

Introduction

- Strong growth in net assets.
- A record year for realisations.
- Increasing exposure to under-valued Continental European companies.
- Portfolio trading very well.

Financial Highlights

	At 31 December 2005	At 31 December 2004 (Restated for dividend)	% change
Assets			
Net assets (£'000)	156,487	122,040	28.2%
Net assets per share	621.3p	484.5p	28.2%
Share price (mid-market)	583.5p	451.5p	29.2%
Discount (%)	6.0	6.8	11.8%
	Year ended	Year ended	
	31 December 2005	31 December 2004	% change
Revenue			
Net revenue (£'000)	2,965	2,649	12.0%
Earnings per share	11.77p	10.52p	12.0%

Performance – Total Return

Consistent long-term performance and outperformance
of both the index and quoted peers

	1 year to 31-December-05	3 years to 31-December-05	5 years to 31-December-05	7 years to 31-December-05	10 years to 31-December-05
Share price	31.3%	42.8%	13.8%	19.3%	18.6%
Net asset value	30.4%	25.1%	10.6%	15.7%	14.9%
FTSE All-Share	22.0%	18.5%	2.2%	3.9%	7.9%
FTSE Small Cap	22.4%	24.9%	3.2%	9.6%	8.3%

Figures are annualised.

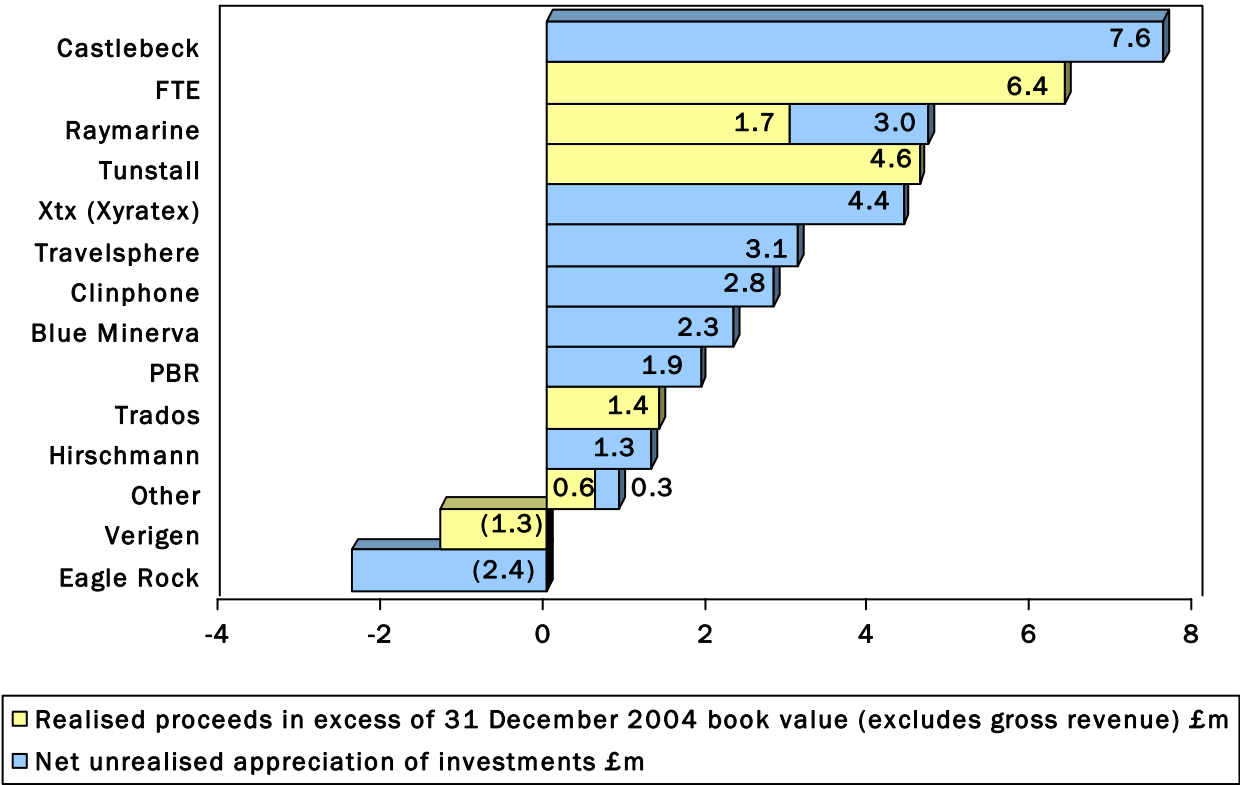
Attribution Analysis of Movement in NAV

Strong growth in earnings, cash flow and realisations from the portfolio have driven value

