

HgCapital Trust plc

Interim report and accounts

30 June 2004

Investment Objective

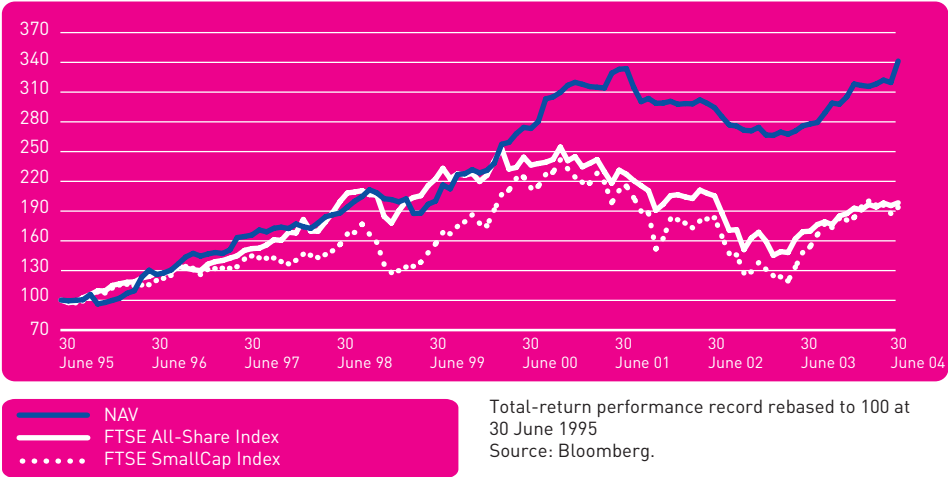
The objective of the Company is to provide shareholders with long-term capital appreciation from investment in unquoted companies. The Company provides investors with an exposure to leveraged buy-outs and to expansion capital investments.

Financial highlights

Attributable to ordinary shareholders			
	At 30 June 2004 (unaudited)	At 31 December 2003 (audited)	% change
Assets			
Net assets (£'000)	104,026	96,965	7.3
Net assets per share	413.0p	385.0p	7.3
Share price (mid-market)	357.5p	289.5p	23.5
	Six months ended 30 June 2004 (unaudited)	Six months ended 30 June 2003 (unaudited)	% change
Revenue			
Net revenue (£'000)	621	607	2.3
Earnings per share	2.5p	2.4p	2.3

Chairman's Statement

NAV performance since June 1995



I am pleased to report that for the six months under review the Company has again outperformed the FTSE® Indices. Net asset value per share (NAV) has increased by 7.3% from 385.0p at the end of 2003 to 413.0p at 30 June 2004. This compares with increases of 2.8% in the FTSE All-Share Index and 5.6% in the FTSE SmallCap Index, all on a total return basis (NAV plus dividend).

Earnings per share increased to 2.5p, compared with 2.4p in the same period last year.

The Company committed £4.8 million to new and follow-on investments and partial realisations yielded £1.2 million. Details are given in the Investment Manager's Review. As at 30 June 2004, the Company had drawn £12.3 million on its borrowing facility to fund its investment activity.

Roger Mountford and Andrew Murison were appointed to the Board on 20 April 2004 to fill the

vacancies created by the retirement of Michael Glover on 30 April 2004 and the forthcoming retirement of Anthony Crook on 30 September 2004.

Roger Mountford has over 30 years' financial experience, latterly as a managing director in the Corporate Finance Department of SG Hambros. He now serves on a number of boards, including the Civil Aviation Authority, and is chairman of Enterprise LSE Limited.

Andrew Murison was Senior Bursar of Peterhouse, Cambridge for nine years and previously, for twelve years, a principal in private equity partnerships in the USA. He serves on a number of boards and is chairman of the J P Morgan Fleming Continental European Investment Trust plc.

David Bucks
10 August 2004

Investment Manager's Review

The Company invests alongside other clients of HgCapital. Typically, the Company's holding forms part of a larger stake, controlled by HgCapital. The Investment Manager's Review generally refers to each transaction in its entirety, apart from the tables, which detail the Company's participation, and where it specifically says otherwise.

Pages 3 to 6 of the report form part of the Investment Manager's Review.

