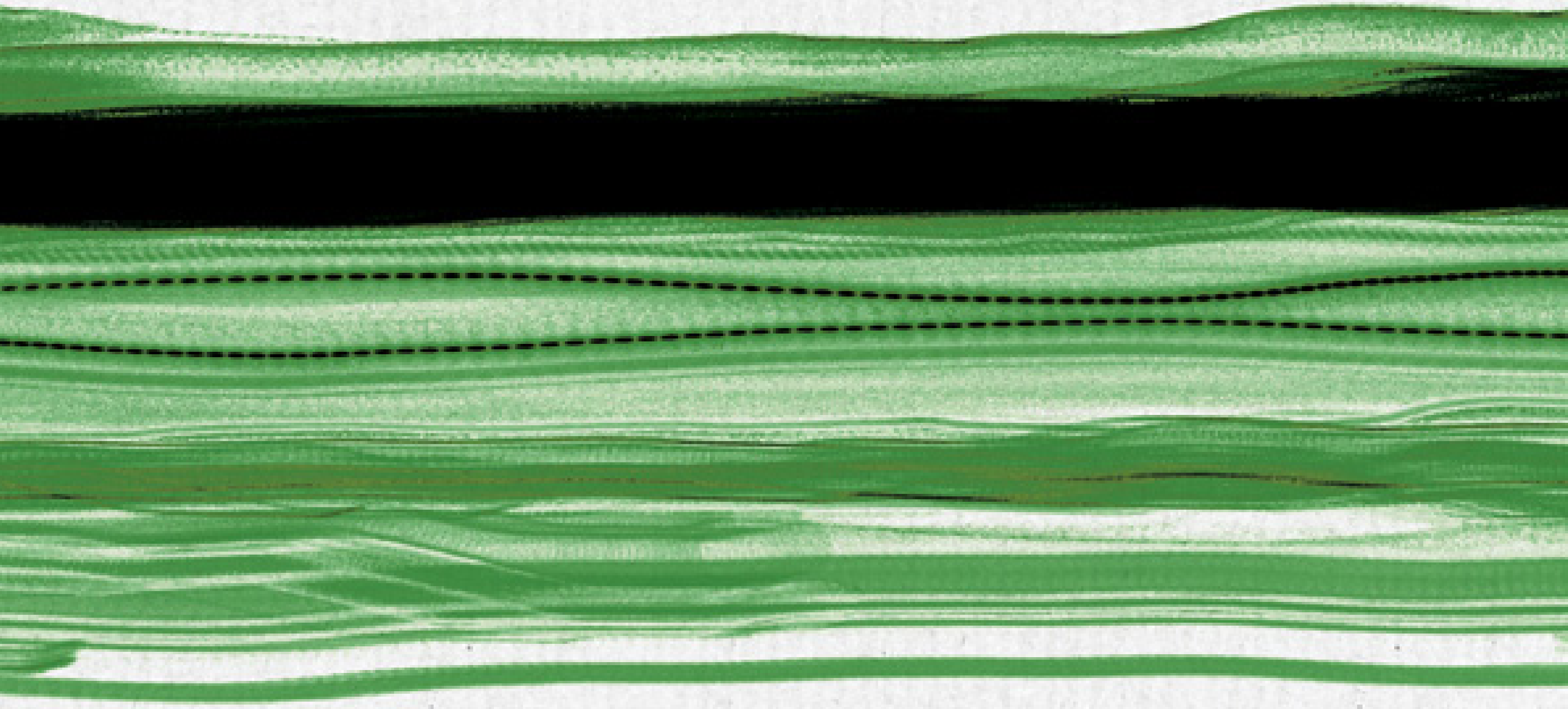
HgCapital Trust plc



ANNUAL REPORT AND ACCOUNTS

31 December 2012

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The objective of the Trust is to provide shareholders with long-term capital appreciation in excess of the FTSE All-Share Index by investing in unquoted companies.

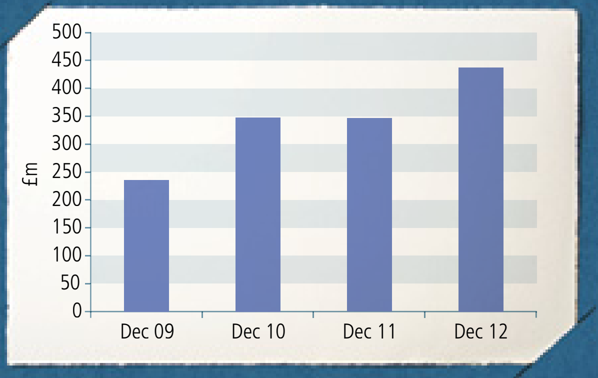
The Trust provides investors with exposure to a diversified portfolio of private equity investments primarily in the UK and Continental Europe.

References in this annual report and accounts to HgCapital Trust plc have been abbreviated to 'HgCapital Trust' or the 'Trust'.
HgCapital refers to the trading name of HgPooled Management Limited and HgCapital LLP, who act as the 'Manager'.

FINANCIAL HIGHLIGHTS

2012 PERFORMANCE

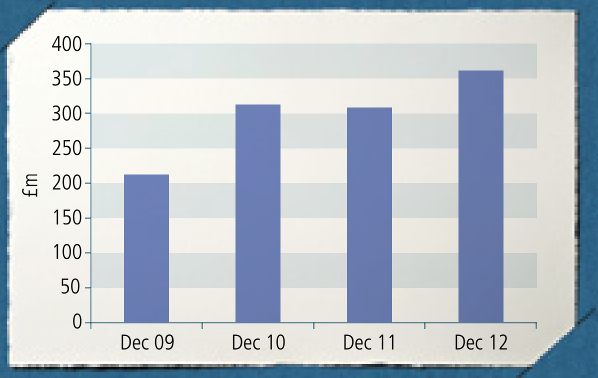
NET ASSET VALUE ('NAV') £438 MILLION



The NAV (diluted) per ordinary share rose from £10.69 to £12.22 over the year, following the payment of a 10p dividend. A total return of:

+15.3%

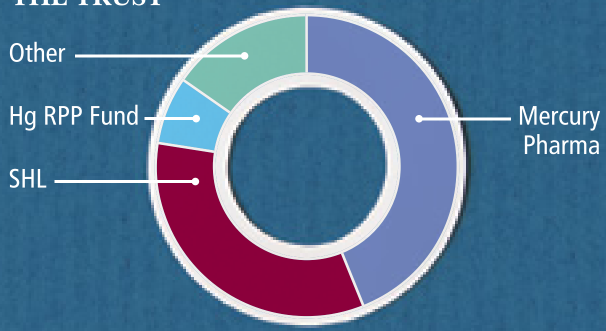
MARKET CAPITALISATION £361 MILLION



The ordinary share price rose from £9.70 to £10.16 over the year. An increase (on a total return basis) of:

+5.8%

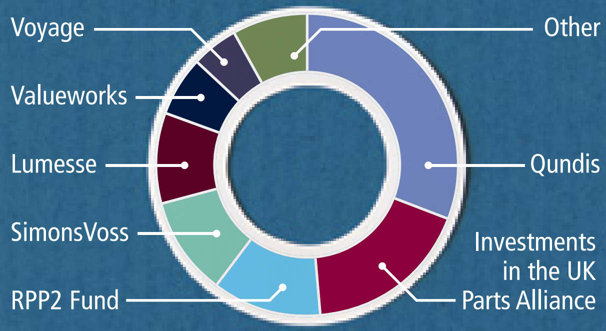
CASH REALISED FOR THE BENEFIT OF THE TRUST



£80 million

Cash distributions received in 2012, resulting primarily from the sale of Mercury Pharma and SHL at an average uplift on book value on these two realisations of 68%.

CASH DEPLOYED ON BEHALF OF THE TRUST



£38 million

The amount of capital invested in 2012 that funded both new buyout investments and further investment within the existing underlying portfolio.

FINANCIAL HIGHLIGHTS CONTINUED

LONG-TERM PERFORMANCE – 10 YEAR TOTAL RETURN*

COMPOUND ANNUAL GROWTH RATE

19.5% p.a.

The compound annual growth rate of the HgCapital Trust plc ordinary share price over the last 10 years.

10 YEAR RETURN ON £1,000

£5,930

How much an investment of £1,000 made ten years ago in HgCapital Trust plc would now be worth.

An equivalent investment in the FTSE All-Share Index would be worth £2,317.

*Assuming reinvestment of all dividends

BALANCE SHEET ANALYSIS

£438 million

The net assets of HgCapital Trust plc as at 31 December 2012.

£156 million

The liquid resources available (including a £40 million undrawn bank facility) for deployment as at 31 December 2012 representing 36% of NAV.

£162 million

The amount of outstanding commitments as at 31 December 2012 representing 37% of NAV.

THE PORTFOLIO

HgCapital Trust plc gives investors access to a private equity portfolio of currently **32 companies**, run by an experienced and well-resourced Manager that makes investments in private companies across Northern Europe in selected parts of the Healthcare, Industrials, Services and TMT sectors.

An investment in HgCapital Trust plc provides exposure to a portfolio of fast growing companies. The top 20 buyout investments currently account for 87% of the portfolio value. These companies have aggregate revenues of **£2.0 billion** and profits of **£447 million**, with net margins of 22%.

In addition, the Trust has made a commitment to small-cap TMT deals, where the Manager has many years of successful experience, through HgCapital's Mercury fund. Finally, it also holds investments in the Manager's two renewable energy funds.

+9% p.a.
revenue growth

The average growth in revenues of the top 20 buyout investments for the twelve months ended 31 December 2012.

+6% p.a.
profit growth

The average growth in profits (EBITDA) of the top 20 buyout investments for the twelve months ended 31 December 2012.

10.8x
EV/EBITDA multiple

The average valuation multiple used to value the top 20 buyout investments at 31 December 2012.

3.7x
net debt/EBITDA

The average net debt/EBITDA multiple of the top 20 buyout investments at 31 December 2012.

CHAIRMAN'S STATEMENT

HgCapital's sector focus and expertise continue to generate a pipeline of interesting acquisitions and to add value for shareholders. Increasing liquidity in the Trust's shares provides more scope for investors to gain access to private equity through a listed vehicle.

The year in review

2012 was a year of solid progress for the Trust. The top 20 buyout investments, which together represent 87% of the portfolio by value, recorded revenue growth of 9% per annum and growth in profits of 6%.

The net asset value per share, on a fully diluted basis, rose from £10.69 at 31 December 2011 to £12.22 at the year-end, a return (including payment of a 10.0 pence dividend) of 15.3%. This compares with a total return of 12.3% in the FTSE All-Share Index.

After adjusting for movements in foreign exchange and the sale of certain renewable energy assets, the Trust's diluted NAV at 28 February 2013 had increased to £12.55 per share.

After a quiet first half for realisations, the Trust's underlying interests in two buyout investments, SHL and Mercury Pharma, were sold in the second half for £62.4 million. These investments were completed at 3.1x and 4.2x original cost respectively, together representing an uplift over book value at 31 December 2011 of 68%. In addition, the Trust benefited from the Manager's first sale of a renewable energy platform, constructed from several individual investments, to an institutional investor at a gross internal rate of return of 20% per annum; this returned £5.3 million to the Trust. Together with proceeds from other smaller transactions during 2012, the Trust benefited from more than £80 million in receipts from realisations. These realisations added some £26.3 million to NAV. A further £2.8 million of cash was received after the year-end, following the sale of the renewable energy UK wind development assets. Further details are provided on page 31.

In addition, the unrealised revaluation of portfolio investments and accrued income increased shareholder value by a further £46.1 million. The Manager's attribution analysis on page 24 of this Report indicates that the uplift in valuations arose primarily from profits growth in the underlying portfolio, improved valuation multiples reflecting strengthening equity markets, and positive cash flows that have paid down debt in the underlying investments. The average valuation multiple used to value the top 20 buyout investments at 31 December 2012 was 10.8x, compared with 10.2x a year earlier, and average net debt as a multiple of EBITDA had fallen from 4.0x to 3.7x.

The NAV of the Trust at the year-end had risen over the year from £347 million to £438 million. The market capitalisation of the Trust increased from £309 million to £361 million.

Subscription shares

During the year 3.74 million of the Trust's outstanding Subscription Shares were exercised, raising £35.5 million. This increase in the Trust's listed ordinary shares has added to their liquidity and attracted new institutional shareholders. Of the original issue of 6.2 million Subscription Shares, only 1.76 million shares remain unexercised. I remind holders of Subscription Shares that they have only one further opportunity to exercise them, on 31 May 2013 at a subscription price of £10.25 per share. If all the remaining Subscription Shares are exercised, this will raise an additional £18 million for deployment by the Trust and add further to the market capitalisation; it should also increase liquidity in the Trust's ordinary shares.

Share price performance

The ordinary share price at 31 December 2012 stood at £10.16, compared with £9.70 a year earlier. This represented a return during the year, including payment of a 10 pence dividend, of 5.8%. During the first quarter of 2012 the FTSE All-Share Index continued to bounce back from the losses it had suffered in 2011, and for the rest of the year the Trust's share price performed broadly in line with the Index.

Against the last published fully diluted NAV per share of £11.84 at the end of November 2012, the ordinary shares stood at a discount of 14%.

The Trust's ten-year total return to shareholders of 19.5% per annum was 10.7% per annum in excess of the FTSE All-Share Index. An investment of £1,000 made in the Trust ten years earlier, with dividends reinvested, would now have a value of £5,930, compared with £2,317 if invested in the FTSE All-Share Index.

Dividend

The Trust is managed with the objective of achieving capital growth, not to deliver any target earnings or dividend. The level of dividend declared each year depends on the total income earned from investments, which will vary from year to year. Return per ordinary share in the year was 32.1 pence (2011: loss of 2.1 pence), and the Board is recommending that a dividend of 23.0 pence per share (2011: 10.0 pence) be paid.

Portfolio

In the year under review, £38 million was deployed on behalf of the Trust, including £21 million in three new acquisitions. Two of these new investments, an industrial business in Germany and a distribution business in the UK, were acquired alongside the Manager's Hg6 fund.

The HgCapital Mercury Fund, which has been established to exploit the Manager's expertise in TMT investments in smaller transactions of between £20 million and £80 million enterprise value, made its first acquisition. The Trust has committed £60 million to this fund and has invested £2.4 million in this first transaction.

Of the Trust's original commitment of £285 million to the Manager's Hg6 vintage, more than £220 million has now been invested, leaving £64.5 million to be deployed in two or three further acquisitions or held in reserve for any follow-up investment in portfolio companies.

On 5 March, the Board approved an initial commitment of £200 million alongside HgCapital 7, a buyout fund to be managed by HgCapital with an investment period of up to five years. The Board has expressed an interest to the Manager in increasing this commitment later in the year and will decide what further commitment to make in the light of projected resources at the time. The Trust's total commitment will be broadly equivalent to the commitment made by the Trust to HgCapital 6 and will be made on similar commercial and contractual terms.

Governance

The Trust's investment objective remains unchanged, but recent amendments in HMRC's regulation of UK investment trusts need to be reflected in some minor amendments to the Trust's investment policy. HMRC's regulations place emphasis on the diversification of risk within an investment trust by holding a spread of investments, rather than adherence to a specific investment restriction. The investment policy, which appears on page 9 of this report, reflects this modernisation of the tax rules that are the foundation of UK investment trusts.

Each year the Board of the Trust conducts a comprehensive evaluation of its performance; this took place in 2012 against the background of the Alternative Investment Funds Directive, which the Trust and the Manager will have to implement during 2013/14. The detailed requirements for implementation are not yet known, but the effect of the Directive is likely to be felt in the detailed arrangements between the Trust and the Manager. The Board has decided that, when the detailed requirements are known, the terms of reference of the Management Engagement Committee will be expanded by the addition of specific duties relevant to the implementation and monitoring of our adherence with the Directive. The Board also believes that it will be appropriate at that point for the chairmanship of that committee to pass to one of the non-executive directors, in the same way as the Audit and Valuation Committee.

The Board also considered it appropriate to streamline the committee structure by bringing back to the full Board the current responsibilities of the Remuneration Committee; as the Trust has no employees or executive directors this committee is responsible solely for reviewing the remuneration of the non-executive Board, which no longer justifies the retention of a separate committee. The remuneration of the Manager is the responsibility of the Management Engagement Committee.

The Board of the Trust believes strongly that the supervision of an entirely independent board, and the adoption of the highest standards of governance, are important advantages of a UK investment trust. The Board believes that the Code of Corporate Governance published by the Association of Investment Companies; which incorporates the UK Corporate Governance Code and is endorsed by the Financial Reporting Council, provides the most appropriate governance framework for the Trust. Accordingly, we report against the principles and recommendations of the AIC Code and, where possible, we have adopted early the recommendations of the newly revised AIC Code published in February 2013.

It is the Board's policy to review its composition regularly and, when appropriate, to refresh the Board through recruitment, with the aim of having the range of skills and experience and diversity that will best serve shareholders in the future. Piers Brooke, who has served on the Trust's Board since 2001, will retire from the Board at the forthcoming Annual General Meeting. The Board's Nominations Committee is working to identify, and recommend, a successor to Mr Brooke.

I would like to take this opportunity to record the outstanding contribution that Piers Brooke has made to the development and success of HgCapital Trust. With his background in the senior financial risk management of major banks, Piers has especially guided the Board and the Manager in identifying risk and ways to mitigate it. He has been a loyal and supportive colleague, to whom all the Directors are grateful.

Prospects

The underlying buyout portfolio remains relatively young, with 13 of the top 20 investments having been made within the last two years. The Manager is working to add value through strategic change in each business acquired, as can be seen in the appreciation of those investments that have been revalued on the basis of earnings. The value being created in more recent investments of the Hg6 vintage can be expected to come through in future valuations. In the meantime, it is anticipated that some older investments may be realised.

At the end of 2012 the Trust held liquid resources of £116 million and in addition had access to an undrawn bank facility of £40 million. The Trust is therefore well placed to deploy funds into new investments in the Hg6 vintage, the Mercury Fund and renewable energy funds, while also making an initial commitment to the Manager's new buyout fund that will be the main source of investment opportunities over the period from late 2013 to 2018.

HgCapital's sector focus and deep research continues to generate a pipeline of interesting acquisitions and we believe the Manager has the expertise to identify appropriate new strategies and to implement them, adding value for shareholders. Increasing liquidity in the Trust's shares provides more scope for investors to gain access to private equity through a listed vehicle.

Roger Mountford

Roger Mountford
Chairman
7 March 2013

LONG-TERM PERFORMANCE RECORD

PERFORMANCE RECORD

Year ended 31 December	Net assets attributable to ordinary shareholders £'000	Net asset value per ordinary share (diluted)[1] p	Net asset value per ordinary share (basic) p	Ordinary share price p	Subscription share price p	Revenue available for ordinary shareholders £'000	Earnings per ordinary share[2] p	Dividends per ordinary share[3] p
2003	99,987	n/a	397.0	289.5	n/a	3,969	15.8	12.0
2004	122,040	n/a	484.5	451.5	n/a	2,649	10.5	8.0
2005	156,487	n/a	621.3	583.5	n/a	2,965	11.8	10.0
2006	187,135	n/a	743.0	731.0	n/a	4,519	17.9	14.0
2007	238,817	n/a	948.2	782.5	n/a	7,446	29.6	25.0
2008	234,094	n/a	929.4	668.5	n/a	7,445	29.6	25.0
2009	236,044	n/a	937.2	844.0	n/a	7,148	28.4	25.0
2010	347,993	1,090.7	1,118.8	1,006.0	105.0	10,053	34.0	28.0
2011	346,832	1,069.3	1,089.9	970.0	53.0	(645)	(2.0)	10.0
2012	**437,956**	**1,221.7**	**1,231.5**	**1,016.0**	**39.0**	**10,398**	**32.1**	**23.0[4]**

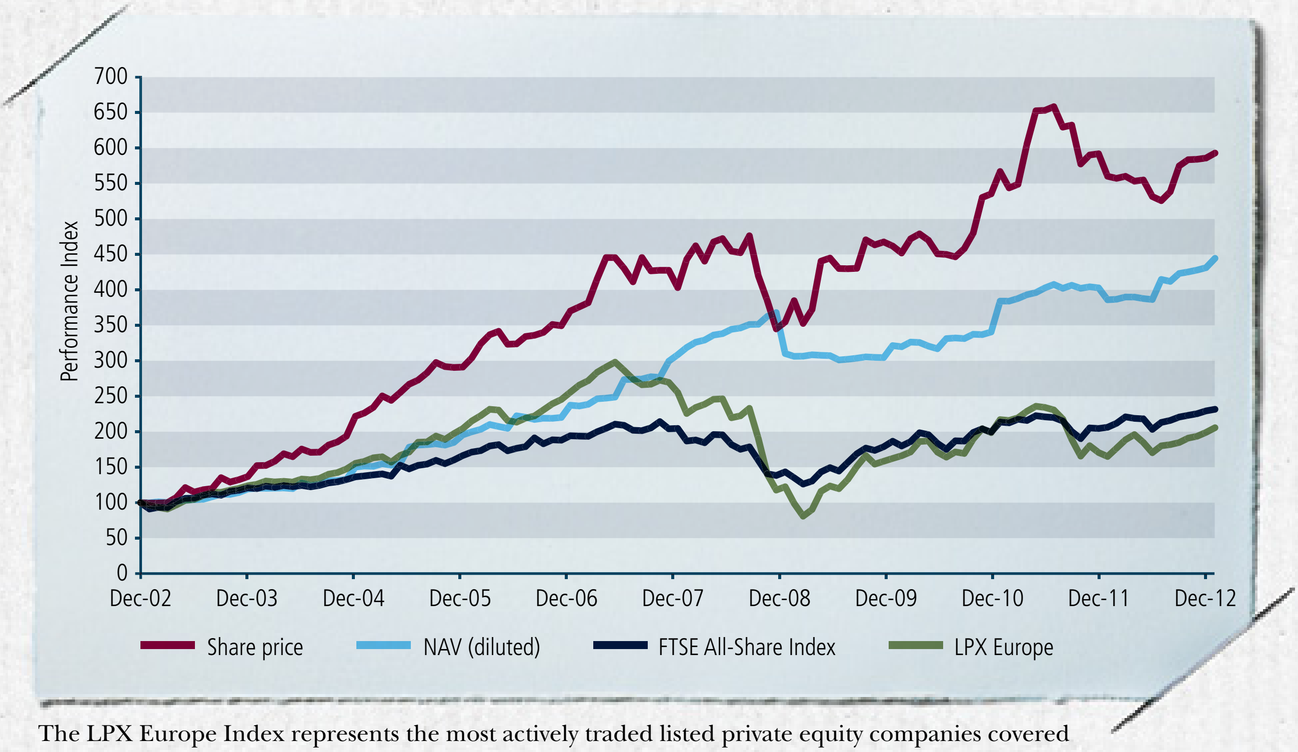
[1] Diluted NAV per share assumes that all outstanding subscription shares were converted into ordinary shares at the relevant year-end at the exercise price (£10.25 at 31 December 2012; £9.50 pre-31 December 2012). No dilution existed until the 2010 financial year, following the issue of Subscription Shares.

[2] Based on weighted number of shares in issue during the year.

[3] Dividend proposed in respect of reported financial year; declared and paid post relevant year-end.

[4] Proposed dividend for the year ended 31 December 2012, to be paid on 15 May 2013, subject to shareholder approval.

PERFORMANCE OVER TEN YEARS – TOTAL RETURN*



The LPX Europe Index represents the most actively traded listed private equity companies covered by LPX that are listed on a European exchange. For more information visit www.lpx-group.com.

Performance record rebased to 100 at 31 December 2002. Source: Factset.
*Total return assumes all dividends have been reinvested.

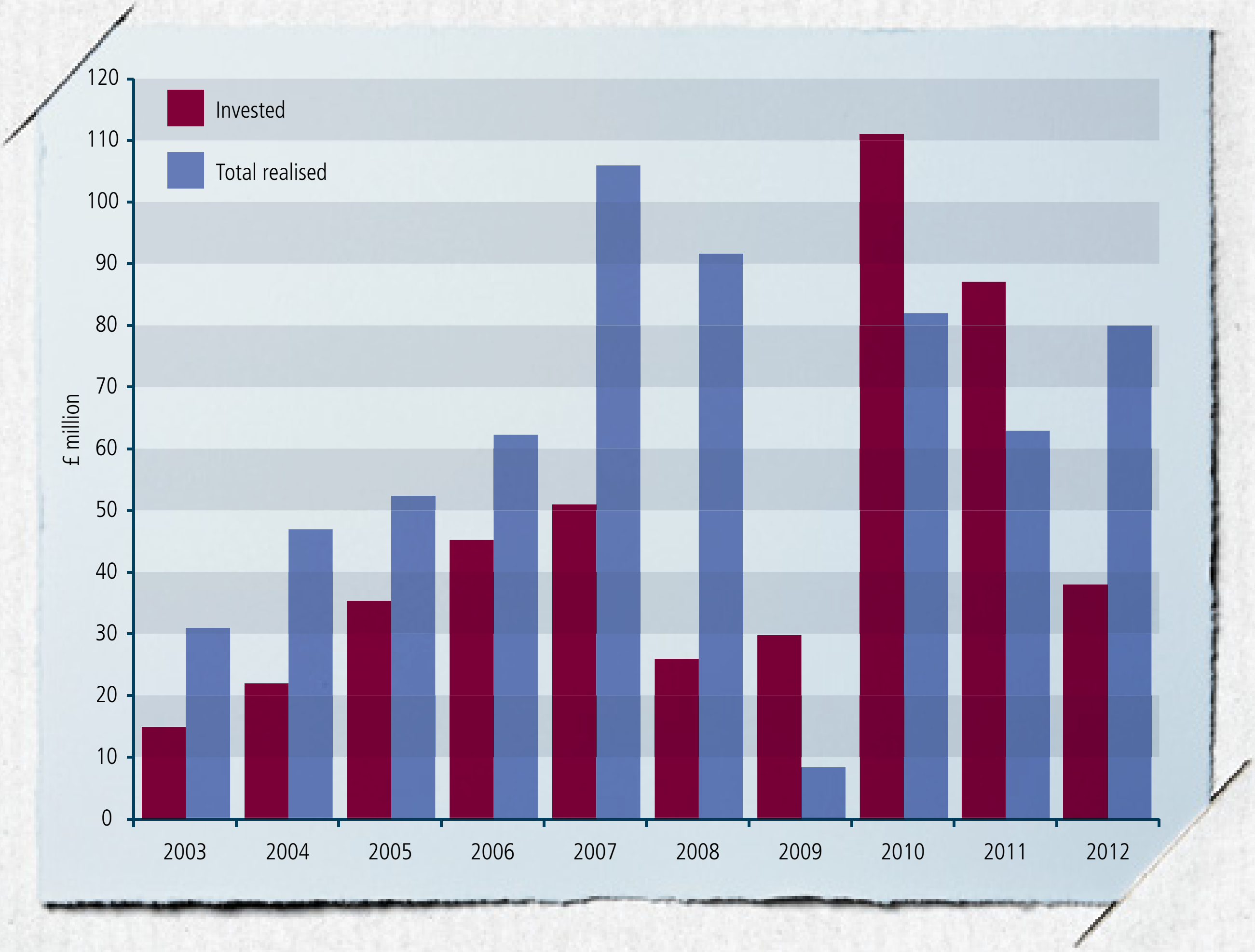
HgCapital Trust plc's share price has consistently delivered significant outperformance against the FTSE All-Share Index over the long-term.

HISTORICAL TOTAL RETURN* PERFORMANCE

	One year % p.a.	Three years % p.a.	Five years % p.a.	Seven years % p.a.	Ten years % p.a.
NAV (diluted) per share	15.3	11.5	7.6	12.5	16.1
Ordinary share price	5.8	8.7	8.0	10.7	19.5
FTSE All-Share Index	12.3	7.5	2.5	4.8	8.8
Share price performance per annum relative to the FTSE All-Share Index	(6.5)	1.2	5.5	5.9	10.7

*Total return assumes all dividends have been reinvested.

INVESTMENT ACTIVITY



THE BOARD OF DIRECTORS

The Board of HgCapital Trust plc consists of six non-executive Directors with a wide range of business experience, all of whom are considered to be independent of the Trust's Manager.

Roger Mountford (Chairman of the Board)

Aged 64, Roger Mountford was appointed to the Board in 2004 and became Chairman in April 2005. He spent 30 years as a merchant banker in the City of London and in the Far East, latterly as Managing Director in the Corporate Finance Department of SG Hambros, leading the Bank's practice in the private equity market.
He is chairman of the Civil Aviation Authority Pension Scheme, and a member of the Church of England Pensions Board and of the Advisory Board of VenCap International plc. He holds a number of other directorships and is a Governor of the London School of Economics.

Piers Brooke

Aged 72, Piers Brooke was appointed to the Board in 2001. He worked for 38 years in both commercial and merchant banking, holding a variety of general management positions in the UK, Continental Europe, the Far East and North America. Most recently he was Director of Financial Strategy at National Westminster Bank. He has been a director of a number of companies. He is currently a non-executive director of Lothbury Property Trust plc. Mr Brooke will retire from the Board at the 2013 AGM and will not seek re-election.

Richard Brooman

Aged 57, Richard Brooman was appointed to the Board in 2007. He is a chartered accountant and is Deputy Chairman and Chairman of the Audit Committee of Invesco Perpetual UK Smaller Companies Investment Trust plc, a non-executive director of Acal plc and a non-executive Director of the Camden & Islington NHS Foundation Trust, where he chairs the Audit & Risk Committee. He was formerly Chief Financial Officer of Sherwood International plc and Group Finance Director of VCI plc. Prior to this, he served as CFO of the global Consumer Healthcare business of SmithKline Beecham and held senior financial and operational positions at Mars, after qualifying with Price Waterhouse in London.

Peter Gale

Aged 57, Peter Gale was appointed to the Board in 1991 and is Deputy Chairman of the Company. He worked in many divisions of National Westminster Bank, specialising in investment management. In 1990 he became responsible for the investment management of National Westminster Bank Group Pension Funds, which subsequently became RBS Pension Trustee Ltd. Upon the purchase of Gartmore Investment Management plc in 1996, he became a principal of the enlarged company responsible for investment strategy and asset allocation and in 2003 became Managing Director of Gartmore Private Equity. In 2010 Peter became Chief Investment Officer of Hermes GPE LLP. He is a non-executive director of Lothbury Property Trust plc and the Salvation Army Trustee Company.

Andrew Murison

Aged 64, Andrew Murison was appointed to the Board in 2004. He was Senior Bursar of Peterhouse, Cambridge, for nine years and spent the previous twelve years as a principal in private equity partnerships in the USA. Prior to that he was a fund manager, financial journalist and investment banker in the City of London. He also serves on the boards of Maven Income and Growth VCT3 plc, Brandeaux Student Accommodation Fund Limited and Brandeaux US Dollar Fund Limited, and is Chairman of JPMorgan European Investment Trust plc.

Mark Powell

Aged 67, Mark Powell was appointed to the Board in 2010. He spent his entire career in Investment Management and retired as Chairman of Rathbone Brothers Plc in 2011. He is a former Chairman of the Association of Private Client Investment Managers and Stockbrokers (APCIMS) and member of the Takeover Panel. He is a member of the Investment Committee of the Church of England Pensions Board and is a Trustee of several charities.

All Directors are members of the Audit & Valuation, Nomination and Management Engagement Committees.

All Directors are non-executive.

INVESTMENT OBJECTIVE

The Investment Objective of the Trust is to provide shareholders with long-term capital appreciation in excess of the FTSE All-Share Index by investing in unquoted companies. If the Board proposes to amend the Trust's Investment Objective, it will seek the approval of shareholders in a general meeting.

INVESTMENT POLICY

The policy of the Trust is to invest, directly or indirectly, in a portfolio of unlisted companies that are expected to grow organically or by acquisition and to spread investment risk through appropriate diversification. The Trust's maximum exposure to unlisted investments is 100% of the gross assets of the Trust from time to time. At the time of acquisition, no single investment in an unlisted company, whether made directly or indirectly, will exceed a maximum of 15% of gross assets.

The Trust may invest in other listed closed-ended investment funds up to a maximum at the time of acquisition of 15% of gross assets.

The Trust may invest its liquid funds in government or corporate securities, or in bank deposits, in each case with an investment grade rating, or in managed funds that hold investments of a similar quality.

Any material change to the Trust's Investment Policy will be made only with the approval of shareholders in a general meeting.

Sectors and markets

The Trust invests primarily in companies whose operations are headquartered or substantially based, or which serve markets, in Europe. The Trust invests in companies operating in a range of countries, but there is no policy of making allocations to specific countries or markets. The Trust invests across a range of sectors, but there is no policy of making allocations to sectors.

Gearing

Underlying investments or funds are typically leveraged to enhance value creation, but it is impractical to set a maximum for such gearing. The Trust may over-commit to invest in underlying assets in order to maintain the proportion of gross assets that are invested at any time. The Trust has the power to borrow and to charge its assets as security. The Articles currently restrict the Trust's ability to borrow no more than, broadly, twice the aggregate of the Trust's paid up share capital and reserves (without shareholder approval).

Hedging

The Trust may use derivatives to hedge its exposure to interest rates, currencies, equity markets or specific investments for the purpose of efficient portfolio management.

RATIONALE AND BUSINESS MODEL

The Board has a clear view of the rationale for investing in private equity through an investment trust and this informs its decisions on the operation of the Trust and the evolution of the Board's Business Model.

RATIONALE

The Board believes that there is a convincing rationale for investing in well-researched private businesses where there is potential for growth in value, especially where the Investment Manager and the management of the business can work together to implement strategic or operational change. These can result in higher rates of growth in sales and enhanced profits, offering investors capital gains on realisation.

Many large institutional investors have been making an allocation to private equity funds for decades, each time committing to a 10-12 year closed end fund, investing time to select a manager and negotiate complex and lengthy limited partnership agreements, and then assuming the burdens of administration, monitoring and accounting that these vehicles impose. In return, the best managers have delivered better performance than most investors have received from their listed equity, bond, hedge fund and property portfolios. This long-term commitment may not be practical for smaller pension schemes - especially if they intend to de-risk over time - wealth managers, funds and private individuals. As an alternative, these investors can gain access to the private equity ownership model by buying shares in the Trust. As an investment trust, it has an independent Board and is committed to transparent and regular reporting, and the Trust is well covered by published research. The Trust's shares are listed on the London Stock Exchange.