	£'000
Opening net asset value as at 1 January 2005 (restated for dividend)	122,040
Gross revenue	4,963
Expenditure	(2,846)
Taxation	(385)
2004 final dividend	(2,015)
Realised proceeds in excess of book value at 31 December 2004 (excludes gross revenue)	14,725
Net unrealised appreciation of investments	22,981
Carried interest	(2,976)
Closing net asset value as at 31 December 2005	156,487

Principal realised and unrealised movements in NAV

The portfolio continues to perform strongly



Investments

£35 million deployed with an emphasis on Continental Europe

Company	Sector	Activity	Deal type	Geography	Cost £m ⁽¹⁾	Total Deal Value
<u>New</u>						
Schenck	Industrials	Industrial measuring and weighing systems	Buy-out	Germany	9.3	€205m
Addison	Technology	Accountancy and business software	Buy-out	Germany	6.5	€78m
Elite	Technology	Digital short-range wireless chip sets	Buy-out	Netherlands	5.8	\$74m
Sporting Index	Leisure	Spread betting and online betting	Buy-out	UK	5.4	£76m
Hofmann M.M.	Industrials	Frozen food products and on-site catering	Buy-out	Germany	4.7	€138m
Donegal Wind *	Renewables	Wind Farm	Expansion	UK	-	€40m
					31.7	
<u>Further</u>						
The Sanctuary Spa	Consumer	Day health spa and beauty products	Expansion	London	2.5	
Clarion Events	Media	Exhibition organiser	Buy-out	UK	0.7	
Other (4)					0.5	
					3.7	
Total investments					35.4	

* €0.8 million has been committed but will not be drawn until the second quarter of 2006.

Realisations

A record year - £52m realised

Company	Sector	Exit route	Cost £m	Proceeds (1) £m	2005 return (1) £m
Tunstall	Healthcare	Financial	7.0	16.2	9.2
FTE Automotive	Industrials	Financial	-	13.5	13.5
Trados	Technology	Trade Sale	2.5	2.3	(0.2)
Bottomline Technologies	Technology	Quoted share sale	1.0	1.9	0.9
Other *			4.1	0.9	(3.2)
Full realisations			14.6	34.8	20.2
Raymarine	Consumer	Quoted share sale	0.1	6.6	6.5
Blue Minerva	Technology	Recapitalisation	3.7	4.2	0.5
Castlebeck	Healthcare	Recapitalisation	2.9	3.8	0.9
ClinPhone	Healthcare	Recapitalisation	1.3	1.5	0.2
Other (9)			0.3	1.5	1.2
Partial realisations			8.3	17.6	9.3
Total realisations			22.8	52.4	29.6

(1) Includes gross revenue received during the year.

* Includes entities liquidated during the year which had previously been written down.

NAV Analysis

80% invested, with cash resources available
to exploit new opportunities

	At 31 December 2005		At 31 December 2004	
	£m	%	£m	%
Unlisted investments	109.5	70.0	85.6	70.2
Listed investments	18.7	11.9	17.6	14.4
Cash/Government securities	25.4	16.2	13.1	10.7
Other net assets/(liabilities)	2.9	1.9	5.7	4.7
Net Assets	156.5	100.0	122.0	100.0