During the six months to 30 June 2004, the Company invested a total of £4.8 million and participated in one new investment, the €115 million management buy-out of Hirschmann Electronics Holdings SA. The company is a world-leading supplier of electronics equipment, components and related accessories. Its principal products include rail-mounted industrial Ethernet, sophisticated car-antenna electronics, television transmission equipment and safety systems for mobile plant equipment such as cranes. This was HgCapital's fourth acquisition in Germany in fourteen months.

Additional finance was provided to several early-stage investments (Acuid, Axiom, Burns e-Commerce Solutions and Newchurch) and to Pharma Bio-Research to finance a deferred consideration. In addition, we acquired a third-party minority interest in Tunstall and a capital call was made by Weston Presidio Capital III.

Realisation proceeds totalled £1.2 million, arising mainly from cash distributions and redemption proceeds.

In June 2004, technology company Xyratex completed an IPO on NASDAQ some nine months after our investment. Details are included in the Review of Principal Investments on page 4.

Since the period end the Company has sold its entire quoted holding in Patientline, a healthcare company in which it first invested in 1996 (see details on page 5), and has participated in the £102 million management buy-out of IRIS Software, the UK's leading provider of financial, practice management and tax software to accountancy practices.

Following a particularly active year for new investments in 2003, we have seen an increase in pricing this year and have chosen not to invest in a number of opportunities. While the overall environment may be more uncertain we are rigorously pursuing those opportunities where we believe our strategy provides a strong, competitive advantage and asset growth plan.

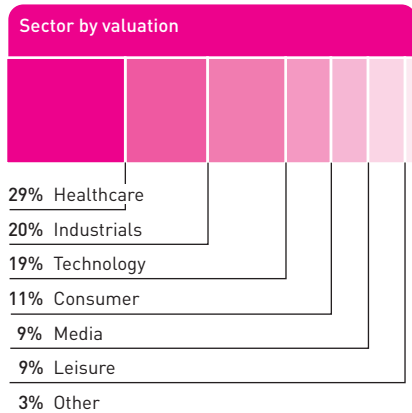
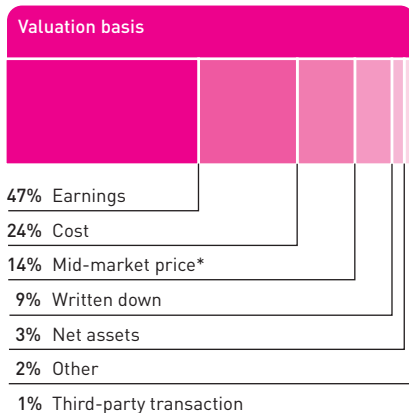
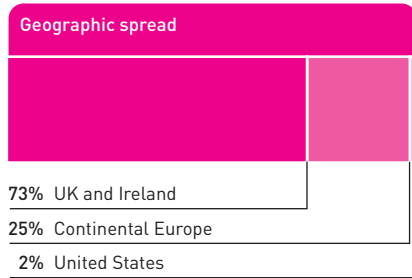
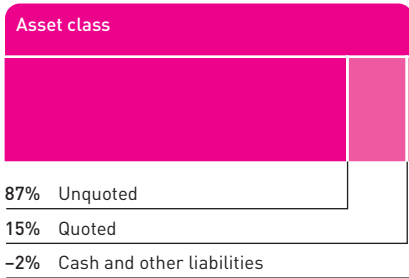
HgCapital
Investment Manager
10 August 2004

Portfolio Analysis

	No.	£'000
New investments	1	2,669
Further investments	7	2,117
Partial realisations	12	1,246

At 30 June 2004 the Company's portfolio consisted of 48 investments (31 December 2003: 47) and the ten principal investments represented 69% of the portfolio valuation excluding cash.

One new investment was made during the first six months of the year, a management buy-out of a company based in Germany, within the industrials sector. Further investments were made in seven companies within the portfolio.



Twelve investments were partially realised.

The valuation of the portfolio, excluding cash, increased to £106.1 million, benefiting from the profit growth of a number of the larger unquoted companies and positive cash flow, leading to a reduction in bank debt, and from an improvement in quoted stock prices. Early-stage companies generally continue to experience lower than planned sales growth and, where appropriate, we have reduced valuations.

