish to ask the Board or HGT's investment manager any questions, we request that you do so either by email to: HGTAGM2021@hgcapital.com, or by post, by writing to HGT at 2 More London Riverside, London, SE1 2AP. Questions submitted before 5 May 2021 will be answered ahead of the AGM, and we will endeavour to answer any questions subsequently received as soon as possible.

Given the above, we recommend that all shareholders vote by proxy in advance of the AGM, appointing me, as the Chair of the meeting, as their proxy. I urge you to submit your proxy votes in good time for the meeting. Further details of this year's AGM, including information on how to vote, can be found on pages 148–155. I hope you will understand the approach we are taking this year, and we hope to see shareholders in person at next year's AGM.

Articles of Association

In order to provide the Board with greater flexibility going forward and to ensure shareholder participation in future AGMs, HGT is proposing that amended Articles of Association are adopted at the AGM this year. The principal amendments being proposed to the Articles of Association are to enable HGT to hold shareholder meetings using electronic means (as well as physical shareholder meetings or hybrid meetings). Although the new Articles would permit shareholder meetings to be conducted by electronic means, the Directors have no present intention of holding a virtual-only meeting, unless Government restrictions require them to do so.

Prospects

As I noted at the opening of my statement, current expectations are that, while 2021 will see its share of challenges, we shall also see some form of recovery from the COVID-19 pandemic and a gradual return to a more normal way of life. In this context, the prospects for HGT remain attractive. As 2020 has proven, not only are the assets within the portfolio resilient to exogenous shocks, but Hg is able to pursue its normal course of business in the cycle of acquiring and disposing of suitable investments, while generating attractive returns.

Your Board continues to take a positive view of the prospects for HGT. However, we maintain a clear focus on the many risks which prevail in the current environment.

Jim Strang
Chairman
12 March 2021



The objective of HGT 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 HGT is to invest, directly or indirectly, in a portfolio of unlisted companies where Hg believes that it can add value through increasing organic growth, generating operational improvements, driving margin expansion, reorganisation or acquisition – to achieve scale. HGT seeks to maximise its opportunities and reduce investment risk by holding a spread of businesses diversified by end-market and geography.

Risk management

HGT has adopted formal policies to control risk arising through excessive leverage or concentration. HGT's maximum exposure to unlisted investments is 100% of the gross assets of HGT from time to time. On investment, no investment in a single business will exceed a maximum of 20% of gross assets. HGT 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 HGT's policy is to invest in businesses in which Hg can play an active role in supporting management, Hg invests primarily 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.

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

Leverage

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. HGT commits to invest in new opportunities in order to maintain the proportion of gross assets which are invested at any time, but monitors such commitments carefully against projected cash flows.

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

Hedging

Part of HGT's portfolio is located outside of the UK, predominantly in northern Europe, with a further part in businesses which operate in US dollars. HGT may therefore hold investments valued in currencies other than sterling. From time to time, HGT 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.

Commitment strategy

HGT employs a commitment strategy to ensure that its balance sheet is managed efficiently. The level of commitment is regularly reviewed by the Board and Hg.

Liquid funds

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

At certain points in that cycle, HGT may hold substantial cash awaiting investment. HGT 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 which 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 HGT's investment objective and policy will be made only with the approval of shareholders in a general meeting.





Business model and risk framework

The Board has a clear view of the rationale for investing in unquoted businesses where the private equity ownership model has the potential to accelerate the growth in value creation. HGT seeks to capture this upside, whilst operating within a rigorous risk-management framework.

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, notably where there is the ability to work with management to implement strategic or operational improvements.

HGT offers a simple and liquid means by which shareholders can invest in unquoted growth companies, while benefiting from an investment company's governance model.

Business model

To achieve HGT's investment objective and within the limits set by the investment policy, HGT is an investor in unquoted businesses managed, and in most cases controlled, by the Manager. From time to time, HGT may hold listed securities in pursuit of its investment policy.

HGT is currently invested in 36 companies (as set out on page 58 of this report), ranging in size, sector and geography, providing diversification.

The Board has delegated the management of HGT's investments to Hg Pooled Management Limited (the 'Manager' or 'Hg'). Further details of the terms of the management agreement are set out on page 118 of this report. The Manager invests predominantly in unquoted software and business service companies in expanding sectors and provides portfolio management support. Hg's review on pages 25–81 of this report outlines how HGT's investments are managed on behalf of HGT.

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

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

HGT is usually the largest investor in each business. The Board has a further objective of keeping HGT as fully invested as is practicable, while ensuring that it will have the necessary cash available when a new investment arises.

The Board, on the advice of the Manager, makes assumptions about the rate of deployment of funds into new investments and the timing and value of realisations. However, to mitigate the risk of being unable to fund any draw-down under its commitments to invest, the Board has negotiated a right to opt out, without penalty, of its obligation to fund such draw-downs, should the need arise.

HGT may also take up a co-investment in some businesses (in addition to the investment which it has committed to make).

Typically, HGT has no liability to pay fees on such co-investment and no carried interest incentive is payable to the Manager on realisation (currently 6% of HGT's NAV is in co-investments). HGT 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 across all of the businesses in which it is invested as well as their valuation, the development of the Manager's investment strategy and the resources and sustainability of the business model.

Investment trust status

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

Performance targets

HGT'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 performance indicators, as set out on pages 5 and 6 of these Accounts. In the year to 31 December 2020, HGT's NAV per share increased by 24.0% on a total return basis. The FTSE All-Share Index decreased by 9.8% on a total return basis over the period. The annual total return of HGT's share price was 20.9%. NAV per share has grown by 13.5% p.a. compound over the last 10 years and 13.2% p.a. compound over the last 20 years. The share price has seen broadly similar performance growing by 14.8% p.a. compound over the last 10 years and 14.4% p.a. compound over the last 20 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.

HGT is not managed so as to achieve any short-term performance relative to any index. The Board also compares HGT's NAV and share price performance versus other comparable indices with similar characteristics.

Dividends

The Board reviews HGT's dividend policy on a regular basis, taking into consideration feedback from shareholders and HGT's ability to pay dividends as its underlying investment structures continue to evolve. Currently, the Board anticipates being able to maintain a dividend of at least 5.0p per share, absent any change in underlying assumptions.

Going concern

HGT's business activities, together with those factors likely to affect its future development, performance and financial position are described in the Board's Strategic Report and Hg's Review. The financial position of HGT, its cash flows, liquidity and borrowing facilities are described in the Strategic Report.

The Directors have considered the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting and believe that HGT is well placed to manage its business risks successfully. The Directors review cash flow projections regularly, including important assumptions about future realisations and the rate at which funds will be deployed into new investments. The Directors have a reasonable expectation that HGT will have adequate resources to continue in operational existence for at least the next 12-month period from the date of approval of this Report and to be able to meet its outstanding commitments. Accordingly, they continue to adopt the going concern basis in preparing these results.

Long-term viability statement

In accordance with provision 36 of the 2019 revision of the AIC Code of Corporate Governance, the Directors have assessed the prospects of HGT over a longer period than the 12 months required by the 'Going Concern' test. The Board believes that the appropriate period over which to assess HGT's viability may vary from year to year, depending on several factors, notably its outstanding investment commitments which, at year end, run until 2021–25. In addition, the Board believes that it should assess the viability of HGT over a minimum of five years and, accordingly, has elected this year to assess HGT's viability over the five-year period ending December 2025.

The key assumption which underpins our strategic planning is that HGT's business model remains broadly unchanged and continues to focus on investing in unquoted businesses managed by Hg.

Assessment of prospects

The Board has assessed HGT's prospects and long-term viability with due consideration to:

- HGT's position with reference to the business model (pages 14 and 18).
- the balance sheet, cash flow projections and availability of funding (pages 47–48, 84 and 98).
- HGT's contractual commitments (page 104).
- the principal risks and uncertainties associated with HGT, including: performance; regulatory; operational; financial; liquidity; and borrowing, as detailed on pages 16 and 17 of the Strategic Report.

Sensitivity analysis

The Directors of HGT have looked at the sensitivity of the business model against principal risks likely to have an impact including:

- Insufficient funds to meet commitments.
- A downturn in the macro-economic environment.
- The effect of Brexit on HGT and the portfolio companies.

Based on this assessment, the Directors of HGT confirm that they expect HGT to continue to operate and meet its liabilities, as they fall due, during the five years ending December 2025.



Hg's review



Financial statements



Corporate governance



Further information



Principal and emerging risks and uncertainties

During 2020, the Audit, Valuation and Risk Committee (AVRC) supported the Board in the creation of a strengthened Risk Management Framework, undertaking a robust assessment of the principal and emerging risks facing HGT.

Managing risk is fundamental to the delivery of HGT's strategy, and this is achieved by defining HGT's risk appetite and managing risks within that appetite, particularly those which would threaten its business model, future performance, solvency, valuation, liquidity or reputation.

The Board has defined risk appetites for each risk category and subrisk. By assessing the impact and likelihood of each risk against appetite, focus is maintained on those risks which require most attention, with mitigating actions prioritised.

This process involves the maintenance of a risk register which assesses each risk and classifies the likelihood

Risk trend:  improving
 stable
 worsening

Appetite:  within
 outside

of the risk and the potential impact of each risk on HGT. The AVRC regularly reviews the policies for managing each risk, as summarised below.

HGT considers its principal risks (as well as underlying risks) to be in four main categories:

Investment: The risk to HGT of an inappropriate investment strategy or Manager decisions leading to poor performance.








Financial: Valuation risk, liquidity risk and ensuring the availability of sufficient liquid resources for HGT to meet its commitments.

Operational: Regulation, Hg's internal systems and controls, portfolio performance and that of HGT's other service providers.

External: Macro-economic conditions, financial markets, changing regulation and other geopolitical uncertainties.

Potential risk	Potential impact	Mitigation	Trend/Appetite
Investment			
Performance The underlying portfolio companies underperform.	<ul style="list-style-type: none">Reduction in NAVReputation lossShareholders sell sharesEquity reduced	<ul style="list-style-type: none">Deployment of capital is a rigorous process determined by the Hg Investment Committee, operated by experienced investment professionals.Portfolio performance is reviewed regularly by Hg’s Realisation Committee comprising experienced investment professionals and the HGT AVRC.An operational performance group interacts across the portfolio to drive performance.	<div>▲</div> <div>✓</div> <div>▲</div> <div>✓</div>
Financial			
Valuations In valuing its investments and publishing its NAV, HGT relies, to a significant extent, on the accuracy of financial and other information provided by the Manager. Inaccurate valuations would lead to a misleading NAV.	<ul style="list-style-type: none">Creation of a false market in HGT sharesReputation lossShareholders sell sharesImpact on liquidity and ability to raise equity	<ul style="list-style-type: none">Valuations are prepared in accordance with IPEV guidelines and tested against HGT’s Valuation Policy.The Manager’s Valuation Committee, independently chaired, reviews and approves valuations quarterly.The auditors of both Hg funds and HGT review the valuation and methodology as part of their audit procedures.	<div>▲</div> <div>✓</div>
Balance sheet The inability of HGT to make investments, owing to insufficient liquid resources available.	<ul style="list-style-type: none">Reputation lossRisk to future performance	<ul style="list-style-type: none">Borrowing structures and cash flow forecasts are considered at each HGT Board meeting.An additional £200m of liquidity is available through an undrawn bank facility.An opt-out facility is available across all investing funds.	<div>▲</div> <div>✓</div>
Balance sheet Capacity is insufficient to underwrite future commitments to Hg funds.	<ul style="list-style-type: none">Risk to future performanceShareholders sell shares.	<ul style="list-style-type: none">A bank facility is in place to facilitate orderly management of the balance sheet.There is an opt-out facility across all investing funds.	<div>▲</div> <div>✓</div>

Business model and risk framework continued

Potential risk	Potential impact	Mitigation	Trend/Appetite
Operational			
Regulation It is in shareholders' interest to retain the tax advantages of investment trust status.	<ul style="list-style-type: none"> Increased corporation tax, leading to higher fees and potential impact on valuation and performance of HGT Shareholders sell shares 	<ul style="list-style-type: none"> The Manager monitors investment movements, forecast income and expenditure and retained income (if any) to ensure compliance with sections 1158 and 1159 of the CTA. Continuing investment trust status is certified by the Manager at each meeting of the Board. 	
Regulation General changes in legislation, regulation or government policy could influence the decisions of investors.	<ul style="list-style-type: none"> Misunderstood or misreported regulation leading to reduced demand for shares Lack of adherence to regulation leading to reputational risk 	<ul style="list-style-type: none"> Regular compliance and risk reviews are reported to the Board by the Manager's compliance team. Strong shareholder engagement through: <ul style="list-style-type: none"> dedicated investor relations team corporate broker. company secretary. 	
Manager internal controls and processes The risk that the Manager's processes are not adequate leading to poor performance or non-compliance to regulation.	<ul style="list-style-type: none"> Reputation loss Risk to future performance 	<ul style="list-style-type: none"> The Manager is regulated and supervised by the FCA. The Manager has controls in place, including those related to investment decisions; portfolio reviews; recruitment, training and promotions; financial performance and payments; protection of client assets; compliance; regulation. The Board of HGT and its auditors regularly review these processes and controls. 	
Cyber security Cyber security and data loss risk at Hg and portfolio companies.	<ul style="list-style-type: none"> Loss of or lack of control over data due to cyber attacks Reputation loss Regulatory sanction 	<ul style="list-style-type: none"> A portfolio cyber security team monitors cyber security across Hg and the portfolio companies and drives improvements. Most recently, the GDPR Committee has successfully implemented mandatory training for all staff. 	
External			
Political and macro-economic uncertainty Impacts from the UK leaving the EU affecting HGT and the portfolio companies in which it is invested.	<ul style="list-style-type: none"> Reduction in demand for shares 	<ul style="list-style-type: none"> Hg's portfolio is diversified with a high degree of recurring revenue. The Manager remains focused on the various issues which may need to be addressed, including: <ul style="list-style-type: none"> reduced availability of credit to fund future investments regulation, marketing, trade and foreign exchange movements These are regularly monitored by the Board of HGT. 	
Foreign exchange Some Hg investments are denominated in other currencies, as well as sterling.	<ul style="list-style-type: none"> Valuations affected by foreign currency movements 	<ul style="list-style-type: none"> The Board of HGT regularly monitors currency fluctuations. The Hg treasury functions hedge currency exposure and actively mitigate currency risk where appropriate. 	
Global pandemic Operating and investment activities are disrupted by pandemic events.	<ul style="list-style-type: none"> Portfolio companies suffer revenue declines Multiples of listed companies applied to valuations might be adversely affected 	<ul style="list-style-type: none"> Portfolio resilience is stress-tested against pandemic impacts. The majority of revenues are derived from subscription-based recurring revenues for non-discretionary technology-led services. 	



Environmental, social and governance matters

Socially responsible investment

The Board has endorsed Hg's policy to invest in a socially responsible manner, as set out below (pages 39–41) and at www.hgcapital.com/responsibility. Hg's focus is on identifying high-quality and sustainable businesses and supporting their growth for the benefit of shareholders and wider society. The Board monitors investment activity to ensure that it is compatible with these policies.

HGT has no employees and has limited direct impact on the environment. HGT aims to conduct itself responsibly, ethically and fairly and has sought to ensure that Hg's management of investments takes account of social, environmental and ethical factors where appropriate. The sectors in which the Manager invests do not generally raise material ethical issues.

Employees, human rights and community issues

The Board recognises the requirement under section 414C of the Companies Act 2006 to provide information about employees, human rights and community issues, including information in respect of any of its policies in relation to these matters and their effectiveness. These requirements do not apply to HGT as it has no employees, all of the Directors are non-executive and it has outsourced all of its functions to third-party providers. HGT has not, therefore, reported further in respect of these provisions.

Modern slavery

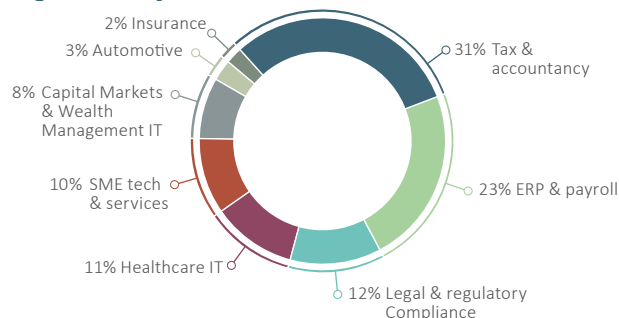
HGT has no employees of its own. The Directors are satisfied that, to the best of their knowledge, Hg complies with the provisions of the UK Modern Slavery Act 2015. For further information: www.hgcapital.com/wp-content/uploads/2020/08/Modern-Slavery-Act-2020.pdf

Diversity

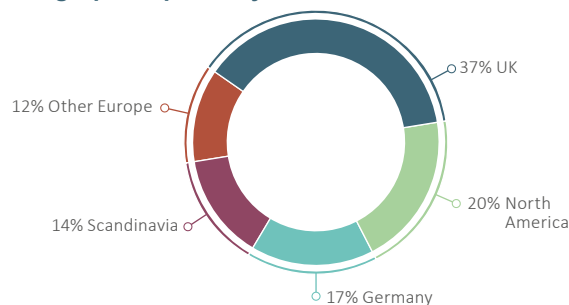
All financial decisions are made under conditions of uncertainty. The Board recognises the value of both identity and cognitive diversity in ensuring that varied perspectives are considered when making decisions.

The Board places value on attracting Directors with diverse outlooks and experience. The skills and experience which the current members of the Board bring to HGT's leadership are described on pages 116 and 117. The Board's policy is to make appointments to the Board to achieve the balance of skills, outlook and experience needed and to do so solely on merit. At the end of the year under review, the Board of Directors of HGT comprised four men and two women. The Manager has an equal opportunities policy and currently employs 130 men and 97 women. Nic Humphries, Senior Partner, Hg, is a member of the Level 20 Advisory Council, a not-for-profit organisation which aims to inspire more women to join and succeed in the European private equity industry. Details of Hg's diversity and inclusion initiatives can be found on page 37.

Hg cluster by value



Geographic spread by value





Section 172 of the Companies Act 2006

Section 172 of the Companies Act 2006 (the 'Act') requires Directors to act in good faith and in a way which is the most likely to promote the success of HGT. In doing so, Directors must take into consideration the interests of the various stakeholders of HGT and the impact which HGT has on the community and environment. They must take a long-term view of the consequences of their decisions, as well as aim to maintain a reputation for high standards of business conduct and fair treatment among the members of HGT.

The Directors of HGT have a duty to act in accordance with section 172 of the Companies Act, the terms of which are shown above.

Fulfilling this duty naturally supports HGT in achieving its investment objective and helps to ensure that all decisions are made in a responsible and sustainable way. In accordance with the requirements of the Companies (Miscellaneous Reporting) Regulations 2018, below, the Board explains how the Directors have individually and collectively discharged their duties under section 172 of the Act over the course of the reporting period.

To ensure that the Directors are aware of, and understand, their duties, they are provided (when they first join the Board) with a tailored induction, including details of all relevant regulatory and legal duties as a Director of a UK public limited company. They continue to receive regular and ongoing updates and training on relevant legislative and regulatory developments. They also have continued access to the advice and services of the Company Secretary and, when deemed necessary, can seek independent professional advice. The schedule of Matters Reserved for the Board, as well as the terms of reference of its committees is reviewed annually and further describe Directors' responsibilities and obligations, including any statutory and regulatory duties.



Purpose

The purpose of HGT is to deliver to shareholders 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. Through its Manager, HGT provides shareholders with exposure to a fast-growing network of unquoted investments, primarily in European software and business service companies. In providing access to investments not otherwise usually available to its shareholders, HGT's values focus on transparency and clarity in its reporting, constructive challenge in maintaining a strong relationship with the Manager, and mitigating avoidable risk. The Board's strategy is to work closely with its selected Manager in a long-term relationship designed to support and encourage the Manager to build and maintain the skills and resources to deliver long-term, consistent returns through a concentrated portfolio of carefully selected businesses.

Decision-making

The importance of stakeholder considerations, in particular in the context of decision-making, is regularly brought to the Board's attention by the Company Secretary and taken into account at every Board meeting, with a paper reminding Directors of that being reviewed at the start of every Board meeting. For example, the strategic planning discussions involve careful considerations of the longer-term consequences of any decisions and their implications on shareholders and other stakeholders and are supported by detailed cash flow projections based on various scenarios, including: assumptions around HGT's contractual commitments; availability of funding; borrowing; foreign currency management; wider economic conditions; market performance.

Operation of HGT

The Matters Reserved for the Board, Board committees' terms of reference, the Share Dealing and other Board policies are all reviewed at least annually, and the Directors ensure that they define obligations and correct procedures appropriately. The Report of the Audit, Valuations and Risk Committee, which can be found on pages 127–129 of this Report, further explains how the Committee reviews the risk management and internal controls of HGT. This includes ensuring that relevant systems and controls in place remain effective and appropriate, that the Manager sets an appropriate 'control culture', and that Hg's whistleblowing procedures, Anti-Bribery and Anti-Corruption policies are in place. Hg's Compliance Manager attends meetings to attest to the Board how Hg complies with these policies.

Culture

Last year, the Directors also considered and defined HGT's culture, purpose and values and, in 2020, reconfirmed that this remained valid. By formally identifying the important elements of HGT's culture, the Directors are able to assess and monitor it and ensure that it remains well aligned with HGT's purpose, values and strategy.

The culture of an externally managed investment trust is the product of the Board's diversity and behaviours, the values and behaviours of the Manager and the way in which the Board and the Manager interact with each other and with stakeholders of HGT.

The Directors have worked to incorporate these behaviours and processes into the annual review of the Manager, strategic planning, the annual evaluation of Board effectiveness and reporting to stakeholders – thus embedding consideration of stakeholders' interests, long-term perspective, maintaining reputation for fairness and high standards of governance, corporate reporting and business conduct more generally in HGT's culture and processes.

The Directors recognise the value in sustaining a culture which contributes to achieving the purpose of HGT in a way which is consistent with its values and strategy. Elements of culture include:

- Encouraging open and timely discussion within the Board and with the Manager, allowing time and space for original and innovative thinking.
- Ensuring that the interests of shareholders and the Manager (and its other clients) are well aligned, adopting a tone of constructive challenge, balanced when those interests are not fully congruent by robust negotiation of the Manager's terms of engagement.
- Drawing on Board Members' individual experience to support the Manager in its monitoring and change management of portfolio companies, for the benefit of all of the Manager's clients.
- Willingness to make the Board Members' experience available to support the Manager in the sound long-term development of its business and resources, recognising that the long-term health of the Manager is in the interests of shareholders in HGT.
- Appreciating that the asset class, as well as the individual businesses in which HGT invests, is not well understood by all shareholders, adopting a policy of maximum transparency, consistent with the commercial interests of the portfolio companies, and clarity in reporting.

- Willingness to use all available means to communicate with shareholders and potential investors, and to meet shareholders and consider their views.
- Acceptance that the prime purpose of HGT is to provide an efficient vehicle through which shareholders gain exposure to a well-managed, concentrated and leveraged portfolio and that the Board should not seek to add further investment risk.

A healthy corporate culture contributes to the long-term success of HGT. The following observable outcomes may be indicative of the Directors' success in embedding a healthy corporate culture in HGT's processes and policies, and actively promoting it through their behaviours:

- Continued support for HGT's shares and good, consistent trading performance;
- The breadth and quality of the share register, including willingness of shareholders to maintain their holdings over the long term rather than trade them short term.
- The extent to which the partners and staff of the Manager are willing to be long-term shareholders in HGT.
- Recognition of the transparency and clarity of reporting in HGT's reports to shareholders and content disclosed on its website.
- Recognition of the quality of HGT's shares as an investment by the number of broker recommendations as a long-term hold.

Social responsibility

The Board recognises that HGT has a responsibility to its shareholders, stakeholders and the wider society. The Board endorses Hg's policy to invest HGT's funds in a socially responsible manner. This includes the desire that those businesses in which Hg invests are genuinely focused on making a positive contribution to all stakeholders including employees, customers, suppliers, shareholders and the wider society. Hg has been a signatory of the UN Principles for Responsible Investment (UNPRI) since 2012 and the Board has welcomed Hg's continuing commitment to set ambitious goals for various aspects of environmental, social and governance (ESG) matters. Further details on how Hg integrates responsible investing into the investment process can be found on page 39 of this report. Under listing rule 15.4.29(R), HGT, as a closed-ended investment fund, is exempt from complying with the Task Force on Climate-related Financial Disclosures; however, information on Hg's efforts on climate change can be found on page 41.

The Board and Hg recognise the impact which climate change has on the environment and society. The Manager is committed to measuring and managing the carbon emissions associated with its business operations, as well as the portfolio companies. Therefore, Hg continues to work with them to raise awareness on climate change risks, carbon emission and energy efficiency. Hg is a certified carbon neutral company, committing to zero emissions by offsetting its entire carbon footprint.

The Board monitors investment activity to ensure that it is compatible with the policy and receives periodic updates from the Manager on its initiatives and performance against its ESG goals. The Board last received an ESG presentation at its meeting in January 2021, which was given by Hg's Head of Responsible Investment. The Hg Responsible Investment Report 2019, Hg Responsible Investment Policy 2020 and Hg 2019/20 Carbon Footprint Report can be found on Hg's website: www.hgcapital.com/responsibility.

Stakeholders

The Board seeks to understand the needs and priorities of HGT's stakeholders – and these are taken into account during all of its discussions and as part of its decision-making. While, as an externally managed investment firm HGT does not have any employees or customers, the Board recognises its key stakeholders – and the Board's beliefs and actions in relation to each group of stakeholders are described in the following table:





Stakeholders	Why they are important	Board engagement
Shareholders	<p>Continued shareholder support and engagement are critical to the continuing existence of the business and the delivery of its long-term strategy of its business.</p> <p>A resolution to continue the life of HGT is put to the shareholders every five years. Having last been approved by shareholders at its AGM in 2020, a similar resolution will be put to shareholders for approval at the AGM in 2025.</p>	<p>HGT has 958 shareholders, including institutional and retail investors. Over the years, HGT has developed various ways of engaging with its shareholders, in order to gain an understanding of their views. These include:</p> <ul style="list-style-type: none"> • Annual General Meeting (AGM): HGT welcomes attendance and participation from shareholders at the AGM. If attending, shareholders have the opportunity to meet the Directors and ask questions at the AGM. The Board values the feedback and questions which it receives from shareholders. With the exception of 2020, the Manager delivers a presentation at the AGM. In 2021, in light of the ongoing pandemic, the usual presentation will be filmed and placed on HGT's website. For further information about the 2021 AGM, please refer to the Chairman's statement on pages 10–12. • Publications: The annual and interim results presentations, as well as quarterly reports and factsheets, are available on HGT's website, with their availability announced via the stock exchange. Feedback and/or questions which HGT receives from its shareholders enable HGT to evolve its reporting which, in turn, helps to deliver transparent and understandable updates. • Shareholder communication: The Manager communicates with shareholders periodically. During the period, the Manager has held over 50 meetings with current and potential investors including more than 300 people. All investors are offered the opportunity to meet the Chairman or other Board members. • Investor Relations updates: At every Board meeting, the Directors receive updates on the share trading activity, share price performance and any shareholders' feedback, as well as any publications or comments in the press. To gain a deeper understanding of the views of its shareholders and potential investors, the Manager also undertakes Investor Roadshows following publication of HGT's results and an annual Capital Markets event. From time to time, the Board also commissions a perception study based on in-depth interviews of shareholders, analysts and other stakeholders. Their feedback is then taken into account when Directors discuss the share capital, any possible fundraisings or the dividend policy and put them into action, if appropriate. The willingness of the shareholders, including the partners and staff of the Manager, to maintain their holdings over the long-term period is another way for the Board to gauge how HGT is meeting its objectives. • Working with external partners: the Board also engages some external providers, such as investor communications advisors to obtain a more detailed view on specific aspects of shareholder communications, such as developing more effective ways to communicate with investors. <p>An example of how the investment community feedback was heard and acted upon was the Board's decision to publish a dividend policy and introduce interim dividends in 2017. At the time, the Board recognised that, while HGT's assets are managed to achieve long-term growth in shareholder value, in a period of low interest rates and yields many shareholders wished to have some certainty about the likely levels of dividend payments. More recently, the Board also initiated a 10 for 1 share split to make trading in the shares easier, especially for retail investors.</p>

Stakeholders	Why they are important	Board engagement
The Manager	Holding HGT's shares offers investors a liquid investment vehicle through which they can obtain exposure to Hg's diversified portfolio of private equity investments. The Manager's performance is critical for HGT to deliver its investment strategy successfully and meet its objective to provide shareholders with consistent long-term returns in excess of the FTSE All-Share Index.	<p>Maintaining a close and constructive working relationship with the Manager is crucial as the Board and the Manager both aim to continue to achieve consistent, long-term returns in line with HGT's investment objective. The Board invites the Manager to attend all Board and certain Committee meetings in order to update the Directors on the performance of the investments and the implementation of HGT's investment strategy and objective. Important components in the collaboration with the Manager, consistent with the Board's culture, are:</p> <ul style="list-style-type: none"> • Encouraging open discussion with the Manager. • Recognising that the interests of shareholders and the Manager (as well as of its other clients) are, for the most part, well aligned, adopting a tone of constructive challenge, balanced when those interests are not fully congruent by robust negotiation of the Manager's terms of engagement. • Drawing on Board Members' individual experience to support the Manager in its monitoring and change management of portfolio companies, for the benefit of all of the Managers' clients. • Willingness to make the Board Members' experience available to support the Manager in the sound, long-term development of its business and resources, recognising that the long-term health of the Manager is in the interests of shareholders in HGT.
The Company Secretary, the Registrar, the Depositary, the Broker, the AIFM	In order to function as an investment trust with a premium listing on the London Stock Exchange, HGT relies on a diverse range of advisers to support meeting all relevant obligations.	The Board maintains regular contact with its key external providers, both through the Board and Committee meetings, as well as outside of the regular meeting cycle. Their advice, as well as their needs and views, are routinely taken into account. In addition, the Management Engagement Committee, tasked with periodic reviews of the external service providers, also holds relationship meetings and formally hears, and acts on, their feedback, as appropriate. During the period, the Management Engagement Committee continued to undertake reviews of the third-party service providers and agreed that their continued appointment remained in the best interests of HGT and its shareholders.
Lenders	Availability of funding and liquidity are crucial to HGT's ability to take advantage of investment opportunities as they arise.	Considering how important the availability of funding is, HGT aims to demonstrate to lenders that it is a well-managed business and, in particular, that the Board focuses regularly and carefully on the management of risk.
Institutional Investors and proxy advisers	The evolving practice and support of the major institutional investors and proxy adviser agencies are important to the Directors, as HGT aims to maintain its reputation for high standards of corporate governance, which contributes to the long-term sustainable success of HGT.	Recognising the principles of stewardship, as promoted by The UK Stewardship Code 2020, the Board welcomes engagement with all of its investors. The Board recognises that the views, questions from and recommendations of many institutional investors and proxy adviser agencies provide a valuable feedback mechanism and play a part in highlighting evolving shareholders' expectations and concerns.
Regulators	HGT can operate only with the approval of its regulators which have a legitimate interest in how HGT operates in the market and treats its shareholders.	HGT regularly considers how it meets various regulatory and statutory obligations and follows voluntary and best-practice guidance, while being mindful of how any governance decisions which it makes can affect its shareholders and wider stakeholders, in the short and in the long term. The Board receives reports from the Manager and Auditor on their respective regulatory compliance and any inspections or reviews commissioned by regulatory bodies.





Directors' duties continued

Principal Decisions in 2020

Examples of the Board's principal decisions during the year, how the Board fulfilled its duties under Section 172 of the Act and the related engagement activities are set out below:

Principal decision	Long-term impact	Stakeholder Considerations and Engagement
To undertake a strategy review for HGT	Reviewing strategy and setting a clear strategic direction for HGT is key to the long term ability of the Company to deliver compelling returns to shareholders.	The Board undertook a thorough strategy review exercise in 2020. The goals of this process were to understand and agree on suitable metrics to frame a long-term 'ambition' for the company; to validate the current investment model and its likely ability to continue to deliver returns to shareholders and to validate the capability of Hg in the role of investment manager.
To make commitments into new Hg funds	Commitments made, totalling £750 million across Hg Saturn 2, Hg Genesis 9 and Hg Mercury 3 funds, support the long term growth in the NAV of HGT and further strengthen the relationship with the manager, Hg.	Consistent with its strategy and business model, HGT periodically enters into formal commitments to invest in certain investment vehicles raised by Hg. HGT is the largest such investor in these vehicles and shareholders benefit from the ability to deploy substantial capital in this manner in vehicles which would otherwise be inaccessible. Furthermore, HGT retains a unique 'opt-out' right associated with these investments which is further to the benefit of shareholders.
To renew and extend HGT's credit facility	In line with its approach to balance sheet management, HGT increased its multi-currency revolving credit facility to £200 million. This provides additional flexibility to manage HGT's balance sheet to support the growth of NAV.	The Board regularly reviews HGT's cash position and commitments taking into consideration the impact on shareholders. The revised banking facility will be used to support the long-term growth of HGT, to help facilitate the programme of investments undertaken by HGT over the coming years.
To issue new shares in HGT	Issuing new shares allows HGT to increase its liquidity in the market – an important consideration for shareholders. Furthermore, successful investment of the capital raised in new issuances will promote further growth in HGT's NAV.	The Board regularly reviews the capital structure of HGT and seeks to issue new equity when market conditions allow and where such action would, in the view of the Board, be in the best interests of HGT. When evaluating such decisions, the Board takes full account of the impact of any such capital raising on the existing shareholder base. The Board takes into consideration the ability of HGT to deploy any additional funds in a timely and successful manner.
To make new appointments to the Board of HGT	Continuing to develop and evolve the Board so that it contains an appropriate mix of skills, diversity and experience is important to promote the long-term success of HGT.	During the year, two Board appointments were made. Namely the appointment of Pilar Junco as a member of the Board and the appointment of Jim Strang to the role of Chairman of the Board. These appointments were made to promote the best long-term interests of HGT, to bring requisite skills to the Board and in full compliance with HGT's policy on Board development and evolution.

For and on behalf of the Board

Jim Strang

Chairman of the Board

12 March 2021



Building businesses which change how we all do business

Hg is a specialist private equity investor focused on software and business service companies. Our business model combines deep sector specialisation with dedicated operational support. Hg invests in growth companies in expanding sectors, primarily via leveraged buyouts in businesses with operations in or across Europe.

Hg's vision is to be the most sought-after private equity investor within our sector focus, being a partner of choice for management teams, to provide consistent, superior returns for HGT and our other clients, while providing a rewarding environment for Hg colleagues.



References in this annual report and accounts to the 'portfolio', 'investments', 'companies' or 'businesses' refer to a number of investments, held as:

- indirect investments by HGT through its direct investments in fund-limited partnerships (HGT LP, HGT 6 LP, HGT 7 LP, HGT 8 LP, HGT Genesis 9 LP, HgCapital Mercury D LP ('Hg Mercury'), HGT Mercury 2 LP, HGT Saturn LP, HGT Saturn 2 LP and HGT Transition Capital LP) of which HGT is the sole limited partner.
- a secondary purchase of a direct interest in Hg's Genesis 6 fund through HgCapital 6 E LP ('Hg 6 E'), in which HGT is a limited partner.
- direct investments in renewable energy fund limited partnerships (Asper Renewable Power Partners LP ('Asper RPP I LP'), of which HGT 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 138–140 of this annual report.





About Hg

Europe's largest software and services investor with a transatlantic network



>25

years of
investing



c.230

employees across
London, Munich
and New York



>150

highly regarded
institutional
investors



>\$30bn

funds under
management

26

Hg's review

Overview

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

Since then, Hg has worked hard to develop a unique culture and approach – setting us apart from other investors. We are committed to building businesses which change the way we all do business, through deep sector specialisation and dedicated, strategic and operational support.

Today, Hg has c.230 employees, representing the largest technology investment team in Europe.

We have three investment offices, which are in London, Munich and New York, with funds under management of around \$30 billion and serving more than 150 highly regarded institutional investors, including private and public pension funds, insurance companies, endowments and foundations.

Hg is, itself, an entrepreneurially led, fast-growing business, 100% owned and managed by its partners.

HGT is the largest client of Hg, which has been contracted to manage HGT's assets since 1994 and offers investors a liquid investment vehicle, through which they can obtain exposure to Hg's diversified network of unquoted investments with minimal administrative burdens, no long-term lock up or minimum size of investment – and with the benefit of a Board of independent Directors and corporate governance. HGT's strategy is to invest in parallel with all of Hg's current funds.

Investment strategy

Hg's investments are focused primarily on defensive growth buyouts in software and business service companies operating in specific end-market 'clusters' with enterprise values ('EVs') of £100 million to over £10 billion, growing faster than the broader economy. We predominantly seek controlling buyout investments in Northern European-headquartered businesses, though such companies will often have a global footprint and customer base.

Hg's objective is to pursue investment theses supporting long-term growth, leveraging its expertise working in these sectors to implement initiatives designed to maximise organic expansion, as well as through rolling up fragmented sectors, over typical hold periods of approximately five years.

Hg has led over 100 investments in the software and service sector during the last 25 years. This focus means that we have developed an institutional expertise and a deep understanding of the markets and businesses in which we invest.

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.

This flexible approach to investment means that, at any given time, the Hg portfolio is likely to comprise over 30 software and business service companies with similar characteristics, but of different sizes, end-market focus and maturity profiles.

Hg's office in New York enhances the ability to crystallise and develop transatlantic investment opportunities, manage existing investments and make bolt-on acquisitions, as well as continue to engage with – and ultimately sell – portfolio companies to North American trade buyers. As the US has the largest technology sector, this also helps to consolidate Hg's position as Europe's leading software investor.



One strategy over three funds across the size range in software and business service companies

HGT has made commitments to invest on the same financial terms as all institutional investors in Hg funds, with investments made into businesses with enterprise values ranging from £100 million to over £10 billion.

The power of the portfolio

Hg has a unique approach and strategy, with a focus on achieving scale in tightly defined clusters of expertise.

As a result, we have assembled a large portfolio of companies and business models, sharing similar characteristics, yet differing in size and maturity. This creates a natural environment for knowledge-sharing, creating a network effect to drive best

practices and value-creation initiatives. This is why we believe in collaboration and the 'power of the portfolio'.

This scale and focus enable our businesses to benefit from being part of one larger organisation, while retaining their own identity with each management team, incentivised by their own success.

The Hg portfolio is not only the fastest-growing software business in Europe, but also the second-largest.





About Hg continued



The 'Hg sweet-spot' business model

Hg has a clear and robust business model, focused on long-term, consistent and defensive growth, predominantly through investment in buyouts with a Northern European angle. We seek companies which share similar characteristics, often providing a platform for merger and acquisition ('M&A') opportunities.

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

We invest primarily in two main market sectors:

Software

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

We have invested in high-quality industry champions which have strong sector reputations and diverse customer bases and which feature subscription-based business models generating predictable revenues and cash flows. With more than 30 software investments in our portfolio, we bring a unique set of networks and insights to help to support value creation in our businesses.

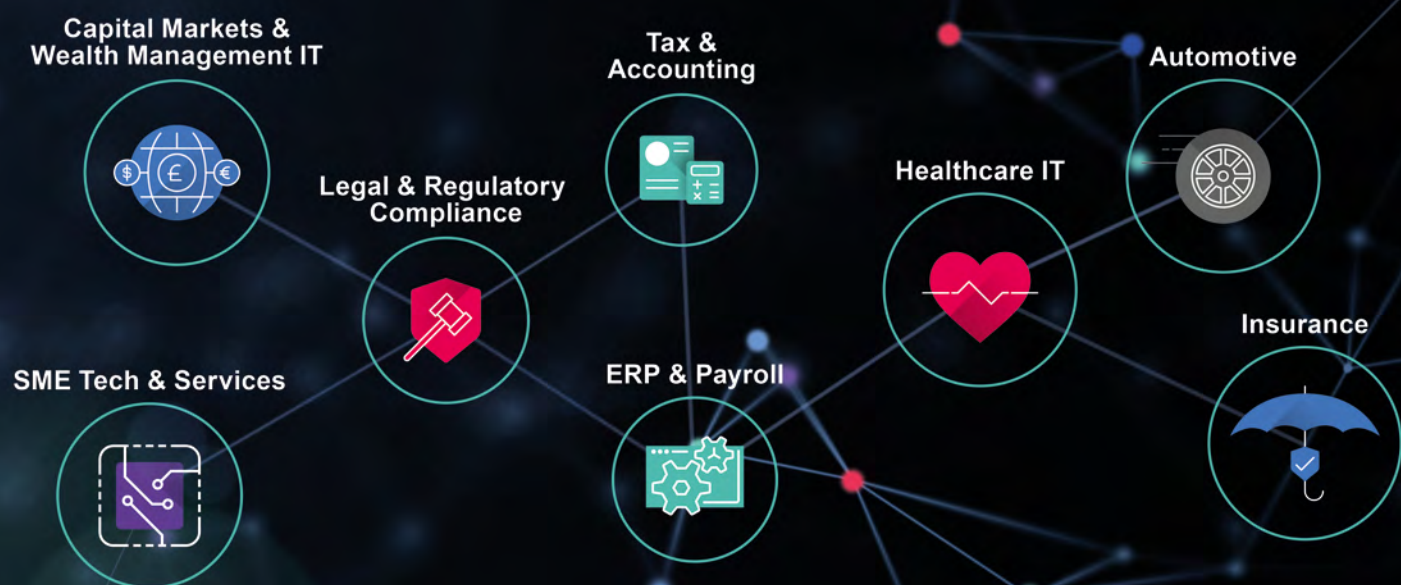
Tech-enabled services

Our business services investments focus on companies with high levels of intellectual property, large fragmented customer bases and long-term and stable customer relationships – and businesses which provide business-critical services, preferably on a repeat or recurrent basis.

We target businesses with strong reputations within a niche and aim to grow and scale these businesses, either organically within existing markets or through acquisitions.



About Hg continued



Deep knowledge and networks within our end-market clusters

Hg has a unique approach and strategy, with a focus on achieving scale in tightly defined clusters of expertise. This specialisation helps us to build deep know-how.

Cluster	Portfolio
Tax & Accounting 17+ years	TeamSystem® VISMA IRIS SOVOS AZETS silverfin Prophix CASEWARE GenII
ERP & Payroll 17+ years	TeamSystem® VISMA IRIS access TRANSPOREON P&I PURE HR brightpay benevity
Legal & Reg Compliance 14+ years	Achilles TRACEONE MITRATECH LITERA septeo
Automotive 12+ years	MeinAuto.de
SME Tech & Services 11+ years	Commify iRelation teamblue REGISTER F24 Geomatikk The Citation Group
Capital Mkts & Wealth Mgmt IT 7+ years	FE fundinfo argus smartTrade
Insurance 7+ years	GOSSLER, GOBERT & WOLTERS GRUPPE Howden Group Holdings
Healthcare IT 6+ years	Evaluate ALLOCATE MEDIFOX LYNIATE Intelerad

Note: Number of years refers to the number of years for which Hg has invested in each cluster



Working together

Sharing Hg know-how and experience

By virtue of the fact that Hg invests repeatedly in specific business models, our dedicated portfolio team has been able to tailor a differentiated approach to driving value creation during our ownership. Following each investment, our portfolio team works with the management of our investee companies to focus on a set of operational levers which is key to performance in an 'Hg sweet-spot' business model: growth, transformation, technology, cyber security, data analytics, ESG and talent. For each of these levers, the portfolio team has the experience and deep knowledge of best practices to help to drive value creation, in collaboration with management.

Every company can access the team, yet the nature of support can take a variety of forms. Often, our portfolio team members provide direct support, taking on roles to help the business to pursue growth more quickly. Another option is for our experienced industry experts to mentor senior executives, helping them to build more scalable functions.

In other instances, the support comes through introducing management teams to their counterparts in other companies in which Hg is invested, specifically those who have faced comparable challenges.

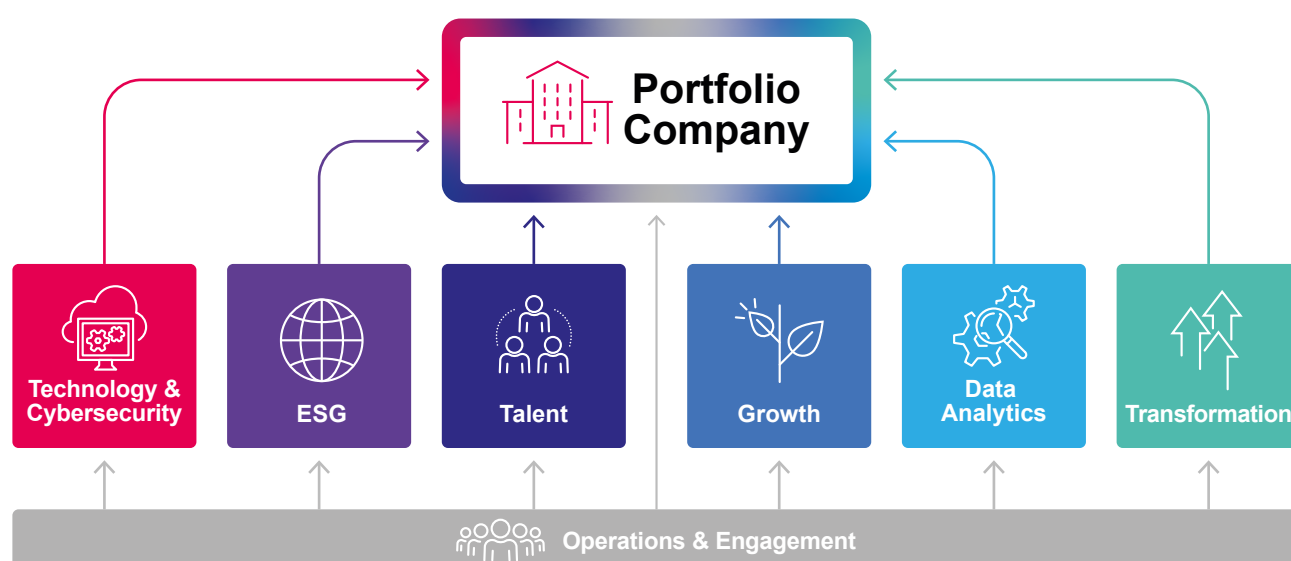
“What’s been remarkable is how the connectivity has increased across the Hg portfolio of companies. Everyone’s in it together. There has also been a notable increase in the speed at which innovation and positive change is taking place. I’ve been so impressed with the rate at which our companies have adapted to, and made the most of, this new environment we find ourselves in.”