BUSINESS MODEL

Working within the framework of the Trust's Investment Policy, the Board and the Manager have together developed a Business Model, which is kept under regular review. The Business Model evolves as market conditions change and new opportunities appear.

Asset class

The Trust invests directly into special purpose limited partnerships, that invest on its behalf in unquoted businesses in the UK and Continental Europe alongside other institutional clients of HgCapital, an experienced private equity manager. From time to time the Trust may directly or indirectly hold listed securities in pursuit of its investment policy. The Trust is not a fund of funds and does not invest in other managers' funds.
This provides greater transparency for the Board and shareholders in the Trust and avoids the double level of fees inherent in a fund of funds model.

Most of the Trust's investments are held through partnerships, of which it is the sole limited partner and which invest alongside pooled funds managed by HgCapital (currently its Hg6 fund). The Trust invests on the same terms as institutional investors.

The Manager is organised in investment teams that focus on business sectors that the Manager researches in depth. The Manager does not make top-down allocations to these sectors or to particular countries; the balance between sectors and countries may change as investment opportunities appear and portfolio companies are sold.

The Board of the Trust decides, after consultation with the Manager, on the timing, amount and terms of each commitment it makes to invest in or alongside any of the Manager's funds. Such commitments are normally drawn down over five years as investment opportunities arise. The Board agrees each commitment at a level it believes the Trust will be able to fund from its own resources or from temporary borrowing. However, to mitigate the risk of being unable to fund any drawdown under its commitment the Board has negotiated a right to 'opt-out', without penalty, of any HGT 6 LP investment where certain conditions exist (see note 22 to the financial statements).

In addition, the Trust has invested in renewable power generating projects, an area where the Manager has developed its skills and built a specialist team.
This sector provides the Trust with an element of diversification, as it has fundamentally different drivers of risk and return, and the profile of its cash returns will complement those from buyout investments. In this sector, it is advantageous to the Trust to participate with other institutional clients of HgCapital as limited partners in HgCapital's two renewable energy funds.

Cash and borrowing

The Board and the Manager agree that prudent use of borrowing to fund acquisitions can increase diversification within the portfolio and increase rates of return to shareholders. Businesses in the underlying portfolio are acquired with the benefit of bank borrowing at levels that can be serviced from the cash flows generated within that business. The Board does not currently see any advantage in using a further level of structural borrowing by the Trust, as this would add risk without any certainty of enhancing returns.
The Trust has a bank facility on which it can draw to meet short-term needs, for example, between making an investment and receiving the proceeds from a realisation. At certain points in the investment cycle the Trust may hold substantial cash awaiting investment, which it holds in bank deposits or invests in short-dated government bonds.

If there appears to be 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.

Hedging

The Trust offers exposure to a range of businesses operating in the UK, the eurozone and the Nordic region. The Trust does not strategically hedge investments back into sterling. From time to time, the Manager may use derivatives approved by the Board to hedge tactically with the object of protecting the anticipated sterling value of proceeds from realising investments in other currencies.

Comparators

For most shareholders, their investment in the Trust represents a small allocation of funds that would otherwise be invested in UK equities. The Manager's aim is to achieve returns in excess of the FTSE All-Share Index over the long term but the Trust is not managed so as to reflect movements in the Index. To assess the Manager's performance relative to other private equity managers, the Board regularly compares the Trust's NAV and share price performance against a basket of peers listed on the London Stock Exchange and against the UK and pan-European indices of listed private equity companies published by LPX.

Priorities as a listed investment company

As the rationale for the Trust is to provide investors with a way to invest in an illiquid asset class, through a liquid listed vehicle, the Board has a number of priorities including: retaining the status of an investment trust; maintaining a liquid market in its shares; providing shareholders with transparent reports on the underlying portfolio; adopting prudent valuations; and avoiding adding risk at the Trust level.

Valuation

The Board reviews the values of each of its investments in fund limited partnerships after considering, for the underlying investments held by the funds, the following: analytical and performance data; the valuations prepared by the Manager; and the Manager's valuation process. The Manager's valuations are carried out in accordance with the International Private Equity and Venture Capital ('IPEV') Valuation Guidelines, September 2009 edition. Further information can be found at www.privateequityvaluation.com.

NAV and trading in the Trust's shares

The Board values the portfolio and publishes the Trust's NAV as at 30 June and 31 December. Each month, following these valuations, the NAV figure is published after adjustment for realisations and movements in foreign exchange and the market prices of any listed securities.

The Trust's shares trade on the London Stock Exchange at prices that are independent of the Trust's NAV but reflect the NAV and expectations of future changes in it. The shares have traded at a discount to the NAV and, at times, at a premium to it. The Board has not attempted to manage any discount through repurchase of shares, which it believes usually has only temporary effect. The Board believes that discounts to NAV are minimised through consistent long-term returns, transparent reporting, rigorous valuation and avoidance of risk at Trust level.

Dividends

The Board does not structure the Trust's balance sheet or underlying investments in order to deliver any target level of dividend. To maintain the Trust's status as an investment trust, annual net revenue return retained, after dividend distributions in respect of that financial year, may not exceed 15% of the annual total taxable income. The level of the net revenue return varies from year to year according to the level of the Trust's liquid funds and the short-term interest rates that can be earned on them, and the structure of the buyouts held at the time; net revenue return is also affected by the valuation of accrued but unpaid interest on loans to investee companies. Accordingly, dividends may vary from year to year. Where possible, the Trust has elected to 'stream' its income from interest-bearing investments as dividends that will be taxed in the hands of shareholders as interest income; this reduces the tax charge payable by the Trust.

THE MANAGER

HgCapital is a private equity investor focused on the European mid-market.

Its business model combines sector-specific thematic investing with dedicated portfolio management support. HgCapital invests primarily in growth companies in expanding sectors via leveraged buyouts and in renewable energy-generating projects across Europe.

HgCapital's vision is to be the most sought after private equity manager in Europe, being a partner of choice for management teams and renewable power developers, so as to produce consistent top quartile returns for its clients and a rewarding environment for its staff.

References in this annual report and accounts to the 'portfolio', 'investments', 'companies' or 'businesses', refer to a number of primary buyout investments, held indirectly by the Trust through its direct investments in fund limited partnerships (HGT LP, HGT 6 LP and HgCapital Mercury D LP) of which the Trust is the sole limited partner, direct investments in secondary buyout investments in HgCapital's Hg6 fund through HgCapital 6 E LP ('Hg6E'), in which the Trust is a limited partner, and direct investments in renewable energy fund limited partnerships (Hg Renewable Power Partners LP ('RPP1') and HgCapital Renewable Power Partners 2 C LP ('RPP2')), of which the Trust is a limited partner.

INTRODUCTION TO THE MANAGER

HgCapital began life as Mercury Private Equity (MPE), the private equity arm of Mercury Asset Management plc, a long-established, listed, UK-based asset management firm. Mercury was bought by Merrill Lynch in 1997 and, in December 2000, MPE negotiated its independence as HgCapital and became a fully independent firm, wholly owned by its partners.

HgCapital has progressively invested in and strengthened its business over the years to establish a significant competitive advantage.

With over 100 employees in two investment offices in the UK and Germany, HgCapital has assets under management of £3.7 billion serving a range of highly regarded institutional investors, including private and public pension funds, charitable endowments, insurance companies and family offices.

HgCapital's largest client is HgCapital Trust plc. Established in 1989, the Trust appointed HgCapital as its Investment Manager in 1994. It offers investors a liquid investment vehicle, through which they can obtain an exposure to its diversified portfolio of private equity investments with minimal administrative burdens, no long-term lock-up or minimum size of investment, and with the benefit of an independent board.

THEMATIC INVESTMENT

HgCapital's five dedicated sector teams combine the domain knowledge and expertise of a trade buyer – giving them superior credibility and the ability to make quick decisions, with the flexibility of a financial investor – leading to high conversion rates on deals it likes.

This deep sector focus is channelled through a rigorous research-based approach and disciplined thematic investment processes, through which the most attractive segments of the European mid-market can be systematically identified and then repeatedly invested in, optimising deal flow and improving returns.

Following each investment HgCapital's specialist portfolio management team works to protect and enhance value, driving clear strategies for growth, and managing a realisation that adds further value.

With substantial resources, and a structure that focuses on delivering value, HgCapital has the tools and ability to succeed consistently.

THE MANAGER'S STRATEGY AND TACTICS

Middle-market focus

HgCapital primarily focuses on middle-market buyouts with enterprise values of between £50 million and £500 million, lower mid-market buyouts in the TMT sector between £20 million and £80 million and renewable power generating projects using proven technologies. This market offers a high volume of companies with proven financial performance and defensible market positions.

These companies are small enough to provide opportunities for operational improvement, yet large enough to attract quality management and to offer multiple exit options across market cycles.

European focus

HgCapital primarily focuses its buyout investments in the UK, Germany and the Nordic Region, as well as Switzerland, Italy and Benelux.

The renewable energy investments are focused on the British Isles, the Nordic region and Spain.

All investments are managed by specialist, dedicated sector and portfolio management teams located in London and Munich who work with a common purpose and culture, applying consistent processes.

Clear investment criteria

HgCapital applies a rigorous and commercial investment approach when evaluating all investment opportunities. Its objective is to complete the most attractive investments rather than be constrained by a top-down asset allocation.

For buyouts, HgCapital seeks industry champions with predictable revenues, which offer a platform for growing market share or have the potential for significant performance improvement. HgCapital targets situations where the Manager's specialist knowledge and skills can make a real difference in supporting management to grow industry champions.

Broad coverage

HgCapital's dedicated sector teams provide investors with access to the substantial majority of private equity activity within their target size range and across their chosen geographies.

A full description of the Manager and its key staff is available on www.hgcapital.com

Active portfolio management

HgCapital's sole objective is to ensure that all businesses in which it invests maximise their long-term potential and reward all of their stakeholders. As a result, HgCapital typically invests as the lead, majority shareholder and appoints HgCapital executives to the companies' boards to assist each firm in applying active, results-oriented corporate governance.

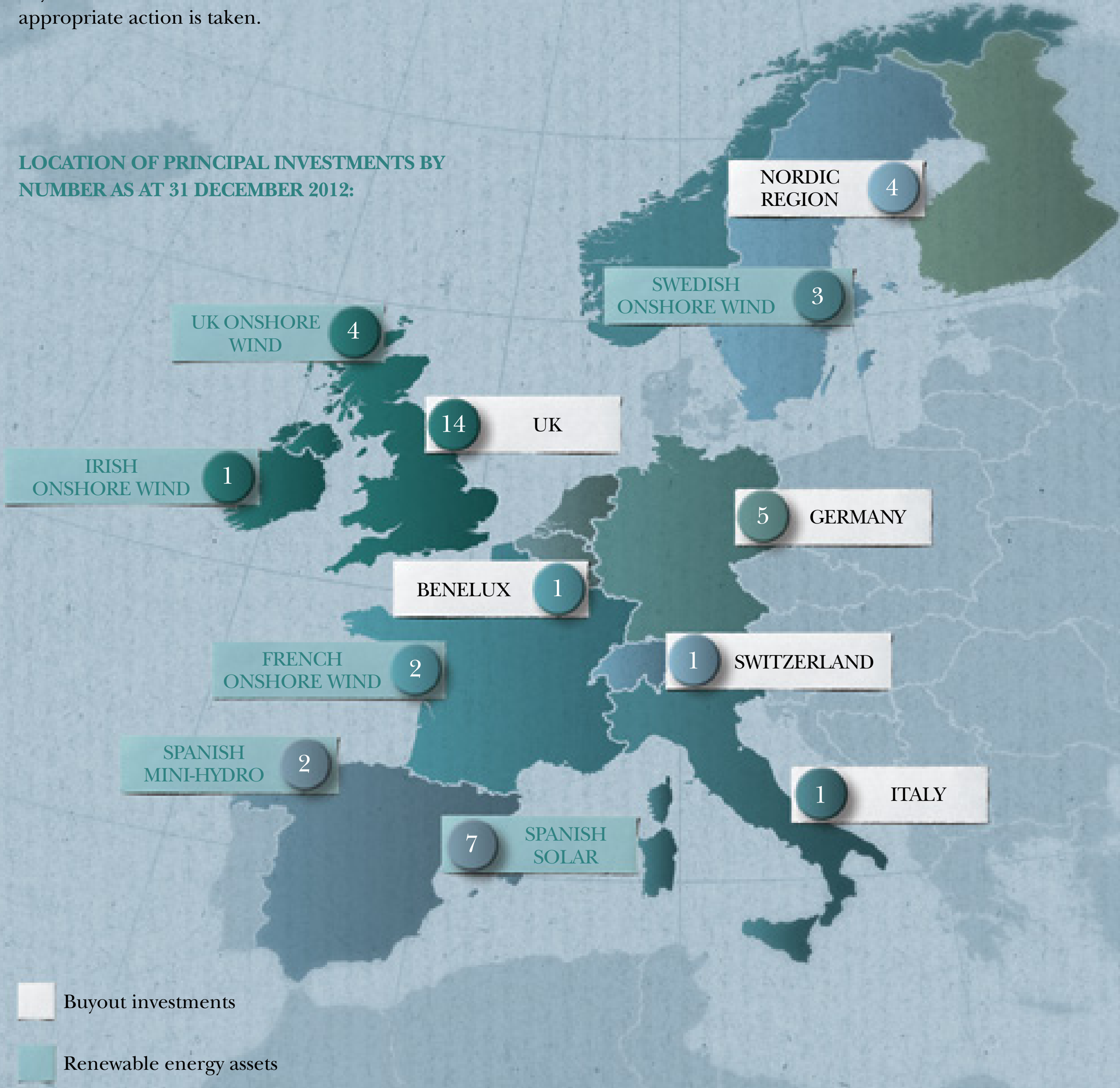
HgCapital professionals support the management of its portfolio companies to develop, execute and monitor value enhancement strategies for each business. Accordingly, HgCapital is in a position to review the performance of all of its investments, identify quickly any issues that demand attention and ensure that appropriate action is taken.

Deep resources

HgCapital's practice of employing specialisation – both in investment selection and portfolio management – places significant demands on its time. Accordingly, it has built a deeply resourced business employing over 100 staff, including more than 60 investment professionals.

Investing in businesses, many of which have a global footprint and which are located across Europe, requires time and, of course, a deep understanding of local cultures. Accordingly, its people come from around the globe, including ten Western European countries. Its partners have, on average, 15 years' experience in private equity management.

LOCATION OF PRINCIPAL INVESTMENTS BY NUMBER AS AT 31 DECEMBER 2012:



Healthcare

Growth in the European Healthcare sector is driven by ageing populations and technological change. The Healthcare team is attracted to specific segments of the sector and to platforms that have convincing growth potential, often through the roll-out of a proven model or roll-up of a fragmented market within a region.

HgCapital's primary investment themes include acute, long-term care facilities and specialty pharmaceuticals. HgCapital seeks to partner with firms and management teams which provide outstanding levels of care as, ultimately, this is the key driver of growth. Long-term high-acuity care companies are typically cash flow generative, allowing for reinvestment in growth and bolt-on acquisitions, where smaller homes can be acquired and both the quality of care and performance can improve through integration.

The team continually examines other segments of the market for its target themes and other attractive sub-sectors. For example, certain niches of the specialty pharmaceuticals segment enjoy high margins and cash conversion rates, and the potential for product roll-up, enabling strong growth. An example of this can be found in the case study of Mercury Pharma on page 19.

HgCapital's experienced, dedicated Healthcare team is well placed to identify, assess and complete investments quickly and thoroughly. It works with companies' existing management teams towards delivering organic growth, rather than financial engineering, and aims to interact with management with the sector knowledge of an industry investor.

Industrials

HgCapital's Industrials Team is focused on partnering with growth businesses in particular in the German market, which is characterized by a large number of highly successful, family-owned businesses (the "Mittelstand"). HgCapital has earned a reputation as a preferred partner for many Mittelstand companies, as a result of supporting the management of a number of these hidden champions to scale into international businesses.

The German industrial market benefits from proven expertise and high levels of international demand for German precision-engineering, smart electronics, automotive, chemical and industrial automation. The Industrials Team, based in Munich, is located in the heart of an economic zone containing many high-quality, cutting-edge, technology-led industrial businesses, many of which have strong national or international positions in specific niche markets, with the opportunity to scale further.

The thematic research within this sector has focused over many years on the characteristics that define the strongest industrial production and distribution businesses and on the potential opportunities and challenges that will impact these businesses as they grow. As a result, the team focuses on investing in the following industrial sub-sectors: specialised engineering or distribution, industrial electronics, automotive suppliers and specialist consumer product design and manufacture.

Services

The Services sector is a large and wide-ranging segment which is traditionally split into 'horizontal' business models such as business process outsourcing, facilities management, or testing and inspection provision. In contrast, HgCapital's Services Team's thematic investment thinking focuses much more on specific end-markets or customer segments, which we think lead to attractive business model characteristics. We have then invested time to develop a strong understanding of the industry dynamics through top-down research or existing investments, identifying service companies that sell into those specific end markets.

Within the Services sector, attractive themes have typically featured large fragmented SME customer bases, long-term and stable customer relationships, and businesses which provide business-critical services, preferably on a recurrent basis. The team targets businesses that are leaders in their field within a niche, typically reflected by strong margins, and it aims to grow these businesses, either organically within existing markets or through acquisitions.

Existing investments include companies that serve a range of industries from trust and fiduciary services to commercial laundry equipment distribution, but all have in common a number of characteristics including strong, stable and diverse customer bases and critical, repeated use products.

TMT

TMT as a sector covers a broad range of markets. Driven by its thematic approach, HgCapital's TMT team is focused on specific sub-sectors including vertical market application software, private electronic marketplaces, B2B media information/publishing and telecoms/datacentre operators. Within these sub-sectors, it has invested in high quality market leaders with diverse customer bases, and which feature subscription-based business models generating predictable revenues and cash flows. The team regularly conducts top-down thematic research within the wider sector, to continue to identify and assess further repeatable investment themes where it can invest time to develop proprietary expertise.

HgCapital's well-resourced, dedicated team means that it is well placed to identify, assess and complete investments quickly and thoroughly. The team works to bring its experience and expertise to support management teams, aiming to have the knowledge of a trade buyer coupled with the speed and focused delivery of a financial buyer. The team benefits from the depth and breadth of many years of TMT private equity experience, and is complemented by an extensive network of industry experts and advisors.

Renewable Energy

In 2004, HgCapital established a dedicated renewable energy investment team, which raised its first dedicated fund in 2006, following two years of deep sector research. The team invests in utility-scale renewable energy projects in Western Europe using proven technologies such as onshore wind, solar and hydro, adopting an infrastructure fund investment approach. The team focuses on control investments and creates industrial scale renewable energy platforms, seeking to aggregate a number of like assets and to deliver economies of scale. The renewable energy market is the fastest growing generation segment in Europe.

We believe it presents an attractive investment opportunity, which is estimated to require significant capital investment over the medium term. Technological advances and the increased scale of the industry have increased the cost competitiveness of renewable energy, which also provides favourable inflation linkage and a hedge against fossil fuel costs. In response to these market drivers, HgCapital's renewable energy investment theme is to focus on the most efficient technologies and best resourced sites, requiring the least regulatory support and resulting in the lowest cost for the consumer.

Investment is at an industrial scale to reduce intrinsic costs and create strategic value. HgCapital is one of the leading owners of onshore wind farms in Scandinavia, and is known as one of the largest financial investors in UK onshore wind. Its dedicated team benefits from seven full time investment professionals and six support personnel.

MercuryPharma

Website:	www.mercurypharma.com
Sector:	Healthcare
Geography:	UK

Business description

Mercury Pharma is a niche pharmaceutical company based in the UK. It distributes niche branded original and non-branded generic medicines. Although the product portfolio is well diversified, the company has particular strength in pain relief products and hospital supply.

It is primarily focused on serving the UK, where demand for its products benefits from attempts to reduce prescription costs. The principal growth drivers are the life-cycle management of its existing drugs as well as the targeted development, in-licensing or acquisition of further products.

The deal

The Healthcare Team had been looking for an attractively positioned niche pharmaceuticals business for three years:

- Mercury Pharma was actively monitored as part of this deal sourcing effort.
- Management had been planning to take the business private and chose HgCapital as their partner, based on HgCapital's track record in healthcare and in P2P transactions.

The investment case

Mercury Pharma was a diversified business with interests in pharmaceuticals, over-the-counter products, property, and a call centre. Although underinvested, its core pharmaceutical business had good growth prospects, and demonstrated strong cash generation and high margins supported by an outsourced production model. It had low marketing costs and a company-operated back office in India.

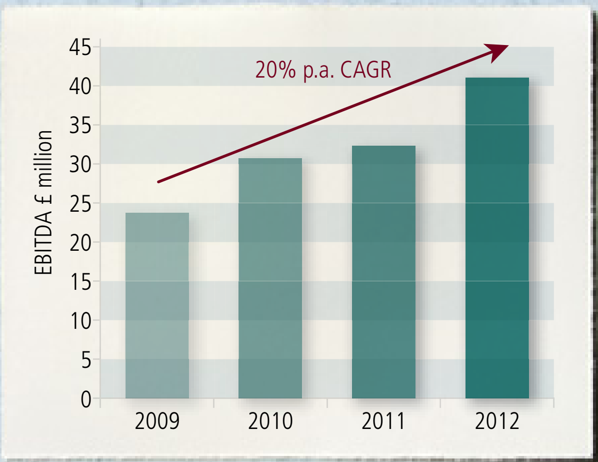
The investment case focused on three pillars: to sell all non-core businesses and re-focus the company on its pharmaceutical core; to increase overall investment into improving supply chain and regulatory processes; and to invest in business development, thereby accelerating organic revenue growth.

"The Mercury Pharma story is one of success all round – for staff, management and investors. This was in no small part down to the positive attitude and support given to us by our HgCapital friends during our time together.

They provided practical advice and support that really helped the company perform both on our day to day activities and on exit."

John Beighton
CEO of Mercury Pharma

Financial performance



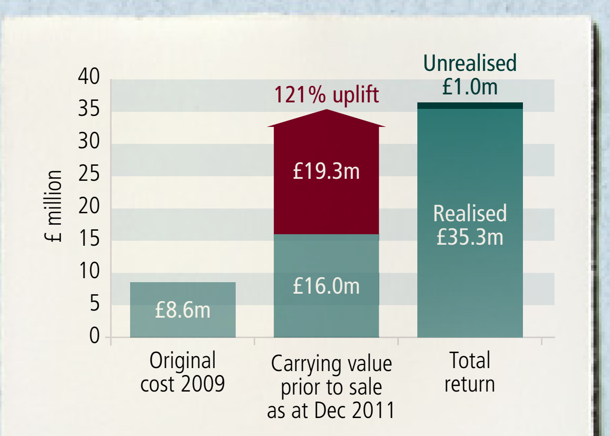
How HgCapital supported Mercury Pharma

HgCapital first strengthened the management team to execute the investment strategy. A new Chairman, CEO and heads of Business Development and Operations were recruited.

With the team in place, the plan to create a focused pharmaceutical business began. The consumer health division as well as other ancillary businesses were divested, in line with HgCapital's investment strategy. At the same time, investment was injected into both quality and business development which left a more successful pharmaceutical business to pursue higher revenue growth via in-licensing opportunities and international expansion, with supply chain efficiency gains and procurement savings.

Performance improvement

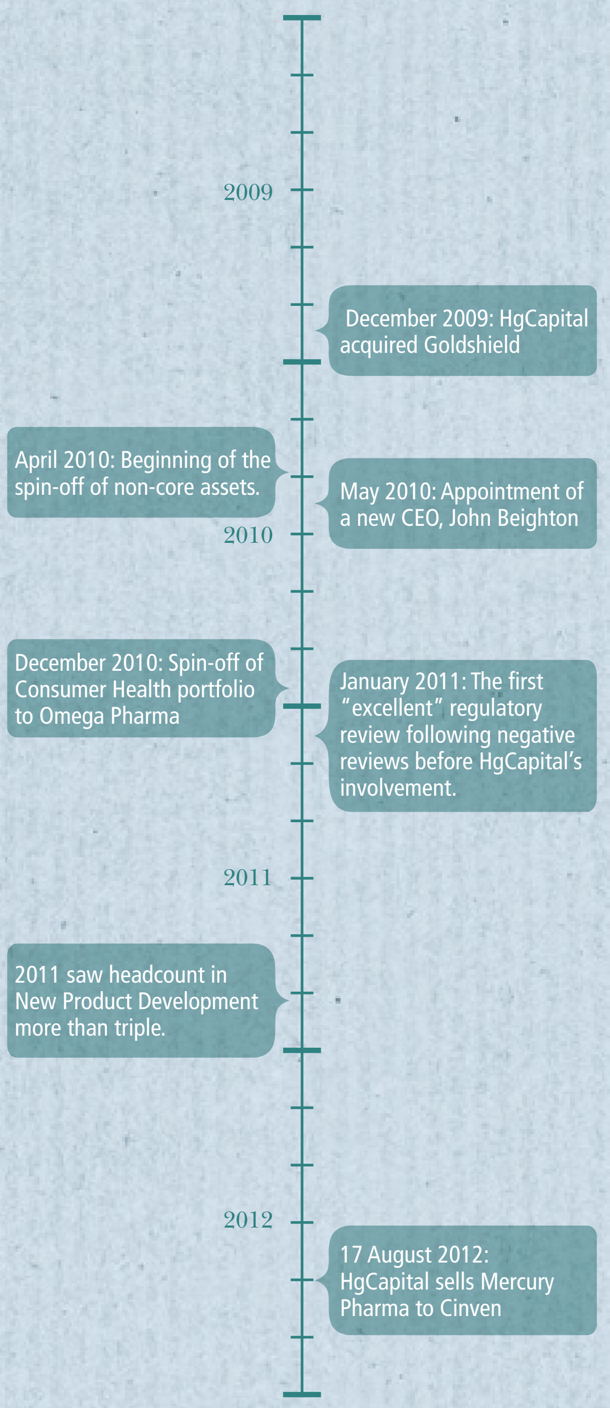
The business performed strongly during HgCapital's ownership period, consistently ahead of investment case, nearly doubling EBITDA on an organic basis.



Investment return multiple of cost: 4.2x

The numbers in the table relate to the Trust's share of transactions

TIME LINE



The exit

In August 2012, HgCapital sold Mercury Pharma to Cinven, a private equity investor, for £465 million.

The initial proceeds and residual value from the sale represent an investment multiple of 4.2x (which could increase to 4.3x once all further potential proceeds have been received) and a gross IRR of 67% p.a. over the investment period.

Summary

In 2012 the Trust's diluted NAV per share increased by 15.3% on a total return basis and the total share price total return saw an increase of 5.8%.

2012 has been a relatively quiet year for investment; we have deployed £136.2 million (£20.6 million for the Trust) on behalf of clients in three new investments.

New investments were made in Qundis, a provider of sub-metering devices and systems in Germany; Valueworks, a B2B electronic marketplace, which was the first investment made by the HgCapital Mercury Fund; and our Services team has completed four small acquisitions in the UK automotive after-market car parts distributor sector as part of a roll-up of businesses in this industry.

In addition to these acquisitions, further investments into our existing portfolio on behalf of the Trust totalled £17 million, bringing the total investment made by the Trust in the year to £37.6 million.

During the year, we have returned £572.2 million to clients, including £80.2 million to the Trust. The two buyout realisations were each at a significant uplift to the December 2011 carrying value and demonstrated the benefits of acquiring premium quality companies which are attractive to a range of suitors in any economic environment, owing to their superior financial return characteristics, their defensibility, exemplified by growth through the last three years' recession, and their strategic positions as champions in their respective sectors.

The first of these exits was in July with the sale of SHL, the global leader in talent management, which produced cash proceeds of £27.0 million for the Trust. The sale of Mercury Pharma in August contributed £35.3 million in cash for the Trust. In addition to these buyout realisations, RPP1's UK Onshore Wind operating portfolio was sold to the asset management arm of Munich Re, MEAG, with proceeds from the sale returning £5.3 million to the Trust.

Our top 20 investments, which represent 87% of the portfolio value, continued to grow solidly during the year, recording average growth in revenue and EBITDA of 9% and 6% respectively. Our renewable power generating assets, which represent 6% of the portfolio value, generated cash, repaid debt and recorded growing earnings.

At the year-end, the Trust had available liquid resources (including a debt facility of £40 million) of £155.8 million. Outstanding commitments to HgCapital funds amounted to £162.2 million.

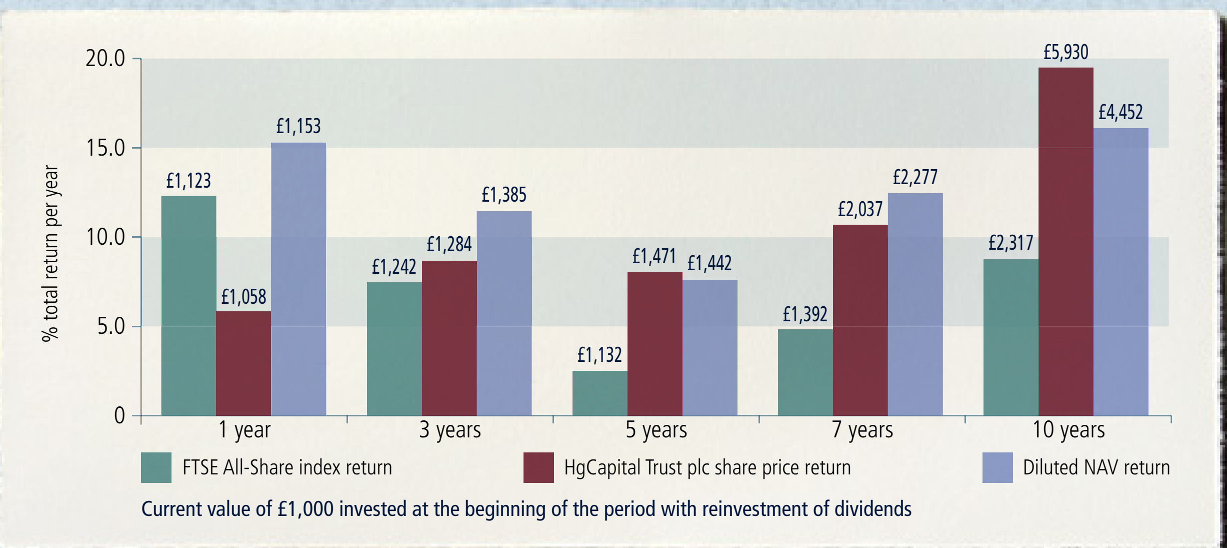
The Trust's performance to 31 December 2012

It is our belief that listed private equity funds are better measured over periods of three, five and ten years, consistent with the long-term nature of private equity investment in generating returns for clients.

Over three years, the share price of the Trust (on a total return basis) has out-performed the FTSE All-Share Index by 1.2% p.a., over five years by 5.5% p.a., and over ten years by 10.7% p.a., net of all costs. £1,000 invested in December 2002 would be worth £2,317 in December 2012 if invested in the FTSE All-Share Index and £5,930 if invested in the Trust. As for 2012, the total return to shareholders was 5.8%, which compared with 12.3% for the FTSE All-Share Index.

The growth in NAV per share is a lead indicator and driver of share price performance over the long run; during the year it rose by 15.3% (total return on a diluted basis). Gains made during the year were driven by a combination of realisations delivering cash proceeds significantly in excess of the 31 December 2011 book value and unrealised gains in the current portfolio as profits and ratings have both moved higher.

TOTAL RETURN SHARE PRICE AND NAV RETURN* PERFORMANCE AGAINST THE FTSE ALL-SHARE INDEX



*Total return assumes all dividends have been reinvested.

Trading performance

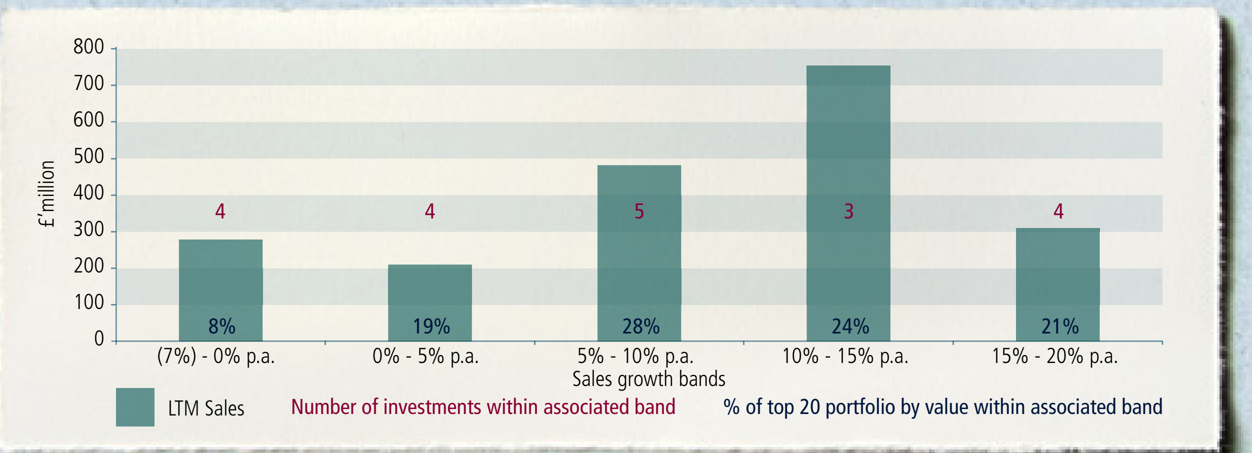
Notwithstanding the economic weakness that took a tighter grip on Europe and the UK with continued sluggish growth, the top 20 buyouts (which represent 87% of the total portfolio value) have delivered aggregate sales and EBITDA growth of 9% and 6% respectively over the year to 31 December 2012.