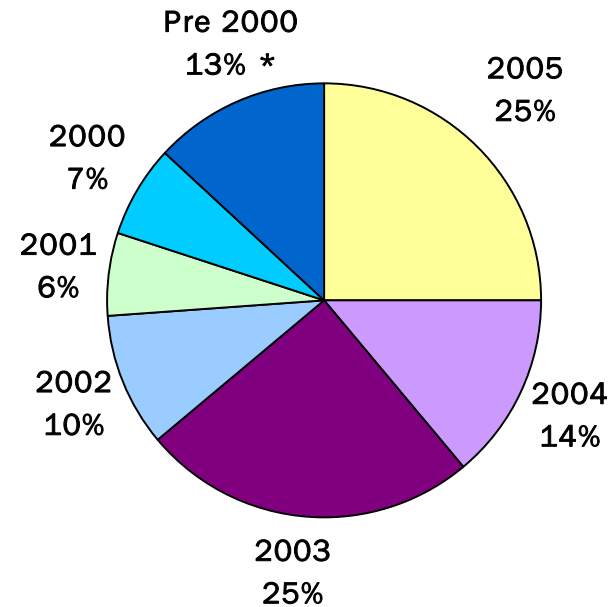
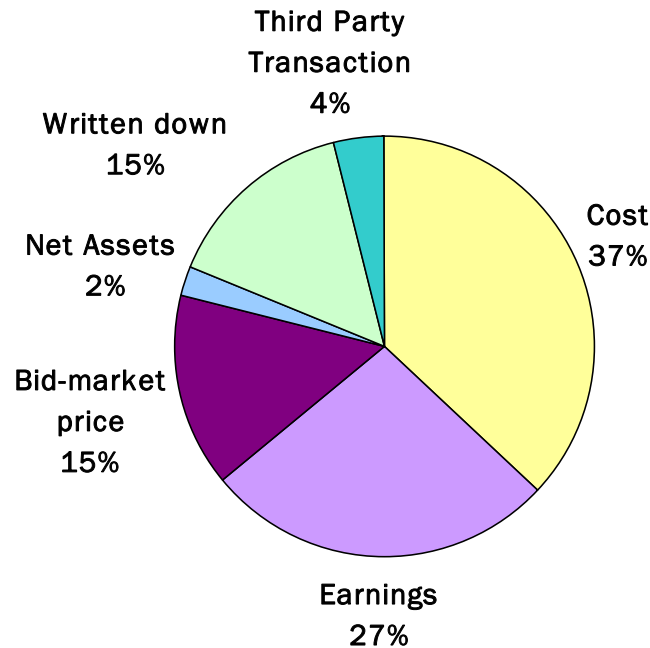
Portfolio – Top 20 represent nearly 90% by value

Aggregate profits up 20% year on year

Investment	Sector	Holding value at 31/12/2005 £m	Holding value at 31/12/2004 £m	% of invested portfolio 31/12/2005	Reason for Change
Xtx Ltd (Xyratex)	Technology	14.8	10.4	11.5%	Quoted share price
Castlebeck Group Ltd	Healthcare	10.1	5.4	7.9%	Earnings growth, recap
Schenck MPT SA	Industrials	9.4	-	7.3%	New Investment
Travelsphere Holdings Ltd	Leisure	7.2	4.0	5.6%	Earnings growth
W.E.T. Holding (Luxembourg) SA	Industrials	6.8	7.8	5.3%	Earnings decline
Addison Luxembourg SA	Technology	6.6	-	5.2%	New Investment
Elite Holding SA	Technology	6.1	-	4.7%	New Investment
Classic Copyright (Holdings) Ltd t/a Boosey & Hawkes	Media	6.0	6.0	4.7%	-
Sporting Index Group Ltd	Leisure	5.4	-	4.2%	New Investment
Blue Minerva Ltd t/a IRIS Software	Technology	5.3	6.6	4.1%	Earnings growth, recap
Castlegate 211 Limited t/a ClinPhone	Healthcare	5.2	3.6	4.0%	Earnings growth
Clarion Events Ltd	Media	5.0	4.3	3.9%	Further investment
Hofmann M.M. SA	Industrials	4.8	-	3.7%	New Investment
The Sanctuary Spa Holdings Ltd	Leisure	4.3	1.4	3.3%	Third party transaction
Hirschmann Electronics Holdings SA	Industrials	4.1	2.8	3.2%	Reduction in net debt
Raymarine plc	Consumer	3.5	5.4	2.7%	Quoted share price
PBR Holding SA	Healthcare	3.2	1.3	2.5%	Earnings growth
Rolfe & Nolan Holdings plc	Technology	2.6	2.4	2.0%	Earnings growth
Match Holdings Ltd	Healthcare	2.3	2.3	1.8%	Earnings decline
Hoseasons Group Ltd	Leisure	1.9	2.9	1.5%	Earnings decline
Total		114.6	66.6	89.1%	

Vintage Year: Valuation Basis and Vintage

37% of the portfolio is at cost, reflecting the new investment activity in the last two years