Dawn Marriott, *Partner and Head of Portfolio Team, Hg*



Our focus areas

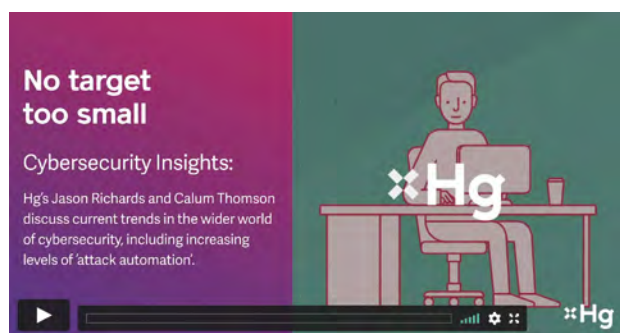
From sharing best practice and resources through to tailored teams of technical experts, we work closely with the companies in which we invest to ensure that they gain the tools and guidance required for business success.



About Hg continued

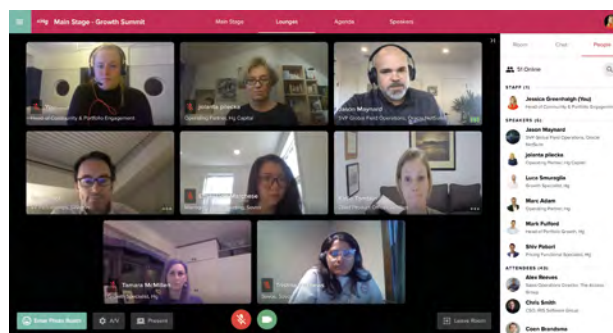
The Hg portfolio community

We view all of our business management teams as a part of the Hg portfolio community – and that means promoting a culture of working together to share ideas, experiences, advice and best practice. One of the most powerful ways in which the portfolio team motivates change is through peer-to-peer collaboration. This gives the management teams of our portfolio companies the ability to exchange ideas and insights and to share best practice and learnings with others in the Hg portfolio and our network of external experts. In 2020, we offered portfolio companies a full end-to-end digital engagement experience, hosting virtual events and facilitating an increase in activity on the Hg online collaboration platform – Hive. In total, we hosted over 75 online events, with 1,500 attending.



Virtual events

From March 2020, to ensure we were engaging with our portfolio and creating multiple touch points, we used the Hive platform and hosted a number of tailored webinars for our portfolio contacts. In August 2020, Hg then partnered with Welcome, a virtual event platform which enables the creation of high-quality events, thereby creating a truly differentiated experience for those attending. Since September 2020, Hg has partnered with Welcome to successfully host five virtual summits and three tailored virtual roundtables, with NPS scores of over 80% being obtained. Hg can attribute this success to not only a combination of hitting the right tone with the format and relevant content, but also the creation of a tailor-made dedicated experience for each person attending.



2020:

75 portfolio team-led events with many more in the diary

1,500 total in attendance

Hive ^{Hg} Hg's online community for everyday collaboration

Hive is Hg's online collaboration platform. It connects thousands of senior executives across the Hg portfolio through multiple functional communities. Individuals can post questions, start discussions, share content and gain access to best-practice methodologies from world-class experts.

With digital engagement being the most utilised format to engage with our portfolio through the pandemic, Hive is thriving more than ever. In 2020, we welcomed 800 new members, with over 22,000 interactions captured across the year. This highlighted a 689% increase in total usage by our members. With this huge increase in members, several developments are being implemented across the Hive platform to further enhance collaboration and engagement.





Building a single global solution for tax

Web: sovos.com Cluster: Tax & Accounting Geography: USA

SOVOS ✖ **Hg**

About Sovos

Sovos is a leading provider of mission-critical software across the tax value chain. They have built a leading proposition for satisfying the increasingly complex tax needs of global enterprises and aim to build an increasingly comprehensive single cloud solution for tax compliance.

Currently supporting more than 8,000 customers, including half of the Fortune 500, and integrating with a wide variety of business applications, the Sovos team is based throughout the Americas and Europe.

“Our partnership with Hg has been an integral force in the expansion of Sovos in a dynamic environment. With Hg’s confidence in our sector, our position and our unique ability to deliver a complete solution for modern tax, Sovos is ready for the next stage of the company’s growth.”

Andy Hovancik, CEO

Why Hg likes Sovos

Hg initially invested in Sovos through the mid-cap Genesis fund in January 2016 and reinvested via the larger-cap Saturn fund in August 2020.

Tax software is a core cluster for Hg. We have dedicated over 15 years of research and investment experience to the industry and built up industrial scale in our own portfolio.

Sovos falls directly into the ‘Hg sweet-spot’: its tax and compliance solutions are mission-critical for businesses, and are becoming increasingly embedded in all business transactions.

Rapidly changing, fragmented and interconnected global tax regimes with increasing scope and complexity, have driven greater adoption of third party tax software across Sovos’ customer base, particularly given the increasing cost of non-compliance.

Sovos also has a subscription business model, with more than 90% of revenues recurring in nature, allowing for stable growth. The Company’s core products help customers meet critical tax reporting and determination obligations, with net retention rates of over 100%.

A partnership...

Hg recognises that the global trend in digitising tax and compliance will continue. There is an increasing demand for real time business-to-government reporting. Sovos is well positioned as a trusted global leader in the sector with the most complete solution set spanning the tax value chain.

Our vision is closely aligned with the Sovos team and by working collaboratively for over five years, we have taken advantage of these favourable tailwinds both organically and through strategic M&A.

...with a proven leadership team...

The leadership at Sovos boasts over 95 years of industry-specific expertise cumulatively. Frequent engagement with the Hg Portfolio team and a strong cultural affinity have enabled a smooth pathway for growth and expansion on many levels.



Andy Hovancik
President & CEO



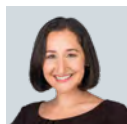
Steve Sprague
Head of GVAT



Colleen Schlagel
Chief Talent Officer



Bob White
CFO



Laura Handler
Chief of Staff



John Landy
Chief Technology Officer



John Strasser
CSO



Pawel Smolarkiewicz
CPO

...right in Hg's sweet spot...



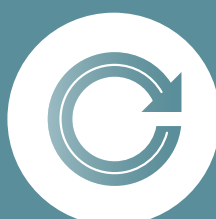
Fragmented customer base



Mission-critical product



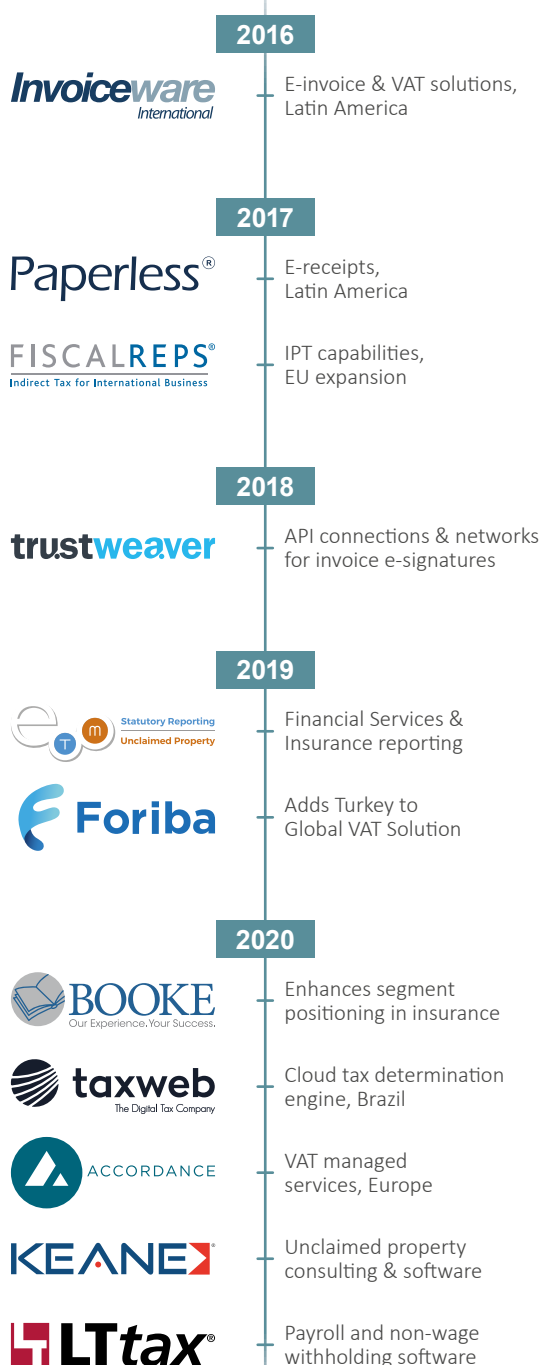
Clusters defined by IP



Subscription business model

...building a global M&A engine

Hg's M&A expertise made a significant contribution to deal execution and the integration of our partners. A strategic approach enables the international footprint of Sovos to expand with coordination and collaboration.





Moving into real time

Public finance decision making is growing to rely increasingly more on the collection of real-time fiscal data. In turn, this leads to a global increase in the adoption of Continuous Transaction Control (CTC) mandates. Under these modern regulatory systems, the taxpayer is required to instantly electronically invoice the client or customer and simultaneously report the fiscal data.

With its integrated regulatory reporting products, Sovos is uniquely positioned to help clients meet their reporting obligations. The rise of CTCs across the globe will continue to drive the demand for better tax software solutions. In particular, with the CTC regulation introduced in LatAm, Europe and Asia we have built a differentiated global scale at Sovos.

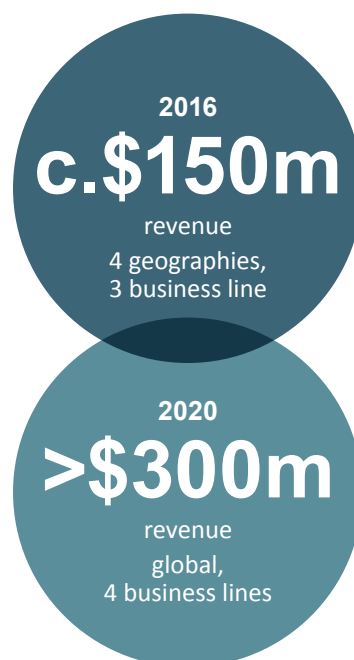
Value creation

When Hg invested in Sovos in 2016, we believed in the trends behind the digitisation of tax and compliance and an increased focus on indirect tax globally.

We have linked arms to promote the expansion of core products into adjacent solutions to drive cross-sell. In addition, Hg has been supportive of Sovos' transition from an on-site to a SaaS subscription revenue model.

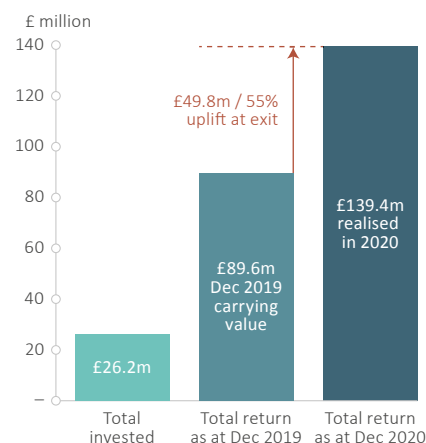
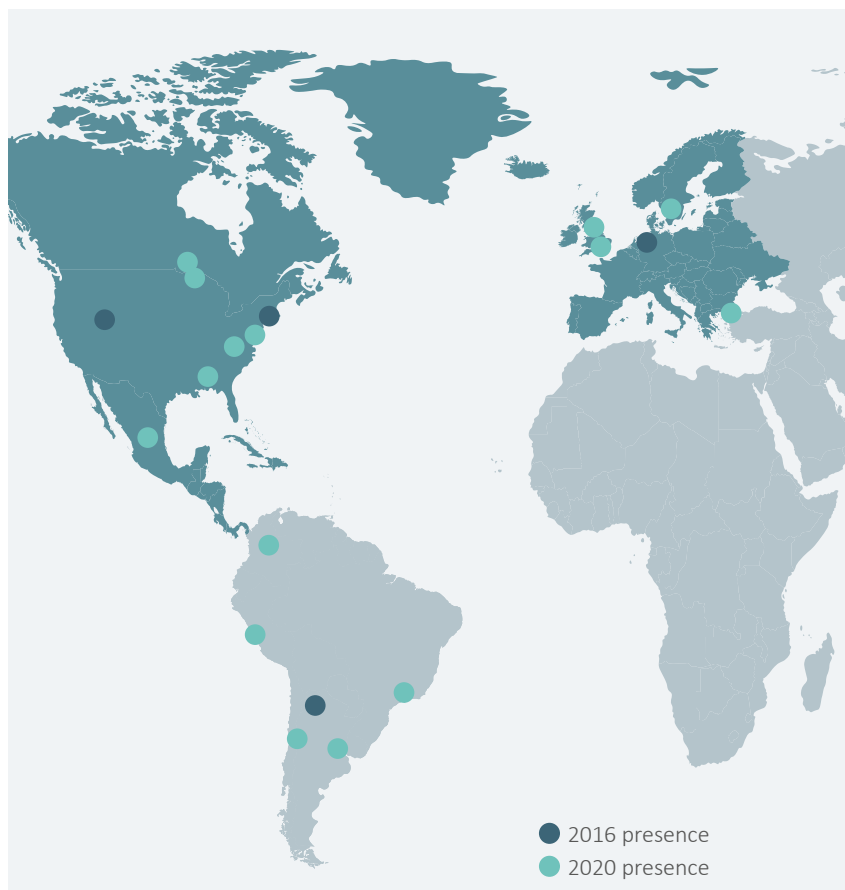
Over the years, Sovos has grown from a c.\$150m revenue company in four geographies to a global leader in tax compliance with over \$300m in revenue.

Moving forward, we plan to leverage Sovos' unique offering in global value-added tax to build partner engagement and help enterprises meet their global tax needs.



Geographic expansion

We expect growth to continue as countries look to close tax gaps and lower their cost of enforcement. We will stand alongside Sovos in a continued expansion of scope, adding more geographies and lines of business. We also plan to partner with management on furthering Sovos's M&A efforts to continue bolstering our product offering and to strengthen our global footprint.



The numbers in this chart relate to HGT's share of Hg's investment in Sovos.

5.5x

Investment return multiple of cost

43%

Gross IRR

Portfolio talent – 2020 round-up

Talent management and assessment

Five management team re-organisation projects utilising assessment tools TeamScope and Hogan, including one in due diligence.

Talent acquisition

Notably, recruiting and talent acquisition processes were not slowed down by the COVID-19 pandemic. Processes moved online and interviews, referral checks and assessments were conducted virtually.

- 27 completed.
- 80% of all current talent acquisition projects being executed by Hg Talent Team including nine VCP and two DD projects.
- 64% of all searches executed end-to-end by Hg Talent Team. 36% by external executive search firms.

Internal VCP

- Nine projects directly sourcing senior advisors across clusters for market insights and potential future Board-level candidates.
- 12 advisors signed across clusters.

Due diligence

- 10 projects directly sourcing advisors for specific deals.
- £1.16 million saved through using our internal resources, representing 0.3% of collective EBITDA.

The Hg team

- c.700 interviews across the team.
- 332 candidates actively met and pooled for future use.
- Database of 5,513 potential portfolio candidates; 3,056 at CxO level, 442 at Board level 1,445 CEOs and 301 Chairs.
- Introduction of reporting through iLevel to provide D&I and compensation benchmark data.

19 portfolio companies supported in some capacity. **27 candidates placed** into portfolio companies, including;



Richard Hanscott
CEO, Commify
Joined Jan 2020



David Blumer
Chair, FE fundinfo
Joined Feb 2020



Julia Shub
CHRO, Transporeon
Joined Nov 2020



Chris Smith
CSO, Iris
Joined Nov 2020

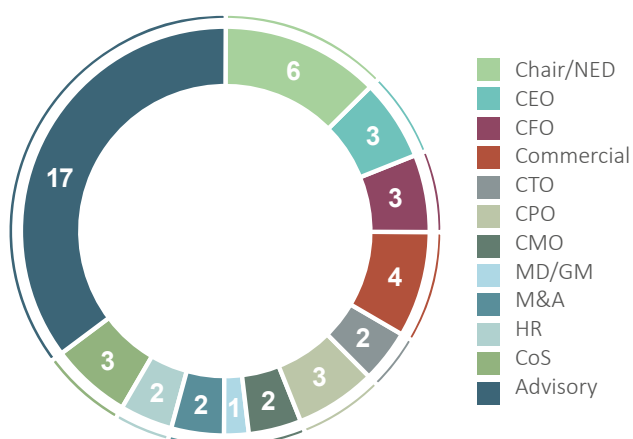


Niklas Savander
Chair, Silverfin
Joined Nov 2020

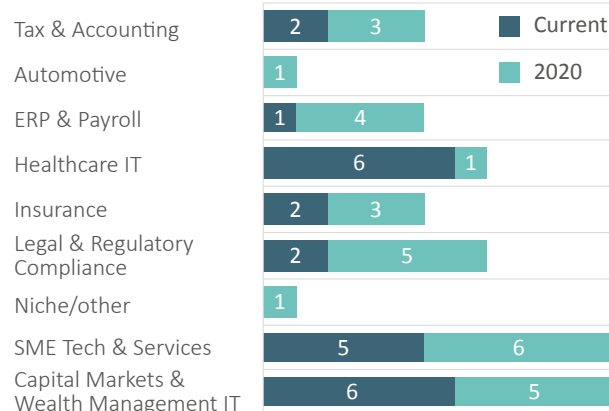


Benoît Ferté
Head of M&A, Septeo
Joined Feb 2021

Projects worked on by function



Projects worked on by cluster





About Hg continued

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

Steven Batchelor, *Chief Operating Officer, Hg*



c.230 members
of the team



3 investment offices
in London, Munich
and New York



Our team

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

This specialisation – in both investment selection and portfolio management – requires significant resources, and we have built a business employing c.230 people, including 140 investment and portfolio management executives and other professionals. Our investment and portfolio-management executives come from a range of backgrounds and experience, including private equity, consulting, investment banking, accounting and industry specialists. Our portfolio team comprises a mix of senior operators and functional specialists, typically with substantial experience in their respective specialist operational and strategic roles. 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 16 European countries, Asia, Africa and the USA. On average, our partners have 15 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. These – along with our strong brand, leadership, sector focus, fund performance, vibrant culture and only working with recruitment partners who ensure that their search methodology is inclusive, providing diverse talent – allow us to attract and hire the best talent in our industry.



Improving our ability to identify talent

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



Employee engagement

Our people are highly motivated by, and committed to, delivering outstanding value to HGT, our other institutional clients and our portfolio company leadership teams. They are engaged by their work, our values and the opportunity to grow to their full potential within Hg. Our values have evolved over many years and are embodied in our working culture; these are aligned with our performance and reward structures. Hg works hard to ensure that our employees are engaged. We use independent external benchmarks to gauge levels of engagement and take appropriate actions to ensure the highest-possible levels of engagement. We have a strong focus on career and personal development, providing a range of development opportunities to enable our talent to reach their full potential and perform at their best.



Developing future leaders

We are explicit about those behaviours which we wish to encourage at Hg and have aligned recruitment, training, coaching, performance and rewards to our values – for everybody across the organisation, including our leadership. We know that longevity of success means doing it the right way, thinking long term and always being willing to listen and learn. These values can be seen and felt everywhere you look, around our offices and in everyday interactions – it's really what makes us Hg.



“With diversity, you source and analyse deals, ask and answer questions and manage teams differently. It adds up to better investment and business decisions. The more complex the challenge at hand, the greater the returns.”

Nic Humphries, *Senior Partner, Hg*



140

investment and
portfolio management
executives



8

clusters of
expertise

Diversity and inclusion

Hg has introduced several new policies, over the past 12 months, as part of a wider initiative around diversity and inclusion. We have an established D&I steering group, comprising a range of individuals from across the firm. Its aim is to promote a culture of inclusion which clearly values diversity in all of its forms. We have several global initiatives – gender balance, flexible working, mentoring programmes, training and awareness events – to drive internal change. This is also echoed and supported through our HR learning and development initiatives, including structured mentoring programmes, recruitment processes and training, embedding awareness of unconscious bias and inclusion.

Hg will maintain its commitment to industry-wide initiatives such as Level 20, a not-for-profit organisation aligned around a common vision to inspire more women to join the industry. Hg senior partner Nic Humphries continues his role on Level 20's advisory council.

LEVEL 20

“At Hg, we aim to attract and maintain a team of the best-possible investment and operational talent. To do this, we need to ensure that we’re building this team from the broadest range of potential employees. Having a clear strategy and committed team looking at diversity and inclusion, with full support from the firm’s senior leadership team, is crucial.”

Martina Sanow, *Partner and Deputy Chief Operating Officer, Hg*

Hg is now a member of the LGBT Great network and as part of this partnership has contributed to two of their research projects: LGBT+ investing lens: research exploring the practice of investing for financial return while also considering the benefits to those who identify as LGBT+, such as improving economic opportunities or social inclusion for the LGBT+ community.

Hg has also signed up to new and exciting programmes, including the Institutional Limited Partners Association’s ‘diversity in action’ initiative, acknowledging our ongoing commitment to take concrete steps to advance diversity, equity and inclusion across our organisation and the industry more broadly. In addition, we look forward to welcoming our first interns through the #100blackinterns programme, helping black students to kick-start their career in investment management.

In October, Hg were proud to sponsor the PEI ‘Women in PE’ Forum, featuring a keynote from Nic Humphries on ‘Working to create a diverse and inclusive environment’ and Elizabeth Wallace and Martina Sanow hosting the workshop ‘Women and Diversity: what does it mean?’ alongside Pamela and Dorett Jones of Genesis Consultancy. This workshop pushed attendees to consider where we are today on gender parity and identify where there are still gaps.

Diversity Data: research exploring the concept of extending mandatory organisational diversity reporting beyond gender to other diversity dimensions such as ethnicity and sexuality. Hg hopes that this research will be a catalyst for positive change and are proud to be a part of it.



Removing barriers to education & skills in technology

The Hg Foundation

The Hg Foundation's goal is to have an impact on the development of those skills most required for employment within the technology industry, focusing on individuals who may otherwise experience barriers to access this education.

The foundation aims to achieve this by providing funding and operational support to charitable schemes across Europe, the UK and US, where its long-term, measurable and scalable impact can be demonstrated to make a difference to those who need it most.

Since its launch in 2020, the foundation has formed three key strategic partnerships, representing an initial total commitment of £2.3 million, to be delivered over the first three years.

Alongside **Imperial College London**, a global top-10 university, the foundation has committed funding to advance and scale the college's current mA*ths outreach programme to incorporate A-level further maths, supporting the development of a skill critical to employment within technology.

The SEO Tech Developer programme in the US addresses the technology diversity gap for black, Latinx and native American undergraduate students majoring in computer science, engineering and related STEM fields.

The foundation was one of the initial funders of an online tutoring pilot commissioned in spring 2020 by **Impetus**, the EEF, Nesta and The Sutton Trust, the findings of which fed into the National Tutoring Programme (NTP) rolled out later in 2020 by the UK Government.

Through **The Tutor Trust**, an established tutoring charity and delivery partner of the NTP pilot, the foundation is supporting a further pilot initiative to test the efficacy of a hybrid model of online and face-to-face tutoring for disadvantaged students.

The foundation is funded through a proportion of carried interest from current and future Hg funds, a proportion of Hg's annual profits and also through charitable activities carried out across the firm. The foundation's ambition is to reach £3–4 million annual commitments over the first 10 years.

The Hg Foundation is a UK-registered charity, run by an independent board of trustees, including Tom Attwood (chair) and Sir Kevan Collins. Tom Attwood is the former chair of the Academy and Free School Board at the DfE. Sir Kevan Collins was the first chief executive of The Education Endowment Foundation, during 2011–19, and is a visiting professor at the UCL Institute of Education.

Hg Foundation partners:

**Imperial College
London**

I **Impetus**

SEO Career
Tech Developer

**THE
TUTOR
TRUST**

Responsible investment

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, while generating superior risk-adjusted returns for the millions of pensioners and savers globally whose funds are invested with Hg. We want the businesses in which we invest 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 to generate superior long-term performance.

Our responsible investment journey

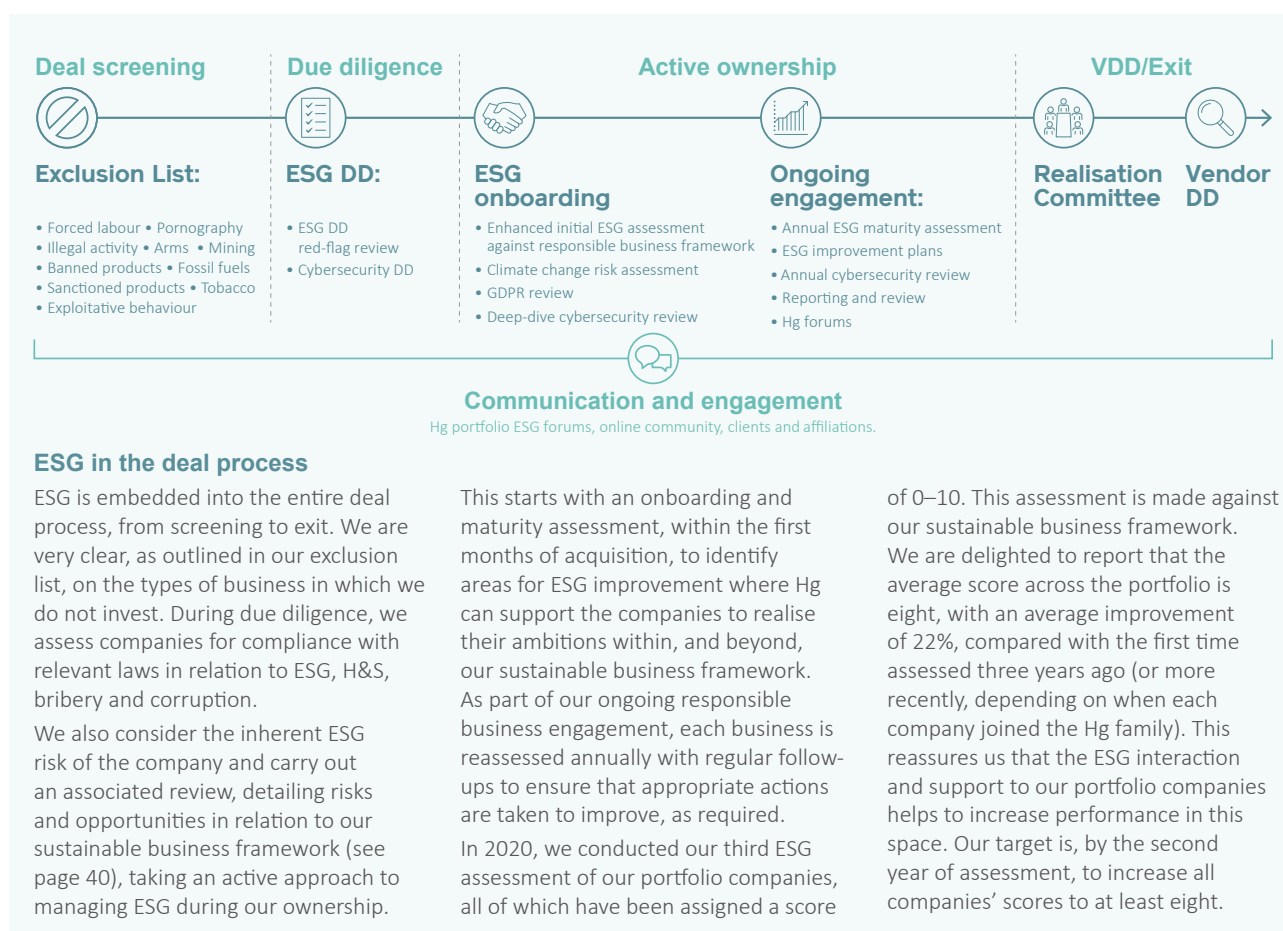
We continue to demonstrate our commitment to RI publicly – through our relationship with the United Nations-supported principles for responsible investment (UNPRI). We have been signatories since 2012 and are proud to have retained the top score, AA++, for a second successive year, cementing our reputation as a leader in ESG initiatives and innovation.

We recognise that climate change is one of the most important topics in the ESG space and at the top of the agenda for society, Hg and our investors, especially with the forthcoming COP26 conference. As a result, Hg joined the UK network of the Initiative Climat International (ICI) as a founding member

in 2020. This European initiative on climate change was created recognising that climate change will have an adverse effect on the global economy. It is supported by the UNPRI and the UK network comprises a collaborative network of over 20 Private Equity firms who are all working towards best practices for carbon footprinting and climate change.

As part of our efforts on climate change, Hg has undertaken a full climate change risk assessment across our portfolio, using our PwC-developed climate change risk tool. This concludes that none of Hg's businesses faces high transition or physical risk relating to its operations. As a result of our comprehensive review, we have practical opportunities to reduce risks and increase resilience, both within Hg and across the portfolio.

Hg has been recertified as carbon neutral – our FY 2019/20 carbon footprint report (see page 41) shows Hg's value chain carbon footprint and what we have done to offset our emissions. Our planned carbon-reduction strategy will set targets and identify opportunities to further reduce our carbon emissions, helping Hg to transform our environmental impact. Since March 2020, the COVID-19 pandemic has presented challenges to both Hg and our portfolio – and we have been quick to act. For details about how Hg and our portfolio responded to the pandemic, please see pages 42–43.





A signatory to the UNPRI since 2012.

AA++ 2020 PRI Assessment Score:

'A+' for Strategy & Governance, and
'A+' for Private Equity Ownership

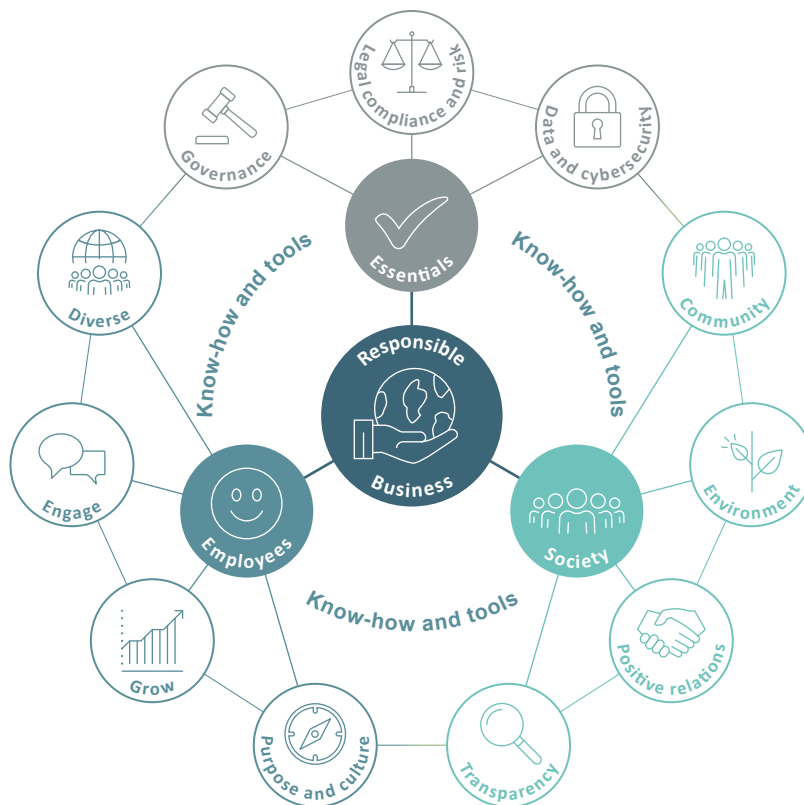


Private equity action on climate change

Hg has joined the UK network of the Initiative Climat International (ICI)




Our sustainable business framework

Hg's sustainable business framework outlines key ESG areas of focus for software and service companies. This framework is based on extensive research and forms the foundation for the ESG assessments which we conduct of our businesses as part of onboarding – and annually thereafter.



Essentials





There are certain minimum ESG requirements which Hg expects from all of our businesses. These include:

-  **governance and business integrity**, such as a company code of conduct, appropriate controls, board composition and appropriate health & safety, whistle-blowing and grievance procedures;
-  **legal, compliance and risk**, including compliance functions and active risk management, as well as standards and policies to combat bribery, corruption, money-laundering, anticompetitive behaviour and other malpractice;
-  **data and cyber security**, including Hg's minimum standards for cyber security, along with appropriate information-protection practices and GDPR compliance.



Employees

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

-  **purpose and culture**, including company vision, mission and values;
-  **growing businesses and talent**, including job growth, healthy staff turnover, talent management and succession-planning;
-  **engagement and motivation** by promoting transparent communications, health and well-being, learning opportunities, recognition and good leadership;
-  **diversity of talent** and equal opportunities, irrespective of ethnicity, gender, disability or background.



Society

We want all of our businesses to strive for positive external impact by acting transparently and contributing to society through their business practices, charitable and community support and external relations. Our businesses affect society in several ways:

-  **community engagement**, including apprenticeships, charitable giving and volunteering;
-  **environmental impact**, such as energy use, carbon footprint, data-centre efficiency and waste management;
-  **positive relationships** with key external stakeholders, including customers and suppliers;
-  **transparency** of company commitments and progress, including external reporting and sustainability communications.

CarbonNeutral.com

Hg has been recertified as a carbon-neutral company and continues to offset all carbon emissions. With greater transparency, more accurate data and a new carbon-reduction strategy for 2020/21, we are making environmental responsibility a crucial part of the way in which we do business.

In the past year, we have focused on reducing our emissions in our office utilities and are proud to report good progress. Our water emissions have dropped by two-thirds, while both our electricity and mains gas emissions have also reduced significantly. However, our business has grown, too. In 2019/20, Hg's headcount increased by around 25%, while, in April 2019, we opened our New York office – both factors contributing to an increase in our office-related emissions, business travel, hotel stays and staff commuting. With this in mind, we are creating a carbon-reduction and management strategy for 2020/21, with the aim of reducing our footprint across all areas over the next 12 months. In particular, we are examining how we can learn lessons from the new working practices introduced during the COVID-19 pandemic and translate them into long-term policies which will help to transform our environmental impact.



The issue

In 1994, the United Nations Framework Convention on Climate Change recognised that the climate system can be affected by greenhouse gas (GHG) emissions and ozone-depleting substances (ODS). The consumption of fossil fuels, other industrial activities and deforestation generate the majority of GHGs, such as carbon dioxide, nitrous oxide, methane, chlorofluorocarbon (CFC), hydrochlorofluorocarbon (HCFC) and hydrofluorocarbon (HFC). These gases are collectively known as greenhouse gases, since they do not interact with short-wave radiation from the sun; instead, they absorb the reflected long-wave radiation from the Earth's surface and reradiate this energy as heat within the Earth's atmosphere. Unless we take radical action, our lives (including our resources, economies and businesses) are going to be profoundly affected. Hg is taking very seriously indeed our responsibility to be part of that action. By measuring and offsetting our carbon footprint, we aim to do our part in tackling the global climate emergency, while also supporting sustainable development in local communities. We strive to lead by example and are working actively with our portfolio companies to raise awareness and support urgent positive change.

Methodology

This report outlines Hg's carbon footprint for the financial year 2019/20. It has been prepared by external consultant Natural Capital Partners and includes our scope-one, -two and -three emissions.

Premises:

These include mains gas and electricity consumption, transmission and distribution losses, water consumption and waste water leaving premises for treatment, as well as waste.

Business travel:

Air travel, including short- and long-haul flights.
Rail, including domestic journeys and Eurostar.
Other forms of travel include taxi, as well as hotel stays.

Other:

Staff commuting, including by car, rail, underground and taxi, as well as couriers' deliveries.

Emissions Source	GHG Emissions (tCO ₂ e)		
	2019/2020	2018/2019	Y-o-Y Change
Refrigerant gas	1.9	0	1.9
Mains gas	35.9	50.7	-14.8
Electricity Inc. T&D losses	128.0	210.7	-82.7
Water and wastewater	2.0	6.1	-4.1
Waste	1.6	0.7	0.9
Business travel	1,973.0	1345.7	+627.3
Hotel stays	38.2	19.3	+18.9
Staff commuting	63.9	21.8	+42.1
Outbound courier deliveries	4.6	0.7	3.9
Total	2,249.1	1,655.7	+593.4
Emissions Metrics			
Emissions / FTE	11.42	10.28	+1.14
Emissions / m ²	0.68	0.60	+0.08

Offset and reduction

Hg continues to offset all carbon emissions by supporting the Acre Amazonian Rainforest project. This prevents deforestation and promotes sustainable economic livelihoods in the Brazilian Amazon¹.

With the funds of carbon finance, the project works with local communities to create models of economic development which avoid deforestation and protect the ecosystem. The project delivers four of the 17 sustainable development goals:





COVID-19 update: Resources and information from across the Hg portfolio

With the COVID-19 pandemic affecting every aspect of business and society, Hg is pleased to have seen the businesses which we back providing the efficiency tools and expertise to help their customers to best navigate this unique crisis and, in some cases, actively help our frontline carers to combat the impact of the virus. There have been some impressive and often critical efforts all round – and we are proud to present a few of these.

ALLOCATE

In 2020, Allocate, a leading international provider of workforce- and resource-planning solutions, was deployed to help solve staffing issues at several of the UK's dedicated COVID-19 field hospitals, with Allocate's HealthRoster Optima software being used to e-roster staff. The SaaS solution was deployed in just nine days at London Excel and was prepared to deliver rostering for up to 30,000 staff at the 4,000-bed field hospital. The Allocate team have been ready to provide 24/7 operational roster management both onsite and remotely – putting on significant extra staff to handle the system. Hg has also assigned over 20 of their own employees to help manage the rostering support centre which was set up to help nurses, physicians and other medical staff to manage their shifts. Allocate responded to a further 7 field hospital requests in the UK and had other discussions in Germany and Australia.

Evaluate

In 2020, Evaluate, a leading provider of commercial intelligence and predictive analytics to the pharmaceutical industry, co-hosted a virtual conference to bring together the life sciences industry to support the fight against COVID-19. With physical conferences impossible, #PartneringAgainstCOVID19 was a unique, virtual event, aimed at accelerating the industry's ability to find the right partner in developing diagnostics, drug treatments and a COVID-19 vaccine. 3,200 participants from over 80 countries and representing more than 2,140 life science companies came together, resulting in over 2,600 partnering meetings in just three days.



In 2020, Intelera, a leading global provider of medical imaging software and enterprise workflow solutions, committed to providing the radiology community with technology which makes a difference and information which really matters to its sector during the pandemic. The podcast series, Rallying Against COVID-19, brings in experts and external guests to discuss hot topics, including remote readings tips, innovative solutions to the COVID-19 challenges and more.



The Citation Group ('Citation') provides tech-enabled compliance and quality-related subscription services to SMEs across the UK. During this crisis, Citation is helping over 40,000 SMEs in the UK to navigate the HR and H&S issues related to COVID-19. Citation's experts have also created an online hub and back-to-business toolkit for the next phase of lockdown. Both are updated with the latest government measures in the fight against the disease, including live Q&A sessions with experts.

TRANSPOREON

Transporeon is a cloud-based logistics platform with strong network effects, connecting over 1,200 shippers and almost 100,000 carriers worldwide. Transporeon has developed an amazing online resource, including real-time cross-border traffic-tracking, to help to navigate the logistics industry during the COVID-19 pandemic.

F24

F24, the pan European leading SaaS provider for proactive crisis management, emergency notification and critical communications, supports its more than 2,500 customers in managing critical communication and processes during the pandemic.

With FACT24, F24 provides its customers a secure and reliable platform for emergency notification and crisis management to handle the COVID-19 pandemic. In addition, F24 created a smart and simple method for recording and tracing personal contacts with its business messaging service eCall very quickly after the pandemic started. The solution is based on SMS and works without an app, which means it is very easy to access for everyone, e.g. in restaurants, shops or for companies to enable tracing of their employees' personal contacts within the work environment.

About Hg continued



Litera is offering Litera Transact free during the crisis, helping legal teams to carry out several processes online, allowing them to work, while reducing the need for, and risk of, physical contact.



Admincontrol (Visma) is offering its online portal products free, during this challenging time, to enable businesses to communicate through a secure and encrypted platform.



Blick Rothenberg: (Azets) has created an up-to-date guidance hub, with advice on tax, contracts, government schemes and cash flow management, among many other topics.



smartTrade have dedicated specific hardware to assist in the C19 research of Folding@Home, a distributed computing project for simulating protein dynamics behind many diseases to help understand better the virus and, ultimately, to find a viable treatment.



The Medifox Connect product is free for six months, at a time when visiting family in nursing homes or with home care isn't easy. Using its family portal, relatives can easily exchange personal messages, pictures and videos with loved-ones.



Sovos offered free filing support at the start of the crisis and ran a live blog in the spring and summer of COVID-related tax regulation changes around the world. Changes since are reported on their regulatory analysis feed by their global team of tax attorneys and analysts.



IRIS has been updating its blog hub with practical advice on HR, compliance, payroll and accounting for businesses. It launched a free business-to-employee comms tool to help HR teams to engage simply and securely with staff during COVID-19 isolation.



team.blue helps over 2 million SMEs across Europe to create and maintain their digital presence. This has proven crucial in keeping businesses moving during the COVID-19 pandemic. The firm's Italian division, Register, has been particularly active – also donating actively to heavily affected Italian regions.



Commify has been offering free SMS messaging to healthcare providers to make emergency communications easier.



The speedy deployment of EidosMedia's mobile newsroom app has enabled newsrooms to work remotely during the crisis. EidosMedia has also been fundraising in its Milan office, collecting and donating around €13,000 to CESVI for Bergamo's Hospital Giovanni XXIII.



Mitratech has been rolling out new workflows, free of charge, for TAP Workflow Automation clients, helping clients to manage the new world, including self-reporting COVID-19 cases, a remote-work tracker and travel approval requests.



Achilles has built an action plan for buyers needing better supply-chain visibility during the crisis and beyond. Achilles has also created a COVID-19 resource centre and partnered with leading law firm Schjødt – to offer customers free initial consultation on new legislation.



Lyniate partnered with Nova Scotia Health Authority to facilitate faster delivery of negative C19 test results. Lyniate's products can be used to enable workers to be screened to ensure a safe return to work and report the results to the Centers for Disease Control & Prevention for analysis and action. Drew Ivan, Chief Product and Strategy Officer, also wrote about facilitating the vaccine rollout.



Access Group regularly updates their COVID-19 information hubs for companies in sectors including Health & Social Care, Hospitality and Not-for-profit. Practical guides, virtual events and blogs offer support for their customers' fast adapting business models. The Access EarlyPay app gives employees access to earned pay as and when they need it, which reduces staff financial pressure, resulting in reductions in staff turnover.



FE fundinfo provided free training for Financial Advisers using their FE Analytics tool, to help them advise investors during the financial market turbulence seen as a result of the pandemic. 1,700 Advisers were trained on how to use FE Analytics more effectively to give informed investment advice to their clients.





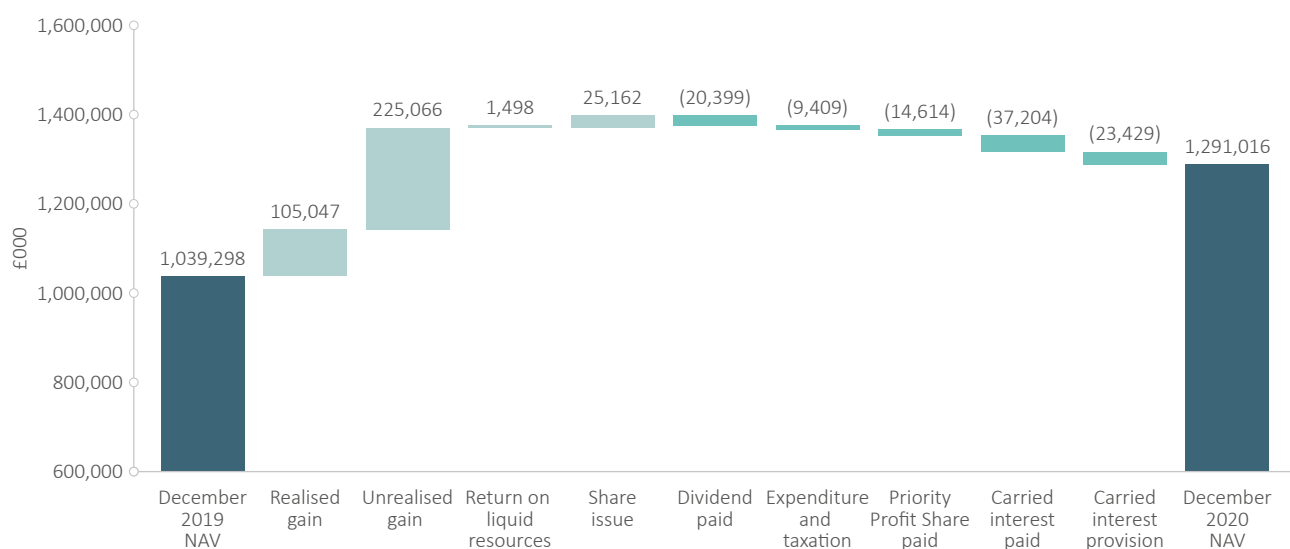
Net asset value (NAV)

During the year, the NAV of HGT increased by £252 million, from £1,039 million at 31 December 2019 to £1,291 million at 31 December 2020.