The graphs below show the revenues and earnings growth for the last twelve months for the top 20 buyout portfolio companies, expressed in bands. Of these, seven (45% by value) increased sales by greater than 10%, with only four companies (8% by value) reporting a decline in year-on-year sales. Seven out of the 20 companies (44% by value) increased EBITDA by more than 10%. Companies that continue to see consistently good growth year-on-year include Visma, ATC, Achilles and Epyx. Others that have seen strong growth in the last twelve months include JLA, Manx Telecom and Atlas.

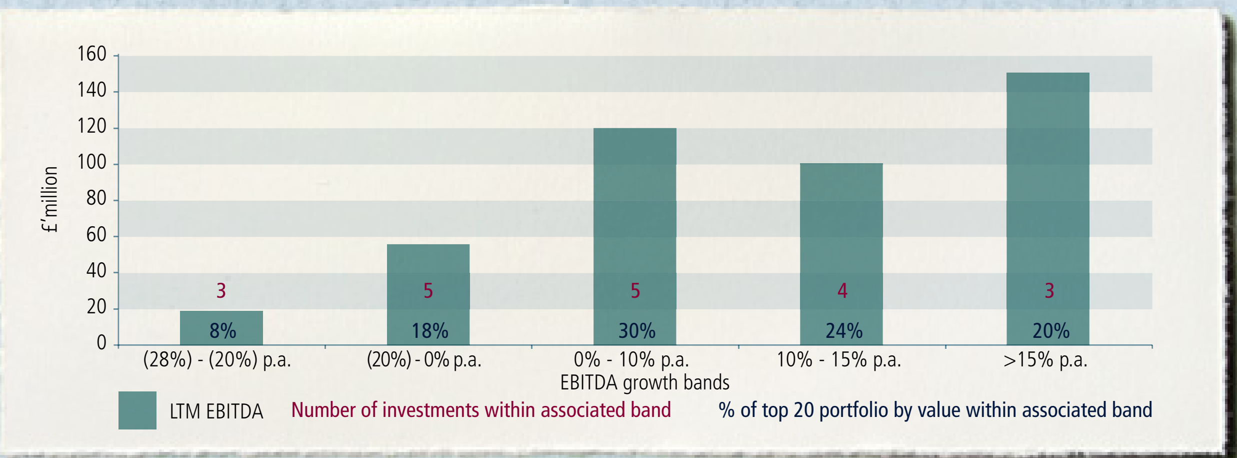
Of the top 20 investments, eight (26% by value) have reported a decline in EBITDA year-on-year. For some of the investments, this decline in profit is explained by their direct exposure to a weakening consumer sector, such as Teufel and Schleich. Other companies, such as NetNames, SimonsVoss and Sporting Index have seen profits temporarily depressed as they continue to invest in longer term growth initiatives, such as marketing, product innovation or international expansion.

Our portfolio companies are exposed to appropriate levels of gearing (see page 23). The average gearing in the top 20 is 3.7x LTM EBITDA. A number of the businesses have highly predictable earnings and free cash flows (Visma, ISG and TeamSystem), enabling us to use debt to gear our returns. Others are now under-geared (Achilles, Epyx, ATC and Manx Telecom) and have the financial flexibility to make acquisitions, expand more aggressively or to refinance and return capital. Since the year-end, we have taken advantage of a buoyant European bond market by refinancing the bank debt in Voyage through the issuance of £272 million of public market bonds. The benefit of this has been to reduce the company's debt servicing cost and provide access to funds in order to continue the bolt-on strategy initiated by the purchase of Solor Care last year.

TOP 20 LAST TWELVE MONTHS ('LTM') SALES GROWTH
Exposure to £2.0 billion of sales that have grown on average at 9% over the last 12 months to December 2012



TOP 20 LAST TWELVE MONTHS ('LTM') PROFIT GROWTH
Exposure to £447 million of EBITDA that have grown on average at 6% over the last 12 months to December 2012



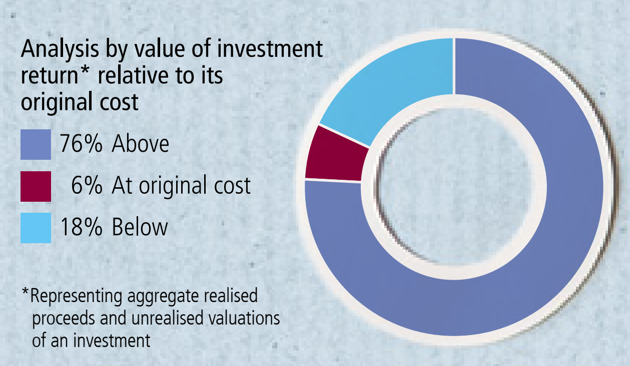
Valuation and Concentration Analysis

The portfolio is valued consistently from year to year, applying the IPEV Valuation Guidelines. Our valuation of each company has produced an average EBITDA multiple for the top 20 buyout investments of 10.8x.

We take a considered approach in determining the level of maintainable earnings to use in each investment valuation, reflecting the growth characteristics of the portfolio. We use LTM EBITDA for each company where we are confident that they will continue to see growth going forwards. Where we anticipate future earnings for companies to be below the LTM levels we have used the lower forecast figure.

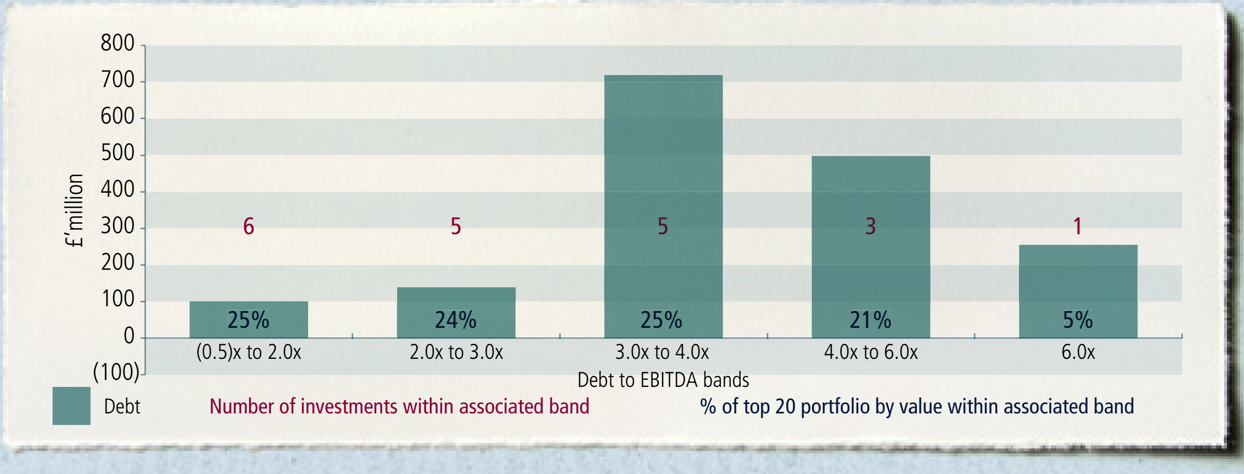
In selecting an appropriate multiple to apply to the company's earnings, we look for a basket of comparable companies primarily from the quoted sector, but where relevant, we will also use private M&A data.

During the course of the year, strong profit growth and cash generation in a number of businesses within the portfolio has led to an increase in their value, most notably Atlas, Manx Telecom, Visma, JLA and ATC.

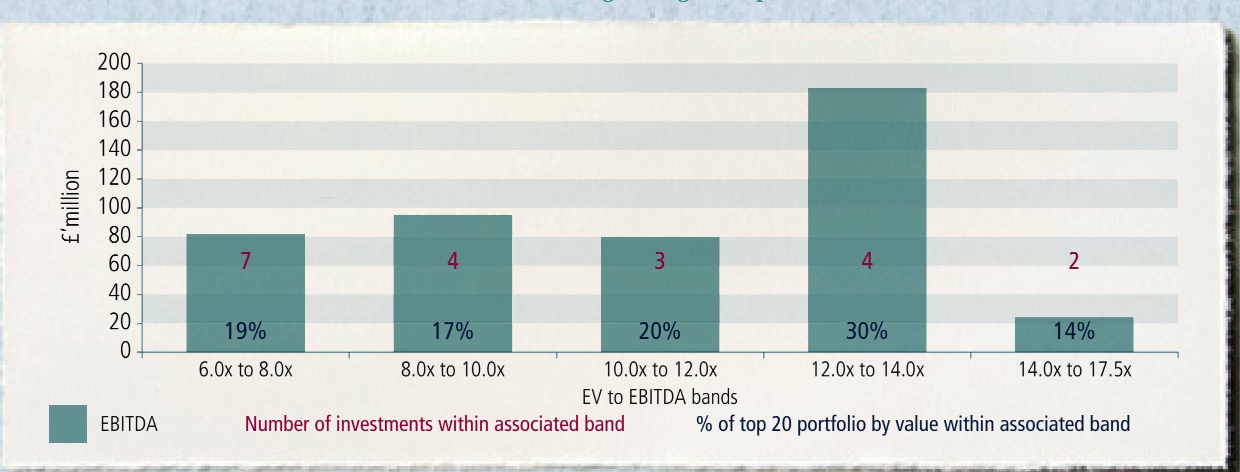


In companies such as SimonsVoss, NetNames and Sporting Index, planned expenditure, designed to grow earnings in subsequent years, has depressed profits and valuations. Weak consumer demand continues to affect earnings negatively at Teufel and Schleich. Those assets exposed to the public sector, including Voyage and Frösunda continue to experience margin pressure.

TOP 20 DEBT TO EBITDA RATIO – Average debt ratio of the top 20 buyout investments of 3.7x



TOP 20 EV TO EBITDA VALUATION MULTIPLE – Average ratings multiple of 10.8x

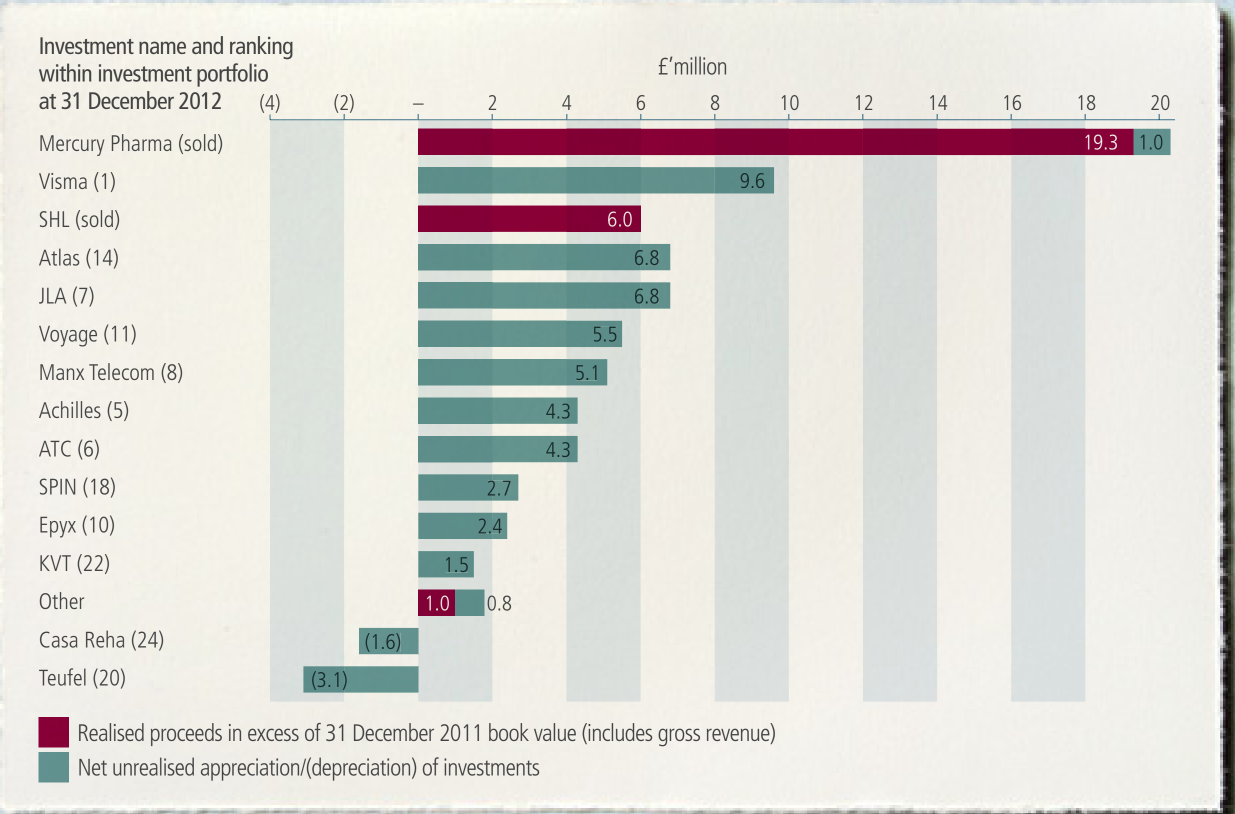


Balance sheet

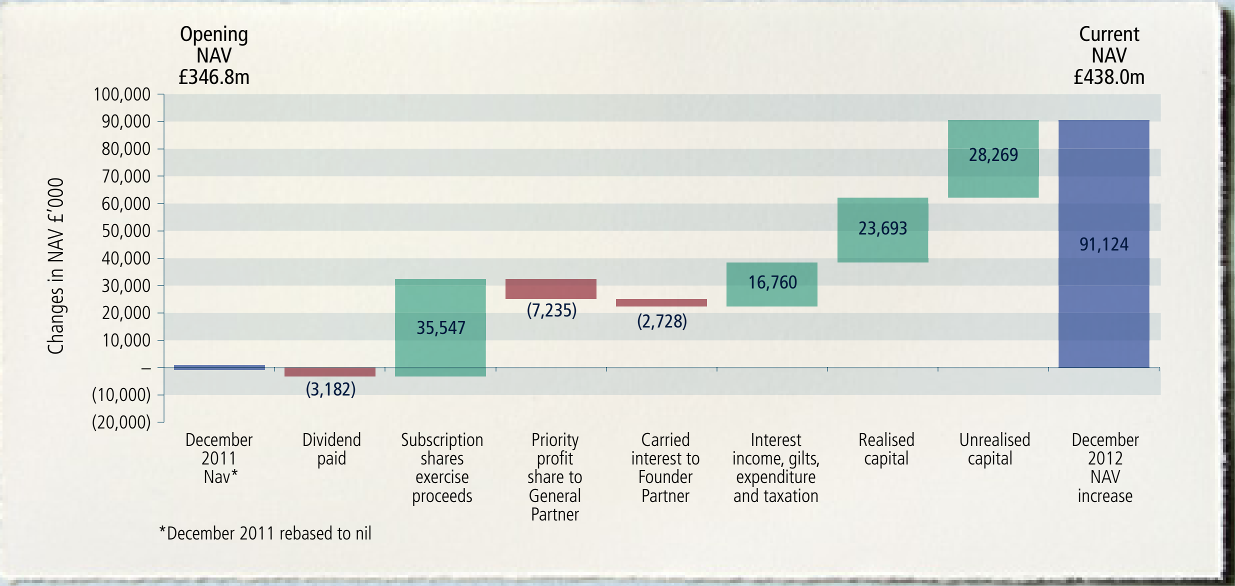
Over the course of 2012, the NAV of the Trust increased by £91.1 million (26%), from £346.8 million to £438.0 million at the year end. The increases in the investment portfolio were supported in November 2012 by the exercise of over 3.7 million subscription shares, raising £35.5 million.

Attribution analysis of current year movements in NAV	Revenue return	Capital return	Total return
Opening net asset value as at 1 January 2012	10,017	336,815	346,832
Dividends paid	(3,182)	–	(3,182)
Proceeds from exercise of subscription shares	–	35,547	35,547
Gross revenue from investment portfolio	20,447	–	20,447
Net realised and unrealised losses from liquid resources	(195)	(290)	(485)
Realised capital proceeds from investment portfolio in excess of 31 December 2011 book value	–	23,693	23,693
Net unrealised capital appreciation of investment portfolio	–	28,269	28,269
Expenditure and taxation	(3,202)	–	(3,202)
Investment management costs:			
Priority profit share - current year charge	(7,235)	–	(7,235)
Priority profit share - net loan allocation	583	(583)	–
Carried interest	–	(2,728)	(2,728)
Closing NAV as at 31 December 2012	**17,233**	**420,723**	**437,956**

REALISED AND UNREALISED MOVEMENTS IN INVESTMENT PORTFOLIO (INCLUDING INTEREST) FOR THE YEAR ENDED 31 DECEMBER 2012

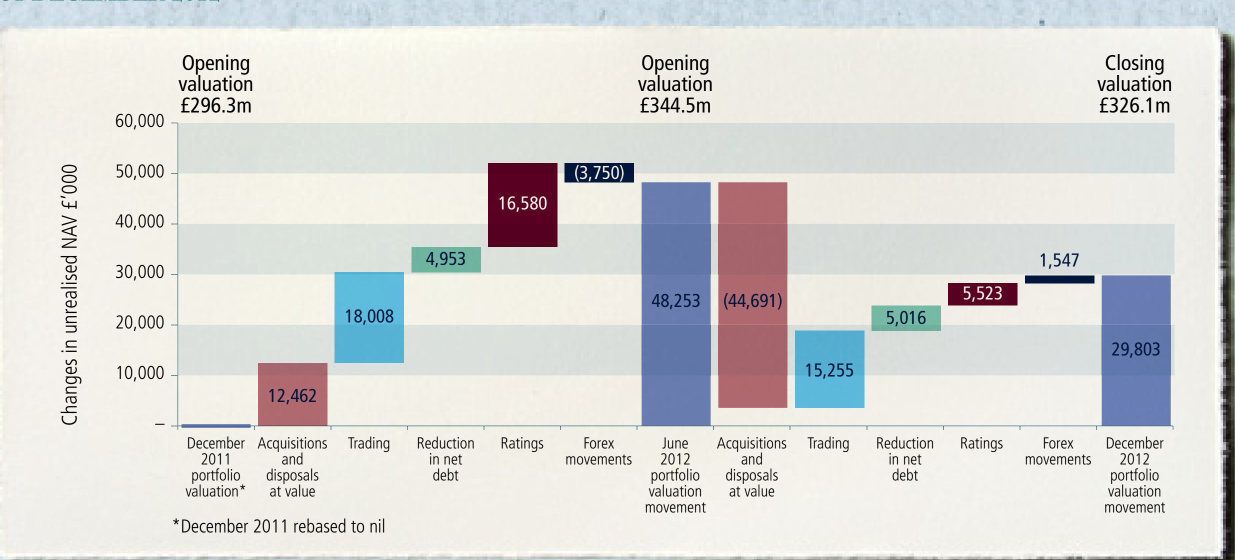


ANALYSIS OF NET ASSET VALUE (NAV) MOVEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012



Over the course of the year, the NAV of the Trust increased by 26% from £346.8 million to £438.0 million. There were a number of underlying factors contributing to the movement in the NAV. Positive impacts on the NAV were: the exercise of 60% of the original subscription shares issued (+£35.5 million); income net of expenses from the underlying portfolio and gilts(+£16.8 million); uplifts on the realisation of investments compared with their carrying value at the start of the year (+£23.7 million); and the movement in value of the unrealised portfolio (+£28.3 million). Reductions in the NAV were caused by: the payment of a dividend to shareholders (-£3.2 million); and the Manager's remuneration (-£9.9 million) for both the annual management of the portfolio (-£7.2 million)and long term performance incentives (-£2.7 million).

ATTRIBUTION ANALYSIS OF UNREALISED MOVEMENTS IN THE INVESTMENT PORTFOLIO (INCLUDING ACCRUED INTEREST MOVEMENT OF £9.2 MILLION) FOR THE YEAR ENDED 31 DECEMBER 2012



During the year, the value of the unrealised portfolio increased by £29.8 million. This change can be attributed primarily to the following factors: profit growth in the underlying portfolio (+£33.3 million); increase in ratings during the year (+£22.1 million); and decrease in debt (+£10.0 million). The portfolio decreased significantly due to the net investment activity (acquisitions at cost, less realisations at their December 2011/June 2012 carrying value) of -£32.2 million, mainly from the realisations of SHL and Mercury Pharma.

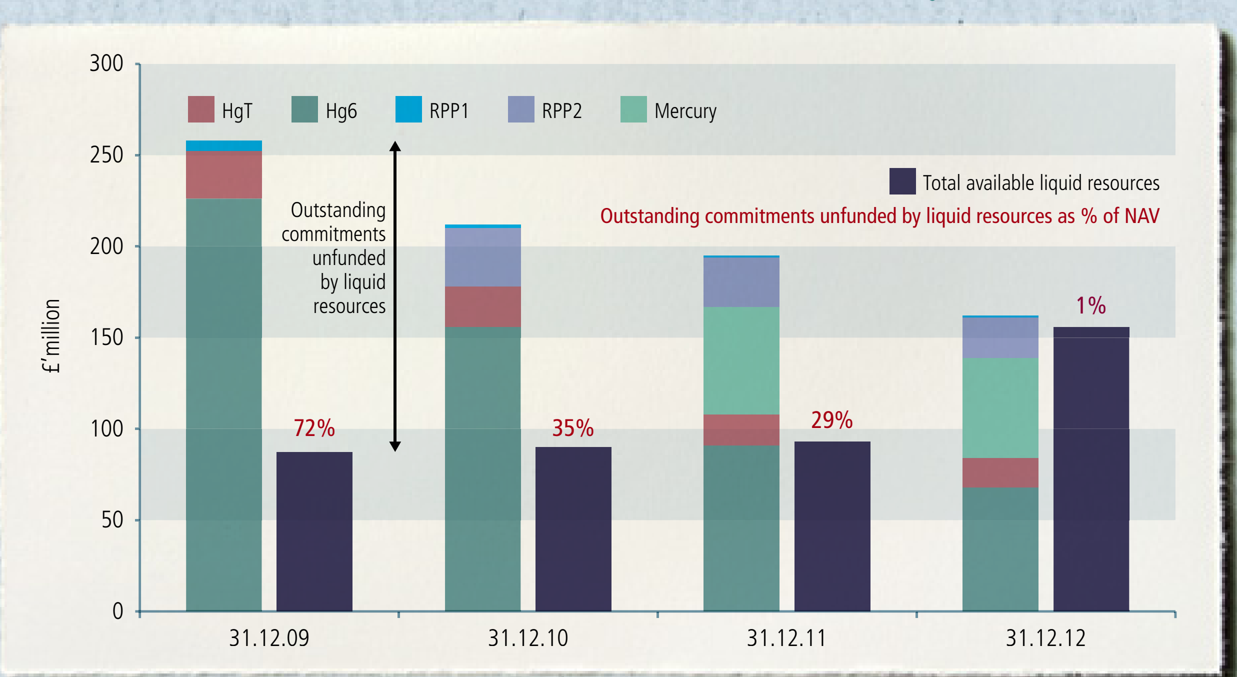
The year ended with available liquid resources totalling £155.8 million (comprising £115.8 million of cash and government securities and a £40.0 million undrawn standby bank facility), which compares with outstanding and undrawn commitments of £162.2 million in the funds as listed below.

OUTSTANDING COMMITMENTS OF THE TRUST

Fund	Vintage	Original commitment £'million	Outstanding commitments as at 31 December 2012 £'million	% of NAV	Outstanding commitments as at 31 December 2011 £'million	% of NAV
HGT 6 LP[1]	2009	285.0	64.5	14.8%	85.9	24.8%
HgCapital Mercury D LP	2011	60.0	55.3	12.6%	59.0	17.0%
HgCapital RPP2 C LP	2010	32.4[3]	22.0	5.1%	27.2	7.8%
HGT LP (Hg5 Vintage)	pre-2009	120.0	15.8	3.6%	17.1	4.9%
HgCapital 6 E LP[2]	2009	15.0	3.6	0.8%	4.7	1.4%
RPP LP	2006	17.6[4]	1.0	0.2%	1.2	0.3%
Total outstanding commitments			162.2	37.1%	195.1	56.2%
Liquid resources			115.8	26.5%	53.5	15.4%
Bank facility			40.0	9.1%	40.0	11.5%
Total available liquid resources			155.8	35.6%	93.5	26.9%
Net outstanding commitments less available liquid resources			**6.4**	**1.5%**	**101.6**	**29.3%**

[1] HgCapital Trust plc has the benefit of an investment opt-out provision in its commitment to invest alongside HgCapital 6, so that it can opt out of a new investment without penalty should it not have the cash available to invest.
[2] Partnership interest acquired during 2011. [3] Sterling equivalent of €40.0 million. [4] Sterling equivalent of €21.6 million.

OUTSTANDING COMMITMENTS BY FUND VINTAGE AND TOTAL AVAILABLE LIQUID RESOURCES



INVESTMENT PORTFOLIO OF THE TRUST

	Fund limited partnerships	Location	Vintage year	Residual cost £'000	Total valuation £'000	Portfolio value %
	Primary mid-cap buyout funds					
1	HGT 6 LP	Europe	2009	189,301	199,692	61.2%
2	HGT LP	Europe	pre-2009	71,592	93,730	28.8%
	Total primary mid-cap buyout funds			260,893	293,422	90.0%
	Secondary mid-cap buyout funds					
3	HgCapital 6 E LP	Europe	2009	9,503	10,434	3.2%
	Total secondary mid-cap buyout funds			9,503	10,434	3.2%
	Primary small-cap buyout funds					
4	HgCapital Mercury D LP	Europe	2011	2,390	2,390	0.7%
	Total primary small-cap buyout funds			2,390	2,390	0.7%
	Total buyout funds			272,786	306,246	93.9%
	Renewable energy funds					
5	RPP1 Fund	Europe	2006	10,214	11,335	3.5%
6	RPP2 Fund	Europe	2010	10,821	8,505	2.6%
	Total renewable energy funds			21,035	19,840	6.1%
	Total all investments (6)			**293,821**	**326,086**	**100.0%**

Portfolio of Investments

HgCapital's strategy is to invest in five sectors, four of them (Healthcare, Industrials, Services and TMT) by way of buyouts of businesses. Our primary focus is on middle-market buyouts between £50 million and £500 million and also in lower mid-market buyouts in the TMT sector between £20 million and £80 million. The buyout portfolio currently represents 94% of the portfolio by value at the year end.

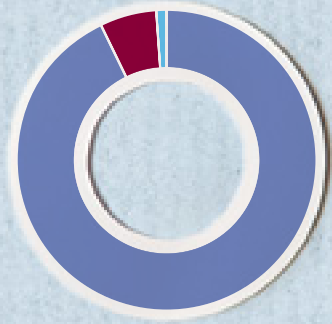
Investment in the fifth sector, renewable power generation (6%), is made into projects through RPP1 and RPP2.

Deal type by value

93% Buyout – mid-cap

6% Renewable Energy

1% Buyout – small-cap



Buyout portfolio

As at 31 December 2012, the Trust's underlying buyout portfolio comprised 32 investments, including a small number of residual interests which were mostly valued at, or close to, zero. This report covers only those companies with value.

TMT represented 58% of the total primary buyout portfolio. The majority of this value was represented by companies that are all users of technology, rather than developers of technology with the associated frequent challenges of new product development. The common themes that run through each one are highly visible revenues, strong market positions and strong cash conversion that permits debt repayment, whilst the businesses expand and grow.

Visma, TeamSystem and ISG are providers of business software and services in the Nordic region, Italy and UK respectively. These businesses benefit from high recurring revenues, a very large and diversified customer base and they continue to expand through a combination of organic growth and acquisitions.

Lumesse, the leading European provider of strategic HR software, continued to see strong demand for its products, leading to outperformance of recurring software revenues. However, a change in product mix and economic circumstances resulted in weaker consulting revenue growth, leading to overall profits being behind prior years.

Achilles and Epyx, two electronic market place investments, continued to see strong profit and revenue growth as well as paying down debt.

NetNames, previously known as Group NBT, is an internet domain name manager and online brand protection service provider. During the year we made a significant investment in the business, principally in strengthening the management team, which contributed to profits being depressed. Over the year, the company disposed of its non-core managed hosting business and also made a small acquisition in the Swedish market.

Manx Telecom is the incumbent integrated fixed and mobile telecom operator on the Isle of Man.
It continues to trade solidly and has generated cash ahead of expectation, reducing its debt each year.

CSH, a software provider to the UK's legal and not-for-profit sectors, is focused on delivering operational improvement.

Services investments represented 17% of the primary buyout portfolio.

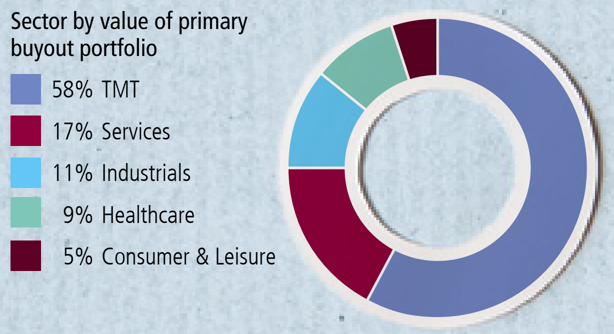
ATC, a Dutch fiduciary services business acquired in early 2011, has consistently delivered a strong trading performance since acquisition with double digit profit growth and strong cash generation.

JLA is a provider of laundry equipment, finance and maintenance. Following a disappointing 2011, the new management team and innovative sales initiatives have led to accelerated growth over the past twelve months, posting both double digit revenue and profit growth for its financial year ending 31 October 2012.

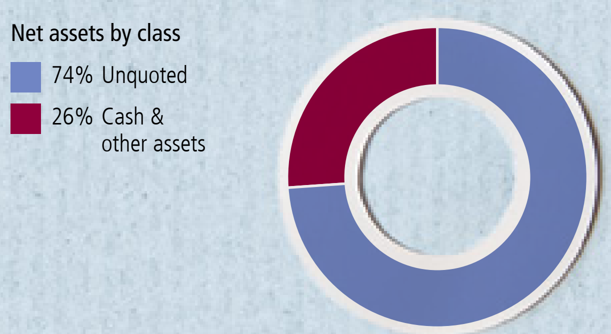
The largest investment within the Services portfolio at the time, SHL, was sold during the year, generating an overall investment return of 3.1x original cost. More details are provided on page 31 of the report.

The Services team have also completed four small acquisitions in the UK automotive after-market car parts distributor sector, as part of a roll-up of businesses in this industry. Further details of these investments can be found on pages 30 and 50 of the report.

Sector by value of primary buyout portfolio



Net assets by class



27

Industrials represented 11% of the primary buyout portfolio. Here, the common theme is that we are backing companies that own and develop high quality products based on technologically advanced German design but manufactured in low cost locations.

Following a strong financial performance in 2011 for SimonsVoss, a German developer and manufacturer of digital battery powered locking and access control systems, 2012 was a year of investment as the company increased its sales-force, invested in a new production site and R&D for new product development.

Teufel is a designer and online direct retailer of loudspeaker systems in Germany. Trading over the last twelve months has been disappointing. A tough trading environment, driven by weak consumer demand has further been hampered by delays in the development and launch of new products.

In May 2012, we completed a new buyout investment in the Industrials sector, with the acquisition of Qundis in Germany. Qundis is a leading provider of sub-metering devices and services. Further details of this new investment can be found on pages 30 and 46 of the report.

Healthcare represented 9% of the primary buyout portfolio. We are currently invested in long-term care where the payer risks are low, with a preference for specialist care of people with acute disabilities.

We own long-term care assets in the UK, Germany, Sweden and Finland. In the UK, the Government's fiscal consolidation translates into a reduction in fees that local authorities and social services will pay for care, and this has resulted in a squeeze on margins. Voyage, which has a more defensible business model, has managed to maintain profits, refinance its debt and make an acquisition of Solor Care at an attractive price. Improved ratings and the positive impact of the acquisition have led to an increase in the book value. In Germany, labour shortages, leading to an increased use of more expensive temporary staff, have increased labour costs and squeezed margins. Whilst Casa Reha has continued to grow revenues through opening new homes, profitability is behind the prior year due to the increases in its cost base. At Frösunda, based in Sweden, a poorly executed acquisition programme in 2011, coinciding with an operational improvement project, damaged margins and revenues. This led us to write down the value of this investment in December 2011. Since then, the business has stabilised and we are working with the new management team to improve performance. Our Finnish investment, Mainio Vire, has traded to plan and four new homes have been opened during the year. The investment continues to be marked down in value as the premium we paid to obtain this platform company has not yet been recouped from expected synergies arising from further acquisitions and organic growth.

During the year, we sold Mercury Pharma generating an overall investment return of 4.2x original cost, including the unrealised value. Further details can be found on page 31 of the report.

Finally, our legacy **Consumer and Leisure** portfolio represented 5% of the primary buyout portfolio. Businesses exposed to the consumer, such as Americana and Schleich, continue to experience a difficult trading environment. Sporting Index, a sports spread betting firm, is trading broadly in line with the prior year.

Renewable energy portfolio

The Trust invests in renewable energy through RPP1 and RPP2, two UK funds managed by our dedicated team of specialists. The underlying portfolios are divided into five platforms: UK Onshore Wind, Nordic Onshore Wind, Irish Wind, Spanish Mini-Hydro and Spanish Solar.

The assets are split into onshore wind at 67% of value, mini-hydro at 13% and solar at 20% of value. All use proven and commercially viable technologies within the framework of current power price regimes across Europe. Each platform's operating performance since inception continues to be in line with our original investment case. The investment case for power generation remains positive as Western Europe faces both a huge need to re-equip its creaking power infrastructure and to reduce its CO_2 emissions.

The Spanish government is conducting a broad regulatory review of its power sector as part of its aim to tackle the shortfall between the power sector costs and what consumers pay. A first set of measures were approved in December 2012, which among other items include a tax equal to 7% of revenues for all generators, affecting all of our Spanish investments, and a further 2.2% on revenues of tax for our small-hydro investments. In January 2013, the government also changed the inflation indexation method for renewable energy prices. Further measures are possible during 2013 as the Spanish authorities complete their power sector review.

