

HgCapital Trust plc

**Full Year Results to  
31 December 2006**

HgCapital }

# Introduction

- A record year for realisations
- A record year for investments
- Increased weighting to Continental Europe
- Portfolio growing well



**Strong growth in net assets and good prospects.**

# Financial highlights

	At 31 December 2006	At 31 December 2005	% change
<b>Assets</b>			
Net assets (£'000)	187,135	156,487	19.6%
Net assets per share	743.0p	621.3p	19.6%
Share price (mid-market)	731.0p	583.5p	25.3%
Discount (%)	1.6%	6.1%	73.5%
	<b>Year ended 31 December 2006</b>	<b>Year ended 31 December 2005</b>	<b>% change</b>
<b>Revenue</b>			
Net revenue (£'000)	4,519	2,965	52.4%
Earnings per share	17.9p	11.8p	51.7%

## Performance – total return



### Consistent long-term performance

	1 year to 31-December-06	3 years to 31-December-06	5 years to 31-December-06	7 years to 31-December-06	10 years to 31-December-06
Share price	27.2%	39.3%	23.2%	17.4%	18.3%
Net asset value	21.4%	25.8%	16.3%	13.7%	14.5%
FTSE All-Share	16.8%	17.2%	8.5%	3.0%	7.9%
FTSE Small Cap	20.6%	18.9%	11.2%	5.9%	8.7%

## Attribution Analysis of Movement in NAV



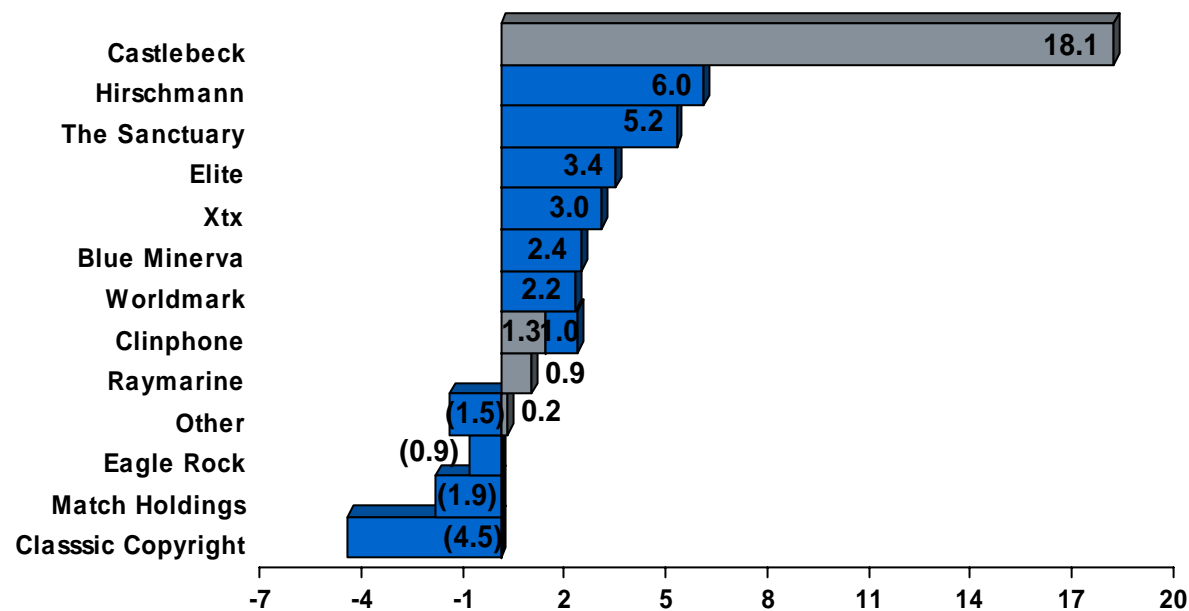
**Strong growth in earnings, cash flow and realisations from the portfolio have driven value**

	£'000
Opening net asset value as at 1 January 2006	156,487
Gross revenue	7,769
Expenditure	(3,557)
Taxation	(1,227)
Dividend paid	(2,519)
Realised proceeds in excess of book value at 31 December 2005 (excludes gross revenue)	20,512
Net unrealised appreciation of investments	14,407
Carried interest provision	(4,737)
<b>Closing net asset value as at 31 December 2006</b>	<b>187,135</b>

# Principal realised and unrealised movements in NAV



The portfolio continues to perform strongly



■ Realised proceeds in excess of 31 December 2005 book value (excludes gross revenue) £m  
■ Net unrealised appreciation of investments £m