Attribution analysis of movements in NAV

	Revenue £000	Capital £000	Total £000
Opening NAV as at 1 January 2020	23,536	1,015,762	1,039,298
Realised capital and income proceeds from investment portfolio in excess of 31 December 2019 book value	4,713	100,334	105,047
Net unrealised capital and income appreciation of investment portfolio	30,012	195,054	225,066
Net realised and unrealised gains from liquid resources	1,395	103	1,498
Share issue	–	25,162	25,162
Dividend paid	(20,399)	–	(20,399)
Expenditure	(7,871)	(1,536)	(9,407)
Taxation	(2)	–	(2)
Investment management costs:			
Priority profit share – current year paid	(14,614)	–	(14,614)
Priority profit share – reallocation between capital and income	3,176	(3,176)	–
Carried interest – current year paid	–	(37,204)	(37,204)
Carried interest – current year provision	–	(23,429)	(23,429)
Closing NAV as at 31 December 2020	19,946	1,271,070	1,291,016

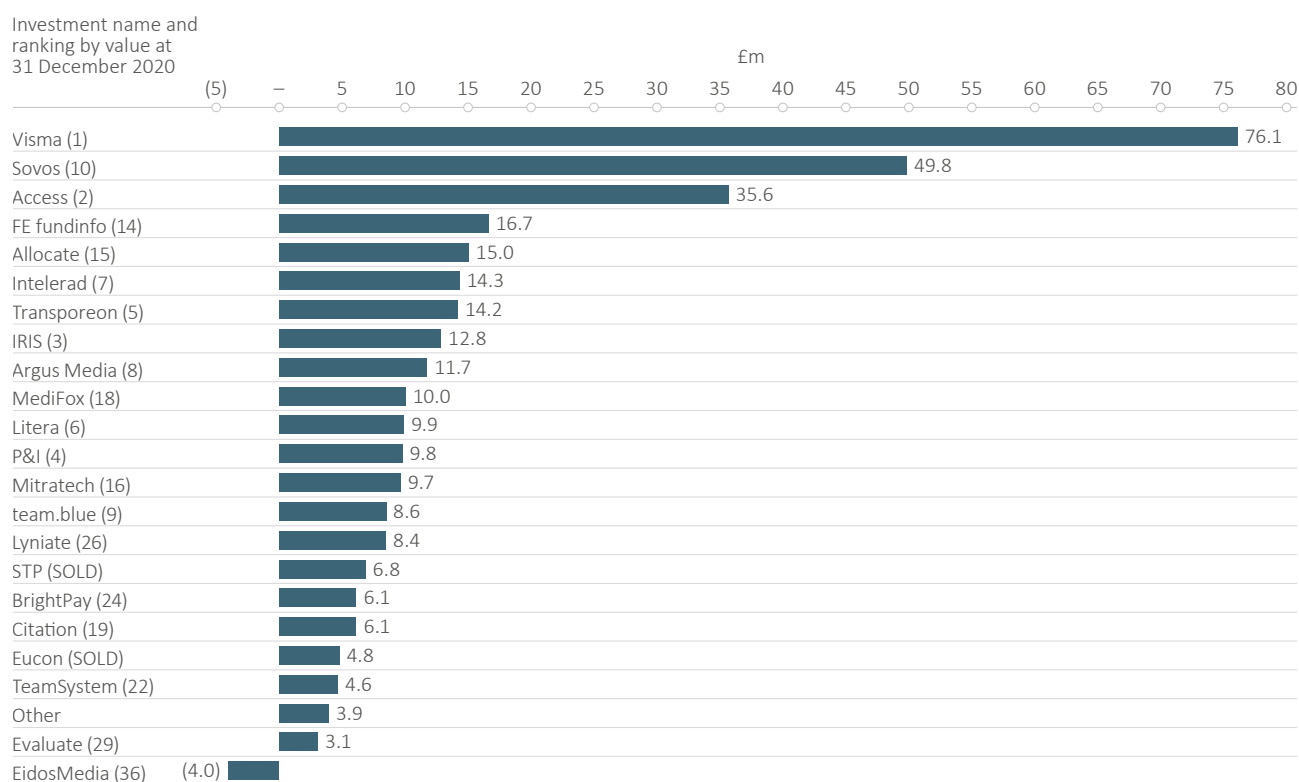
Analysis of NAV movements



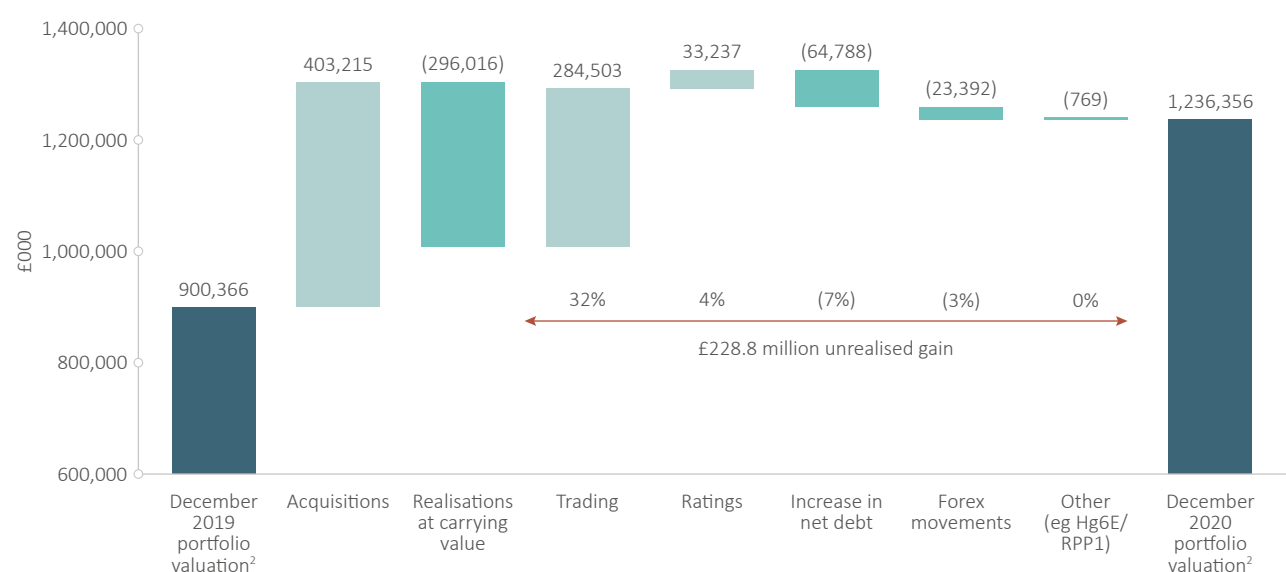
Several underlying factors contributed to the increase in NAV. Positive impacts were the £225.1 million revaluation of the unquoted portfolio and uplifts of £105.0 million on the realisation of investments, compared with their carrying value at the start of the year. Shares issued during the year contributed a further £25.2 million.

Reductions in NAV included: the payment of £20.4 million of dividends to shareholders, carried interest paid of £37.2 million and a £23.4 million increase in the provision for future carried interest.

Realised and unrealised movements in the value of investments



Attribution analysis of movements in the value of investments¹



¹ Including accrued income and excluding carried interest provision. ² Before the deduction of the carried interest provision and fund level facility.

During the year, the value of the unrealised investments increased by £228.8 million, before the provision for carried interest. The majority of the increase, £284.5 million, relates to increases from profit growth in the underlying investments. An increase in valuation multiples increased the value of investments by £33.2 million.

Acquisitions net of realisations at carrying value of £107.2 million increased the value further. Unfavourable currency movements of £23.4 million and an increase in net debt of £64.8 million contributed negatively to the unrealised portfolio.



Top 20 portfolio trading performance as at 31 December 2020

The top 20 investments (representing 83% of total investments by value) have delivered strong sales growth of 22% and EBITDA growth of 31% over the last 12 months ('LTM').

The business model characteristics of the companies in which we are invested give us confidence that sustainable growth can be achieved consistently, going forward.

More than 70% by value of the top 20 businesses within the portfolio are seeing double-digit revenue growth, and more than 90% have delivered double-digit EBITDA growth over the last 12 months.

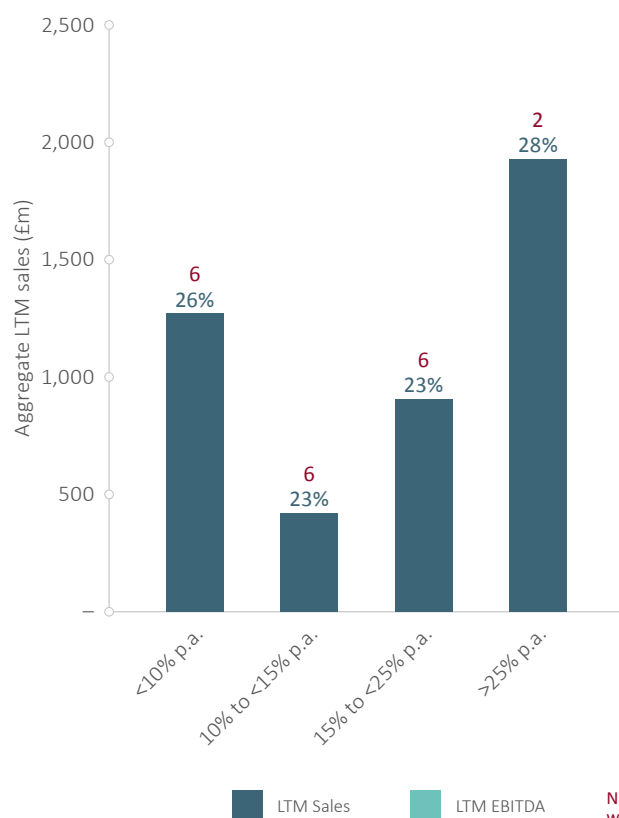
Profits have grown at a faster rate than revenues, with continued investment made into the cost base of several companies, for example, to finance increased sales and marketing capabilities and strengthen management and new product development, continuing to drive future performance.

We have seen very robust and consistent trading performance from the majority of the portfolio, with particularly strong growth from Mitrastech, Allocate, Access, IT Relation, Intelrad, Visma and FE fundinfo. While new to the portfolio, Septeo is also displaying robust growth.

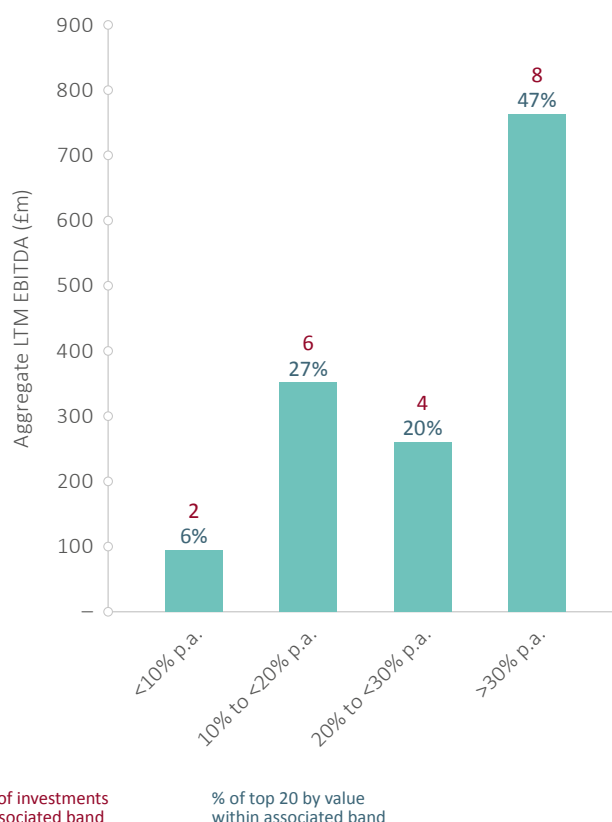
Where a company has not performed as well as we would like, we have reflected this in its valuation. During 2020, we took the decision to write down EidosMedia.

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

Distribution of top 20 LTM sales growth: +22%



Distribution of top 20 LTM EBITDA growth: +31%



Valuation and net debt analysis as at 31 December 2020

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 and recent M&A activity; this resulted in an average EBITDA multiple for the top 20 investments of 22.1x (19.8x at 31 December 2019). We have made incremental improvements to our methodology during the year in order to add further rigour to our valuations. These include the use of multiple valuation techniques as a cross-check to the existing valuation methodology and expanding the number of comparable businesses used to calculate the multiples for each individual investment.

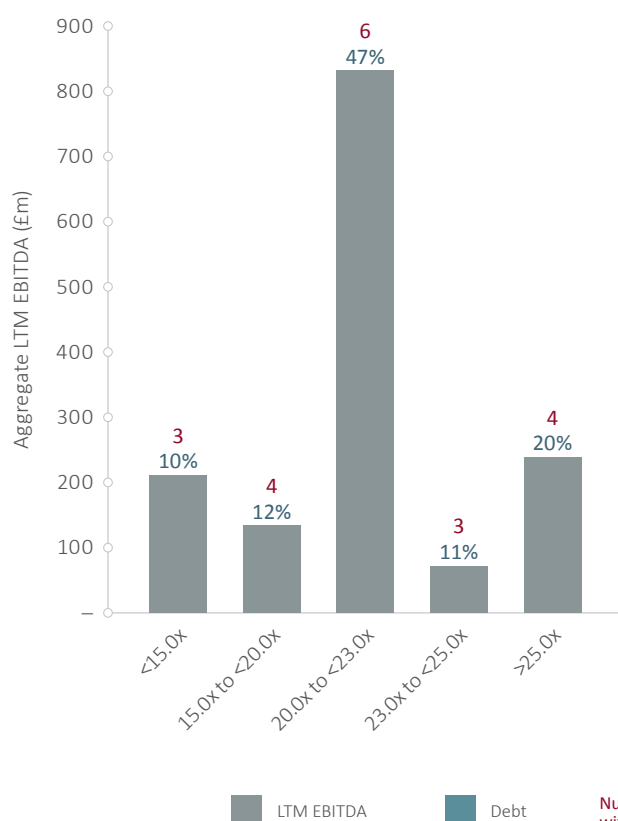
There remains an ongoing shift in the mix of the portfolio to higher growth businesses, in particular in the software sector, where we hold a number of companies with substantial opportunities to grow their Software as a Service ('SaaS') business.

The basis of the approach continues to be to apply a relevant multiple to a suitable earnings-based performance metric. We take a considered approach in determining the level of

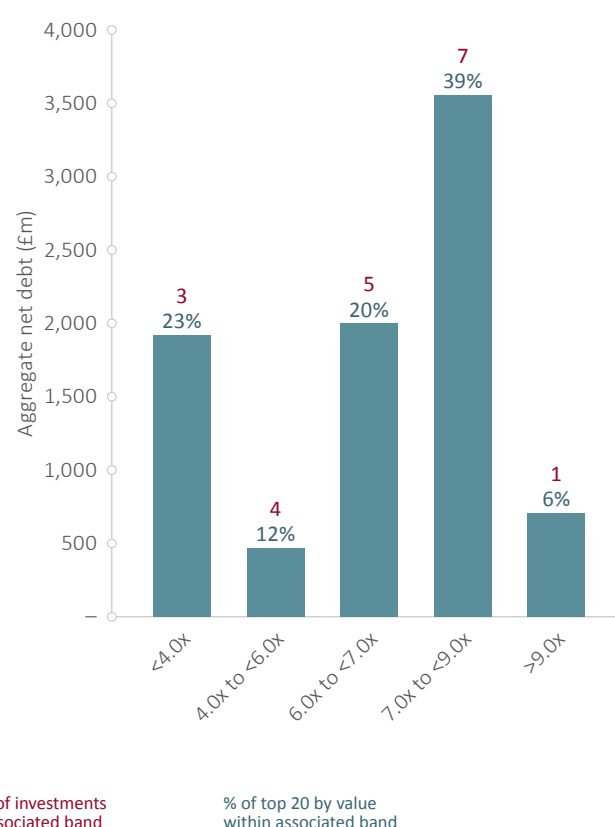
maintainable earnings to use in each valuation, in line with the IPEV Valuation Guidelines. Most holdings have been valued using the LTM earnings to 30 November 2020, unless we have anticipated that the outlook for the full current financial year is likely to be lower, in which case we have used forecast earnings. The earnings figure used may be adjusted on a pro-forma basis reflecting acquisitions, disposals or other adjustments to the extent a buyer would make such adjustments. 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 also making use of M&A data. We also use back testing to understand substantive differences that legitimately occur between an exit price and the previous fair value assessment to inform our valuation policy.

Our companies make appropriate use of gearing, with a weighted average net debt for the top 20 of 6.4x LTM EBITDA (6.2x at 31 December 2019). 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.

Distribution of EV to EBITDA valuation multiples: 22.1x



Distribution of net debt to EBITDA ratios: 6.4x





Outstanding commitments of HGT

At 31 December 2020, HGT held liquid resources of £188 million and had outstanding commitments of £647 million, as listed below. We anticipate the majority of these outstanding commitments will be drawn down over the next three to four years (2021–25) and are likely to be partly financed by cash flows from future realisations. Additionally, to mitigate the risk of being unable to fund any draw-down under its commitments to invest alongside Hg's funds, the Board has negotiated a right to opt out, without penalty, of HGT's obligation to fund such commitments, where it does not have the funds to do so or certain other conditions exist. HGT also has access to an £200 million bank facility which was undrawn as at 31 December 2020.

Fund	Fund vintage	Original commitment ¹ £million	Outstanding commitments as at 31 December 2020		Outstanding commitments as at 31 December 2019	
			£million	% of NAV	£million	% of NAV
HGT Genesis 9 LP	2020	322.2 ²	263.2	20.4	—	—
HGT Saturn 2 LP	2020	292.6 ³	200.6	15.5	—	—
HGT Mercury 3 LP	2020	102.9 ⁴	102.9	8.0	—	—
HGT Transition Capital LP	2018	75.0	49.6	3.8	59.1	5.7
HGT 8 LP	2018	350.0	9.7	0.8	143.5	13.8
HGT Saturn LP	2018	150.0	7.9	0.6	69.3	6.7
HGT Mercury 2 LP	2017	80.0	4.7	0.4	36.7	3.5
HgCapital Mercury D LP	2011	60.0	3.3	0.3	3.3	0.3
HGT 6 LP	2009	285.0	2.3	0.2	2.4	0.3
HGT LP	pre-2009	120.0	1.3	0.1	1.3	0.1
HGT 7 LP	2013	200.0	1.2	0.1	20.0	1.9
Asper RPP I LP	2006	19.4 ⁵	0.6	—	0.6	0.1
Hg 6 E LP	2009	15.0 ⁶	0.1	—	0.1	—
Total			647.4	50.2	336.3	32.4
Liquid resources			187.6	14.5	189.3	18.2
Net outstanding commitments unfunded by liquid resources			459.8	35.7	147.0	14.2

¹Excluding any co-investment participations made through HGT LP.

²Sterling equivalent of €360 million.

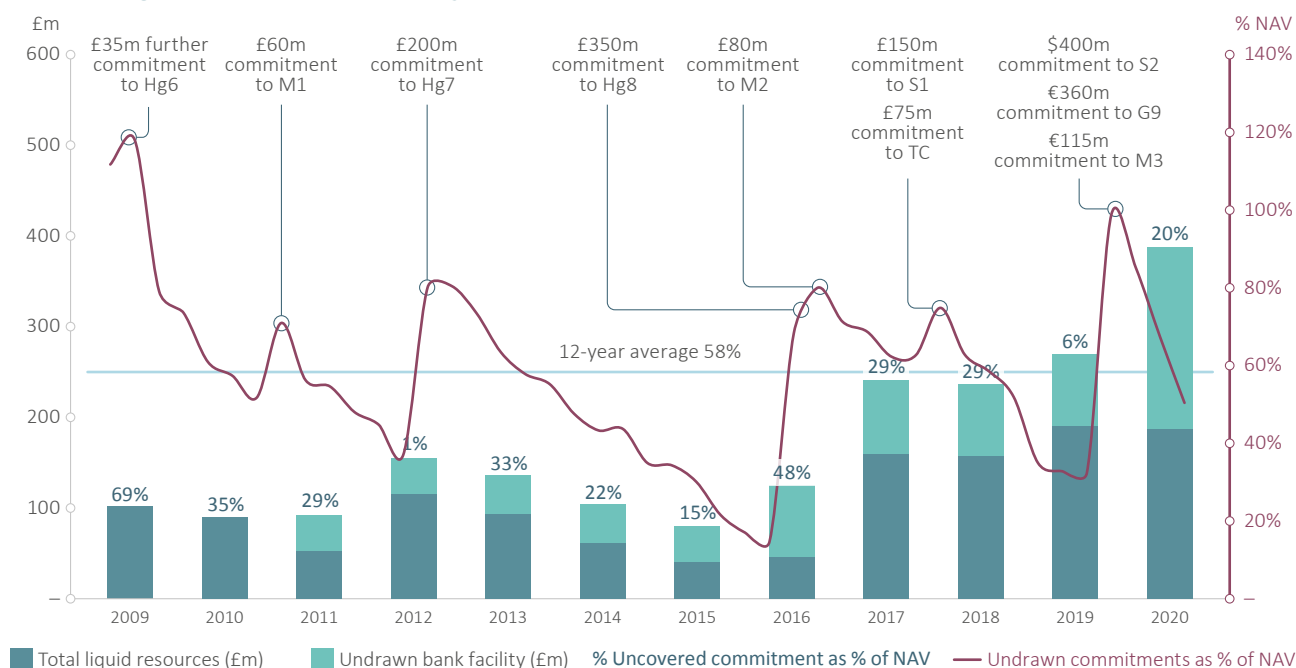
³Sterling equivalent of \$400 million.

⁴Sterling equivalent of €115 million.

⁵Partnership interest acquired during 2011.

⁶Sterling equivalent of €21.6 million.

Outstanding commitments unfunded by available resources as % of NAV

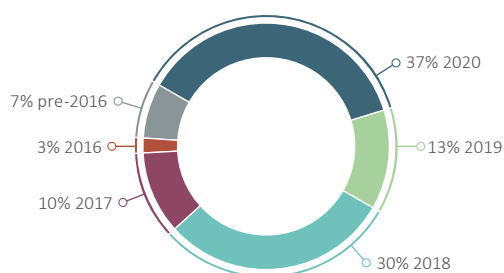


Investment portfolio of HGT

Fund limited partnerships	Residual cost £000	Total valuation ¹ £000	Portfolio value %
Primary buyout funds:			
HGT 8 LP	311,357	454,762	39.4
HGT 8 LP – Provision for carried interest	–	(23,576)	(2.0)
HGT Saturn LP	137,298	221,379	19.2
HGT Saturn LP – Provision for carried interest	–	(17,919)	(1.7)
HGT 7 LP	48,739	114,420	9.9
HGT 7 LP – Provision for carried interest	–	(22,885)	(2.0)
HGT Saturn 2 LP	90,499	112,992	9.8
HGT Mercury 2 LP	56,026	100,783	8.7
HGT LP	74,638	81,975	7.1
HGT Genesis 9 LP	58,465	57,749	5.0
HgCapital Mercury D LP	4,672	33,868	2.9
HgCapital Mercury D LP – Provision for carried interest	–	(12,067)	(1.0)
HGT 6 LP	14,861	24,086	2.1
HGT 6 LP – Provision for carried interest	–	(4,815)	(0.4)
Total primary buyout funds	796,555	1,120,752	97.0
Secondary buyout funds:			
HgCapital 6 E LP	–	1,268	0.1
HgCapital 6 E LP – Provision for carried interest	–	(254)	–
Total secondary buyout funds	–	1,014	0.1
Total buyout funds	796,555	1,121,766	97.1
Transition capital funds:			
HGT Transition Capital LP	24,311	32,102	2.8
Total transition capital funds	24,311	32,102	2.8
Renewable energy funds:			
Asper RPP I	5,040	972	0.1
Total investments net of carried interest provision	825,906	1,154,840	100.0

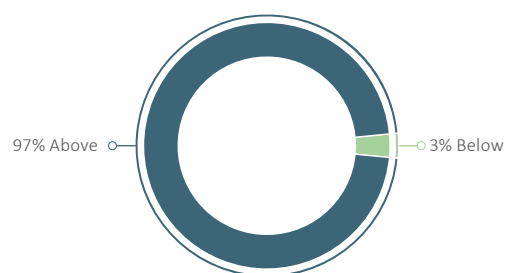
¹Includes accrued income but is before the deduction of the fund level facility.

Investment vintage by value



Analysis by value

of investment return relative to its original cost²



²Representing aggregate realised proceeds and unrealised valuations of an investment



Investments

Over the course of the year, Hg invested a total of £4.5 billion on behalf of its clients, with HGT's share being £403 million.

The vast majority of our investments are generated by establishing and developing relationships with companies 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 clusters.

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

50

Hg's review

New investments in the year to 31 December 2020



£48.1m invested
on behalf of HGT

Over 2020, Hg completed two further investments in Visma, a leading provider of business-critical software to private and public enterprises in the Nordic, Benelux and Baltic regions, via the Hg Saturn 2 Fund. New investors, Warburg Pincus and TPG have also invested in the business for the first time, acquiring minority stakes, CPPIB, an existing investor has also acquired an additional stake.



£44.3m invested
on behalf of HGT

In September, Hg completed an investment in Sovos, a global tax software provider, via the Hg Saturn 2 Fund, alongside TA Associates, a leading global private equity firm with more than four decades of software investing experience, as a significant minority investor to support the next wave of Sovos' growth.



£38.5m invested
on behalf of HGT

In December, Hg completed an investment into The Septeo Group ('Septeo'), a European leader in LegalTech. Septeo is a leading LegalTech provider supporting professions including notaries, law firms, corporate legal departments and real estate property managers in France, Belgium, Canada and the US. Founded in 1988, Septeo now has over 12,000 clients and more than 120,000 users, served by over 1,400 employees. This investment reinforces Hg's focus on legal and regulatory compliance tech, representing the 11th investment in this sector across Europe and North America, with over €1.5 billion invested in the sector to date.



£34.9m invested on
behalf of HGT, including
£4m in co-investment

In January 2020, Hg completed an investment in Argus Media ('Argus'), a leading global provider of energy and commodity price reporting, via the Hg Saturn Fund. Founded in 1970, Argus is an independent media organisation headquartered in London. Companies in 140 countries around the world use Argus data to index physical trade and as benchmarks in financial derivative markets, as well as for analysis and planning purposes.



£34.6m invested on behalf
of HGT, including £5m in
co-investment

In March 2020, Hg completed an investment in Personal & Informatik AG ('P&I'), a leading provider of cloud-based HR software, headquartered in Germany. This acquisition, via the Hg Saturn Fund, valued the business at an enterprise value of €2 billion. The seller, Permira, will remain invested in P&I, with a substantial minority stake.

New investments in the year to 31 December 2020 continued



In February 2020, Hg completed an investment in Intelrad Medical Systems (Intelrad), a leading global provider of medical imaging software and enterprise workflow solutions, via the Hg Genesis 8 Fund. Founded in 1999, Intelrad specialises in diagnostic viewing, reporting and collaboration solutions for radiologists. The company serves over 300 healthcare organisations around the world, including radiology groups, imaging centres, clinics and reading groups, with a strong and growing presence in hospital imaging departments. Healthcare IT is a core sector for Hg, with an investment focus on healthcare operations, core systems, life sciences digitisation, interoperability and population health. Intelrad represents the fifth healthcare technology investment in Hg's current portfolio.



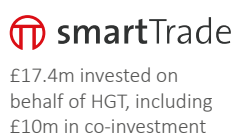
In December, Hg completed an investment in CaseWare International Inc ('CaseWare'), a global leader in audit and assurance software. CaseWare is based in Toronto, Canada, and develops cutting-edge audit software solutions for accounting firms, corporations and governments. CaseWare's platforms – Working Papers and IDEA – aim to change the future of audit and audit analytics by adopting cloud technology as well as artificial intelligence and machine learning, enabling measurable returns on efficiency, quality and value, for customers and their clients. For over 30 years CaseWare has been a technology leader in the sector and has grown organically to over 500,000 users in 130 countries today, serving 16 different languages.



In December, Hg completed an investment in The Citation Group ('Citation'), a leading provider of tech-enabled, subscription-based HR and Employment law, Health & Safety, and ISO services to SMEs. Citation provides tech-enabled compliance and quality related subscription services to over 40,000 SMEs across the UK. Citation helps these SMEs to comply with relevant regulations and ensure certain levels of quality and standards are met, in areas such as Health & Safety, HR / Employment Law, ISO and industry-specific rules and standards by providing a combination of expert advice, software tools and audits / assessments, mostly on a long-term subscription basis.



In December, Hg completed an investment in Gen II Fund Services, LLC ('Gen II'), a leading independent private equity fund administrator. Gen II is a leading pure-play provider of alternative asset fund administration services. Headquartered in New York and Luxembourg with a global customer base, the company administers over \$375 billion of private capital on behalf of its clients across more than 500 funds and their 25,000 investors, spanning various investment strategies including Buyout, Real Estate and Infrastructure.



In March 2020, Hg completed an investment in smartTrade Technologies ('smartTrade'), a leader in multi-asset electronic trading solutions, via the Hg Mercury 2 Fund. Headquartered in France, smartTrade is a managed services and hosted software provider for trading desks, enabling its global client base of financial institutions to develop and run high-performance trading platforms throughout the world. Hg has been investing in capital markets & wealth and asset management technology for almost 20 years and has known the smartTrade team since 2015. During this time, Hg has recognised smartTrade as a truly innovative business with an exceptional leadership team, which has developed leading modular solutions used by sell-side and buy-side market participants. With continued potential for growth, smartTrade is a compelling fit with Hg's expertise and capabilities.





Investments and realisations continued

New investments in the year to 31 December 2020 continued

Evaluate

£11.5m invested on behalf of HGT, including £2.5m in co-investment

In August, Hg completed the sale of and investment in Evaluate Ltd, a leading provider of commercial intelligence and predictive analytics to the pharmaceutical industry. Hg's backing will help Evaluate to continue to build out capabilities that support pharmaceutical portfolio optimisation and R&D productivity, accelerating investment in innovation and data science capabilities.

F24

£11.5m invested on behalf of HGT, including £2.5m in co-investment

In August, Hg completed an investment in F24, a pan-European sector leader for emergency notification, crisis and incident management and critical communications, headquartered in Munich, Germany. Hg has invested in a stake currently owned alongside Armira and co-founder Ralf Meister, becoming the majority shareholder in the business.



GOSSLER, GOERT & WOLTERS GRUPPE

£4.3m invested on behalf of HGT

In 2020, Hg began to build a substantial Property & Casualty ('P&C') insurance broking group now called GGW Holding (GGW). By now, GGW spans several B2B insurance brokers across Germany and intends to make further acquisitions.

Follow-on investments



£39.0m invested on behalf of HGT

In December, Hg completed a further investment in The Access Group, a leading provider of business management software to mid-market organisations. Access is a leading UK mid-market Enterprise Resource Planning business, providing financial management systems and human capital management software, as well as industry-specific software solutions. The company's software helps over 20,000 UK businesses and not-for-profit organisations to work efficiently, with expertise across numerous industries. Hg are co-control shareholders in the company alongside TA Associates.



£11.0m invested on behalf of HGT

In January 2020, HGT made a further investment in Achilles, structured as a debt instrument via the Transition Capital Fund. This will be used to implement the roll-out of new technology which will complete the migration of the business onto a new platform called 'my.Achilles'.

Investments and realisations continued

New investments since the year end



£30.9m invested
on behalf of HGT
including £3.6m in
co-investment

In January 2021, Hg completed an investment in Benevity Inc ('Benevity'), a global leader in global corporate purpose cloud software. Hg will lead the investment, to be made from the Hg Saturn 2 Fund, in partnership with Benevity's current investors, General Atlantic and JMI Equity, which will remain significant investors in the business, alongside the Benevity management team. This investment comes at a time when environment, social and governance (ESG), corporate purpose and stakeholder capitalism are taking root in companies of all sizes across the globe and as employee, consumer and public expectations grow for business to help in solving the complex issues facing society. Benevity's all-in-one, global platform enables purpose-driven brands to engage these stakeholders in supporting the causes and issues which they care about, through a database of nearly 2 million vetted non-profit organisations worldwide.



£11.4m invested
on behalf of HGT
including £4.0m in
co-investment

In February 2021, Hg completed an investment in Geomatikk Group, a tech-enabled services champion, managing critical 'check-before-you-dig' safety assessments to network owners, contractors and consulting engineers within Norway, Sweden and Finland. Hg will support Geomatikk with its extensive experience in scaling tech champions across Europe. Hg will become the majority investor, with founders and management remaining as significant investors in the business.



£15.7m invested
on behalf of HGT

In February 2021, Hg completed an investment in Prophix, a global leader in corporate performance management (CPM) software. Founded in 1987 and based in Ontario, Canada, Prophix is a leading provider of CPM software serving mid-market companies across multiple industries worldwide, providing planning, budgeting and financial reporting software into the 'office of the CFO'. Prophix's software allows organisations to improve their financial reporting capabilities, while also standardising and streamlining the budgeting process to generate significant ROI through a faster time to close, reduction in budgeting errors and an ability to reforecast in a more agile way.



Estimated £14.3m invested
on behalf of HGT

In February 2021, Hg completed the sale of its minority holding in TeamSystem, an Italian provider of ERP and business management software to SMEs and professionals and a further investment via the Hg Genesis 8 fund. Hg has held a minority position in TeamSystem since 2015, following its majority exit to a vehicle indirectly held by Hellman & Friedman Capital Partners VII, L.P.



Estimated £33.1m invested
on behalf of HGT

In September 2020, Hg announced an investment in Howden Group Holdings (Howden Group) (formerly Hyperion Insurance Group Limited), the international insurance intermediary. Founded in 1994 and headquartered in London, Howden Group is a leading international insurance distribution group. Through its core activities of retail, speciality and reinsurance broking and through DUAL, one of the world's leading international MGAs, it facilitates the provision of B2B insurance across a wide geographic footprint. The group operates across 250+ global offices in 40 countries and employs around 8,500 people to manage around \$9 billion of gross written premium on behalf of its clients. It is the fifth largest employee-owned business in the UK, with a differentiated position as a leading international insurance intermediary.





Realisations

Over the course of the year, Hg has returned a total of £4.2 billion to its clients, including £364 million to HGT.

While exits over the first six months of 2020 were slower in pace than previous years there were a number of significant realisations over the second half of the year.

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 HGT, and we will continue to assess further opportunities.

Full exits in the year to 31 December 2020



£193.3m returned to HGT

Over 2020, HGT completed both the sale of a portion of its co-investment and the partial sale of Hg Genesis 7's investment in Visma, a leading provider of business-critical software to private and public enterprises in the Baltic, Benelux and Nordic regions. This has helped to reduce HGT's portfolio concentration level of Visma, as well as supporting future investments' funding. The sale of the Hg Genesis 7 stake represented an uplift of 22% to the 31 December 2019 valuation of HGT's stake.



£139.4m returned to HGT

In September, Hg completed the sale of Sovos, a global tax software provider, from the Hg Genesis 7 Fund, at an uplift of 55% to the 31 December 2019 book value. Hg will be reinvesting in Sovos alongside TA Associates, via the Hg Saturn 2 Fund.



£25.8m returned to HGT

In September, Hg completed the sale of The Citation Group – a leading provider of subscription based HR and employment law, health and safety and ISO services to SMEs – to KKR, a leading global investment firm. This realisation was at an uplift of 26% to the 31 December 2019 valuation.



£14.8m returned to HGT

In December, Hg completed the sale of STP, a leading DACH-based provider of legal tech solutions, to Bregal Unternehmerkapital. Founded in 1993 and headquartered in Karlsruhe, Germany, STP is a leading one-stop shop solution provider, empowering the digitisation of insolvency and legal practitioners. It provides a fully integrated legal tech platform comprising workflow automation, ERP software, specialist technical outsourcing and data businesses. STP's solutions are deeply embedded in the insolvency ecosystem and commercial law segment, with a dedicated full-suite offering. The business employs around 200 people, serving over 1,800 customers with critical software and services for their daily workflow. This realisation was at an uplift of 86% to the 31 December 2019 valuation.

Investments and realisations continued

Full exits in the year to 31 December 2020 continued



£11.5m returned to HGT

In December, Hg completed the sale of Eucon Group, a leading provider of automotive parts pricing data and claims management services, to VHV Group, a leading insurance group in Germany. Hg partnered with Eucon Group in 2015 having recognised that the business sits at the intersection of two key growth drivers for Hg: the value of big data in the automotive sector and the increasing digitisation of the insurance sector. With digital solutions and platform-based business models, Eucon helps to make the world simpler, faster and improves the experience of its customers. This realisation was at an uplift of 73% to the 31 December 2019 valuation.



£10.8m returned to HGT

In August, Hg completed the sale of and investment in Evaluate Ltd, a leading provider of commercial intelligence and predictive analytics to the pharmaceutical industry. The sale of Evaluate represented an uplift of 40% to the 31 December 2019 valuation of HGT's stake.

Exits since the year end



Estimated £21.5m
returned to HGT

In October, Hg announced the sale of APG, one of the UK's largest specialist insurance intermediaries, to Howden, the international insurance broking group. Hg partnered with APG in 2015, recognising the business's best-in-class customer success model – a personal, service-oriented approach, leading to very high levels of customer satisfaction alongside strong organic growth. Since then, Hg has worked with management to transform APG from a predominantly branch-based, personal lines insurance broker, to a business with a national footprint across multiple lines of business, supported by industry-leading data and analytics capabilities.



Estimated £21.3m
returned to HGT

In February 2021, Hg completed the sale of TeamSystem, an Italian provider of ERP and business management software to SMEs and professionals, from the Hg Genesis 6 fund.





Summary of investment and realisation activity

Investments made during the year

Company	Cluster	Location	Cost £000
Visma	Tax & Accounting/ERP & Payroll	Scandinavia	48,116
Sovos	Tax & Accounting	North America	44,325
Septeo	Legal & Regulatory Compliance	France	38,545
Argus Media	Capital Markets & Wealth Management IT	UK	34,869
P&I	ERP & Payroll	Germany	34,571
Intelerad	Healthcare IT	North America	34,303
CaseWare	Tax & Accounting	North America	28,612
Citation	SME Tech & Services	UK	21,824
Gen II	Tax & Accounting	North America	19,921
smartTrade	Capital Markets & Wealth Management IT	France	17,386
Evaluate	Healthcare IT	UK	11,536
F24	SME Tech & Services	Germany	10,523
GGW Holding	Insurance	Germany	4,274
New investments			348,805
Access	ERP & Payroll	UK	39,009
Achilles	Legal & Regulatory Compliance	UK	11,031
Other			4,370
Follow-on investments			54,410
Total investments on behalf of HGT			403,215

Realisations made during the year

Company	Cluster	Exit route	Proceeds ¹ £000
Visma	Tax & Accounting/ERP & Payroll	Secondary sale	193,328
Sovos	Tax & Accounting	Secondary sale	139,374
Citation	SME Tech & Services	Secondary sale	25,771
STP	Legal & Regulatory Compliance	Secondary sale	14,811
Eucon	Insurance	Trade sale	11,479
Evaluate	Healthcare IT	Secondary sale	10,771
Full realisations			395,534
Other			5,531
Partial realisations			5,531
Total proceeds from realisations			401,065
Carried interest paid to the Manager			(37,204)
Total proceeds from realisations received by HGT			363,861

¹Includes gross revenue received of £18.0m during the year ended 31 December 2020.

“We are pleased that all of our most recent platform investments across our three fund families have been into companies where founders and management teams own significant stakes in their businesses. They have chosen to partner with Hg, and we believe this is testament to the focused scale and expertise which we have built in our defined end market ‘clusters’ and the strong network effect which has developed across the portfolio over the last two decades.”

Luke Finch, *Partner and Head of Client Services, Hg*



Outlook

For many, 2020 was one of the most challenging years in recent history. Against this backdrop, we are pleased with how Hg's funds and portfolio performed and contributed positively to our stakeholders' livelihoods and retirements. Our overall portfolio valuations were up over 25% for the year to December 2020, while we have returned over £4 billion of liquidity to our investors, across our funds and co-investments, including £364 million to HGT.

In December 2020, Hg celebrated its 20th anniversary as a partner-owned investment manager, capping off our busiest-ever year of activity for both investments and realisations. As we highlighted in the interim and Q3 reports, the COVID-19 pandemic has had a limited direct impact on Hg's portfolio, given its defensive growth characteristics. We believe our investments will continue to benefit from ongoing trends in the digitalisation of business processes, with COVID-19 accelerating such trends across sectors and geographies.

Similarly, our UK-based businesses have seen limited direct consequences from Brexit. Sales of software do not get snared up in paperwork at the port. Instead, software can be delivered at the click of a mouse or, in the case of SaaS products, not delivered at all, but logged into. Furthermore, tech-enabled services (and business services more generally) were typically already outside of most existing EU trade legislation. Where regulatory complexity exists (or, in the case of Brexit, increases), software typically provides part of the solution for business clients – and we are seeing several instances across our portfolio where Brexit is leading to an increased need for our businesses' software.

Activity levels

Over 2020, we made a total of 15 new and further investments including Septeo, Howden, CaseWare, Intelrad and Gen II. After the end of the reporting period, we also announced new platform investments into Benevity, Geomatikk and Prophix (please see page 53 for further information on these companies). We are confident in the robustness of the business models of the companies in which we have invested and in their future growth prospects in these uncertain times.

In a typical 12-month period, we make between 8 and 16 new platform investments across the active Hg Saturn, Hg Genesis and Hg Mercury funds, along with multiples of this in terms of bolt-on M&A across the portfolio. We also generally seek to deliver similar numbers of liquidity events (sales or partial sales of portfolio companies and refinancings) each year.

We expect 2021 to follow a similar cadence. We will continue to invest across our clearly defined 'clusters' into companies

which we have tracked for many years and which focus on managing business-critical activities for their end customers. We will continue to support companies we know well and have already backed for several years, providing fresh capital to buy out other shareholders or to fund M&A.

Over 2020, we also consistently stated that we would focus on opportunities to crystallise value across our portfolio and return money to Hg's clients, including HGT. We have seen several exit and refinancing processes announced over the year, with more currently under way or specifically planned for 2021.

In total, during 2020, we saw a record year of returns, including the sale of Visma, Sovos, The Citation Group, STP, Evaluate and Eucon – all at a significant uplift to their 31 December book value (an average of 49% across these six realisations).

Valuation environment

The overall environment has been one of net valuation expansion, albeit with significant volatility en route. On an EV/LTM-EBITDA basis (enterprise value divided by last twelve months' earnings before interest, tax, depreciation and amortisation), the valuation of the S&P 500 moved from 12.5x at the start of the year to end the year on 18.0x, up 26% – via a low of under 10x at the March nadir. The pattern was similar in Europe, with the valuation of the Euro Stoxx index up 19% over the course of the year.

Looking more specifically at our target sectors, the S&P 500 Software & Services index has historically been a good valuation proxy for Hg's software and services portfolio. The overall shape of its valuation performance was similar to the broader market – starting the year at 21.4x LTM EBITDA, falling to 16.2x in March and staging a steady recovery to end the year at 25.3x, 18% up on its starting level.

Combining the valuation movements with the change in total return for the respective indices, exposes some significant differences in the performance and its components. The total return of the software and services index, at 35%, was well ahead of its valuation expansion, demonstrating the power of earnings growth combined with valuation expansion – a trend from which Hg has also benefited. In contrast, and unsurprisingly, given the 5.4% GDP drop^[1] during 2020, broad indices delivered total returns of 8–20% below their valuation expansion as the earnings of their constituent companies declined, in some cases quite materially, attenuating some of the benefit of rising valuations.





Overview of the underlying investments

held through HGT's limited partnerships

Investments (in order of value)	Fund	Sector	Location	Year invested	Residual cost £000	Total valuation ¹ £000	Portfolio value %	Cum. Value %
1 Visma	HGT 7/HGT Saturn/HGT Saturn 2	Tax & Accounting/ERP & Payroll	Scandinavia	2020	89,761	154,171	12.5	12.5
2 Access	HGT 8	ERP & Payroll	UK	2018	69,500	131,548	10.6	23.1
3 IRIS	HGT Saturn	Tax & Accounting/ERP & Payroll	UK	2018	36,380	76,855	6.2	29.3
4 P&I	HGT Saturn/HGT	ERP & Payroll	Germany	2020	36,367	64,295	5.2	34.5
5 Transporeon	HGT 8/HGT	ERP & Payroll	Germany	2019	41,968	56,492	4.6	39.1
6 Litera	HGT 8	Legal & Regulatory Compliance	N. America	2019	34,242	49,771	4.0	43.1
7 Intelrad	HGT 8	Healthcare IT	N. America	2020	34,303	48,598	3.9	47.0
8 Argus Media	HGT Saturn/HGT	Capital Mkts & Wealth Mgmt IT	UK	2020	34,869	45,822	3.7	50.7
9 team.blue	HGT8/Mercury 2	SME Tech & Services	Benelux	2019	24,238	43,909	3.6	54.3
10 Sovos	HGT Saturn 2	Tax & Accounting	N. America	2020	44,325	43,176	3.5	57.8
11 MeinAuto	HGT 8	Automotive	Germany	2017	33,967	39,428	3.2	61.0
12 Septeo	HGT 9	Legal & Regulatory Compliance	France	2020	38,545	39,075	3.2	64.2
13 Azets	HGT 7/HGT	Tax & Accounting	UK	2016	20,966	37,873	3.1	67.3
14 FE fundinfo	Mercury/Mercury 2	Capital Mkts & Wealth Mgmt IT	UK	2017	6,687	34,720	2.8	70.1
15 Allocate	HGT 8	Healthcare IT	UK	2018	13,959	34,137	2.8	72.9
16 Mitrastech	HGT 7/HGT	Legal & Regulatory Compliance	N. America	2017	22,258	33,307	2.7	75.6
17 CaseWare	HGT 8	Tax & Accounting	N. America	2020	28,612	29,080	2.4	78.0
18 Medifox	Mercury 2/HGT	Healthcare IT	Germany	2018	11,824	24,190	2.0	80.0
19 Citation	HGT 8	SME Tech & Services	UK	2020	21,824	22,523	1.8	81.8
20 IT Relation	HGT 8	SME Tech & Services	Scandinavia	2018	16,037	21,525	1.7	83.5
21 APG	HGT 7	Insurance	UK	2015	1,697	21,396	1.7	85.2
22 TeamSystem	HGT 6	Tax & Accounting/ERP & Payroll	Italy	2010	144	21,331	1.7	86.9
23 Commify	Mercury/HGT	SME Tech & Services	UK	2017	4,080	20,798	1.7	88.6
24 BrightPay	Transition	ERP & Payroll	Ireland	2018	14,533	19,927	1.6	90.2
25 Gen II	HGT 9	Tax & Accounting	N. America	2020	19,921	18,707	1.5	91.7
26 Lyniate	Mercury 2	Healthcare IT	N. America	2018	10,528	18,448	1.5	93.2
27 smartTrade	Mercury 2/HGT	Capital Mkts & Wealth Mgmt IT	France	2020	17,386	18,327	1.5	94.7
28 Achilles	HGT/Transition	Legal & Regulatory Compliance	UK	2008	28,328	17,701	1.4	96.1
29 Evaluate	Mercury 2/HGT	Healthcare IT	UK	2020	11,536	12,547	1.0	97.1
30 F24	Mercury 2/HGT	SME Tech & Services	Germany	2020	10,523	10,704	0.9	98.0
31 GGW Holding	Mercury 2	Insurance	Germany	2020	4,274	5,646	0.5	98.5
32 Trace One	Mercury	Legal & Regulatory Compliance	France	2016	493	4,328	0.4	98.9
33 Silverfin	Mercury 2	Tax & Accounting	Benelux	2019	3,214	4,228	0.3	99.2
34 Noventic	HGT 6	Other	Germany	2012	922	2,755	0.2	99.4
35 GenTrack	HGT 7	Other	N. Zealand	2017	2,686	948	0.1	99.5
36 EidosMedia	HGT 7	SME Tech & Services	Italy	2015	7,467	442	—	99.5
Non-active investments (3)					22,502	—	—	99.5
Total buyout investments (39)					820,866	1,228,728	99.5	
Currency hedges	Various	Forward sale of US\$ and €			—	5,388	0.3	99.8
Secondary fund	Hg 6 E	Secondary fund interests			—	1,268	0.1	99.9
Renewable energy	Asper I	Renewable energy			5,040	972	0.1	100.0
Total all investments					825,906	1,236,356	100.0	

¹Including accrued income, but before the provision for carried interest of £81,516,000 and the fund level facility of £59,771,000.