In August, HgCapital sold its operating UK onshore wind portfolio to Munich Re, represented by its asset management arm MEAG. The portfolio includes the 21.25MW Tir Mostyn wind farm in North Wales, the 16MW Bagmoor wind farm in Lincolnshire and the 65MW Scout Moor wind farm near Manchester; they have a combined capacity of 102MW. The Trust's original investment in these wind farms was £3.3 million. The sale proceeds and operating cash distributions from the portfolio represented a 2.0x money multiple and an IRR of 20% p.a.

Since the year-end, HgCapital has sold the development assets of the UK onshore wind portfolio, including the developer, Ridgewind, to Blue Energy, the UK-based renewable energy investor and developer.

The Ridgewind portfolio consists of 45MW of projects in late-stage construction, 132MW with planning permission and a significant development pipeline. The sale represented a 1.6x money multiple and an IRR of 15% p.a.

Mercury

In 2011, the Trust made a £60 million commitment to the Manager's new Mercury Fund, specialising in TMT investments with an enterprise value of between £20 million and £80 million. TMT is an area where the Manager has historically made many profitable investments and has now set up a dedicated team focused on this niche.

This fund is intended to target smaller buyouts in the same thematic TMT sub-sectors but with significant incremental resources added to the existing HgCapital sector team. This investment strategy led to the acquisition of Valueworks Limited in October 2012. Valueworks is a B2B electronic marketplace through which around 300 buyers (principally social housing organisations) procure goods and services, primarily relating to social housing planned repair and maintenance. Valueworks represents a continuation of HgCapital's TMT theme of partnering with industry champions in electronic marketplaces and private networks (e.g. Achilles and Epyx).

Geography and vintage analysis

At 31 December 2012, the geographical weighting of the total primary buyout portfolio was split 58% UK, 16% in the Nordic region and 18% in Germany and Benelux. In addition, TeamSystem, which is based in Italy, accounts for about 8% of the primary buyout portfolio value.

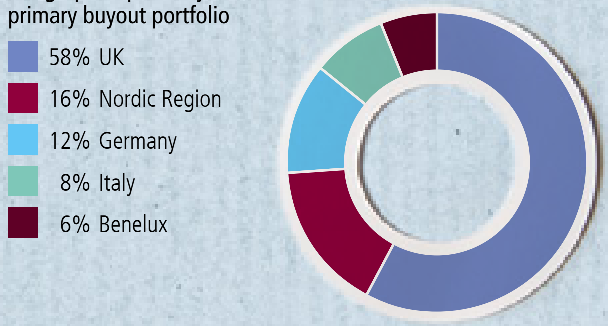
Prospects

The macro-economic environment across Western Europe has weakened again in the last six months, heading downwards from a position which we already regarded as poor across most of the region. We believe that many mid-cap companies are experiencing more difficult trading conditions than macro-economic statistics might imply.

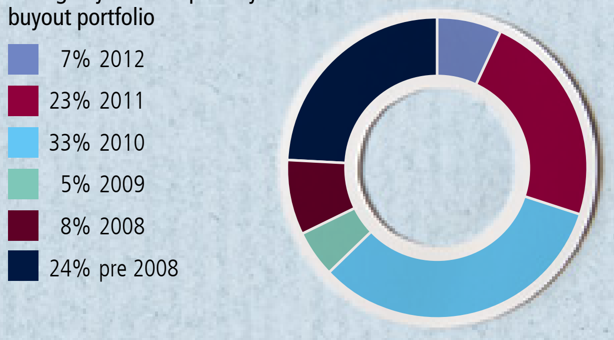
We have consistently reported our cautious view of Western European economic prospects since 2009, assuming minimal levels of GDP growth and high volatility, generally taking a more bearish stance than most economic commentators over the last four years, which has not changed. As a result, whilst the lack of economic growth is disappointing it is not a surprise and it does not fundamentally affect our ability to make good investment returns for our clients.

We continue to believe that macro-economic factors have relatively little bearing on our performance over the medium and long-term. This is because our investment strategy is focused on using deep sector expertise to identify market niches that exhibit strong secular growth despite a weak overall economy and provide consistent opportunities to make multiple investments that benefit from these fundamental growth trends. Our sector expertise, developed over 10-15 years, is used to identify the highest quality, growth companies in market niches which are growing at typically 2-3x GDP, driven by fundamental long-term factors. An example we have often cited is the increasing penetration of internet-based transactions for businesses, a trend we identified many years ago and exploited in several different sectors. Companies such as Visma, ISG, Achilles and Epyx benefit from this and have produced consistent aggregate growth in revenue and profit in excess of 10% p.a. since 2008. Less obvious examples include JLA and ATC; both companies provide business critical services to a fragmented customer base and both deliver strong growth.
We believe that such companies will be more attractive to both trade and financial acquirers when the time comes to realise these investments. Our recent realisations of SHL, Mercury Pharma and part of our UK wind renewables portfolio amply demonstrate this: high quality, growth businesses which were coveted by strategic trade and financial acquirers.

Geographic spread by value of primary buyout portfolio



Vintage by value of primary buyout portfolio



INVESTMENTS

£37.6 million invested by the Trust in 2012

New buyout investments were made with a total enterprise value of £194.0 million, using £136.2 million of equity from our clients, with the Trust's share being £20.6 million.

The acquisition of Qundis was at an enterprise value of €151 million. This required investment of £76.8 million in equity from our clients, with the Trust's share being £11.6 million. Qundis supplies a comprehensive range of sub-metering devices, including heat cost allocators, heat meters and water meters used to measure, collect and transmit consumption-dependent data for heating and water usage on a unit level.

The acquisition of Valueworks Limited, the first investment by the HgCapital Mercury Fund, was at an enterprise value of £20 million. Valueworks is a B2B electronic marketplace for the UK housing construction and maintenance market. This required an investment of £14.8 million from our clients with the Trust's share of this investment being £2.4 million.

Our Services team has completed four small acquisitions in the UK automotive after-market car parts distributor sector, as part of a roll-up of businesses in this industry. The acquisitions of CES, Allparts, S.C. Motor Factors and GMF have combined turnover in excess of £110 million and we will continue to look at further opportunities in this space. To date we have deployed a total of £40 million of client capital, of which the Trust's share is £6.7 million. The individual businesses are now in the process of being integrated.

In addition, £17.0 million of the Trust's capital was invested in existing investments, including £4.0 million to buy out a minority investor in SimonsVoss, £3.6 million in Lumesse as part of a re-financing of the business, and £1.9 million was used to fund the bolt-on acquisition of Solor Care Group by Voyage.

£4.4 million of the above amount was invested into renewable power assets. This included a new investment in a Spanish hydro-electric plant and a further investment into our Nordic Wind platform.

Please also refer to more detailed information on our buyout investments on pages 34 to 55 and on the renewables funds on pages 56 and 57.

INVESTMENTS MADE DURING THE YEAR*

The Trust invested £37.6 million in fund limited partnerships during the year, which funded the investments below on behalf of the Trust

Company	Sector	Geography	Activity	Deal type	Cost £'000
Qundis	Industrials	Germany	Provider of sub-metering devices & systems	Buyout	11,552
Investments in the UK Parts Alliance	Services	UK	After-market car parts distributor	Buyout	6,654
Valueworks	TMT (Mercury)	UK	Electronic marketplace for goods & services procurement	Buyout	2,390
New investments					**20,596**
RPP2 Fund	Renewable energy	Europe	Further capital calls	Fund	4,391
SimonsVoss	Industrials	Germany	Provider of digital radio-based locking and access control systems	Buyout	4,035
Lumesse	TMT	UK	Strategic HR Software	Buyout	3,640
Voyage	Healthcare	UK	Care home operator	Buyout	1,931
HgCapital 6 E	Fund	Europe	Further capital calls	Fund	1,146
SPIN	Consumer & Leisure	UK	Sports spread betting firm	Buyout	938
Casa Reha	Healthcare	Germany	Care home operator	Buyout	694
Other investments					211
Further investments					**16,986**
Total on behalf of the Trust					**37,582**

*The numbers in the table relate to the Trust's share of underlying transactions

REALISATIONS

Full realisations of two buyout investments for £62.4 million for the Trust at a 68% uplift over the December 2011 book value

During the year we returned £572.2 million to clients, with the Trust's share being £80.2 million, primarily from the sale of two buyout investments and the sale of the UK Onshore Wind operating assets.

In July, SHL, the global leader in talent management, was sold to a US trade buyer, The Corporate Executive Board Company, for $660 million. The sale represented an investment multiple of 3.1x original cost and a gross IRR of 26% p.a. over the investment period. The overall proceeds from the sale for the Trust were £27.0 million.

In August, Mercury Pharma was sold to Cinven, a private equity investor, for £465 million. The initial proceeds from the sale realised £35.3 million in cash for the Trust. This, together with the residual value, represented a total return of 4.2x original cost (potentially rising to 4.3x) and a gross IRR of 67% p.a. over the investment period.

RPP1's UK Onshore Wind portfolio was sold to the asset management arm of Munich Re, MEAG, at an investment multiple of 2.0x and a gross IRR of 20% p.a. The proceeds from the sale returned £5.3 million to the Trust with other renewable energy distributions totalling £0.4 million.

In addition, further distributions of £12.1 million were received by the Trust, primarily from the refinancing of Mainio Vire, a leading Finnish care home provider (£3.7 million), the syndication of part of our stake in NetNames (£2.4 million) to a co-investor and the redemption of shareholders' loans from both Epyx and Manx Telecom.

REALISATIONS MADE DURING THE YEAR[1]

The Trust received £80.2 million of capital and income distributions from fund limited partnerships during the year, which resulted from the underlying realisations below

Company	Sector	Exit Route	Cost £'000	Proceeds[2] £'000	Cumulative gain/(loss)[3] £'000	Current year gain/(loss)[4] £'000
Mercury Pharma	Healthcare	Secondary sale	8,545	35,339	26,794	19,331
SHL	Services	Trade sale	7,991	27,036	19,045	5,958
Full realisations			16,536	62,375	45,839	25,289
Hg RPP Fund	Renewable energy	Distribution received	4,968	5,661	693	–
Mainio Vire	Healthcare	Refinancing	4,022	3,682	(340)	(412)
NetNames	TMT	Syndication to co-investor	2,374	2,374	–	–
HgCapital 6 E	Fund	Distribution received	1,730	1,730	–	–
Manx Telecom	TMT	Loan stock capital & interest	1,189	1,496	307	82
Epyx	TMT	Loan stock interest	–	1,029	1,029	–
Other			701	1,841	1,140	1,363
Partial realisations			14,984	17,813	2,829	1,033
Total realisations on behalf of the Trust			**31,520**	**80,188**	**48,668**	**26,322**

[1] The numbers in the table relate to the Trust's share of transactions
[2] Includes gross revenue received during the year ended 31 December 2012
[3] Realised proceeds including gross revenue received, in excess of historic cost
[4] Realised proceeds including gross revenue received, in excess of 31 December 2011 book value

Cash received post-year end

In December 2012, HgCapital agreed to sell the development assets of the UK onshore wind portfolio, including the developer, Ridgewind, to Blue Energy at a 1.6x money multiple and an IRR of 15% p.a. The sale was largely reflected in the 31 December 2012 valuation and, following completion, £2.8 million of cash distributions were received by the Trust with some residual value expected in the future. The Ridgewind portfolio consists of 44MW of wind farms in construction, 34MW fully permitted and ready to start construction and a pre-permitting pipeline in excess of 150MW.

UNDERLYING MID-CAP INVESTMENTS HELD BY THE PRIMARY BUY-OUT FUND LIMITED PARTNERSHIPS

The top 20 primary buyout investments account for 87% of the investments by value

	Investments (in order of value)	Fund	Sector	Location	Year of invest-ment	Residual cost	Total valuation	Portfolio value	Cum. value
	Primary mid-cap buyout investments					£'000	£'000	%	%
1	Visma	HGT LP	TMT	Nordic Region	2006	701	32,718	10.0%	10.0%
2	Iris Software Group	HGT 6 LP	TMT	UK	2011	25,598	25,607	7.9%	17.9%
3	TeamSystem	HGT 6 LP	TMT	Italy	2010	24,432	24,553	7.5%	25.4%
4	Lumesse	HGT 6 LP	TMT	UK	2010	19,430	19,390	6.0%	31.4%
5	Achilles	HGT LP	TMT	UK	2008	5,218	18,678	5.7%	37.1%
6	ATC Group	HGT 6 LP	Services	Benelux	2011	9,913	18,552	5.7%	42.8%
7	JLA	HGT 6 LP	Services	UK	2010	12,227	16,628	5.1%	47.9%
8	Manx Telecom	HGT 6 LP	TMT	UK	2010	9,844	15,108	4.6%	52.5%
9	NetNames	HGT 6 LP	TMT	UK	2011	14,249	14,321	4.4%	56.9%
10	Epyx	HGT 6 LP	TMT	UK	2009	6,388	13,653	4.2%	61.1%
11	Voyage	HGT LP	Healthcare	UK	2006	15,067	13,134	4.0%	65.1%
12	SimonsVoss	HGT 6 LP	Industrials	Germany	2010	11,936	12,438	3.8%	68.9%
13	Qundis	HGT 6 LP	Industrials	Germany	2012	11,552	11,522	3.5%	72.4%
14	Atlas	HGT LP	Services	UK	2007	9,597	8,673	2.7%	75.1%
15	Frösunda	HGT 6 LP	Healthcare	Nordic Region	2010	14,296	7,975	2.5%	77.6%
16	Schleich	HGT LP	C&L[1]	Germany	2006	4,650	7,144	2.2%	79.8%
17	Investments in the Parts Alliance	HGT 6 LP	Services	UK	2012	6,654	6,654	2.0%	81.8%
18	Sporting Index	HGT LP	C&L[1]	UK	2005	7,440	6,445	2.0%	83.8%
19	CSH	HGT 6 LP	TMT	UK	2011	5,058	5,672	1.7%	85.5%
20	Teufel	HGT 6 LP	Industrials	Germany	2010	9,417	3,322	1.0%	86.5%
21	Mainio Vire	HGT 6 LP	Healthcare	Nordic Region	2011	8,307	3,310	1.0%	87.5%
22	KVT	HGT LP	Industrials	Switzerland	2008	5,829	2,103	0.6%	88.1%
23	Mondo Minerals	HGT LP	Industrials	Nordic Region	2007	–	1,536	0.5%	88.6%
24	Casa Reha	HGT LP	Healthcare	Germany	2008	8,990	1,304	0.4%	89.0%
25	Americana	HGT LP	C&L[1]	UK	2007	4,625	1,154	0.4%	89.4%
26	Goldshield[2]	HGT 6 LP	Healthcare	UK	2009	–	987	0.3%	89.7%
27	Tiger Capital	HGT LP	TMT	UK	2008	632	487	0.2%	89.9%
28	Weston Presidio Capital III	HGT LP	Fund	North America	1998	1,042	332	0.1%	90.0%
29	ACT Venture Capital	HGT LP	Fund	Ireland	1994	27	22	–	90.0%
30	Elite	HGT LP	TMT	Benelux	2005	–	–	–	90.0%
31	SHL	HGT LP	Services	UK	2006	–	–	–	90.0%
32	W.E.T.	HGT LP	Industrials	Germany	2003	7,774	–	–	90.0%
	Total primary mid-cap buyout investments (32)					**260,893**	**293,422**	**90.0%**	

[1] Consumer and Leisure
[2] Trading as Mercury Pharma

THE MANAGER'S REVIEW OF THE TOP 20 PRIMARY MID-CAP BUYOUT INVESTMENTS

representing nearly 87% of the total portfolio

Primary buyout investments are held through limited partnerships of which HgCapital Trust plc (the 'Trust') is the sole limited partner. The Trust invests alongside other clients of HgCapital. Typically, the Trust's holding forms part of a much larger majority interest held by HgCapital clients in buyout investments in companies with an enterprise value ('EV') of between £50 million and £500 million. The Manager's review generally refers to each transaction in its entirety, apart from the tables detailing the Trust's participation or where it specifically says otherwise.

1 Visma

Website: www.visma.com **Original enterprise value:** NOK4.3 billion **HgCapital clients' total equity:** 16.3%

Business description

Visma is a leading provider of mission-critical business software and out-sourcing services to small and medium-sized enterprises in the Nordic region. The company provides accounting, resource planning and payroll software, outsourced book-keeping, payroll services and transaction process outsourcing to its customer base of over 400,000 enterprises.

Why did we invest?

Visma was an early example of HgCapital's focus on business critical 'Software as a Service' (SaaS) firms operating within a fast growing marketplace.

The company enjoys high levels of predictable recurring revenue resulting from a subscription payment model. Room for improvement was identified in revenue growth opportunities and profit margins that were below those of most of its competitors. This was due to significant R&D investment in the business and a delay in the benefits expected from a number of recent acquisitions.

How do we intend to create value?

In September 2010, a 64% stake in the business was sold to KKR. This valued the business at £1.2 billion, of which our clients' stake was worth £380.0 million (an investment multiple of 3.7x). HgCapital is maintaining an interest in Visma to benefit from its continued growth.

What has been achieved?

During the course of the investment, the company has made more than 70 bolt-on acquisitions including Accountview, Sirius IT, Mamut ASA and, more recently, Agda. These deals bolstered organic growth from innovation in new services and products, while margins were improved through rethinking Visma's internal processes. Visma is now positioned as one of the leading web/SaaS companies in Europe.

How is it performing?

2012 saw continued improvement with strong revenue and EBITDA growth compared to the prior year.

How will we crystallise value?

The business has a scale and growth profile which will make it an attractive IPO candidate, as well as a target for trade buyers.

Visma – Trust's underlying investment through HGT LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
TMT	Nordic Region	May 2006	701	32,718

2 Iris Software Group

Website: www.iris.co.uk **Original enterprise value:** £425 million **HgCapital clients' total equity:** 68.8%

Business description

Iris Software Group (ISG) is a leading provider of core application software to the UK accountancy market and a leading provider of payroll applications to key segments of the market including the UK General Practitioners market. Headquartered in Berkshire, the company has 370 employees and 14,000 customers.

Why did we invest?

HgCapital has been an investor in ISG since 2004, retaining a minority stake following its sale with CSH in 2007 and becoming majority investor again in 2011 when we separated the two businesses. ISG is one of the earliest examples of our focus on business critical software firms operating in attractive, predictable end-markets. ISG is a highly predictable business with c.90% of revenue coming from recurring subscription contracts. The company has grown consistently through the recession with organic growth in excess of 7% even in 2008-9. The investment decision was based on our belief in continued organic growth potential and consolidation opportunities through acquisition, coupled with the improvement in performance demonstrated by the business following the recruitment of the present CEO.

How do we intend to create value?

The company is achieving good organic revenue and profit growth through a combination of market share gains, price optimisation, and the ongoing development of new products and services to sell into the existing customer base. Furthermore, the UK accountancy and SME software markets remain fragmented, offering additional acquisition opportunities to ISG.

What has been achieved?

Significant investment into senior management has been made and the new team is working well.
The CEO has also made good progress in achieving revenue synergies and applying best practice between the Accounting Software and SME payroll divisions.

How is it performing?

Current organic revenue growth is strong, due to the rapid uptake by existing customers of newly launched products. 2012 saw revenue and underlying profits growing at 8%. Reported profits were flat due to the increased cost base necessary in the business since physically separating the company from CSG in 2011.

How will we crystallise value?

ISG would be an attractive acquisition target to private equity players due to its high organic growth, margins, cash conversion and recurring revenue levels. It would also be a strong strategic fit with a number of tax and financial information providers and other larger software companies.

Iris Software Group – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
TMT	UK	Dec 2011	25,598	25,607

3 TeamSystem

Website: www.teamsystem.com **Original enterprise value:** €562 million **HgCapital clients' total equity:** 50.0%

Business description

TeamSystem is a leading provider of business-critical, daily-use SME software products in Italy. Headquartered in Pesaro, the company has a diverse base of c. 120,000 customers. It has 27 offices in Italy and employs approximately 1,100 people.

Why did we invest?

TeamSystem is HgCapital's fifth platform investment into business-critical back office software, following Iris (2004), Addison (2005), Visma (2006) and CSG (2007). The company has a track record of solid growth throughout the economic cycle and delivered compound organic revenue growth of 6% p.a. between 2007 and 2009, trading resiliently through that downturn. Its stable nature (with more than 50% of revenues by way of annual subscriptions), strong cash generation and potential for growth in both the business and its market, all supported our decision.

How do we intend to create value?

Alongside organic growth, management has increased its cross-sell of products to TeamSystem's existing client base through the use of add-on modules such as reporting, analytics and payroll. The potential to complete a number of add-on acquisitions of complementary businesses in Italy has also been identified; the company has completed four such bolt-ons under our ownership.

What has been achieved?

Our normal post-acquisition review has identified several improvement projects that have been put into action, including improved reporting and pricing, investment into the M&A process and finding new ways to address the micro-SME (less than five employees) customer base in Italy. We are acting directly on these – for example, in December 2011 TeamSystem acquired a controlling stake in Daneasoft, a provider of accounting software to the Italian micro-SME market.

How is it performing?

Trading has been sound with good growth in revenue and profits. Despite a poorly performing Italian economy, TeamSystem's revenue and EBITDA growth has been well in excess of GDP growth (and its ability to achieve positive organic growth even when GDP growth is negative) is an attractive characteristic of this and our other accounting software businesses in other countries.

How will we crystallise value?

We see a diverse range of exit options for TeamSystem, with interest from trade and financial buyers expected and an IPO on the Italian stock market a possibility.

TeamSystem – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
TMT	Italy	Sep 2010	24,432	24,553

4 Lumesse

Website: www.lumesse.com **Original enterprise value:** €110 million **HgCapital clients' total equity:** 80.8%

Business description

Lumesse is a leading provider of strategic HR software (for recruiting and talent management) to medium and large enterprises in Europe, operating in 16 countries with c.600 full-time employees. The business operates a subscription-based model (more than 60% of total revenue) with a recurring consulting element. Customer retention rates are high at around 94%.

Why did we invest?

As a SaaS (Software as a Service) provider, Lumesse lies within one of our core sub-sector focus areas. SaaS companies experience high levels of recurring revenue from long-term customers, which leads to higher predictability. In addition, the company has achieved strong organic revenue growth.

How do we intend to create value?

Lumesse's management intends to drive subscription revenue growth by capitalising on their cutting-edge technology, improving cross- and up-selling into the existing customer base as well as acquiring new customers in what remains an underpenetrated market.

There is also an increased focus on efficiency and scale effects with a view to improving margins and strengthening the company's international presence both organically and through bolt-on acquisitions.

What has been achieved?

Two bolt-on acquisitions, Mr. Ted and Edvantage, have been made and Mr. Ted's global Talentlink product and Edvantage's Learning Management suite have been added to the Lumesse range of services. Investment in the sales force has helped to drive organic growth.

Lumesse's senior management team has been strengthened with significant new hires, while internal process projects on pricing, back-office management and sales practices have been initiated.

How is it performing?

Recurring software revenue is ahead of prior year with strong organic growth led by the Talentlink and Edvantage products. Consulting services are behind plan, as a result of a shift in product mix towards Talentlink, which requires less upfront consulting, and general economic circumstance, with customers holding back on capital expenditures. As a result, EBITDA is down against last year.

How will we crystallise value?

Multiple options are available as there is high demand for SaaS companies, in particular in Lumesse's market. Lumesse has received strong interest from trade buyers but we may also contemplate an IPO or a sale to another private equity buyer.

Lumesse – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
TMT	UK	May 2010	19,430	19,390

5 Achilles

Website: www.achilles.com **Original enterprise value:** £75 million **HgCapital clients' total equity:** 63.0%

Business description

Achilles operates an online platform where buyers require their suppliers to subscribe and to provide information to the Achilles online database; suppliers join the platform if they wish to supply to the buyer group and both buyers and suppliers pay annual subscription fees.

Achilles currently operates more than 30 schemes across 22 countries.

Why did we invest?

Achilles is a prime example of HgCapital's subscription-based thematic investment strategy. It is a market leader in the regulatory compliance industry, with significant recurring revenue streams.

How do we intend to create value?

With high levels of contracted revenue, Achilles' position as a global scalable business model reveals considerable potential in revenue and margin growth.

What has been achieved?

Achilles' senior management team has been strengthened with significant new hires, while internal process projects on pricing, back-office management and sales practices are beginning to bear fruit. The business is now deploying new schemes on a new standard IT system and has started migrating some existing schemes to the same platform. A detailed review and development of IT was led by HgCapital-appointed experts. Achilles is in the process of rolling out its services to the network of a major new global customer.

How is it performing?

Achilles continues to grow revenues well compared to the previous year although profit growth is slower owing to one-off investments made in the global community launches during 2012.

How will we crystallise value?

There has been strong interest from both the strategic and private equity communities and Achilles' protected revenue base is likely to maintain this interest throughout the economic cycle. A trade sale or IPO are also attractive outcomes.

Achilles – Trust's underlying investment through HGT LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
TMT	UK	Jul 2008	5,218	18,678

6 ATC Group

Website: www.atcgroup.com **Original enterprise value:** €187 million **HgCapital clients' total equity:** 61.7%

Business description

ATC provides fiduciary, management and administration services to corporations, financial institutions and fund managers through its presence across the globe. The company sets up and maintains corporate structures that allow the efficient intra-group movement of cash and/or balance sheet management, e.g. divisional holding companies or acquisition bid vehicles. Corporate structures typically last for seven to ten years and need to comply with legal, accounting and tax regulations in multiple jurisdictions, a complex task for clients to manage themselves. ATC uses functional expertise and economies of scale to provide these services for a fraction of the cost of in-house provision.

Why did we invest?

The fiduciary services market is a structurally high growth market, achieving 3x GDP growth rates over multiple decades. The long tenure nature of corporate structures leads to predictable and recurring revenues, low customer concentration and high margins.

The company achieves the highest revenue per structure in the sector, a reflection of the sophisticated services it provides to the highest value and most resilient segment of the market place. Finally, ATC has very low capital expenditure and working capital requirements, leading to high cash conversion.

How do we intend to create value?

HgCapital will support investment into a professional sales force to drive revenue growth and assist in selective acquisitions, with a clear focus on high margin service providers operating in onshore jurisdictions. Investment in sales efficiency will help to manage the sales team and allow clearer analysis of the sources of growth.

What has been achieved?

HgCapital helped ATC's management to launch a number of programmes including leadership assessment and development and sales effectiveness, as well as initiating a sales force reorganisation.

A strong HR function has been developed alongside the recruitment of a new Chairman. The team was also assisted in the evaluation of a number of acquisition opportunities.

How is it performing?

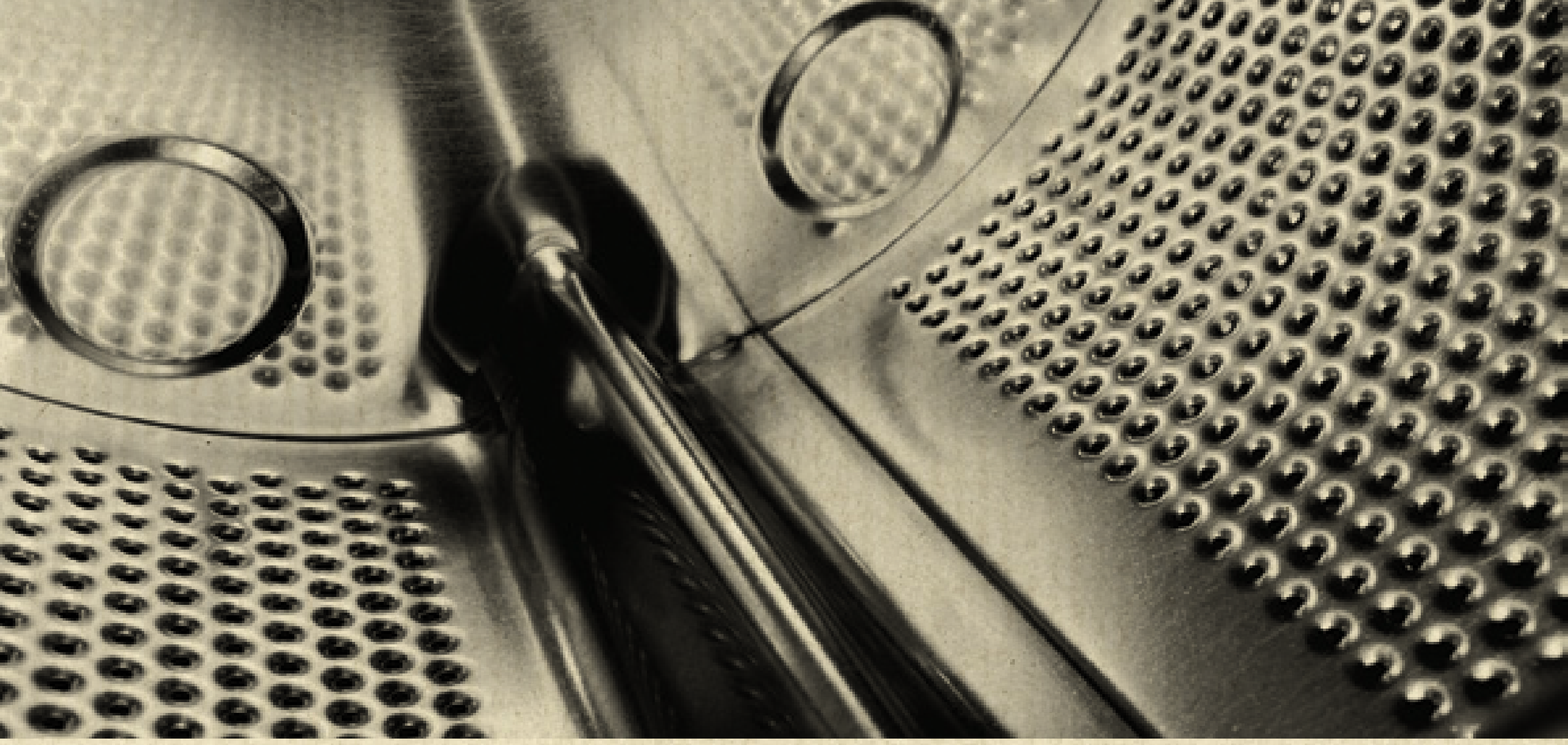
2012 saw ATC deliver double-digit revenue and EBITDA growth against the prior year. A push from the management to increase individual client yields is the primary driver of this strong performance.

How will we crystallise value?

There are a number of options for exit available, including a sale to a strategic buyer or a secondary buyout.

ATC Group – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
Services	Benelux	Mar 2011	9,913	18,552



7 JLA

Website: www.jla.com **Original enterprise value:** £150 million **HgCapital clients' total equity:** 83.1%

Business description

JLA is a leading provider of on-premises laundry services, providing distribution, rental and servicing of commercial laundry machines to the UK SME market.

The company is also a leading provider of coin-operated, commercial machines into accommodation units (e.g. universities, worker accommodation units etc.) which it services via its Circuit brand. JLA has recently extended its offering into dishwashers and detergents.

Why did we invest?

JLA is a leader in its field with strong operating performance, including sustained organic growth through the period 2007-2009.

The customer base is highly fragmented and considers laundry as a mission critical part of their day-to-day business. With a high proportion of customers in long-term contracts (representing over 70% of revenues and 85%+ of profits), there are attractive recurring revenues.

How do we intend to create value?

HgCapital is working alongside management to increase the benefit of selling new products and services through JLA's existing sales force and service network.

In addition, there are plans to drive add-on acquisitions, both in the laundry space and in adjacent areas.

What has been achieved?

A number of projects have been initiated covering strategic planning, customer retention and pricing. In addition, a new CEO and CFO have been recruited and five smaller acquisitions have been completed (the latest, Stanlands, in December), funded out of free cash flow. The business has a pipeline of further acquisitions.

How is it performing?

JLA grew its revenues by 12% in 2012. This was driven by growth in rentals and also the Circuit brand. Following a year of heavy investment into infrastructure in 2011, EBITDA rose by 15% over the year. This growth has been driven by the performance of the new management team, innovative sales initiatives and the discontinuation of the loss-making BlackBox business.

How will we crystallise value?

The most likely exit route for JLA is either a secondary sale or a trade sale. Ahead of exit, HgCapital will focus on repositioning JLA as a platform for selling critical asset maintenance services into SMEs.

JLA – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
Services	UK	Mar 2010	12,227	16,628

8 Manx Telecom

Website: www.manxtelecom.com **Original enterprise value:** £159 million **HgCapital clients' total equity:** 79.5%

Business description

Manx Telecom is the primary fixed and mobile telecom operator on the Isle of Man. It provides telecommunication and data services to commercial and consumer customers. In addition to its on-island activities, the company has developed a number of niche off-island voice and data hosting businesses which are delivering further growth.

Why did we invest?

Manx Telecom is the incumbent operator in a high growth economy where quality telecoms are critical for many businesses and spending in the sector has historically grown above real GDP. The company enjoys a leading position and a regulatory environment which encourages infrastructure investment in addition to price competitiveness. We felt the business was well managed but operational improvements were available to help maximise return on equity.

How do we intend to create value?

We are supporting management's desire to achieve faster organic revenue and profit growth. Since our acquisition, the company has better optimised its capital spending and as a result cashflow has been very strong. We have worked with the incumbent CEO (who held the CFO position prior to our acquisition) to build a strong management team around him and we expect this to deliver sound financial performance.

What has been achieved?

Initially we helped the team develop much more accurate performance indicators so that the business could be managed according to detailed financial and operational metrics. Subsequently, we have helped to improve the management team as noted above, and encouraged the investment into and launch of new services. We are now helping them focus on operating efficiencies.

How is it performing?

