Investment Objective

The objective of the Company is to provide shareholders with long-term capital appreciation from investment primarily in unquoted companies. The Company provides investors with an exposure to management buy-outs, management buy-ins and expansion capital investments.

Financial highlights

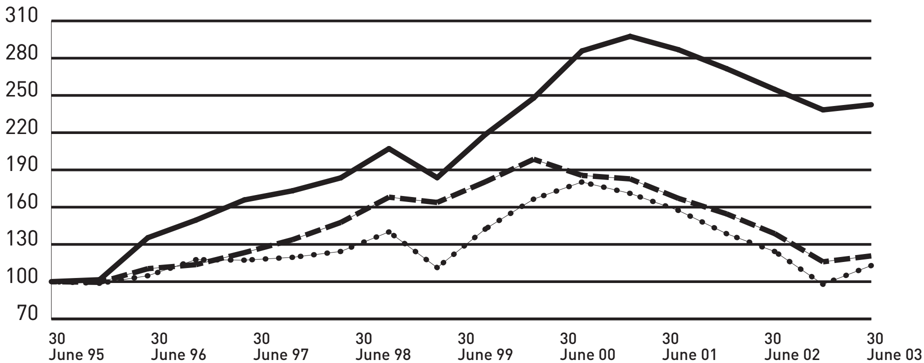
Attributable to ordinary shareholders

	At 30 June 2003 (unaudited)	At 31 December 2002 (audited)	% change
Assets			
Net assets (£'000)	**87,322**	83,837	4.2
Net assets per share	**346.7p**	332.9p	4.2
Share price (mid-market)	**243.0p**	219.5p	10.7

	Six months ended 30 June 2003 (unaudited)	Six months ended 30 June 2002 (unaudited)	% change
Revenue			
Net revenue (£'000)	**607**	1,063	(42.9)
Earnings per share	**2.4p**	4.2p	(42.9)

Chairman's Statement

NAV performance since June 1995



NAV
FTSE All-Share Index
FTSE SmallCap Index

Capital-only performance record, rebased to 100 at 30 June 1995
Sources: Bloomberg, Merrill Lynch Investment Managers

The Company continues to maintain its long term record of outperformance against the FTSE All-Share Index. The net asset value per share increased by 4.2% from 332.9p at the end of 2002 to 346.7p at 30 June 2003. This compares with increases of 4.1% in the FTSE All-Share Index and 15.5% in the FTSE SmallCap Index, both in capital-only terms.

Earnings per share were 2.4p, compared with 4.2p in the same period last year. This decrease is due to the costs incurred in connection with the reorganisation of the Company earlier this year. As these costs were a non-recurring item, the Board intends to exclude them from consideration when deciding the dividend to be recommended in respect of the current year.

The Company committed £7.7 million to new and follow-on investments and realisations yielded £2.3 million. Details are given in the Investment Manager's Review. As at 30 June 2003, the Company's cash resources amounted to £7.2 million, approximately half the amount held at the end of 2002. This trend is expected to continue and the Company will draw on its £25 million borrowing facility.

Finally, following the approval of the new management arrangements at the Extraordinary General Meeting in April, the Company now has a direct contractual relationship with HgCapital. One of the features of the new management agreement is the linking of part of the Manager's remuneration to the performance of the Company's net asset value. The name of the Company has changed to HgCapital Trust plc to reflect that relationship. The life of the Company has been extended by a further period of six years to 2011.

David Bucks
2 September 2003

Investment Manager's Review

The decline in economic growth in the UK experienced in 2001 and 2002 continued into 2003. Consumer spending remained sluggish, causing the Bank of England to follow the example of the US and Europe and cut interest rates. Despite this gloomy outlook, investor confidence for a longer-term recovery fuelled a strong rebound in the equity markets in the second quarter of the year. As yet there has been no discernable change in M&A activity, with the volume of deals broadly flat. Public-to-private transactions, which began to take off again in 2002 and the first quarter of this year, have been more difficult to complete as quoted investors have, once again, placed particularly high valuations on their investments. Accordingly, general buy-out activity in the UK has remained subdued.

Notwithstanding these difficulties, some deals can be concluded on satisfactory terms. In March, we completed the £17 million public-to-private management buy-out of Rolfe & Nolan, the leading independent supplier of back-office processing software to the futures and options industry.

We also acquired Hoseasons, the leading independent self-catering holiday agency in the UK, in a £40 million secondary buy-out. The growing market for self-catering overseas holidays represents a significant opportunity for Hoseasons.