Top 20 investments

representing 83% of the value of HGT's investments



Strategic report

59

Hg's review



Financial statements



Corporate governance



Further information

Investments are held through limited partnerships, of which HGT is the sole limited partner. HGT invests alongside other clients of Hg. Typically, HGT'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 £100 million and over £10 billion.

Hg's review generally refers to each transaction in its entirety, apart from the tables detailing HGT's participation or where it specifically says otherwise.



a leading provider of mission-critical business software to SMEs in Northern Europe



60

Hg's review

01

Investment date
August 2020

Location
Scandinavia

Cluster
Tax & Accounting/ERP & Payroll

Website
visma.com

HGT's investment through HGT 7 LP, HGT Saturn LP, HGT Saturn 2 LP

Hg clients' total equity:	53.9%
Unrealised value (£000):	154,171
% of NAV:	11.9%

● ● ● ●
Recurring revenue

● ● ● ●
Long-term growth

● ● ● ●
Thousands of customers

● ● ● ●
Platform for M&A

Business description

Visma provides business-critical software to SMEs and the public sector in the Benelux and Nordic regions. Headquartered in Oslo, Visma provides more than 1 million enterprise customers: accounting; resource-planning and payroll software; transaction-process-outsourcing, such as debt collection and procurement services. It is the largest European provider of SaaS to these sectors, with over £800 million in pure SaaS revenues.

Why we invested

Visma is a business with recurring revenues, offering business-critical application software, supplying a fragmented customer base – a focus which forms some of the 'Hg sweet-spot' investment criteria today. At the time of our initial 2006 acquisition, we had identified opportunities for Visma to grow its existing segments and acquire new ones – and to further transition the business to a SaaS-focused model.

Value creation

Visma has consistently outperformed, generating a total return between 2006 and 2014 of 5.2x original cost and a gross IRR of 33%. Hg's 2014 investment was fully exited in 2020 and delivered 4.2x original cost and a gross IRR of 30%.

Year	Transaction	Implied EV
2014	Hg reinvested in the business, via Hg Genesis 7 and co-investment, alongside KKR and Cinven	£2.1 billion
2017	Hg completed a further investment in Visma	£4.2 billion
2018	Hg made an additional investment in Visma via Hg Saturn	
2019	Hg acquired the remaining Cinven stake, alongside the Canada Pension Plan Investment Board	£5.5 billion
2020	Over 2020, Hg completed two further investments in Visma. TPG, Warburg Pincus and GA were brought in as new minority shareholders, while existing CPPIB and GIC increased their stake.	£9.5 billion

Since 2006, Visma has acquired c. 200 companies across the Benelux and Nordic regions, strengthening organic growth from innovation in new products, as well as driving margin improvement through a reorganisation of internal processes. Visma is now positioned as one of the leading and largest SaaS companies in Europe.

Performance

Visma continues to see strong double-digit revenue and EBITDA growth year on year. This has led to HGT's valuation of its stake in Visma rising by £76.1 million over 2020.

Exit

In 2020, HGT realised a portion of its co-investment in Visma, reducing concentration. Given the attractive business model, Hg would like to continue to support Visma's next stage of development. The scale and growth profile of Visma would make it an attractive candidate for an initial public offering (IPO) or a large private IPO.



a leading provider of fully integrated business-management software to UK mid-market organisations



02

Investment date
June 2018

Location
UK

Cluster
ERP & Payroll

Website
theaccessgroup.com

HGT's investment through HGT 8 LP

Hg clients' total equity:	45.9%
Unrealised value (£000):	131,548
% of NAV:	10.2%

● ● ● ● ●
Recurring revenue

● ● ● ● ●
Long-term growth

● ● ● ● ●
Thousands of customers

● ● ● ● ●
Platform for M&A

Business description

Founded in 1991, the Access Group (Access) is a leading enterprise resource-planning (ERP) business, providing a range of horizontal and industry-specific software solutions to SME, mid-market and enterprise customers in Australia, Ireland and the UK. Access's software helps over 35,000 businesses, public-sector and not-for-profit organisations to work efficiently, with expertise across numerous industries. We first invested in Access in June 2018, alongside TA Associates and the management team. In October 2020, we agreed to reinvest to acquire a further stake in the business, with existing shareholders TA Associates and management selling down a net portion of their stakes. This reflects our continued conviction in the business. Further details are provided in this report.

Why we invested

The investment in Access builds on Hg's previous experience in the SME, tax, accounting, HR and payroll software spaces. Access demonstrates many of the characteristics which Hg seeks in an investment, including business-critical software and potential for M&A. Access benefits from a high-quality management team, led by a strong CEO and an impressive team of functional leaders. Our reinvestment in Access, in October 2020, reflects our continued conviction in our investment hypothesis.

Value creation

Following Hg's investment, we have been focused on several work streams with the business, including: M&A support; encouraging the transition to a fully SaaS and subscription sales model; continuing to improve customer success; developing a data-driven predictive model to support the company's cross-sell efforts.

Performance

Access has traded well since our investment, with bookings' momentum remaining strong throughout 2020, despite headwinds from COVID-19. Growth remains robust, with the business seeing double-digit organic recurring revenue growth in FY20. This has led to HGT's valuation of its stake in Access rising by £35.6 million for the year.

Exit

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

61

Hg's review



Financial statements



Corporate governance



Further information



business-critical software
and services to liberate the time,
talent and energy of
UK businesses



03

Investment date
September 2018

Location
UK

Cluster
Tax & Accounting/ERP & Payroll

Website
iris.co.uk

HGT's investment through HGT Saturn LP

Hg clients' total equity:	65.0%
Unrealised value (£000):	76,855
% of NAV:	6.0%

● ● ● ●
Recurring revenue

● ● ● ●
Long-term growth

● ● ● ●
Thousands of customers

● ● ● ●
Platform for M&A

Business description

IRIS is a UK-based software company, serving over 60,000 customers in the accountancy, human capital management, education and bookkeeping segments. It is a leading provider of core application software to UK and US accountants and of payroll applications to UK SMEs, including general practitioners. With a highly recurring business model, over 85% of IRIS's revenues are from software and managed service subscriptions, many based on annual renewals paid in advance.

Why we invested

IRIS is an early example of our focus on firms which provide business-critical daily-use software for professionals and SMEs in attractive, predictable end markets. The original investment decision was based on the potential for organic growth and acquisition-led consolidation opportunities.

Value creation

The long-standing partnership between Hg and IRIS started with the 2004 buyout (£102 million EV) led by Hg, followed by retaining a minority shareholding after the sale to Hellman & Friedman in 2007. In 2011, we again became the majority shareholder through the Hg Genesis 6 Fund. In May 2018, Hg Genesis 6 agreed on the sale of IRIS to Hg Saturn and ICG, in a joint-control deal which completed in September 2018, representing an EV of £1.3 billion.

IRIS has been successful in expanding its offering, both organically and by acquisition into segments such as payroll, HR and education software. It continues to deliver added value to its customers, through regular regulatory and feature updates, leading to high customer loyalty. The strong level of reinvestment into innovative product development and outstanding customer support has continued to fuel outperformance, compared with other providers. The UK accountancy and SME software markets remain fragmented, offering further M&A opportunities, and we believe there to be a substantial upside in developing or acquiring SaaS products to target adjacent sectors.

Performance

IRIS has been able to maintain strong levels of organic revenue and EBITDA growth across market cycles. For the past few years, revenues have seen double-digit growth rates year on year. Over 2020, HGT has seen an increase of £12.8 million in its position in IRIS.

Exit

We believe that IRIS will be an attractive acquisition target for financial buyers, as it demonstrates high levels of organic revenue growth, strong net recurring revenue and high EBITDA margins, coupled with a leading sector position. We also see an IPO as a potential route to exit, given predictable growth and strong cash generation. Lastly, there are several potential strategic buyers.

providing integrated software for human resources management to the German and European Mittelstand

04

Investment date
March 2020

Location
Germany

Cluster
ERP & Payroll

Website
pi-ag.com

HGT's investment through HGT Saturn LP and co-investment through HGT LP

Hg clients' total equity:	64.4%
Unrealised value (£000):	64,295
% of NAV:	5.0%

● ● ● ● ●
Recurring revenue

● ● ● ● ●
Long-term growth

● ● ● ● ●
Thousands of customers

● ● ● ● ●
Platform for M&A

Business description

Founded in 1968 and headquartered in Wiesbaden, Germany, Personal & Informatik AG (P&I) provides integrated software solutions and services for human resources management. P&I offers a fully integrated SaaS-based HR suite, including payroll, core HR, human capital management and analytics, serving SMEs, large enterprises and public sector organisations directly and via its partners. Over 15,000 customers use P&I's intuitive solutions, primarily in Austria, Germany and Switzerland, as well as across 13 countries in Europe.

Why we invested

Hg is a serial investor in the regulatory-driven software space and continues to see attractive, long-term growth for leading and innovative players in the sector. P&I's scalable subscription-based platform exhibited characteristics within Hg's core focus: a broad, diversified and loyal customer base; strong position in the DACH payroll and HR market; exceptional historical operating performance, with over 10 years' consistent revenue and EBITDA growth.

We believe that the SaaS migration of the existing customer base and the expansion of the HRaaS offering, complemented by value-accretive M&A, will contribute to driving highly profitable growth over the next years.

Value creation

Hg initially invested in P&I in 2013 and retained a minority investment in 2016, following its majority sale to funds advised by Permira – which delivered a 36% IRR and 2.3x original cost investment multiple.

P&I is a driver of innovation in HR technology and stands out in the German HR software space as the only provider of a fully integrated payroll and HCM SaaS suite for the mid market. Its advanced SaaS product set allows HR tasks to be managed in the most modern and efficient manner, delivering strong value to its customers and a truly differentiated experience to its users. In March 2020, Hg completed an investment, via the Hg Saturn Fund, to become the majority shareholder again, valuing the company at an enterprise value of around €2 billion.

Performance

P&I continues to perform well and has seen strong growth over the last year. This performance and the transaction completed in March 2020 have led to an increase of £9.8 million in the valuation of HGT's stake since December 2019.

Exit

We believe that the combination of an increase in recurring revenues, high cash flow conversion and a strong product will be highly attractive at exit for both trade and financial buyers, as well as public market investors.

63

Hg's review

Financial statements

Corporate governance

Further information

TRANSPOREON

a cloud logistics platform with strong network effects, connecting shippers and carriers world-wide



64

Hg's review

05

Investment date
March 2019

Location
Germany

Cluster
ERP & Payroll

Website
transporeon.com

HGT's investment through HGT 8 LP and co-investment through HGT LP

Hg clients' total equity:	75.3%
Unrealised value (£000):	56,492
% of NAV:	4.4%

● ● ● ●
Recurring revenue

● ● ● ●
Long-term growth

● ● ● ○
Thousands of customers

● ● ● ○
Platform for M&A

Business description

Transporeon provides cloud-based logistics network and transport-management software for road freight in Europe. The platform enables hundreds of thousands of trucks to be booked and tracked as they haul freight in trailers across the Continent.

As a leader in the sector, the business benefits from strong network effects, connecting over 120,000 carriers and more than 1,300 shippers, using a modern SaaS platform available in over 100 countries and 24 languages. Its software offers customers more efficient tendering, dispatching and scheduling, along with better communication between those shippers looking to move freight by road and the carriers providing the trucks.

Why we invested

Transporeon is a highly strategic asset, operating in an industry with material room for growth, through new and existing clients, in line with historical levels. The business has seen uninterrupted double-digit revenue CAGR for the past 15 years across all market cycles. Transporeon exhibits several 'Hg sweet-spot' business model criteria, including: high net revenue retention; high customer loyalty; a strong position in an expanding sector; considerable growth opportunities from new customers, as well as broader adoption, through up- and cross-sell, by its current customer base.

Value creation

Transporeon has undergone major management change under Hg's ownership (new CEO, CFO, CCO, CHRO and CMO). With the new team in place, we now view the company as well placed to capitalise on opportunities for further operational efficiencies. Additionally, certain learnings from COVID-19 will be introduced permanently and should result in lower costs (eg remote implementations). Furthermore, as of September 2021, Transporeon will look to enable its entire network to deliver real-time location and ETA data to its shipper customers, thereby delivering additional value to all network participants and capturing data, on the back of which new product-use cases can be built. Further to operational improvements, we identified M&A targets – this could drive value creation further.

Performance

Transporeon had a strong 2020: while the second quarter was affected by COVID-19, overall, the business performed very resiliently and continued to grow, albeit more slowly than had been anticipated. The business is now returning to the pre-COVID-19 growth trajectory. HGT has benefited from an increase of £14.2 million in the valuation of its stake over 2020.

Exit

We believe that Transporeon will be a highly strategic asset to other software or service providers in the broader transportation-management space and is also likely to continue to be a very attractive company for PE buyers, on the back of high net revenue retention, strong cash conversion and a long-term organic growth story.

changes the way organisations
perfect their documents
and manage transactions



06

Investment date
May 2019

Location
North America

Cluster
Legal & Regulatory Compliance

Website
litera.com

HGT's investment through HGT 8 LP

Hg clients' total equity:	87.0%
Unrealised value (£000):	49,771
% of NAV:	3.9%

● ● ● ● ●
Recurring revenue

● ● ● ● ●
Long-term growth

● ● ● ● ○
Thousands of customers

● ● ● ● ●
Platform for M&A

Business description

Litera is a leading provider of software for law firms and document-intensive organisations across the globe, helping them to satisfy clients' demands. Its core products empower users to draft, proofread, compare, clean and distribute high-quality content, quickly and securely, from any device. Litera also offers collaboration workspace software for transactions (Litera Transact) and litigations (Litera Litigate), as well as an experience-management platform (Foundation/Litera Firm Intelligence).

Why we invested

Litera exhibits several typical 'Hg sweet-spot' business model criteria: a leading provider of a differentiated set of products with a clear ROI for lawyers and other customers; high customer loyalty; attractive, high-quality recurring revenue model; potential for M&A; a fragmented customer base; cross-sell opportunities into the established customer set, supplemented by potential new customers; high operating leverage which should provide margin upside as the business grows.

Value creation

Since our investment in May 2019, we have supported Litera on six add-on acquisitions, focused on growing its document productivity offering and expanding into new segments. Most prominent acquisitions include Workshare, a UK provider of secure enterprise file-sharing and collaboration applications, in July 2019, Doxly, a legal transaction management platform based in Indianapolis, in August 2019, and Foundation Software Group, a leading provider of experience-management software, in December 2020. Hg is focused on supporting the board and management team in the successful operational integration of its acquisitions, driving further add-on acquisitions of complementary legal software vendors and implementing operational excellence across functions.

Performance

Litera has performed well in 2020. The business is seeing strong trading – and this has led to an increase of £9.9 million in HGT's valuation of its stake over the year.

Exit

Given its attractive characteristics, we believe that Litera could be of interest to both strategic and financial buyers.

65

Hg's review



Financial statements



Corporate governance



Further information

provides medical imaging software that specialises in diagnostic viewing, reporting and collaboration solutions for radiologists



07

Investment date
February 2020

Location
North America

Cluster
Healthcare IT

Website
intelerad.com

HGT's investment through HGT 8 LP

Hg clients' total equity:	90.9%
Unrealised value (£000):	48,598
% of NAV:	3.8%

● ● ● ●
Recurring revenue

● ● ● ●
Long-term growth

● ● ● ●
Thousands of customers

● ● ● ○
Platform for M&A

Business description

Founded in 1999, Intelera is a leading global provider of enterprise workflow and medical imaging software solutions which enhance productivity and information accessibility for radiologists. The core product is a picture-archiving and communication system which helps radiologists and physicians to view and interpret medical images, enabling faster and more accurate diagnoses. Headquartered in Montreal, Canada, Intelera employs over 400 staff across offices in Australia, North America and the UK, serving a customer base of over 300 healthcare organisations, including radiology groups, imaging centres, clinics and a growing number of hospital radiology departments. Intelera software is critical to the operations of several of the scaled radiology services groups in the US and has achieved a 20%+ organic revenue growth CAGR in recent years, driven by overall market scan volume growth, plus ongoing consolidation within the radiology services market to the major players. That consolidation is at an early stage and is expected to continue for many years.

Why we invested

Hg recognises Intelera's leading role in supporting radiologists globally to deliver highly accurate diagnoses at optimum productivity. The business is a key enabler of healthcare delivery against a backdrop of increasing global demands, in radiology, for scalable and more efficient imaging, data management and workflow solutions. Intelera is led by a highly talented team which has developed powerful solutions for radiologists, offering both efficiency and a premium service which helps to create superior outcomes for both patients and healthcare providers.

Healthcare technology is a core sector for Hg, with an investment focus on healthcare operations, core systems, life sciences digitisation, interoperability and population health. Intelera represents the fifth healthcare technology investment in Hg's current portfolio.

Value creation

The Hg team, including the portfolio team, is focused on several workstreams with Intelera, including:

- M&A support: We are helping to source potential opportunities and assess possible sizable additions to the group, resulting in three acquisitions under Hg ownership.
- Supporting expansion to new markets.
- Upgrading core business systems and processes.

Performance

Volumes have continued to increase, following an initial dip in the first part of the COVID-19 lockdown. This has led to an increase in HGT's stake in the business of £14.3 million over the year.

Exit

Given its attractive characteristics, we believe that Intelera could be of interest to both strategic and financial buyers.



produces price assessments and analysis of international energy and other commodity markets



Strategic report

08

Investment date
January 2020

Location
UK

Cluster
Capital Markets & Wealth Management IT

Website
argusmedia.com

67

Hg's review

HGT's investment through HGT Saturn LP and co-investment through HGT LP

Hg clients' total equity:	18.8%
Unrealised value (£000):	45,822
% of NAV:	3.5%

● ● ● ● ●
Recurring revenue

● ● ● ● ●
Long-term growth

● ● ● ● ●
Thousands of customers

● ● ● ● ○
Platform for M&A

Business description

Founded in 1970, Argus Media (Argus) produces independent price assessments, essential data and analysis of the international energy and commodity sectors, anchoring physical commodity trade throughout global supply chains and underpinning financial derivatives markets. With over 160 publications and 26,000 price assessments, Argus is one of the two largest price-reporting agencies globally.

Why we invested

Argus has delivered over 15 years' consistent growth above sector peers, bolstered by its offering of critical, proprietary information, stemming from significant investment in developing new benchmarks and proven methodologies. The business is one of the longest-standing players in the space, with around 50 years' heritage – a trusted provider of pricing data and high-quality editorial content to a diverse, global customer base across 140 countries.

Value creation

The Hg team, including members of the portfolio team, is focused on supporting several workstreams together with Argus, including:

- data science: Argus has developed a new data-science product proposition over the last few years, leveraging its proprietary datasets to produce forward and possibility curves which are critical-risk management tools.
- data warehouse: supporting the transition to best-in-class data warehouse, enabling fact-based, data-driven decision-making from a single source of the business's operational and financial data.

Performance

Argus continues to perform well and has seen an uplift of £11.7 million in HGT's valuation of its stake in the business over the year.

Exit

Argus is a strategically valuable asset with attractive business-model characteristics and strong cash flow conversion. As a result, we believe that Argus will be an attractive target for private equity buyers. However, we also see an IPO as a potential exit route, given the business's combination of strong organic growth and cash generation.

Financial statements

Corporate governance

Further information

a leading digital enabler for companies and entrepreneurs across Europe



09

Investment date
March 2019

Location
Benelux

Cluster
SME Tech & Services

Website
team.blue

HGT's investment through HGT 8 LP and HGT Mercury 2 LP

Hg clients' total equity:	30.0%
Unrealised value (£000):	43,909
% of NAV:	3.4%

● ● ● ●
Recurring revenue

● ● ● ●
Long-term growth

● ● ● ●
Thousands of customers

● ● ● ●
Platform for M&A

Business description

team.blue is a leading European provider of mass hosting services to SoHos (small offices/home offices) and SMEs active across Europe (Belgium, Bulgaria, Denmark, Ireland, Italy, the Netherlands, Portugal, Spain, Sweden, Switzerland, Turkey and the UK). The business has more than 2 million customers and is a one-stop partner for web hosting, domains, e-commerce and application solutions. Hg invested initially in March 2019 in Combell Group – focused mainly on the Belgian and Danish markets, with a smaller presence in the Netherlands, before supporting the transformational acquisition in June 2019 of TransIP Group – also focused on the Netherlands. Finally, in September 2019, team.blue acquired Register Group (a Mercury 2 portfolio company) – focused on growth markets in southern Europe, Italy and Spain, as well as Ireland and the UK. Following these acquisitions, the combined group rebranded as team.blue.

Why we invested

This represents Hg's eighth investment in the SME tech services cluster, with other recent hosting investments including Zitcom (2015), DADA/Register (2017) and IT Relation (2018). team.blue shows similar characteristics to those of these businesses, having consistently delivered strong organic revenue growth, best-in-class customer satisfaction metrics and an exceptional M&A track record.

Value creation

Our future focus will be on accelerating organic growth in the core business, supported by commercial initiatives (eg packaging), while continuing roll-up M&A in the fragmented European hosting segment as it delivers on its differentiated strategy of being 'the champion of the smaller countries in Europe'.

Performance

team.blue is trading in line with expectations, with COVID-19 having not adversely affected the company. This positive performance has led to an £8.6 million uplift in the valuation of HGT's stake in the business over 2020.

Exit

We believe that team.blue will be an attractive acquisition target for financial buyers, as it has high levels of organic revenue growth, strong net revenue retention and high EBITDA margins. There are also several notable potential trade buyers – and IPO is an option, given size and growth profile.

managing all aspects of the tax-compliance process, from tax calculation to secure funds transfer



10

Investment date
September 2020

Location
North America

Cluster
Tax & Accounting

Website
sovos.com

HGT's investment through HGT Saturn 2 LP

Hg clients' total equity:	57.8%
Unrealised value (£000):	43,176
% of NAV:	3.3%

● ● ● ● ●
Recurring revenue

● ● ● ● ●
Long-term growth

● ● ● ● ○
Thousands of customers

● ● ● ● ●
Platform for M&A

Business description

Sovos is a global provider of compliance solutions, managing all aspects of the tax-compliance process, from tax calculation, form completion and ultra-high volume filing to secure funds transfer to state and local revenue departments. At the heart of the Sovos software suite is a powerful tax-calculating engine, leveraging the industry's most comprehensive repository of over 210 million tax rules, in more than 13,500 jurisdictions, across in excess of 200 countries. Sovos is headquartered in Boston, US, with a presence in Europe and Latin America, with most of the revenue generated from a US customer base of around 4,500 predominantly large enterprises.

Why we invested

Hg has been tracking Sovos for several years, investing initially in 2016 out of Hg Genesis 7. In 2020, Hg Genesis 7 exited its investment and Hg Saturn 2 acquired a majority stake in the company alongside TA Associates. We identified Sovos initially as a scale specialist in tax compliance for enterprise customers, with the opportunity to expand outside of the US market. This continued to play out during the Genesis 7 ownership period – and we will continue to build on this during the next leg of growth via Saturn 2. Sovos sits right in the 'Hg sweet-spot', with a strong and predictable business model, including around 92% contractually recurring revenue; a fragmented, loyal customer base; high margins; robust cash conversion. Sovos's largest, core products have achieved close to double-digit organic revenue growth.

Value creation

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 we believe that there are many attractive opportunities for Sovos to grow by acquisition, with additional potential through further margin improvement. Sovos has completed several acquisitions since 2016, while Hg continues to support management in further M&A opportunities, as well as key pricing-improvement initiatives and in operationalising the customer success team, leading to higher customer loyalty. In August 2020, Hg announced the sale of Hg Genesis 7's investment and a further investment in the business, alongside TA Associates, at an uplift of 55% to its holding value at 31 December 2019.

Performance

Sovos has seen rapid growth since our initial investment, driven by strong organic growth in its core products. We have also been successful in deploying material capital into M&A and see several additional opportunities ahead of us. HGT has benefited from an increase of £49.8 million in the valuation of its stake over 2020.

Exit

We believe that Sovos will be an attractive acquisition target for private equity buyers, given its high levels of organic revenue growth, EBITDA margins and market positioning. However, with strong cash generation, we also see an IPO as a potential route to exit. Lastly, there are several notable potential trade buyers.



11

Investment date
May 2018

Location
Germany

Cluster
Automotive

Website
meinauto.de

HGT's investment through HGT 8 LP

Hg clients' total equity:	81.9%
Unrealised value (£000):	39,428
% of NAV:	3.1%

● ● ● ●
Recurring revenue

● ● ● ●
Long-term growth

● ● ● ●
Thousands of customers

● ● ● ○
Platform for M&A

Business description

MeinAuto Group ('MeinAuto') provides customers with easy access to automotive subscriptions via end-to-end online journeys. It is transforming the traditional approach of vehicle-retailing, from an offline service to an integrated digital delivery model.

MeinAuto operates three brands, with the company's products ranging from traditional mobility offerings, such as vehicle-purchasing, to innovative flat-rate offers. Its operations are highly automated, including tailored online front ends, as well as digital back-end processes, allowing it to capture significant economies of scale. The unique selling point for the customer is a richness of choice (unique multibrand offer), ease of use (fast and hassle free) and attractive value (transparent, all-inclusive price).

Why we invested

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, including previous investments in Epyx, Eucon, Parts Alliance and Zenith.

The €80-billion German new car market is at a tipping point for online and subscription disruption. Automotive distribution is moving from a traditional, offline, dealership-centric model to a multichannel, online-enabled structure. MeinAuto actively addresses this transformation – and its product IP and customer access, combined with strong growth and profitability, make it an attractive investment. The business has a strong management team of visionary leaders in the online car industry.

Value creation

MeinAuto continues to execute its plan formulated in 2018.

Current key focus areas include increasing customer reach, additional partnerships and brand marketing. Furthermore, the team is optimising lead conversion through smart pricing algorithms (Deal Machine) and optimised customer journeys. As such, MeinAuto is the ideal platform for growth, combining highly recurring revenues and a resilient risk profile. Hg is supporting the management of the business in several specific operational areas, while also helping to realise several synergies across the group and additionally looking at further strategic M&A opportunities.

Performance

In light of the COVID-19-affected automotive end market, MeinAuto showed strong growth, with its car orders outperforming sector growth by around 60% and at very stable margins.

Exit

We are evaluating various exit routes and are firmly convinced that a leading platform in online car distribution, specifically when combined with a fully transactional and vertically integrated offering, is of high relevance to strategic buyers in the mobility ecosystem (eg large leasing companies and automotive OEMs with a limited distribution footprint in Germany) and also attractive to financial sponsors.

providing software solutions
and IT services to legal and real-
estate professionals



12

Investment date
December 2020

Location
France

Cluster
Legal & Regulatory Compliance

Website
Septeo.fr

71

HGT's investment through HGT Genesis 9 LP

Hg clients' total equity:	69.9%
Unrealised value (£000):	39,075
% of NAV:	3.0%

● ● ● ● ●
Recurring revenue

● ● ● ● ●
Long-term growth

● ● ● ● ●
Thousands of customers

● ● ● ● ●
Platform for M&A

Business description

The Septeo Group (Septeo) is a leading legal tech provider supporting professions, including notaries, law firms, corporate legal departments and real-estate property managers, primarily in Belgium and France. Founded in 1988, Septeo now has over 120,000 users, served by 1,500 employees.

Why we invested

This investment reinforces Hg's focus on legal and regulatory compliance tech, representing the 11th investment in this sector across Europe and North America, with over €1.5 billion invested in the sector to date.

Value creation

Hg's focus for now is on developing the value-creation plan, supporting Septeo in making key hires and accelerating M&A.

Performance

Septeo is performing well; however, it is new to the portfolio and is therefore marked at close to its original entry value.

Exit

Given the strategic position of Septeo in the French market and the relative scarcity of players, we believe that Septeo will be an attractive software business acquisition target for future buyers. As the company demonstrates high levels of organic revenue growth, strong net recurring revenue and high EBITDA margins, coupled with a leading sector position, we also see an IPO as a potential route to exit.



providing critical business support, BPO and advisory services internationally



13

Investment date
October 2016

Location
UK

Cluster
Tax & Accounting

Website
azets.com

HGT's investment through HGT 7 LP and co investment through HGT LP

Hg clients' total equity:	76.8%
Unrealised value (£000):	37,873
% of NAV:	2.9%

● ● ● ○
Recurring revenue

● ● ● ○
Long-term growth

● ● ● ●
Thousands of customers

● ● ● ●
Platform for M&A

Business description

Following years of development, Azets was formally launched in 2017 through the acquisitions and merger of Nordic-based Azets and UK-based Baldwins and Blick Rothenberg – to form a platform providing various business services to SMEs in northern Europe. The group's focus is the provision of critical business support, BPO and advisory services to the entrepreneurial and private company business segments, together with their owners and managers. Azets now has around 110,000 customers, with over 6,500 employees operating from 184 offices in Scandinavia and the UK. The group also has 800 offshore employees based in Lithuania and Romania, as well as a significant technology team, focused on automation.

Why we invested

Azets continues Hg's focus of investing in regulatory-driven businesses with 'Hg sweet-spot' business model characteristics, including a diversified customer base, existing IP and recurring revenues. We have been tracking the SME accountancy and advisory services sector for many years, since it exhibits several attractive criteria. These include: a high share of repeatable revenue; high customer-retention rates; a fragmented customer base; a fragmented competitive landscape of founder-led businesses, allowing for significant M&A opportunities. We believe there to be significant market opportunity, as payroll, accounts preparation, tax, audit, estate-planning and HR compliance services underpin thousands of small businesses across every European country. Based on our investments in other providers in the same sector, we see an opportunity to create a scaled European service provider which uses automation, technology, nearshoring and product scale to drive significant value. Having built the core of Azets via M&A, we are now building that champion via a business-transformation process led by the Hg portfolio team.

Value creation

We are focused principally on three value-creation levers: delivering long-term organic growth across the group; operational transformation across the Nordics and UK; pursuing the acquisition of high-quality accounting services businesses, as well as other adjacent service providers. Hg has supported these value-creation levers by adding experienced leadership and updated business strategy and corporate structure, along with improved business processes and management information.

Performance

Azets saw some underperformance in FY21 as a result of COVID-19, owing to various short-term impacts on customers, particularly in non-recurring revenue lines. However, the business still saw year-on-year organic growth in constant currency LTM revenue and EBITDA.

Exit

We expect the business model characteristics of Azets to be appealing, at exit, to a wide range of financial investors. Azets is the scale platform to further consolidate this market across Europe. We also expect an IPO to represent an attractive exit opportunity.

facilitating more efficient
investing, through trusted,
insightful information



14

Investment date
November 2018

Location
UK

Cluster
Capital Markets & Wealth Management IT

Website
fefundinfo.com

73

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

Hg clients' total equity:	54.9%
Unrealised value (£000):	34,720
% of NAV:	2.7%


Recurring revenue


Long-term growth


Thousands of customers


Platform for M&A

Business description

Built from the merger of Financial Express, fundinfo and F2C, FE fundinfo facilitates more efficient investing across the globe by connecting fund managers and fund distributors and enabling them to share and act on trusted, insightful information. It brings together all of FE, fundinfo and F2C's many years of investment expertise, technology, software and services into a combined and holistic fund data and technology provider. With roots stretching back to 1996, FE fundinfo has offices in Australia, Czech Republic, France, Italy, Germany, Hong Kong, India, Luxembourg, Singapore, Spain, Switzerland and the UK. With more than 650 staff across these offices, the organisation is truly global in outlook and capability.

Why we invested

The Mercury Team had been following FE and fundinfo for several years as they display many of the business characteristics which Hg seeks, including a strong position in the wealth-management and asset-management software and data sector, a well-recognised brand and business-critical products. This is a sector which Hg knows well, having been invested previously (2013) in Intelliflo, a provider of SaaS financial adviser software to the same market.

Value creation

In December 2019, Hg completed a refinancing of FE fundinfo, returning proceeds of £5.6 million to HGT. In December 2020, FE acquired CSSP, a Liechtenstein-based ESG provider for CHF 8 million. Over the next 12–18 months, Hg will be supporting the management of FE fundinfo in several areas, including: integrating the businesses and realising associated synergies; building the management team; looking at potential M&A opportunities; developing sales and marketing processes. In 2020, the business hired a new CEO – Hamish Purdey. Hamish is an experienced and proven leader in the wealth and broader financial services technology sector and was previously CEO of Intelliflo, which returned a 4.7x investment multiple in 2018.

Performance

The business is performing well, with strong trading across the group. This has led to an increase of £16.7 million in the valuation of HGT's stake in FE fundinfo over 2020.

Exit

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



delivering enhanced value
for healthcare systems through
its SaaS healthcare
management software



15

Investment date
August 2018

Location
UK

Cluster
Healthcare IT

Website
allocatesoftware.com

HGT's investment through HGT 8 LP

Hg clients' total equity:	44.0%
Unrealised value (£000):	34,137
% of NAV:	2.6%

● ● ● ●
Recurring revenue

● ● ● ●
Long-term growth

● ● ● ○
Thousands of customers

● ● ● ○
Platform for M&A

Business description

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

Why we invested

When evaluating exit options for Allocate in 2017, Hg felt that there was still a substantial amount of near-term value creation in the UK business, as well as significant potential for international M&A. We were therefore keen to participate in the next stage of Allocate's growth. Co-ownership with Vista, via Hg Genesis 8, expands the opportunity to build Allocate's position through M&A, with four bolt-ons conducted since 2018, and strengthens the operational capabilities available to the business to continue to improve its systems and processes.

Value creation

Allocate was previously owned by the Hg Mercury Fund which sold the business to Vista Equity Partners in April 2018, delivering a 3.6x investment multiple and a 50% gross IRR. Hg is currently focused on supporting Allocate on several workstreams, including driving the sales of new products and executing further M&A.

Performance

Allocate continues to see robust growth, reflected in an uplift of £15.0 million in the valuation of HGT's stake in the business over 2020.

Exit

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

MITRATECH

a leading provider of
enterprise legal management
and compliance software to
corporate customers across
Europe and the US



Strategic report

16

Investment date
April 2017

Location
North America

Cluster
Legal & Regulatory Compliance

Website
mitratech.com

75

Hg's review

HGT's investment through HGT 7 LP and co investment through HGT LP

Hg clients' total equity:	53.7%
Unrealised value (£000):	33,307
% of NAV:	2.6%

● ● ● ● ●
Recurring revenue

● ● ● ● ●
Long-term growth

● ● ● ● ○
Thousands of customers

● ● ● ● ○
Platform for M&A

Business description

Mitratech is a leading global provider of enterprise legal management (ELM) software to corporate legal departments. The core products are matter-management software (which acts as the ERP software at the heart of in-house legal teams) and an e-billing solution (providing e-invoicing capabilities between law departments and external counsel, with automatic invoice review). Mitratech serves a wide customer base of around 1,000 corporate customers worldwide, including 40% of the Fortune 500. Over 650 law firms are using the e-billing platform to transmit invoices to clients. The company is headquartered in Texas, with further offices in Australia, England, the US and Wales, employing around 400 people.

Why we invested

Legal and regulatory compliance software is a core Hg 'cluster' and one in which we have invested before. Hg's genesis team has looked at many targets in this fragmented sector. However, Mitratech is one which is sufficiently large and attractive as a standalone investment and has a proven track record of performance, backed by a strong management team with a clear strategy to create value. We see Mitratech as an excellent platform to drive a global sector consolidation.

Value creation

Hg is focused on supporting Mitratech to source further M&A opportunities, following the acquisition in 2018 of ThinkSmart, a workflow automation platform which fits well with Mitratech's core ELM product – TeamConnect. Hg's portfolio team is working with management on proposition and product development, as well as several customer-success initiatives to implement new systems and processes to enhance customer satisfaction and productivity. The business has a strong management team, with a best-in-class core product, winning customers from fragmented competition in a growing subsector.

Performance

Trading over 2020 has been robust, with increased recurring revenues driven by improved customer support and account-management processes, leading to higher customer loyalty. The valuation of HGT's stake in Mitratech has risen by £9.7 million over the year.

Exit

We believe that Mitratech will present an attractive acquisition target to several trade acquirers in the legal, enterprise content management, governance risk and compliance sectors, where its position as the leading ELM vendor holds high strategic value. Equally, we expect that Mitratech will continue to be attractive to private equity buyers, given recurring revenue, EBITDA margins and market position.



Financial statements



Corporate governance



Further information



CASEWARE®

cutting-edge audit software
solutions for accounting
firms, corporations and
governments



76

Hg's review

17

Investment date
December 2020

Location
North America

Cluster
Tax & Accounting

Website
caseware.co.uk

HGT's investment through HGT 8 LP

Hg clients' total equity:	63.0%
Unrealised value (£000):	29,080
% of NAV:	2.3%

● ● ● ●
Recurring revenue

● ● ● ●
Long-term growth

● ● ● ●
Thousands of customers

● ● ● ○
Platform for M&A

Business description

CaseWare International Inc (CaseWare) is a global leader in audit and assurance software. Based in Toronto, Canada, the business develops cutting-edge audit software solutions for accounting firms, corporations and governments. CaseWare's platforms (Working Papers and IDEA) aim to change the future of audit and audit analytics by adopting cloud technology, as well as artificial intelligence and machine learning, enabling measurable returns on efficiency, quality and value for customers and their clients. For over 30 years, CaseWare has been a technology leader in the sector and has grown organically to over 500,000 users in 130 countries today, serving 16 languages.

Why we invested

Hg's experience in the tax and accounting technology space means that we have known and admired CaseWare for many years. Hg spent a long time getting to know the company's management team and recognise the huge potential in the business. Hg's investment and knowledge in global financial software businesses will help to support the company, particularly in accelerating the growth of CaseWare Cloud, which is already supported by more than 1,000,000 audit engagements.

Value creation

The Hg team, including the Hg portfolio team, is focused on supporting CaseWare across several initiatives, including: systems and reporting; management organisation; strategic projects; sales and marketing. In addition, the Hg portfolio team is focused on driving commercial excellence and supporting M&A.

Performance

It is early days in CaseWare's partnership with Hg, yet the business continues to perform in line with our expectations.

Exit

We believe that CaseWare will be an attractive acquisition target for private equity buyers, as it has high levels of organic growth and strong net revenue retention – in a large and fast-growing market which remains largely unpenetrated. There are also several notable potential trade buyers.

a leading provider of
software to ambulatory care
services, care homes and
therapists in Germany



18

Investment date
October 2018

Location
Germany

Cluster
Healthcare IT

Website
medifox.de

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

Hg clients' total equity:	72.3%
Unrealised value (£000):	24,190
% of NAV:	1.9%

● ● ● ●
Recurring revenue

● ● ● ● ●
Long-term growth

● ● ● ● ●
Thousands of customers

● ● ● ● ●
Platform for M&A

Business description

MediFox DAN Group (MediFox) is the leading provider of software solutions to around 7,500 outpatient care services, 5,100 elderly care homes and 1,300 therapists in Germany. The business supports care providers with key challenges, including resource- and route-planning, care documentation, regulatory compliance and quality assurance of services provided, as well as invoicing, reimbursement and factoring. The company is headquartered in Hildesheim, Germany, and employs around 500 people.

Why we invested

The investment, made from the Hg Mercury 2 Fund, recognises MediFox's attractive business model characteristics, being a well-established player with a strong position in a fragmented sector, with structural fundamental growth for the next decades, driven by the global mega trend of an aging population. We have been following the progress and success of MediFox for many years and recognise the strength of the business and the opportunity for further growth, both organically and through acquisitions. Our expertise and focus on software and healthcare IT, along with our strong presence in Germany, make us well placed to support management in taking the business on to its next phase of growth.

Value creation

MediFox completed the acquisition of German outpatient care software provider COMfuture in December 2019. This has further strengthened MediFox's presence in the German outpatient care software space. This was followed by the announcement, in January 2020, of a merger with DAN Produkte, a leading German care software provider with a strong presence in inpatient care. We believe that the business can grow both organically and by further acquisitions. The Hg portfolio team is providing guidance and support for several ongoing operational initiatives.

Performance

MediFox continues to trade well, with consistent double-digit LTM sales and EBITDA growth. This has led to an uplift in HGT's valuation of its stake of £10.0 million in the business over 2020.

Exit

MediFox is a high-quality business with a strong financial profile and multiple clearly identified growth paths; it is well positioned in a structural growth sector. As such, we expect MediFox to attract strong interest from both the financial and strategic investor communities.

77

Hg's review

Financial statements

Corporate governance

Further information



The
Citation
Group

providing long-term,
subscription-based compliance
and quality services to SMEs
throughout the UK



78

Hg's review

19

Investment date
December 2020

Location
UK

Cluster
SME Tech & Services

Website
citation.co.uk

HGT's investment through HGT 8 LP

Hg clients' total equity:	39.7%
Unrealised value (£000):	22,523
% of NAV:	1.7%

● ● ● ●
Recurring revenue

● ● ● ●
Long-term growth

● ● ● ●
Thousands of customers

● ● ● ●
Platform for M&A

Business description

The Citation Group ('Citation') provides tech-enabled compliance and quality-related subscription services to over 40,000 SMEs across the UK. Citation helps SMEs to comply with relevant regulations and to ensure that certain levels of quality and standards are met, in areas such as HR/employment law, health and safety and ISO and industry-specific rules and standards, by providing a combination of expert advice, software tools and audits/assessments, mostly on a long-term subscription basis.

Why we invested

Citation operates in the regulatory-driven compliance services sector for SMEs in the UK, which is structurally growing at high single-digit rates and materially underpenetrated. Hg first partnered with Citation's management team in 2016 to support continued rapid organic growth in its core business, while developing new adjacent compliance-related offerings which it can provide to its customer base both organically and via M&A. We believe that Citation's role, in providing business-critical solutions to customers, backed by industry-leading customer satisfaction scores, provides the platform to become a trusted partner to SMEs, enabling the group to provide adjacent solutions to deepen this relationship and accelerate growth further.

Value creation

Eleven acquisitions have been completed by Citation since we first invested, all of which are highly complementary to the business and provide significant opportunities for synergies and cross-sell among the customer bases, by building out the group's range of services. The management team, with the support of Hg, is focused on developing new products and services and identifying further M&A to supplement organic growth.

Performance

Citation continues to grow organically at double-digit rates, with consistently increasing net revenue retention and industry-leading customer acquisition metrics. In August 2020, Hg announced the sale of the business to KKR, a leading global investment firm. Hg Genesis 8 was given the option to reinvest in Citation. After a successful re-evaluation of the business prospects, Hg provided new equity investment into the business, which is now led via co-control ownership by both Hg and KKR.

Performance over the year has led to an increase of £6.1 million in HGT's valuation of its stake in Citation.

Exit

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

IT Relation

providing a full-service IT offering, allowing SMEs to move and operate their IT infrastructure into the cloud



Strategic report

20

Investment date
August 2018

Location
Scandinavia

Cluster
SME Tech & Services

Website
itrelation.dk

79

Hg's review

HGT's investment through HGT 8 LP

Hg clients' total equity:	70.5%
Unrealised value (£000):	21,525
% of NAV:	1.7%

● ● ● ●
Recurring revenue

● ● ● ● ●
Long-term growth

● ● ● ● ●
Thousands of customers

● ● ● ● ●
Platform for M&A

Business description

Founded in 2003, IT Relation provides services which allow SMEs to move their IT infrastructure and operations into the cloud, as well as providing end-user support and consulting as part of a full-service IT offering. The company has over 700 employees – supporting thousands of customers and tens of thousands of users in Denmark, Sweden and around the world.

Why we invested

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

Value creation

IT Relation has a strong track record of successfully executing this strategy, demonstrating good net revenue retention metrics and the ability to drive growth from existing and new customers. We expect this organic growth engine to continue to drive value creation during Hg's ownership period. In addition, IT Relation has been supplementing its organic growth through acquisitions, having acquired and successfully integrated six businesses in the last three years before Hg's ownership period and having acquired 10 further businesses during Hg's ownership. We expect M&A to continue to contribute material value creation in future. In 2020, after focusing initially on ensuring business resilience during COVID-19, Hg is now focused on working on several workstreams with the IT Relation management team, including continuing to drive organic growth, M&A support to source and assess more potential opportunities and increased operational scalability and automation.

Performance

IT Relation continues to grow its revenues, both organically and through acquisition. Trading performance has led to a small increase in HGT's valuation of its stake over 2020.

Exit

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



Financial statements



Corporate governance



Further information



Other investments

21 APG

A-PLAN GROUP

Cluster:	Insurance
Web:	www.aplan.co.uk
Date of investment:	April 2015
Unrealised value (£000):	21,396
% of NAV:	1.7%

A-Plan Group (APG) is one of the UK's largest specialist insurance distribution groups, providing commercial and personal-lines cover for those target segments which mainstream providers are typically unable to reach, such as high-net-worth individuals, students, micro-commercial owners and those needing to insure specialist vehicles and homes. APG has a long heritage of successfully taking care of its clients. This client-first approach has been bolstered by the new capabilities and additional customer segments which acquired businesses brought to the group. Recent years have seen high-acquisition activity together with consistent organic growth, enabling the group to achieve significant growth and build a position of strength and stability. In September 2020, Hg announced the sale of APG to Howden, the international insurance-broking group.

22 TeamSystem®

Cluster:	Tax & Accounting/ERP & Payroll
Web:	www.teamssystem.com
Date of investment:	September 2010
Unrealised value (£000):	21,331
% of NAV:	1.7%

Headquartered in Pesaro, Italy, TeamSystem is a leader in its core business of providing regulatory-driven software applications to accountants, labour professionals and SMEs. In recent years, it has built a cloud product portfolio with multiple products targeting the micro SME segment, as well as migrating existing on-premises customers. The company is well positioned to capture the large cloud opportunity in Italy, which is early in cloud adoption, compared with that of other western economies. TeamSystem has a large and diversified customer base, with c 1.5 million customers served by a strong direct sales force and a distribution platform of over 350 software partners. In 2021, HGT sold its minority investment through Hg Genesis 6 and invested £14.3 million through the Hg Genesis 8 Fund. Over 2020, HGT saw an uplift in its stake of TeamSystem of £4.6 million.

23 Commify

Cluster:	SME Tech & Services
Web:	www.commify.com
Date of investment:	January 2017
Unrealised value (£000):	20,798
% of NAV:	1.6%

Commify is a leading application-to-person ('A2P') messaging service in Western Europe. The group is a roll-up of four businesses: Moby, SMS Envoi, Esendex and SMS Publi. The group has since made a further seven acquisitions across Germany, Spain and the UK. The customer base comprises mainly SMEs and some larger enterprises which use Commify's services to communicate with their end customers through messages, voice and other media. The purpose of the communications can be varied, but most messages are mission-critical, operational content, such as appointment reminders and delivery notifications. The business also supports marketing/promotional messages and coupons, as well as surveys. Commify has grown organically and through M&A over the past 10 years and now sends over 3 billion SMS messages across Australia, France, Germany, Italy, Spain and the UK.