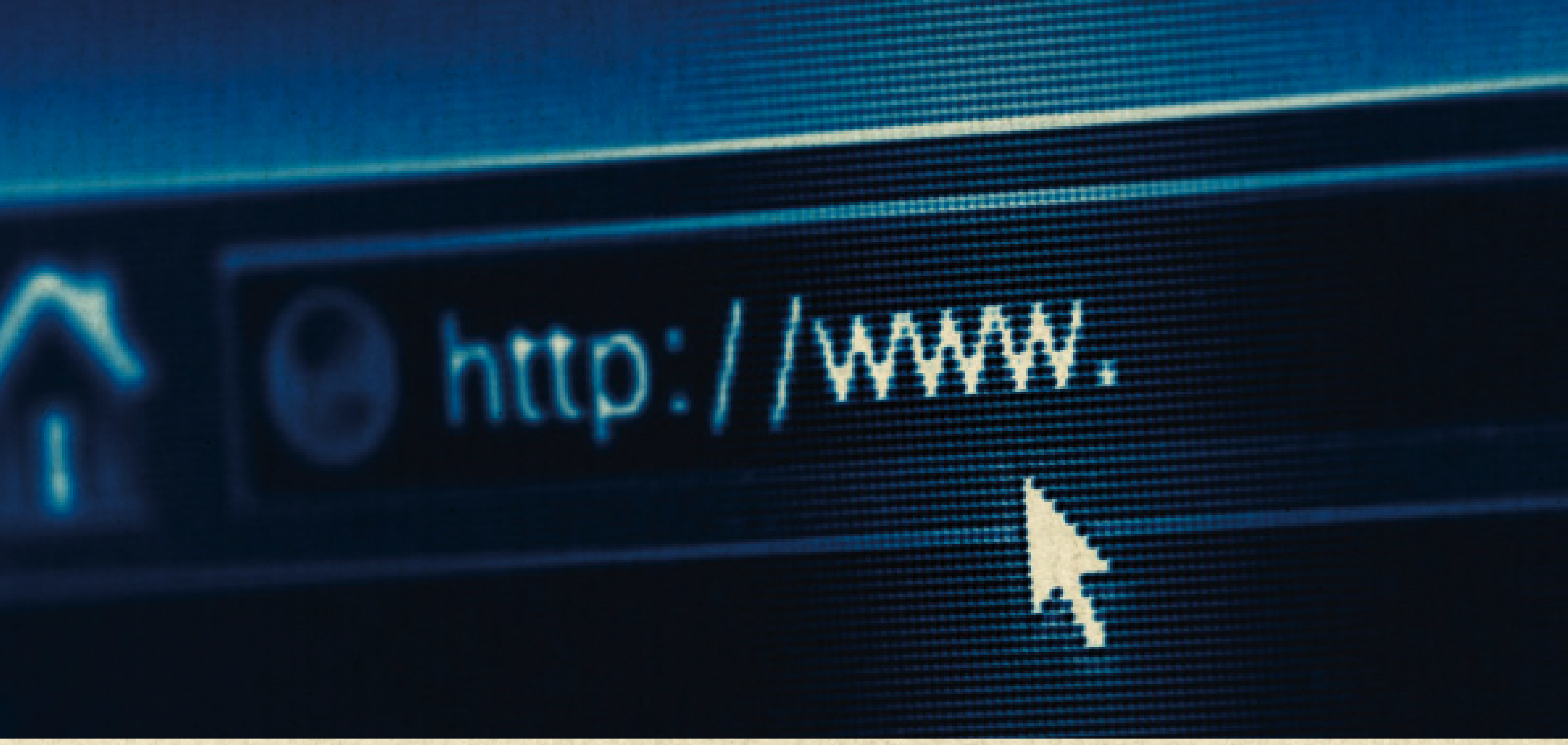
Revenues and EBITDA have seen good growth since last year (5% and 13% respectively). This reflects the careful cost control and efficiency savings introduced under the new management team.

How will we crystallise value?

The business in its current form is expected to be attractive to a number of trade and financial buyers. Successful growth in the scale of the business through acquisitions would make the business attractive to larger private equity investors who have a successful track record in the telecoms space.

Manx Telecom – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
TMT	UK	Jun 2010	9,844	15,108



9 NetNames

Website: www.netnames.com **Original enterprise value:** £141 million **HgCapital clients' total equity:** 76.0%

Business description

Previously known as Group NBT, NetNames is a European leader in the management of online intellectual property. With the online channel increasingly important for commercial and marketing activities, NetNames offers a single point of contact for global domain name management and the protection of brands across all online environments. The company offers an expertise, infrastructure and service which are hard for corporates to match and enjoys long-term relationships with c.3,000 mid- to large-sized firms.

Why did we invest?

NetNames is a leader in a strong growth market, fundamentally driven by increasing corporate internet use. It has a record of robust performance through the cycle, growing through the downturn. NetNames has made a number of acquisitions which have built on its product range and geographic reach and sees further opportunities in this area. The business has a high level of recurring revenue from a diverse customer base.

How do we intend to create value?

HgCapital will continue to support the growth of the business with further investment in the sales force, maximisation of value from existing customers and further geographic expansion. We see opportunities to improve margins as the business grows through synergies in back office systems and from integration of recent acquisitions. In addition, we will look to make further accretive bolt-on acquisitions.

What has been achieved?

NetNames' new CEO has had a positive impact on the business and, in July 2012, a new CFO, COO and Sales Director joined the company, which we anticipate will further professionalise operations. Also in July, the company completed the sale of its non-core Managed Hosting division for £25 million to a trade buyer. The company has retained the cash from this sale to make further acquisitions (most likely smaller bolt-ons similar to CeDel AB acquired by the company in March 2012).

How is it performing?

NetNames traded well in the first half of 2012, bolstered by the CeDel acquisition and the one-off benefits of the new '.brand' domains. The second half was weaker as the revenues from the sold division were lost and currency movements affected sterling profits.

How will we crystallise value?

We believe that NetNames will be attractive to a number of strategic buyers who are looking to broaden their product range into a core, growing area of the legal, IP and marketing support space. The significant market opportunity, robust business model and growth record will drive interest from investors looking for a cash generative asset in a fast growing market.

NetNames – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
TMT	UK	Nov 2011	14,249	14,321

10 Epyx

Website: www.epyx.co.uk **Original enterprise value:** £92 million **HgCapital clients' total equity:** 47.3%

Business description

Epyx provides a private electronic marketplace serving the vehicle contract hire and leasing market. The Epyx service enables both customers and suppliers to reduce costs and increase efficiency across multiple business processes.

The Epyx marketplace connects over 60 of the UK's largest vehicle fleet operators and 9,000+ suppliers of critical services to these fleets. The company is very well established in the UK and is investing in European growth together with new market segments in the UK, such as an electronic marketplace handling the servicing of heavy goods vehicles.

Why did we invest?

We like companies which possess resilient growth characteristics and high levels of revenue visibility, which operate in business-critical niche markets.

The company's applications are embedded in its customers' business processes, offering a low-cost and highly reliable method of administering the servicing, relicensing, hire and disposal of fleet vehicles.

The company uses its high level of cash generation to invest continually in growth. Epyx provides its customers with a stream of innovative products, and continues to invest in development and sales resource to win new business across the board.

How do we intend to create value?

Value is being created by selling more services to the existing customer base, by developing new market segments, and by expanding internationally.

What has been achieved?

A significant portion of profits were re-invested into sales and product development expansion, in order to optimise Epyx's long run balance of revenue growth and profitability. Investment has gone into new divisional managers alongside new product development.

How is it performing?

Epyx has seen strong growth in sales and EBITDA since we invested, which is expected to continue as new business lines are rolled out. In addition, the company has shown strong cash generation, resulting in repayments of debt and shareholder loans.

How will we crystallise value?

We believe the exit options for Epyx are attractive, with a trade sale or secondary buyout being viable exit options.

Epyx – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
TMT	UK	Jun 2009	6,388	13,653

11 Voyage

Website: www.voyagecare.com **Original enterprise value:** £320 million **HgCapital clients' total equity:** 64.5%

Business description

Voyage owns and operates small community-based homes and provides flexible home care services for adults with learning disabilities (LD) and associated physical disabilities, autistic spectrum disorders, complex needs and acquired brain injury.

The company now has c.2,400 beds in c.350 locations across the UK. Voyage offers a range of care provision from daily help (generally in supported living tenancies) to intensive physical and mental support in modified accommodation.

Why did we invest?

Significant shortages of supply of residential care at this level underpins the opportunity for growth.

Voyage enjoys a strong market position and a high quality estate of stable, cash generative assets.

How do we intend to create value?

Historically, growth has been generated by organic roll-out of purpose-built homes. Going forward, the strategy is to broaden the service offering to include care in the patient's own home.

We intend to grow value by continuing to invest in developing new residential care facilities in localities where capacity shortages exist; hiring a team of tendering experts to grow the company's share of supported living contracts; and taking advantage of the harsher economic climate to acquire earnings at low entry multiples.

What has been achieved?

In April 2012, Voyage acquired Solor Care, an LD operator with 91 facilities and approximately 500 beds across the UK. Voyage is now the largest pure LD operator in the UK market. There has also been a senior recruitment push to prepare for further acquisitions as well as organic growth through sales and marketing.

How is it performing?

Pressure on fee rates subsided in 2012 (after they had dropped in the previous year), and revenues are anticipated to grow in 2013. Revenues and profits have benefited from the acquisition of Solor Care and the associated synergy savings, which were delivered on plan.

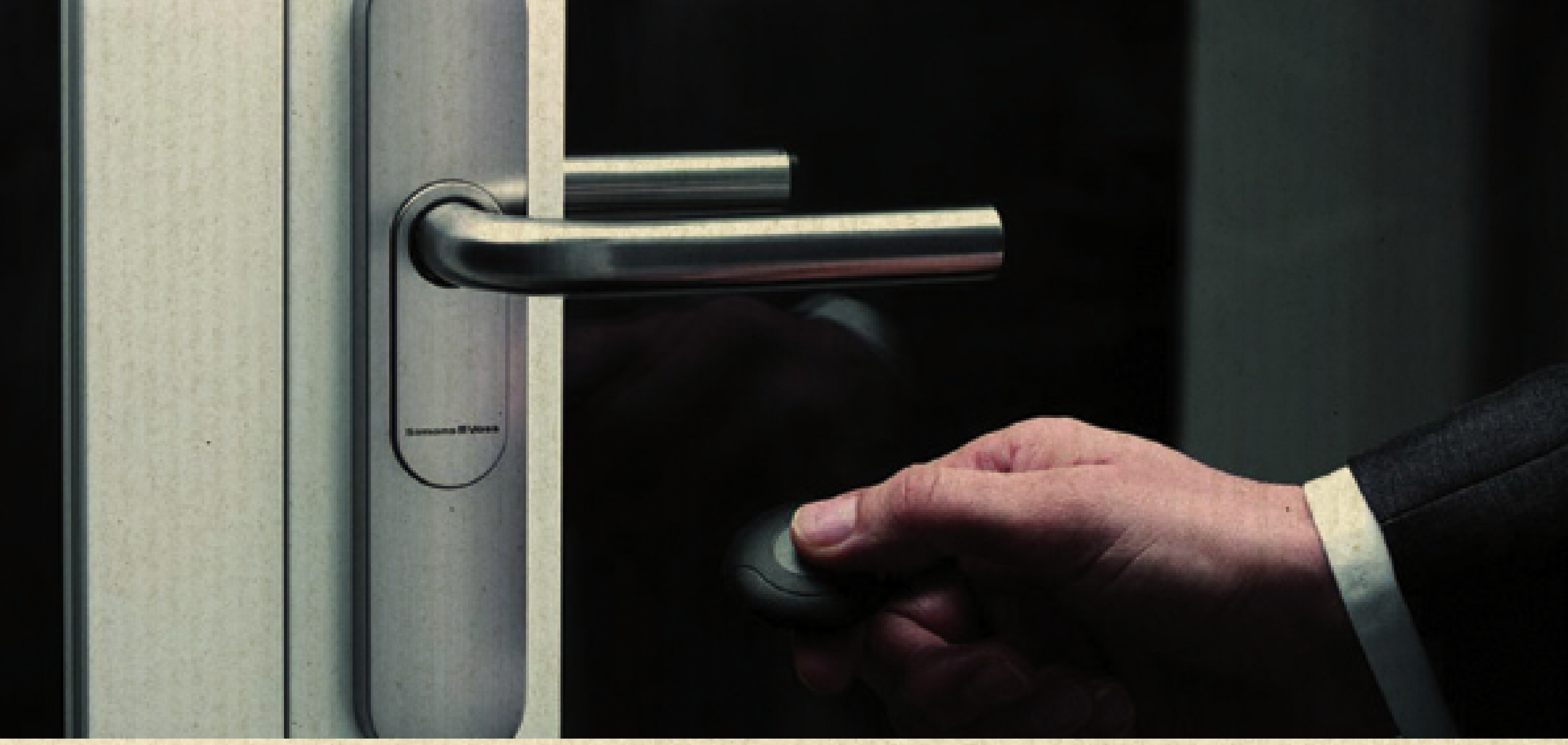
In January 2013, Voyage Care completed its debt refinancing, issuing £272 million of public market bonds to repay its existing bank debt and securing a £30 million revolving credit facility to provide additional liquidity for the company to pursue its acquisition strategy.

How will we crystallise value?

An exit could be via an IPO, to a private equity fund or private equity-backed trade buyer.

Voyage – Trust's underlying investment through HGT LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
Healthcare	UK	Apr 2006	15,067	13,134



12 SimonsVoss

Website: www.simons-voss.com **Original enterprise value:** €113 million **HgCapital clients' total equity:** 90.0%

Business description

SimonsVoss is a European leader in the development, manufacture and marketing of electronic battery-powered locking and access control systems for public, commercial and residential buildings. Revenues primarily originate in Germany, with an increasing number of international subsidiaries in France, Benelux, Switzerland, Sweden and Singapore.

Why did we invest?

Operating in a niche segment with considerable expertise, the company's robust trading through the recent recession saw them grow in a depressed market and the business grew EBITDA by an average of 19% each year between 2005 and 2012. The business is well placed to continue this trend and there is also the opportunity for further expansion into Asia and into attractive new product segments. SimonsVoss has an established in-house R&D function and develops innovative new products, while minimising the cost of existing ones.

How do we intend to create value?

Having restructured and selectively grown its sales teams, SimonsVoss is now looking towards growing markets with a focus on Central, Western and Northern Europe as well as Asia. This is supported by new, innovative products including the recently launched passive technology, digital door fittings and compact readers. Profitability is improved through higher volumes and various operational efficiencies.

What has been achieved?

During HgCapital's involvement, SimonsVoss has gone from a single-product-focused company to the provider of an entire product family in electronic access control.

The company has recently appointed a board member who has significant expertise in new technologies and has begun the application of Near Frequency Communication technology, an area which could emerge as an important driver of growth and value.

There has also been a focus on new customer groups and new distribution channels (potentially away from pure B2B) alongside a pricing initiative to optimise profit.

How is it performing?

2012 was weaker than expected, although both sales and profits were up on the prior year. This is partially due to investment into the company's growth during the year.

How will we crystallise value?

SimonsVoss offers a strong platform to enter the fast growing market for electronic locks so an exit to a trade buyer seems most likely.

SimonsVoss – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
Industrials	Germany	Jun 2010	11,936	12,438

13 Qundis

Website: www.qundis.com **Original enterprise value:** €151.0 million **HgCapital clients' total equity:** 89.7%

Business description

Qundis was created in 2008 from the merger of QVEDIS and KUNDO SystemTechnik. The company supplies a range of devices used to measure, collect and transmit consumption-dependent data for heating and water usage.

With two production facilities in Germany and approximately 220 employees, Qundis serves the sub-metering supplier and building technology sectors across Europe. Qundis is a leading provider in Germany and Italy and there is potential for international expansion in the Turkish and Russian markets.

Why did we invest?

Qundis has a robust business model, benefitting from a recurring and predictable revenue stream.

Over the period 2000 to 2012, Qundis saw 10% p.a. revenue growth:

- Two thirds of sales are replacement-related and recurring in nature, with the remainder being new installations, driven by increasing market regulation;
- There is a fragmented customer base of independent, SME service providers, serving an installed base of c. 5 million flats and offices across Europe; and
- Strong cash conversion and industry leading EBITDA margins.

How do we intend to create value?

HgCapital will continue to support the successful growth plan historically pursued by the company and will leverage the business model to further internationalise the business. In addition, we see further potential for margin improvement, building upon the high quality production set-up that is already in place.

What has been achieved?

We have begun to strengthen the management team to plan for further international expansion.

How is it performing?

Problems with the automated assembly line led to a back-up of orders and associated falls in revenue and profit. These have been resolved and the order book is strong with a stable and growing German and international market.

How will we crystallise value?

There has been strong appetite from a number of strategic buyers in the past looking to diversify their product portfolio.

Also, the large market opportunity, robust business model and track record of growth will drive strong interest from financial investors looking for a cash generative asset in a growing market segment.

Qundis – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
Industrials	Germany	May 2012	11,552	11,522

14 Atlas

Website: www.atlasknowledge.com **Original enterprise value:** £25 million **HgCapital clients' total equity:** 60.6%

Business description

Atlas Interactive is a provider of e-learning products, targeted to meet the growing competency, health, safety and environmental training needs of the global oil and gas ('O&G') sector.

Why did we invest?

The e-learning market is large and fast-growing because it offers a highly cost effective solution to the oil and gas industries' twin problems: the need for greater awareness of and compliance with health and safety standards and the growing shortage of skills as an ageing global workforce retires. Latest data from the UK sees e-learning growing at 13% p.a. compound and classroom training declining.

Atlas has amassed over 1,000 hours of standardised intellectual property – protected e-learning content – which it resells to its customer base of international and national O&G companies such as BP, Shell, Exxon Mobil, Chevron, Conoco Philips and QatarGas on term contracts with a recurring subscription basis.

How do we intend to create value?

The plan is to increase the share of revenue from key accounts and to win additional business in areas outside of the core North Sea market by expanding the sales resource and by broadening the product range.

What has been achieved?

The management team has been revamped across all functions and the business converted from a founder managed business to a market-driven professional sales organisation. Average contract values have risen, the customer base skewed towards the most professional operators and innovation applied to the products and services they sell and to the processes they use. Sales have grown by 13% p.a. compound since we acquired the business and the rate of growth is accelerating.

How is it performing?

Performance continues to improve. For the year to September 2012 sales grew by 20% and EBITDA grew by over 50%. This healthy growth has continued into the first four months of new year.

How will we crystallise value?

Atlas is attracting the attention of two sets of potential acquirers: O&G services companies and other more generic e-learning vendors. There is scope to perform one or two acquisitions before exit.

Atlas – Trust's underlying investment through HGT LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
Services	UK	Nov 2007	9,597	8,673

15 Frösunda

Website: www.frosunda.se **Original enterprise value:** SEK1.5 billion **HgCapital clients' total equity:** 82.5%

Business description

Frösunda is a leading Swedish provider of care for individuals with learning disabilities, severe physical disabilities, and psychological / behavioural issues. Frösunda offers both personal assistance to children and adults and housing, daily activities, schools and youth rehabilitation.

Headquartered in Solna, Sweden, Frösunda employs around 6,000 staff and cares for over 2,000 people across the whole of Sweden and parts of Norway.

Why did we invest?

Frösunda represents HgCapital's fourth investment into healthcare services. It has a reputation for being the highest quality operator in the sector and has strong advocacy amongst customers and employees.

Sweden has one of the strongest economies in Europe and commits to providing high quality healthcare to its citizens. The business benefits from the ongoing shift to greater private provision of healthcare in Sweden and is an attractive platform to expand into adjacent segments to create a diversified specialist care business.

How do we intend to create value?

HgCapital is working with management to grow the business organically. We may also look to acquire quality businesses in existing and adjacent business areas.

What has been achieved?

2012 was a year of consolidation of the businesses acquired over the past two years. Specifically, efforts have been directed towards improving trading in the Assistance and Individual & Family divisions, improving management and cost control and sales force productivity.

How is it performing?

2012 was a mixed year for Frösunda with strong growth in the Swedish and Norwegian Disability Housing Care business and more challenging conditions in the Assistance and Swedish Individual and Family business areas. The internal work on consolidating the business, following the acquisitions made in 2010 and 2011, also continued and it is now in a position where more focus can be directed on winning new business. That said, the consolidation work continues in parts of the business. Market conditions are looking reasonably favourable, as the privatisation trend in Sweden continues and contracts are coming up for re-tender.

How will we crystallise value?

We expect Frösunda to appeal to one of the large Swedish healthcare conglomerates, another financial buyer, or to come to market via an IPO.

Frösunda – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
Healthcare	Nordic Region	Jun 2010	14,296	7,975

16 Schleich

Website: www.schleich-s.com **Original enterprise value:** €165 million **HgCapital clients' total equity:** 75.0%

Business description
Schleich is a leading producer of low price classic toy figurines, such as farm and wildlife animals, historical characters and The Smurfs.

Its products are sold in over 30 countries, including its home market of Germany, the US, the UK and France.

Why did we invest?
Schleich's figurines are attractive to retailers, given their low seasonality, high sales and attractive margins.

The company benefits from a wide product range, brand reputation, established retailer network and a high quality, low cost supply base. Revenue growth is supported by continual innovation in the product range.

How do we intend to create value?
The plan is to drive sales growth organically in existing markets and through international expansion, further penetrate large key accounts and capture margin improvement through increased scale.

What has been achieved?
A trial deal with Walmart to supply to 250 shops in the US which began in November 2011 was a success and has now expanded to 1,500 stores for the summer 2013 period.

How is it performing?
2012's revenues were slightly behind the prior year due to weak trading in Germany, following a move from an agent model to our own sales force. We see encouraging trading activity in the new year as sales force productivity improves.

How will we crystallise value?
Several multi-national toy makers represent natural trade buyers; stable profits and risk profile could also support a secondary buyout or an IPO.

Schleich – Trust's underlying investment through HGT LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
Consumer & Leisure	Germany	Dec 2006	4,650	7,144

17 Investments in the UK Parts Alliance

Original enterprise value: £43.5 million **HgCapital clients' total equity:** 86.1%

Business description

HgCapital has had preliminary discussions with thirteen members of the Parts Alliance with regard to a roll-up of firms in the UK automotive aftermarket parts distribution sector. The Parts Alliance (as a virtual company) is one of three such distributors which have national coverage. Our intention is to consolidate this group to create a single national entity which we believe will be attractive to a range of potential trade and financial buyers.

Why did we invest?

The £4.5 billion UK car parts market is amongst the most fragmented in Europe, with over 1,500 participants, and is characterised by greater levels of owner-management than in other EU countries. We believe that there are several market, regulatory and commercial catalysts that will encourage consolidation of this sector in both the UK and Europe, offering a number of interesting investment opportunities and exit alternatives. To date we have deployed c. £40 million of client capital. All of the previous owners have re-invested between 15-40% of their proceeds in the opportunity and as a result, we take some comfort that the founder/key man risk in this transaction has been mitigated and that they have belief in the commercial logic behind our investment thesis.

How do we intend to create value?

We intend to create value in the overall transaction in three ways: improving gross margin by buying better from our suppliers and pricing more effectively to our customers; improving EBITDA margin by improving productivity levels; and removing overlaps in the back office.

What has been achieved?

In late 2012, HgCapital completed four small acquisitions in the UK automotive after-market car parts distributor sector as part of a roll-up of businesses in this area. These investments were largely founder owned but most have professional management teams which have run the businesses on the owner's behalf for some years prior to our investment.

How is it performing?

It is early days but, as a group, the business is trading approximately flat year-on-year.

How will we crystallise value?

The likely exit is to a US or European trade buyer wanting to achieve scale within Europe or a strategic position within the UK (with the second largest number of cars on the road in Europe). However, there is also potential for an exit by IPO or to private equity investors.

Investment in the UK Parts Alliance – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
Services	UK	Aug 2012	6,654	6,654

18 Sporting Index

Website: www.sportingindex.com **Original enterprise value:** £70 million **HgCapital clients' total equity:** 65.6%

Business description

Formed in 1991, Sporting Index ('SPIN') is the world's leading sports spread betting business. It makes more markets and will take larger bets than any other sports spread betting business. It reputedly has the best trading team in the market. SPIN's B2C business of spread betting serves a very low growth UK-centric niche market. SPIN has created a B2B business which sells its sports prices and trading tools to other bookmakers. This activity remains nascent and currently consumes cash but offers growth outside the niche B2C business.

Why did we invest?

The core business is robust, cash generative and provides a base from which the group could grow by launching new products and services.

How do we intend to create value?

Three initiatives are being pursued to grow revenues and profits. They are the development of a B2B service, selling sports prices to fixed-odds bookmakers, lottery operators and online casinos; the expansion of SPIN's proprietary trading capability via betting exchanges; and offering a fixed-odds betting service to its current B2C client base.

What has been achieved?

Significant investment in SPIN's IT platforms to take advantage of its data sets and sophisticated modelling has taken place. The B2B business is growing revenues at around 100% year on year, winning new accounts and broadening its offering. The decision to take a more aggressive approach to the market and offer larger bets continues to boost activity and profits, albeit with higher month-on-month volatility. Management has pushed this theme further by offering fixed odds bets to a small number of high value clients, so SPIN may increase penetration with this audience. This will increase volatility until a wide, diversified book is built.

How is it performing?

The year to May 2012 saw EBITDA slightly down on prior year, as planned. Heavy investment in the B2B business and in core systems eroded higher betting profits from the spread betting business. Client recruitment was strong which has flowed through to higher betting profits in the current year.

Core revenues, fixed odds and B2B profits are all ahead of prior year and the rate of client sign up to the new B2B offering is encouraging.

How will we crystallise value?

The company will be positioned for a trade exit.

Sporting Index – Trust's underlying investment through HGT LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
Consumer & Leisure	UK	Nov 2005	7,440	6,445

19 CSH

Website: www.csh.co.uk **Original enterprise value:** £100 million **HgCapital clients' total equity:** 67.1%

Business description

CSH provides application software to a number of niche vertical markets. It is a leading provider of software to the UK legal and not-for-profit markets and has strong position in accounting software for SMEs, ticketing, software modernisation, and compliance. The company has 23 offices across the UK, 30,000 customers and c.700 employees across the group.

Why did we invest?

CSH provides mission critical software to niche vertical markets. 68% of revenue is contractually recurring and the majority of new sales are to the installed customer base. This provides a highly resilient recurring revenue base which is fully consistent with HgCapital's investment in predictable businesses.

How do we intend to create value?

We expect modest revenue and EBITDA growth from improved customer retention and new sales growth driven by increased adoption of hosting solutions in the customer base.

In addition, CSH was acquired at a relatively attractive entry multiple versus market comparables and with an efficient capital structure, due in part to the vendor financing. Consequently, the strong cash generation of CSH will enable increased equity value through the pay-down of the existing debt.

What has been achieved?

The position of the business as a complex part of a larger organisation was a key element of its earlier underperformance. Having divided CSH from ISG, a greater level of management focus has been possible in the business, as it has a dedicated CEO and senior management team. The new CSH management team, introduced by HgCapital in March 2011, is also having a positive impact on the business, which has stabilised revenue and has led to modest organic growth in revenue.

How is it performing?

As expected, revenue and profit is a little below prior year. New orders are growing well which indicates a positive medium-term outlook.

How will we crystallise value?

CSH would be an attractive acquisition target for a trade buyer.

CSH – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
TMT	UK	Dec 2011	5,058	5,672

20 Teufel

Website: www.teufel.de **Original enterprise value:** €105 million **HgCapital clients' total equity:** 80.0%

Business description

Teufel is a leading designer and online retailer of loudspeaker systems in Germany with out-sourced manufacturing. Teufel sells through its own internet platform. Based in Berlin with c.110 employees, the business is focused on providing value for money products to the mid-to-high-end segment of the market.

Why did we invest?

Teufel has a pure online sales model with high operating margins, while still being able to offer products at a 10%-20% lower price point than its competitors. Its market has been growing, thanks to the on-going switch to flatscreen TVs, surround sound and portable media devices in the household, all requiring additional speakers. Teufel's revenue grew at a compound rate of over 14% per annum between 2007 and 2012.

Loudspeakers enjoy stable prices and margins and Teufel designs its own products, eliminating the risk of disintermediation.

How do we intend to create value?

There is potential for improvement in margins, marketing, brand recognition and especially in the product range, where we look forward to the continued launch of new products and technologies.

Initial international expansion brought sales success and HgCapital firmly supports management in growing the business in existing and new sales channels in Germany as well as internationally.

What has been achieved?

A new senior team has been recruited including a new CEO, CFO, Product and Marketing Manager. This team has been conducting a full strategic review, looking at internationalisation, product portfolio, brand awareness and new forms of customer service. The acquisition of wireless audio specialist, Raumfeld, took place in 2010.

How is it performing?

Sales and EBITDA are both down on the prior year following delays in new product lines and increased marketing spend to promote brand awareness which will have a positive effect in the long-term.

How will we crystallise value?

Several buyers could be interested in a trade sale if the business becomes larger and more international. Financial investors looking for an asset-light business model with attractive growth and cash flow and industry players interested in the trend towards listed eCommerce may acquire the business. An IPO is also possible.

Teufel – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
Industrials	Germany	Jul 2010	9,417	3,322

INVESTMENTS IN SMALL-CAP TMT

In 2011, the Trust made a £60 million commitment to HgCapital's new Mercury Fund, specialising in TMT investments with an Enterprise Value of between £20 million and £80 million. Smaller technology buyouts is an area where HgCapital has historically made many profitable investments and Mercury has allowed the establishment of a dedicated team of investment professionals focused on these deals.

This dedicated fund will target smaller buyouts in the same thematic TMT sub-sectors and in doing so adds significant incremental resources to the existing HgCapital TMT sector team. The addition of Mercury materially increases the scale and capability of HgCapital within this sector.

	Total valuation £'000	Net assets %
Valueworks	2,390	0.7
Total Mercury investments	2,390	0.7

Valueworks

Website: www.valueworks.co.uk **Original enterprise value:** £20.0 million **Mercury's total equity:** 63.4%

Business description

Valueworks provides a private B2B electronic marketplace through which c. 300 buyers (principally social housing organisations), procure goods and services, primarily relating to social housing planned repair and maintenance. The business operates a sophisticated network and catalogue which enables buyers to specify procurement requirements in detail and capture precise supplier data.

The network manages buyer demand, captures transaction spend, monitors contractor activity, manages rebates and delivers operational efficiencies for both buyers and suppliers using the network within procurement regulations.

Why we invested

Valueworks represents a continuation of HgCapital's TMT theme of partnering with industry champions in electronic marketplaces and private networks (e.g. Achilles (HgCapital 5), Epyx (HgCapital 6) and Visma's Proceedo division (HgCapital 5)).

Valueworks is a scalable B2B platform with a proven historic track record of driving spending growth from new landlords and new markets (e.g. contractors).

There is substantial headroom for further growth through expanding the business within the current market (landlords) and adjacent segments (contractors/private construction), as well as regionally.

There is also the opportunity to launch networks in adjacent categories such as healthcare and education.

Valueworks provides a unique, best-in-class product in the social housing market and has a strong regional presence in Northern England.

The business benefits from a supportive social housing market environment characterised by increasing need for regulation, efficiency and transparency.

How we intend to create value

A core part of the investment thesis is to focus substantial resources on the company's sales & marketing operations to accelerate the growth of the business in the social housing space with the aim of supporting the creation of the pre-eminent UK construction-procurement-network, targeting social housing landlords and contractors.

In addition, HgCapital will support Valueworks' professionalisation of the business, improving financial forecasting processes and using our proven experience in the electronic networks segment for the benefit of the business.

How we plan to crystallise value

We believe the exit options for Valueworks will be attractive, with a trade sale or secondary buyout being viable exit options.

Valueworks – Trust's underlying investment through HgCapital Mercury D LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
TMT	UK	Oct 2012	2,390	2,390

INVESTMENTS IN RENEWABLE ENERGY

Business description

HgCapital's Renewable Energy sector team uses private equity skills to identify and acquire renewable energy projects, usually based on wind or solar energy, in Western Europe. These projects span two funds and are grouped into platforms, with the current portfolio comprising:

- UK Onshore Wind: one of the ten largest independently-owned onshore wind portfolios in the UK with 113MW of capacity in operation;
- Spanish Solar: the fourth largest operator of solar PV in Europe with capacity of 61MW in seven projects in Spain;
- Swedish Onshore Wind: the largest owner of onshore wind farms in the Nordic region with total capacity of 192MW in three projects, developed and built by Renewable Energy Systems Limited, one of the world's most experienced developers of wind farms; and
- Spanish Hydro: 14 projects of 55MW operating with 16MW to be built in the next 12 months.

Why do we invest?

Investment in renewable energy offers good, risk-adjusted returns, delivering inflation-protected and non-GDP linked revenue streams from high quality assets. It is the fastest growing part of the European electric power sector, and is expected to account for the majority of new European energy asset investment over the next ten years. This growing demand is driven by renewable energy's increasing cost competitiveness, legally binding carbon reduction targets set by the EU, replacement of ageing generation capacity, and the need to increase the security of energy supplies in Europe.

We believe the sector shares the attractive characteristics, including downside protection, of core infrastructure projects with the potential for significantly higher returns on equity.

How do we intend to create value?

Investment returns are anticipated through a combination of yield during operation and capital gain at refinancing or exit, providing a return profile that should complement returns from our core investments in leveraged buyouts.

By bringing individual investments together into platforms, we can enhance value through economies of scale, shared expertise and aggregated generation capacity.

How will we crystallise value?

HgCapital is developing groups of projects based on the platforms described opposite. These platforms can then be refinanced efficiently or sold as portfolios of closely related projects to industry buyers or financial investors.