A list of investments is given on page 6.

At the period end the Company had utilised £12.3 million of its £25 million borrowing facility.

* A discount has been applied in accordance with BVCA guidelines.

Review of Principal Investments

Raymarine

Raymarine is the leading global manufacturer of recreational marine electronic equipment. Its products include instruments, radar, autopilots and navigation systems. The company has been trading strongly having launched several new products over the last nine months and as a result of a recovery in the market. Further product launches are planned for next year.

Tunstall

Tunstall is Europe's leading 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 is trading well, is developing its products and is expanding into new geographies. In June 2004 we acquired a third-party minority interest in Tunstall, together with associated loan stock cum interest.

FTE Automotive

FTE Automotive is the world market leader in clutch and brake actuation systems, supplying most of the major European and North American car manufacturers. Despite difficult market conditions in the automotive industry the company continues to trade well and to win new contracts. A small Slovakian business has been acquired and joint ventures in Brazil and China have given FTE access to low-cost manufacture and direct exposure to the fastest-growing passenger car markets, in Eastern Europe, South America and China.

Xtx (t/a Xyratex)

Xyratex is a global provider of enterprise-class data storage subsystems and storage process technology. Since our investment in September 2003, the company has been trading ahead of plan and, in June 2004, successfully completed an initial public offering on NASDAQ. Since the period end, the Company has received proceeds of £1.6 million from a placing of stock and retains over 87% of its original shareholding, which is valued in accordance with BVCA guidelines at a 25% discount to closing mid-market price.

W.E.T. Automotive Systems

W.E.T. Automotive Systems is the world market leader for seat heating systems, supplying most of the major European and North American passenger car seat manufacturers as well as Asia from its Chinese facility, which opened in 2003. The weak US dollar, leading to translation differences, and a slow North American market have impacted on the group's profitability, although within Europe and China the company is performing well.

Review of Principal Investments continued

Classic Copyright (t/a Boosey & Hawkes)

Boosey & Hawkes is the world's leading classical music publisher, with a 14% market share. It has the largest catalogue of classical music copyrights, with works by composers such as Britten, Prokofieff, Rachmaninoff, Ravel, Shostakovich, Strauss and Stravinsky. Revenue is derived from royalties when the copyrights are played live or via media. The company is performing to plan.

Castlebeck

Castlebeck is the UK's largest private provider of residential healthcare for adults with learning disabilities and challenging behaviour. The company is progressing well. It has eleven independent hospitals and homes based in the north-east of England and Scotland and further properties will be opened soon. In addition, Castlebeck has opened a new specialist autism unit and has acquired two properties for its new adolescent care service, which will be launched later in the year.

Patientline

Since the period end the Company has realised its investment in Patientline. The Company first invested in Patientline in 1996, when it was an early-stage company, and supported its growth with a further two rounds of financing. Patientline is now a market-leader in the provision of communication and entertainment services to the NHS. In 2001 it floated on the Alternative Investment Market and, two years later, gained a full listing on the London Stock Exchange. Over the life of the investment, the Company has realised a profit of £5.4 million, which equates to a return of 2.6 times cost. The realisation has had no material effect on the Company's net asset value.

Travelsphere

Travelsphere is one of the UK's top three direct-sell escorted tour operators, providing overseas coach holidays for the 45+ age group. Following a return in consumer confidence, booking levels this year are considerably ahead of 2003 and the business is trading to plan.

Eagle Rock Entertainment

Eagle Rock Entertainment creates and acquires audio and audio-visual entertainment productions, primarily in high-definition format, with a strong focus on rock music by mature and established international artists. It exploits these intellectual property rights predominantly through music DVDs, where it is regarded as one of the leading independent producers in the world. The company recently acquired the rights to exploit the catalogue of the Montreux Jazz Festival.