The larger, more established businesses within the portfolio are generating cash, enabling them to repay acquisition debt and thus improve their financial condition. There have been healthy increases in profits at Match, Tunstall, Castlebeck, ClinPhone and Pharma Bio-Research. Early-stage companies are still finding the business climate difficult and, where appropriate, we have reduced valuations to reflect their performance and poorer prospects.

A corollary of a sluggish M&A market is a deterioration in opportunities for realising investments, which is likely to continue for the foreseeable future.

The number of potential deals that we are seeing has increased across all the sectors, particularly within Germany, where tough markets have caused companies to dispose of peripheral activities. We have launched a bid to acquire the issued share capital of W.E.T. Automotive Systems AG in order to take the company private, offering a full price for what we believe to be a good business.

We remain cautiously optimistic for further opportunities to deploy capital.

HgCapital
Investment Manager
2 September 2003

Portfolio Analysis

	No.	£'000
New investments	2	5,080
Further investments	7	2,635
Full realisations	4	432
Partial realisations	9	1,863

At 30 June 2003 the portfolio consisted of 47 investments (31 December 2002: 49) and the ten principal investments represented 69% of the value excluding cash.

During the first six months of 2003 the Company invested a total of £7.7 million. Two new investments were made, both management buy-outs, within the technology and leisure sectors. Additional finance was provided to seven companies within the portfolio, most notably £0.8 million to support a placing and open offer for Alizyme and £0.8 million to Acuid.

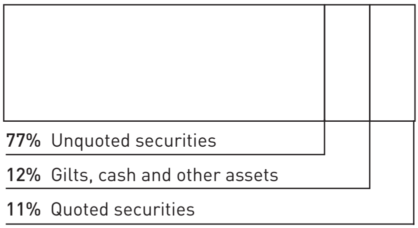
Realisation proceeds totalled £2.3 million. Four investments were exited: interests in Corinthian Marketing, Greycoat and UPM were sold, and Nova Homes was liquidated. Other proceeds arose mainly from distributions by overseas funds.

The valuation of the portfolio, excluding cash, increased to £76.5 million, benefiting from gains in quoted stock prices, favourable exchange rate movements and from a growth in profitability of some of the larger unquoted companies.

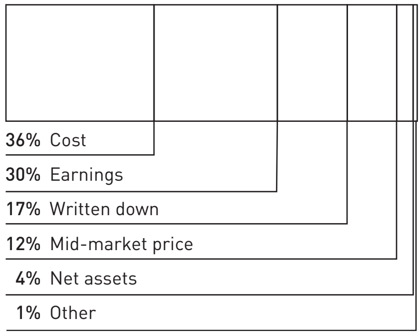
A list of investments is given on page 7.

The Company is now getting close to becoming fully-invested and we expect to utilise its borrowing facility in the near future.

Asset class



Valuation basis



Review of Principal Investments

Raymarine
Raymarine is the leading global manufacturer of electronic equipment for the recreational marine market. Its products include instruments, radar, autopilots and navigation systems. Following a lull in profit growth in 2002, the company is investing in new product development in order to achieve additional sales and profit growth in 2004 and beyond.

FTE Automotive
FTE Automotive is the world market leader for clutch and brake actuation systems. It supplies most of the major European and North American car manufacturers and enjoys longstanding, close relationships with its customers. Management has been strengthened with the appointment of a new chief executive and the company is performing marginally ahead of expectations.

Tunstall
Tunstall is Europe's leading manufacturer and supplier of personal and home reassurance systems. Its unique emergency communication technology provides access to direct help for the elderly, disabled and vulnerable. The company enjoyed a strong first nine months to its financial year and achieved good business gains in the USA and Europe. The challenge for the business now is to decide which new business opportunities it should pursue over the next three years.

Match
Match is the second-largest agency provider of qualified healthcare staff to NHS hospitals and also owns a general commercial and industrial staffing agency. It achieved record profit increases during 2001 and 2002. Match recently undertook a significant restructuring and integration of its healthcare businesses, which has resulted in improved operating margins.

Travelsphere
Travelsphere is one of the UK's top three, direct-sell escorted tour operators, providing overseas coach holidays for the 45+ age group. Trading was adversely affected during the year by the war in Iraq and by the outbreak of the SARS virus. The company responded by both consolidating its tours and modifying its sales mix. Notwithstanding these difficulties, management reduced debt and booking levels have recovered following a return in consumer confidence.

