HGCAPITAL TRUST PLC Company No 1525583

Annual Report
(year ended 31 December 2007)

HgCapital Trust plc

Private equity investment trust of the year
Investment Week Awards 2005, 2006 & 2007

Annual report and accounts
31 December 2007

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Investment objective

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

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

Financial highlights

+30%	Strong growth in net assets (including dividend)
+8%	Share price and dividend (total return) versus the FTSE All-Share Index total return of 5%
+18%	Ten year total return per annum versus 6% per annum from the FTSE All-Share Index
>5x	Ten year investment return for every £1 invested
£106m	Another record year for realisations
£51m	Record number of new investments, which deep sector knowledge helped us to identify

Chairman's statement

THE BOARD BELIEVES THE COMPANY IS WELL PLACED TO CONTINUE GROWING WHILE TAKING ADVANTAGE OF IMPROVED MARKET CONDITIONS FOR THE ACQUISITION OF GOOD BUSINESSES AT REASONABLE PRICES

Performance

I am pleased to report that over the year to 31 December 2007 the Company again created value for shareholders through strong growth in net asset value The total return (NAV plus dividend) was 30 0%, which compares well against the total return of 5 3% of the FTSE All-Share Index and a decrease of 10 5% in the FTSE Small-Cap Index The Company's net asset value at year-end was 948 2 pence per share, two successful realisations which completed shortly after the year-end, The Sanctuary and Clarion Events, have added 47 pence per share The NAV per share at the end of February was 1,002 1 pence

The Company's long-term returns to shareholders continue to be strong, with a total return (share price plus dividend) over the last ten years of 17 9% p a , some 11 7% p a above the total return on the FTSE All-Share Index The strong long-term performance delivered by HgCapital as Manager was recognised when the Company was chosen, for the third consecutive year, as Private Equity Investment Trust of the Year in the Investment Week awards We congratulate the Manager and its staff for their hard and dedicated work in achieving this consistently high level of performance

During the year, the Company received £106 4 million from the realisation of investments (2006 £62 3 million) and invested £50 8 million (2006 £45 3 million) in new and follow-on investments Both are new records

The Company's share price at the end of the year was 775 0 pence, an increase of 6% over the year Total return (share price growth plus dividend) was 8%, which also represented a substantial out-performance of the relevant FTSE indices despite the trend of widening discounts against NAV that was observed across the whole sector of private equity investment trusts and investment trusts in general At year-end the market capitalisation of the Company had grown to £195 million

Revenue return was 29 6 pence per share, compared with 17 9 pence in the previous year The Company's revenue varies from year to year in accordance with the structure of the underlying investments and the Company's holding of liquid funds awaiting reinvestment Each year the Board recommends a dividend based on the revenue return that year, to maintain its status as an investment trust, this year the Board recommends a final dividend of 25 0 pence per share (2006 14 0 pence)

Performance record

Year ended 31 December	Net assets attributable to ordinary	Net asset value per ordinary	Ordinary share price	Gross revenue	Revenue available for ordinary shareholde	Earnings per ordinary	Dividends per ordinary
1998	66,851	257 8	208 0	2,495	1,359	5 2	4 95
1999	89,863	346 5	289 0	3,901	2,481	9 6	8 00
2000	103,521	411 0	356 5	7,332	4,623	17 9	14 50
2001	95,795	380 3	294 0	3,893	2,420	9 6	8 00
2002	83,837	332 9	219 5	3,528	2,148	8 5	8 00
2003	99,987	397 0	289 5	7,106	3,969	15 8	–**
2004	122,040	484 5	451 5	4,905	2,649	10 5	12 00
2005	156,487	621 3	583 5	4,963	2,965	11 8	8 00
2006	187,135	743 0	731 0	7,769	4,519	17 9	10 00
2007	**238,817**	**948.2**	**775.0**	**12,129**	**7,446**	**29.6**	**14.00***

* Final dividend for the year ended 31 December 2006, declared on 23 March 2007, paid on 1 May 2007
** Change in accounting standards relating to recognition of dividends

Realisations

Our Manager made six major realisations during the year Doc Morris, Hirschmann Electronics, IRIS and CS Group in the first half and Schenck and Hofmann Menü (cash received in early January 2008) in the second half The process of selling The Sanctuary and Clarion Events began before year-end and these sales were completed in January and February respectively All of these realisations have been achieved for proceeds above the values at which they were held in the Company's balance sheet Brief descriptions of these investments can be found in the Manager's review As I noted in the Interim statement, in current market conditions value creation will rely all the more on organic growth and margin enhancement, rather than on arbitrage between entry and exit multiples The Board is reassured that HgCapital's investment style, which has always been to take a controlling position and then work actively with management to define and deliver strategies that add value to the underlying business, is well suited to more uncertain times