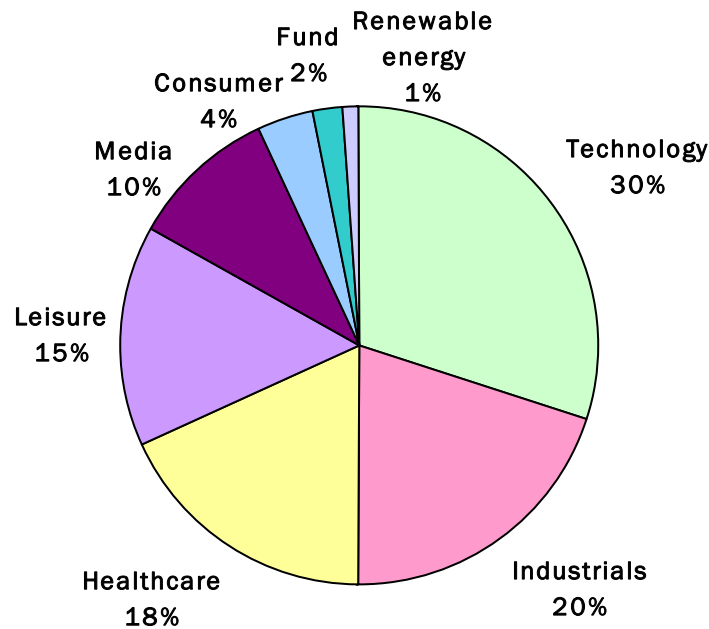


* 7% of 13% relates to our investments in The Sanctuary and ClinPhone.