Investment Listing

Company	Cost £'000	Valuation £'000	Year of investment	Value %	Cumulative %
Raymarine Group Ltd	6,015	11,757	2001	11.1	11.1
Tunstall Holdings Ltd	6,998	10,763	1999	10.1	21.2
FTE Automotive GmbH	6,805	10,745	2002	10.1	31.3
Xtx Ltd t/a Xyratex**	7,977	9,266	2003	8.7	40.0
W.E.T. Automotive Systems AG ⁺	7,623	7,407	2003	7.0	47.0
Classic Copyright (Holdings) Ltd t/a Boosey & Hawkes	6,033	6,033	2003	5.7	52.7
Castlebeck Group Ltd	3,731	5,331	2002	5.0	57.7
Patientline plc*	413	4,215	1996	4.0	61.7
Travelsphere Holdings Ltd	4,046	4,060	2000	3.8	65.5
Eagle Rock Entertainment Ltd	3,668	3,668	2001	3.5	69.0
Acuid Ltd	4,268	3,618	2001	3.4	72.4
Rolfe & Nolan Holdings plc	2,575	3,260	2003	3.1	75.5
Hirschmann Electronics Holdings SA ⁺	2,669	2,645	2004	2.5	78.0
Pharma Bio-Research BV	4,310	2,627	2002	2.5	80.5
Match Holdings Ltd	3,854	2,284	1999	2.2	82.7
Castlegate 211 Ltd t/a ClinPhone	613	2,183	1996	2.1	84.8
Hoseasons Group Ltd	2,147	2,147	2003	2.0	86.8
Paddy Power plc*~	223	1,689	2000	1.6	88.4
Weston Presidio Capital III, LP	2,288	1,537	1998	1.4	89.8
Verigen AG	3,156	1,419	2000	1.3	91.1
Other investments (28)	34,055	9,438		8.9	100.0
Total	113,467	106,092		100.0	

* Listed on the London Stock Exchange.

~ Listed on the Dublin Stock Exchange.

** Xyratex is 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 2004

	Note	Revenue		Capital		Total	
		Six months ended	Year ended	Six months ended	Year ended	Six months ended	Year ended
		£'000	£'000	£'000	£'000	£'000	£'000
Gains on investments		–	–	7,199	13,202	7,199	13,202
Income	5	1,460	2,028	–	–	1,460	2,028
Investment management fees	6	(296)	(475)	(888)	(1,426)	(1,184)	(1,901)
Other expenses	7	(231)	(703)	–	–	(231)	(925)
Net return before finance costs and taxation		933	1,104	6,311	2,701	7,244	3,805
Interest payable and similar charges		(46)	(11)	(137)	(32)	(183)	(43)
Return on ordinary activities before taxation		887	1,093	6,174	11,744	7,061	17,439
Taxation on ordinary activities		(266)	(486)	266	437	–	(1,289)
Return on ordinary activities after taxation		621	607	6,440	12,181	7,061	3,485
Dividend in respect of equity shares	3	–	–	–	–	–	(3,022)
Transfer to reserves		621	607	6,440	12,181	7,061	13,128
Return per ordinary share		2.47p	2.41p	25.56p	11.43p	28.03p	13.84p
Dividend per ordinary share		–	–	–	–	–	12.00p

Balance Sheet

as at 30 June 2004

	30.6.04 £'000 (unaudited)	30.6.03 £'000 (unaudited)	31.12.03 £'000 (audited)
Fixed assets			
Investments			
– Listed at mid-market valuation	15,411	9,464	6,120
– Unlisted at directors' valuation	90,681	67,016	89,231
	106,092	76,480	95,351
Current assets			
Debtors	10,673	4,444	9,393
Government securities	–	6,658	17
Cash	634	588	546
	11,307	11,690	9,956
Creditors – amounts falling due within one year	(13,373)	(848)	(8,342)
Net current (liabilities)/assets	(2,066)	10,842	1,614
Net assets	104,026	87,322	96,965
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	85,016	76,895	85,734
Capital reserve – unrealised	(7,375)	(14,997)	(14,533)
Revenue reserve	4,718	3,757	4,097
Total equity shareholders' funds	104,026	87,322	96,965
Net asset value per ordinary share	413.0p	346.7p	385.0p