# Investments



**£45 million selectively deployed in businesses with low cyclical**

Company	Sector	Activity	Deal type	Geography	Cost £m	Total Acquisition Value 'm
<b><u>New</u></b>						
Visma	TMT	Accounting and business software	Buy-out	Norway	13.3	£382
Paragon	Healthcare	Care homes	Buy-out	UK	10.8	£322
Surrey (t/a SHL)	Services	Psychometric testing and assessment	Buy-out	UK	7.5	£100
FTSA	Industrials	Crash test dummies	Buy-out	Canada	6.2	\$100
Schleich	Consumer & Leisure	Plastic toy figurines	Buy-out	Germany	4.6	€165
HgRPP LP *	Renewable energy	Renewable Energy Fund	Fund	Europe Other	0.4	€303
					<b>42.8</b>	
<b><u>Further</u></b>						
Schenck	Industrials	Industrial measuring and weighing systems (acquisition of Stock Equipment Company (US))	Buy-out	Germany	2.4	
Other					0.1	
					<b>2.5</b>	
<b>Total investments</b>					<b>45.3</b>	

\* Total commitment €21 million

# Realisations

## A record year for realisations

Company	Sector	Exit route	Cost £m	Proceeds (1) £m	2006 return (1) £m	Total Return IRR	Multiple of Original Cost
Castlebeck	Healthcare	Trade sale	0.9	28.2	27.3	78%	8.6
Travelsphere	Consumer and Leisure	Financial	3.9	7.9	4.0	27%	2.5
Raymarine	Consumer and Leisure	Quoted share sale	0.1	4.4	4.3	47%	4.4
PBR	Healthcare	Trade sale	3.5	2.5	(1.0)	(5%)	0.8 <sup>+</sup>
Other ***		Liquidation	6.0	0.2	(5.8)		
<b>Full realisations</b>			<b>14.4</b>	<b>43.2</b>	<b>28.8</b>		
Xtx (t/a Xyratex) **	TMT	Quoted share sale	3.8	7.6	3.8		
Clinphone *	Healthcare	IPO	1.1	5.6	4.5		
The Sanctuary Spa	Consumer and Leisure	Recapitalisation	1.9	3.9	2.0		
Other			1.9	2.0	0.1		
<b>Partial realisations</b>			<b>8.7</b>	<b>19.1</b>	<b>10.4</b>		
<b>Total realisations</b>			<b>23.1</b>	<b>62.3</b>	<b>39.2</b>		

(1) Includes gross revenue received during the year

\* Listed on the London Stock Exchange

\*\* Traded on NASDAQ

\*\*\* Includes entities liquidated during the year which had previously

+ Includes unrealised value of PRA shares



## Events since the end of the Year



### A busy start to 2007

- New investment by the Consumer & Leisure team in a £186 million buy out of Americana, the owner of the clothing brands Bench and Hooch. HGT invested £4.7 million.
- Sold Bertrams, Worldmark, Luxfer and South Wharf with proceeds of £6.5 million compared to an aggregate value of £5.7 million as at 31 December 2006.
- Further proceeds received from the recap of Blue Minerva (£3.0 million) and the sale of 32% of the holding in Xtx (Xyratex) (£3.1 million).
- Agreed to sell Hirschmann subject to anti trust clearance. Impact on net asset value above the February announcement is expected to be £4.4 million (17.5 pence per share). Returning 5.4 times cost in c.3 years.
- Net asset value at 28 February 2007 was 746.8p.
- Forecast cash balances following the completion of Hirschmann, the payment of the carried interest liability and the dividend due are estimated to be c. £50 million (27% of net assets)

# NAV Analysis



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

	At 31 December 2006		At 31 December 2005	
	£m	%	£m	%
Unlisted investments	134.3	71.8	109.5	70.0
Listed investments	14.3	7.6	18.7	11.9
Cash/Government securities	36.5	19.5	25.4	16.2
Other net assets/(liabilities)	2.0	1.1	2.9	1.9
<b>Net assets</b>	<b>187.1</b>	<b>100.0</b>	<b>156.5</b>	<b>100.0</b>