24 brightpay

Cluster:	ERP & Payroll
Web:	www.brightpay.ie
Date of investment:	August 2018
Unrealised value (£000):	19,927
% of NAV:	1.5%

Based outside Dublin, BrightPay provides payroll solutions to SMEs and payroll bureaux in Ireland and the UK. BrightPay's software is used by over 320,000 employers across Ireland and the UK – under two brands: BrightPay and Thesaurus Software. Strong performance to 31 December 2020 has led to an increase in HGT's valuation in BrightPay of £6.1 million.

25 Gen^{II}

Well-run funds.

Cluster:	Tax & Accounting
Web:	www.gen2fund.com
Date of investment:	December 2020
Unrealised value (£000):	18,707
% of NAV:	1.4%

In December, Hg completed an investment in Gen II Fund Services, LLC ('Gen II'), a leading independent private equity fund administrator. Gen II is a leading pure-play provider of alternative asset fund administration services. Headquartered in New York and Luxembourg with a global customer base, the company administers over \$375 billion of private capital on behalf of its clients across more than 500 funds and their 25,000 investors, spanning various investment strategies including Buyout, Real Estate and Infrastructure.

Other investments continued

26 LYNIA TE

Cluster:	Healthcare IT
Web:	www.lyniate.com
Date of investment:	October 2018
Unrealised value (£000):	18,448
% of NAV:	1.4%

Lyniate is a global leader in healthcare interoperability and data-liquidity solutions, with over 1,200 customers in 36 countries. Its software solutions serve public and private hospitals, health systems, labs, clinics, health information exchanges, healthcare IT and equipment vendors, telemedicine vendors, public health departments and federal government organisations. Lyniate provides an integration platform which powers the critical systems within healthcare, with high-volume data-acquisition and data-integration capabilities. The platform's comprehensive set of tools helps to simplify interoperability in complex healthcare environments, enabling seamless integration with electronic medical records. During 2020, Lyniate served as a keystone of the COVID-19 pandemic reporting and agility, enabling timely sharing of critical data. Strong performance has led to an increase of £8.4 million in HGT's stake of this business over 2020.

27 smartTrade

Cluster:	Capital Markets & Wealth Mgmt IT
Web:	www.smart-trade.net
Date of investment:	March 2020
Unrealised value (£000):	18,327
% of NAV:	1.4%

In February 2020, Hg announced an investment in smartTrade Technologies ('smartTrade'), a leader in multiasset class trading solutions, with a focus on FX, via the Hg Mercury 2 Fund. Headquartered in France, smartTrade is a provider of software for trading desks, enabling its global client base of financial institutions to trade FX and other asset classes. Hg has been investing in capital markets and wealth & asset management technology for almost 20 years and has known the smartTrade team since 2015. During this time, Hg has recognised smartTrade as a truly innovative business, with an exceptional leadership team, which has developed leading modular solutions, used by sell-side and buy-side market participants.

28 Achilles

Cluster:	Legal & Regulatory Compliance
Web:	www.achilles.com
Date of investment:	July 2008
Unrealised value (£000):	17,701
% of NAV:	1.4%

Achilles is a mission-critical provider of supply-chain assurance solutions, allowing global purchasing organisations, in industries with complex regulatory requirements, to drive operational excellence. It is a technology-enabled business model, whereby a network of buyers in a certain vertical industry (eg UK utility companies, Scandinavian natural resources etc) requires its key suppliers to qualify to a set of standardised information – which suppliers submit via the my.Achilles platform. Such data is critical to support risk-management processes around legislation, health and safety, financial quality and trade regulation, as well as ensuring diversification of the supply chain and so protecting buyers from the high cost of failure. Achilles currently operates over 30 vertical market communities across five continents.

29 Evaluate

Cluster:	Healthcare IT
Web:	www.evaluate.com
Date of investment:	August 2020
Unrealised value (£000):	12,547
% of NAV:	1.0%

Evaluate is a leading provider of commercial data to the life science industry, supplying critical information to pharmaceutical companies and their advisers for complex commercial decisions. The core data around which the business has been built is the supply of third-party research analyst consensus-forecasting, down to 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, then Evaluate creates value by normalising, structuring and updating this information continuously into a single, consistent dataset, delivered to key decision-makers in an easy-to-consume format. In August 2020, Hg completed the sale of Evaluate and has taken the opportunity to make a further investment in the business, via the Hg Mercury 2 Fund.

30 F24

Cluster:	SME Tech & Services
Web:	f24.com
Date of investment:	August 2020
Unrealised value (£000):	10,704
% of NAV:	0.8%

In August, Hg completed an investment in F24, a pan-European sector leader for emergency notification, crisis and incident management and critical communications, headquartered in Munich, Germany. Hg has invested in a stake currently owned alongside Armira and co-founder Ralf Meister, becoming the majority shareholder in the business.

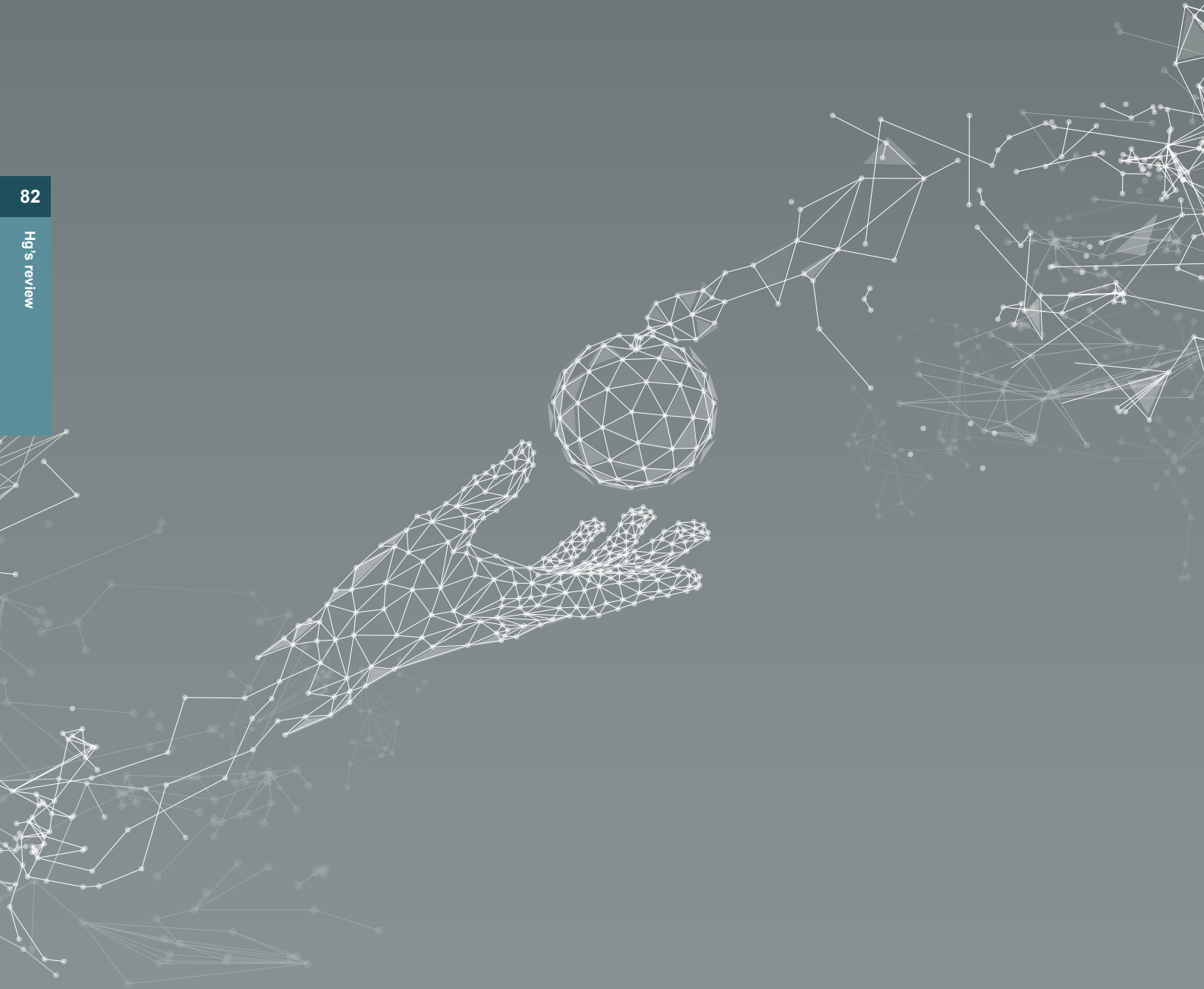




Financial statements

82

Hg's review





Income statement

for the year ended 31 December 2020

	Notes	Revenue return		Capital return		Total return	
		2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
Gains on investments and liquidity funds	13	–	–	233,322	161,389	233,322	161,389
(Losses)/gains on priority profit share loans advanced to general partners	5(b)	–	–	(3,176)	4,679	(3,176)	4,679
Net income	4	24,682	15,549	–	–	24,682	15,549
Other expenses	6(a)	(4,846)	(3,288)	–	–	(4,846)	(3,288)
Net return before finance costs and taxation		19,836	12,261	230,146	166,068	249,982	178,329
Finance costs	6(b)	(3,025)	(755)	–	–	(3,025)	(755)
Net return before taxation		16,811	11,506	230,146	166,068	246,957	177,574
Taxation	9	(2)	(80)	–	–	(2)	(80)
Net return after taxation		16,809	11,426	230,146	166,068	246,955	177,494
Return per ordinary share	10(a)	4.11p	2.94p	56.30p	42.77p	60.41p	45.71p

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

The movements in reserves are set out in note 21 to the financial statements.

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

No operations were acquired or discontinued during the year.

The following notes form part of these financial statements.





Balance sheet

as at 31 December 2020

	Notes	2020 £000	2019 £000
Fixed asset investments			
Investments at fair value through profit or loss:			
Unquoted investments	12	1,024,116	788,013
Total fixed asset investments		1,024,116	788,013
Current assets – amounts receivable after one year:			
Accrued income on fixed assets	14	70,953	54,266
Current assets – amounts receivable within one year:			
Debtors	14	9,528	8,961
Investments at fair value through profit or loss:			
Liquidity funds	15	139,470	184,505
Uninvested capital in limited partnerships	12(a)	26,471	226
Cash at bank	16	21,648	4,558
Total current assets		268,070	252,516
Creditors – amounts falling due within one year	17	(1,170)	(1,231)
Net current assets		266,900	251,285
Net assets		1,291,016	1,039,298
Capital and reserves:			
Called-up share capital	20	10,400	10,186
Share premium account	21	219,722	194,774
Capital redemption reserve	21	1,248	1,248
Capital reserve – unrealised	21	240,712	264,953
Capital reserve – realised	21	798,988	544,601
Revenue reserve	21	19,946	23,536
Total equity shareholders' funds		1,291,016	1,039,298
Net asset value per ordinary share	10(b)	310.3p	255.1p
Ordinary shares in issue at 31 December		415,999,808	407,424,808

The financial statements of HgCapital Trust plc (registered number 01525583) on pages 82–105 were approved and authorised for issue by the Board of Directors on 12 March 2021 and signed on its behalf by:

Jim Strang, Chairman

Richard Brooman, Director

The following notes form part of these financial statements.

Statement of cash flows

for the year ended 31 December 2020

	Notes	2020 £000	2019 £000
Net cash outflow from operating activities	7	(69,041)	(4,657)
Investing activities:			
Purchase of fixed asset investments	12	(403,215)	(117,284)
Proceeds from the sale of fixed asset investments		441,359	96,621
Purchase of liquidity funds	15	(271,900)	(90,000)
Redemption of liquidity funds	15	318,149	61,100
Net cash inflow/(outflow) from investing activities		84,393	(49,563)
Financing activities:			
Servicing of finance		(3,025)	(1,475)
Equity dividends paid	11	(20,399)	(18,444)
Proceeds from issue of shares		25,162	75,261
Net cash inflow from financing activities		1,738	55,342
Increase in cash and cash equivalents in the year	16	17,090	1,122
Cash and cash equivalents at 1 January	16	4,558	3,436
Cash and cash equivalents at 31 December	16	21,648	4,558

The following notes form part of these financial statements.





Statement of changes in equity

for the year ended 31 December 2020

	Notes	Share capital £000	Non-distributable Share premium account £000	Capital redemption reserve £000	Capital reserve – unrealised £000	Distributable Capital reserve – realised £000	Revenue reserve £000	Total £000
At 1 January 2020		10,186	194,774	1,248	264,953	544,601	23,536	1,039,298
Net return after taxation		–	–	–	(24,241)	254,387	16,809	246,955
Contributions of equity net of transaction costs		214	24,948	–	–	–	–	25,162
Equity dividends paid	4	–	–	–	–	–	(20,399)	(20,399)
At 31 December 2020		10,400	219,722	1,248	240,712	798,988	19,946	1,291,016
At 1 January 2019		9,331	120,368	1,248	119,958	523,528	30,554	804,987
Net return after taxation		–	–	–	144,995	21,073	11,426	177,494
Contributions of equity net of transaction costs		855	74,406	–	–	–	–	75,261
Equity dividends paid	4	–	–	–	–	–	(18,444)	(18,444)
At 31 December 2019		10,186	194,774	1,248	264,953	544,601	23,536	1,039,298

The following notes form part of these financial statements.



Notes to the financial statements

1. Principal activity

The principal activity of HGT is investment. HGT 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 October 2019. All of HGT's operations are of a continuing nature.

HGT has considerable financial resources and, as a consequence, the Directors believe that HGT is well placed to manage its business risks. After making enquiries, the Directors have a reasonable expectation that HGT will have adequate resources to continue in operational existence for the next 12-month period from the date of approval of this report.

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 were applied in HGT's previous annual audited report and accounts.

3. Organisational structure and accounting policies

Partnerships where HGT is the sole limited partner

HGT entered into ten 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, February 2018 and February 2020; at each point, an investment-holding limited partnership was established to carry on the business of an investor, with HGT being the sole limited partner in these entities.

The purpose of these partnerships, HGT LP, HGT 6 LP, HGT 7 LP, HGT 8 LP, HgCapital Mercury D LP, HGT Mercury 2 LP, HGT Saturn LP, HGT Transition Capital LP, HGT Saturn 2 LP and HGT Genesis 9 LP (together the 'primary buyout funds'), is to hold all of HGT's investments in primary buyouts. Under the partnership agreements, HGT made capital commitments into the primary buyout funds, with the result that HGT now holds direct investments in the primary buyout funds and an indirect investment in the fixed-asset investments which are held by these funds, as it is the sole limited partner. These direct investments are included under fixed-asset investments on the balance sheet and in the table of investments on page 49. The underlying investments which are held indirectly are included in the overview of investments on page 58.

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

Partnerships where HGT is a minority limited partner

In July 2011, HGT acquired a direct secondary investment in HgCapital 6 E LP ('Hg 6 E LP'), one of the partnerships which comprise the Hg 6 Fund, in which HGT is now a limited partner *pari passu* with other limited partners. This is a direct investment in the Hg 6 E LP Fund, as shown on the balance sheet and in the table of investments on page 49.

HGT also entered into partnership agreements with other limited partners, with the purpose of investing in renewable energy projects, by making capital commitments in Asper Renewable Power Partners LP ('Asper RPP I LP'). This is a direct investment in the renewable funds, as shown on the balance sheet and in the table of investments on page 49.

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

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

Under the terms of the primary buyout fund limited partnership agreements ('LPAs'), each general partner (see note 7) is entitled to appropriate, as a first charge on the net income of the funds, an amount equivalent to its priority profit share ('PPS'). HGT 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 HGT. Such loan is recoverable from the general partner only by an appropriation of net income; until net income is earned, no value is attributed to this loan (see note 7(b)).

Furthermore, under the primary buyout funds' LPAs, each founder partner (see note 7(c)) 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 HGT, when the right to these returns is established.





3. Organisational structure and accounting policies continued

Accordingly, HGT'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 which has been paid to the general partner as its PPS and to the founder partner as carried interest, where applicable.

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

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

Investment income and interest receivable

As stated above, all income that is recognised by the primary buyout funds, net of PPS, is allocated to HGT and recognised when the right to this income is established. Income from Hg 6 E LP and the renewable energy funds would normally consist of income distributions and these distributions are recognised as income in the financial statements of HGT when the right to such distribution is established.

The accounting policies below apply to the recognition of income by the primary buyout funds, prior to allocation between the Partners:

Interest income on non-equity shares and fixed income securities is recognised on a time apportionment basis so as to reflect the effective yield when it is probable that it will be realised. Dividends receivable on unlisted equity shares where there is no ex-dividend date and on non-equity shares are brought into account when the right to receive payment is established.

Income from listed equity investments, including taxes deducted at source, is included in revenue by reference to the date on which the investment is quoted ex-dividend. Where dividends are received in the form of additional shares rather than cash dividends, the equivalent of the cash dividend is recognised as the income in the revenue account and any excess in the value of the shares received over the amount of the cash dividend is recognised in the capital reserve – realised.

Expenses

All expenses are accounted for on an accruals basis. All administrative expenses are charged wholly to the revenue account.

Dividends

Dividend distributions to shareholders are recognised as a liability in the year that they are approved unconditionally.

Current and other non-current assets

Financial assets and financial liabilities are recognised in HGT's balance sheet when HGT becomes a party to the contractual provisions of the instrument. Trade receivables are stated at nominal value. Appropriate allowances for estimated irrecoverable amounts are recognised in the revenue return on the income statement.

Cash comprises current accounts held with banks.

Foreign currency

The functional and presentation currency is pounds sterling, reflecting the economic environment in which HGT predominantly operates. All transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the dates of such transactions and the resulting exchange differences are taken to the capital reserve – realised or revenue, as appropriate. Foreign currency assets and liabilities at the balance sheet date are translated into sterling at the exchange rates ruling at that date and the resulting exchange differences are taken to the capital reserve – unrealised or revenue as appropriate.

Taxation

Income taxes represent the sum of the tax currently payable, withholding taxes suffered and deferred tax. Tax is charged or credited in the income statement. Deferred tax is recognised on all timing differences at the reporting date. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Investments

The principle applied is that investments should be reported at 'fair value', in accordance with Sections 11 and 12 of FRS 102 and the International Private Equity and Venture Capital ('IPEV') Valuation Guidelines, December 2018 edition. Where relevant, HGT applies the policies stated below to the investments held by the primary buyout funds, in order to determine the fair value of its investments in these limited partnerships.

Purchases of investments are recognised on a trade date basis. Sales of investments held through the primary buyout funds are recognised at the trade date of the disposal. Sales from the investments in Hg 6 E LP and the renewable energy funds would normally consist of capital distributions and these distributions are recognised as a realisation when the right to such distribution is established. Proceeds are measured at fair value, which is regarded as the proceeds of sale less any transaction costs.

3. Organisational structure and accounting policies continued

Quoted: Quoted investments are held at fair value, which is deemed to be their bid price.

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

- (i) initially, investments are valued at the price of recent investments less fees. Subsequently, investments are valued based on (ii) to (iv) below;
- (ii) the level of maintainable earnings or revenue and an appropriate earnings or revenue multiple, unless (iv) is required;
- (iii) where more appropriate, investments can be valued based on other methodologies, including using their net assets or discounted cash flows, rather than on their earnings or revenue; and
- (iv) appropriate fair value movements are made against all individual valuations where necessary to reflect unsatisfactory financial performance or a fall in comparable ratings.

Limited partnership funds: these are investments that are set up by a manager in which HGT has a direct investment, but is not the sole limited partner and does not hold a majority share. These investments are valued at fair value, based on the Manager's valuation after any adjustment required by the Directors.

Liquidity funds: these are short-term investments made in a combination of fixed and floating rate securities and are valued at the current fair value as determined by the manager of the fund. They can be realised at short notice.

Derivative financial instruments: derivative financial instruments are held at fair value and are valued using quoted market prices for financial instruments traded in active markets, or dealer price quotations for financial instruments that are not actively traded.

Both realised and unrealised gains and losses arising on fixed asset investments, financial assets and liabilities and derivative financial instruments, are taken to the capital reserves.

Capital reserves

Capital reserve – realised

The following are accounted for in this reserve:

- (i) gains and losses on the realisation of investments;
- (ii) attribution of gains to the founder partners for carried interest;
- (iii) losses on investments where there is little prospect of realisation or recovering any value;
- (iv) realised exchange differences of a capital nature; and
- (v) expenses, together with the related taxation effect, charged to this reserve in accordance with the above policies.

Capital reserve – unrealised

The following are accounted for in this reserve:

- (i) increases and decreases in the valuation of investments held at the year-end;
- (ii) increases and decreases in the valuation of the loans to general partners; and
- (iii) unrealised exchange differences of a capital nature.

Share capital

Ordinary shares issued are recognised based on the proceeds or fair value received, with the excess of the amount received over their nominal value being credited to the share premium account. Direct issue costs are deducted from equity.

Critical accounting estimates and key sources of estimation uncertainty

The preparation of these financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

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

The key accounting estimate is in respect of the determination of the fair value of financial assets classified as fair value through profit or loss (FVTPL). The methodology used in determining fair values is disclosed above. An attribution analysis of movements in the fair value of investments can be found on page 45 and an analysis of the trading performance and valuation and gearing analysis of the top 20 buyout investments by value can be found on pages 59 and 79. A sensitivity analysis to equity price risk can be found in note 19.





Notes to the financial statements continued

4. Income

	Revenue return	
	2020	2019
	£000	£000
Total net income comprises:		
Interest	24,682	15,549
Total net income	24,682	15,549

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

	Revenue return	
	2020	2019
	£000	£000
Income from investments held by the primary buyout funds		
Unquoted investment income	34,725	27,847
Other investment income:		
Unquoted investment income	–	1,378
Liquidity funds income	1,335	1,788
Total investment income	36,060	31,013
Total other income	60	46
Total income	36,120	31,059
Priority profit share charge against income:		
Current year – HGT 8 LP	(5,711)	(10,463)
Current year – HGT Mercury 2 LP	(2,092)	(1,654)
Current year – HGT 7 LP	(1,756)	(2,148)
Current year – HGT Saturn LP	(1,281)	(665)
Current year – HgCapital Mercury D LP	(371)	(392)
Current year – HGT Transition Capital LP	(187)	(188)
Current year – HGT LP	(40)	–
Total priority profit share charge against income (note 5(a))	(11,438)	(15,510)
Total net income	24,682	15,549

5. Priority profit share and carried interest

	Revenue return	
	2020	2019
	£000	£000
(a) Priority profit share payable to general partners		
Priority profit share payable:		
Current year amount	14,614	10,831
Less: Current year loans advanced to general partners (note 5(b))	(3,922)	(31)
Add: Prior year loans recovered from general partners (note 5(b))	746	4,710
Current year charge against income	11,438	15,510
Total priority profit share charge against income	11,438	15,510

5. 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 these partnerships respectively and is deducted prior to such income being attributed to HGT in its capacity as a Limited Partner. The net income of the primary buyout funds earned during the year, after the deduction of the priority profit share, is shown on the income statement. Details of these arrangements are disclosed in the Directors' report on page 118.

The terms of the above priority profit share arrangements during 2020 were:

Fund partnership	Priority profit share (% p.a)
HGT 8 LP	1.75% on the fund commitment during the investment period, stepping down to 1.5% on invested capital
HGT Mercury 2 LP	1.75% on the fund commitment during the investment period
HGT Saturn 2 LP	1.0% on the fund commitment during the investment period
HGT Genesis 9 LP	1.75% on the fund commitment during the investment period
HGT 7 LP	1.5% of original cost of investments in the fund less the original cost of investments that have been realised or written off
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
HGT 6 LP	1.5% of original cost of investments in the fund less the original cost of investments that have been realised or written off
HGT Saturn LP	1.0% on invested capital
HGT Transition Capital LP	1.25% on invested capital during the investment period, stepping down to 0.75% on invested capital
HGT LP	0.5% on the value of investments in fund, excluding co-investments

In addition, priority profit shares are payable on partnerships where HGT is a minority limited partner invested *pari passu* with other institutional investors. These amounts are initially and indirectly funded by HGT through the amounts invested in these partnerships and these amounts are recognised as unrealised losses in the capital account in the income statement.

Fund partnership	Priority profit share
Hg 6 E LP	1.5% of original cost of investments in the fund, less the original cost of investments that have been realised or written off.
Asper Renewable Power Partners LP	1.5% of original cost of investments in the fund, less the original cost of investments that have been realised or written off.

	Capital return	
	2020 £000	2019 £000
(b) Priority profit share loans to general partners		
Movement on loans to general partners:		
Losses on current-year loans advanced to general partners	(3,922)	(31)
Gains on prior-year loans recovered from general partners	746	4,710
Total (losses)/gains on priority profit share loans (advanced to)/recovered from general partners	(3,176)	4,679

In years in which the funds described in note 5(a) have not yet earned sufficient net income to satisfy the priority profit share, the entitlement is carried forward to the following years. The priority profit share is payable quarterly in advance, even if insufficient net income has been earned. Where the cash amount paid exceeds the net income, an interest free loan is advanced to the general partner by these primary buyout funds, which is funded via a loan from HGT. 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.



**5. Priority profit share and carried interest continued**

	Capital return	
	2020 £000	2019 £000
(c) Carried interest to founder partners		
Carried interest charge against capital gains:		
Current period charge against realised capital gains	37,204	1,511
Current year charge against unrealised capital gains	23,429	15,775
Total carried-interest charge against capital gains	60,633	17,286

The carried interest payable ranks as a first appropriation of capital gains, after preferred return, on the investments held in the primary buyout funds, limited partnerships established solely to hold HGT's investments, and is deducted prior to such gains being paid to HGT in its capacity as a Limited Partner. The net amount of capital gains of the primary buyout funds during the year, after the deduction of carried interest, is shown in the income statement.

The details of the carried interest contracts, disclosed in the Directors' report on page 118, state that carried interest is payable once a certain level of repayments have been made to HGT. Based on the repayments made during 2020, £37,204,000 (2019: £1,511,000) of carried interest was paid in respect of the current financial year. If the investments in HGT 6 LP, HGT 7 LP, HGT 8 LP, HGT Saturn LP, HgCapital Mercury D LP and Hg 6 E LP are realised at the current fair value and then distributed to Partners, an amount of £81,515,738 will be payable to the Founder Partner (2019: £58,087,167 payable to the Founder Partner) and therefore the Directors have made a provision for this amount (see note 12). No provision is required in respect of HGT's investment in the other fund limited partnerships, because they are still in their investment period.

6. Other expenses

	Revenue return	
	2020 £000	2019 £000
(a) Operating expenses		
Registrar, management and administration fees	1,108	975
Directors remuneration (note 8)	292	284
Legal and other administration costs ¹	3,340	1,927
	4,740	3,186
Fees payable to the Company's auditor in relation to the Company:		
Audit fees ²	106	102
Total fees payable to HGT's auditor	106	102
Total other expenses	4,846	3,288

¹Includes employer's National Insurance contributions of £34,030 (2019: £31,838).

²In addition to the audit fees payable to the auditor in relation to HGT, audit fees payable to the auditor in respect of the audit of the primary buyout funds were £69,000 (2019: £55,200) inclusive of VAT.

	Revenue return	
	2020 £000	2019 £000
(b) Finance costs		
Interest paid	1,444	–
Non-utilisation fees and other expenses	717	755
Arrangement fees	864	–
Total finance costs	3,025	755

Notes to the financial statements continued

7. Cash flow from operating activities

Reconciliation of net return before finance costs and taxation to net cash flow from operating activities	2020 £000	2019 £000
Net return before finance costs and taxation	249,982	178,329
Gains on investments held at fair value and liquidity funds	(260,351)	(179,785)
Carried interest paid	(37,204)	(1,511)
Increase in carried interest provision	23,429	15,775
Increase in accrued income from liquidity funds	(1,335)	(1,788)
Increase in prepayments, accrued income and other debtors	(17,254)	(15,989)
(Decrease)/increase in creditors	(61)	288
Increase in uninvested capital	(26,245)	–
Taxation (paid)/received	(2)	24
Net cash outflow from operating activities	(69,041)	(4,657)

8. Directors' remuneration

The aggregate remuneration of the Directors for the year to 31 December 2020 was £291,684 (2019: £284,000). Further information on the Directors' remuneration is disclosed in the Directors' remuneration report on pages 134–136.

9. Taxation

In the opinion of the Directors, HGT has complied with the requirements of section 1158 and section 1159 of the CTA 2010 and will, therefore, be exempt from corporation tax on any capital gains reported in the capital return during the year. To the extent possible, HGT will elect to designate all of the proposed dividend (see note 4) as an interest distribution to its shareholders. This distribution is treated as a tax deduction against taxable income in the revenue return and results in a reduction of corporation tax being payable by HGT at 31 December 2020.

The rate of corporation tax in the UK for a company was 19% during the year (2019: tax rate of 19%). However, the tax charge in the current and previous year was lower than the standard and effective tax rate, owing largely to the reduction in corporation tax from the interest distribution noted above. The effect of this and other items affecting the tax charge is shown in note 9(b) below.

	Revenue return	
(a) Analysis of charge in the year	2020 £000	2019 £000
Current tax:		
UK corporation tax	2,798	1,626
Income streaming relief	(2,802)	(1,626)
Prior year adjustment	6	(24)
Current revenue tax charge/(credit) for the year	2	(24)
Deferred tax:		
Reversal of timing differences	–	104
Total deferred tax charge for the year (note 9(c))	–	104
Total taxation charge	2	80



Notes to the financial statements

9. Taxation continued

	Revenue return	
	2020 £000	2019 £000
(b) Factors affecting tax charge for the year		
Net revenue return before taxation	16,811	11,506
UK corporation tax charge at 19% thereon (2019: 19%)	3,194	2,186
Effects of:		
Tax relief from interest distribution	(2,802)	(1,626)
Tax relief from expenses allocated to capital	(396)	(456)
Prior year tax adjustment	6	(24)
Total differences	(3,192)	(2,106)
Total taxation charge	2	80

	Revenue return	
	2020 £000	2019 £000
(c) Deferred tax		
Deferred tax:		
Movement in taxable income not recognised in revenue return	–	104
Total deferred tax charge for the year (note 9(a))	–	104
Deferred tax recoverable:		
Recoverable deferred tax at 31 December	–	104
Deferred tax charge for the year	–	(104)
Recoverable deferred tax at end of year	–	–

Deferred tax assets of £nil were recognised at 31 December 2020 (2019: £nil at a 19% tax rate)

10. Return and net asset value per Ordinary share

(a) Return per ordinary share	Revenue return		Capital return	
	2020	2019	2020	2019
Amount (£000):				
Net return after taxation	16,809	11,426	230,146	166,068
Weighted average number of ordinary shares ('000):				
Weighted average number of ordinary shares in issue	408,765	388,267	408,765	388,267
Return per ordinary share (pence)	4.11	2.94	56.30	42.77

(b) Net asset value per ordinary share	Capital return	
	2020	2019
Amount (£000):		
Net assets	1,291,016	1,039,298
Number of ordinary shares ('000):		
Number of ordinary shares in issue	416,000	407,425
Net asset value per ordinary share (pence)	310.3	255.1

Notes to the financial statements continued

11. Dividends on ordinary shares

	Record date	Payment date	2020 £000	2019 £000
Interim Dividend of 2.0p for the year ended 31 December 2020	24 September 2020	28 October 2020	8,176	–
Final Dividend of 3.0p for the year ended 31 December 2019	19 March 2020	15 May 2020	12,223	–
Interim Dividend of 1.8p for the year ended 31 December 2019	20 September 2019	25 October 2019	–	7,247
Final Dividend of 30.0p for the year ended 31 December 2018	22 March 2019	30 April 2019	–	11,197
Total equity dividends paid			20,399	18,444

The proposed final dividend of 3.0p per ordinary share for the year ended 31 December 2020 is subject to approval by the shareholders at the annual general meeting and has not been included as a liability in these financial statements. The total dividends payable in respect of the financial year, which form the basis of the retention test as set out in Section 1159 of the CTA 2010, are set out below:

	2020 £000	2019 £000
Revenue available for distribution by way of dividend for the year	16,809	11,426
Interim dividend of 2.0p for the year ended 31 December 2020 (paid on 28 October 2020)	(12,223)	(7,247)
Proposed final dividend of 3.0p for the year ended 31 December 2020 (based on 415,999,808 ordinary shares in issue at 31 December 2020)	(12,480)	(12,223)
Distributions in excess of revenue for Section 1159 purposes*	(7,894)	(8,044)

*Distributions in excess of revenue are financed by the revenue reserve

12. Fixed asset investments

	2020 £000	2019 £000
Investments held at fair value through profit and loss:		
Unquoted investments held in HGT 8 LP	431,092	217,635
Unquoted investments held in HGT Saturn LP	208,138	114,981
Unquoted investments held in HGT Saturn 2 LP	112,992	–
Unquoted investments held in HGT 7 LP	103,527	255,127
Unquoted investments held in HGT Mercury 2 LP	94,659	39,679
Unquoted investments held in HGT LP	71,108	137,075
Unquoted investments held in HGT Genesis 9 LP	57,734	–
Unquoted investments held in HgCapital Mercury D LP	30,702	38,432
Unquoted investments held in HGT Transition Capital LP	29,126	16,049
Unquoted investments held in HGT 6 LP	24,086	24,099
Other unquoted investments held by the company	2,239	3,023
Total fixed asset investments gross of carried interest provision	1,165,403	846,100
Carried interest provision (note 5(c))	(81,516)	(58,087)
Fund level facility (HGT 8 LP)	(59,771)	–
Total fixed asset investments	1,024,116	788,013
Total fixed asset investments consist of:		
Fund limited partnerships	1,024,116	788,013



Notes to the financial statements continued

12. Fixed asset investments continued

	2020 £000	2019 £000
Opening valuation as at 1 January	788,013	609,663
Opening unrealised appreciation - investments	(329,086)	(173,265)
Opening carried interest provision	58,087	42,312
Opening book cost as at 1 January	517,014	478,710
Movements in the year:		
Additions at cost	403,215	117,284
Disposals - proceeds	(383,025)	(103,558)
- realised gains on sales	288,702	24,578
Closing book cost of investments	825,906	517,014
Add: closing unrealised appreciation - investments	339,497	329,086
Less: closing carried interest provision	(81,516)	(58,087)
Less: advanced proceeds (HGT 8 LP)	(59,771)	-
Closing valuation of investments at 31 December	1,024,116	788,013

The investments above include investments in companies that are indirectly held by HGT through its investment in the primary buyout funds as set out in note 3 on page 87, and investments in fund limited partnerships in Hg 6 E LP and Asper Renewable Power Partners LP. The net assets attributable to partners at 31 December 2019, being the date of the last audited balance sheet, of these primary buyout funds were £146,183,838 (HGT LP), £24,089,389 (HGT 6 LP), £269,630,378 (HGT 7 LP), £45,548,750 (HgCapital Mercury D LP), £232,766,673 (HGT 8 LP), £41,530,217 (HGT Mercury 2 LP), £120,618,165 (HGT Saturn LP) and £16,889,216 (HGT Transition Capital LP).

a) Uninvested capital in limited partnerships

Uninvested capital in the limited partnerships relates to cash held in the underlying limited partnerships as a result of timing differences before an investment or after a realisation. Cash held at the fund level at the 31 December 2020 was £26.5 million (2019: £0.2 million).

13. Gains on investments and liquidity funds

	Capital return 2020 £000	2019 £000
Realised:		
Realised gains/(losses)		
- fixed asset investments	288,702	24,578
- liquidity funds	2,117	408
- aborted deal fees	548	(2,402)
- loan facility	224	-
	291,591	22,584
Carried interest charge against realised capital gains (note 5(c))	(37,204)	(1,511)
Net realised gains	254,387	21,073
Unrealised:		
Unrealised gains/(losses)		
- fixed asset investments	10,411	155,821
- foreign exchange on investments	(2,288)	-
- liquidity funds	(2,238)	489
- aborted deal fees	(2,084)	(219)
	3,801	156,091
Carried interest charge against unrealised capital gains (note 5(c))	(23,429)	(15,775)
Fund level refinancing (HGT 8 LP)	(1,437)	-
Net unrealised (losses) / gains	(21,065)	140,316
Total gains	233,322	161,389

Page 45 of the Manager's Review contains an analysis of all material realised and unrealised movements in value of individual investments held as fixed asset investments, in accordance with paragraph 28 and 29 of the 'SORP'.

Notes to the financial statements continued

14. Debtors and accrued income

	2020 £000	2019 £000
Amounts receivable after one year:		
Accrued income on fixed assets	70,953	54,266
Amounts receivable within one year:		
Prepayments and other debtors	9,528	2,024
Deferred consideration	–	6,937
Total amounts receivable within one year	9,528	8,961
Total debtors	80,481	63,227

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

15. Liquidity funds

	2020 £000	2019 £000
Investments held at fair value through profit or loss:		
Opening valuation	184,505	152,920
Purchases at cost	271,900	90,000
Redemptions	(318,149)	(61,100)
Movement in unrealised capital (losses)/gains	(2,238)	489
Movement in accrued income	1,335	1,788
Realised capital gains	2,117	408
Closing valuation	139,470	184,505

16. Movement in net funds

	2020 £000	2019 £000
Analysis and reconciliation of net funds:		
Change in cash	17,090	1,122
Net funds at 1 January	4,558	3,436
Net funds at 31 December	21,648	4,558
Net funds comprise:		
Cash	21,648	4,558

17. Creditors – amounts falling due within one year

	2020 £000	2019 £000
Accruals	1,170	1,231
Total creditors	1,170	1,231

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





18. Bank facility

On 24 August 2011, HGT entered into a £40,000,000 multi-currency revolving credit standby facility on an unsecured basis. In December 2015, the facility was extended by a further three and a half years to 30 June 2019. In addition, the facility was increased to £80,000,000. In October 2020 this facility was repaid in full and a revised facility agreed for £200,000,000. Under the facility agreement, HGT is liable to pay interest on any drawn amount at LIBOR plus a margin of 3.25%. A commitment fee of 1.15% is liable on any undrawn commitment. The term of this facility is four years. The facility was undrawn as at the end of the year.

19. Financial risk

The following disclosures relating to the risks faced by HGT are provided in accordance with sections 11 and 12 of FRS 102. The reference to investments in this note is in relation to HGT's direct investments in Asper RPP I LP, Hg 6 E LP and the underlying investments in HGT LP, HGT 6 LP, HGT 7 LP, HGT 8 LP, HgCapital Mercury D LP, HGT Mercury 2 LP, HGT Saturn LP, HGT Saturn 2 LP, HGT Genesis 9 LP and HGT Transition Capital LP as described in note 3 on page 87.

Financial instruments and risk profile

HGT's investment objective is to achieve long-term capital appreciation by indirectly investing in unquoted companies. It does this through its investments in fund partnerships, mostly in the UK and Europe. Additionally, HGT holds UK Government securities, cash, liquidity funds and items such as debtors and creditors arising directly from its operations. In pursuing its investment objective, HGT is exposed to a variety of risks that could result in either a reduction of HGT's net assets or a reduction in the profits available for distribution by way of dividends. Valuation risk, market risk (comprising currency risk and interest rate risk), liquidity risk and credit risk, and the Directors' approach to the management of them, are described below. The Board and Hg coordinate HGT's risk management. The objectives, policies and processes for managing the risks, and the methods used to manage the risks, that are set out below, have not changed from the previous accounting period.

Valuation risk

HGT's exposure to valuation risk arises mainly from movements in the value of the underlying investments (held through fund partnerships), the majority of which are unquoted. A breakdown of HGT's portfolio is given on page 49 and a breakdown of the most significant underlying investments is given on page 58. In accordance with HGT's accounting policies, the investments in fund limited partnerships are valued by reference to their underlying unquoted investments, which are valued by the Directors following the IPEV Valuation Guidelines. Page 47 includes details of the most significant assumptions included in the valuations. HGT does not hedge against movements in the value of these investments, apart from foreign exchange movements as explained below, though the borrowing arranged to fund these investments is normally denominated in the currency in which the business is operating and valued (see page 101). HGT has exposure to interest rate movements, through bank deposits and liquidity funds.

In the opinion of the Directors, the diversified nature of HGT's investments significantly reduces the risks of investing in unquoted companies.

FRS 102 requires HGT to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy, within which the fair value measurement is categorised in its entirety, is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes an 'observable' input requires significant judgement by the Board. The Board considers observable data relating to investments actively traded in organised financial markets, in which case fair value is generally determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date, without adjustment for transaction costs necessary to realise the asset.

The following table analyses, within the fair value hierarchy, the fund's financial assets (by class) measured at fair value at 31 December.

Notes to the financial statements continued

19. Financial risk continued

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Investments held at fair value through profit and loss:				
Unquoted investments				
- Investment in HGT 8 LP	–	–	431,092	431,092
- Investment in HGT Saturn LP	–	–	208,138	208,138
- Investment in HGT Saturn 2 LP	–	–	112,992	112,992
- Investment in HGT 7 LP	–	–	103,527	103,527
- Investment in HGT Mercury 2 LP	–	–	94,659	94,659
- Investment in HGT LP	–	–	71,108	71,108
- Investment in HGT Genesis 9 LP	–	–	57,734	57,734
- Investment in Hg Mercury D LP	–	–	30,702	30,702
- Investment in HGT Transition Capital LP	–	–	29,126	29,126
- Investment in HGT 6 LP	–	–	24,086	24,086
- Investment in Hg 6 E LP	–	–	1,267	1,267
- Investment in Asper RPP I LP	–	–	972	972
- Liquidity funds	–	139,470	–	139,470
- Carried interest provision	–	–	(81,516)	(81,516)
- Fund level refinancing	–	–	(59,771)	(59,771)
- Uninvested capital in limited partnerships	–	–	26,471	26,471
As at 31 December 2020	–	139,470	1,050,587	1,190,057

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Investments held at fair value through profit and loss:				
Unquoted investments				
- Investment in HGT 7 LP	–	–	255,127	255,127
- Investment in HGT 8 LP	–	–	217,635	217,635
- Investment in HGT LP	–	–	137,075	137,075
- Investment in HGT Saturn LP	–	–	114,981	114,981
- Investment in HGT Mercury 2 LP	–	–	39,679	39,679
- Investment in Hg Mercury D LP	–	–	38,432	38,432
- Investment in HGT 6 LP	–	–	24,099	24,099
- Investment in HGT Transition Capital LP	–	–	16,049	16,049
- Investment in Asper RPP I LP	–	–	1,808	1,808
- Investment in Hg 6 E LP	–	–	1,215	1,215
- Liquidity funds	–	184,505	–	184,505
- Carried interest provision	–	–	(58,087)	(58,087)
- Uninvested capital in limited partnerships	–	–	226	226
As at 31 December 2019	–	184,505	788,239	972,744

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include government securities and actively traded listed equities. HGT does not adjust the quoted bid price of these investments.

Financial instruments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs, are classified within level 2. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs. Level 3 instruments include private equity and corporate debt securities. As observable prices are not available for these securities, the Board has used valuation techniques to derive the fair value. In respect of unquoted instruments, or where the market for a financial instrument is not active, fair value is established by using recognised valuation methodologies, in accordance with IPEV Valuation Guidelines. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

**19. Financial risk continued**

There were no transfers of assets from level 1 to level 2 or 3, level 2 to level 1 or 3 and level 3 to level 1 or 2.

The following table presents the movement in level 3 investments for the year ended 31 December 2020 by class of financial instrument.

Total investments in limited partnerships	2020 £000	2019 £000
Unquoted investments:		
Opening balance	788,013	609,663
Purchases	403,215	117,284
Realisations at 31 December 2019 valuation	94,046	(78,630)
Unrealised appreciation of fixed asset investments	(177,958)	155,471
Movement in net carried interest provision	(23,429)	(15,775)
Fund level refinancing	(59,771)	–
Closing unrealised valuation of level 3 investments	1,024,116	788,013

Equity price risk

Equity price risk is the risk of a fall in the fair value of HGT's ownership interests (comprising equities and shareholder loans) held by HGT indirectly through its direct investments in fund limited partnerships. The Board revalues each investment on a quarterly basis. The Board manages the risks inherent in HGT's investment activities by ensuring full and timely access to relevant information from Hg. The Board meets regularly and at each meeting reviews the trading performance of the principal underlying investments. If there appears to the Board to be a fair value movement in value between regular valuations, it can revalue the investment. The Board also monitors Hg's compliance with HGT's investment objective and investment policy.

For unquoted equity investments, the market risk variable is deemed to be the multiples applied to a maintainable earnings figure to calculate the individual investment valuations within each of the primary buyout funds; borrowing is then deducted to arrive at a valuation of the net equity held by HGT. These multiples are largely based on the historic trading multiples of comparable businesses and therefore there is a potential impact on the valuation of unquoted investments of a fall in global equity markets. Hg's best estimate of the effect on the net assets of HGT due to a 1x reduction in the multiples applied to calculate the enterprise value of all unquoted investments, with all other variables held constant, is as follows:

	2020 £000	NAV per ordinary share Pence	2019 £000	NAV per ordinary share Pence
Sensitivity to equity price risk:				
1x reduction in EV to EBITDA multiple applied to unquoted investments				
Change in the value of unquoted investments	(85,197)	(20.0)	(59,864)	(14.7)

A fall in the value of unquoted investments could be mitigated to some degree by a reduction in the provision for carried interest (£82 million at 31 December 2020), but only in funds where an adjustment for carried interest is required (Hg Genesis 6, Hg Genesis 7, Mercury 1, Hg Genesis 8 and Hg Saturn, see note 5(c) or on page 92). Hg's best estimate of the impact on the carried interest provision of the above change in value of unquoted investments is a reduction in the provision of £17,715,000, 4.3 pence per ordinary share (2019: £5,722,000, 1.4 pence per ordinary share). There are likely to be other correlations (either positive or negative) between the assumptions and other factors. Other inputs, such as the earnings of individual investments within the primary buyout funds are likely to have a significant impact on the value of unquoted investments. See page 46 of the Manager's report for an analysis of the portfolio trading performance as at 31 December 2020. The Board regularly stress tests the NAV.

Credit risk

Credit risk is the risk of financial loss in the event that any of HGT's market counterparties fail to fulfil their contractual obligations to HGT. HGT's financial assets (excluding fixed asset investments) that are subject to credit risk, were neither impaired nor overdue at the year-end. HGT's cash balances were held with the Royal Bank of Scotland International and amounts not required for day-to-day use were invested in liquidity funds managed by Royal London Asset Management which are rated AAA by Fitch. Foreign exchange forward contracts and options are held with counterparties which have credit ratings which the Board considers to be adequate. The Board regularly monitors the credit quality and financial position of these market counterparties. The credit quality of the above mentioned financial assets was deemed satisfactory.