Review of Principal Investments continued

Pharma Bio-Research
Pharma Bio-Research is a contract research organisation that manages early-phase clinical trials of new drugs on behalf of many of the world's leading blue chip pharmaceutical and biotechnology firms. The conflict in Iraq and the SARS outbreak led to a marked reduction in studies from the USA as customers restricted travel. Sales have since recovered strongly and the company is now focusing on expanding its Phase I studies as well as offering Phase IIa trial services in three specialist therapeutic areas.

Alizyme
Alizyme develops prescription drugs for the treatment of diseases of the gut and obesity. Progress with clinical trials has been in line with expectations and the company recently announced successful completion of the Phase IIb trial for its irritable bowel syndrome drug. In February 2003 Alizyme raised £16.1 million in a placing and open offer, which should be sufficient to finance it over the next two years.

Castlebeck
Castlebeck provides residential healthcare to adults with learning disabilities and challenging behaviour. Demand significantly outstrips supply and private sector provision is set to grow dramatically. Castlebeck operates ten independent hospitals and homes in the north-east of England and Scotland and has identified three new properties that should soon be operational. The senior management team is now complete following the appointments of a chief executive and finance director. The company is trading ahead of our expectations.

Eagle Rock Entertainment
Eagle Rock Entertainment creates and acquires audio and audio-visual entertainment productions with a strong focus on rock music by mature and established international artists. It exploits the intellectual property rights on CD, DVD and through TV licensing. Following a decline in the audio business, Eagle decided to focus on the DVD market, where it is now one of the leading independent producers and is recording significant growth.

Acuid
Acuid develops intellectual property for high-speed data communication between micro-chips that is considerably faster than current, equivalent technology. The final tranche of an $8 million commitment was paid to the company in February 2003 to finance it until early 2004, by which stage its design should be integrated into third-party products such as PCs, games consoles and communications devices.

Investment Listing

Company	Residual cost £'000	Valuation £'000	Year of investment	Value %
Raymarine Group Ltd	6,015	9,695	2001	12.7
FTE Automotive GmbH+	6,805	7,376	2002	9.6
Tunstall Holdings Ltd	6,295	5,877	1999	7.7
Match Holdings Ltd	3,854	5,619	1999	7.3
Travelsphere Holdings Ltd	4,046	4,510	2000	5.9
Pharma Bio-Research BV+	3,949	4,277	2002	5.6
Alizyme plc*	3,180	4,236	1998	5.6
Castlebeck Group Ltd	3,731	3,731	2002	4.9
Eagle Rock Entertainment Ltd	3,668	3,668	2001	4.8
Acuid Ltd+	3,701	3,348	2001	4.4
Rolfe & Nolan Holdings plc	2,925	2,925	2003	3.8
Hoseasons Group Ltd	2,155	2,155	2003	2.8
ClinPhone Holdings Ltd	613	2,151	1996	2.8
Paddy Power plc~	445	1,997	2000	2.6
Patientline plc#	413	1,900	1996	2.5
Weston Presidio Capital III, LP	2,522	1,883	1998	2.5
Orbiscom Ltd	2,791	1,538	2001	2.0
Bottomline Technologies, Inc**	952	1,019	1999	1.3
Trados, Inc	2,492	958	2000	1.3
Profiad Ltd	1,653	948	1999	1.2
Other investments (27)	29,272	6,669		8.7
Total	**91,477**	**76,480**		**100.0**

* Listed on the London Stock Exchange.
~ Listed on the London and Dublin Stock Exchanges.
\# Traded on the Alternative Investment Market.
** Traded on NASDAQ.
\+ The difference between cost and valuation is due to foreign exchange rate movements.

Statement of Total Return (incorporating the revenue account)