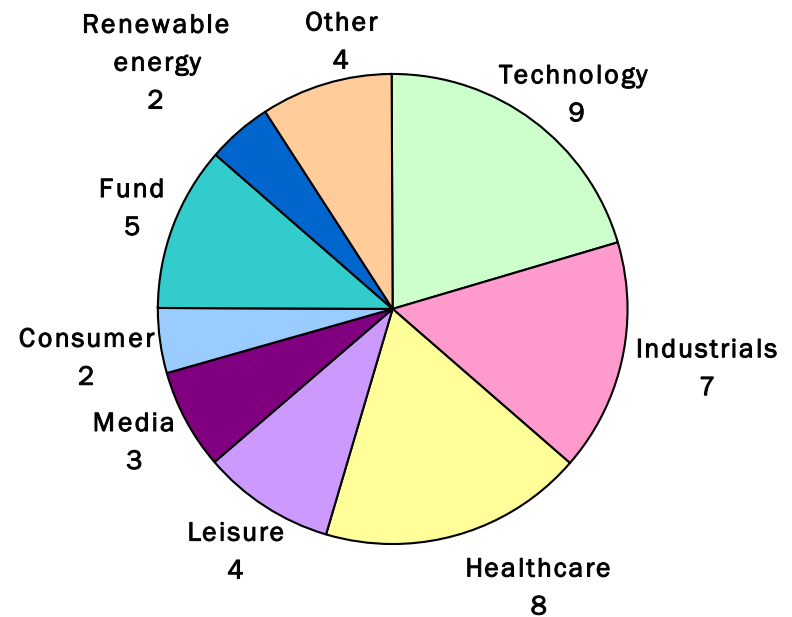
As at 31st December 2005

Sector Coverage of Investments

A well diversified portfolio to mitigate risks



By value

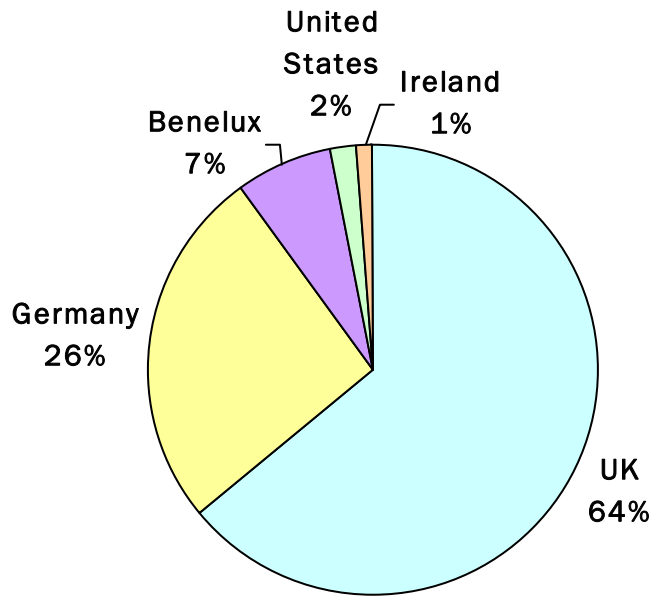


By number

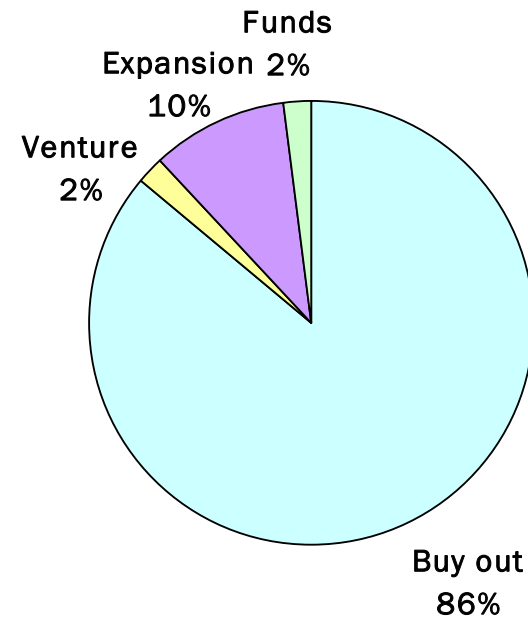
As at 31st December 2005

Geography / Stage

Increasing exposure to Continental Europe
and a focus on buy-outs



By geography



By stage

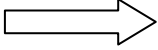
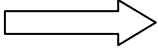
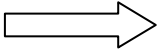
Note: Analysis by value
As at 31st December 2005

HgCapital Strategy and Tactics

Strategy:

- Mid-market  Focus on buy-outs
- Pan-regional  Increasing focus on Continental Europe
- Broad market coverage  Circa 80% of European economic activity

Tactics:

- Sector-focused  Six dedicated sector teams
- Intensive portfolio company planning  Dedicated resource and expertise and management
- Heavily resourced relative to funds  60 people relative to funds under management

Investment and Portfolio Outlook

- Investment environment is now very challenging. Competition is intense and we continue to focus our efforts where we believe we have the best chances of conversion, at levels of pricing we are comfortable with.
- Further realisations are expected over the next year via trade sales, IPO's and recapitalisations, all subject to market conditions.
- Portfolio delivering good year on year earnings growth and cash flow generation.

HgCapital Update

- Closed HgCapital 5 LP fund with commitments of £830m.
- HGT will co-invest up to £120m alongside the fund.
- HGT have committed €20 million to HgCapital's new fund Renewable Power Partners fund. Target fund size €200 million.
- Amsterdam office opened in 2005.
- Increased headcount from 50 to 60 during 2005. This has been principally in the areas of analytical support, portfolio management and business development.

Events since the end of the Year

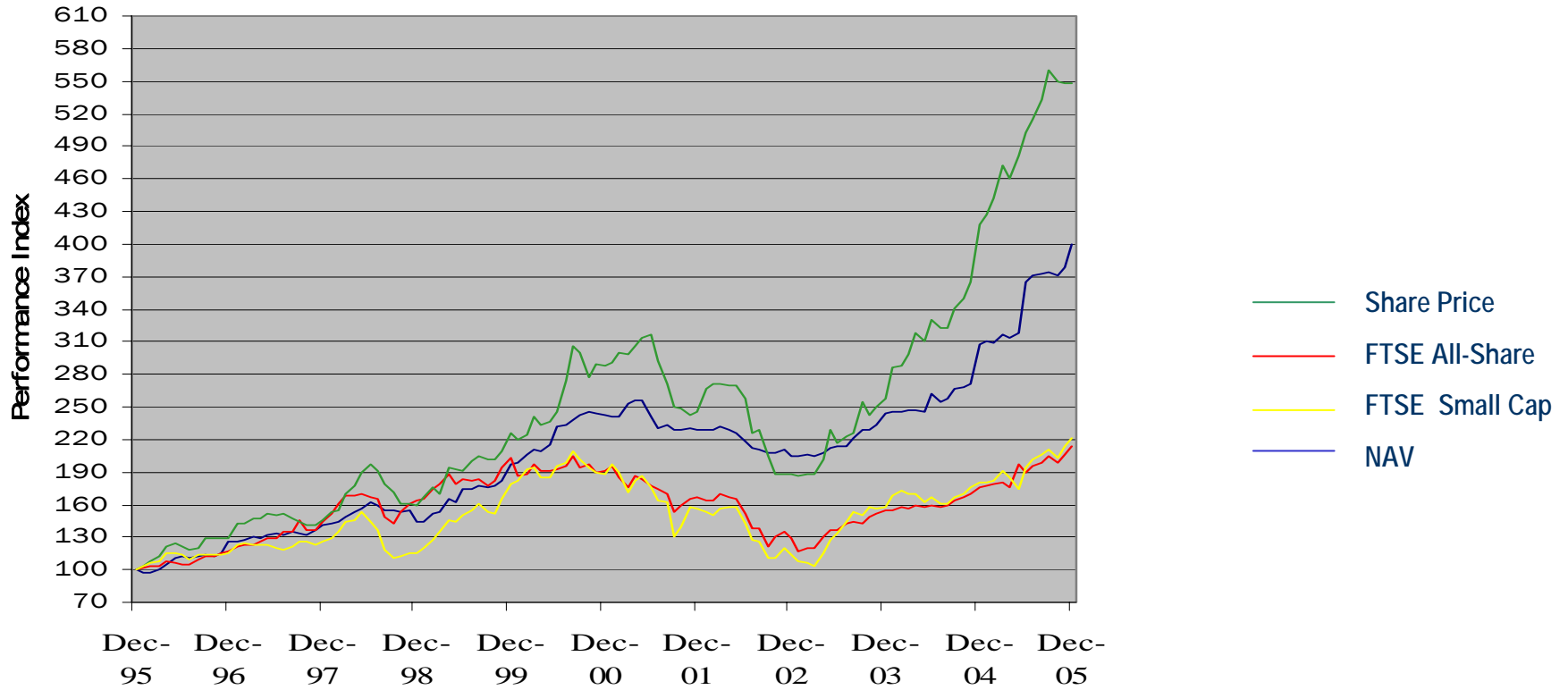
- Net asset value at 28 February 2006 was 646p.
- New investment in Renewable Energy, £0.7m invested in Wind Direct to acquire a portfolio of small wind farms at industrial sites in the UK both in development and operation.
- Sold 20% of holding in Xyratex, proceeds received of £3.3m, remaining unrealised value of £16.8m
- Sold the final tranche of Raymarine for process of £4.4m. Over its life this investment has made a return of 4.4 times original cost.
- Castlebeck has been recapitalised in March, returning further proceeds of £5.1 million.