PRINCIPAL INVESTMENTS BY PLATFORM

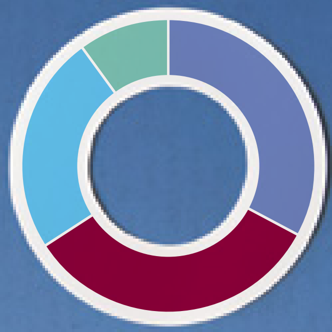
	Total valuation £'000
Spanish Solar	3,848
UK Onshore Wind – Development	3,310
Swedish Onshore Wind	2,603
UK Onshore Wind – Other	1,300
Other	274
RPP1 Fund	**11,335**
Swedish Onshore Wind	3,777
Spanish Hydro	2,550
Irish Onshore Wind	1,816
Other*	362
RPP2 Fund	**8,505**
Total renewable energy investments	**19,840**

*pending deployment in further investments

DIVERSIFICATION BY VALUE

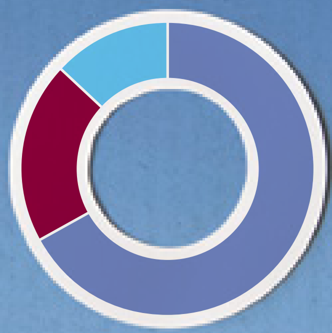
Geography

- 33% Sweden
- 33% Spain
- 24% UK
- 10% Ireland



Resource

- 67% Onshore wind
- 20% Solar
- 13% Hydro



FINANCIAL STATEMENTS

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

		Revenue return		Capital return		Total return	
	Notes	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Gains/(losses) on investments and government securities	13	–	–	48,944	(6,649)	48,944	(6,649)
(Losses)/gains on loans recoverable from priority profit share due to General Partners	5(b)	–	–	(583)	8,017	(583)	8,017
Net income	4	13,600	1,952	–	–	13,600	1,952
Other expenses	6	(2,602)	(2,597)	–	–	(2,602)	(2,597)
Net return on ordinary activities before taxation		10,998	(645)	48,361	1,368	59,359	723
Taxation on ordinary activities	9(a)	(600)	–	–	–	(600)	–
Net return on ordinary activities after taxation attributable to reserves		**10,398**	**(645)**	**48,361**	**1,368**	**58,759**	**723**
Return per Ordinary share	**10(a)**	**32.13p**	**(2.05p)**	**149.42p**	**4.34p**	**181.55p**	**2.29p**

The total return column of this statement represents the Trust'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 total recognised gains and losses 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 notes on pages 63 to 79 form part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Investments held at fair value			
Unquoted at Directors' valuation		286,026	265,421
Total fixed assets	12	286,026	265,421
Current assets – amounts receivable after one year			
Accrued income on fixed assets	14	40,060	30,862
Current assets – amounts receivable within one year			
Debtors	14	2,306	618
Government securities	15	108,359	48,497
Cash	16	5,867	4,476
Total current assets		156,592	84,453
Creditors – amounts falling due within one year	17	(4,662)	(3,042)
Net current assets		151,930	81,411
Net assets		**437,956**	**346,832**
Capital and reserves			
Called up share capital	20	8,908	8,011
Share premium account	21	102,746	68,096
Capital redemption reserve	21	1,248	1,248
Capital reserve – realised	21	317,366	282,934
Capital reserve – unrealised	21	(9,545)	(23,474)
Revenue reserve	21	17,233	10,017
Total equity shareholders' funds		**437,956**	**346,832**
Basic net asset value per Ordinary share	**10(b)**	**1,231.5p**	**1,089.9p**
Diluted net asset value per Ordinary share	**10(b)**	**1,221.7p**	**1,069.3p**
Ordinary shares in issue at 31 December		**35,564,185**	**31,822,330**

The financial statements on pages 59 to 79 were approved and authorised for issue by the Board of Directors on 7 March 2013 and signed on its behalf by:

Roger Mountford, Chairman

Richard Brooman, Director

The notes on pages 63 to 79 form part of these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £'000	2011 £'000
Net cash inflow from operating activities	7	603	3,759
Taxation (paid)/received		(78)	1,590
Capital expenditure and financial investment			
Purchase of fixed asset investments	12	(37,582)	(87,101)
Proceeds from the sale of fixed asset investments	12	68,939	49,623
Net cash inflow/(outflow) from capital expenditure and financial investment		31,357	(37,478)
Financing activities			
Proceeds from issue of share capital		35,547	6,825
Equity dividends paid	11	(3,182)	(8,709)
Net cash inflow/(outflow) from financing activities		32,365	(1,884)
Net cash inflow/(outflow) before management of liquid resources		64,247	(34,013)
Management of liquid resources			
Purchase of government securities	15	(90,006)	(117,127)
Sale/redemption of government securities	15	27,150	152,143
Net cash (outflow)/inflow from management of liquid resources		(62,856)	35,016
Increase in cash and cash equivalents in the year	**16**	**1,391**	**1,003**
Cash and cash equivalents at 1 January	16	4,476	3,473
Cash and cash equivalents at 31 December	**16**	**5,867**	**4,476**

The notes on pages 63 to 79 form part of these financial statements.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 December 2011		**8,011**	**68,096**	**1,248**	**259,460**	**10,017**	**346,832**
Issue of Ordinary shares	20,21	934	34,650	–	–	–	35,584
Conversion of Subscription shares	20	(37)	–	–	–	–	(37)
Net return from ordinary activities		–	–	–	48,361	10,398	58,759
Dividends paid	11	–	–	–	–	(3,182)	(3,182)
At 31 December 2012	**20,21**	**8,908**	**102,746**	**1,248**	**307,821**	**17,233**	**437,956**
At 31 December 2010		7,838	61,444	1,248	258,092	19,371	347,993
Issue of Ordinary shares		180	6,652	–	–	–	6,832
Conversion of Subscription shares		(7)	–	–	–	–	(7)
Net return from ordinary activities		–	–	–	1,368	(645)	723
Dividends paid	11	–	–	–	–	(8,709)	(8,709)
At 31 December 2011	**20,21**	**8,011**	**68,096**	**1,248**	**259,460**	**10,017**	**346,832**

The notes on pages 63 to 79 form part of these financial statements.

1. Principal activity

The principal activity of the Trust is that of an investment trust company. The Trust is an investment company as defined by Section 833 of the Companies Act 2006 and an investment trust within the meaning of Sections 1158 and 1159 of the Corporation Tax Act 2010 ('CTA 2010').

2. Basis of preparation

The accounts 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') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' ('SORP'), dated January 2009. All of the Trust's operations are of a continuing nature.

The Trust has considerable financial resources and, as a consequence, the Directors believe that the Trust is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the Directors have a reasonable expectation that the Trust will have adequate resources to continue in operational existence for the foreseeable future. Further details are provided in the Directors' report on page 82.

Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

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

3. Organisational structure, manager arrangements and accounting policies

Partnerships where the Trust is the sole limited partner

The Trust entered into three separate partnership agreements with general and founder partners in May 2003 (subsequently revised in January 2009), January 2009 and July 2011, at which point investment holding limited partnerships were established to carry on the business of an investor, with the Trust being the sole limited partner in these entities.

The purpose of these partnerships, HGT LP, HGT 6 LP and HgCapital Mercury D LP (together the 'primary buyout funds') is to hold all the Trust's investments in primary buyouts and other investments, other than liquid funds. Under the partnership agreements, the Trust made capital commitments into the primary buyout funds with the result that the Trust now holds direct investments in the primary buyout funds and an indirect investment in the fixed asset investments that are held by these funds, as it is the sole limited partner. These direct investments are shown as fixed asset investments on the balance sheet and the investment portfolio on page 26.

Partnerships where the Trust is a minority limited partner

In July 2011, the Trust made a direct secondary investment into HgCapital 6 E LP ('Hg6 E LP'), one of the partnerships that comprise the Hg6 funds, in which the Trust is now a limited partner alongside other limited partners. This is a direct investment in the HgCapital 6 E LP fund, as shown on the balance sheet and the investment portfolio on page 26.

The Trust also entered into partnership agreements with the purpose of investing in renewable energy projects by making capital commitments alongside other limited partners in Hg Renewable Power Partners LP ('Hg RPP LP') and HgCapital Renewable Power Partners 2 C LP ('Hg RPP2 LP') (together the 'renewable funds'). These are direct investments in the renewable funds, as shown on the balance sheet and the investment portfolio on page 26.

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

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

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

Furthermore, under the primary buyout funds' LPAs, the founder partner is entitled to a carried interest distribution once certain preferred returns are met. The LPAs stipulate that the primary buyout funds' capital gains (or net income), after payment of the carried interest, are distributed to the Trust.

Accordingly, the Trust's entitlement to net income and net capital gains are shown in the appropriate lines of the income statement. Notes 4, 5 and 7 to the financial statements and the cash flow statement disclose the gross income and gross capital gains of the primary buyout funds (including the associated cash flows) and also reflect the proportion of net income and capital gains in the buyout funds that have been paid to the general partner as its PPS and to the founder partner as carried interest, where applicable.

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

3. Organisational structure, manager arrangements and accounting policies continued

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 on the previous page, all income that is recognised by the primary buyout funds, net of PPS, is attributed to the Trust. The Trust will recognise such net income and reflect this as income in its financial statements, once recognised in the buyout funds. Income from HgCapital 6 E LP and the renewable funds would normally consist of income distributions and these distributions are recognised as income in the Financial Statements of the Trust when the right to such distribution is established.

The accounting policies below apply to the recognition of income by the primary buyout funds.

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. Premiums paid or discounts received with the acquisition of government securities are amortised over the remaining period up to the maturity date and are recognised in interest income on government securities. Dividends receivable on unlisted equity shares where there is no ex-dividend date and on non-equity shares are brought into account when the Trust's 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 the Trust elects to receive dividends in the form of additional shares rather than cash dividends, the equivalent of the cash dividend is recognised as 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 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 the Trust's balance sheet when the Trust 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.

Government securities are short-term investments made in fixed rate government gilts. Cash comprises current accounts held with banks.

Foreign currency
All transactions in foreign currencies are translated into pounds sterling at the rates of exchange ruling at the dates of such transactions and the resulting exchange differences are taken to capital reserve – realised. Foreign currency assets and liabilities at the balance sheet date are translated into pounds sterling at the exchange rates ruling at that date and the resulting exchange differences are taken to capital reserve – unrealised.

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 taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future, or the right to pay less, have occurred at the balance sheet date. This is subject to deferred assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences between the Trust's taxable profits and its results, as stated in the financial statements, which are capable of reversal in subsequent periods.

3. Organisational structure, manager arrangements and accounting policies continued

Investments

The general principle applied is that investments should be reported at 'fair value' in accordance with Financial Instruments: Recognition and Measurement ('FRS26') and the International Private Equity and Venture Capital ('IPEV') Valuation Guidelines, September 2009 edition. Where relevant, the Trust applies the policies stated below to the investments held by HGT LP, HGT 6 LP and HgCapital Mercury D LP, 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 HgCapital 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.

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

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

(i) initially, investments are valued at the price of recent investment including fees and transaction costs, unless the prevailing market conditions and/or trading prospects of the investment result in this price being an inappropriate measure of fair value and (ii) or (iv) below is required;

(ii) subsequent to the initial fair value recognition in (i), companies are valued based on the level of maintainable earnings and an appropriate earnings multiple, unless (iv) is required;

(iii) where more appropriate, investments are valued with reference to their net assets rather than to their earnings; and

(iv) appropriate provisions are made against all individual valuations where necessary to reflect unsatisfactory financial performance or a fall in comparable ratings, leading to an impairment in value.

Limited partnership funds: These are investments that are set up by a manager in which the Trust 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.

Government securities: These are short-term investments made in fixed rate government gilts and are valued at the current fair market value of the gilt.

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 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 within the portfolio 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.

4. Income	2012 £'000	2011 £'000
Income from investments held by HGT LP and HGT 6 LP		
UK unquoted investment income	16,258	4,474
Foreign unquoted investment income	3,260	12,591
Other investment income		
UK unquoted investment income	929	–
Gilt interest less amortisation of premium	(237)	53
Total investment income	20,210	17,118
Other income		
Deposit interest	42	23
Other interest income	–	18
Total other income	42	41
Total income	20,252	17,159
Priority profit share charge against income		
Current year - HGT LP	(1,383)	(1,357)
Prior year - HGT LP	(402)	–
Current year - HGT 6 LP	(4,867)	(4,914)
Prior year - HGT 6 LP	–	(8,936)
Total priority profit share charge against income	(6,652)	(15,207)
Total net income	**13,600**	**1,952**
Total income comprises:		
Interest	13,600	1,952
Total net income	**13,600**	**1,952**

5. Priority profit share and carried interest

(a) Priority profit share payable to General Partners

	Revenue return 2012 £'000	Revenue return 2011 £'000
Priority profit share payable		
Current year amount	7,235	7,190
Less: Current year loans advanced to General Partners	(985)	(919)
Current year charge against income	6,250	6,271
Add: Prior year loans to General Partners recovered from priority profit share	402	8,936
Total priority profit share charge against income	6,652	15,207

The priority profit share payable on HGT LP, HGT 6 LP and Hg Mercury D LP rank as a first appropriation of net income from investments held in HGT LP, HGT 6 LP and Hg Mercury D LP respectively and is deducted prior to such income being attributed to the Trust in its capacity as a Limited Partner. The net income of HGT LP, HGT 6 LP and Hg Mercury D LP 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 86 and page 67.

5. Priority profit share and carried interest (continued)

The terms of the above priority profit share arrangements during 2012 were:

Fund partnership	Fee per year
HGT LP	1.5% on the value of investments in fund
HGT 6 LP	1.75% on the fund commitment during the investment period
HgCapital Mercury D LP	1.75% on the fund commitment during the investment period

In addition, priority profit shares are payable on partnerships where the Trust is a minority limited partner. These amounts are initially and indirectly funded by the Trust 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	Fee per year
HgCapital 6 E LP	1.75% on the fund commitment during the investment period
Hg Renewable Power Partners LP	1.5% of original cost of investments in fund less the original cost of investments that have been realised or written off (previously 1.75% of the fund commitment during the investment period that ended on 31 May 2010)
HgCapital Renewable Power Partners 2 C LP	1.64% on the fund commitment during the investment period

(b) Loans to General Partners	Capital return	
	2012 £'000	2011 £'000
Movements on loans to General Partners		
Losses on current year loans advanced to General Partners	(985)	(919)
Gains on prior year loans to General Partners recovered against income	402	8,936
Total (losses)/gains on loans recoverable from General Partners	**(583)**	**8,017**

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 the Trust. 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.

(c) Carried interest to Founder Partners	Capital return	
	2012 £'000	2011 £'000
Carried interest payable		
Current year amount	2,728	2,079
Total carried interest charge against capital gains (note 13)	**2,728**	**2,079**

The carried interest payable ranks as a first appropriation of capital gains on the investments held in HGT LP, HGT 6 LP and Hg Mercury D LP, limited partnerships established solely to hold the Trust's investments, and is deducted prior to such gains being paid to the Trust in its capacity as a Limited Partner. The net amount of capital gains of HGT LP, HGT 6 LP and Hg Mercury D LP during the year, after the deduction of carried interest, is shown on the income statement. Details of the carried interest contracts are disclosed in the Directors' report on page 86.

6. Other expenses

Operating expenses	2012 £'000	2011 £'000
Custodian and administration fees	479	445
Directors' remuneration (note 8)	198	189
Bank facility fees and expenses	501	840
Legal and other administration costs	1,355	1,053
	2,533	2,527
Fees payable to the Trust's auditor		
Audit of the Trust and Fund Limited Partnerships' annual accounts	51	48
Tax compliance services	14	18
Other non-audit services	4	4
Total fees payable to the Trust's auditor	69	70
Total other expenses	**2,602**	**2,597**
The Trust's total expense ratio ('TER'), calculated as total expenses including the priority profit share as a percentage of average net assets was:	**2.51%**	**2.82%**

7. Cash flow from operating activities

Reconciliation of net return before taxation to net cash flow from operating activities	2012 £'000	2011 £'000
Net return before taxation	59,359	723
Add back: (Gains)/losses on investments held at fair value	(51,672)	4,570
Increase in carried interest payable	649	943
Amortisation of premium on government securities	2,704	2,656
Increase in prepayments and accrued income	(10,199)	(4,648)
Decrease in debtors	–	17
Decrease in creditors	(238)	(495)
Tax on investment income included within gross income	–	(7)
Net cash inflow from operating activities	**603**	**3,759**

8. Directors' remuneration

The aggregate remuneration of the Directors for the year to 31 December 2012 was £197,500 (2011: £188,500). Further information on the Directors' remuneration is disclosed in the Directors' remuneration report on page 94.

9. Taxation on ordinary activities

(a) Analysis of charge in the year	2012 £'000	2011 £'000
Current tax:		
UK corporation tax	3,213	–
Income streaming relief	(2,004)	–
Prior year adjustment	85	–
Current revenue tax charge for the year (note 9(b))	**1,294**	**–**
Deferred tax:		
Origination of timing differences	(694)	–
Total deferred tax credit for the year (note 9(c))	**(694)**	–
Total taxation on ordinary activities	**600**	**–**

(b) Factors affecting current tax charge for the year

The tax assessed for the year is the same as the standard rate of corporation tax in the UK for a large company (24.5%; 2011: 26.5%). The differences are explained below:

	2012 £'000	2011 £'000
Net revenue return on ordinary activities before taxation	10,998	(645)
UK corporation tax charge/(credit) at 24.5% thereon (2011: 26.5%)	2,694	(171)
Effects of:		
Tax relief from interest distribution	(2,004)	–
Taxable income not recognised in revenue return	519	–
Unutilised losses arising in the year	–	171
Tax in relation to the prior year	85	–
	(1,400)	171
Current revenue tax charge for the year (note 9(a))	**1,294**	**–**

In the opinion of the Directors, the Trust has complied with the requirements of Section 1158 and Section 1159 of the CTA 2010 and will therefore be exempt from corporation tax on any capital gains made in the year. The Trust will elect to designate all of the proposed dividend (see note 11) as an interest distribution to its shareholders. This distribution is treated as a tax deduction against taxable income and results in a reduction of corporation tax being payable by the Trust at 31 December 2012.

(c) Deferred tax	2012 £'000	2011 £'000
Deferred tax:		
Taxable income not recognised in revenue return	(694)	–
Total deferred tax credit for the year (note 9(a))	**(694)**	**–**
Deferred tax recoverable:		
Deferred tax credit for the year	694	–
Recoverable deferred tax at end of year	**694**	**–**

10. Return and net asset value per Ordinary share

(a) Return per Ordinary share

	Revenue return		Capital return	
	Year ended 31.12.12	Year ended 31.12.11	Year ended 31.12.12	Year ended 31.12.11
Earnings (£'000):				
Return on ordinary activities after taxation	10,398	(645)	48,361	1,368
Number of shares ('000)				
Weighted average number of shares in issue	32,366	31,518	32,366	31,518
Return per Ordinary share (pence)	**32.13**	**(2.05)**	**149.42**	**4.34**

At the beginning of the year the Trust had 5,502,368 Subscription shares in issue. On 11 June 2012 and 9 November 2012 respectively, 4,177 and 3,737,678 new Ordinary shares were issued pursuant to the exercise of Subscription shares. The remaining Subscription shares are convertible into Ordinary shares of 1,760,513 on 31 May 2013.

(b) Net asset value per share

	Year ended 31.12.12	Year ended 31.12.11
Net asset value (£'000)		
Net assets	437,956	346,832
Assuming exercise of all outstanding Subscription shares	18,045	52,272
Fully diluted net asset value	456,001	399,104
Number of Ordinary shares ('000)		
Number of Ordinary shares in issue	35,564	31,822
Potential issue of new Ordinary shares on exercise of Subscription shares	1,761	5,503
Ordinary shares in issue following exercise of Subscription shares	37,325	37,325
Basic net asset value per share (pence)	**1,231.5**	**1,089.9**
Fully diluted net asset value per share (pence)	**1,221.7**	**1,069.3**

The diluted NAV per share is calculated by adding to the current NAV (basic) of £437,956,000 the proceeds of £18,045,000 from the exercise of Subscription shares, assuming all outstanding Subscription shares will be exercised at the subscription price of £10.25, and then dividing the adjusted NAV (diluted) by the adjusted number of Ordinary shares in issue (37,324,698).

11. Dividends on Ordinary shares

	Register date	Payment date	2012 £'000	2011 £'000
Dividend of 28.0p for the year ended 31 December 2010	8 April 2011	13 May 2011	–	8,709
Dividend of 10.0p for the year ended 31 December 2011	10 April 2012	15 May 2012	3,182	–
			3,182	**8,709**

11. Dividends on Ordinary shares - continued

The proposed dividend of 23.0 pence per Ordinary share for the year ended 31 December 2012 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:

	2012 £'000
Revenue available for distribution by way of dividend for the year	10,398
Proposed dividend of 23.0p for the year ended 31 December 2012 (based on 35,564,185 Ordinary shares in issue at 31 December 2012)	(8,180)
Undistributed revenue for Section 1159 purposes*	**2,218**

*Undistributed revenue comprises 14.1% of total taxable income of £15,774,000.

12. Fixed asset investments

	2012 £'000	2011 £'000
Investments held at fair value through profit and loss		
Investments held in HGT LP		
Unquoted investments	76,258	69,181
Investments held in HGT 6 LP		
Unquoted investments	177,104	165,787
Investments held in HgCapital Mercury D LP		
Unquoted investments	2,390	–
Other investments held by the Trust		
Unquoted investments	30,274	30,453
Total fixed asset investments	**286,026**	**265,421**
Total fixed asset investments consist of:		
Fund limited partnerships	286,026	265,421

	2012 £'000	2011 £'000
Opening valuation as at 1 January	265,421	232,184
Add back: opening unrealised depreciation – investments	22,286	5,885
– financial derivative instruments	52	1,595
Opening book cost as at 1 January	287,759	239,664
Movements in the year:		
Additions at cost	37,582	87,101
Disposals – proceeds	(68,939)	(49,623)
– realised gains on sales	37,419	10,617
Closing book cost of investments	293,821	287,759
Less: closing unrealised depreciation – investments	(7,795)	(22,286)
– financial derivative instruments	–	(52)
Closing valuation of investments as at 31 December	**286,026**	**265,421**

The above investments include investments in companies that are indirectly held by the Trust through its investment in HGT LP, HGT 6 LP and HgCapital Mercury D LP, as set out in note 3 on page 63, and investments in fund limited partnerships in HgCapital 6 E LP, Hg Renewable Power Partners LP and HgCapital Renewable Power Partners 2 C LP.

13. Gains/(losses) on investments and government securities

		2012 £'000	2011 £'000
Realised			
Realised gains/(losses) on sales	– fixed asset investments	37,414	11,455
	– financial derivative instruments	5	(838)
	– government securities	(259)	(517)
		37,160	10,100
Carried interest charge against capital gains (note 5(c))		(2,728)	(2,079)
Net realised gains		34,432	8,021
Unrealised			
Change in unrealised gains/(losses)	– fixed asset investments	14,491	(16,401)
	– financial derivative instruments	52	1,543
	– government securities	(31)	188
Net unrealised gains/(losses)		14,512	(14,670)
Total gains/(losses)		**48,944**	**(6,649)**

14. Debtors and accrued income

	2012 £'000	2011 £'000
Amounts receivable after one year		
Accrued income on fixed assets	40,060	30,862
Amounts receivable within one year		
Taxation recoverable	–	7
Deferred tax recoverable (note 9(c))	694	–
Accrued income on government securities	1,538	543
Prepayments and other accrued income	74	68
	2,306	618
Total debtors	**42,366**	**31,480**

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

15. Government securities

	2012 £'000	2011 £'000
Investments held at fair value through profit and loss		
Opening valuation	48,497	86,498
Purchases at cost	90,006	117,127
Sales and redemptions	(27,150)	(152,143)
Movement in unrealised capital (losses)/gains	(31)	188
Amortisation of premium on acquisition	(2,704)	(2,656)
Realised capital losses	(259)	(517)
Closing valuation	**108,359**	**48,497**

16. Movement in net funds

Analysis and reconciliation of net funds	2012 £'000	2011 £'000
Change in cash	1,391	1,003
Net funds at 1 January	4,476	3,473
Net funds at 31 December	**5,867**	**4,476**
Net funds comprise:		
Cash	5,867	4,476

17. Creditors – amounts falling due within one year

	2012 £'000	2011 £'000
Carried interest	2,728	2,079
Taxation payable	1,209	–
Sundry creditors	725	963
	4,662	**3,042**

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

18. Bank facility

On 24 August 2011, the Trust entered into a £40,000,000 multicurrency revolving credit facility on an unsecured basis. The facility is available for three years. Under the facility agreement, the Company is liable to pay interest on any drawn amount at LIBOR plus a margin of 2.75%. A commitment fee of 1.1% p.a. is liable on any undrawn commitment. No amount was drawn during the year under review.

19. Financial risk

The following disclosures relating to the risks faced by the Trust are provided in accordance with Financial Reporting Standard 29, 'Financial instruments: disclosures'. The reference to investments in this note is in relation to the Trust's direct investments in RPP1, RPP2, Hg6E and the underlying investments in HGT LP, HGT 6 LP and HgCapital Mercury D LP as described in note 3 on page 63.

Financial instruments and risk profile

As a private equity investment trust, the Trust'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, the Trust holds government gilts and cash and items such as debtors and creditors arising directly from its operations. In pursuing its investment objective, the Trust is exposed to a variety of risks that could result in either a reduction of the Trust'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 the Manager coordinate the Trust'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

The Trust'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 the Trust's portfolio is given on page 26. In accordance with the Trust's accounting policies, the investments in fund limited partnerships are valued by reference to all underlying unquoted investments, which are valued by the Directors following the IPEV guidelines. The Trust does not hedge against movements in the value of these investments, apart from foreign exchange movements as explained below. The Trust has exposure to interest rate movements, through bank deposits and gilt holdings.

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

19. Financial risk continued

The Trust adopted the amendment to FRS 29, effective 1 January 2009. This requires the Trust 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 and liabilities (by class) measured at fair value at 31 December.

Financial assets		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 LP	–	–	76,258	76,258
	– Investment in HGT 6 LP	–	–	177,104	177,104
	– Investment in HgCapital Mercury D LP	–	–	2,390	2,390
	– Investment in Hg 6 E LP	–	–	10,434	10,434
	– Investment in Hg RPP LP	–	–	11,335	11,335
	– Investment in Hg RPP2 LP	–	–	8,505	8,505
	– Government securities	108,359	–	–	108,359
Other assets					
Accrued income		1,538	–	40,060	41,598
As at 31 December 2012		**109,897**	**–**	**326,086**	**435,983**

Financial assets		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 LP	–	–	69,181	69,181
	– Investment in HGT 6 LP	–	–	165,787	165,787
	– Investment in Hg 6 E LP	–	–	9,445	9,445
	– Investment in Hg RPP LP	–	–	15,806	15,806
	– Investment in Hg RPP2 LP	–	–	5,202	5,202
	– Government securities	48,497	–	–	48,497
Other assets					
Accrued income		543	–	30,862	31,405
As at 31 December 2011		**49,040**	**–**	**296,283**	**345,323**

19. Financial risk continued

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. The Trust does not adjust the quoted bid price of these instruments.

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.

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 period ended 31 December 2012 by class of financial instrument.

Unquoted investments	Accrued income on investments 2012 £'000	Investments in limited partnerships 2012 £'000	Total 2012 £'000
Opening balance	30,862	265,421	296,283
Purchases	–	37,582	37,582
Realisations at 31 December 2011 valuation	(8,620)	(45,246)	(53,866)
Total gains for the year included in the income statement	17,818	28,269	46,087
Closing valuation of level 3 investments	**40,060**	**286,026**	**326,086**
Total gains for the year included in the income statement for investments held at the end of the year	**20,447**	**51,485**	**71,932**

Equity price risk

Equity price risk is the risk of a fall in the fair values of equities (including loans) held by the Trust indirectly through its direct investments in fund limited partnerships. The Board revalues each investment twice each year. The Board manages the risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Manager. 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 an impairment in value between regular valuations, it can revalue the investment. The Board also monitors the Manager's compliance with the Trust's investment objective and investment policy. The Manager's best estimate of the effect on the net assets and total return due to a reasonably possible change in the value of all unquoted securities, with all other variables held constant, is as follows:

	% change	£'000	NAV per Ordinary share (pence)
Unquoted	**10%**	**32,609**	**91.7**

Credit risk

Credit risk is the risk of financial loss in the event that any of the Trust's market counterparties fail to fulfil their contractual obligations to the Trust. The Trust's financial assets (excluding fixed asset investments) that are subject to credit risk, were neither impaired nor overdue at the year-end. The Trust's cash balances are held with the Bank of New York Mellon and any significant balances are invested in government securities issued by the United Kingdom. Foreign exchange forward contracts and options are held with counterparties which have credit ratings that 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 the Trust 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. The Manager assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

Currency risk and sensitivity

The Trust is exposed to currency risk as a result of investing in fund partnerships which invest in companies that operate in currencies other than sterling. The value of these assets in sterling, being the Trust's functional currency, can be significantly influenced by movements in foreign exchange rates. The Trust is partially hedged against movements in the value of the euro against pounds sterling affecting the value of its investments, as explained below. The Manager monitors the Trust'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 the Trust's year-end financial exposure to movements in foreign exchange rates against the Trust's functional currency. The rates represent the range of movements against sterling over the current year for the currencies listed.

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 the portfolio changes through the purchase and realisation of investments to meet the Trust's objectives.

	Revenue return		Capital return	
	£'000	NAV per Ordinary share (pence)	£'000	NAV per Ordinary share (pence)
Highest value against sterling during the year				
Euro (1.1779)	640	1.8	5,260	14.8
Norwegian kroner (8.8264)	–	–	815	2.3
Swedish kroner (10.3920)	18	0.1	122	0.3
Swiss franc (1.4196)	6	–	95	0.3
US dollar (1.5285)	–	–	21	0.1
	664	**1.9**	**6,313**	**17.8**
Lowest value against sterling during the year				
Euro (1.2848)	(553)	(1.6)	(4,545)	(12.8)
Norwegian kroner (9.5858)	–	–	(1,842)	(5.2)
Swedish kroner (11.4218)	(75)	(0.2)	(517)	(1.4)
Swiss franc (1.5429)	(4)	–	(71)	(0.2)
US dollar (1.6270)	–	–	–	–
	(632)	**(1.8)**	**(6,975)**	**(19.6)**

At 31 December 2012, the following rates were applied to convert foreign denominated assets into sterling: Euro (1.2329); Norwegian Kroner (9.0463); Swedish Kroner (10.5746); Swiss Franc (1.4879); and US Dollar (1.6255).

Portfolio hedging

At times, the Trust 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 the Trust are denominated in the foreign currency of the geographic areas in which the Trust has significant exposure against its reporting currency. The contracts are designated as a hedge 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.

		2012		2011	
	Currency	No '000	£'000	No '000	£'000
Forward foreign currency contracts	Euro	–	–	1,544	(52)

19. Financial risk continued

The Trust 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. The Trust does not adopt hedge accounting in the financial statements.

Interest rate risk and sensitivity

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

However, funds awaiting investment are invested in Government securities and, as stated above, the valuation is affected by movements in interest rates. The sensitivity of the capital return of the Trust to movements in interest rates has been based on the UK base rate. With all other variables constant, a 0.5% decrease in the UK base rate should increase the capital return in a full year by £542,000, with a corresponding decrease if the UK base rate were to increase by 0.5%. 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 the Trust's investments, may not be as readily realisable as investments in quoted companies, which might result in the Trust having difficulty in meeting its obligations. Liquidity risk is currently not significant as about 15% of the Trust's net assets at the year-end are liquid resources and, in addition, the Trust has a £40 million undrawn bank facility available. The Board gives guidance to the Manager as to the maximum amount of the Trust's resources that should be invested in any one company. For details refer to the investment policy on page 9.

Currency exposure

The currency denominations of the Trust's financial assets, held in fund limited partnerships, are shown below. Short-term debtors and creditors, which are excluded, are mostly denominated in pounds sterling, the functional currency of the Trust.

	2012				2011			
	Fixed rate £'000	Floating rate £'000	Non interest-bearing £'000	Total £'000	Fixed rate £'000	Floating rate £'000	Non interest-bearing £'000	Total £'000
Pounds sterling	109,896	2,540	160,027	272,463	49,039	6,071	145,495	200,605
Euro	–	3,327	122,932	126,259	–	2,164	116,123	118,287
Euro hedge	–	–	–	–	–	–	(52)	(52)
Norwegian kroner	–	–	32,718	32,718	–	–	23,156	23,156
Swedish kroner	–	–	7,975	7,975	–	–	6,692	6,692
Swiss franc	–	–	2,103	2,103	–	–	523	523
US dollar	–	–	332	332	–	–	588	588
Total	**109,896**	**5,867**	**326,087**	**441,850**	**49,039**	**8,235**	**292,525**	**349,799**

Fixed rate assets comprised gilts with interest rates of 4.50% per annum and which matures in March 2013. It is the intention to re-invest the proceeds at maturity in another short dated gilt. The floating rate assets consisted of cash.

The non interest-bearing assets represents the investment portfolio and the financial derivative instruments held in fund limited partnerships.

The Trust did not have any outstanding borrowings at the year-end (2011: £nil). The numerical disclosures above exclude short-term debtors and creditors.

Capital management policies and procedures

The Trust'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.

19. Financial risk continued

The Trust's capital at 31 December comprised:	2012 £'000	2011 £'000
Equity:		
Equity share capital	8,908	8,011
Share premium	102,746	68,096
Capital redemption reserve	1,248	1,248
Retained earnings and other reserves	325,054	269,477
Total capital	**437,956**	**346,832**

As stated above, the Trust did not have any outstanding borrowings at the year-end (2011: nil). With the assistance of the Manager, the Board monitors and reviews the broad structure of the Trust'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 the Trust 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, whilst maintaining its status under Section 1158 of the CTA 2010.

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

20. Issued share capital

	2012		2011	
	No. '000	£'000	No. '000	£'000
Ordinary shares of 25p each				
Allotted, called-up and fully paid				
At 1 January	31,822	7,956	31,104	7,776
Issued following exercise of subscription rights	3,742	934	718	180
At 31 December	35,564	8,890	31,822	7,956
Subscription shares of 1p each				
Allotted, called-up and fully paid				
At 1 January	5,503	55	6,221	62
Conversion into Ordinary shares	(3,742)	(37)	(718)	(7)
At 31 December	1,761	18	5,503	55
Total share capital	**37,325**	**8,908**	**37,325**	**8,011**

The Trust's issued share capital at the beginning of the year consisted of 31,822,330 Ordinary shares. On 11 June 2012 and 9 November 2012 respectively, 4,177 and 3,737,678 new Ordinary shares were issued pursuant to the exercise of Subscription shares. The subscription price paid per Ordinary share was £9.50 and total proceeds of £35,547,000 were received by the Trust.