for the six months ended 30 June 2003

		Revenue			Capital			Total		
	Note	Six months ended **30.6.03 £'000 (unaudited)**	Six months ended 30.6.02 £'000 (unaudited)	Year ended 31.12.02 £'000 (audited)	Six months ended **30.6.03 £'000 (unaudited)**	Six months ended 30.6.02 £'000 (unaudited)	Year ended 31.12.02 £'000 (audited)	Six months ended **30.6.03 £'000 (unaudited)**	Six months ended 30.6.02 £'000 (unaudited)	Year ended 31.12.02 £'000 (audited)
Gains/(losses) on investments		**–**	–	–	**3,365**	(4,632)	(11,214)	**3,365**	(4,632)	(11,214)
Income	5	**2,028**	1,852	3,528	**–**	–	–	**2,028**	1,852	3,528
Investment management fee	6	**(221)**	(206)	(396)	**(664)**	(619)	(1,187)	**(885)**	(825)	(1,583)
Other expenses	7	**(703)**	(174)	(322)	**–**	–	–	**(703)**	(174)	(322)
Net return before finance costs and taxation		**1,104**	1,472	2,810	**2,701**	(5,251)	(12,401)	**3,805**	(3,779)	(9,591)
Interest payable and similar charges		**(11)**	(11)	(22)	**(32)**	(32)	(66)	**(43)**	(43)	(88)
Return on ordinary activities before taxation		**1,093**	1,461	2,788	**2,669**	(5,283)	(12,467)	**3,762**	(3,822)	(9,679)
Taxation on ordinary activities		**(486)**	(398)	(640)	**209**	195	376	**(277)**	(203)	(264)
Return on ordinary activities after taxation		**607**	1,063	2,148	**2,878**	(5,088)	(12,091)	**3,485**	(4,025)	(9,943)
Dividend in respect of equity shares	3	**–**	–	(2,015)	**–**	–	–	**–**	–	(2,015)
Transfer to/(from) reserves		**607**	1,063	133	**2,878**	(5,088)	(12,091)	**3,485**	(4,025)	(11,958)
Return per ordinary share		**2.41p**	4.22p	8.53p	**11.43p**	(20.20p)	(48.01p)	**13.84p**	(15.98p)	(39.48p)
Dividend per ordinary share		**–**	–	8.00p	**–**	–	–	**–**	–	8.00p

Balance Sheet

as at 30 June 2003

	30 June 2003 £'000 (unaudited)	30 June 2002 £'000 (unaudited)	31 December 2002 £'000 (audited)
Fixed assets			
Investments			
– Listed at mid-market valuation	**9,464**	10,809	5,112
– Unquoted at directors' valuation	**67,016**	44,794	62,559
	76,480	55,603	67,671
Current assets			
Debtors	**4,444**	3,531	3,881
Government securities	**6,658**	33,135	13,843
Cash	**588**	108	1,031
	11,690	36,774	18,755
Creditors – amounts falling due within one year	**(848)**	(607)	(2,589)
Net current assets	**10,842**	36,167	16,166
Net assets	**87,322**	91,770	83,837
Capital and reserves			
Called up share capital	**6,296**	6,296	6,296
Share premium account	**14,123**	14,123	14,123
Capital redemption reserve	**1,248**	1,248	1,248
Capital reserve – realised	**76,895**	80,599	78,079
Capital reserve – unrealised	**(14,997)**	(14,576)	(19,059)
Revenue reserve	**3,757**	4,080	3,150
Total equity shareholders' funds	**87,322**	91,770	83,837
Net asset value per ordinary share	**346.7p**	364.4p	332.9p

Summarised Cash Flow Statement

for the six months ended 30 June 2003

	Six months ended 30 June 2003 £'000 (unaudited)	Six months ended 30 June 2002 £'000 (unaudited)	Year ended 31 December 2002 £'000 (audited)
Net cash flow from operating activities	**(490)**	1,821	2,161
Returns on investment and servicing of finance	**35**	9	(7)
Taxation received	**470**	82	383
Capital expenditure and financial investment			
Purchase of fixed asset investments	**(7,715)**	(3,212)	(24,033)
Proceeds from the sale of fixed asset investments	**2,295**	18,069	20,246
Equity dividends paid	**(2,015)**	(2,015)	(2,015)
Management of liquid resources	**6,977**	(14,959)	3,983
(Decrease)/increase in cash	**(443)**	(205)	718

Reconciliation of net return before finance costs and taxation to net cash flow from operating activities

	Six months ended 30 June 2003 £'000 (unaudited)	Six months ended 30 June 2002 £'000 (unaudited)	Year ended 31 December 2002 £'000 (audited)
Net return before finance costs and taxation	**1,104**	1,472	2,810
Investment management fee and finance costs charged to capital	**(696)**	(651)	(1,253)
Interest receivable	**(46)**	(9)	(15)
(Increase)/decrease in accrued income	**(1,000)**	1,027	357
Increase/(decrease) in creditors	**90**	(24)	(56)
Effective yield adjustment	**199**	486	832
Tax on investment income included within gross income	**(141)**	(480)	(514)
Net cash flow from operating activities	**(490)**	1,821	2,161

Notes to the Interim Report

1. Principal activity
The principal activity of the Company is that of an investment company within the meaning of section 266 of the Companies Act 1985.