Conclusion

- Continuation of historic out performance.
- Portfolio trading well and producing good growth in profit and cashflow.
- Market for new deals is expensive, but patience and discipline will be rewarded as always.

Appendices

Ten Year Total Return Performance



Portfolio: 31 December 2005

Investment	Year of investment	Sector	Location	Residual cost £000	Valuation £000	Portfolio value %	Cum. Value %
Xtx Ltd (Xyratex)	2003	Technology	UK	6,995	14,775	11.5	11.5
Castlebeck Group Ltd	2002	Healthcare	UK	861	10,113	7.9	19.4
Schenck MPT SA	2005	Industrials	Germany	9,326	9,390	7.3	26.7
Travelsphere Holdings Ltd	2000	Leisure	UK	3,899	7,157	5.6	32.3
W.E.T. Holding (Luxembourg) SA	2003	Industrials	Germany	7,590	6,757	5.3	37.6
Addison Luxembourg SA	2005	Technology	Germany	6,499	6,637	5.2	42.8
Elite Holding SA	2005	Technology	Netherlands	5,749	6,089	4.7	47.5
Classic Copyright (Holdings) Ltd t/a Boosey & Hawkes	2003	Media	UK	6,033	6,033	4.7	52.2
Sporting Index Group Ltd	2005	Leisure	UK	5,428	5,428	4.2	56.4
Blue Minerva Ltd t/a IRIS Software	2004	Technology	UK	2,957	5,251	4.1	60.5
Castlegate 211 Ltd t/a ClinPhone	1996	Healthcare	UK	1,085	5,191	4.0	64.5
Clarion Events Ltd	2004	Media	UK	4,965	4,965	3.9	68.4
Hofmann M.M. SA	2005	Industrials	Germany	4,747	4,765	3.7	72.1
The Sanctuary Spa Holdings Ltd	1995	Leisure	UK	2,579	4,251	3.3	75.4
Hirschmann Electronics Holdings SA	2004	Industrials	Germany	2,669	4,108	3.2	78.6
Raymarine plc	2001	Consumer	UK	61	3,518	2.7	81.3
PBR Holding SA	2002	Healthcare	Netherlands	4,973	3,227	2.5	83.8
Rolfe & Nolan Holdings plc	2003	Technology	UK	238	2,619	2.0	85.8
Match Holdings Ltd	1999	Healthcare	UK	3,854	2,284	1.8	87.6
Hoseasons Group Ltd	2003	Leisure	UK	2,197	1,929	1.5	89.1
Doc M SARL	2004	Healthcare	Germany	1,956	1,893	1.5	90.6
Eagle Rock Entertainment Ltd	2001	Media	UK	3,856	1,833	1.4	92.0
Axiom Holdings Ltd	2001	Technology	UK	1,721	1,721	1.3	93.3
Weston Presidio Capital III LP	1998	Fund	US	2,260	1,706	1.3	94.6
UK Wind Holdings Ltd	2004	Renewables	UK	1,375	1,375	1.1	95.7
Bertram Group Holdings Ltd	1999	Consumer	UK	2,848	1,248	1.0	96.7