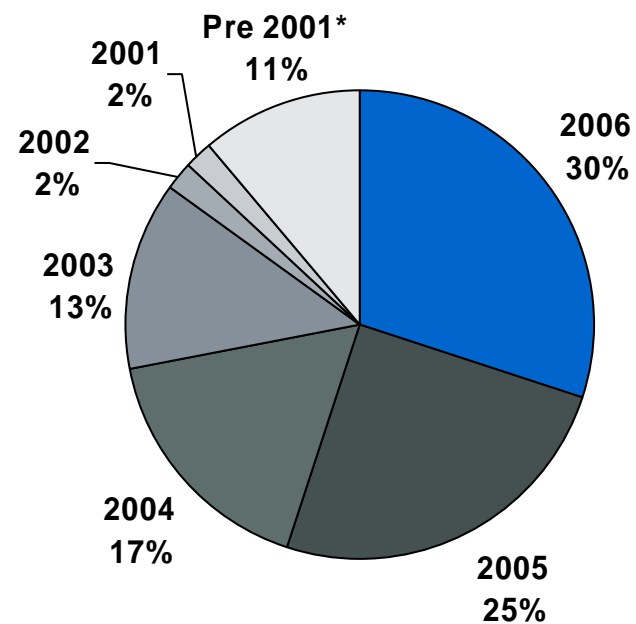
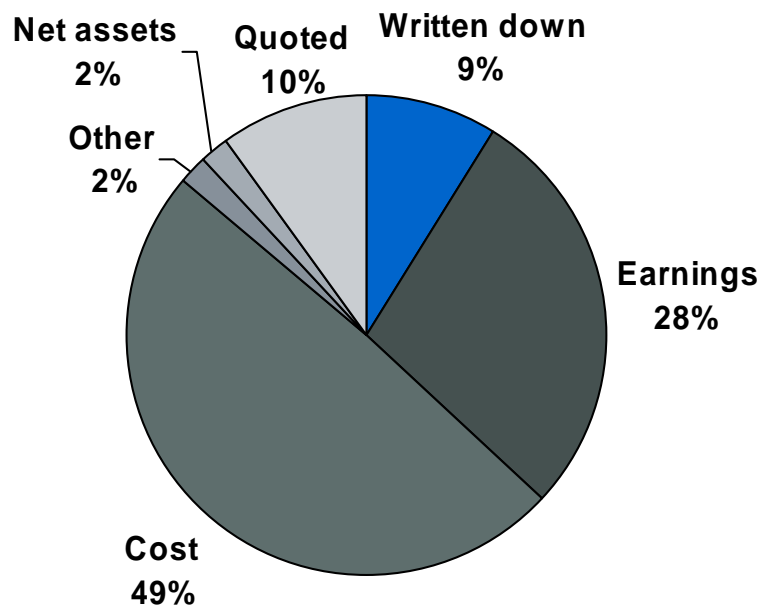
## Portfolio – Top 20 represent over 90% by value

Strong earnings growth continues with aggregate profits up 20% year on year.

Investment	Sector	Holding value at 31/12/2006 £m	Holding value at 31/12/2005 £m	% of invested portfolio 31/12/2006	Cumulative value %	Reason for Change
1 VISMA	TMT	12.3	-	8.2%	8.2%	New investment
2 Schenck	Industrials	11.5	9.4	7.8%	16.0%	Further investment
3 Paragon	Healthcare	10.7	-	7.2%	23.2%	New investment
4 Hirschmann	Industrials	10.1	4.1	6.8%	30.0%	Earnings growth
5 Xtx (t/a Xyratex)	TMT	9.7	14.8	6.5%	36.5%	Partial realisation
6 Elite	TMT	9.5	6.1	6.5%	43.0%	Earnings growth
7 Blue Minerva (t/a IRIS Software)	TMT	7.6	5.3	5.1%	48.1%	Earnings growth
8 Surrey 1 (t/a SHL)	Services	7.5	-	5.1%	53.2%	New investment
9 W.E.T	Industrials	6.6	6.8	4.5%	57.7%	Forex
10 Addison	TMT	6.5	6.6	4.5%	62.2%	Forex
11 The Sanctuary Spa	Consumer & Leisure	6.1	4.3	4.1%	66.3%	Earnings growth
12 FTSA	Industrials	6.0	-	4.0%	70.3%	New investment
13 Clarion Events	TMT	5.7	5.0	3.8%	74.1%	Earnings growth
14 Sporting Index	Consumer & Leisure	5.4	5.4	3.7%	77.8%	-
15 Hofmann	Industrials	4.7	4.8	3.1%	80.9%	Forex
16 Schleich	Consumer & Leisure	4.6	-	3.1%	84.0%	New investment
17 Worldmark	Industrials	3.2	1.0	2.2%	86.2%	Earnings growth
18 Rolfe & Nolan	TMT	2.4	2.6	1.6%	87.8%	Ratings
19 Clinphone	Healthcare	2.0	5.2	1.4%	89.2%	Partial realisation
20 Hoseasons	Consumer & Leisure	1.9	1.9	1.3%	90.5%	-
<b>Total</b>		<b>134.0</b>	<b>83.3</b>	<b>90.5%</b>	<b>90.5%</b>	