Summarised Cash Flow Statement

for the six months ended 30 June 2004

	Six months ended 30.6.04 £'000 (unaudited)	Six months ended 30.6.03 £'000 (unaudited)	Year ended 31.12.03 £'000 (audited)
Net cash outflow from operating activities	(1,424)	(444)	(1,269)
Servicing of finance	(46)	(11)	(11)
Taxation (paid)/received	(822)	470	355
Capital expenditure and financial investment			
Purchase of fixed asset investments	(4,786)	(7,715)	(29,637)
Proceeds from the sale of fixed asset investments	1,421	2,295	15,006
Equity dividends paid	(3,022)	(2,015)	(2,015)
Management of liquid resources	17	6,977	13,586
Net cash inflow from drawdown of loans	8,750	-	3,500
Increase/(decrease) in cash in the period	88	(443)	(485)

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

	Six months ended 30.6.04 £'000 (unaudited)	Six months ended 30.6.03 £'000 (unaudited)	Year ended 31.12.03 £'000 (audited)
Net return before finance costs and taxation	933	1,104	5,706
Investment management fees and finance costs capitalised	(1,025)	(696)	(1,458)
Increase in accrued income	(1,378)	(1,000)	(5,785)
Increase in creditors	125	90	98
Effective yield adjustment	-	199	225
Tax on investment income included within gross income	(79)	(141)	(55)
Net cash outflow from operating activities	(1,424)	(444)	(1,269)

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 2003. 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 12.00p per share, declared as a final dividend, was paid on 30 April 2004 in respect of the year ended 31 December 2003.

4. Issued share capital

There were 25,186,755 ordinary shares in issue for the six months to 30 June 2004 (31 December 2003: 25,186,755).

5. Income

	Six months ended 30.6.04 £'000 (unaudited)	Six months ended 30.6.03 £'000 (unaudited)	Year ended 31.12.03 £'000 (audited)
Income from investments			
UK unquoted investment income	1,358	1,724	6,730
Overseas dividends	82	25	46
	1,440	1,749	6,776
Other income			
Gilt interest	-	233	276
Deposit interest	20	46	54
	20	279	330
Total income	1,460	2,028	7,106

6. Investment management fees

	Revenue			Capital		
	Six months ended 30.6.04 £'000 (unaudited)	Six months ended 30.6.03 £'000 (unaudited)	Year ended 31.12.03 £'000 (audited)	Six months ended 30.6.04 £'000 (unaudited)	Six months ended 30.6.03 £'000 (unaudited)	Year ended 31.12.03 £'000 (audited)
Investment management fees	252	188	404	756	565	1,214
Irrecoverable VAT thereon	44	33	71	132	99	212
	296	221	475	888	664	1,426

The investment management fee is levied quarterly in arrears. Investment management fees are charged 75% to capital reserve-realised and 25% to revenue.

7. Other expenses

	Six months ended 30.6.04 £'000 (unaudited)	Six months ended 30.6.03 £'000 (unaudited)	Year ended 31.12.03 £'000 (audited)
Custodian and administration fees	61	53	109
Reorganisation expenses	–	522	499
Other administration costs	170	128	317
	231	703	925

8. Capital commitments

At 30 June 2004, investment purchases of £2,461,000 (30 June 2003: £1,734,000; 31 December 2003: £1,343,000) had been authorised and contractually committed.

9. 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 2004 and 2003 has not been audited.

The information for the year ended 31 December 2003 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.

10. Annual results

The Board expects to announce the results for the year ending 31 December 2004 at the end of February 2005. The annual report should be available by mid-March 2005, with the Annual General Meeting being held in April 2005.

Independent Review Report

to HgCapital Trust plc

12

HgCapital Trust plc Interim report 2004

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2004 which comprises Statement of Total Return (incorporating the revenue account), Balance Sheet, Cash Flow Statement, Reconciliation of Net Revenue Return before Finance Costs, and Taxation to Net Cash Flow from Operating Activities and the related notes 1 to 10. 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 2004.

Ernst & Young LLP

London
10 August 2004

Directors, Management and Administration

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Timothy Amies
Piers Brooke
Anthony Crook
Peter Gale
Roger Mountford
Andrew Murison

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HgCapital is the trading name of Hg Pooled Management Limited.

* Authorised and regulated by the Financial Services Authority.



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