Portfolio: 31 December 2005

Investment	Year of investment	Sector	Location	Residual cost £000	Valuation £000	Portfolio value %	Cum. Value %
Worldmark International Ltd	2000	Industrials	UK	2,389	1,001	0.8	97.5
Orbiscom Ltd	2001	Technology	Ireland	3,063	661	0.6	98.1
South Wharf plc	1992	Industrials	Ireland	47	422	0.3	98.4
Euroknights III LP	1996	Fund	Europe Other	1,436	385	0.3	98.7
Wand Equity Portfolio II LP	1998	Fund	US	593	344	0.3	99.0
Burns e-Commerce Solutions	2001	Technology	UK	3,245	343	0.3	99.3
Newchurch Ltd	2000	Healthcare	UK	2,417	319	0.3	99.6
PARC Group Ltd	1995	Other	Ireland	46	304	0.2	99.8
Weston Presidio Capital II LP	1995	Fund	US	-	95	0.1	99.9
ACT Venture Capital Ltd	1994	Fund	Ireland	-	82	0.1	100.0
Orbis plc	1997	Other	UK	3,378	21	0.0	100.0
Donegal Wind Ltd (Some) *	2005	Renewables	Ireland	-	-	0.0	100.0
Acuid Ltd	2001	Technology	UK	4,450	-	0.0	100.0
SGL Holdings Ltd	1999	Other	UK	2,297	-	0.0	100.0
Profiad Ltd	1999	Healthcare	UK	1,653	-	0.0	100.0
Biovector Therapeutics SA	1997	Healthcare	Europe Other	998	-	0.0	100.0
Azinger Ltd	1993	Other	Ireland	211	-	0.0	100.0
Luxfer Holdings plc	1996	Industrials	UK	46	-	0.0	100.0
Total				122,990	128,240	100.0	

* €0.8 million has been committed but will not be drawn until the second quarter of 2006.

Portfolio by Sector: 31 December 2005

Technology Investments	Year	Stage	Geography	Valuation Basis	Residual Cost £'000	Valuation £'000	Portfolio %
Xtx Ltd (Xyratex)	2003	Buy-out	UK	Quoted	6,995	14,775	11.5%
Addison Luxembourg SA *	2005	Buy-out	Germany	Cost	6,499	6,637	5.2%
Elite Holding SA *	2005	Buy-out	Netherlands	Cost	5,749	6,089	4.7%
Blue Minerva Ltd t/a IRIS Software	2004	Buy-out	UK	Earnings	2,957	5,251	4.1%
Rolfe & Nolan Holdings plc	2003	Buy-out	UK	Earnings	238	2,619	2.0%
Axiom Holdings Ltd	2001	Venture	UK	Cost	1,721	1,721	1.3%
Orbiscom Ltd	2001	Venture	Ireland	Written down	3,063	661	0.6%
Burns e-Commerce Solutions	2001	Venture	UK	Written down	3,245	343	0.3%
Acuid Ltd	2001	Venture	UK	Written off	4,450	0	0.0%
					34,917	38,096	29.7%
Media Investments							
Classic Copyright (Holdings) Ltd t/a Boosey & Hawkes	2003	Buy-out	UK	Cost	6,033	6,033	4.7%
Clarion Events Ltd	2004	Buy-out	UK	Cost	4,965	4,965	3.9%
Eagle Rock Entertainment Ltd	2001	Buy-out	UK	Written down	3,856	1,833	1.4%
					14,854	12,831	10.0%
Leisure Investments							
Travelsphere Holdings Ltd	2000	Buy-out	UK	Earnings	3,899	7,157	5.6%
Sporting Index Group Ltd	2005	Buy-out	UK	Cost	5,428	5,428	4.2%
The Sanctuary Spa Holdings Ltd	1995	Expansion	UK	Third party	2,579	4,251	3.3%
Hoseasons Group Ltd	2003	Buy-out	UK	Written down	2,197	1,929	1.5%
					14,103	18,765	14.6%

* Difference between cost and value is due to foreign exchange.