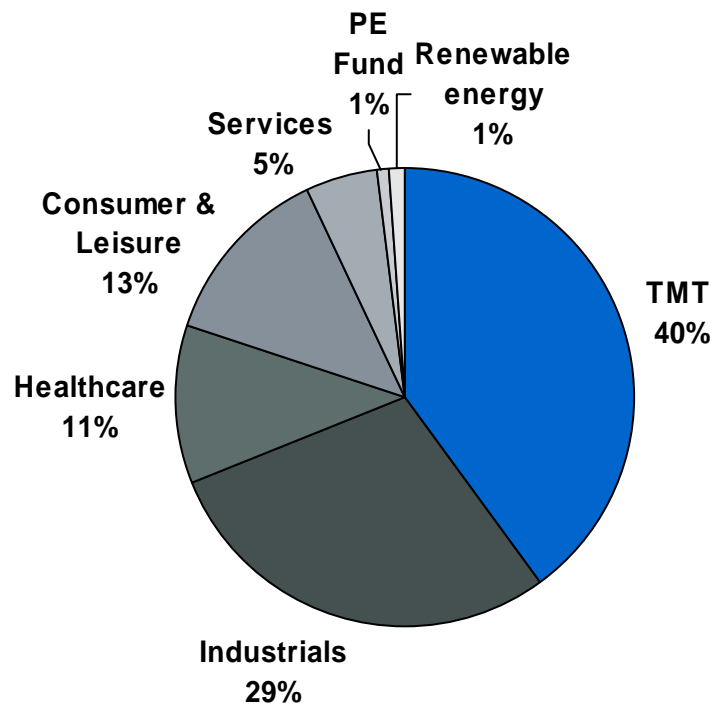
# Vintage Year: Valuation Basis and Vintage