At the beginning of the year, the Trust had 5,502,368 Subscription shares in issue. Each Subscription share entitles the holder to subscribe for one Ordinary share upon exercise of the subscription right and payment of the subscription price. The first opportunity in the current year to exercise such right was on 31 May 2012 when 4,177 Subscription shares were exercised. The Ordinary shares issued commenced trading on the 14 June 2012. The second opportunity to exercise such right was on 31 October 2012 when 3,737,678 Subscription shares were exercised. The Ordinary shares commenced trading on 12 November 2012. The final opportunity to exercise subscription rights is on 31 May 2013 at a subscription price of £10.25 per share.

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

21. Share premium account and reserves

	Share premium account £'000	Capital redemption reserve £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000
As at 1 January 2012	68,096	1,248	282,934	(23,474)	10,017
Issue of Ordinary shares	34,650	–	–	–	–
Transfer on disposal of investments	–	–	13,726	(13,726)	–
Losses on government securities	–	–	(259)	(31)	–
Net gain on sale of fixed asset investments	–	–	23,693	–	–
Net movement in unrealised depreciation of fixed asset investments	–	–	–	28,269	–
Dividends paid	–	–	–	–	(3,182)
Net return for the year after taxation	–	–	–	–	10,398
Loans to General Partners provided	–	–	–	(583)	–
Carried interest to Founder Partner	–	–	(2,728)	–	–
As at 31 December 2012	**102,746**	**1,248**	**317,366**	**(9,545)**	**17,233**

22. Commitment in fund partnerships and contingent liabilities

Original and outstanding commitments in Fund partnerships

Fund	Original Commitment £'000	Outstanding at 31 Dec 2012 £'000	Outstanding at 31 Dec 2011 £'000
HGT 6 LP[1]	285,029	64,479	85,888
HgCapital Mercury D LP	60,000	55,274	58,970
Hg RPP2 LP	32,444[2]	22,052[3]	27,222
HGT LP[4]	120,000	15,791	17,094
Hg 6 E LP	15,000	3,586	4,732
Hg RPP LP	17,552[5]	985[6]	1,236
Total outstanding commitments		**162,167**	**195,142**

[1] HgCapital Trust plc has the benefit of an investment opt-out provision in its commitment to invest alongside HgCapital 6, so that it can opt out of a new investment without penalty should it not have the cash available to invest.

[2] Sterling equivalent of €40,000,000

[3] Sterling equivalent of €27,188,000 (2011: €32,590,000)

[4] With effect from 21 October 2011, £12 million (10% of the original £120 million loan commitment to the Hg5 fund) was cancelled.

[5] Sterling equivalent of €21,640,088

[6] Sterling equivalent of €1,215,000 (2011: €1,479,000)

23. Related party transactions

HgCapital and its subsidiaries, acting as Manager of the Trust through a management agreement and participating through limited partnership agreements as General and Founder partners of the fund partnerships in which the Trust invests, are considered to be related parties by virtue of the above agreements.

During the year, priority profit shares allocated to HgCapital were £7,235,000 (2011: £7,190,000) and a carried interest profit allocation of £2,728,000 (2011: £2,079,000) was made to HgCapital during the year.

HgCapital also acts as secretary and administrator of the Trust. Total fees for the year amounted to £387,000 (2011: £342,000).

At 31 December 2012, the amount due to HgCapital relating to the above, disclosed under creditors, was £2,824,000 (2011: £2,165,000).

- Status of the Trust
- Capital Structure
- Going concern
- Borrowing facility
- Performance
- Results and dividend
- Key performance indicators

GOVERNANCE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HgCAPITAL TRUST PLC

We have audited the financial statements of HgCapital Trust plc (the "Trust") for the year ended 31 December 2012 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Trust'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 Trust'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 Trust and the Trust's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 December 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 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.

Other matters

Although not required to do so, the directors have voluntarily chosen to make a corporate governance statement detailing the extent of their compliance with the UK Corporate Governance Code. We reviewed:

- the directors' statement, contained within the director's report, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Trust's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

C. M. Thomson

Calum Thomson FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
7 March 2013

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Trust's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

DIRECTORS' REPORT

The Directors present the annual report and financial statements of HgCapital Trust plc (the 'Trust') (Reg. No. 1525583) for the year ended 31 December 2012.

The Chairman's statement, the description of the Trust's investment objective, investment policy, rationale & business model, and corporate governance statement form part of this Directors' report.

BUSINESS REVIEW

Background

The purpose of the business review is to provide an overview of the business of the Trust by:

- Analysing development and performance using appropriate key performance indicators ('KPIs');
- Outlining the principal risks and uncertainties affecting the Trust;
- Describing how the Trust manages these risks;
- Explaining the future business plans of the Trust;
- Setting out the Trust's environmental, social and ethical policy;
- Providing information about persons with whom the Trust has contractual or other arrangements which are essential to the business of the Trust; and
- Outlining the main trends and factors likely to affect the future development, performance and position of the Trust's business.

Principal activity and business review

The principal activity of the Trust is to operate as an investment trust providing access to a diversified portfolio of private equity investments. A review of the development and performance of the business for the year ended 31 December 2012 is given in the Chairman's statement, which forms part of this Directors' report, and in the Manager's review.

Status of the Trust

HMRC accepted the Trust as an investment trust for the purposes of Section 1158 of the Corporation Tax Act 2010 ('CTA 2010') for the year ended 31 December 2011. It is the intention of the Trust to continue to seek approval for classification as an investment trust under Section 1158 of the CTA 2010 for subsequent tax years. In the opinion of the Directors, the Trust continues to conduct its affairs as an investment trust within the definition prescribed by the CTA and is not a close company as defined by relevant tax legislation and provisions.

Capital Structure

The Trust had 31,822,330 ordinary shares and 5,502,368 subscription shares in issue at the beginning of the year under review. The ordinary shares in issue had increased to 35,564,185 and the subscription shares decreased to 1,760,513 at 31 December 2012, following the conversion of 3,741,855 subscription shares into ordinary shares during the year. As at 1 March 2013, the Trust had 35,564,185 ordinary shares of 25 pence each and 1,760,513 subscription shares of 1 penny each in issue. Each ordinary share has one voting right attached to it and the subscription shares carry no voting rights. Consequently, the total number of voting rights in the Trust at this date was 35,564,185. Further information on the share capital of the Trust can be found in note 20 to the financial statements.

Going concern

The Trust's business activities, together with the factors likely to affect its future development, performance and position are described in the Chairman's statement and in the Manager's review. The financial position of the Trust, its cash flows, liquidity position and borrowing facilities are described in the Directors' report. In addition, note 19 to the financial statements includes the Trust's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Directors believe that the Trust is well placed to manage its business risks successfully, despite the current uncertain economic outlook. The Directors review cash flow projections regularly, including important assumptions as to future realisations and the rate at which funds will be deployed into new investments. The Directors have a reasonable expectation that the Trust will have adequate resources to continue in operational existence for the foreseeable future and be able to meet its outstanding commitments as noted on pages 5 and 25. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Borrowing facility

The Board keeps the management of the Trust's resources under constant review and regularly considers long-term cash flow projections for the Trust and the use of gearing.

During 2011 the Board finalised a £40 million three-year multicurrency standby facility with Lloyds TSB Bank plc, on an unsecured basis. The Directors believe the borrowing facility gives the Board further flexibility in managing the Trust's resources, without adding undue risk. The facility was unutilised as at 31 December 2012.

Performance

In the year to 31 December 2012, the Trust's NAV per share (including dividends re-invested) increased by 15.3%. This compares with an increase in the FTSE All-Share Index (total return) of 12.3%. The Trust's ordinary share price increased by 5.8% on a total return basis.

Results and dividend

The total return for the Trust is set out in the income statement. The total return for the year, after taxation, was £58,759,000 (2011: £723,000) of which £10,398,000 was revenue return (2011: deficit of £645,000).

The Directors recommend the payment of a dividend of 23.0p per ordinary share for the year ended 31 December 2012 (2011: 10.0p). Subject to approval of this dividend at the forthcoming annual general meeting ('AGM'), it will be paid on 15 May 2013 to shareholders on the register of members at the close of business on 5 April 2013.

Key performance indicators

Each Board meeting conducts a detailed review of the portfolio and reviews trading results and ratios to understand the impact on the Trust of the trading performance of the individual portfolio holdings. The KPIs used to measure the progress and performance of the Trust over time and which are comparable to those reported by other investment trusts include NAV per share, share price, return per share, average monthly trading volumes and cash flow. Further information on KPIs and the Trust's progress against these can be found in the Chairman's statement on pages 4 and 5 and the Manager's review on pages 20 to 32. The Directors recognise that it is in the long-term interest of shareholders that shares do not trade at a significant discount to the prevailing NAV and they monitor the Trust's discount or premium regularly.

PRINCIPAL RISKS

The key financial risks faced by the Trust are set out below and in note 19 to the financial statements. The Board regularly reviews and agrees policies for managing each risk, as summarised below.

Performance risk

The Board is responsible for deciding the investment strategy to fulfil the Trust's objectives and for monitoring the performance of the Manager. An inappropriate strategy may lead to poor performance. To manage this risk the Manager provides an explanation of all investment decisions and the rationale for the composition of the investment portfolio. The Manager monitors and maintains an adequate spread of investments, based on the diversification requirements inherent in the Trust's investment policy, in order to minimise the risks associated with particular countries or factors specific to particular sectors.

Regulatory risk

The Trust operates as an investment trust in accordance with Sections 1158 and 1159 of CTA 2010. As such, the Trust is exempt from corporation tax on any capital gains realised from the sale of its investments, so the loss of investment trust status would represent a significant risk to the Trust. The Manager monitors investment movements, the level and type of forecast income and expenditure, and the amount of retained income (if any) to ensure that the provisions of Sections 1158 and 1159 of CTA 2010 are not breached. The results are reported to the Board at each meeting.

General changes in legislation, regulation or government policy could significantly influence the decisions of investors or impact upon the markets in which the Trust invests.

Operational risk

In common with most other investment trust companies, the Trust has no employees. The Trust therefore relies upon the services provided by third parties and is dependent upon the internal control systems of the Manager and the Trust's other service providers. For example, the security of the Trust's assets, dealing procedures, accounting records and maintenance of regulatory and legal requirements, depend on the effective operation of these systems. These are regularly tested and monitored and an internal control report, which includes an assessment of risks together with procedures to mitigate such risks, is prepared by the Manager and reviewed by the Audit & Valuation Committee twice a year.

The Board has considered an Assurance Report on Internal Controls (AAF 01/06) as prepared by the Manager for the year ended 31 December 2012, and independently reviewed by Deloitte LLP.

Financial risks

The Trust's investment activities expose it to a variety of financial risks that include valuation risk, liquidity risk, market price risk, credit risk, foreign exchange risk and interest rate risk. Further details are disclosed in note 19 to the Financial Statements, together with a summary of the policies for managing these risks.

Liquidity risk

The Trust, by the very nature of its investment objective, predominantly invests in unquoted companies, and liquidity in their securities can be constrained, potentially making the investments difficult to realise at, or near, the Directors' published valuation at any one point in time. The Manager has regard to the liquidity of the portfolio when making investment decisions, and the Trust manages its liquid resources to ensure sufficient cash is available to meet its contractual commitments.

In the event that the Directors have any particular concerns regarding the liquidity of the Trust and its cash resources, the Trust may exercise an opt-out in respect of new buyout investments alongside HgCapital 6 in order to manage the risk of over-commitment.

During 2011 the Directors also arranged a £40 million three-year standby facility as noted on page 82, allowing further flexibility in the management of the Trust's resources.

SOCIAL, ENVIRONMENTAL & ETHICAL POLICY

In 2006 and again in 2010, the Trust committed to invest in the Hg Renewable Power Partners funds, which the Board believes offer a profitable route for the Trust to participate in efforts to combat climate change.

The Manager addresses other investment opportunities on a sector basis. The sectors chosen do not generally raise ethical issues.

The Trust has no employees and has limited direct impact on the environment. The Trust aims to conduct itself responsibly, ethically and fairly and has sought to ensure that HgCapital's management of the portfolio of investments takes account of social, environmental and ethical factors where appropriate.

Stewardship

HgCapital seeks to invest in companies that are well managed, with high standards of corporate governance. The Directors of the Trust 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 the Trust's underlying proportion of the portfolio lies with HgCapital. As acknowledged by the Walker Review, the distance between owner and manager within the private equity model is relatively short and the link between the two is an important ingredient in investment performance. HgCapital has a policy of active portfolio management and ensures that significant time and resource is dedicated to every investment, with HgCapital executives typically being appointed to investee company boards, in order to ensure the application of active, results-orientated corporate governance. Further information regarding the stewardship of investee companies by HgCapital can be found in the Manager's review.

FUTURE PROSPECTS

The Board's main focus is on the achievement of capital growth and the future of the Trust is dependent upon the success of the investment strategy. The outlook for the Trust is discussed in the Chairman's statement and the Manager's review.

DERIVATIVE TRANSACTIONS

The Trust had no outstanding derivative contracts at 31 December 2012.

DIRECTORS

The Directors in office throughout the year and at the date of this report are listed on page 8.

Membership of the Board's committees is detailed in the corporate governance statement on page 89.

As noted in the Chairman's Statement, Mr Brooke will retire as a Director at the Company's AGM to be held on 8 May 2013 and will not be putting himself forward for re-election. The Board recognises the outstanding contribution Mr Brooke has made to the Trust during his tenure and would like to thank him for his twelve years of service as a member of the Board.

The Board has noted the recommendation in the AIC Code of Corporate Governance that non-executive directors serving longer than nine years should be subject to annual re-election. Accordingly, Mr Gale will offer himself for re-election at this year's annual general meeting.

In accordance with the articles of association, Mr Brooman, having most recently been re-elected in 2011, will retire by rotation at the Trust's AGM and, being eligible, offers himself for re-election.

The Board has considered the performance of Mr Gale and Mr Brooman and recommends that they be proposed for re-election. This opinion is based on the following assessment of their contribution to the operation of the Board:

Mr Gale

Mr Gale is professionally responsible for the selection and monitoring of a wide range of private equity managers and direct investments on behalf of a major institutional investor. His extensive knowledge of the private equity industry and trends in the market are of great value to the Board and his contributions towards the consideration of the Trust's strategy and the Board's assessment of the Manager's performance are particularly notable.

Mr Brooman

Mr Brooman is a chartered accountant with significant experience in senior financial roles, including previous appointments as Finance Director for large publicly listed businesses. He also holds the positions of Deputy Chairman and Chairman of the Audit Committee of another UK investment trust. His knowledge and experience are of great value to the Board, particularly his contribution to, and leadership of, the Audit & Valuation Committee.

Directors' interests

At the year-end the Directors of the Trust had the following interests in the ordinary shares and subscription shares of the Trust. All holdings are beneficial unless stated otherwise.

	31 December 2012		31 December 2011	
	Ordinary shares	Subscription shares	Ordinary shares	Subscription shares
P L Brooke	3,000	–	2,500	500
R J Brooman	1,840	–	1,534	306
P Gale	12,834	–	10,695	2,139
R P Mountford	14,222	–	11,893	2,329
A H Murison	13,153	–	5,000	2,000
G M Powell	3,000	–	3,000	nil

There have been no changes to the interests held by the Directors, in the ordinary or subscription shares of the Trust, between 31 December 2012 and the date of this report.

Substantial interests

As at 1 March 2013, being the latest practicable date prior to the publication of this report, the Trust had received notice that the persons noted in the table below had interests in 3% or more of the total voting rights of the Trust.

	Ordinary shares[1]	% of voting rights[2]
Cazenove Capital Management Limited	3,919,070	11.02
Rowan Nominees Limited[3] whose shares are held on behalf of:	3,119,609	8.77
– Ian Armitage	1,653,865	4.65
– HgCapital staff	1,119,125	3.15
– BBC Pension Trust Limited	346,619	0.97
Oxfordshire County Council	1,677,500	4.72
HSBC Holdings plc	1,594,924	4.48
The Co-Operative Asset Management	1,290,200	3.63

[1] Notifications are required where an investor reaches the 3% threshold and for every 1% increase of decrease thereafter. The above holdings are therefore not necessarily representative of the actual investor holdings at 31 December 2012.

[2] Where notifications were received prior to the placing and open offer in 2010 and subsequent share issues to fulfil subscription share exercises during 2011 and 2012, percentages have been updated to reflect the increased number of ordinary shares in issue and may therefore differ from the percentages notified at the relevant time.

[3] All shares held by Rowan Nominees Limited are managed by Hg Investment Managers Limited or Hg Pooled Management Limited. Mr Ian Armitage is the former Chairman of HgCapital. BBC Pension Trust Limited is a discretionary client of HgCapital.

Analysis of registered ordinary shareholders as at 31 December 2012

By type of holder	Number of shares	% of total 31 Dec 2012	% of total 31 Dec 2011*	Number of holders	% of total 31 Dec 2012	% of total 31 Dec 2011*
Direct private investors	660,545	1.86	2.47	205	29.20	31.11
Nominee companies	34,165,237	96.06	95.50	449	63.96	62.52
Others	738,403	2.08	2.03	48	6.84	6.37
Total	**35,564,185**	**100.00**	**100.00**	**702**	**100.00**	**100.00**

By size of holding	Number of shares	% of total 31 Dec 2012	% of total 31 Dec 2011*	Number of holders	% of total 31 Dec 2012	% of total 31 Dec 2011*
1 – 5,000	597,189	1.68	1.86	458	65.24	65.55
5,001 – 50,000	2,323,535	6.53	8.28	142	20.23	22.29
50,001 – 100,000	3,269,499	9.19	8.10	44	6.27	5.07
over 100,000	29,373,962	82.60	81.76	58	8.26	7.09
Total	**35,564,185**	**100.00**	**100.00**	**702**	**100.00**	**100.00**

*Percentages calculated on the basis of 31,822,330 shares in issue at 31 December 2011
This table does not form part of the financial statements.

Investment management and administration

Throughout 2012, the Trust's assets were managed by Hg Pooled Management Limited and HgCapital LLP, both trading as HgCapital, under management arrangements implemented in January 2009.

Under these arrangements, the Trust pays a priority profit share of 1.5% per annum on the current value of the HGT LP portfolio, excluding investments in other collective investment funds.

The Trust pays a priority profit share in respect of its commitment to invest alongside HgCapital's HgCapital 6 and HgCapital Mercury funds. These shares are the same as those payable by all institutional investors in these funds. Amounts of 1.75% per annum are payable on the commitments during the investment period of these funds, which is expected to last for between four and five years. These amounts will then reduce to 1.5% per annum calculated on the basis of the original cost of the assets, less the original cost of any assets which have been realised or written off.

The incentive scheme introduced in May 2003 remains in place for the Trust's investments in HGT LP. Under this scheme, in which the executives of HgCapital participate, carried interest is payable in order to provide an incentive to deliver good performance. This arrangement allows for a carried interest of 20% of the excess annual growth in average NAV over an 8% preferred return, based on a three-year rolling average NAV, calculated half-yearly and aggregated with any dividends declared by the Trust in respect of that financial year.

For the Trust's investment alongside HgCapital 6, this incentive scheme has been replaced by a carried interest arrangement identical to that which applies to all other investors in HgCapital 6. Under this arrangement, carried interest is payable, based on 20% of aggregate profits after the repayment to the Trust of its invested capital payable once it has received a preferred return thereon of 8% per annum.

No priority profit share or carried interest will apply to any investment alongside HgCapital 6 in excess of the Trust's pro-rata commitment.

The same carried interest arrangement as above applies to the Trust's commitment to HgCapital Mercury D LP.

HgCapital has been appointed as Secretary and administrator of the Trust for a fee equal to 0.1% p.a. of NAV. Hg Investment Managers Limited is the custodian of the Trust's assets and its fees and expenses are met by HgCapital.

Continued appointment of the Manager

The Board has concluded that it is in shareholders' interests that HgCapital should continue as Manager of the Trust on the existing terms. The Board considers the arrangements for the provision of investment management and other services to the Trust on an ongoing basis and a formal review is conducted annually.

As part of this review, the Board considered the quality and continuity of the Manager's personnel, succession planning, sector and geographic coverage, investment process and the results achieved to date. The Board also considered the Manager's ongoing commitment to the promotion of the Trust's shares.

The principal contents of the agreement with the Manager have been set out in the previous section. Having considered the terms of this agreement and those of other private equity investment trust companies, the Board considers that the terms of the agreement represent an appropriate balance between cost and incentivisation of the Manager.

Donations

The Trust made no political or charitable donations during the year.

Payment of suppliers

It is the policy of the Trust to pay for the supply of goods and services within the terms agreed with the supplier. The Trust has no trade creditors.

Annual General Meeting ('AGM')

The AGM of the Trust, which will include a presentation by the Manager, will be held at the offices of HgCapital, 2 More London Riverside, London SE1 2AP on Wednesday 8 May 2013 at 12 noon. Light refreshments will be available at the conclusion of the AGM. Notice of the AGM is given on pages 102 to 105.

The Board is of the opinion that the passing of all resolutions being put to the AGM would be in the best interests of the Trust. They therefore recommend that shareholders vote in favour of resolutions 1 to 12, as set out in the Notice of Meeting.

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 2013.

Although no shares were bought back during the year, the Directors are proposing to renew the authority at the forthcoming AGM, and are seeking authority to purchase up to 5,331,071 ordinary shares (being 14.99% of the issued share capital) as set out in Resolution 8 in the Notice of AGM. This authority, unless renewed, will expire at the conclusion of the AGM in 2014 or 8 November 2014 (whichever is earlier). 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 Services Authority, the maximum price that can be paid for each ordinary share is the higher of:

(a) 105% of the average of the middle market quotations of the ordinary shares in the Trust 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 (as stipulated by Article 5(1) of Commission Regulation (EC) No.2233/2003). The minimum price that may be paid will be 25.0p per share (being the nominal value of a share). Any shares purchased under this authority will be cancelled. In making purchases, the Trust will deal only with member firms of the London Stock Exchange.

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 the Trust's AGM in 2012. The authority gives the Directors, for the period until the conclusion of the AGM in 2013, the necessary authority to allot securities up to a maximum nominal amount of £5,250,684, or what was at 31 December 2011 approximately 66% of the issued ordinary share capital of the Trust. Of this amount, £2,625,342, or what was approximately 33% of the issued ordinary share capital, may only be allotted in the event of a fully pre-emptive rights issue.

On 6 April 2010 the Directors were also given authority to allot ordinary and subscription shares in respect of the open offer, the bonus issue and the exercise of subscription rights attaching to subscription shares. This authority will expire on 6 April 2015.

The Directors are proposing to renew the general authority to allot shares at the 2013 AGM. The authority to allot will be on broadly the same terms as the resolution passed at the 2012 AGM, and takes account of ABI guidelines.

The guidelines state that ABI members will permit, and treat as routine, resolutions seeking authority to allot shares representing up to one-third of a company's issued share capital. In addition, they will treat as routine a request for authority to allot shares representing an additional one-third of a company's issued share capital provided that it is only used to allot shares pursuant to a fully pre-emptive rights issue.

In light of these guidelines, the Board considers it appropriate that the Directors should be granted ongoing authority to allot shares in the capital of the Trust up to a maximum nominal amount of £5,868,090 (or 23,472,360 ordinary shares of 25p each) representing the guideline limit of approximately 66% of the Trust's ordinary share capital. Of this amount £2,934,045 (or 11,736,180 ordinary shares of 25p each), representing approximately 33% of the Trust's ordinary share capital, can only be allotted pursuant to a fully pre-emptive rights issue. The power will last until the conclusion of the AGM in 2014 or, if earlier, 8 August 2014. The Directors have no present intention to allot new ordinary shares, however consider it appropriate to maintain the flexibility that the authority provides.

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 2012. On 6 April 2010 an authority to disapply pre-emption rights was granted to the Directors in respect of the bonus issue and the exercise of subscription rights attaching to subscription shares.

The Directors are proposing a resolution to renew the general power to allot shares for cash without complying with the pre-emption rights in the Companies Act 2006 in certain circumstances.

In light of the ABI guidelines referred to above, this authority will permit the Directors to allot:

(a) ordinary shares up to a nominal amount of £5,868,090 (or 23,472,362 ordinary shares of 25 pence each) representing two-thirds of the Trust's existing ordinary share capital on an offer to shareholders on a pre-emptive basis. However, unless the shares are allotted pursuant to a rights issue (rather than an open offer), the Directors may only allot shares up to a nominal amount of £2,934,045 (or 11,736,181 ordinary shares of 25 pence each) representing one-third of the Trust's existing ordinary share capital (in each case subject to any adjustments, such as for fractional entitlements and overseas shareholders, as the Directors see fit); and

(b) otherwise than in connection with an offer to existing shareholders, ordinary shares up to a maximum nominal value of £889,104, representing approximately 10% of the existing ordinary share capital, at a price not less than the NAV per ordinary Share as at the most recent practicable date chosen for such purposes by the Directors. The power shall be valid until expiry of the general authority to allot shares described above.

Notice period for general meetings

The Board believes that it is in the best interests of shareholders of the Trust to have the ability to call meetings on 14 days' clear notice should a matter require urgency. The Board will therefore, as last year, propose a resolution at the AGM to approve the reduction in the minimum notice period from 21 clear days to 14 clear days for all general meetings other than annual general meetings. The Directors do not intend to use fewer than 21 clear days' notice, unless immediate action is required.

Adoption of new articles of association

The Company is proposing to relax its constitutional restriction on distributions so that the position reflects recent changes to the provisions of the Companies Act 2006 applicable to investment companies, pursuant to which the restriction on distributions of capital profits by investment companies has been removed. It is therefore proposed that Article 119(2) of the Company's articles of association be amended to remove that restriction.

The Board of the Trust is also proposing an amendment to article 96 (1), which currently limits the remuneration which may be paid to the Directors of the Company to the aggregate annual sum of £230,000. The Board has considered the increasing time commitments required by each of the Directors in fulfilling their duties and responsibilities to the Trust, as well as the remuneration paid to the Directors of comparable investment trust companies and the need to attract and retain Directors with a sufficient breadth and balance of skills, knowledge and experience, and believes that an increase to the aggregate limit set by the Articles, to a total sum of £300,000, would be appropriate in the circumstances. As in previous years, it is not the intention of the Board to significantly increase remuneration year on year; it is however felt that sufficient headroom should exist between the limit on total remuneration and the actual remuneration paid in any one year.

Copies of the proposed new Articles of the Company, including a version showing by tracked changes the alterations from the existing Articles, will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company up to and including the date of the AGM.

Transfer of shares and voting rights

There are no restrictions concerning the transfer of securities in the Trust; 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 the Trust; and no agreements to which the Trust is a party that might affect its control following a successful takeover bid.

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 the Trust's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Trust'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.

Deloitte LLP has indicated its willingness to continue in office as Auditor and resolutions proposing its re-appointment and authorising the Directors to determine its remuneration will be proposed at the AGM.

By order of the Board
Hg Pooled Management Ltd
Secretary
7 March 2013

This corporate governance statement forms part of the Directors' report.

Governance codes

The UK Listing Authority's Disclosure and Transparency Rules (the 'Disclosure Rules') require listed companies to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code (the 'UK Code'). The provisions of the UK Code, as issued by the Financial Reporting Council (the 'FRC') in June 2010, were applicable in the year under review. The UK Code can be viewed at www.frc.org.uk.

In addition, the Board of Hg Capital Trust plc has considered the principles and recommendations of the AIC Code of Corporate Governance ('AIC Code'), published in October 2010, by reference to the AIC Corporate Governance Guide for investment companies ('AIC Guide'). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Code as well as setting out additional principles and recommendations on issues that are of specific relevance to HgCapital Trust plc. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders.

Throughout the year, the Trust has taken into account the recommendations of the AIC Code and the relevant provisions of the UK Code, except as set out below. The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of the Trust, being an externally managed investment company. The Trust has therefore not reported further in respect of these provisions.

A copy of the AIC Code and the AIC Guide can be obtained via the AIC's website, www.theaic.co.uk.

The Board's composition

Throughout the year under review, the Board consisted of six non-executive Directors, all of whom were deemed to be independent of the Manager. In the Board's opinion, Mr Gale continues to qualify as an independent Director despite his length of service, as he is independent of the Manager and free from any business or other relationships that could materially interfere with the exercise of his judgment. Mr Mountford is a member of the Church of England Pensions Board, whilst Mr Powell is a co-opted member of its Investment Committee. Their fellow Directors do not believe that this connection in any way impedes the independence of either Mr Mountford or Mr Powell. The Directors' biographies highlight their wide range of business experience.

The Board has proactively addressed the matter of director tenure in their deliberations. It believes that adopting a policy whereby Directors may serve only for a limited period is not appropriate for a listed private equity fund, such as the Trust, where maintaining a long-term perspective is of particular importance. The continuity and experience brought to the Board by Directors with longer periods of service is considered desirable. The Board further considers that implementation of a fixed tenure policy could bring with it the inherent risks of short-termism and abuse of position, particularly in the application of such a policy to the position of Chairman.

The Board has considered its plans for the succession of appointments to the Board, having due regard to the benefits of diversity on the Board and the need to maintain an appropriate balance of skills and experience amongst Directors. Accordingly, it has been agreed that a new Director will be appointed during 2013 to fill the vacancy arising as a result of Mr Brooke's retirement.

Mr Gale serves as Deputy Chairman and Senior Independent Director ('SID') of the Trust and continues to provide an alternative channel for shareholder communications.

Proceedings of the Board

The Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. Strategic issues and all operational matters of a material nature are determined by the Board.

The Board met formally six times during 2012 and on one additional occasion for a Board strategy day. There is regular contact among the Directors and with HgCapital between these meetings. The Directors also have access to the advice and services of the 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 the Trust.

The Board has responsibility for ensuring that the Trust keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and enable it to ensure that the financial statements comply with UK company law. The Board is also responsible for safeguarding the assets of the Trust and for taking reasonable steps for the prevention and detection of fraud and other irregularities. Further, it is the Board's responsibility to present a balanced and understandable assessment of the Trust's position in all public communications.

The Trust has maintained appropriate directors' liability insurance cover throughout the year. The Trust'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, the Trust has agreed, subject to the restrictions and limitations imposed by statute and by the Trust's articles of association, to indemnify each Director against all costs, expenses, losses and liabilities incurred in execution of his office as director or otherwise in relation to such office. Save for such indemnity provisions in the Trust's articles of association and in the Directors' terms of appointment, there are no qualifying third party indemnity provisions in force.

Conflicts of interest

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 conflicts of interest. In the event that a Director had a relevant conflict of interest he would not be party to discussions or decisions on the matter on which he is 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.

The Board's evaluation

An appraisal system has been agreed by the Board for evaluation on an annual basis of the Board, the Audit & Valuation Committee, the Chairman and the individual Directors. The evaluation takes the form of a detailed questionnaire followed by discussions to identify how the effectiveness of the Board's activities, including its committees, policies or processes might be improved. The results of the evaluation process were presented to and discussed by the Board and it was agreed that the current composition of the Board provided a suitable mix of skills and experience and that the Board was functioning effectively. The Board is also satisfied that collectively the members of the Audit & Valuation Committee have a sufficient level of recent and relevant financial experience.

During the course of its 2012 annual evaluation, the Board carefully considered its current committee structure and the role of the Remuneration Committee in particular. As the Trust has no employees or executive directors, the Remuneration Committee only considers the level of fees to be paid to the non-executive Directors and the Chairman within the limits prescribed by the articles of association. On this basis, the Board agreed that the maintenance of a separate Remuneration Committee added little value and that the level of fees to be paid to the non-executive Directors and the Chairman would, in future years, be a matter for the Board as a whole to decide upon.

The Board also considered the composition and chairmanship of the Management Engagement Committee during the evaluation process and, having considered the value of the dialogue between Mr Mountford and Mr Brooman, in their roles as Chairman and Audit & Valuation Committee chair, the Board was of the view that the work of the Management Engagement Committee, and ultimately the Board, would be improved as a result of building a similar dialogue between the Chairman and a new Committee chair. It was therefore agreed that Mr Mountford will step down as chair of the Committee and a new chairman of the Management Engagement Committee will therefore be identified during the course of 2013. It was further agreed that the terms of reference of the Committee would be reviewed to ensure the appropriate inclusion of any additional duties deemed necessary as a result of the implementation of the Alternative Investment Funds Managers Directive.

Management and administration

The management of the investment portfolio has been delegated to HgCapital. HgCapital has also been appointed as Secretary and administrator to the Trust: certain of its corporate secretarial duties have been delegated to Capita Company Secretarial Services Limited ('CCSS'). Custody and settlement services are undertaken by Hg Investment Managers Limited (authorised and regulated by the Financial Services Authority), which in turn has appointed The Bank of New York Europe Limited ('BNYE'), a subsidiary of The Bank of New York Mellon, as sub-custodian.

The Board has delegated the exercise of any voting rights attaching to securities held in the portfolio to HgCapital. HgCapital does not operate a fixed policy when voting but reviews each case separately.

All other matters are reserved for the approval of the Board and its committees.

Board committees

The Board has delegated a number of areas of responsibility to its committees.

All the Directors of the Trust are non-executive and serve on each committee of the Board. Each Director is considered independent of the Manager, having had no previous or current connection with the investment management of the Trust other than in their capacity as a Director of the Trust, and are 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, as noted above, and it was felt appropriate that every non-executive Director should be a member of all committees. With a relatively small Board, it was deemed both proportionate and practical to involve all the independent Directors in each committee.

Throughout the financial year ended 31 December 2012, Mr Brooman was the Chairman of the Audit & Valuation Committee and Mr Mountford was Chairman of the Remuneration Committee, the Management Engagement Committee and the Nomination Committee.

The terms of reference of all the committees are available on the Trust's website at www.hgcapitaltrust.com and will also be available at each AGM.

Audit & Valuation Committee

The Audit & Valuation Committee, which has written terms of reference detailing its scope and duties, met six times during 2012. All Directors are members of this committee to enable them to be kept fully informed of any issues that may arise and to participate fully in discussions on portfolio valuation.