Portfolio by Sector: 31 December 2005

Industrial Investments	Year	Stage	Geography	Valuation Basis	Residual Cost	Valuation	Portfolio %
					£'000	£'000	
Schenck MPT SA *	2005	Buy-out	Germany	Cost	9,326	9,390	7.3%
W.E.T. Holding (Luxembourg) SA	2003	Buy-out	Germany	Written down	7,590	6,757	5.3%
Hofmann M.M. SA *	2005	Buy-out	Germany	Cost	4,747	4,765	3.7%
Hirschmann Electronics Holdings SA	2004	Buy-out	Germany	Earnings	2,669	4,108	3.2%
Worldmark International Ltd	2000	Buy-out	UK	Written down	2,389	1,001	0.8%
South Wharf plc	1992	Buy-out	Ireland	Quoted	47	422	0.3%
Luxfer Holdings plc	1996	Buy-out	UK	Written off	46	-	0.0%
					26,814	26,443	20.6%
Healthcare Investments							
Castlebeck Group Ltd	2002	Buy-out	UK	Earnings	861	10,113	7.9%
Castlegate 211 Ltd t/a ClinPhone	1996	Expansion	UK	Earnings	1,085	5,191	4.0%
PBR Holding SA	2002	Buy-out	Netherlands	Written down	4,973	3,227	2.5%
Match Holdings Ltd	1999	Buy-out	UK	Written down	3,854	2,284	1.8%
Doc M SARL *	2004	Expansion	Germany	Cost	1,956	1,893	1.5%
Newchurch Ltd	2000	Venture	UK	Written down	2,417	319	0.3%
Profiad Ltd	1999	Venture	UK	Written off	1,653	-	0.0%
Biovector Therapeutics SA	1997	Expansion	Continental Europe	Written off	998	-	0.0%
					17,797	23,027	18.0%
Consumer Investments							
Raymarine plc	2001	Buy-out	UK	Quoted	61	3,518	2.7%
Bertram Group Holdings Ltd	1999	Buy-out	UK	Written down	2,848	1,248	1.0%
					2,909	4,766	3.7%

* Difference between cost and value is due to foreign exchange.

Portfolio by Sector: 31 December 2005

Renewable Energy	Year	Stage	Geography	Valuation Basis	Residual cost	Valuation	Portfolio %
					£'000	£'000	
UK Wind Holdings Ltd	2004	Expansion	UK	Cost	1,375	1,375	1.1%
Donegal Wind Ltd (Some) +	2005	Fund	UK	Cost	0	0	0.0%
					1,375	1,375	1.1%
Other							
PARC Group Ltd	1995	Buy-out	Ireland	Third party	46	304	0.2%
Orbis plc	1997	Buy-out	UK	Quoted	3,378	20	0.0%
SGL Holdings Ltd	1999	Buy-out	UK	Written off	2,297	-	0.0%
Azinger Ltd	1993	Buy-out	Ireland	Written off	211	-	0.0%
					5,932	324	0.2%
Fund Investments							
Weston Presidio Capital III, LP	1998	Fund	United States	Net Assets	2,260	1,706	1.3%
Euroknights III LP	1996	Fund	Continental Europe	Net Assets	1,436	385	0.3%
Wand Equity Portfolio II LP	1998	Fund	United States	Net Assets	593	344	0.3%
Weston Presidio Capital II, LP	1995	Fund	United States	Net Assets	-	95	0.1%
ACT Venture Capital Ltd	1994	Fund	UK and Ireland	Net Assets	-	83	0.1%
					4,289	2,613	2.1%
Total					122,990	128,240	100%

+ €0.8 million has been committed but will not be drawn until the second quarter of 2006.

Principal realised and unrealised movements in NAV during the year ended 31st December 2005

	Realised proceeds vs book value	Unrealised appreciation	Total
	£'m	£'m	£'m
Castlebeck Group Ltd	-	7.6	7.6
FTE Automotive GmbH	6.4	-	6.4
Raymarine plc	3.0	1.7	4.7
Tunstall Holdings Ltd	4.6	-	4.6
Xtx Ltd (Xyratex)	-	4.4	4.4
Travelsphere Holdings Ltd	-	3.1	3.1
ClinPhone Holdings Ltd	-	2.8	2.8
Blue Minerva Ltd	-	2.3	2.3
PBR Holding SA	-	1.9	1.9
Trados Inc	1.4	-	1.4
Hirschmann Electronics Holdings SA	-	1.3	1.3
Other	0.6	0.3	0.9
Verigen	(1.3)	-	(1.3)
Eagle Rock Entertainment Ltd	-	(2.4)	(2.4)
	14.7	23.0	37.7

Disclaimer

HgCapital's communications are only directed at market counterparties and intermediate customers. HgCapital acts for its investors and for no one else in relation to its business. It will not advise, provide services to or be responsible for providing customer protections to any other person.

HgCapital is the trading name of Hg Investment Managers Limited and Hg Pooled Management Limited. Registered office Minerva House, 3-5 Montague Close, London SE1 9BB. Authorised and regulated by the Financial Services Authority.