19. Financial risk continued

Market risk

The fair value of future cash flows of a financial instrument held by HGT may fluctuate due to changes in market prices of comparable businesses. This market risk may comprise: currency risk (see below), interest rate risk and/or equity price risk (see above).

The Board of Directors reviews and agrees policies for managing these risks. Hg assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk across all of HGT's investments on an ongoing basis.

Currency risk and sensitivity

HGT is exposed to currency risk as a result of investing in fund partnerships which invest in companies that operate and are therefore valued in currencies other than sterling. The value of these assets in sterling, being HGT's functional currency, can be significantly influenced by movements in foreign exchange rates. Borrowing raised to fund each acquisition in such companies is normally denominated in the currency in which the business is operating and valued, thus limiting HGT's exposure to the value of its investments, rather than the gross enterprise value. From time to time, HGT is partially hedged against movements in the value of foreign currency against sterling where a movement in exchange rate could affect the value of an investment, as explained below. Hg monitors HGT's exposure to foreign currencies and reports to the Board on a regular basis. The following table illustrates the sensitivity of the revenue and capital return for the year in relation to HGT's year-end financial exposure to movements in foreign exchange rates against sterling. The rates represent the range of movements against sterling over the current year for the currencies listed, and are considered the best estimate for movements looking forward.

In the opinion of the Directors, the sensitivity analysis below may not be representative of the year as a whole, since the level of exposure changes as HGT's holdings change through the purchase and realisation of investments to meet HGT's objectives.

	2020				2019			
	Revenue return		Capital return		Revenue return		Capital return	
	NAV per ordinary share		NAV per ordinary share		NAV per ordinary share		NAV per ordinary share	
	£000	Pence	£000	Pence	£000	Pence	£000	Pence
Highest value against sterling during the year:								
Danish krone	119	0.3	793	1.9	141	0.3	2,034	5.0
Euro	1,375	3.3	16,436	39.5	1,554	3.8	22,091	54.2
New Zealand dollar	—	—	17	—	—	—	102	0.3
Norwegian krone	—	—	2,262	5.4	—	—	20,095	49.3
US dollar	356	0.9	31,134	74.8	276	0.7	15,751	38.7
Canadian dollar	6	—	3,293	7.9	—	—	—	—
	1,856	4.5	53,935	129.7	1,971	4.8	60,073	147.5
Lowest value against sterling during the year:								
Danish krone	(213)	(0.5)	(1,420)	(3.4)	(22)	(0.1)	(319)	(0.8)
Euro	(2,165)	(5.2)	(25,874)	(62.2)	(246)	(0.6)	(3,502)	(8.6)
New Zealand dollar	—	—	(90)	(0.2)	—	—	(59)	(0.1)
Norwegian krone	—	—	(21,219)	(51.0)	—	—	(7,393)	(18.1)
US dollar	—	—	6	—	(20)	—	(1,159)	(2.8)
Canadian dollar	(3)	—	(1,758)	(4.2)	—	—	—	—
	(2,381)	(5.7)	(50,355)	(121.0)	(288)	(0.7)	(12,432)	(30.4)

At 31 December 2020, the following rates were applied to convert foreign denominated assets into sterling: Danish krone (8.3158); euro (1.1172); New Zealand dollar (1.8986); Norwegian krone (11.7038); US dollar (1.3670) and Canadian dollar (1.7415).





19. Financial risk continued

Hedging

At times, HGT uses derivative financial instruments such as forward foreign currency contracts and option contracts to manage the currency risks associated with its underlying investment activities. The contracts entered into by HGT are denominated in the foreign currency of the geographic areas in which HGT has significant exposure against its reporting currency. The contracts are used for hedging and the fair values thereof are recorded in the balance sheet as investments held at fair value. Unrealised gains and losses are taken to capital reserves. At the balance sheet date, there were no outstanding derivative financial instruments (2019: nil).

HGT does not trade in derivatives but may hold them from time to time to hedge specific exposures with maturities designed to match the exposures they are hedging. It is the intention to hold both the financial investments giving rise to the exposure and the derivatives hedging them until maturity and therefore no net gain or loss is expected to be realised.

Derivatives are held at fair value, which represents the replacement cost of the instruments at the balance sheet date. Movements in the fair value of derivatives are included in the income statement. HGT does not adopt hedge accounting in the financial statements.

Interest rate risk and sensitivity

HGT has exposure to interest rate movements as this may affect the fair value of funds awaiting investment, interest receivable on liquid assets and managed liquidity funds, and interest payable on borrowings. HGT has little immediate direct exposure to interest rates on its fixed assets, as the majority of the underlying investments are fixed rate loans or equity shares that do not pay interest. Therefore, and given that HGT has no borrowings and maintains low cash levels, HGT's revenue return is not materially affected by changes in interest rates.

However, funds awaiting investment have been invested in managed liquidity funds and, as stated above, their valuation is affected by movements in interest rates. The sensitivity of the capital return of HGT to movements in interest rates has been based on the UK base rate. With all other variables constant, a 0.25% decrease in the UK base rate should increase the capital return in a full year by about £350,000, with a corresponding decrease if the UK base rate were to increase by 0.25%. In the opinion of the Directors, the above sensitivity analyses may not be representative of the year as a whole, since the level of exposure changes as investments are made and realised throughout the year.

Liquidity risk

Investments in unquoted companies, which form the majority of HGT's investments, may not be as readily realisable as investments in quoted companies, which might result in HGT having difficulty in meeting its obligations. Liquidity risk is currently not significant as 15% of HGT's net assets at the year-end are liquid resources and, in addition, HGT has an £200 million multi-currency undrawn bank facility available. The Board gives guidance to Hg as to the maximum amount of HGT's resources that should be invested in any one company. For further details refer to HGT's Investment Policy on page 13.

Currency and interest rate exposure

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

	2020				2019			
	Fixed and floating rate £000	Non interest-bearing £000	Total £000	Total %	Fixed and floating rate £000	Non interest-bearing £000	Total £000	Total %
Sterling	187,589	375,482	563,071	41.4	189,289	201,388	390,677	37.9
Euro	–	386,450	386,450	28.4	–	247,475	247,475	24.0
Norwegian krone	–	144,646	144,646	10.6	–	206,393	206,393	20.0
US dollar	–	166,018	166,018	12.2	–	163,075	163,075	15.8
Danish krone	–	21,525	21,525	1.6	–	22,440	22,440	2.2
New Zealand dollar	–	948	948	0.1	–	1,508	1,508	0.1
Canadian dollar	–	77,678	77,678	5.7	–	–	–	–
Total	187,589	1,172,747	1,360,336	100.0	189,289	842,279	1,031,568	100.0

Short-term debtors and creditors, which are excluded, are mostly denominated in sterling, the functional currency of HGT. The fixed and floating rate assets consisted of cash and liquidity funds, of which the underlying investments are a combination of fixed and floating rate. The non-interest-bearing assets represent the investments held in fund limited partnerships, net of the provision for carried interest.

Notes to the financial statements continued

19. Financial risk continued

Capital management policies and procedures

HGT's capital management objectives are to ensure that it will be able to finance its business as a going concern and to maximise the revenue and capital return to its equity shareholders.

HGT's capital at 31 December comprised:

	2020 £000	2019 £000
Equity:		
Equity share capital	10,400	10,186
Share premium	219,722	194,774
Capital redemption reserve	1,248	1,248
Retained earnings and other reserves	1,059,646	833,090
Total capital	1,291,016	1,039,298

With the assistance of Hg, the Board monitors and reviews the broad structure of HGT's capital on an ongoing basis. This review covers:

- the projected level of liquid funds (including access to bank facilities);
- the desirability of buying back equity shares, either for cancellation or to hold in treasury, balancing the effect (if any) this may have on the discount at which shares in HGT are trading against the advantages of retaining cash for investment;
- the opportunity to raise funds by an issue of equity shares; and
- the extent to which revenue in excess of that which is required to be distributed should be retained, while maintaining its status under Section 1158 of the CTA 2010.

HGT's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

20. Called-up share capital

	No. 000	2020 £000	No. 000	2019 £000
Ordinary shares of 2.5p each:				
Allotted, called up and fully paid:				
At 1 January	407,425	10,186	37,325	9,331
Sub-division of ordinary shares	—	—	335,922	—
Issues of ordinary shares	8,575	214	34,178	855
At 31 December	416,000	10,400	407,425	10,186
Total called-up share capital	416,000	10,400	407,425	10,186

While HGT no longer has an authorised share capital, the Directors will still be limited as to the number of shares they can at any time allot, as the Companies Act 2006 requires that Directors seek authority from shareholders for the allotment of new shares. Share issue costs incurred during the year were £254,167 (2019: 659,502). Total proceeds received from the issuance of shares during the year were £25,162,000 (2019: £75,261,000).





Notes to the financial statements continued

21. Share premium account and reserves

	Share premium account £000	Capital redemption reserve £000	Capital reserve unrealised £000	Capital reserve realised £000	Revenue reserve £000
As at 1 January 2020	194,774	1,248	264,953	544,601	23,536
Issues of ordinary shares	24,948	—	—	—	—
Transfer on disposal of investments	—	—	(188,368)	188,368	—
(Losses)/gains on liquidity funds	—	—	(2,238)	2,117	—
(Losses)/gains on aborted deal fees	—	—	(2,084)	548	—
Foreign exchange gain on loan facility	—	—	—	224	—
Net movement on sale of fixed asset investments	—	—	—	100,334	—
Net movement in unrealised appreciation of fixed asset investments	—	—	197,342	—	—
Foreign exchange gain/(loss) on fixed asset investments	—	—	(2,288)	—	—
Dividend paid	—	—	—	—	(20,399)
Net revenue return	—	—	—	—	16,809
Net loans recovered from General Partners	—	—	(3,176)	—	—
Carried interest	—	—	(23,429)	(37,204)	—
As at 31 December 2020	219,722	1,248	240,712	798,988	19,946

22. Commitment in fund partnerships and contingent liabilities

Fund	Original ¹ commitment £000	Outstanding at 31 Dec	
		2020 £000	2019 £000
HGT Genesis 9 LP	322,234 ²	263,218	—
HGT Saturn 2 LP	292,612 ³	200,605	—
HGT Mercury 3 LP	102,936 ⁴	102,936	—
HGT Transition Capital LP	75,000	49,600	59,122
HGT 8 LP	350,000	9,709	143,542
HGT Saturn LP	150,000	7,932	69,276
HGT Mercury 2 LP	80,000	4,711	36,690
HgCapital Mercury D LP	60,000 ⁵	3,277	3,277
HGT 6 LP	285,029 ⁵	2,250	2,380
HGT LP	120,000 ⁵	1,261	1,261
HGT 7 LP	200,000 ⁵	1,232	19,979
Asper RPP I LP	19,370 ⁶	620 ⁷	587
Hg 6 E LP	15,000 ⁵	118	118
Total outstanding commitments		647,469	336,232

¹HGT has the benefit of an opt-out provision in connection with its commitments to invest alongside Hg Genesis 8, Hg Mercury 2, Hg Saturn, Transition Capital, Hg Saturn 2, Hg Genesis 9 and Hg Mercury 3 allowing it to opt out of its obligation to fund draw-downs under its commitments, without penalty, where certain conditions exist.

²Sterling equivalent of €360,000,000.

³Sterling equivalent of \$400,000,000.

⁴Sterling equivalent of €115,000,000.

⁵21.4% of the original £120 million commitment to the HgCapital 5 Fund, 5.5% of the original £300 million to the HgCapital 6 Fund, 7.6% of the £60 million to the Mercury 1 Fund and 12.4% of the original £200 million to the HgCapital 7 Fund have subsequently been cancelled, as the Manager deemed that it was unlikely to be required.

⁶Sterling equivalent of €21,640,000.

⁷Sterling equivalent of €692,000 (2019: €834,000).

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

Key agreements, related party transactions and ultimate controlling party

Hg acts as Manager of HGT through a management agreement and indirectly participates through fund limited partnership agreements as the general partners and, alongside a number of Hg's executives (past and present), as the founder partners of the fund partnerships in which HGT invests. In addition, Hg acts as Administrator of HGT.

HGT has no ultimate controlling party.

HGT's related parties are its Directors. Fees paid to HGT's Board are disclosed in the Directors' Remuneration Report on page 134 and employer's National Insurance contributions are disclosed in note 6(a). There are no other identified related parties at the year-end, and as of 12 March 2021.

24. Post balance sheet events

Since 31 December 2020, there have been no significant post balance sheet events.





Independent auditor's report

to the members of HgCapital Trust plc

Opinion – Our opinion on the financial statements is unmodified

We have audited the financial statements of HgCapital Trust plc (the 'Company') for the year ended 31 December 2020, which comprise the Income Statement, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and

Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its net return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease or continue as a going concern.

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included an assessment of the Company's cashflow forecast prepared by management, its liquid resources, the assumptions used and the Company's ability to opt out of future investment commitments if required. We also evaluated the sensitivity analysis prepared by management and challenged management on the impact to the forecast from potential changes in assumptions.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Company's business model including effects arising from macro-economic uncertainties such as Brexit and COVID-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit

Overview of our audit approach

Overall materiality: £25,800,000, which represents 2% of the Company's net assets.

Key audit matters were identified as:

- Valuation of unquoted investments (same as previous year)
- Occurrence of investment income ('Occurrence and accuracy of investment income' in previous year)

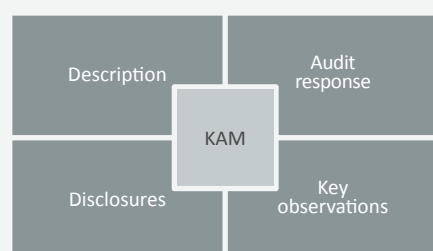
We performed a risk-based substantive audit focused on valuation of unquoted investments at the year-end and investment income recognised during the year. There were no significant changes in the scope of the audit from the prior year.



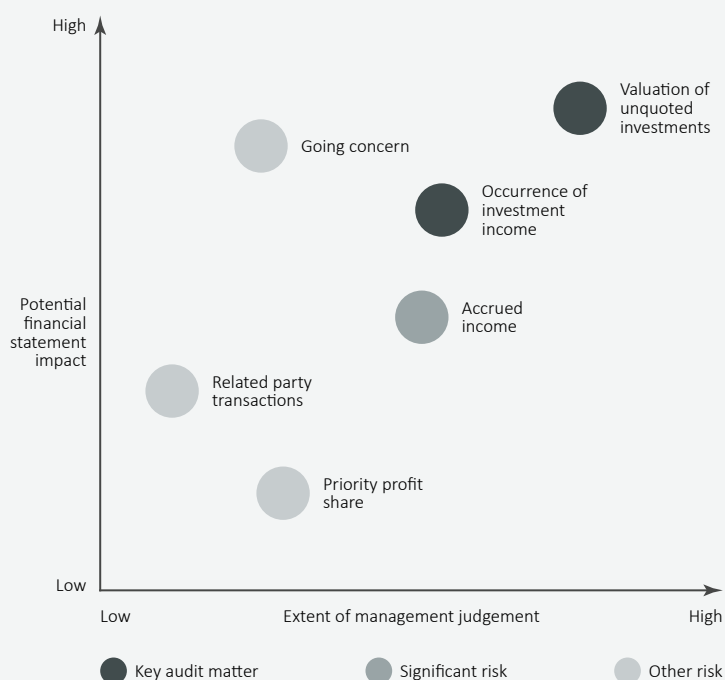
Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified.

These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



Strategic report



Hg's review

107

Financial statements



Corporate governance



Further information



Independent auditor's report continued



Key Audit Matter: Valuation of unquoted investments

We identified valuation of unquoted investments as one of the most significant assessed risks of material misstatement due to error.

The objective of the Company is to provide shareholders with long-term returns by investing in predominantly unquoted companies through limited partnerships managed by its Manager. Consequently, unquoted investments are the largest asset class in the financial statements representing 79% (2019: 76%) of the Company's net assets of £1.0 billion (2019: £788 million).

Valuations of unquoted investments are subjective and are based predominantly on an earnings multiple based approach.

This involves applying an appropriate multiple derived from comparable listed companies and market transactions to maintainable earnings of the investee companies.

The key assumptions in these models include adjustments to reported figures from investee companies to calculate maintainable earnings, the selection of comparable listed companies and transaction multiples, and the weightings applied to these multiples.

The subjective nature and complexity inherent in the process introduces a risk that the fair value measurements of these unquoted investments may not be appropriate.



How our scope addressed the matter

In responding to the key audit matter, we performed the following audit procedures:

- Attending the Audit, Valuations & Risk Committee meetings during the year where we received detailed updates on investments from the Manager and observed the committee's review and challenge of unquoted investment valuations;
- Conducting procedures to satisfy ourselves of the qualifications and expertise of the Manager to prepare investment valuations for the Company;
- Obtaining an understanding of matters that may affect the fair value of the unquoted investments through discussions with the Manager and independent research into investee companies and industry trends;
- Considering the appropriateness of the valuation methodologies used by the Manager and whether the valuations were performed in accordance with International Private Equity and Venture Capital valuation guidelines and FRS 102.
- Challenging management on the appropriateness of the revised valuation process implemented in the current year;
- Challenging the Manager to consider alternative valuation methodologies and assessing the resulting analysis for significant variations between different methodologies;
- Using our internal valuation specialists to assess the appropriateness of the key assumptions used in the valuations. Specifically:
 - the reasonableness and factual accuracy of comparable listed Company multiples;
 - the reasonableness of the weightings applied to multiples derived from comparable listed companies and market transactions; and
 - the appropriateness of the adjustments made to earnings to arrive at a maintainable position;
- Testing the significant inputs to our selected sample of unquoted investee Company valuations by agreeing key information such as earnings and net debt to investee Company reports as well as checking the arithmetical accuracy of the valuation; and
- Recalculating the impact of carried interest taken by the General Partner on valuation of fund limited partnerships and considering whether hurdles are met based on performance.

Relevant disclosures in the Annual Report and Accounts 2020

- The Company's accounting policy on valuation of unquoted investments is shown in note 3 'Organisation structure and accounting policies' to the financial statements and related disclosures are included in note 12 'Fixed asset investments'; and
- The Audit, Valuations & Risk Committee identified valuation of unquoted investments as a significant issue in its report on page 128 where the committee also described the action that it has taken to address this issue.

Our results

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

Key Audit Matter: Occurrence of investment income

We identified occurrence of investment income as one of the most significant assessed risks of material misstatement due to fraud and error.

The Company is subject to Investment Trust Company (ITC) regulations and as a result is required to allocate investment returns between revenue and capital. Investment income is a

significant component of the Income statement and during the year the Company has recognised net income of £24.7 million (2019: £15.5 million) in revenue returns. There is a risk that income recognised in the year may be materially misstated through fraudulent transactions or error which could impact the level of distribution required under ITC regulations.

How our scope addressed the matter

In responding to the key audit matter, we performed the following audit procedures:

- Assessing whether the Company's accounting policy to recognise investment income is in accordance with FRS 102 and the Statement of Recommended Practice (SORP) issued by the Association of Investment Companies;
- Assessing the design effectiveness of controls at the Manager in relation to revenue recognised from investments;
- Obtaining an understanding of the Company's process for income recognition in accordance with its accounting policy; and
- Recalculating, on a sample basis, the net interest income recognised in accordance with the underlying agreements and substantively testing cash receipts in the year.

Relevant disclosures in the Annual Report and Accounts 2020

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

Our results

Our testing did not identify any material misstatements in the amount of investment income recognised during the year.





Independent auditor's report continued

Our application of materiality

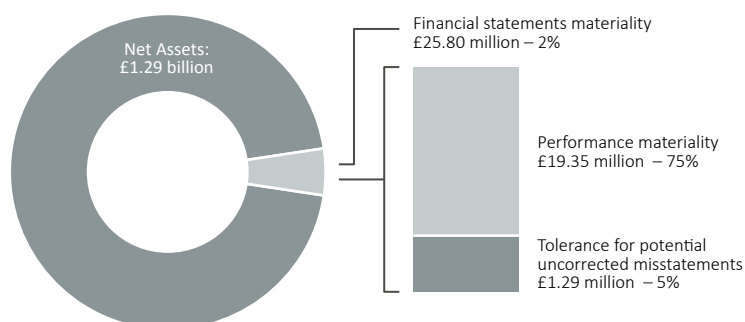
We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.
Materiality threshold	£25,800,000, which is 2% of the Company's net assets.
Significant judgements made by auditor in determining the materiality	<p>We considered net assets as the most appropriate benchmark as it represents a key financial metric used to measure the performance of the Company and is of primary interest to the users of the financial statements.</p> <p>Materiality for the current year is higher than the level that we determined for the year ended 31 December 2019 to reflect the increase in the Company's net assets.</p>
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
Performance materiality threshold	£19,350,000, which is 75% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	Performance materiality at 75% of financial statement materiality was considered appropriate by the audit team based on the team's experience of the audit in previous years including the quality of information received, the internal controls framework at the service organisation, the experience and qualifications of management and prevalence of significant issues identified in the past.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
Specific materiality threshold	<p>We determined a lower level of specific materiality for the following areas:</p> <ul style="list-style-type: none">– Net income, finance costs and taxation in the revenue return column of the income statement; and– Related party transactions including Director's remuneration.
Communication of misstatements to the Audit, Valuations & Risk Committee	We determine a threshold for reporting unadjusted differences to the audit committee.
Threshold for communication	£1,290,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Overall materiality

The graph opposite illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the Company's business and in particular matters related to:

- we obtained an understanding of the Company and its control environment and assessed the risk of material misstatement;
- we obtained an understanding of the relevant controls in place at the third-party service providers. This included documenting the description and design effectiveness of internal controls at the investment manager and administrator;
- an audit of the financial information of the Company was undertaken using the financial statement materiality (full-scope audit);
- we identified valuation of unquoted investments and occurrence of investment income as key audit matters and the procedures performed in respect of these have been included in the key audit matters section of our report; and
- there have been no changes in the scope of current year's audit from the scope of the audit in prior year.

Other information

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

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

We have nothing to report in this regard.

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

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

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

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





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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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

Corporate governance statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the directors' explanation in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions;
- the directors' statement that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;

- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal and emerging risks facing the Company (including the impact of Brexit and COVID-19) and the disclosures in the annual report that describe the principal risks, procedures to identify emerging risks and an explanation of how they are being managed or mitigated (including the impact of Brexit and COVID-19);
- the section of the annual report that describes the review of the effectiveness of the Company's risk management and internal control systems, covering all material controls, including financial, operational and compliance controls; and
- the section of the annual report describing the work of the Audit, Valuations & Risk Committee, including significant issues that the audit committee considered relating to the financial statements and how these issues were addressed.

Responsibilities of Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company and the industry in which it operates. We determined that the following laws and regulations were most significant: the Companies Act 2006, the UK Corporate Governance Code, the SORP and the relevant provisions of HMRC's regulations applicable to an Investment Trust Company. We enquired of management to obtain an understanding of how the Company is complying with those legal and regulatory frameworks and whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of the board minutes for the year. We did not identify any matters relating to non-compliance with laws and regulation or matters in relation to fraud;
- We obtained an understanding of how the Company is complying with those legal and regulatory frameworks by making inquiries of management and those responsible for legal and compliance procedures. We corroborated our inquiries through our review of board minutes and papers provided to the Audit, Valuations & Risk Committee;
- In assessing the potential risks of material misstatement, we obtained an understanding of the Company's operations, including the nature of its investments, sources of income, its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
- In assessing the appropriateness of the collective competence and capabilities of the engagement team, the engagement partner considered the engagement team's:
 - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation
 - the specialist skills required in relation to valuation of unquoted investments; and
 - knowledge of the industry in which the client operates.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
 - assessing the design effectiveness of controls management has in place to prevent and detect fraud;
 - challenging assumptions and judgements made by management in its significant accounting estimates;
 - identifying and testing journal entries, in particular manual journal entries made at year end for financial statement preparation; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

Other matters which we are required to address

Following the recommendation of the Audit, Valuations & Risk Committee, we were appointed by the Board and approved at the Annual General Meeting on 10 May 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 4 years, covering the periods ending 31 December 2017 to 31 December 2020.

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

Our audit opinion is consistent with the additional report to the Audit, Valuations & Risk Committee.

Use of our report

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

Grant Thornton UK LLP

Marcus Swales
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
12 March 2021





Corporate governance



114

Corporate governance



Directors' report

The Directors present the Annual Report and Accounts of HgCapital Trust plc (HGT) (registered number 1525583) for the year ended 31 December 2020. The Corporate Governance Report forms part of this Directors' Report. Information about future developments and important events since the year end are included in the Chairman's statement on pages 10–12.

Status of HGT

HGT is an investment company, as defined in section 833 of the Companies Act 2006, and qualifies as an investment trust under sections 1158 and 1159 of the Corporation Tax Act 2010. HGT has received confirmation from HMRC that it has been accepted as an approved investment trust, with effect from 1 January 2012, provided that it continues to meet the eligibility conditions for section 1158 and the ongoing requirements for approved companies in the Investment Trust (Approved Company) (Tax) Regulations 2011.

Capital structure

As at 31 December 2020, HGT had 415,999,808 ordinary shares of 2.5 pence each in issue, with no shares held in Treasury. Each ordinary share has one voting right attached to it. The total number of voting rights in HGT at this date was therefore 415,999,808.

Dividend policy

The Board aims to sustain a minimum annual dividend level of 5p per ordinary share (adjusted for the share-split undertaken in 2019), but is mindful of HGT's objective to achieve long-term growth in shareholder value. The ability to meet these two objectives depends significantly on income receivable from investments and on the level and timing of profitable realisations to generate sufficient cash and cannot be guaranteed. There will be variations in the amount of dividends paid year on year. For more details, please see page 15.

Results and dividend

The total return after taxation for the year was £246,955,000 (2019: £177,494,000) of which the revenue return was £16,809,000 (2019: revenue return of £11,426,000). Following payment of an interim dividend of 2.0 pence per ordinary share in October 2020, the Directors recommend the payment of a final dividend of 3.0 pence per ordinary share for the year ended 31 December 2020, making a total of 5.0 pence (2019: 4.8 pence, adjusted for the share-split). Subject to the approval of this dividend at the forthcoming Annual General Meeting (AGM), it will be paid on 28 May 2021 to shareholders on the register of members at the close of business on 30 April 2021.

Risk management and objectives

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

HGT's Board of Directors

As at the date of this Report, the Board comprises six non-executive Directors, all of whom are considered to be independent.

The Board met formally six times during 2020 and on one additional occasion for a Board strategy day. There is regular contact among the Directors and with Hg between these meetings. The Directors also have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Where necessary, in the furtherance of their duties, the Directors may seek independent professional advice at the expense of HGT.

The rules concerning the appointment and replacement of Directors are contained within HGT's Articles of Association and the Companies Act 2006. Further details are provided in the Corporate Governance Statement. The Articles of Association can be amended by shareholders at a General Meeting. In line with the recommendations of the 2019 AIC Corporate Governance Code, all Directors will stand for election or re-election at the forthcoming AGM.

Powers of the Board of Directors

The general powers of the Directors are set out in Article 93 of HGT's constitution. This Article provides that the business of HGT shall be managed by the Board, which may exercise all the powers of HGT, subject to any limitations imposed by applicable legislation, the Articles and any directions given by special resolution of the shareholders of HGT.

Directors' indemnity

HGT has maintained appropriate Directors' liability insurance cover throughout the year. HGT's Articles of Association take advantage of statutory provisions to indemnify the Directors against certain liabilities owed to third parties, even where such liability arises from conduct amounting to negligence or breach of duty or breach of trust.

In addition, under the terms of appointment of each Director, HGT has agreed, subject to the restrictions and limitations imposed by statute and by HGT's Articles of Association, to indemnify each Director against all costs, expenses, losses and liabilities incurred in the execution of his or her office as Director or otherwise in relation to such office. Save for such indemnity provisions in HGT's Articles of Association and in the Directors' terms of appointment, there are no qualifying third party indemnity provisions in force.

Conflicts of interests

The Directors have declared any conflict or potential conflict of interest to the Board, which has the authority to approve such situations. A register of the matters so approved is maintained and reviewed at each meeting of the Board. The Directors advise the Board as soon as they become aware of any conflict of interest. In the event that a Director has a relevant conflict of interest they would not be party to discussions or decisions on the matter on which they are conflicted. The Board can, however, confirm that it has not been necessary to exclude any Director from the consideration of Board or Committee matters on such a basis at any time during the year, except for when the Nomination Committee dealt with the matter of Chairman succession and Roger Mountford, Chairman of the Board, and Jim Strang, an interested internal candidate, recused themselves from the relevant discussions.





The Board of Directors



Jim Strang

Chairman of the Board and the Nomination Committee

Appointed: March 2018
Age: 49

Career: Jim has spent over 20 years in the private equity industry, latterly serving as Chairman EMEA and Managing Director at Hamilton Lane UK Ltd. Hamilton Lane is one of the largest asset managers and investors in the world dedicated to private equity investments. Jim's career in private equity encompasses a wide range of experience gained across multiple transactions, market cycles and global markets. Before entering the private equity industry, Jim served as a strategy consultant at Bain & Company, working extensively with private equity clients on numerous projects. Before this, he worked as a UK equities fund manager, focusing on growth investments in the UK.

Relevant skills and experience and reasons for re-election:

Jim brings a wide range of private equity experience, both at the individual investment level and also from structuring and developing programmes of private equity investments which meet the needs of a large, diverse and sophisticated mix of global investors. Furthermore, his experience in working with private equity managers, while at Bain & Company, and his tenure as UK equity fund manager provide a highly relevant and broad mix of skills to HGT.

Other appointments:

Non-Executive Director at the Business Growth Fund plc; Senior Adviser to the private equity group at Bain & Company; Senior Adviser at Hamilton Lane; Teaching Fellow in private equity at London Business School



Richard Brooman

Chairman of the Audit, Valuations and Risk Committee

Appointed: October 2007
Age: 65

Career: Richard qualified as a chartered accountant with Price Waterhouse. He held senior operational and financial positions at Mars, going on to become Chief Financial Officer at the global consumer healthcare business SmithKline Beecham. Moving to the SME sector, he became Group Finance Director of VCI plc and subsequently Chief Financial Officer of Sherwood International plc, both mid-capitalisation businesses listed on the London Stock Exchange. Until recently, Richard was also a Senior Independent Director of DiscoverIE Group plc, a listed manufacturer and distributor of custom electronic components.

Relevant skills and experience and reasons for re-election:

Richard has comprehensive experience of financial and risk management in two leading global companies and of both acquisitions and disposals of businesses. This has provided a strong basis for assessing, and, where appropriate, challenging the financial and risk-management framework of not only HGT, but also companies across a wide range of industries. Richard takes the lead in scrutinising the valuation of each company in the portfolio prepared by Hg.

Other appointments:

Trustee at Leonard Cheshire Disability; Trustee at British Youth Opera



Peter Dunscombe

Chairman of the Management Engagement Committee

Appointed: January 2014
Age: 71

Career: Peter was joint Managing Director of Imperial Investments Ltd and the manager of the Imperial Tobacco pension fund. Following this, he was Head of Pensions Investments at the BBC Pension Trust, responsible for allocating funds to a variety of private asset classes, including private equity. He selected managers and negotiated limited partnership interests in many private equity funds, including funds raised by Hg.

Relevant skills and experience and reasons for re-election:

Peter's work as a senior manager of major pension funds has provided extensive experience of asset allocation and investment management in large institutions. This helps to inform his role as Chairman of HGT's MEC. He leads the board's annual review of Hg's performance, resources and strategy, to provide assurance that Hg is well equipped to act as HGT's Manager. Peter also leads regular reviews of all of HGT's service providers.

Other appointments:

N/A

Directors' report continued



Pilar Junco
Non-executive Director

Appointed: July 2020
Age: 46

Career: Pilar is a Managing Partner and Chief Strategy and Client Officer at Altamar Capital Partners, a leading independent manager (based in Barcelona, Madrid, New York and Santiago de Chile) of international private equity and other private assets. She leads Altamar's efforts to expand internationally, as well as leading strategic initiatives for the firm. Before joining Altamar, she worked in London at Blackstone for 13 years, where most recently she acted as a Senior Managing Director and head of its non-US (EMEA and APAC) private wealth management and retail business.

Relevant skills and experience and reasons for re-election:

Pilar has a wealth of industry knowledge in private equity and brings to the board recent and relevant experience in leading international expansion and strategic planning. She provides the board with insights into M&A activity, investment in international private equity and into institutional investors.

Other appointments:
Board Member at Altamar Capital Partners



Guy Wakeley
Non-executive Director

Appointed: March 2018
Age: 50

Career: Guy was Chief Executive of Equiniti Group plc, the FTSE 250 provider of processing, share-dealing and payment platforms and services to the biggest businesses in the UK and the US. Guy joined the board of Equiniti in 2014 and, the following year, led its flotation on the main market of the London Stock Exchange, stepping down as its CEO in January 2021. He was an FCA-approved person, with control function responsibilities for Equiniti's regulated functions in the UK, as well as president of Equiniti's US trust company bank. Guy is also a chartered engineer.

Relevant skills and experience and reasons for re-election:

Guy's professional interests lie in harnessing technology to transform service delivery. He specialises in the interplay among financial services, regulation and data security. He brings to the board relevant and recent experience in international M&A, technology disruption and large-scale operational leadership and transformation.

Other appointments:
Fellow of the Royal Institution of Chartered Surveyors; Member of the CBI's Public Services Strategy Board



Anne West
Senior Independent Director

Appointed: May 2014
Age: 70

Career: Anne joined HGT's board following a long career as an equity investment manager, initially in Hong Kong. She spent 23 years at Cazenove Capital Management, one of the UK's largest wealth managers, rising to Chief Investment Officer. As manager of the investment teams, she was responsible for leading the firm's strategy on asset allocation, including diversification into private markets using listed vehicles, such as HGT. She was also responsible for communication of investment views and policy to wealth managers and clients and introduced investment risk-management tools to portfolio construction.

Relevant skills and experience and reasons for re-election:

Anne's experience in asset allocation and equity markets provides the board with insights into the decision-making processes of many of HGT's wealth management shareholders and potential investors. She also brings her knowledge of investing in emerging markets, especially in Asia, as well as expertise gained through her directorships of investment trust companies.

Other appointments:
Director at The Scottish Oriental Smaller Companies Trust plc; Director at ScotGems plc



Strategic report



Hg's review



Financial statements

117

Corporate governance



Further information



Investment management and administration

HGT entered into an amended and restated Management Agreement with HGT's investment manager, Hg Pooled Management Limited (Hg), in May 2015. In 2020, HGT's assets were managed by Hg. HGT 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.)
HGT 8 LP	1.75% on the fund commitment during the investment period, stepping down to 1.5% on invested capital
HGT Mercury 2 LP	1.75% on the fund commitment during the investment period, stepping down to 1.5% on invested capital
HGT Saturn 2 LP	1.0% on the fund commitment during the investment period, stepping down to 0.75% on invested capital
HGT Genesis 9 LP	1.75% on the fund commitment during the investment period, stepping down to 1.5% on invested capital
HGT 7 LP	1.5% of original cost of investments in the fund less the original cost of investments which 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 which have been realised or written off
HGT 6 LP	1.5% of original cost of investments in the fund less the original cost of investments which have been realised or written off
HGT Saturn LP	1.0% on invested capital
HGT Transition Capital LP	1.25% on invested capital during the investment period, stepping down to 0.75% on invested capital
HGT LP	0.5% on the value of investments in fund, excluding co-investments
Asper RPP I	1.5% of original cost of investments in the fund, less the original cost of investments which have been realised or written off

For HGT's investment alongside the Hg Genesis 6, Hg Mercury 1, Hg Genesis 7, Hg Mercury 2, Hg Genesis 8, Hg Genesis 9 and Hg Saturn 2 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 HGT 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 which is capitalised annually. Carried interest in HGT Transition Capital will be calculated in the same way.

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

No priority profit share or carried interest will apply to any co-investment made alongside Hg5, Hg Genesis 6, Hg Mercury, Hg Genesis 7, Hg Mercury 2, Hg Genesis 8 and Hg Saturn funds in excess of HGT's pro-rata commitment. Thus, the co-investments made by HGT in P&I, Achilles, Azets, Mitratech, Commify, MediFox DAN-Group, Transporeon, Argus Media, Evaluate, smartTrade and F24 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 HGT 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.

Continuing appointment of the Manager

The Board keeps the performance of Hg under continual review, and the Management Engagement Committee carries out an annual review of the Manager's performance and the terms of the Management Agreement. The outcome of this review can be found in the Management Engagement Committee Report on page 130.

Calculation of ongoing charges

For the year to 31 December 2020, HGT's ongoing charges were calculated as 1.8% (31 December 2019: 1.6%). The calculation is based on the ongoing charges expressed as a percentage of the average 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 which are operational and recurring by nature and specifically exclude, among 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.

HGT's ongoing charges consist of its current year priority profit share payable and operating expenses as described in notes 5 and 6 to the financial statements respectively.

Stewardship

For Hg, responsible investing means growing sustainable businesses which are great employers and good corporate citizens, whilst also generating superior risk adjusted returns for the shareholders of HGT, as well as other pensioners and savers who are invested with Hg. Hg seeks to invest HGT's funds in businesses which are well managed, with high standards of corporate governance. The Directors of HGT believe this creates the proper conditions to enhance long-term shareholder value and to achieve a high level of corporate performance.

The exercise of voting rights attached to HGT's underlying investments lies with Hg. Hg has a policy of active portfolio management and ensures that significant time and resource are dedicated to every investment, with Hg executives and Operating Partners typically being appointed to investee company Boards, in order to ensure the application of active, results-orientated corporate governance. Further information about the stewardship of investee companies by Hg can be found in their review on pages 25–81.

Greenhouse gas emissions

HGT has no greenhouse gas emissions to report from the operations of HGT, nor does it have responsibility for any other emissions producing sources or energy consumed reportable under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 or the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, implementing the UK Government's policy on Streamlined Energy and Carbon Reporting. Information on our Manager's value chain carbon footprint can be found on page 41, and online at www.hgcapital.com/responsibility.

Financial instruments

HGT had no outstanding derivative contracts at 31 December 2020. Note 19 to the financial statements describes the financial risk management objectives and HGT's exposures to credit risk and liquidity risk.

Listing Rule 9.8.4R

Certain information is required to be included in the Annual Financial Report by Listing Rule 9.8.4. The following table provides references to where this information can be found in this Annual Report. If a requirement is not shown, it is not applicable to HGT.

Section	Listing Rule requirement	Location
7	Details of an allotment for cash of equity securities made during the period	Directors' Report (page 112 – Authority of Directors to allot shares)

Relations with shareholders

All shareholders have the opportunity to attend and vote, usually in person, or by proxy, at the AGM. For further information on the details of this year's AGM and ways to engage with the Board and the Manager, please refer to page 149. The notice of the AGM given on pages 148–155 of this Report sets out the business of the meeting, with any item not of an entirely routine nature explained below. Separate resolutions are proposed in respect of each substantive issue.

Proxy voting figures will be available to shareholders after the AGM. Hg holds regular discussions with major shareholders, the feedback from which is greatly valued by the Board.

In addition, the Chairman and the Senior Independent Director are available to enter into dialogue and correspondence with shareholders regarding the progress and performance of HGT. The 'Shareholder Information' section of this Report, provides information which may be useful to shareholders. Details of how the Directors have met their obligations under Section 172 of the Companies Act 2006 can be found on pages 19–24.

Substantial interests	Ordinary shares ¹	% of voting rights
Schroders plc	43,621,136	10.53
Prudential plc group of companies	19,340,000	4.74
Oxfordshire County Council Pension Fund	28,824,306	7.07

¹Notifications are required where an investor reaches the 3% threshold and for every 1% increase or decrease thereafter. The above holdings may therefore not be wholly accurate statements of the actual investor holdings at 31 December 2020 and at 12 March 2021.

As at 12 March 2021, being the latest practicable date prior to the publication of this Report, HGT had received notice that the persons noted in the table below had interests in 3% or more of the total voting rights of HGT.

	Ordinary shares ¹	% of voting rights
Schroders plc	41,598,090	9.99

¹Notifications are required where an investor reaches the 3% threshold and for every 1% increase or decrease thereafter. The above holdings may therefore not be wholly accurate statements of the actual investor holdings at 31 December 2020 and at 12 March 2021.

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

As at 31 December 2020, the Partners and staff of Hg owned 13,115,765 shares; 3.2% of the total voting rights (2019: 7,417,830* shares; 2.0% of the total voting rights).

*Restated for the 10:1 share-split in May 2019.



Directors' report continued

Analysis of registered Ordinary Shareholders as at 31 December 2020

2020 By size of holding ²	No. of Shares	% of total 31.12.20 ¹	No. of holders	% of total 31.12.20 ¹	2019 By size of holding ²	No. of Shares	% of total 31.12.19	No. of holders	% of total 31.12.19
1-50,000	6,057,102	1.46	676	70.56	1-50,000	6,121,453	1.50	610	70.11
50,001- 500,000	31,926,245	7.67	173	18.06	50,001- 500,000	27,008,970	6.63	143	16.44
500,001- 1,000,000	23,426,868	5.63	33	3.44	500,001- 1,000,000	27,650,843	6.79	40	4.60
over 1,000,000	354,589,593	85.24	76	7.93	over 1,000,000	346,643,542	85.08	77	8.85
Total	415,999,808	100.00	958	100.00	Total	407,424,808	100.00	870	100.00

¹The analysis includes shares allotted on 31 December 2020. ²The sizes of holdings have been adjusted for the share-split undertaken in 2019.

Transfer of shares and voting rights

There are no restrictions concerning the transfer of securities in HGT; no special rights with regard to control attached to securities; no restrictions on voting rights; no agreements between holders of securities regarding their transfer known to HGT; and no agreements to which HGT is a party which might change or fall away on a change of control or trigger any compensatory payments for Directors following a successful takeover bid.

Annual General Meeting (AGM)

The AGM of HGT will be held at the offices of Dickson Minto, at 16 Charlotte Square, Edinburgh, EH2 4DF on 11 May 2021 at 11.00am. At the time of writing, the UK remains subject to strict regulations regarding meetings. The Board would normally welcome the AGM as an opportunity to present to shareholders and listen to their questions in person. However, the health and safety of our Board, Manager and all shareholders is of paramount importance, as is complying with regulations. We have therefore decided that physical attendance at the AGM this year will not be possible. Arrangements will be made by HGT to ensure that the minimum number of shareholders required to form a quorum will attend the AGM, in order that the meeting may proceed to discuss the formal business of the meeting only.

Details of shareholder engagement and how to vote at this year's AGM are contained in the Notice of AGM on pages 148–155.

The Board is of the opinion that the passing of all resolutions being put to the AGM would be in the best interests of HGT and its shareholders. The Directors therefore recommend that shareholders vote in favour of resolutions 1 to 15, as set out in the Notice of Meeting as they intend to do in respect of their own shareholdings.

Authority of Directors to allot shares

A general authority to allot new shares (or to grant rights over shares) was given to the Directors at HGT's AGM in 2020. The authority gives the Directors, for the period until the conclusion of the AGM in 2021, the necessary authority to allot securities up to a maximum nominal amount of £3,395,207 or what was, at 31 December 2019, approximately 33.33% of the issued Ordinary share capital of HGT.

The Directors are proposing to renew the general authority to allot shares at the 2021 AGM.

The Board considers it appropriate that the Directors should be granted ongoing authority to allot shares in the capital of HGT up to a maximum nominal amount of £3,466,318, representing approximately 33.33% of HGT's ordinary share capital. The power will last until the conclusion of the AGM in 2022. The Directors will continue to consider further potential share issues, providing that market conditions permit. This power will be exercised only if, in the opinion of the Directors, it would be in the best interests of shareholders as a whole.

On 26 June 2019, HGT applied to the Financial Conduct Authority for a block listing of 7,971,870 ordinary shares of 2.5 pence each, being the number of shares which HGT still had the authority to issue non-pre-emptively, following the equity placing, and that was granted by the shareholders' approval at the AGM held in 2019. The block listing became effective on 27 June 2019. During 2020, this facility was exhausted through a number of issuances from the blocklisting and, therefore, on 10 November 2020, HGT applied to the Financial Conduct Authority for a block listing of a further 37,595,610 ordinary shares of 2.5 pence each. The blocklisting became effective on 13 November 2020.

Details of the allotments and allottees made during the year are set out in the following table:

	No. of issues	Shares issued	Average Price (pence)	Total consideration (£000)	Average Premium %
Numis Nominees (Client) Limited	26	8,575,000	298	25,162	3

Disapplication of pre-emption rights

A general power to disapply the pre-emption rights set out in Section 561 of the Companies Act 2006 was granted to the Directors at the AGM in 2020.

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

This resolution will authorise the Directors, until the date falling 15 months after the date of the passing of the resolution or, if earlier, the conclusion of the next annual general meeting of HGT, to issue ordinary shares for cash, without pre-emption rights applying, of up to an aggregate nominal value of £1,039,999, representing approximately 10% of HGT's issued ordinary share capital as at the date of the Notice.

No issuance of ordinary shares without pre-emption rights will be made at a price less than the prevailing net asset value per ordinary share at the time of issue. This power will be exercised only if, in the opinion of the Directors, it would be in the best interests of shareholders as a whole.

Authority to buy back shares

The Directors' authority to buy back shares was renewed at last year's AGM and will expire at the end of the AGM in 2021. Although no shares were bought back during the year, the Directors are proposing to renew the authority at the forthcoming AGM, as set out in Resolution 14 in the Notice of AGM, and are seeking authority to purchase up to 14.99% of the issued share capital. This authority, unless renewed, will expire at the conclusion of the AGM in 2022 or 15 months from the passing of the resolution. The authority will be used where the Directors consider it to be in the best interests of shareholders. Purchases of ordinary shares will only be made through the market for cash at prices below the prevailing NAV per ordinary share. Under the Listing Rules of the Financial Conduct Authority, the maximum price which can be paid for each ordinary share is the higher of: (a) 105% of the average of the mid-market quotations of the ordinary shares in HGT for the five business days prior to the date on which such share is contracted to be purchased; and (b) the higher of the price of the last independent trade and the highest current independent bid for an ordinary share. The minimum price that may be paid will be the nominal value of such ordinary share, being 2.5 pence.

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

Changes to Articles of Association

Resolution 15, which will be proposed as a special resolution, seeks shareholder approval to adopt new Articles of Association (the New Articles) in order to update HGT's current Articles of Association (the Existing Articles). The proposed amendments being introduced in the New Articles primarily relate to changes in law and regulation and developments in market practice since the Existing Articles were adopted, and principally include:

- provisions enabling HGT to hold virtual shareholder meetings using electronic means (as well as physical shareholder meetings or hybrid meetings);
- amendments in response to the requirements of the Alternative Investment Fund Managers Directive (2011/61/EU);
- changes in response to the introduction of international tax regimes (notably FATCA and the Common Reporting Standard) requiring the exchange of information;
- simplifying the untraced shareholders procedure by removing the requirement for HGT to publish newspaper advertisements;

- giving the Directors the ability to postpone a general meeting after notice of the meeting has been sent, but before the meeting is held;
- a provision requiring all directors to retire at each annual general meeting and be eligible for reappointment, except any directors appointed after notice of the meeting has been sent, but before the meeting is held; and
- removing the provisions regarding subscription shares.