The responsibilities of a company's audit committee are set out in the UK Corporate Governance Code, Disclosure and Transparency Rule 7.1 and the committee's terms of reference. A summary of the Audit & Valuation Committee's key responsibilities and activities during the year is provided below:

Financial statements: The Committee has considered in detail the annual and half-yearly reports published by the Trust during 2012. The Committee has engaged with the Manager in order to facilitate the making of any significant financial reporting judgements and has also considered industry practice amongst its peers, where this was considered appropriate.

Key accounting and reporting issues considered by the Committee during the year have included consideration of the accounting treatment of timing differences relating to accrued income arising from loan stock interest; narrative reporting on the Trust's indirect and underlying investments in Hg portfolio companies; the process applied by the Manager in assessing the valuation of such investments and the analysis of HgCapital's application of such process to the individual valuations of the portfolio companies; and the method by which the Trust accounts for accrued income and carried interest.

Risk management and internal controls: Detail in respect of the Board's approach to monitoring internal controls is provided on page 92.

The Board has also spent time in the past year assessing the suitability of the Trust's processes for mapping and monitoring risks; these processes are kept under regular review.

External audit: The Committee monitors the Trust's relationship with Deloitte LLP with a view to ensuring that the external auditor does not provide non-audit services that have the potential to impair or appear to impair the independence of their audit role. The Board has agreed that, from time to time, it may be appropriate for the external auditor to provide certain non-audit services, where alternative providers do not exist or where it is cost effective or in the Trust's interest for the external auditor to provide such services.

The Committee has discussed Deloitte LLP's business relationship with the Manager and is satisfied that the external auditor remains independent of the Manager. Deloitte LLP has appropriate measures in place to ensure auditor objectivity and independence is safeguarded; such measures include ensuring that separate engagement teams conduct the audits for the Trust and the Manager. The Committee has considered the independence and objectivity of the auditor, having particular consideration of the factors outlined above, and is satisfied that Deloitte LLP is independent of the Trust and has fulfilled its obligations to the Trust and its shareholders.

Number of meetings attended/eligible to attend

Director	Board	Audit & Valuation	Remuneration	Management Engagement	Nomination
Piers Brooke	5/6	5/6	1/1	0/1	0/1
Richard Brooman	6/6	6/6	1/1	1/1	1/1
Peter Gale	6/6	6/6	1/1	0/1	1/1
Roger Mountford	5/6	5/6	1/1	1/1	1/1
Andrew Murison	6/6	6/6	1/1	1/1	1/1
Mark Powell	6/6	5/6	1/1	1/1	1/1

Having regard to these and all other relevant factors, the Audit & Valuation Committee made a recommendation to the Board that, subject to shareholder approval at the 2013 AGM, Deloitte LLP be reappointed as the independent auditor of the Trust for the forthcoming year.

The external auditor is invited to attend all Audit & Valuation Committee meetings and also meets with the Committee and its Chairman without representatives of the Manager being present.

Management Engagement Committee

The Management Engagement Committee is formally responsible for conducting an appraisal of the Manager's performance and considering and recommending, as appropriate, the Manager's continued appointment. It also regularly reviews the terms of the investment management and administration contracts.

The Directors acknowledge that the role of the Management Engagement Committee in a listed private equity company such as the Trust will be different from the role of such committees in the majority of investment trusts. As such, the primary focus of the Committee is to ensure that the Manager's business remains robust and is suitably resourced to enable efficient and effective operations to continue for the foreseeable future; the Committee considers matters such as the Manager's governance framework and succession planning. It is intended that the terms of reference of the Management Engagement Committee will be expanded in order to add specific duties relevant to the implementation of the Alternative Investment Fund Managers Directive, when the detailed requirements of the Directive are known. The Board intends that the Committee should then, like the Audit & Valuation Committee, be chaired by a Director other than the Chairman.

Remuneration Committee

During the year under review, the Remuneration Committee, was made up of all the Directors, and met to consider the level of fees paid to the Chairman and Directors. The remuneration of the Board was reviewed against the fees paid to directors of other specialist investment trusts and investment trusts of a comparable size, as well as taking account of published data.

The remuneration of the Chairman was considered by the Committee in his absence and under the leadership of the Deputy Chairman.

As noted on page 90, it has been decided that the Directors' remuneration for future financial periods will be reviewed and decided upon by the Board as a whole. Accordingly, the Trust will no longer have a Remuneration Committee from 2013 onwards.

Nomination Committee

The Nomination Committee meets when necessary to select and propose suitable candidates for appointment. When looking for a new Director, the Board assesses the skills of the Board as a whole, to identify any areas that need strengthening.

During 2012, the Committee considered the time spent by each Director on matters related to the Trust, having due regard to the other commitments each Director has outside his involvement with the Trust. It was agreed that each Director had demonstrated sufficient commitment to discharging his duties as a Director of the Trust and had committed sufficient time to Trust matters. The Committee also considered the membership of the standing committees of the Board and discussed the rationale for recommending the re-appointment of each Director who retired and offered himself for re-appointment at the 2012 AGM.

Attendance record

The table on the previous page summarises the Directors' attendance at meetings of the Board and its committees, held in the year to 31 December 2012, compared with the number they were eligible to attend.

Internal controls

The Board is responsible for the internal controls of the Trust and for reviewing their effectiveness, for ensuring that financial information published or used within the business is reliable, and for regularly monitoring compliance with regulations governing the operation of investment trusts. The Board continually reviews the effectiveness of the internal control system.

The processes indicated below have been put in place to ensure that the Trust fully complied with the AIC Code of Corporate Governance throughout the year ended 31 December 2012 and up to the date of this report, and will continue to do so in the year ending 31 December 2013.

As part of the Board's responsibility for the internal control system, an ongoing process has been established in conjunction with HgCapital and CCSS for identifying, evaluating and managing the Trust's significant risks.

Controls relating to the risks identified, covering financial, operational, compliance and risk management, are embedded in the operations of HgCapital, CCSS, BNYE and other outsourced service providers. There is a monitoring and reporting process to review controls put in place to track risks identified, carried out by the compliance function within HgCapital and the auditors of the other organisations. This accords with the guidance of the Financial Reporting Council's 'Internal Control: Revised Guidance for Directors on the Combined Code'. HgCapital report to the Trust on their review of internal controls (which for HgCapital includes checks on the sub-custodian) formally on a semi-annual basis and orally at each Board and Audit & Valuation Committee meeting.

During the year the Trust has not identified any significant failings or weaknesses in the internal control systems.

The Board reviews the 'whistle blowing' procedures of HgCapital to ensure that the concerns of their staff may be raised in a confidential manner.

Following the implementation of the UK Bribery Act in 2011, the Trust and the Manager formally adopted anti-corruption policies. The Board reviews compliance with these policies on a bi-annual basis.

The Trust does not have its own internal audit function, as all the administration is delegated to the Manager. This matter is kept under annual review.

HgCapital prepares cash flow forecasts and management accounts, which allow the Board to assess the Trust's activities and to review its performance. The Board and HgCapital have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are submitted to the Board at each meeting. HgCapital's evaluation procedure and financial analysis of the companies within the portfolio includes detailed research and appraisal, and also takes into account environmental policies and other business issues. The Board recognises that these control systems can only be designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss. It relies on the operating controls established by HgCapital, CCSS and BNYE.

Financial statements

The Board is required to ensure that the financial statements give a true and fair view of the affairs of the Trust as at the end of each financial year and of the results of the Trust for that period.

The Board considers that in preparing the financial statements, the Trust has used appropriate accounting policies, consistently applied (except where disclosed) and supported by reasonable and prudent judgments and estimates and that all accounting standards that it considers to be applicable have been followed.

Relations with shareholders

All shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM. The notice of the AGM which is sent out at least twenty working days in advance sets out the business of the meeting and any item, not of an entirely routine nature, is explained in the Directors' Report. Separate resolutions are proposed in respect of each substantive issue.

Both the Chairman of the Board and the Chairman of the Audit & Valuation Committee, together with representatives of HgCapital, are available to answer shareholders' questions at the AGM. Proxy voting figures are available to shareholders at the AGM.

HgCapital 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 the Trust. The section of this report, entitled 'Shareholder Information', provides information useful to shareholders.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the annual report and the financial statements 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). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Trust and of the profit or loss of the Trust 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Trust's transactions and disclose with reasonable accuracy at any time the financial position of the Trust and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice give a true and fair view of the assets, liabilities, financial position and profit or loss of the Trust; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Trust, together with a description of the principal risks and uncertainties that it faces.

By order of the Board
Roger Mountford, Chairman
7 March 2013

DIRECTORS' REMUNERATION REPORT

The Board presents the Directors' remuneration report for the year ended 31 December 2012.

The Board has prepared this report in accordance with the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as required under the Companies Act 2006, and an ordinary resolution for the approval of this report will be put to members at the forthcoming AGM.

Remuneration Committee

During the year under review the Remuneration Committee consisted of Roger Mountford (Chairman), Piers Brooke, Richard Brooman, Peter Gale, Andrew Murison and Mark Powell and met once during the year to consider the Directors' remuneration policy and annual fees.

As noted in the Corporate Governance Statement, the Trust will cease to have a Remuneration Committee from 2013 onwards.

Policy on Directors' Remuneration

The Trust has no employees other than its Directors, who are all non-executive and independent of the management company. The Secretary (whose duties are set out elsewhere in this report, and who is not appointed by the Remuneration Committee) provides a comparison of the Directors' remuneration with other investment trusts of similar size and/or mandate. This comparison, together with consideration of any change in non-executive Directors' responsibilities, is used to review whether any change in remuneration is appropriate.

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.

No element of the Directors' remuneration is performance related. The remuneration of the Directors is determined within the limits set out within the Trust's articles of association and they are not eligible for bonuses, share options or long-term performance incentives.

None of the Directors has a service contract with the Trust. The terms of their appointments are detailed in a letter sent to them when they join the Board. These letters state that a Director shall retire and be subject to election at the first AGM after his appointment and re-election at least every three years after that.

Share price performance from 31 December 2007 to 31 December 2012

The information in the table below has been audited.

Directors' remuneration

Director	Remuneration 2012 £	Remuneration 2011 £
Piers Brooke	28,500	27,500
Richard Brooman (Chairman of the Audit & Valuation Committee)	37,000	35,000
Peter Gale	28,500	27,500
Roger Mountford (Chairman)	46,500	43,500
Andrew Murison	28,500	27,500
Mark Powell	28,500	27,500
Total remuneration	197,500	188,500

During the year, the Remuneration Committee agreed to increase the Directors' fees, in order to reflect the continued high level of activity within the Trust and the time committed by Directors.

With effect from 1 July 2012, the remuneration of the Directors was increased as follows:

Mr Mountford (Chairman of the Board) – from £45,000 to £48,000

Mr Brooman (Chairman of the Audit & Valuation Committee) – from £36,000 to £38,000

All other Directors – from £28,000 to £29,000

The Trust's articles of association limit the aggregate remuneration of the Directors to £230,000 per annum.

As noted on page 88, it has been proposed that this limit be increased to the aggregate sum of £300,000 per annum and a special resolution to adopt new articles of association, incorporating this and other changes, will be put to the Trust's members at the 2013 AGM.

None of the Directors receives any non-cash benefits or pension entitlements.

Compensation for loss of office

No past Director has been compensated for loss of office.

Retirement of Directors

All of the Trust's Directors are subject to retirement by rotation in accordance with the Trust's articles of association.

By order of the Board
Hg Pooled Management Ltd
Secretary
7 March 2013

SHAREHOLDER INFORMATION

Financial calendar

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

March	• Final results for year announced
	• Annual report and financial statements published
May	• Annual General Meeting
August	• Interim figures announced and half-yearly report published

In accordance with the Disclosure and Transparency Rules, the Trust will also release Interim Management Statements ('IMS'). These will normally be released to the Stock Exchange in May and October. All announcements may be viewed at the Trust's website, www.hgcapitaltrust.com.

Dividend

The dividend proposed in respect of the year ended 31 December 2012 is 23.0p per share.

Ex-dividend date (shares transferred without dividend)	3 April 2013
Record date (last date for registering transfers to receive the dividend)	5 April 2013
Last date for registering DRIP instructions (see below)	23 April 2013
Dividend payment date	15 May 2013
Subscription share date (final date to exercise right)	31 May 2013

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

Payment of dividends

Cash dividends will be sent by cheque to the first-named shareholder at their registered address, together with a tax voucher, to arrive on the payment date. Alternatively, dividends may be paid direct into a shareholder's bank account via Bankers' Automated Clearing Service ('BACS'). This may be arranged by contacting the Trust's registrar, Computershare Investor Services PLC ('Computershare'), on 0870 707 1037.

Dividend reinvestment plan ('DRIP')

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

Dividend reinvestment forms may be obtained from Computershare on 0870 707 1037 or may be downloaded from www-uk.computershare.com/investor. Shareholders who have already opted for dividend reinvestment do not need to re-apply. The last date for registering for this service for the forthcoming dividend is 23 April 2013.

Share price

The Trust'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 and the Subscription share price are listed in the sub-section 'Conventional-Private Equity'.

ISIN/SEDOL numbers

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

ISIN	GB0003921052
SEDOL	0392105
Reuters code	HGT.L

The ISIN/SEDOL numbers and mnemonic code for the Trust's Subscription shares are:

ISIN	GB00B62CQW90
SEDOL	B62CQW9

Share dealing

Investors wishing to purchase or sell shares in the Trust may do so through a stockbroker or most banks.

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

Internet share dealing

Please note that, at present, this service is only available to shareholders in certain European jurisdictions, including the UK. Please refer to the website for an up to date list of these countries. This service provides shareholders with an easy way to buy or sell the Trust's Ordinary shares on the London Stock Exchange. The commission is 1.0%, subject to a minimum charge of £20. In addition, stamp duty, currently 0.5%, is payable on purchases. There is no need to open an account in order to deal. Real-time dealing is available during market hours. In addition, there is a convenient facility to place your order outside of market hours.

Up to 90 day limit orders are available for sales. To access the service log on to www.computershare.com/dealing/uk.

Shareholders should have their Shareholder Reference Number ('SRN') available. The SRN appears on share certificates. A bank debit card will be required for purchases.

Telephone share dealing

Please note this service is, at present, only available to shareholders resident in the UK and Ireland. The commission is 1% plus a standard charge of £25. In addition, stamp duty, currently 0.5%, is payable on purchases. The service is available from 8.00am to 4.30pm Monday to Friday, excluding bank holidays, on telephone number 0870 703 0084. 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 0870 703 0084.

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

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

Uncertificated Securities Regulations 1995 – CREST

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

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

Income tax

Where possible, dividends can be designated as an interest distribution (interest streaming) for tax purposes. This will be paid net of withholding tax of 20% which can be reclaimed by shareholders, depending on their relevant tax status, and the gross amount is taxed as interest income. Where interest streaming is not possible, all UK dividends are paid to shareholders net of a tax credit of 10%. Changes to the tax regime mean that since April 1999 non-taxpayers have no longer been able to reclaim the tax credit.

Non-PEP and ISA shareholders liable for higher rates of tax are assessed for any additional tax through their annual tax return.

Capital gains tax (CGT) for UK tax payers

Qualifying investment trusts currently pay no corporation tax on gains made within the portfolio. When investors sell all or part of their holdings, they may be liable to CGT. For the tax year 2012/13, the first £10,600 per annum of such gains from all sources is exempt.

From 6 April 2009 until 22 June 2010, a fixed tax rate on capital gains of 18% was applied. From 23 June 2010 the following CGT rates apply:

- 18% and 28% for individuals (depending on total taxable income and gains);
- 25% for trustees or personal representatives; and
- 10% for gains qualifying for Entrepreneurs' Relief.

PEP and ISA investments continue to remain exempt from CGT.

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

Risk factors

- Investments in predominantly unquoted companies, which form the majority of the Trust's investments, may not be as readily realisable as investments in quoted companies.
- As HgCapital invests in Continental Europe and in companies that trade internationally, the value of the Trust's shares may be affected by changes in rates of exchange.
- HgCapital invests in a portfolio of small to mid-cap companies, with enterprise values between £20 million and £500 million (at the time of acquisition), the performance of which can fluctuate.
- The price at which the Trust's shares trade on the London Stock Exchange is not the same as their NAV (although they are related) and therefore you may realise returns that are lower or higher than NAV performance.
- Past performance is not necessarily a guide to future performance and an investor may not get back the amount originally invested.
- The value of investments in the Trust and the income from it can fluctuate as the value of the underlying investments fluctuates.
- The Trust invests in unquoted companies and although great care is taken in their valuation such valuations cannot, by their nature, be exact and are liable to change.

Duration of the Trust

At an Extraordinary General Meeting held in January 2009, shareholders agreed to extend the life of the Trust to 2015. The articles of association, as amended, now provide for an ordinary resolution to be put to shareholders at the Annual General Meeting in the year 2015 to continue the life of the Trust for a further five years and a similar resolution will be put to the shareholders in 2020 and every fifth year thereafter. If the resolution to continue the life of the Trust is not approved, a General Meeting will be convened within six months after the date of the AGM to put forward proposals for the reorganisation or reconstruction of the Trust.

Nominee code

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

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

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

Shareholder enquiries

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

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

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

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

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

General enquiries about the Trust should be directed to:

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

INVESTING IN PRIVATE EQUITY

PRIVATE EQUITY

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

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

Healthy economies require constant change in their corporate sector, otherwise they stultify. Private equity is probably the best form of finance 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 from three to seven years.

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

Investment profile

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

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

Advantages of the private equity model

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

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

LISTED PRIVATE EQUITY

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

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

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

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

London Stock Exchange-listed private equity investment trusts are supervised by boards of directors, the majority of whom are independent, in order to reinforce the manager's accountability to the shareholders. Provided they meet certain criteria, investment trusts pay no corporation tax on capital gains but may not retain more than 15% of their income in each financial year.

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

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

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

In Europe, there are about 65 investable listed private equity companies, with market capitalisation of €26 billion of which €11 billion are London-listed companies (source: LPE January 2013). These listed private equity companies should not be confused with Venture Capital Trusts (VCTs), which offer targeted tax advantages to investors, but must follow stringent regulations as to the size and nature of the companies in which VCTs can invest. Such companies are generally embryonic businesses.

Advantages of listed private equity

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

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

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

GLOSSARY

INVESTMENT TRUSTS

Discount
Investment trust shares frequently trade at a discount to NAV. This occurs when the share price is less than the NAV. In this circumstance, the price that an investor pays or receives for a share would be less than the value attributable to it by reference to the underlying assets. The discount is the difference between the share price and the NAV, expressed as a percentage of the NAV. For example, if the NAV was 1,200p and the share price was 1,050p, the discount would be 12.5%.

NAV (net asset value per share)
This is the value of the Trust'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 2012, shareholders' funds were £437,956,000 and there were 35,564,185 Ordinary shares in issue; the NAV was therefore 1,231.5p per Ordinary share.

Shareholders' funds are calculated by deducting current and long-term liabilities, and any provision for liabilities and charges, from the Trust's total assets.

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 was 1,260p and the NAV was 1,200p, the premium would be 5%.

Subscription shares
Shares carrying the right (but not the obligation) to be exchanged for Ordinary shares of a company at a predetermined price and at a specified time in future.

Total return
The total return to shareholders comprises both changes in the Trust's NAV or share price and dividends paid to shareholders; it is calculated on the basis that dividends are reinvested in the Trust's shares on the date the dividend is paid.

PRIVATE EQUITY

Carried interest
Equivalent to a performance fee, this represents a share of the capital profits that will accrue to the investment manager, after achievement of an agreed hurdle rate.

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

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

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

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

IRR (internal rate of return)
The annual internal rate of return received by an investor in a fund. It is calculated from cash drawn from and returned to the investor together with the residual value of the fund unit.

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

LP (limited partnership)
An English limited partnership includes one or more general partners, who have responsibility for managing the business of the partnership and have unlimited liability, and one or more limited partners, who do not participate in the operation of the partnership and whose liability is ordinarily capped at any 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 as agreed with the partnership.

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.

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.

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

This Notice of Meeting is an important document, if shareholders are in any doubt as to what action to take, they should consult an appropriate independent advisor.

Notice is hereby given that the Annual General Meeting of HgCapital Trust plc will be held at the Company's registered office at 2 More London Riverside, London SE1 2AP, on Wednesday 8 May 2013 at 12 noon to transact the following business:

Ordinary business

To consider and, if thought fit, pass resolutions 1 to 7 as ordinary resolutions.

1. To receive the report of the Directors and the financial statements for the year ended 31 December 2012, together with the report of the independent auditor thereon.
2. To approve the Directors' remuneration report.
3. To declare a dividend of 23.0p per share.
4. To re-elect Mr P Gale as a Director.
5. To re-elect Mr R Brooman as a Director.
6. To re-appoint Deloitte LLP as independent Auditor to the Company.
7. To authorise the Directors to determine the independent Auditor's remuneration.

Special business

To consider and, if thought fit, pass resolutions 8, 10, 11 and 12 as special resolutions and resolution 9 as an ordinary resolution.

8. THAT in substitution for the Company's existing authority to make market purchases of Ordinary shares of 25p in the Company (Ordinary shares), the Company be and it is hereby authorised in accordance with Section 701 of the Companies Act 2006 (the Act) to make market purchases of Ordinary shares (within the meaning of Section 693 of the Act) provided that:

    (i) the maximum number of Ordinary shares hereby authorised to be purchased is 5,331,071;

    (ii) the minimum price which may be paid for an Ordinary share shall be 25p;

    (iii) the maximum price payable by the Company for each Ordinary share is the higher of:

    (a) 105% of the average of the middle market quotations of the Ordinary shares in the Company 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 as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buyback programmes and stabilisation of financial instruments (No.2233/2003);

    (iv) the authority hereby conferred shall expire at the end of the next AGM of the Company or, if earlier, on 8 November 2014 unless previously renewed, varied or revoked by the Company in general meeting.

9. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ('Rights'):

    (a) up to an aggregate nominal amount of £2,934,045; and

    (b) up to a further aggregate nominal amount of £2,934,045 provided that (i) they are equity securities (within the meaning of Section 560(1) of the Companies Act 2006) and (ii) they are offered by way of a rights issue to holders of Ordinary shares on the register of members at such record dates as the Directors may determine where the equity securities respectively attributable to the interests of the Ordinary shareholders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary shares held or deemed to be held by them on any such record dates, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter,

    provided that this authority shall expire at the end of the next annual general meeting of the Company, or, if earlier, on 8 August 2014, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors shall be entitled to allot shares and grant Rights pursuant to any such offer or agreement as if this authority had not expired.

10. THAT the Directors be and they are hereby empowered pursuant to Section 570 and Section 573 of the Companies Act 2006 to allot equity securities (within the meaning of Section 560 of that Act) for cash either pursuant to the authority conferred by Resolution 9 above, or by way of a sale of treasury shares, as if Section 561(1) of that Act did not apply to any such allotment provided that this power shall be limited to:

    (a) the allotment of equity securities in connection with an offer of securities (but in the case of the authority granted under paragraph (b) of Resolution 9 by way of rights issue only) in favour of the holders of Ordinary shares on the register of members at such record dates as the Directors may determine where the equity securities respectively attributable to the interests of the Ordinary shareholders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary shares held or deemed to be held by them on any such record dates, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter; and

    (b) the allotment (otherwise than pursuant to sub-paragraph (a) of this Resolution 10) to any person or persons of equity securities up to an aggregate nominal amount of £889,104,

    and shall expire upon the expiry of the general authority conferred by Resolution 9 above, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the Directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

11. THAT the Company be and is hereby generally and unconditionally authorised to hold general meetings (other than annual general meetings) on 14 clear days' notice.

12. THAT the articles of association produced to the meeting and, for the purposes of identification, initialled by the Chairman of the meeting be and are hereby approved and adopted as the articles of association of the Company in substitution for, and to the entire exclusion of, the existing articles of association of the Company, with effect from the conclusion of this meeting.

By order of the Board
Hg Pooled Management Ltd
Secretary
7 March 2013

Notes

1. To be entitled to attend and vote at the Annual General Meeting (the 'AGM') (and for the purpose of the determination by the Company of the number of votes they may cast) Ordinary shareholders must be entered on the Company's register of members at 6.00pm on 3 May 2013 (or, in the event of any adjournment, 6.00pm on the date which is two days (excluding weekends and bank holidays) before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the AGM. Subscription shares carry no right to attend or vote at the AGM.
2. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the AGM. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form that may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact the Company's registrars, Computershare Investor Services plc on 0870 707 1037.
3. To be valid, the enclosed reply-paid form of proxy, together, if appropriate, with the power of attorney (if any) under which it is signed, or a notarially certified copy of such power of attorney must be deposited at the offices of Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not later than 12 noon on 6 May 2013.
4. To appoint more than one proxy, shareholders will need to complete a separate proxy form in relation to each appointment (you may photocopy the proxy form), stating clearly on each proxy form how many shares the proxy is appointed in relation to. A failure to specify the number of shares each proxy appointment relates to or specifying an aggregate number of shares in excess of those held by the member will result in the proxy appointment being invalid. Please indicate if the proxy instruction is one of multiple instructions being given. All proxy forms must be signed and should be returned together in the same envelope.
5. The appointment of a proxy will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.
6. A shareholder present in person or by proxy shall have one vote on a show of hands. On a vote by poll every member present in person or by proxy shall have one vote for every Ordinary share of which he/she is the holder. The termination of the authority of a person to act as proxy must be notified to the Company in writing.
7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, 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 the register of members in respect of the joint holding (the first-named being the most senior).
8. 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 the Company. 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 shares:
   (a) if they purport to exercise the power in the same way as each other, the power is treated as exercised in that way;
   (b) if they do not purport to exercise the power in the same way as each other, the power is treated as not exercised.
9. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statements of the rights of shareholders in relation to the appointment of proxies in notes 1 to 4 above does not apply to a Nominated Person. The rights described in those notes can only be exercised by registered shareholders of the Company.
10. Pursuant to regulation 41(1) of the Uncertificated Securities Regulations 2001, only those shareholders registered in the register of members of the Company as at 6.00pm on 3 May 2013 shall be entitled to attend and vote at the aforesaid AGM in respect of the number of shares registered in their name at the that time. Changes to entries on the relevant register of members after 6.00pm on 3 May 2013 ('the specified time') shall be disregarded in determining the rights of any person to attend or vote at the AGM. If the AGM is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned AGM. If, however, the AGM is adjourned for a longer period then, to be so entitled, shareholders must be entered on the Company's register of members at the time which is 48 hours before the time fixed for the adjourned AGM or, if the Company gives notice of the adjourned AGM, at the time specified in that notice.
11. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for this meeting and any adjournment(s) thereof by using 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.

    In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual.

The message, regardless of whether it constitutes the appointment or an amendment of a proxy or to an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. 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. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear 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 members and, where applicable, their 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.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

12. As at the date of this Notice, the Company's issued share capital consisted of 35,564,185 Ordinary shares carrying one vote each. The Company also has Subscription shares in issue, however, such shares do not carry voting rights. Therefore, the total voting rights in the Company as at 1 March 2013 are 35,564,185.

13. In accordance with Section 319A of the Companies Act 2006, the Company must cause any question relating to the business being dealt with at the AGM put by a shareholder attending the meeting to be answered. No such answer need be given if:

    (a) to do so would:

        (i) interfere unduly with the conduct for the AGM, or

        (ii) involve the disclosure of confidential information;

    (b) the answer has already been given on a website in the form of an answer to a question; or

    (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

14. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

15. Members satisfying the thresholds in Section 338 of the Companies Act 2006 may require the Company to give, to members of the Company entitled to receive notice of the AGM, notice of a resolution which those members intend to move (and which may properly be moved) at the AGM. A resolution may properly be moved at the AGM unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous or vexatious. The business which may be dealt with at the AGM includes a resolution circulated pursuant to this right. 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 the Company not later than 6 weeks before the date of the AGM.

16. Members satisfying the thresholds in Section 338A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the AGM any matter (other than a proposed resolution) which may properly be included in the business at the AGM.

    A matter may properly be included in the business at the AGM unless (i) it is defamatory of any person or (ii) 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 the Company not later than six weeks before the date of the AGM.

17. A copy of this Notice of Annual General Meeting is available on the Company's website: www.hgcapitaltrust.com

18. The terms and conditions of appointment of non-executive Directors will be available for inspection at the registered office of the Company during usual business hours on any weekday (except Saturdays and public holidays) until the date of the AGM and at the place of the AGM for a period of fifteen minutes prior to and during the meeting.

    None of the Directors has a contract of service with the Company.

19. If a shareholder receiving this notice has sold or transferred all shares in the Trust, this notice and any other relevant documents (e.g. form of proxy) should be passed to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

MANAGEMENT AND ADMINISTRATION

Board of Directors
Roger Mountford (Chairman)
Piers Brooke
Richard Brooman (Chairman of the Audit & Valuation Committee)
Peter Gale (Deputy Chairman and Senior Independent Director)
Andrew Murison
Mark Powell

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SE1 2AP

www.hgcapitaltrust.com

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SE1 2AP

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www.hgcapital.com

Secretary and administrator
Hg Pooled Management Limited[2]
2 More London Riverside
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SE1 2AP

Telephone: 020 7089 7888
www.hgcapital.com

Custodian
Hg Investment Managers Limited[2]
2 More London Riverside
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SE1 2AP

Registrar
Computershare Investor Services PLC[2]
The Pavilions
Bridgwater Road
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www-uk.computershare.com/investor

Stockbrokers
Jefferies Hoare Govett[2]
Vintners Place
68 Upper Thames Street
London EC4V 3BJ

Telephone: 020 7029 8000
www.jefferies.com

Numis Securities Ltd[2]
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Telephone: 020 7260 1000
www.numiscorp.com

Independent auditor
Deloitte LLP
2 New Street Square
London EC4A 3BZ

AIC
Association of Investment Companies
www.theaic.co.uk

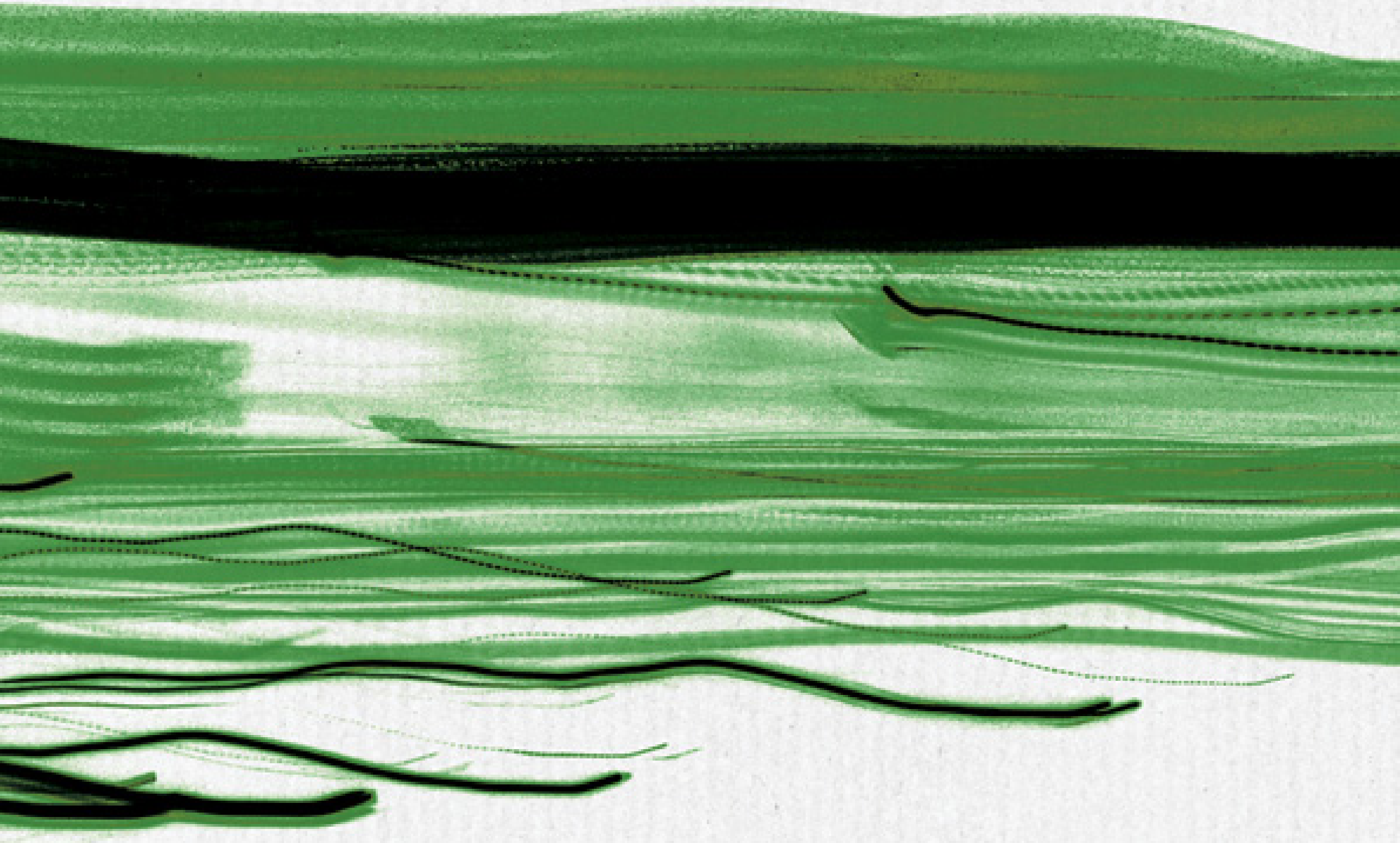
LPEQ
Listed Private Equity
www.lpeq.com

HgCapital Trust plc is a founder member of LPEQ. LPEQ is a group of private equity investment trusts and similar vehicles listed on the London Stock Exchange and other major European stock markets, formed to raise awareness and increase understanding of what listed private equity is and how it enables all investors - not just institutions - to invest in private equity.

LPEQ provides information on private equity in general, and the listed sector in particular, undertaking and publishing research and working to improve levels of knowledge about the asset class among investors and their advisers.

[1] HgCapital is the trading name of Hg Pooled Management Limited and HgCapital LLP

[2] Authorised and regulated by the Financial Services Authority.



www.hgcapitaltrust.com

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