A relatively young portfolio following an active 12 months

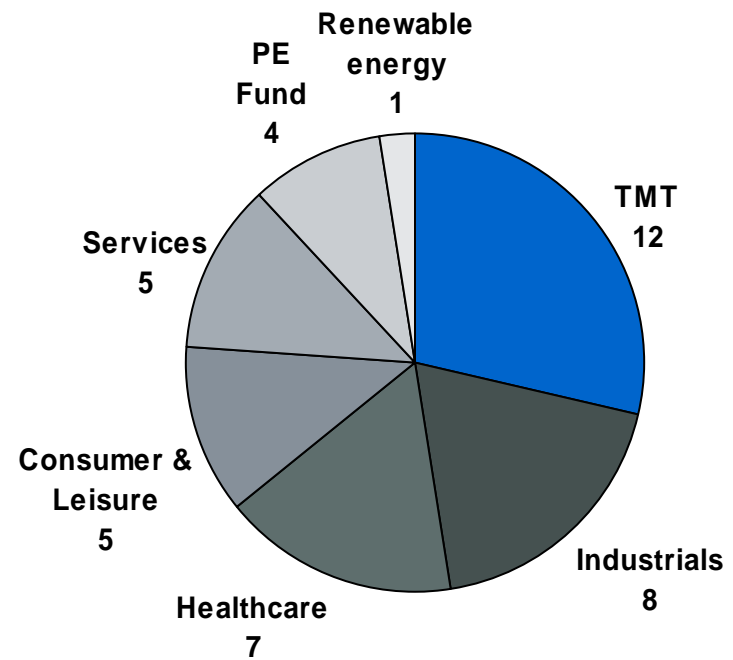


# Sector Coverage of Investments

A well diversified portfolio



By value



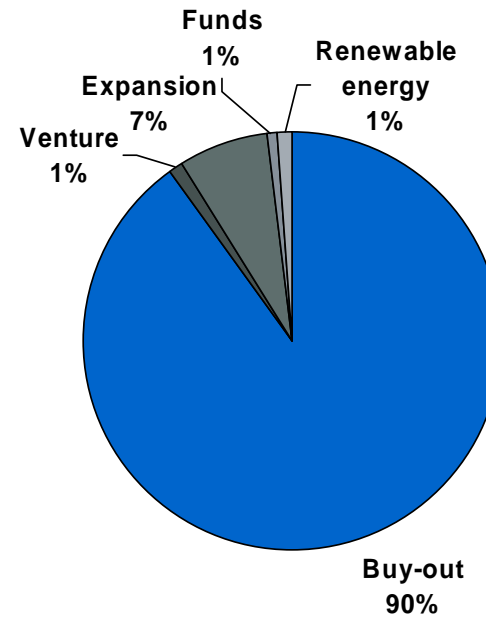
By number

# Geography / Stage

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



By geography



By stage

Note: Analysis by value  
As at 31<sup>st</sup> December 2006

# HgCapital Strategy and Tactics

- Mid-market
- Pan-regional
- Broad market coverage



## Strategy

- Sector-focused
- Intensive portfolio company planning
- Heavily resourced relative to funds under management



## Tactics



## Performing in competitive environments

- Competition is strong and asset valuations in line with quoted markets.
- Focus on quality or complexity.
- Stay attuned to global economic capital market prospects.
- Direct sourcing and sector research to get ahead of the game.
- Prioritise ruthlessly.



# Portfolio Outlook



## **In good shape and growing**

- Delivering strong year on year earnings growth and cash flow with clarity of strategy. Tail reduced.
- Strong involvement with management.
- Further realisations are planned over next year, trade sales or IPO's and recapitalisations, all subject to market conditions.
- Prepared for buying opportunities.



## Growth and change

- HGT have committed €21 million to HgCapital's new Renewable Power Partners fund. The fund closed in December 2006 at €300 million.
- Merged Media and Technology sector teams to form the TMT team.
- Merged Consumer and Leisure sector teams.
- Launched the Services team.
- Expanded Portfolio team.
- Increased headcount from 65 to 70 in the last twelve months.
- Investment in infrastructure and systems

# Conclusion

- 2006 continued historic out performance.
- Portfolio in good shape and producing strong growth in profit and cash flow.
- Clear strategy and tactics for a market that remains competitive.