A summary of the principal amendments being introduced in the New Articles is set out in the appendix to the AGM Notice (on page 155 of this document). Other amendments, which are of a minor, technical or clarifying nature, have not been summarised in the appendix.

While the New Articles (if adopted) would permit shareholder meetings to be conducted using electronic means, the Directors have no present intention of holding a virtual-only meeting. These provisions will only be used where the Directors consider it is in the best of interests of shareholders for hybrid or virtual-only meetings to be held. Nothing in the New Articles will prevent HGT from holding physical shareholder meetings.

The full terms of the proposed amendments to HGT's articles of association would have been made available for inspection as required under LR 13.8.10R (2), but for the Government restrictions implemented in response to the Coronavirus outbreak. As an alternative, a copy of the New Articles, together with a copy showing all of the proposed changes to the Existing Articles, will be available for inspection on HGT's website (www.hgcapitaltrust.com) from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM. In the event that the current Coronavirus related restrictions are lifted before the AGM, a hard copy of these documents will be available for inspection at HGT's registered office: 2 More London Riverside, London, SE1 2AP until the close of the AGM.

Disclosure of information to auditors

Each of the persons who is a Director at the date of approval of this Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which HGT's auditor is unaware; and
- the Director has taken all the steps that they ought to have taken as a Director in order to make them aware of any relevant audit information and to establish that HGT's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Donations

HGT made no political or charitable donations during the year (2019: nil).

On behalf of the Board

Jim Strang
Chairman
12 March 2021





Directors' responsibility statement

in respect of the annual report and accounts

Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102, the Financial Reporting Standard applicable in the UK and Ireland.

Under company law the Directors must not approve the financial statements, unless they are satisfied that they give a true and fair view of the state of affairs of HGT and of the profit or loss of HGT for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed;
- assess HGT's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate HGT or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain HGT's transactions and disclose with reasonable accuracy at any time the financial position of HGT and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether

due to fraud or error, and have responsibility for taking such steps as are reasonably open to them to safeguard the assets of HGT and to prevent and detect fraud and other irregularities.

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

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

Responsibility statement

The Directors of HGT, whose names are shown on pages 116–117 of this Report, each confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of HGT taken as a whole; and
- the Strategic Report and Hg's Review include a fair review of the development and performance of the business and the position of HGT, together with a description of the principal risks and uncertainties that it faces.

The Directors consider the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and the information provided to shareholders is sufficient to allow them to assess HGT's position, performance, business model and strategy.

On behalf of the Board

Jim Strang
Chairman

12 March 2021



Corporate governance statement

This Corporate Governance Statement forms part of the Directors' Report

Statement of compliance

The Board has considered the Principles and Provisions of the AIC Code of Corporate Governance (February 2019) (AIC Code). The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the UK Code), as well as setting out additional

Provisions on issues that are of specific relevance to HGT. The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council, provides more relevant information to its shareholders.

Throughout the year, HGT has complied with the Principles and Provisions of the AIC Code – available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

AIC Code	Principle	Evidence of compliance/explanation of departure from the AIC Code
A	A successful company is led by an effective Board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	Hg has embedded its approach of responsible investing into the whole spectrum of the investment process. Responsible investing means growing sustainable businesses which are great employers and good corporate citizens. Hg takes an active interest in how the portfolio companies manage environmental, social, and governance (ESG) issues. They are encouraged, supported and stretched to strive for best practice, responsible business standards. Both the Board and Hg agree that responsible business practices help to generate superior long-term performance. More information on HGT's long-term performance record can be found on page 8, while more details on the Manager's approach to responsible investing are on pages 39–41 of this report.
B	The Board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All Directors must act with integrity, lead by example and promote the desired culture.	The Purpose of HGT is to deliver consistent, long-term returns in excess of the FTSE All-Share Index to our shareholders by investing predominantly in unquoted companies, where value can be created through strategic and operational change. Through its Manager, HGT provides shareholders with exposure to a fast-growing network of unquoted investments, primarily in European technology and service businesses. The Board has formally defined its culture, as well as behaviours and attributes which promote it. More information about our culture and how it is aligned with our purpose and strategy can be found on page 20.
C	The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	The Directors regularly consider HGT's position with reference to the business model, the balance sheet, cash flow projections, availability of funding and HGT's contractual commitments. More information on outstanding commitments and the cash position can be found on page 47. HGT's objective is to deliver consistent, long-term returns to our shareholders; therefore, one of the measures which the Board considers is total return per share and revenue return per share, as well as long-term performance against the FTSE All-Share Index, details of which can be found on pages 8 and 9. As outlined in the 'Principal Risks and Uncertainties' section of the Strategic Report on pages 16 and 17, HGT is subject to various risks in pursuing its objectives, and in order to effectively assess and manage risk, appropriate controls and policies are in place and are regularly reviewed and assessed by the Audit, Valuations and Risk Committee. These are detailed in the Strategic Report on pages 16 and 17, in the Audit, Valuations and Risk Committee Report on page 127 and in note 19 to the financial statements.
D	In order for the company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties.	On pages 19 and 24, we describe our key stakeholders, how we gain an understanding of their interests and how we engage with them.





Corporate governance statement continued

AIC Code	Principle	Evidence of compliance/explanation of departure from the AIC Code
F	The chair leads the Board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive Board relations and the effective contribution of all non-executive Directors, and ensures that Directors receive accurate, timely and clear information	<p>The Chairman, who is an independent non-executive Director, leads the Board by presiding over Board meetings; agreeing on the agendas, ensuring, among other matters, that appropriate weight is given to topics such as strategy, asset allocation and financial performance; he ensures that Board debates are balanced, open and inclusive and promotes behaviours and attributes which make up our culture. The Chairman ensures that the Board is provided with information of appropriate quality and form, in a timely manner. In addition to formal Board meetings, there is also an ongoing informal interaction between the Directors and the Manager. In line with the requirements of the AIC Code, the responsibilities of the Chairman and the Senior Independent Director (SID) have been agreed on by the Board and, together with the terms of reference for each committee, are available to view on HGT's website.</p> <p>The annual evaluation of the Board's effectiveness always considers the performance of the Chairman, and whether he has performed his role effectively. The Directors, led by the SID have concluded that the Chairman has fulfilled his role and supports and promotes the effective functioning of the Board. Further information on our culture can be found on page 20.</p>
G	The Board should consist of an appropriate combination of Directors (and, in particular, independent non-executive Directors) such that no one individual or small group of individuals dominates the Board's decision making.	<p>During the year under review, the Board comprised only non-executive Directors, with all Directors deemed to be independent of the Manager. In the Board's opinion, despite the length of his tenure exceeding nine years, Richard Brooman continues to qualify as independent and continues to provide constructive challenges, and robust scrutiny, of matters coming before the Board. He is independent of Hg and free from any business or other relationships which could materially interfere with his decision-making. The Board also considers that length of tenure does not compromise independence and that experience and continuity can add strength to a Board.</p> <p>The Directors also spend a considerable amount of time reviewing the composition of the Board as well as the longer-term succession plans. As a Board, we aim to be as well-equipped as a Board of any large technology group to give direction and scrutiny, effectively, to HGT's activities. More information on recent changes to the Board can be found on pages 131 and 132.</p>
H	Non-executive Directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold third party service providers to account.	<p>The Board considers the required time commitment annually; and during the year under review, all Directors continued to devote a sufficient amount of time to the business of HGT. All Directors share their experience and guidance with, as well as constructively challenge, the Manager, both through their contributions in meetings and outside of the usual meeting cycle.</p> <p>The Directors, supported by the Management Engagement Committee, regularly assess the performance of all third-party service providers. More details on the work of the Management Engagement Committee can be found on page 130.</p>
I	The Board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	<p>The Board's responsibilities are set out in the schedule of Matters Reserved for the Board, with certain responsibilities delegated to its Committees, so that it can operate efficiently and give an appropriate level of attention and consideration to pertinent matters. Supported by its Committees, the Board has overall responsibility for purpose, strategy, business model, performance, asset allocation, capital structure, approval of key contracts and major capital investments, the framework for risk management and internal controls and governance matters, as well as engagement with shareholders and other key stakeholders. The Directors remain focused on understanding the needs of the shareholders and other stakeholders and considering how the Board's decisions affect them in the longer term. More information can be found on pages 19 to 24, where Directors explain how they discharged their duties under Section 172 of the Companies Act 2006. Several Board policies, which help to codify its processes, are reviewed and, if needed, periodically updated, with the support and guidance of the Company Secretary. Directors are also provided regularly, by the Company Secretary, with guidance on forthcoming regulatory and governance matters and also have access to independent advisers, if deemed necessary.</p>

Corporate governance statement continued

AIC Code	Principle	Evidence of compliance/explanation of departure from the AIC Code
J	Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	HGT has a Diversity and Inclusion Policy, which sets out the process which the Board will follow when making new appointments, including how the Directors will ensure that any new appointment will add to the diversity of experience, skill, gender, social and/or ethnic backgrounds of the Board. HGT also has a Board Members' Tenure and Reappointments Policy, explaining our approach to tenure and reappointments of the Board members and the Chairman. Both policies are described in more detail in the Nomination Committee report on pages 131 and 132. During 2020, the Board appointed Mrs Pilar Junco as a non-executive Director, with details of the appointment process described in the Nomination Committee report on page 131.
K	The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.	The Nomination Committee, comprising independent non-executive Directors, is responsible for identifying and recommending to the Board the appointment of new Directors. The Nomination Committee regularly considers the balance of skills, experience, diversity and independence of the Board, as well as the strategy and likely future developments, in order to assess the current composition of the Board and its suitability, or likely needed changes, in the longer term. The Board also maintains a skills matrix which maps the key skills required of the directors and is used to inform the necessary skills of future director appointments. The current succession plans are described in more detail in the Nomination Committee report on pages 131 and 132.
L	Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each Director continues to contribute effectively	<p>The Directors consider the evaluation of the Board, its Committees and members to be an important aspect of corporate governance, with evaluations undertaken annually. As disclosed in the 2019 Annual Report, the evaluation of the Board and its committees was undertaken by an external consultant, Mr Toby Lapage-Norris of Trusted Advisors Partnership Limited (TAP) in relation to the Board's performance during 2019. The Directors confirm that TAP has no other connection to HGT. Owing to the timing of the completion of this evaluation, the results were not known at the publication time of the 2019 Annual Report. The key outcomes and recommendations from the independent evaluation process were as follows:</p> <ul style="list-style-type: none"> • The Board is performing at a high level, maintaining a robust and independent perspective when reviewing performance and the Manager. • Recent appointments to the Board from 2018 onwards have made a strong contribution to Board composition and diversity which should remain a key focus for future appointments, along with succession planning. • The Board should consider formally adding Risk to the remit of the Audit and Valuation Committee. This has been agreed on by the Board, with the Committee duly renamed to become the Audit, Valuations and Risk Committee. Further details on the remit of the committee can be found on page 127. <p>In addition to the external evaluation undertaken at the start of 2020, the Board has also undertaken its own appraisal, at the start of 2021, of the Board, its Committees and the individual Directors, looking back on performance during 2020. The evaluation was facilitated by the Company Secretary and took the form of a detailed questionnaire, looking to assess the effectiveness of the Board and committees' activities, processes and policies and identify any possible areas for improvement. The Chairman held a one-to-one discussion with the Board members to consider the feedback on the performance of the individuals and the SID led the discussion on the performance of the Chairman. The results of the evaluation process were presented, and discussed by, the Board. It was concluded that the Board continued to function effectively.</p>
M	The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of external audit functions and satisfy itself on the integrity of financial and narrative statements.	The Audit, Valuations and Risk Committee supports the Board in fulfilling its oversight responsibilities by reviewing the performance of the external auditor and audit quality, as well as the auditor's objectivity and independence. The Committee also reviews the integrity and content of the Financial Statements, including the ongoing viability of HGT. More details can be found in the Committee's report on pages 127 to 129.



Strategic report



Hg's review



Financial statements

125

Corporate governance



Further information



Corporate governance statement continued

AIC Code	Principle	Evidence of compliance/explanation of departure from the AIC Code
N	The Board should present a fair, balanced and understandable assessment of the company's position and prospects.	<p>The Audit, Valuations and Risk Committee supports the Board in assessing that HGT accounts present a fair, balanced and understandable assessment of HGT's position and prospects. In its assessment, the Committee focuses, in particular, on the aspects of HGT's reporting such as whether:</p> <ul style="list-style-type: none"> the information is deemed to be free of bias, reasonable and impartial and it does not omit important elements. there is a good level of consistency between the front and back sections of the reports and the same conclusions can be drawn from reading the two sections independently. the key judgements referred to in the narrative reporting are consistent with the disclosures in the back end of the reports and correspond with the risks that the external auditor would include in their report. there is there a clear and cohesive framework and the important messages are highlighted throughout the document. the information set out in the reports is easy to find and written in accessible language and, where the use of specialist terms or acronyms is necessary, there is a glossary to define them for clarity and consistency.
O	The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives	<p>The work of the Audit, Valuations and Risk Committee, which supports the Board through its independent oversight of the:</p> <ul style="list-style-type: none"> financial reporting process, including the financial statements system of internal control and management of risk appointment and ongoing review of the quality of the work independence of HGT's external auditor, as well as the procedures for monitoring compliance is described in pages 127–129.
P	Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success	<p>The Directors are all non-executive and independent of Hg. They receive fees – and no element of their remuneration is performance related, meaning that they are not eligible for bonuses, share options or long-term performance incentives. While there is no requirement under HGT's Articles of Association or letters of appointment for Directors to hold shares in HGT, all Directors do have shares in HGT, with the exception of Mrs Junco, who was appointed to the Board on 20 July 2020. The details of directors' shareholdings are set out on page 136.</p>
Q	A formal and transparent procedure for developing a remuneration policy should be established. No Director should be involved in deciding their own remuneration outcome.	<p>Directors' remuneration is reviewed annually within the limits of the last approved Remuneration Policy (details of which can be found on page 134) and HGT's Articles of Association. As HGT has no employees or executive directors and the level of fees to be paid to the non-executive Directors and the Chairman is considered only within those limits, it is believed that maintaining a separate Remuneration Committee would add little value. Therefore, the Board as a whole is responsible for deciding on the level of fees to be paid to the non-executive Directors and the Chairman, with and each Director abstaining from voting on his or her individual remuneration. The details of the Remuneration Policy and Directors fees can be found on pages 134 and 135.</p>
R	Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	<p>The process of reviewing the Directors' fees is described on page 134, although because there are no performance related elements of the remuneration, there is very little scope for the exercise of discretion or judgement.</p>



Reports from the Committees of the Board

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

Board committees

The Board has delegated several areas of responsibility to its committees.

During the period under review, all the Directors of HGT were non-executive and served on each committee of the Board. Each Director is considered independent of Hg, having had no previous or current connection with the investment management of HGT, other than in his or her capacity as a

Director of HGT, and is further considered to be independent in mind and judgement.

The composition of the Board's standing committees was considered by the Nomination Committee during the year and as part of the annual evaluation process. It was felt that it was appropriate that every non-executive Director should be a member of all committees.

Audit, Valuations and Risk Committee report

Membership of the Audit, Valuations and Risk Committee

Richard Brooman	Chairman
Peter Dunscombe	Member
Anne West	Member
Jim Strang	Member
Guy Wakeley	Member
Pilar Junco	Member

Key responsibilities:

- Considering and scrutinising the valuations, of investments, as prepared by the Manager;
- Reviewing HGT's risk management systems and internal controls;
- Monitoring compliance with regulations;
- Reviewing the integrity and content of the annual report, including Financial Statements and the ongoing viability of HGT;
- Appointing an external auditor, approving its remuneration and monitoring the extent of any proposed non-audit services;
- Assessing the external auditor objectivity and independence; and
- Reviewing the performance and quality of the audit work by the external auditor.

Chairman's introduction

The Committee aims to serve the interests of our shareholders and other stakeholders through our independent oversight of the financial reporting process, including the financial statements, the system of internal control and management of risk, the appointment and ongoing review of the quality of the work and independence of HGT's external auditor, as well as the procedures for monitoring compliance. The Committee recognises, through its interactions with the Board, the Manager and the external auditor, it plays a key role in facilitating a high-quality audit.

Membership of the Committee

The Terms of Reference and the composition of the Committee are reviewed regularly. HGT's Chairman is a member of the Committee, as permitted by the AIC Code of Corporate Governance. This is considered appropriate, given Dr Strang's deep understanding of private equity and his financial experience. As I am a chartered accountant, all of the members of the Committee have recent and relevant financial experience across a broad range of sectors and areas of practice – and the Committee, as a whole, has competence relevant to the private equity sector.

Activities during the year

In 2020, the Committee was renamed as the 'Audit, Valuations and Risk Committee', to reflect more accurately the responsibilities related to the oversight of risk, which the Board has formally delegated to the Committee.

The Committee continues to consider its valuation methods and, during the year, arranged for a third-party company to attend one of its meetings to facilitate a discussion on valuation methods.

Audit reform

The Committee continues to monitor the outcomes of the Kingman Review, the Brydon Review and the proposal to replace the FRC with a new independent regulator: the Audit, Reporting and Governance Authority (ARGA). As at the date of this report, a white paper containing several recommendations has been published for consultation. HGT is engaged with several audit committee chairs across the FTSE 250 to provide collective input into the creation of ARGA.



Strategic report



Hg's review



Financial statements

127

Corporate governance



Further information



Audit, Valuations and Risk Committee report continued

Risk management and internal controls

During the year, the Committee focused on the following matters, in order to ensure that:

- HGT's risk management system remains appropriate and effective.
- the annual assessment of the emerging and principal risks facing HGT, which are described on pages 16 and 17 of this Report, is robust and includes those risks which would threaten HGT's business model, future performance, reputation, solvency or liquidity.
- the accounting and internal control systems of HGT, Hg, the Depositary and other service providers are adequate.
- Hg sets the appropriate 'control culture' by communicating the importance of internal control and risk management, both internally and across its portfolio, ensuring that all relevant employees have a good understanding of their roles and responsibilities.
- the systems put in place by Hg (specifically accounting and internal control systems) meet legal and regulatory requirements, and that further investigations are initiated, where appropriate, to assess the effectiveness of the systems of control.
- matters of compliance are under proper review; the Directors regularly review the relevant policies and have direct access to the Compliance Officer at Hg and receive a report every six months, confirming that HGT's affairs have been conducted in compliance with the applicable regulations.

The Committee regularly reviews the suitability of HGT's processes for mapping and monitoring risks and there is an ongoing process, carried out in conjunction with Hg, to identify, evaluate and manage both HGT's significant, and also emerging risks. The Committee also recognises the value in undertaking periodic and more fundamental reviews of HGT's systems and processes to ensure that they continue to evolve as the business grows in size and complexity and as the external environment changes.

As reported in our 2019 Annual Report, the Committee reviewed and updated the way in which our Risk Register and Risk Map captured and assessed key risks and their mitigations. The Committee continues to review the Risk Register at least twice a year, and more often if required.

Controls relating to the identified risks, covering financial, operational, compliance and risk management, are embedded in the operations of Hg, and those of other outsourced service providers – and there is a monitoring and reporting process for their review by the Compliance function within Hg and the auditors of the other service providers. Hg reports formally to the Committee, every six months, on its review of internal controls, with verbal updates are provided at each Committee meeting. During the year, HGT has not identified any significant failings or weaknesses in the internal control systems.

Brexit

Throughout the year, the Committee received updates on the possible risks and opportunities arising from Brexit, including potential effects on HGT, Hg and portfolio businesses. Following the end of the post-Brexit transition period on 31 December 2020, no specific concerns have been identified. None of HGT's portfolio companies require specific permissions following Brexit. The Committee will continue to monitor any new developments during 2021, as the full impact of Brexit unfolds.

Whistleblowing and anti-bribery and anti-corruption policies

The Committee regularly reviews the whistleblowing procedures and anti-bribery and anti-corruption policies of Hg on a regular basis. The Manager's employees are able to raise concerns in confidence and anonymously and there is a process in place for a proportionate and independent investigation and follow-up actions, should any reports be made. The Board receives periodic updates on whether any reports have been made.

Internal audit function

The Committee considers annually whether an internal audit function should be established. As HGT is an investment company with no employees, the Committee again concluded, this year, that it remained appropriate for HGT to rely on the internal controls implemented by Hg and other third-party providers, with no need for a separate internal audit function.

Financial reporting

The Committee considers in detail the annual report and accounts and the interim statements. A key focus in its work on the Annual Report and Accounts is to ensure that the financial statements are fair, balanced and understandable – and provide the information necessary for shareholders to assess HGT's position and performance, business model and strategy. The Committee reviews any significant accounting or financial reporting judgements, taking into account of industry practice, as well as any guidance from the external auditor. This year, when the Committee reviewed the annual report and accounts, it did not identify any major concerns. The significant issue identified during the audit process and discussed by the Committee was the valuation of unquoted investments, especially matters of valuation methodologies, judgement and estimation, as well as carried interest. Further details of the steps taken by the Committee to address this issue are disclosed below. Other areas which the Committee focused on included:

- consistent and transparent disclosure and presentation of information on portfolio performance and, in particular, the key financial highlights.
- revenue recognition.
- management override of controls.
- COVID-19, including market impacts and impacts on HGT's third party service providers.

Reports from the Committees of the Board continued

The Committee also reviewed HGT's dividend policy, as well as making recommendations to the Board of both the interim and the final dividends.

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

Valuations

As disclosed in the 2019 Annual Report, HGT formed a sub-committee of this Committee to consider valuations on a quarterly basis to ensure transparency to shareholders on our valuations throughout the year. The Committee carefully considers the methodology and the integrity of the recommended valuations of each of HGT's investments prepared by Hg and reviews analytical and performance data, as well as the valuation process itself. The Committee regularly reviews the supporting materials provided by the Manager and makes suggestions to the Manager to improve the quality and volume of information received. The valuations are carried out in accordance with the International Private Equity and Venture Capital (IPEV) Valuation Guidelines. In 2020, the Manager confirmed, as in previous years, that the valuations had been performed consistently with previous years and in accordance with published industry guidelines, taking into account of the latest available information about investee companies and current market data. During the year, and in association with the valuations review, the Committee also considers its risk appetite and risk register to ensure that all activity remains within the tolerance levels set by the Board.

External audit

HGT's external auditor, Grant Thornton UK LLP (Grant Thornton), was appointed by shareholders as the independent auditor to HGT at HGT's AGM in 2017, following a full audit tender process and the Committee expects to carry out the next tender process in, or before, 2026, in respect of the audit for the year ending 31 December 2027. HGT is in compliance with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Grant Thornton is invited to attend and present at the Committee meetings. The auditor also meets with the Committee and its Chairman, without representatives of Hg being present. In accordance with professional guidelines, the senior statutory auditor, a role fulfilled by Mr Marcus Swales since 2017, is rotated at least every five years.

During the year, the Committee has reviewed the auditor's terms of engagement and audit plan, assessed Grant Thornton's performance, considered its remuneration and whether its continued appointment was in the best interests of HGT and its shareholders. The Committee also reviewed its Non-Audit Services Policy, which helps to ensure that the auditor's independence and objectivity are not impaired. In 2020, Grant Thornton did not provide any non-audit services to HGT. The details of the remuneration for services provided by the auditor are set out in note 6 to the financial statements.

Review of the effectiveness of the audit

In order to form a view on audit quality and the effectiveness of the external audit process, the Committee considers its own observations, and interactions with the auditor, as well as the feedback from key Hg Management personnel. In addition, the Committee conducted a formal evaluation of the effectiveness of the audit process via a tailored questionnaire, focused on four key areas of performance, which was completed by all members of the Committee. The evaluation was also supported by feedback from the Manager to form its view on how the auditor performed, considering: the robustness of the audit process; quality of delivery; quality of reporting; and quality of people and service. The Committee also considers the auditor's technical competence, its understanding of HGT's business and sector in which it operates and whether it demonstrates an appropriate level of scepticism and challenge.

The Committee also considers the news of significant legal or regulatory issues with the quality of audit service the incumbent auditor provided to other companies; on the Chairman's request, the auditor provided an update to the Committee addressing recent press reports and the FRC's findings about Grant Thornton, as auditors to Patisserie Valerie. The Committee considered the feedback from the Financial Reporting Council (FRC) Audit Quality Review team's review of the Annual Report and Financial Statements of HGT for the year ended 31 December 2019. The review focused on areas considered to be higher risk by auditors. No significant findings were brought to the attention of either the auditor or the Committee.

Following this comprehensive review, the Committee was satisfied that Grant Thornton had carried out its duties in a diligent and professional manner and provided a high level of service and proposed to the Board that a resolution to reappoint Grant Thornton as HGT's auditor be put to shareholders at the 2021 AGM.

Richard Brooman
Chairman, Audit, Valuations and Risk Committee
12 March 2021



Strategic report



Hg's review



Financial statements

129

Corporate governance



Further information



Management Engagement Committee report

Membership of the Management Engagement Committee

Peter Dunscombe	Chairman
Richard Brooman	Member
Anne West	Member
Jim Strang	Member
Guy Wakeley	Member
Pilar Junco	Member

Key responsibilities:

- Monitor the performance of the Manager;
- Review the Manager's compliance with HGT's investment policy
- Review the terms of the Management Agreement, including the remuneration of the Manager; and
- Monitor the performance of other service providers (except for that of the external auditor), including their remuneration as well as compliance with the terms of their respective agreements.

The Committee continues to support the Board in fulfilling its oversight responsibilities, primarily through its comprehensive review of the Manager's performance and compliance with HGT's investment policy.

Review of the Manager

When reviewing the Manager's performance of the provision of investment management and other services to HGT, the Committee considers the quality and continuity of personnel, succession planning, sector and geographic coverage, investment processes and the results achieved to date, as well as their strategy and goals for the future. The Committee also considers the Manager's culture and evaluates the way in which the Manager's partners, Executives and other staff members are remunerated and incentivised, determining the remuneration arrangements and the methodology of the annual management and performance fee. In addition, the Manager's ongoing commitment to the promotion of HGT's shares and its engagement with HGT's key stakeholders are also evaluated by the Committee. Alongside the performance review, the Committee completed an appraisal of the terms of the investment management agreement to ensure that they remained competitive and in the best interest of shareholders. Following its review, the Committee agreed that the continued appointment of the Manager remains in the best interests of shareholders and HGT as a whole.

Reviews of other service providers

The Committee also has the responsibility for monitoring and reviewing HGT's other key service providers. The Committee undertakes in depth reviews of all of the third party service providers on a five-yearly cycle. The Committee does this through formal assessments, for example by using scorecards, and/or through periodic relationship meetings. The Committee decides to review the performance of certain key service providers, such as the Company Secretary or its legal advisors more frequently, considering the extent and the importance of the services they provide to HGT. Following consideration of the evaluation outcomes, the Committee makes recommendations to the Board in respect of these appointments.

During 2020, the Committee reviewed the services of Numis, HGT's corporate broker, and concluded that the firm had performed their duties to a high standard and that its continued appointment remained appropriate. The Committee also reviewed the services of H2Glenfern, which provide investor relations services to HGT, concluding that the firm continued to add value, in particular through the production of video content. As a result, their continued appointment remained in the best interests of HGT. During the year, the Committee again reviewed the performance of the Company Secretary, Company Matters, as well as Dickson Minto, HGT's legal advisers – agreeing that both appointments remained in the best interests of HGT.

Peter Dunscombe
Chairman, Management Engagement Committee
12 March 2021

Nomination Committee report

Membership of the Nomination Committee

Jim Strang	Chairman
Peter Dunscombe	Member
Richard Brooman	Member
Anne West	Member
Pilar Junco	Member
Guy Wakeley	Member

Key responsibilities:

- Review the composition of the Board and its Committees including the mix of knowledge, skills, experience and diversity;
- Consider and formulate succession plans for the Chairman and the Directors Board, in the context of HGT's strategic plans and in particular taking account of the Board's policies on Tenure and Diversity;
- Identify, evaluate and recommend candidates for appointment as directors, when appropriate;
- Evaluate the Directors' performance and consider recommending their re-election;
- Review outside commitments of the Directors;
- Identify and nominate the appointment of additional Directors as and when considered appropriate

Chairman's introduction

During the year, the Committee continued to focus on succession plans and took a longer term view of the Board's composition in the context of the ongoing review of HGT's long term strategy and aims, and in particular taking account of the Directors' skills matrix, as well as the Board's policies on Tenure and Diversity and Inclusion. The Committee, led by Anne West, HGT's Senior Independent Director, led the search for Chairman of the Board, after HGT announced in September 2019 that Roger Mountford would be stepping down. As a result of the search process, I succeeded Roger in May 2020, as Chairman of the Board. Anne explains the process in more detail on page 133. Once again, we would like to thank Roger for his service and the profound contributions which he made throughout his time leading HGT and the Board.

During 2020, the Committee has also undertaken a search for a new Non-Executive Director and as a result, was pleased to recommend the appointment of Mrs Pilar Junco, joining the Board in July 2020. Pilar brings a wealth of highly relevant knowledge and experience to our debates and decision-making, with her appointment widening the range of skills we have as a Board.

Directors' policy on tenure

The Committee welcomes the AIC's approach to tenure, which recognises that the role of chairs of investment companies differs from other companies: and instead of adhering to a nine-year limit, Boards may determine and disclose their policy on chair tenure. After careful consideration, in 2019, the Committee and the Board had adopted a Board Members' Tenure and Reappointments Policy. The Committee felt that a policy encompassing the whole Board, rather than only the Chairman, was better aligned with HGT's objective of delivering long-term success and consistent returns to shareholders, which can be supported by both, by the benefits of a long corporate memory and the regular challenge provided by fresh thinking. The Board believes that the value contributed by the continuity and experience of Directors with longer periods of service is not only desirable, but essential in an investment company whose business creates a cycle of negotiating significant long-term investment commitments with the Manager approximately every four years, and where those commitments lead to investments which are required to be scrutinised and monitored across a cycle of commitment-investment-realisation that can extend over periods of ten years or longer. Therefore, the Committee felt it to be inappropriate to set a specific tenure limit for individual Directors or for the Chairman of the Board or any of its committees. Instead, the Board will seek to recruit a new Director every two to three years – to bring the challenge of fresh thinking regularly into the Board's discussions. By doing so, the Board believes that its effectiveness will be better supported by Directors who have served on the Board for a range of different periods. This approach will likely result in an average tenure of six years, thus ensuring that, when the Board enters into new investment commitments, at least half of the Board members have direct personal experience of negotiating previous commitments with the Manager. This way, the Board intends to benefit from fresh perspectives and diversity of thought, while also preserving the cumulative experience and deep understanding of HGT, its commitments and investment portfolio.

The Tenure and Re-Appointments Policy also sets out that Directors should not expect to be nominated for re-election automatically, nor do they expect to retire from the Board in the order of their original appointment. In determining whether to recommend a Director for re-election, the Nomination Committee evaluates the quality of a Director's participation and contribution to the Board's deliberations, the results of the annual performance evaluations and any other pertinent aspect of the Director's performance. The Committee reviews this Policy annually and will continue to report on its performance to shareholders.





Nomination Committee report continued

Policy on diversity and inclusion

We recognise that the Board's debates and decision-making are greatly enriched by a wider range of perspectives and thinking, fostered by diversity of experience and knowledge, social and ethnic backgrounds, gender, and cognitive, personal strengths. While we continue to consider that it would be inappropriate to set a rigid target for any specific recruitment and that all appointments must be made on merit, diversity in all of its forms is encouraged and embedded in the search process. Therefore, there is a set of principles and commitments which HGT follows when looking to recruit a new candidate, including: any advertising made states that applications from suitably qualified candidates who would add to the Board's diversity will be especially welcome; any recruitment agency used will be instructed to include diverse candidates of appropriate merit, identified through a search of a wide pool of potential candidates; and any shortlist must include candidates who would, if appointed, add to the diversity of the Board. In addition, recognising that the finance, investment and private equity sectors have not historically reflected the diversity of the UK society, HGT encourages the inclusion of candidates from other backgrounds who have appropriate transferable skills. Our diversity policy is in line with the measurable targets set out in the Hampton-Alexander Review, to increase the number of women in senior leadership positions in all FTSE 350 companies; and the Parker Review, to increase the ethnic diversity of UK boards by having at least one director from an ethnic minority background in the FTSE 250 by 2024.

Pilar's appointment

After Roger's retirement and my appointment as Chairman of the Board, the Committee recommended a search for a new candidate to join the Board as a Non-Executive Director. Led by Anne and me, the Committee agreed on a description of the role, skills and attributes which were considered to align with HGT's current and future needs. In January 2020, the Committee engaged Nurole Limited, an external search agency which HGT has used in the past, to help to identify suitable candidates. Nurole Limited has no connection with HGT. In renewing its past efforts to achieve greater diversity, including that of gender, the Committee followed the recruitment principles set out in our Policy on Diversity and Inclusion, described above. Following a comprehensive and extensive search process, the Committee conducted interviews with the shortlisted candidates and, as a result, was pleased to recommend the appointment of Pilar as a Non-Executive Director, and a member of all Board Committees.

Evaluation of the Board's performance

An externally facilitated evaluation of the Board's effectiveness took place at the start of 2020 to consider the Board's performance in 2019. The Board evaluation was structured and timed to help me, as I was preparing for my new role as Chairman, with an up-to-date review of the Board, its committees and the individual Directors. It would also help to identify actions which I could implement to better prepare HGT's Board for the challenges which it will face in the future. The details of that exercise and the outputs of that review can be found on page 125.

At the beginning of 2021, the Board also completed an evaluation, looking back at 2020. This evaluation was facilitated by the Company Secretary – with the process we followed and actions we identified to take forward being described on page 125.

The Committee has concluded that the performance of all Directors remains effective. The Directors have all demonstrated commitment to their role and devoted sufficient time to the business of HGT, in particular in the face of persisting uncertainty and challenging conditions posed by the ongoing COVID-19 pandemic. The Board also reviewed the Directors' external commitments, and believes that it is in the best interests of shareholders that Messrs Strang, Brooman, Dunscombe and Wakeley, and Ms West be re-elected, and that Mrs Junco be elected by shareholders. The relevant skills and experience they each bring to the Board and the reasons why we believe their continued appointments are in the best interests of HGT are set out on pages 116 to 117.

Looking ahead

During 2020, the Board devoted significant time to discussion of HGT's long-term strategy and its strategic ambitions. The Committee will therefore remain focused, therefore, on longer-term succession planning, in particular in the context of our Tenure and Diversity and Inclusion policies, and we will aim to meet the objective of the Parker Review in having at least one ethnically diverse Non-Executive Director ahead of the 2024 deadline. During 2021, the Committee will revisit and evaluate its processes and policies, to ensure that they continue to support HGT's long-term objectives, strategy and purpose.

Jim Strang
Chairman of the Nomination Committee
12 March 2021

Reports from the Committees of the Board continued

Number of meetings attended/eligible to attend

	Richard Brooman	Peter Dunscombe	Pilar Junco ²	Roger Mountford ¹	Jim Strang	Guy Wakeley	Anne West
Board	6/6	6/6	3/3	2/2	6/6	6/6	6/6
Audit, Valuations and Risk	5/5	5/5	2/2	0/0	5/5	5/5	5/5
Management Engagement	3/3	3/3	3/3	0/0	3/3	3/3	3/3
Nomination ³	3/3	3/3	0/0	2/3	3/3	3/3	3/3

¹Resigned on 12 May 2020.

²Appointed on 20 July 2020.

³Two of the Nomination Committee meetings were ad-hoc meetings to discuss succession planning for the chairman and the appointment of Mrs Junco.

Chairman's succession

After Roger Mountford announced his intention to stand down in September 2019, the Board began a search process to identify an appropriate candidate, led by me as Senior Independent Director. The Committee first agreed on a description of the role of the chair, which included key deliverables and competencies, as well as the expected time commitment, estimated to be around 28 days per year. In holding discussions with the individual Directors, Dr Jim Strang, an existing Non-Executive Director, expressed an interest in formally applying for the role. It was consequently decided that the Committee would delegate the search and selection process to a Chair Succession Panel, which excluded the incumbent Chairman, Roger, and Jim as the applicant. The Panel, formally led by me, welcomed Jim's interest and, following discussions, we decided to engage Lygon Group (Lygon), an independent executive search and board consulting agency, to formally evaluate Jim's skills and experience against the criteria set out in the role description. The result of the evaluation was a positive recommendation; subsequently, in March 2020, the Panel recommended to the Nomination Committee that Jim be appointed as Roger's successor. Jim has over 20 years' of investment experience, across both public equity markets and a wide range of private equity funds and direct investments. Within private equity, Jim has direct operational experience in both listed and traditional investment structures; and throughout his career, he has gained a variety of board level experience. The Committee welcomed the Panel's recommendation and agreed that Jim's experience and skill set were well aligned with the leadership needs of HGT in the future. Jim has been a member of the Board since March 2018 and, in that time, has gained a thorough understanding of the business. After the Board accepted the Committee's recommendation to appoint Jim as Chairman, Roger and Jim worked together in the time preceding Roger's retirement to ensure a seamless transition of the leadership of HGT and the Board. Jim has also worked with the Manager and the Company Secretary in preparation for his new role. Roger retired from the Board at our Annual General Meeting on 12 May 2020, when Jim assumed the role of Chairman.

In line with the AIC Code guidelines, neither Roger nor Jim participated in those Committee or Panel meetings which dealt with the appointment of the new Chairman, all of which were led by me. We also confirm that Lygon has no connection to HGT.

Anne West
Senior Independent Director



Strategic report



Hg's review



Financial statements

133

Corporate governance



Further information



Directors' remuneration report

This Directors' Remuneration Report for the year ended 31 December 2020, has been prepared in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The law requires the auditor to audit certain disclosures contained within this Report – and these are indicated accordingly.

The auditor's opinion is included in the Independent auditor's Report on pages 106–113.

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

Statement from the Chairman of the Board

HGT has no employees or executive Directors and the level of the non-executive Directors' fees are only considered within the limits prescribed by the Articles of Association; therefore, it is felt that maintaining a separate Remuneration Committee would add very little value. Consequently, the Board is responsible for deciding on the level of fees to be paid to the non-executive Directors and the Chairman at its discretion – and each Director abstains from voting on his or her own individual remuneration.

The Directors' fees are reviewed annually – and, in its assessment, the Board considers the time required to be committed to the business of HGT and whether all Directors did devote sufficient time to HGT during the year under review; whether the Board evaluation indicated that the Directors fulfilled their roles, acted effectively and in the best interests of HGT; and whether, through the evolution of HGT's scale, complexity and its associated processes and procedures resulted in an increase in required time commitments.

During the year under review, the Board considered the annual fees, taking account of the various aspects described above, and agreed that there continued to be material increases in the

amounts of time which the Directors committed to the business of HGT. No discretion was exercised during the year in relation to directors' remuneration. It was therefore agreed that it was appropriate that these increase with effect from 1 July 2020 as follows:

- Dr Strang
(Chairman of the Board)
from £70,000 to £72,000 per annum;
- Mr Brooman
(Chairman of the Audit, Valuations and Risk Committee)
from £52,000 to £53,500 per annum
(including a fee of £12,500 for the Committee chairmanship);
- Mr Dunscombe
(Chairman of the Management Engagement Committee)
from £46,500 to £48,000 per annum
(including a fee of £7,000 for the Committee chairmanship);
- Ms West
(Senior Independent Director)
from £46,500 to £48,000 per annum
(including a fee of £7,000 for acting as the SID);
- All other Directors:
from £40,000 to £41,000 per annum.

Directors' remuneration policy

In accordance with the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended (the Regulations), an ordinary resolution to approve the new Directors' Remuneration Policy was approved at HGT's Annual General Meeting (AGM) on 12 May 2020. It is proposed that the approved policy remain in force until the AGM of HGT in 2023, at which time a further resolution will be proposed. The approved policy is available for inspection by shareholders on HGT's website: www.hgcapitaltrust.com.

Statement of voting at General Meeting

Any views expressed by shareholders at HGT's AGM in respect of the Directors' remuneration are taken into account in formulating the Directors' Remuneration Policy. At the last AGM, over 99.82% of votes were cast in favour of the Directors' Remuneration Report, 0.06% of the votes being cast against and 1.26% of votes being withheld. The current Directors' Remuneration Policy was approved by shareholders at the 2020 AGM, with 99.85% of votes cast in favour and only 0.03% votes cast against, showing significant shareholder support (with 0.04% of votes withheld).

The votes for and against the resolutions would normally add up to 100%, however, in 2020 some votes were assigned on a discretionary basis to a third party proxy and, as the AGM in 2020 was a closed meeting, no third parties were allowed to attend. Accordingly, it was unknown how those votes would have been cast by the third party. The votes were therefore discounted by the Registrar. Votes withheld are not votes in law and therefore are not counted in the calculation of the percentage of shares voted 'for' or 'against' any resolution.

Directors' remuneration report continued

Total remuneration paid to each Director

	Fees		Total fixed remuneration		Total variable remuneration	
	2020 £	2019 £	2020 £	2019 £	2020 £	2019 £
Jim Strang	60,121	38,500	60,121	38,500	–	–
Richard Brooman	52,750	49,500	52,750	49,500	–	–
Peter Dunscombe	47,250	45,000	47,250	45,000	–	–
Pilar Junco ¹	18,428	–	18,428	–	–	–
Guy Wakeley	40,500	38,500	40,500	38,500	–	–
Anne West	47,250	45,000	47,250	45,000	–	–
Roger Mountford ²	25,385	67,500	25,385	67,500	–	–
Total remuneration	291,684	284,000	291,684	284,000	–	–

¹Appointed in July 2020 ²Retired in May 2020

The information in the above table has been audited.

There have been no payments to past Directors, whether for loss of office or otherwise. None of the fees referred to in the table above was paid to any third party, in respect of the services provided by any of the Directors. No element of the Directors' remuneration is performance related. The Directors' remuneration is determined within the limits set out within HGT's Articles of Association and the Remuneration Policy – with Directors not eligible for benefits, bonuses, share options or long-term performance incentives. The terms and conditions for all Director appointments are set out in letters of appointment which are available for inspection at the Company's registered office. No Director has a service contract.

Annual percentage change in remuneration of directors

Directors' pay has increased over the last two years, as set out in the table below:

	2020 £	2019 £	Change %
Chairman	72,000	70,000	3
Audit, Valuations and Risk Committee Chairman	53,500	52,000	3
Management Engagement Committee Chairman	48,000	46,500	3
Senior Independent Director	48,000	46,500	3
Non-Executive Director	41,000	40,000	3

The requirements to disclose this information came into force for companies with financial years starting on or after 10 June 2019 and, as such, this is the first year HGT has disclosed this information. The comparison will be expanded in future annual reports until such time as it covers a five year period.

HGT does not have any employees and therefore no comparisons are given in respect of Directors' and employees' pay increases.

Statement of implementation of Remuneration Policy in respect of the financial year ending 31 December 2021

The Board will, as usual, review Directors' fees during 2021, including the time required to be committed to the business of HGT, and will consider whether any further changes to remuneration are required.

Relative importance of spend on pay

	2020 £000	2019 £000	Change %
Total Directors' remuneration	292	284	2.8%
Total dividend paid or declared	20,399	18,444	10.6%



Directors' remuneration report continued

Director's interest

There is no requirement under HGT's Articles of Association or letters of appointment for Directors to hold shares in HGT. The interests of the Directors (including their connected persons) in the shares of HGT, at the end of the year under review and at the end of the previous year, were as follows:

No. Ordinary shares	2020	2019
Richard Brooman	21,900	21,900
Peter Dunscombe	60,000	60,000
Pilar Junco	—	—
Jim Strang	34,000	33,551
Guy Wakeley	15,429	15,301
Anne West	200,000	200,000

The above information has been audited.

The interests of the Directors (including their connected persons) in the ordinary shares of HGT, as at the date of this Report are shown here:

No. Ordinary shares	as at 12 March 2021
Richard Brooman	21,900
Peter Dunscombe	60,000
Pilar Junco	—
Jim Strang	34,000
Guy Wakeley	15,429
Anne West	200,000

The above information has been audited.

Note: It has been identified that on 3 May 2019 and 30 October 2019, Dr Strang acquired 44 and 261 shares, respectively, in HGT pursuant to a dividend reinvestment plan. HGT's Annual Report and Accounts for the year ended 31 December 2019 incorrectly stated Dr Strang's beneficial holding as being 32,850 ordinary shares. The figures shown in the table above reflect the correct beneficial holdings at their respective dates.

Share price performance from 31 December 2010 to 31 December 2020

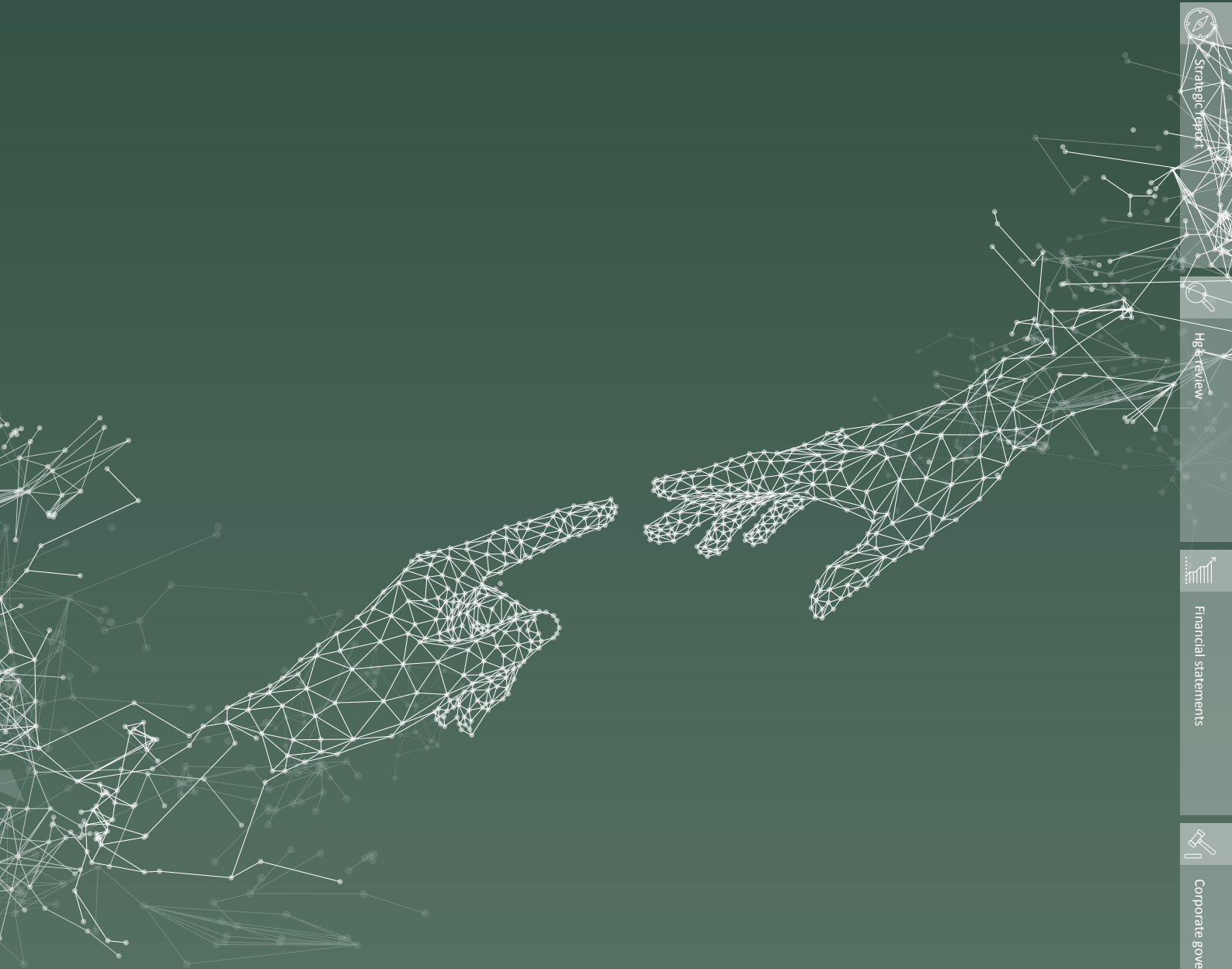
The FTSE ALL-Share Index (total return) has been used for comparative purposes, as this is the comparator used when reporting to shareholders. All figures are based on the total return to shareholders.