2. Basis of preparation
The interim financial statements have been prepared on the basis of the accounting policies set out in the Company's financial statements for the year ended 31 December 2002. Income and operating expenses have been recognised in accordance with the same principles used in the preparation of the annual financial statements. The taxation charge has been calculated by applying an estimate of the annual effective tax rate to the profit for the period.

3. Dividend
It is intended that dividends will be declared and paid annually in respect of each accounting period. A dividend of 8.00p per share, declared as a final dividend, was paid on 1 May 2003 in respect of the year ended 31 December 2002.

4. Issued share capital
There were 25,186,755 ordinary shares in issue for the six months to 30 June 2003 (31 December 2002: 25,186,755).

5. Income

	Six months ended 30 June 2003 £'000 (unaudited)	Six months ended 30 June 2002 £'000 (unaudited)	Year ended 31 December 2002 £'000 (audited)
Income from investments			
UK unquoted investment income	**1,724**	1,235	2,209
UK listed dividends	**–**	128	193
Overseas listed dividends	**25**	14	26
	1,749	1,377	2,428
Other income			
Gilt interest	**233**	465	1,060
Deposit interest	**46**	9	15
Other fees	**–**	1	25
	279	475	1,100
Total income	**2,028**	1,852	3,528

Notes to the Interim Report continued

6. Investment management fee

	Revenue			Capital		
	Six months ended 30.6.03 £'000 (unaudited)	Six months ended 30.6.02 £'000 (unaudited)	Year ended 31.12.02 £'000 (audited)	**Six months ended 30.6.03 £'000 (unaudited)**	Six months ended 30.6.02 £'000 (unaudited)	Year ended 31.12.02 £'000 (audited)
Investment management fee	**188**	175	337	**565**	526	1,010
Irrecoverable VAT thereon	**33**	31	59	**99**	93	177
	221	206	396	**664**	619	1,187

The investment management fee is levied quarterly in arrears and is charged 25% to the revenue account and 75% to capital reserve – realised.

7. Other expenses

	Six months ended 30 June 2003 £'000 (unaudited)	Six months ended 30 June 2002 £'000 (unaudited)	Year ended 31 December 2002 £'000 (audited)
Custodian and administration fees	**53**	60	116
Reorganisation costs	**522**	–	–
Other administration costs	**128**	114	206
	703	174	322

8. Capital commitments

As at 30 June 2003 the Company was committed to further investments of £1,734,000 (31 December 2002: £3,275,000).

9. New management arrangements and implementation of a limited partnership structure

At an extraordinary general meeting held on 29 April 2003, shareholders approved proposals to introduce new management arrangements and the implementation of a limited partnership structure to hold the Company's non-cash portfolio.

Details of the new management fee, together with the partnership profit share arrangement, were set out in the Chairman's letter to shareholders dated 4 April 2003 and will be disclosed in the Company's annual report for the year ending 31 December 2003.

Notes to the Interim Report continued

10. Publication of non-statutory accounts
The financial information contained in this interim report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial information for the six months ended 30 June 2002 and 2003 has not been audited.

The information for the year ended 31 December 2002 has been extracted from the latest published audited financial statements, which have been filed with the Registrar of Companies. The report of the independent auditor on those accounts contained no qualification or statement under section 237(2) or (3) of the Companies Act 1985.

11. Annual results
The Board expects to announce the results for the year ending 31 December 2003 at the end of February 2004. The annual report should be available by mid-March 2004, with the Annual General Meeting being held in April 2004.

Independent Review Report

to HgCapital Trust plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2003 which comprises the Revenue Account and Statement of Total Return, Balance Sheet, Cash Flow Statement, Reconciliation of Net Return before Finance Costs and Taxation to Net Cash Flow from Operating Activities and the related notes 1 to 11. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4, "Review of interim financial information", issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for ensuring the preparation of the interim report in accordance with the Listing Rules of the Financial Services Authority, which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4, "Review of Interim Financial Information", issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2003.

Ernst & Young LLP
London
2 September 2003

Directors, Management and Administration

Directors
David Bucks (Chairman)
Timothy Amies
Piers Brooke
Anthony Crook
Peter Gale
Michael Glover

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HgCapital is the trading name of Hg Pooled Management Limited.

* Authorised and regulated by the Financial Services Authority.