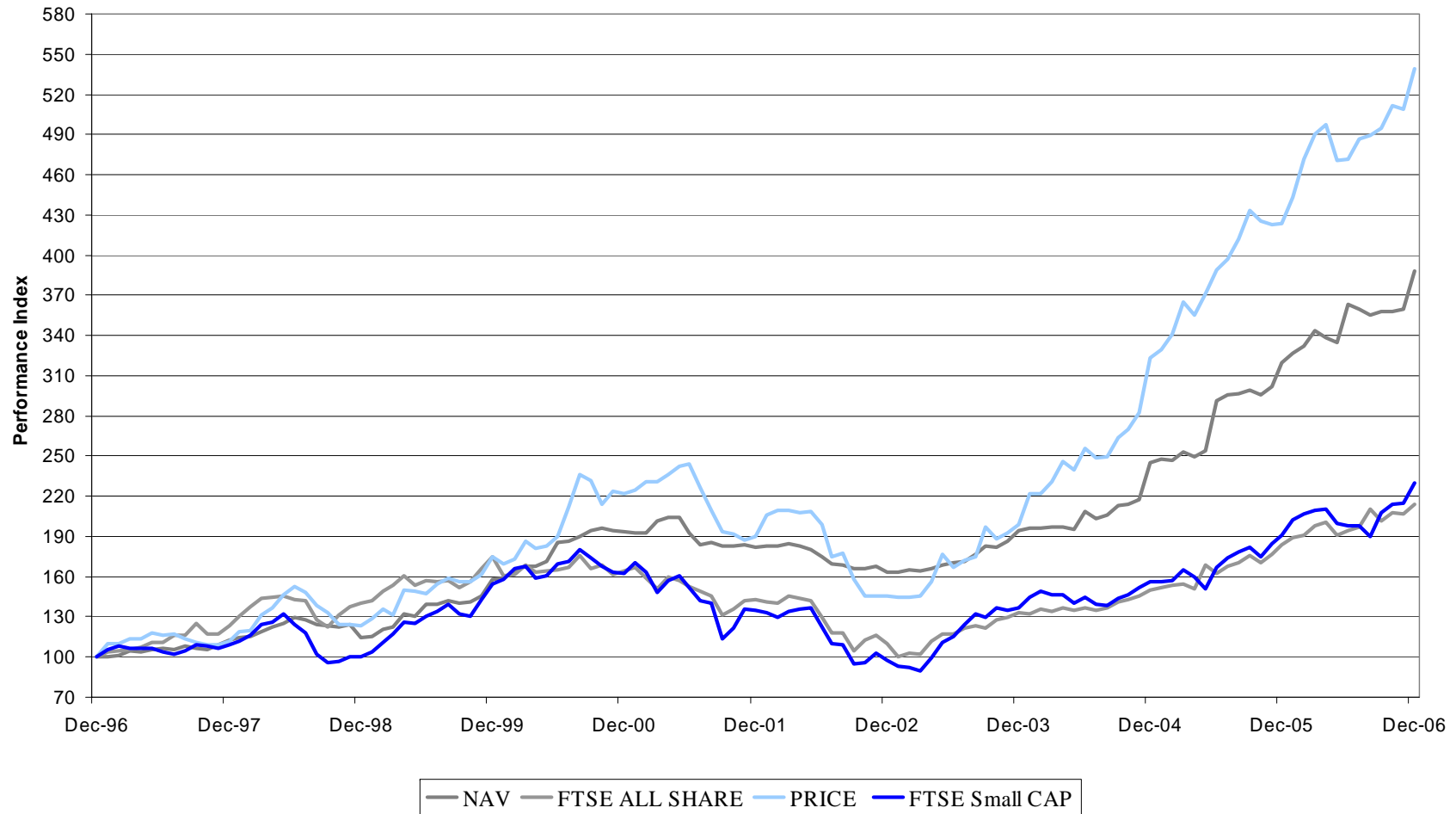


**Well set for future  
value growth**



## **Appendices**

# Ten Year Total Return Performance



# Portfolio: 31 December 2006

	<b>Investment</b>	<b>Year of investment</b>	<b>Sector</b>	<b>Location</b>	<b>Residual cost £000</b>	<b>Valuation £000</b>	<b>Portfolio value %</b>	<b>Cum. Value %</b>
1	VISMA Holdings	2006	TMT	Norway	13,268	12,251	8.2	8.2
2	Schenck Process SA	2005	Industrials	Germany	11,698	11,537	7.8	16.0
3	Paragon Ltd	2006	Healthcare	UK	10,746	10,746	7.2	23.2
4	Hirschmann Electronics Holdings SA	2004	Industrials	Germany	2,669	10,078	6.8	30.0
5	Xtx Ltd (t/a Xyratex) **	2003	TMT	UK	3,172	9,717	6.5	36.5
6	Elite Holding SA	2005	TMT	Benelux	5,749	9,502	6.5	43.0
7	Blue Minerva Ltd (t/a IRIS Software)	2004	TMT	UK	2,957	7,613	5.1	48.1
8	Surrey 1 Ltd (t/a SHL)	2006	Services	UK	7,534	7,534	5.1	53.2
9	W.E.T Holding Luxembourg SA	2003	Industrials	Germany	7,590	6,625	4.5	57.7
10	Addison Luxembourg SA	2005	TMT	Germany	6,499	6,509	4.5	62.2
11	The Sanctuary Spa Holdings Ltd	1995	Consumer & Leisure	UK	631	6,082	4.1	66.3
12	FTSA Holdings Ltd	2006	Industrials	North America	6,235	6,008	4.0	70.3
13	Clarion Events Holdings Ltd	2004	TMT	UK	4,965	5,704	3.8	74.1
14	Sporting Index Group Ltd	2005	Consumer & Leisure	UK	5,428	5,428	3.7	77.8
15	Hofmann M.M. SA	2005	Industrials	Germany	4,747	4,673	3.1	80.9
16	Schleich Luxembourg SA	2006	Consumer & Leisure	Germany	4,634	4,640	3.1	84.0
17	Worldmark International Ltd	2000	Industrials	UK	2,389	3,214	2.2	86.2
18	Rolfe & Nolan Holdings Plc	1996	TMT	UK	238	2,366	1.6	87.8
19	Clinphone plc *	2003	Healthcare	UK	7	2,027	1.4	89.2
20	Hoseasons Group Ltd	2004	Consumer & Leisure	UK	2,197	1,929	1.3	90.5
21	Doc M SARL	2004	Healthcare	Germany	1,956	1,857	1.3	91.8
22	Axiom Holdings Ltd	2001	TMT	UK	1,805	1,805	1.2	93.0
23	HgRenewable Power Partners LP	2006	Renewable energy	Europe	1,725	1,553	1.0	94.0
24	PRA International Inc **	2002	Healthcare	Benelux	1,478	1,504	1.0	95.0
25	Classic Copyright (Holdings) Ltd t/a Boosey &	2003	TMT	UK	6,033	1,486	1.0	96.0