On behalf of the Board
 Jim Strang
 Chairman of the Board
 12 March 2021



Further information



Strategic report



Half-year review



Financial statements



Corporate governance

137

Further information



Alternative Investment Fund Managers Directive ('AIFMD')

Pursuant to Article 23(1) of the AIFMD, Hg Pooled Management Limited, as Manager of HGT, makes available the following information to the existing shareholders of HGT in order to supplement and update (where relevant) the information provided to them before they invested.

Please note that where Hg has determined that the required information is already detailed elsewhere in the Annual Report and Accounts (as defined below) or other available source documents, this supplemental disclosure contains a reference to such source documents. Where Hg has determined that the required information has not been provided to shareholders, this supplemental disclosure contains the relevant details.

Status and legal form

HGT is an EU Alternative Investment Fund ('AIF'), being a public limited company incorporated in England and Wales and listed on the London Stock Exchange. HGT's registered office is 2 More London Riverside, London SE1 2AP.

Investment Policy and risk management

The investment objective, policy and strategy of HGT and Hg are set out in HGT's Investment Objective and Investment Policy section (page 13) and Hg's Review section (pages 25–81) of the 31 December 2020 Annual Report and Accounts. HGT is subject to the UK Listing Authority listing rules and as such, any material change to HGT's investment policy can only be made with the approval of shareholders in a general meeting.

The principal risks associated with HGT's investment policy are set out in HGT's Business Model and Risk Framework (pages 14–18) and the Financial Risk section (page 98; note 19) of the notes to the financial statements in the Annual Report and Accounts. Hg is responsible for risk management functions and has procedures in place to evaluate, monitor and mitigate the risks faced by HGT. Hg's risk management function is reviewed by the Board and the Audit, Valuations and Risk Committee in order to ensure that the best processes are in place and properly followed.

Manager

Hg Pooled Management Limited ('Hg') is the Manager of HGT, its registered office being 2 More London Riverside, London SE1 2AP. Hg is a limited company and is authorised and regulated (FRN 122466) by the Financial Conduct Authority ('FCA').

Hg was authorised to manage AIFs for the purpose of the AIFMD with effect from 22 July 2014.

Hg has been appointed to manage HGT pursuant to an agreement dated 14 January 2009 as amended and restated on 22 July 2014 (the 'Management Agreement') to include appropriate provisions relating to AIFMD.

Hg has sole responsibility for managing HGT, including investigating and negotiating any potential investments and making investment decisions for HGT (subject to the Investment Policy). Hg has delegated certain administration and investment support services to HgCapital LLP, its parent undertaking. In addition, HgCapital LLP is appointed as an investment adviser to Hg.

Hg's duties under the Management Agreement are owed to HGT as a whole and not directly to the shareholders, whether individually or in groups.

Hg maintains appropriate additional own funds to meet its regulatory capital requirements under the AIFMD, including in relation to professional liability risks.

Depository

HGT has appointed APEX Depository (UK) Limited (the 'Depository'), whose registered office is at 6th Floor, 140 London Wall, London, EC2Y 5DN, as the depository in relation to HGT under an agreement dated 22 July 2014 (the 'Depository agreement').

The Depository is authorised and regulated (FRN 610203) by the FCA and is responsible for verifying ownership of HGT's investments (on the basis of evidence provided by Hg) and maintaining a register of such as well as cash monitoring of HGT's bank accounts and oversight as required by Hg. The Depository's duties under the Depository agreement are owed to HGT as a whole and not directly to the shareholders, whether individually or in groups.

Auditor

HGT has appointed Grant Thornton UK LLP, whose registered office is at 30 Finsbury Square, London EC2A 1AG, as auditor.

The auditor's duties are to carry out the annual audit of HGT. The auditor is primarily responsible for evaluating the application of HGT's accounting policies and the review of the financial statements.

The agreement between HGT and Grant Thornton for the provision of audit services to HGT does not include any specific rights for shareholders.

Legal Adviser

HGT has appointed Dickson Minto W.S., whose registered office is at 16 Charlotte Square, Edinburgh EH2 4DF as HGT's legal adviser.

The agreement between HGT and Dickson Minto W.S. does not include any specific rights for shareholders.

Prime Broker

HGT does not retain a prime broker.

Legal relationship with shareholders

The rights of the shareholders are governed by HGT's Articles of Association.

As at 31 December 2020, HGT had 415,999,808 ordinary shares of 2.5 pence each in issue. Each ordinary share has one voting right attached to it. The total number of voting rights in HGT at this date was 415,999,808. Further information on the share capital of HGT can be found in the ordinary share capital (page 99; note 20) section of the notes to the financial statements in the Annual Report and Accounts. Shares are not offered on an ongoing basis but may be bought or sold through a stockbroker, financial intermediary, or one of the share dealing services detailed in the Shareholder Information section of the Annual Report and Accounts (pages 141 and 142). HGT is incorporated under the laws of England and Wales. As such, the courts of England and Wales will have jurisdiction to hear and determine any proceeding, and to settle any dispute, in accordance with English law, which may arise out of a shareholder's shareholding in HGT. Consequently, for shareholders residing outside that jurisdiction it may not be possible to effect service of process in an alternative jurisdiction or enforce any judgement obtained against HGT in an alternative jurisdiction.

Leverage

The aggregate amount of borrowing shall not exceed an amount equal to twice the aggregate of:

- the amount paid up, or credited as paid up, on the share capital of HGT (excluding any share capital presented as debt); and
- the total of any credit balance on the distributable and undistributable reserves of HGT's group, but excluding amounts attributable to outside shareholders in subsidiary undertakings of HGT and deducting any debit balance on any reserve.

HGT has in place a £200 million multi-currency standby facility with Lloyds Bank Corporate Markets plc on an unsecured basis, expiring on 7 October 2024. The facility remained undrawn at 31 December 2020. Please refer to HGT's Business model and risk framework (page 13) of the Annual Report and Accounts for further details.

Valuation policy and procedure

Hg's valuation policy is to value investments in accordance with the International Private Equity and Venture Capital ('IPEV') guidelines. HGT has an Audit, Valuations and Risk Committee which reviews these valuations and provides oversight of the valuation process and methodology. Please see HGT's Business model and risk framework section (page 16) of the Annual Report and Accounts for further details.

Liquidity management

As HGT is closed-ended, and no redemptions are possible, its liquidity management is limited to ensuring it has the ability to meet the commitments made to make investments. A number of levers are available in order to manage HGT's liquidity profile. A proportion of the assets of HGT is normally maintained in liquid readily realisable form (cash, money market instruments, gilts and a managed liquidity fund) to meet draw-downs. A borrowing facility has been arranged with Lloyds Bank Corporate Markets plc, pursuant to which additional temporary facilities of up to £200 million are available (as referred to in the Leverage section above), if required. In addition, an opt-out provision has been negotiated in connection with HGT's commitment alongside Hg Genesis 8, Hg Genesis 9, Hg Mercury 2, Mercury 3, Hg Saturn and Hg Saturn 2. This permits HGT to opt out of its obligation to fund its commitment for certain liquidity or regulatory reasons, if to do so would result in HGT (i) not having the cash resources to meet any of its liabilities, expenses or obligations to fund its commitments to other funds or investment vehicles of Hg that are reasonably likely to become due within 12 months or (ii) not being able to undertake any share buy-back, in each case subject to certain conditions. For further details, refer to HGT's Business model and risk framework (page 16) section of the Annual Report and Accounts.

Fees, charges and expenses

For details of the fees payable by HGT to Hg in relation to its investment activities within the underlying fund partnerships, please refer to the priority profit share and carried interest section (page 90; note 5) of the notes to the financial statements in the Annual Report and Accounts.

In relation to the management of HGT, Hg is also entitled to receive £5,000 per quarter for its activities as the Manager of HGT and 0.025% of the NAV of HGT per quarter for its activities as administrator.

HGT also incurs fees in the form of depositary fees, bank fees, marketing fees, legal fees, auditor's fees and other fees. It is not possible to provide a maximum fee payable due to the nature of these amounts.

Fair treatment of shareholders and Preferential Treatment

Hg and the Board are committed to treating shareholders fairly in accordance with UK company law. No preferential rights have been granted to any shareholder. Hg and the Board of HGT will not enter into any preferential arrangements which would lead to a material disadvantage to other shareholders.





Remuneration disclosure

HGT does not directly employ any staff and instead HgCapital LLP, which also acts as investment adviser and provides administrative services to HGT, provides personnel to fulfil roles within its investment committee, portfolio review committee and the control and risk functions (the 'Relevant Functions') and perform other activities for HGT. Personnel carrying out the Relevant Functions or who are senior management of Hg are referred to below as 'Identified Staff'.

The table below sets out the disclosures required under AIFMD in relation to the proportion of remuneration which Hg calculates was attributable to work done for HGT during the year ended 31 December 2020.

	2020 £	2019 £
Fixed remuneration paid to Identified Staff	299,000	276,000
Variable remuneration paid to Identified Staff	34,000	68,000
Aggregate remuneration paid to Identified Staff who are senior management of the Manager	85,000	92,000
Aggregate remuneration paid to Identified Staff who have a material impact on the risk profile of the AIF by reason of performing Relevant Functions	248,000	252,000
Carried interest paid by the AIF to Identified Staff	4,786,000	253,000

The number of Identified Staff for the year was 21.

Remuneration policy

Hg has ensured that all remuneration is directly aligned with the specific requirements of the AIFMD.

Hg's remuneration policy (which also applies directly to HgCapital LLP) seeks to avoid conflicts of interest by ensuring that:

- It comprises an appropriate mix of fixed and variable remuneration that encourages staff to make a positive contribution to HGT and other AIFs that it manages;
- It is consistent with the objectives of Hg;
- The assessment of performance is set in a multi-year framework appropriate to the life-cycle of the AIFs it manages in order to ensure that the assessment process is based on longer term performance;
- It is under the oversight of a remuneration committee with one independent member;
- It contains measures to promote effective risk management;
- It applies a carried interest model which (a) aligns the interests of staff involved in investment management with the risks of the AIFs and investors in the AIFs; and (b) does not incentivise inappropriate risk taking; and
- It does not pay out remuneration for future potential revenues that are not certain.

Reporting and updates

HGT's historic performance has been disclosed to shareholders in its Annual Report and Accounts, the most recent one covering the year ended 31 December 2020 (and being sent to all shareholders).

Any further information about HGT's risk profile and risk management, any material changes to the liquidity arrangements, the proportion of assets subject to special arrangements arising from liquidity and the maximum permitted leverage will be provided via HGT's Annual Report and Accounts and on HGT's website at www.hgcapitaltrust.com.



Shareholder information

Financial calendar

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

March	<ul style="list-style-type: none"> Final results for year announced Annual report and accounts published
May	<ul style="list-style-type: none"> Annual general meeting and payment of final dividend Release of Manager's quarterly update with updated 31 March NAV
September	<ul style="list-style-type: none"> Interim figures announced and interim report published
October	<ul style="list-style-type: none"> Payment of interim dividend
November	<ul style="list-style-type: none"> Release of Manager's quarterly update with updated 30 September NAV

Dividend

The final dividend proposed in respect of the year ended 31 December 2020 is 3.0p per share.

Ex-dividend date (date from which shares are transferred without dividend)	29 April 2021
Record date (last date for registering transfers to receive the dividend)	30 April 2021
Last date for registering DRIP instructions (see below)	7 May 2021
Dividend payment date	28 May 2021

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. This may be arranged by contacting HGT'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 HGT.

Dividend re-investment forms may be obtained from Computershare on 0370 707 1037 or may be downloaded from www.computershare.co.uk/DRIP. 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 7 May 2021.

Share price

HGT'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 15-minute delay: www.hgcapitaltrust.com

ISIN/SEDOL numbers

The ISIN/SEDOL numbers and mnemonic code for HGT's ordinary shares are:

ISIN	GB00BJOLT190
SEDOL	BJOLT19
Reuters code	HGT.L

Share dealing

Investors wishing to purchase or sell shares in HGT may do so through a stockbroker, financial adviser, 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 HGT's website: www.hgcapitaltrust.com

If you are proposing to use Computershare Investor Services PLC to purchase shares, please contact it on +44 (0)370 703 0084 to provide you with the KID by either e-mail or 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 available to shareholders in certain jurisdictions only, 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 HGT'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. Before you trade, you will need to register for this service. 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.trade. 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.



Strategic report



Hg's review



Financial statements



Corporate governance

141

Further information



Telephone share dealing

Please note that this service is, at present, available to shareholders resident in certain jurisdictions only. The commission is 1.0%, plus a charge of £50. In addition, stamp duty, currently 0.5%, is payable on purchases. The service is available during 0800–1630, Monday–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, owing to regulations in the UK, Computershare is required to check that you have read and accepted the terms and conditions before being able to trade, which could delay your first telephone trade. If you wish to trade quickly, we suggest visiting its 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. Those shareholders 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 they 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 being for information only.

Uncertificated Securities Regulations 1995 – CREST

HGT'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 of the CREST system. Private investors are able to buy and sell their holdings in the same way as they did before the introduction of CREST, although there may be differences in dealing charges.

Income tax

Where possible, dividends can be designated as an interest distribution (interest-streaming) for tax purposes. The Finance Bill 2017 included provisions which removed the requirement to deduct income tax at source from dividends notionally designated as interest distributions by investment trust companies, when they are made on or after 6 April 2017.

This brought this type of income into line with the treatment of interest paid on bank and building society accounts, following the introduction of the personal savings allowance. The amount of your personal savings allowance depends on your adjusted net income. Where interest-streaming is not possible, there is an individual annual allowance of £2,000 across all dividend income, above which there is a tax liability. For further information, please visit the HMRC.gov.uk website. For queries about your own tax position, please speak to an independent tax adviser.

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 2021/2022, the first £12,300 per annum of such gains from all sources is exempt.

For more details, visit: www.gov.uk/capital-gains-tax

Investments held in ISAs continue to remain exempt from CGT.

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

Risk factors

- Investments in predominantly unquoted companies, which form the majority of HGT's investments, may not be as readily realisable as investments in quoted companies.
- As Hg invests predominantly in Continental Europe and in companies which trade internationally, the value of HGT's shares may be affected by changes in rates of foreign exchange.
- Hg invests in a portfolio of small to mid-cap companies, with enterprise values of more than £100 million (at the time of acquisition), the performance of which can fluctuate.
- The price at which HGT's shares trade on the London Stock Exchange is not the same as their NAV (although they are related); therefore, you may realise returns which are lower or higher than NAV performance.
- Past performance is not necessarily a guide to future performance – and an investor may not get back the amount originally invested.
- The value of investments in HGT and the income from them can fluctuate, as the value of the underlying investments fluctuates.
- HGT invests in unquoted companies; although great care is taken in their valuation, such valuations cannot, by their nature, be exact and are liable to change.

Shareholder information continued

Duration of HGT

An ordinary resolution was approved by shareholders at the annual general meeting in May 2020 to continue the life of HGT for a further five years – and a similar resolution will be put to the shareholders at every fifth year thereafter.

If the resolution to continue the life of HGT 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 HGT.

Nominee holdings

Where shares are held in a nominee company name, HGT undertakes to:

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

Nominee companies are encouraged to provide the necessary authority to underlying shareholders to attend HGT'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 HGT confirms that HGT's shares will qualify as an 'excluded security' under these new rules and will be excluded, therefore, from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

HGT conducts its affairs so that the shares issued by HGT 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, HGT provides information annually to the local tax authority on the tax residencies of some 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: www.gov.uk/guidance/automatic-exchange-of-information-introduction

ISA status

HGT's shares are eligible for stocks and shares ISAs.

Shareholders' enquiries

In the event of queries regarding your shares, please contact the Computershare Investor Centre. Computershare now offers a free secure share management website which 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.
- use online dealing services.

Log on to www.investorcentre.co.uk to register – you will need a shareholder reference number (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 HGT should be directed to:

Hg Pooled Management Ltd
2 More London Riverside
London, SE1 2AP

Telephone: 020 8078 9139

Email: investorrelations@hgcapitaltrust.com



Strategic report



Hg's review



Financial statements



Corporate governance

143

Further information



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 which 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 10 years. Attractive returns can be garnered, if the private equity manager exploits the advantages which 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 tell 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 which 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 does 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 which 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 delisted and refinanced with private equity capital.
- **Better access presenting the possibility for better assessment**
Before investing, private equity managers often have better access to information, including detailed market, financial, legal and management due diligence.

Listed Private Equity

Listed private equity ('LPE') refers to public companies invested in unquoted businesses, 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 LPE 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 10-year lock-in and minimum investment required when investing in private equity via limited partnerships.

London Stock Exchange-listed private equity investment trusts are supervised by Boards of Directors, the majority of whom is independent, in order to reinforce the Manager's accountability to shareholders.

Provided that 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 LPE 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. LPE 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.

LPE 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 LPE 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 10-year life, the normal route to obtaining a diversified exposure to private equity, LPE offers significant advantages:

- 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 an LPE company, investors have liquidity in the shares and do not have to make a 10-year commitment to a fund. Accordingly, they can trade without requiring the Manager's consent or 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 LPE investors need do is monitor the value of their shareholdings in the quoted vehicle itself.
- 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 which will accrue to the investment manager, after achievement of an agreed preferred return.

Co-investment

An equity co-investment is typically a minority investment in a company made alongside a private equity fund. These investments are free from management fees and carried interest.

DACH

An acronym for D (Deutschland/Germany), A (Osterreich/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 which 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 were 310.3p and the share price were 282.1p, the discount would be 10%.

EBITDA

Earnings before interest, tax, depreciation and amortisation

ESG

Environmental, social and governance

ESH

Environmental, social and health

EV (enterprise value)

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

Expansion capital

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

Hedging

Hedging is an investment technique designed to offset a potential loss on one investment by purchasing a second investment which 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. This 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 HGT's assets, resulting in a post-financing capital structure of HGT which is geared.

LP (limited partnership)

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

LTM

Last 12 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.

MOIC

Multiple on invested capital – is one of the performance measurements for private fund investing. It is calculated by dividing the sum of a fund's realised and unrealised value by the total amount invested.

NAV (net asset value per share)

This is the value of HGT's assets attributable to one ordinary share. It is calculated by dividing 'shareholders' funds' by the total number of ordinary shares in issue. For example, as at 31 December 2020, shareholders' funds were £1,291,016,000, with 415,999,808 ordinary shares in issue; the NAV was therefore 310.3p per ordinary share. Shareholders' funds are calculated by deducting current and long-term liabilities, and any provision for liabilities and charges, from HGT's total assets.

NRR

Net recurring revenue is the proportion of the revenue from existing clients which is secured and will therefore recur in the following calendar year.

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 341.3p and the NAV were 310.3p, the premium would be 10%.

Quoted company

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

Share-split

A share-split (or stock-split) is the process by which a company divides its existing shares into multiple shares. Although the number of shares outstanding increases, the total net asset value of the shares remains the same as before.

HGT completed a 10:1 share-split in May 2019.

Total ongoing charges

Please refer to page 118.

Total return

The total return to shareholders comprises both changes in HGT's NAV or share price and dividends paid to shareholders; it is calculated on the basis that all historic dividends have been reinvested in HGT'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 which is at the concept, start-up or early stage of development.





Notice of Annual General Meeting

This document is important and requires your immediate attention. If you are in any doubt about any aspect of the proposals referred to in this document or about the action which you should take, you should seek your own advice immediately from a stockbroker, solicitor, accountant or other independent professional adviser. If you have sold or otherwise transferred all of your shares, please pass this document, together with the accompanying documents, to the purchaser or transferee, or to the person who arranged the sale or transfer, so they can pass these documents to the person who now holds the shares.

HgCapital Trust plc (incorporated and registered in England and Wales under number 01525583)

Directors:

Jim Strang Peter Dunscombe Guy Wakeley
Richard Brooman Pilar Junco Anne West

Registered Office:

2 More London Riverside
London, SE1 2AP

Annual General Meeting 2021

I am pleased to present the Notice of the Annual General Meeting (AGM) of HgCapital Trust plc (HGT) which will be held at the offices of Dickson Minto at: 16 Charlotte Square, Edinburgh, EH2 4DF on 11 May 2021 at 11.00am to transact the business set out in the resolutions below. The Notice of AGM sets out the business to be considered at the meeting. The purpose of this letter is to explain certain elements of that business to you.

COVID-19 Pandemic

On account of the Coronavirus pandemic and associated Government guidance, including the rules on physical distancing and limitations on public gatherings in place at the time of publication of this document, physical attendance at the AGM will not be possible. Arrangements will be made by HGT to ensure that the minimum number of shareholders required to form a quorum will attend the AGM, in order that the meeting may proceed, and will deal with the formal part of the meeting only.

As shareholders will not be able to attend the AGM, shareholders are strongly encouraged to submit a proxy vote in advance of the meeting. Shareholders are also strongly advised to appoint the 'Chair of the meeting' as their proxy, rather than a named person, as such person will not be permitted entry to the meeting. All resolutions will be voted on by a poll.

A form of proxy for use at the AGM is enclosed with this document. To be valid, the form of proxy should be completed, signed and returned in accordance with the instructions printed thereon, as soon as possible and, in any event, to reach HGT's registrars, Computershare Investor Services PLC (Computershare), no later than 48 hours before the time of the AGM, or any adjournment of that meeting. The results of the AGM business will be posted on www.hgcapitaltrust.com

Shareholder Presentation

The Board regards the AGM as an important opportunity to engage with shareholders each year. As shareholders will not be able to attend the AGM this year, alternative arrangements are being made to enable shareholders to see the presentation which would otherwise have been given at the AGM by HGT's investment manager. The presentation will be filmed and published on our website www.hgcapitaltrust.com in advance

of the AGM. Should you wish to ask the Board or HGT's investment manager any questions, we request that you do so by either email to: HGTAGM2021@hgcapital.com, or by post, by writing to HGT at 2 More London Riverside, London, SE1 2AP. Those questions which are submitted before 5 May 2021 will be answered ahead of the AGM, and we will endeavour to answer any questions subsequently received as soon as possible.

There are also further opportunities for shareholders to engage with HGT throughout the year. The primary means is through HGT's Manager, Hg, which holds shareholder events during the year (circumstances permitting), as well as providing monthly factsheets, quarterly reports and insight updates on the portfolio on HGT's website.

This situation is constantly evolving, and the UK Government may change current restrictions or implement further measures relating to the holding of general meetings during the affected period. Any changes to the arrangements for the AGM (including any change to the location or in relation to permitted attendance at the AGM) will be communicated to shareholders before the meeting through our website www.hgcapitaltrust.com and, where appropriate, by RNS announcement.

Resolution 1 – To receive the Annual Report and Financial Statements

The Directors are required to present the financial statements, Strategic Report, Directors' Report and Auditor's Report to the meeting. These are contained in HGT's Annual Report and Accounts for the year ended 31 December 2020 (the Annual Report). A resolution to receive the financial statements, together with the Strategic Report, Directors' Report and the Auditor's Report on those accounts is included as an ordinary resolution.

Resolution 2 – Remuneration

An advisory resolution to approve the Directors' Remuneration Report (set out in the Annual Report) is included.

Resolution 3 – Final dividend

The Board proposes a final dividend of 3 pence per share in respect of the year ended 31 December 2020. If approved, the recommended final dividend will be paid on 28 May 2021 to all ordinary shareholders who are on the register of members on 30 April 2021. The shares will be marked ex-dividend on 29 April 2021.

Resolutions 4 to 9 – Election and Re-election of Directors

In line with the recommendations of the 2019 AIC Corporate Governance Code, all Directors of HGT are required to retire and offer themselves for re-election at each AGM. In accordance with this requirement, Dr Strang, Mr Brooman, Mr Dunscombe, Dr Wakeley and Ms West will retire and offer themselves for re-election as Directors. Mrs Junco will offer herself for election.

While Mr Brooman has served on the Board for a period longer than nine years, he continues to provide constructive challenge and robust scrutiny of matters that come before the Board. In an investment trust which has no executive management of its own, maintaining a long-term perspective is of particular importance. While the Board recognises the value of refreshing its composition regularly, it also considers that the continuity and experience brought to the Board by retaining some Directors with longer periods of service is an important factor in creating long-term sustainable success for HGT. More information about the Board's Policy on Tenure can be found on page 123 of the Annual Report.

All of the Directors seeking election or re-election are recommended by the Board for election or re-election, respectively.

Full biographies of all of the Directors are set out in the Annual Report on pages 116 and 117 and are also available for viewing on HGT's website www.hgcapitaltrust.com. The Nomination Committee considered the Directors' performance and recommended their election or re-election and the Board agrees that it is in the best interests of shareholders that each of the Directors be elected or re-elected.

Resolutions 10 and 11 – Re-appointment and remuneration of Auditor

At each meeting at which HGT's financial statements are presented to its members, HGT is required to appoint an auditor to serve until the next such meeting. The Board, on the recommendation of the Audit, Valuations and Risk Committee, recommends the re-appointment of Grant Thornton UK LLP as auditor to HGT, and this will be proposed to the AGM as Resolution 10. Resolution 11 authorises the Directors to fix the auditor's remuneration.

Resolution 12 – Authority to allot ordinary shares

Resolution 12 authorises the Board to allot ordinary shares generally and unconditionally in accordance with Section 551 of the Companies Act 2006 (the Act) up to an aggregate nominal value of £3,466,318, representing approximately one-third (33.33%) of the issued ordinary share capital at the date of the Notice. No shares are held in treasury.

No ordinary shares will be issued at a price less than the prevailing net asset value per ordinary share at the time of issue, other than on a pre-emptive basis or with the prior consent of Shareholders provided in accordance with the Listing Rules. This authority shall expire at the next AGM of HGT.

Resolution 13 – Authority to disapply pre-emption rights

Resolution 13 is a special resolution which is being proposed to authorise the Directors to disapply the pre-emption rights of existing Shareholders in relation to issues of ordinary shares under Resolution 12 (being in respect of ordinary shares up to an aggregate nominal value of £1,039,999, representing approximately 10% of HGT's issued ordinary share capital as at the date of the Notice).

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

This authority shall expire at the next AGM of HGT.

Resolution 14 – Purchase of own shares

Resolution 14 is a special resolution which will grant HGT authority to make market purchases of up to 62,358,371 ordinary shares, representing 14.99% of the ordinary shares in issue as at the date of the Notice. The ordinary shares bought back will either be cancelled or placed into treasury, at the determination of the Directors.

The maximum price which may be paid for each ordinary share must not be more than the higher of (i) 105% of the average of the mid-market values of the ordinary shares for the five business days before the purchase is made or (ii) the higher of the price of the last independent trade and the highest current independent purchase bid for a share of HGT on the trading venues where the market purchases by HGT, pursuant to the authority conferred by this Resolution 14, will be carried out. The minimum price which may be paid for each Ordinary share is £0.025.

There are currently no shares held in treasury by HGT. In addition, the Directors would not exercise the authority granted under this resolution, unless they consider it to be in the best interests of Shareholders, which may include addressing any significant imbalance between the supply and demand for HGT's ordinary shares and to manage any discount to net asset value at which the ordinary shares trade. Purchases would be made in accordance with the provisions of the Act and the Listing Rules. This authority shall expire at the next AGM of HGT, when a resolution to renew the authority will be proposed. HGT currently intends that any ordinary shares repurchased would be held in treasury, subject to applicable law and regulation.

Resolution 15 – Amendment to HGT's Articles of Association (the Articles)

A copy of HGT's proposed new Articles, together with a copy showing all of the proposed changes to the existing articles of association, will be available for inspection on HGT's website, www.hgcapitaltrust.com, from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM. In the event that the current Coronavirus related restrictions are lifted before the AGM, a hard copy of these documents will also be available for inspection at HGT's registered office: 2 More London Riverside, London, SE1 2AP until the close of the AGM.





Notice of Annual General Meeting continued

Action to be taken

As shareholders will not be able to attend the AGM, shareholders are strongly encouraged to submit a proxy vote in advance of the meeting. Shareholders are also strongly advised to appoint the 'Chair of the meeting' as their proxy, rather than a named person, as such person will not be permitted entry to the meeting. Forms of Proxy should be returned so as to be received by HGT's Registrar, Computershare, at The Pavilions, Bridgwater Road, Bristol BS99 6ZY as soon as possible and, in any event, no later than 11.00am on 7 May 2021.

Alternatively, you may appoint a proxy electronically via www.investorcentre.co.uk/eproxy by following the instructions on that website or, if you hold your shares in CREST, via the CREST system. Please note that all proxy appointment forms should reach HGT's registrar, Computershare, by no later than 11.00am on 7 May 2021. If you hold your shares through a nominee service, please contact the nominee service provider about the process for giving voting instructions.

Recommendation

Full details of the above resolutions are contained in the Notice. The Directors consider that all of the resolutions to be proposed at the AGM are in the best interests of HGT and its members as a whole. The Directors unanimously recommend that Shareholders vote in favour of all of the resolutions.

Jim Strang
Chairman, HgCapital Trust plc
12 March 2021

Notice is hereby given that the Annual General Meeting of HgCapital Trust plc (HGT) will be held at the offices of Dickson Minto at 16 Charlotte Square, Edinburgh, EH2 4DF on 11 May 2021 at 11.00am to transact the business set out in the resolutions below.

Resolutions 1 to 12 will be proposed as ordinary resolutions; this means that for each of those ordinary resolutions to be passed, more than half of the votes cast must be in favour. Resolutions 13 to 15 will be proposed as special resolutions; this means that, for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour.

Ordinary resolutions

1. To receive HGT's annual financial statements for the year ended 31 December 2020, together with the Directors' Report, the Strategic Report and the Auditor's Report on those financial statements.
2. To approve the Directors' Remuneration Report set out on pages 134 to 136 of HGT's Annual Report and Accounts for the financial period ended 31 December 2020.
3. To declare a final dividend of 3 pence per share in respect of the year ended 31 December 2020.
4. To re-elect Richard Brooman as a Director.
5. To re-elect Peter Dunscombe as a Director.
6. To re-elect Jim Strang as a Director.
7. To re-elect Guy Wakeley as a Director.
8. To re-elect Anne West as a Director.
9. To elect Pilar Junco as a Director.
10. To re-appoint Grant Thornton UK LLP as auditor of HGT, to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting at which financial statements are laid before HGT.
11. To authorise the Directors to determine the remuneration of the auditor.
12. THAT, in accordance with Section 551 of the Companies Act 2006 (the Act), the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of HGT to allot ordinary shares in HGT, up to a maximum aggregate nominal amount of £3,466,318 (being approximately 33.33% of the issued ordinary share capital of HGT at the date of this Notice), such authority (i) to replace any existing authorities in respect of ordinary shares of the Directors pursuant to Section 551 of the Act, which are hereby revoked and (ii) to expire at the conclusion of the next Annual General Meeting of HGT (unless previously renewed, varied or revoked by HGT in a general meeting), save that HGT may, before such expiry, make offers or agreements which would or might require ordinary shares to be allotted after such expiry and the Directors may allot ordinary shares in pursuance of such offers or agreements as if the authority conferred by this resolution had not expired.

Special resolutions

13. THAT, subject to the passing of Resolution 12, and in accordance with Sections 570 and 573 of the Act, the Directors be and are hereby generally empowered to allot equity securities (as defined in Section 560(1) of the Act) for cash, pursuant to the authority conferred on the Directors by Resolution 12 and to sell ordinary shares from treasury for cash, as if Section 561 of the Act did not apply to any such allotment or sale, up to an aggregate nominal amount of £1,039,999 (being approximately 10% of the issued ordinary share capital of HGT at the date of this Notice), such power to expire at the conclusion of the next Annual General Meeting of HGT (unless previously renewed, varied or revoked by HGT in general meeting) save that HGT may, at any time prior to the expiry of such power, make an offer or enter into an agreement which would or might require ordinary shares to be allotted or sold from treasury after the expiry of such power and the Directors may allot or sell ordinary shares from treasury in pursuance of such an offer or agreement as if such power had not expired.
14. THAT, HGT be and is hereby generally and unconditionally authorised for the purpose of Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares in the capital of HGT, provided that:
 - a. the maximum number of ordinary shares which may be purchased is 62,358,371 (representing approximately 14.99% of the issued ordinary share capital of HGT as at the date of this Notice);
 - b. the minimum price, exclusive of any expenses, which may be paid for each ordinary share is the nominal value of that ordinary share;
 - c. the maximum price, exclusive of any expenses, which may be paid for each ordinary share is an amount equal to the higher of:
 - i. 105% of the average of the mid-market values of the ordinary shares for the five business days before the purchase is made; and
 - ii. the higher of the price of the last independent trade of an ordinary share and the highest current independent purchase bid for a share of HGT on the trading venues where the market purchases by HGT, pursuant to the authority conferred by this Resolution 14 will be carried out,

provided that all ordinary shares purchased pursuant to the said authority shall:

 - i. be cancelled immediately upon completion of the purchase; or
 - ii. be held, sold or otherwise dealt with as treasury shares, in accordance with the provisions of the Act.

This authority shall expire at the conclusion of the next Annual General Meeting of HGT (unless previously revoked, varied, renewed or extended by HGT in general meeting) save that HGT may, before such expiry, enter into a contract to purchase shares which will or may be executed wholly or partly after the expiry of such authority.

15. THAT the Articles of Association produced to the meeting and signed by the chairman of the meeting for the purposes of identification be approved and adopted as the Articles of Association of HGT in substitution for, and to the exclusion of, the existing Articles of Association with effect from the conclusion of the meeting.

By order of the Board
 Link Company Matters Limited
 Company Secretary
 12 March 2021
 Registered Office:
 2 More London Riverside
 London SE1 2AP





Notice of Annual General Meeting continued

Important notes

Important notes

The following notes explain your general rights as a shareholder and your right to attend and vote at this Annual General Meeting or to appoint someone else to vote on your behalf.

1. To be entitled to attend and vote at the Annual General Meeting (and for the purposes of the determination by HGT of the votes they may cast), members must be registered in the Register of Members of HGT at 6.00pm on 7 May 2021 (or, in the event of any adjournment, 48 hours before the time of the adjourned meeting excluding non-working days). Changes to the Register of Members of HGT after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Annual General Meeting.
2. However, in light of the restrictions on travel and indoor public gatherings imposed by the UK Government, the 2021 Meeting will be run as a closed meeting, with shareholders not able to attend in person. Shareholders are therefore encouraged to submit a proxy vote in advance of the Meeting in accordance with the instructions set out below.
3. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member, but must attend the Annual General Meeting to represent you. Details of how to appoint the Chairman of the Annual General Meeting or another person as your proxy, using the proxy form, are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Annual General Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. To appoint more than one proxy, an additional proxy form(s) may be obtained by contacting HGT's registrars, Computershare, helpline on 0370 707 1037 or you may photocopy the proxy form. Please indicate in the box next to the proxy holder's name, the number of shares in relation to which they are authorised to act as your proxy. Please also indicate, by ticking the box provided, if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
5. In the case of joint holders, where more than one of the joint holders completes a proxy appointment, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in HGT's register of members, in respect of the joint holding (the first-named being the most senior).
6. A personalised form of proxy is enclosed with Shareholders' copies of this document. To be valid, it should be lodged with HGT's registrars, Computershare, The Pavilions, Bridgewater Road, Bristol BS99 6ZY so as to be received no later than 48 hours (excluding non-working days) before the time appointed for the Annual General Meeting or any adjourned meeting or, in the case of a poll taken subsequent to the date of the Annual General Meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.
7. A person authorised by a corporation is entitled to exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of HGT. On a vote on a resolution on a show of hands, each authorised person has the same voting rights as the corporation would be entitled to. On a vote on a resolution on a poll, if more than one authorised person purports to exercise a power in respect of the same share:
 - a. if they purport to exercise the power in the same way as each other, the power is treated as exercised in that way; or
 - b. if they do not purport to exercise the power in the same way as each other, the power is treated as not exercised.
8. Any person receiving a copy of this Notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a Nominated Person) should note that the provisions in notes 2 and 3 above concerning the appointment of a proxy or proxies to attend the Annual General Meeting in place of a member, do not apply to a Nominated Person, as only Shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the Annual General Meeting.
9. Nominated persons should also remember that their main point of contact in terms of their investment in HGT remains the member who nominated the Nominated Person to enjoy information rights (or perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not HGT) regarding any changes or queries relating to the Nominated Person's personal details and interest in HGT (including any administrative matters). The only exception to this is where HGT expressly requests a response from a Nominated Person.
10. Appointment of a proxy will not preclude a member from subsequently attending and voting at the Annual General Meeting should the member subsequently decide to

Notice of Annual General Meeting continued

do so. A member can only appoint a proxy by using the procedures set out in these notes and the notes to the proxy card. The termination of the authority of a person to act as a proxy must be notified to HGT in writing. Amended instructions must be received by Computershare by the deadline for receipt of proxies. Should a member wish to appoint a proxy electronically, such proxy appointment must be registered electronically at www.investorcentre.co.uk/eproxy, so as to be received no later than 48 hours (excluding non-working days) before the time appointed for the Annual General Meeting or any adjourned meeting or, in the case of a poll taken subsequent to the date of the Annual General Meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed to take the poll. To vote electronically, you will be asked to provide the Control Number, Shareholder Reference Number (SRN) and PIN, details of which are contained in the personalised proxy card enclosed. This is the only acceptable means by which proxy instructions may be submitted electronically. However, as noted above, the 2021 Meeting will be run as a closed meeting and neither shareholders nor named proxies will be able to attend in person.

11. As at 12 March 2021 HGT's issued share capital consists of 415,999,808 ordinary shares, with none held in treasury. The total number of voting rights in HGT is therefore 415,999,808.
12. A copy of the Notice of Annual General Meeting and the information required by Section 311A of the Companies Act 2006 is included on HGT's website, www.hgcapitaltrust.com.
13. Section 319A of the Companies Act 2006 requires the Directors to answer any question raised at the Annual General Meeting which, relates to the business of the Annual General Meeting, although no answer need be given (a) if to do so would interfere unduly with the preparation of the Annual General Meeting or involve disclosure of confidential information; (b) if the answer has already been given on HGT's website; or (c) if it is undesirable in the best interests of HGT or the good order of the Annual General Meeting. However, as noted above, the 2021 Meeting will be run as a closed meeting and neither shareholders nor named proxies will be able to attend in person.
14. Members satisfying the thresholds in section 527 of the Companies Act 2006 can require HGT to publish a statement on its website setting out any matter relating to (a) the audit of HGT's accounts (including the auditor's report and the conduct of the audit) which are to be laid before the Annual General Meeting; or (b) any circumstances connected with an auditor of HGT ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the Annual General Meeting. HGT cannot require the members requesting the publication to pay its expenses. Any statement required to be placed on the website must also be sent to HGT's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that HGT has been required to publish on its website.
15. Members satisfying the thresholds in section 338 of the Companies Act 2006 may require HGT to give, to members of HGT entitled to receive notice of the Annual General Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Annual General Meeting. A resolution may properly be moved at the Annual General Meeting unless (a) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or HGT's constitution or otherwise); (b) it is defamatory of any person; or it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by HGT no later than six weeks before the date of the Annual General Meeting.
16. Members satisfying the thresholds in section 338A of the Companies Act 2006 may request HGT to include in the business to be dealt with at the Annual General Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Annual General Meeting. A matter may properly be included in the business at the Annual General Meeting unless (a) it is defamatory of any person or (b) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by HGT no later than six weeks before the date of the Annual General Meeting.
17. You may not use any electronic address provided in either this Notice or any related documents (including the Form of Proxy) to communicate with HGT for any purposes other than those expressly stated.
18. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST manual, which is available to download from the Euroclear website (www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.



Strategic report



Hg's review



Financial statements



Corporate governance

153

Further information



Notice of Annual General Meeting continued

Important notes

19. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the Issuer's agent (3RA50) by the latest time for receipt of proxy appointments specified in note 4 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
20. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.
21. HGT may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001.
22. The Annual Report incorporating this notice of Annual General Meeting, details of the number of shares in respect of which members are entitled to exercise voting rights at the Annual General Meeting as at 12 March 2021 (the business day prior to publication of this notice) and, if applicable, any members' statements, members' resolutions or members' matters of business received by HGT after the dates of this notice will be available on HGT's website: www.hgcapitaltrust.com.
23. None of the Directors has a contract of service with HGT. A copy of the terms and conditions of appointment of Directors would normally be available for inspection at the registered office of HGT during usual business hours on any weekday (except weekends and public holidays). However, under the current circumstances, these documents will be available upon request via email from HgCapitalSecretarial@linkgroup.co.uk until the conclusion of the Annual General Meeting. A copy of the proposed new articles of association of HGT, together with a copy showing all of the proposed changes to the existing articles of association, will be available for inspection on HGT's website, www.hgcapitaltrust.com, from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM.
24. Personal data provided by shareholders at or in relation to the Meeting will be processed in line with HGT's privacy policy.

Notice of Annual General Meeting continued

Appendix

Summary of the principal amendments to HGT's articles of association

Set out below is a summary of the principal amendments which will be made to HGT's Existing Articles through the adoption of the New Articles if Resolution 15 to be proposed at the AGM is approved by shareholders.

This summary is intended only to highlight the principal amendments to the Existing Articles. It is not intended to be comprehensive and cannot be relied upon to identify amendments or issues which may be of interest to all shareholders. This summary is not a substitute for reviewing the full terms of the New Articles which will be available for inspection on HGT's website, www.hgcapitaltrust.com, from the date of the AGM Notice until the close of the AGM.

Hybrid/virtual-only shareholder meetings

The New Articles permit the HGT to hold shareholder meetings on a virtual basis, whereby shareholders are not required to attend the meeting in person at a physical location but may instead attend and participate using electronic means. A shareholder meeting may be virtual-only if attendees participate only by way of electronic means, or may be held on a hybrid basis whereby some attendees attend in person at a physical location and others attend remotely using electronic means. This should make it easier for HGT's shareholders to attend shareholder meetings if the Board elects to conduct meetings using electronic means. Amendments have been made throughout the New Articles to facilitate the holding of hybrid or virtual-only shareholder meetings.

While the New Articles (if adopted) would permit shareholder meetings to be conducted using electronic means, the Directors have no present intention of holding a virtual-only meeting. These provisions will only be used where the Directors consider it is in the best of interests of shareholders for a hybrid or virtual-only meeting to be held. Nothing in the New Articles will prevent HGT from holding physical shareholder meetings.

The Alternative Investment Fund Managers Directive (2011/61/EU) (AIFMD) and the Alternative Investment Fund Managers Regulations 2013 (SI 2013/1773) (the AIFM Regulations)

The Board is proposing to take this opportunity to make amendments to the Existing Articles in response to the AIFMD and all applicable rules and regulations implementing that Directive. The proposed new provisions are as follows:

- The Existing Articles will be amended to provide that the net asset value per share of HGT shall be calculated at least annually and be disclosed to shareholders from time to time in such manner as may be determined by the Board. The amendment will have no bearing on current practice and simply articulates the minimum requirements of the AIFM Regulations.
- The New Articles stipulate that the valuation of HGT's assets will be performed in accordance with prevailing accounting standards, the AIFM Rules, or such other accounting standards, bases, policies and procedures as the Board may determine from time to time. This reflects best practice and has no bearing on current practice and simply articulates the minimum requirements of the AIFM Regulations.

International tax regimes requiring the exchange of information

The Board is proposing to include provisions in the New Articles to provide HGT with the ability to require shareholders to co-operate in respect of the exchange of information in order to comply with HGT's international tax reporting obligations, including, without limitation, under or in relation to FATCA, the Common Reporting Standard and the European Union's Directive on Administrative Cooperation (Tax Reporting Requirements).

The Existing Articles are being amended to provide HGT with the ability to require shareholders to co-operate with it in ensuring that HGT is able to comply with its Tax Reporting Requirements. The Existing Articles will also be amended to provide that (i) where any member fails to supply the relevant information to HGT within the relevant time period, the member will be deemed to have forfeited their shares and (ii) HGT will not be liable for any monies that become subject to a deduction or withholding relating to FATCA, the Common Reporting Standard or any similar laws as such liability would be to the detriment of shareholders as a whole.

Minor amendments

The Board is also taking the opportunity to make some additional minor or technical amendments to the Existing Articles, including:

- simplifying the untraced shareholders procedure by removing the requirement for HGT to publish newspaper advertisements;
- giving the Directors the ability to postpone a general meeting after notice of the meeting has been sent but before the meeting is held;
- a provision requiring all Directors to retire at each annual general meeting and be eligible for reappointment, except any directors appointed after notice of the meeting has been sent but before the meeting is held; and
- the provisions regarding subscription shares as all have been redeemed.

These changes generally reflect modern best practice and should assist in relieving certain administrative burdens on HGT.



Strategic report



Hg's review



Financial statements



Corporate governance

155

Further information



Board, management and administration

Directors

Jim Strang
(Chairman)
Richard Brooman
(Chairman of the Audit, Valuations and Risk Committee)
Peter Dunscombe
(Chairman of the Management Engagement Committee)
Pilar Junco (appointed July 2020)
Guy Wakeley
Anne West
(Senior Independent Director)
Roger Mountford (retired May 2020)

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AIC

Association of Investment Companies
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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 you can always access HGT'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



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