# Portfolio: 31 December 2006

	<b>Investment</b>	<b>Year of investment</b>	<b>Sector</b>	<b>Location</b>	<b>Residual cost £000</b>	<b>Valuation £000</b>	<b>Portfolio value %</b>	<b>Cum. Value %</b>
26	Bertram Group Holdings Ltd	1999	Consumer & Leisure	UK	2,848	1,482	1.0	97.0
27	Weston Presidio Capital III, LP	1998	Fund	North America	1,867	1,201	0.8	97.8
28	South Wharf plc ^	1992	Industrials	Ireland	47	992	0.7	98.5
29	Eagle Rock Group Ltd	2001	TMT	UK	3,856	916	0.6	99.1
30	Orbiscom Ltd	2001	TMT	Ireland	3,063	599	0.4	99.5
31	Euroknights III LP	1996	Fund	Europe	1,455	408	0.3	99.8
32	Match Holdings Ltd	1999	Healthcare	UK	3,854	335	0.2	100.0
33	PARC Group Ltd	1995	Services	Ireland	46	166	0.0	100.0
34	ACT Venture Capital Ltd	1994	Fund	North America	-	40	0.0	100.0
35	Orbis plc *	1997	Services	UK	3,378	15	0.0	100.0
36	Burns e-Commerce Solutions	2001	TMT	UK	3,244	-	0.0	100.0
37	S&G (Holdings) Ltd	1999	Services	UK	1,972	-	0.0	100.0
38	Profiad Ltd	1999	Healthcare	Ireland	1,653	-	0.0	100.0
39	Newchurch Ltd	2000	Healthcare	UK	1,296	-	0.0	100.0
40	Azinger Ltd	1993	Services	UK	204	-	0.0	100.0
41	Luxfer Holdings plc	1996	Industrials	UK	46	-	0.0	100.0
42	Weston Presidio Capital II, LP	1995	Fund	North America	-	-	0.0	100.0
	<b>Total</b>				<b>145,175</b>	<b>148,542</b>	<b>100.0</b>	<b>100.0</b>

\* Listed on the London Stock Exchange

^ Listed on the Dublin and London Stock Exchange

\*\* Traded on NASDAQ

# Portfolio by Sector: 31 December 2006

<b>TMT Investments</b>	<b>Year</b>	<b>Stage</b>	<b>Geography</b>	<b>Valuation Basis</b>	<b>Residual Cost £'000</b>	<b>Valuation £'000</b>	<b>Portfolio %</b>
VISMA Holdings	2006	Buy-out	Norway	Cost	13,268	12,251	8.2%
Xtx Ltd (t/a Xyratex)	2003	Buy-out	UK	Quoted	3,172	9,717	6.5%
Elite Holding SA	2005	Buy-out	Benelux	Earnings	5,749	9,502	6.5%
Blue Minerva Ltd (t/a IRIS Software)	2004	Buy-out	UK	Earnings	2,957	7,613	5.1%
Addison Luxembourg SA	2005	Buy-out	Germany	Cost	6,499	6,509	4.5%
Clarion Events Holdings Ltd	2004	Buy-out	UK	Earnings	4,965	5,704	3.8%
Rolfe & Nolan Holdings Plc	1996	Buy-out	UK	Earnings	238	2,366	1.6%
Axiom Holdings Ltd	2001	Venture	UK	Cost	1,805	1,805	1.2%
Classic Copyright (Holdings) Ltd t/a Boosey	2003	Buy-out	UK	Written down	6,033	1,486	1.0%
Eagle Rock Group Ltd	2001	Buy-out	UK	Written down	3,856	916	0.6%
Orbiscom Ltd	2001	Venture	Ireland	Earnings	3,063	599	0.4%
Burns e-Commerce Solutions	2001	Venture	UK	Written down	3,244	-	0.0%
<b>Total TMT Investments</b>					<b>54,849</b>	<b>58,468</b>	<b>39.4%</b>

## Consumer & Leisure Investments

The Sanctuary Spa Holdings Ltd	1995	Expansior	UK	Earnings	631	6,082	4.1%
Sporting Index Group Ltd	2005	Buy-out	UK	Cost	5,428	5,428	3.7%
Hoseasons Group Ltd	2004	Buy-out	UK	Written down	2,197	1,929	1.3%
Schleich Luxembourg SA	2006	Buy-out	Germany	Cost	4,634	4,640	3.1%
Bertram Group Holdings Ltd	1999	Buy-out	UK	Written down	2,848	1,482	1.0%
<b>Total Consumer &amp; Leisure Investments</b>					<b>15,738</b>	<b>19,561</b>	<b>13.2%</b>



## Portfolio by Sector: 31 December 2006

Industrials Investments	Year	Stage	Geography	Valuation Basis	Residual Cost	Valuation	Portfolio %
					£'000	£'000	
Schenck Process SA	2005	Buy-out	Germany	Cost	11,698	11,537	7.8%
Hirschmann Electronics Holdings SA	2004	Buy-out	Germany	Earnings	2,669	10,078	6.8%
W.E.T Holding Luxembourg SA	2003	Buy-out	Germany	Written down	7,590	6,625	4.5%
FTSA Holdings Ltd	2006	Buy-out	North America	Cost	6,235	6,008	4.0%
Hofmann M.M. SA	2005	Buy-out	Germany	Cost	4,747	4,673	3.1%
Worldmark International Ltd	2000	Buy-out	UK	Other	2,389	3,214	2.2%
South Wharf plc +	1992	Buy-out	Ireland	Quoted	47	992	0.7%
Luxfer Holdings PLC	1996	Buy-out	UK	Written down	46	-	0.0%
<b>Total Industrials Investments</b>					<b>35,421</b>	<b>43,127</b>	<b>29.1%</b>

Healthcare Investments							
Paragon Ltd	2006	Buy-out	UK	Cost	10,746	10,746	7.2%
Clinphone Plc	2003	Expansion	UK	Quoted	7	2,027	1.4%
Doc M SARL	2004	Expansion	Germany	Cost	1,956	1,857	1.3%
PRA International Inc	2002	Buy-out	Benelux	Quoted	1,478	1,504	1.0%
Match Holdings Ltd	1999	Buy-out	UK	Written down	3,854	335	0.2%
Profiad Ltd	1999	Buy-out	Ireland	Written down	1,653	-	0.0%
Newchurch Ltd	2000	Buy-out	UK	Written down	1,296	-	0.0%
<b>Total Healthcare Investments</b>					<b>20,990</b>	<b>16,469</b>	<b>11.1%</b>

# Portfolio by Sector: 31 December 2006

Services	Year	Stage	Geography	Valuation Basis	Residual cost	Valuation	Portfolio %
					£'000	£'000	
Surrey 1 Ltd (t/a SHL)	2006	Buy-out	UK	Cost	7,534	7,534	5.1%
PARC Group Ltd	1995	Buy-out	Ireland	Other	46	166	0.0%
Orbis PLC	1997	Buy-out	UK	Quoted	3,378	15	0.0%
SGI (Holdings) Ltd	1999	Venture	UK	Written down	1,972	-	0.0%
Azinger Ltd	1993	Venture	UK	Written down	204	-	0.0%
<b>Total Services Investments</b>					<b>13,134</b>	<b>7,715</b>	<b>5.1%</b>
<b>Renewable energy</b>							
HgRenewable Power Partners LP	2006	Renewable energy	Europe	Net Assets	1,725	1,553	1.0%
<b>Total Renewable energy Investment</b>					<b>1,725</b>	<b>1,553</b>	<b>1.0%</b>
<b>PE Fund Investments</b>							
Weston Presidio Capital III, LP	1998	Fund	North America	Net Assets	1,867	1,201	0.8%
Euroknights III LP	1996	Fund	Europe	Net Assets	1,455	408	0.3%
ACT Venture Capital Ltd	1994	Fund	North America	Net Assets	-	40	0.0%
Weston Presidio Capital II, LP	1995	Fund	North America	Net Assets	-	-	0.0%
<b>Total Fund Investments</b>					<b>3,322</b>	<b>1,649</b>	<b>1.1%</b>
<b>Total</b>					<b>145,179</b>	<b>148,542</b>	<b>100.0%</b>

## Principal realised and unrealised movements in NAV during the year ended 31 December 2006

	Realised proceeds vs book value	Unrealised appreciation	Total
	£'m	£'m	£'m
Classic Copyright		(4.5)	(4.5)
Match Holdings		(1.9)	(1.9)
Eagle Rock		(0.9)	(0.9)
Other	0.2	(1.5)	(1.3)
Raymarine	0.9		0.9
Clinphone	1.3	1.0	2.3
Worldmark		2.2	2.2
Blue Minerva		2.4	2.4
Xtx (Xytratex)		3.0	3.0
Elite		3.4	3.4
The Sanctuary		5.2	5.2
Hirschmann		6.0	6.0
Castlebeck	18.1		18.1
	<b>20.5</b>	<b>14.4</b>	<b>34.9</b>

## Disclaimer

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