Investments

The first half of the year, during most of which equity markets were at peak levels, did not provide good conditions for acquiring sound businesses at reasonable prices Some owners of businesses are only adjusting their expectations slowly to changed market conditions, however, HgCapital has completed a number of suitable acquisitions in the second half, especially in Continental Europe, leading to an increased rate of investment £23 8 million has been invested in four businesses in Continental Europe alongside the Manager's Hg5 fund As I have reported before, the Manager has continued to seek buyout and development capital opportunities that fall outside the investment parameters of Hg5 but which offer the Company attractive returns through co-investment with other clients of HgCapital £12 4m has been invested in two UK businesses that offer potential for successful roll-out, alongside other clients including (on the same terms as the Company) some members of the Manager's staff Further information on all new investments can be found in the Manager's report and on the Company's web-site at www hgcapitaltrust com

The Company's portfolio is well diversified, both geographically and by sector The portfolio contains a wide range of businesses with potential for organic growth and value creation over coming years following recent realisations, 74% by value of the portfolio (excluding liquid funds) is in investments acquired in the last three years and 48% is still valued by the Board at cost

With £79 8 million in liquid funds at year-end available for reinvestment and a £25 million borrowing facility, the Company is well positioned to take up opportunities to invest on attractive terms

Board and AGM

In last year's report the Board stated that as part of its long-term succession planning it intended to identify an additional Director After a formal process in which the Board employed a specialist recruitment agency we invited Richard Brooman to join the Board He is a chartered accountant with long experience as a finance director and on the board of another investment trust Mr Brooman has been appointed chairman of the Company's Audit and Valuation Committee with effect from 1 July 2008, in succession to Tim Amies who has made a huge contribution to the Company's progress through his leadership of the Committee Mr Brooman's election will be proposed at this year's AGM

The Board will also ask shareholders to renew the power to purchase shares in the market for cancellation, which the Board may use to return capital to shareholders if conditions for new investment are unfavourable and the Company appears to have surplus capital Resolutions will also be proposed to amend the Articles to take account of those provisions of the Companies Act 2006 that are coming into effect, and to increase the total available for payment of directors' fees, to take account of increases in fees and the enlargement of the Board

Walker Report

It has been the Board's consistent policy to publish reports that are transparent and comprehensive in describing the portfolio, the sources of value creation and risk In November 2007 Sir David Walker published his report "Guidelines for Disclosure and Transparency in Private Equity", which sets out guidelines regarding the disclosure of information by private equity companies and their UK portfolio companies The Board welcomes this report The Manager's review details the relationship between the Company and the Manager, the firm's history and investment approach, strategy and tactics The Investment pages describe the history of the Manager's involvement with its portfolio companies and gives details of their financial performance and any key factors that impact this

Chairman's statement continued

Prospects

The market for debt in very large leveraged buyouts is undoubtedly very difficult, however, for the mid-market buyouts in which HgCapital specialises, large amounts of debt requiring wide syndication or refinancing in public markets are typically not necessary With strong liquidity HgCapital has the flexibility to underwrite acquisitions with more equity than before and refinance with debt at a later date Future deals may include more mezzanine-level funding which, until recently, had been largely squeezed out by easy bank lending While these factors may serve to restrain prices paid for businesses, they do not appear to be preventing deals from being completed in the mid-market sector

The private equity business finds opportunity in change and thrives on adapting to it While deal structures may evolve, the fundamental skills involved in identifying businesses with potential, redefining their strategy, and driving improvement remain the same The Board retains confidence in the Manager's ability to identify a regular flow of opportunities and to add value for the benefit of shareholders

With a young portfolio of investments as a base for value creation in coming years and strong liquidity, the Board believes the Company is well placed to continue growing while taking advantage of improved market conditions for the acquisition of good businesses at reasonable prices The Board is confident that, for many investors, an allocation to a well-managed private equity portfolio remains appropriate in current market conditions, especially with the liquidity and transparency offered by an investment trust structure HgCapital Trust has delivered consistent value creation to shareholders for more than a decade and the Board believes it will continue to provide investors with an efficient vehicle for gaining exposure to a diversified portfolio in an asset class that offers attractive long-term prospects for growth

Roger Mountford
Chairman
17 March 2008

Ten year track record

Historical total return* performance					
	One year % p a	Three years % p a	Five years % p a	Seven years % p a	Ten years % p a
Net asset value	30 0	27 2	25 3	14 7	16 1
Share price	7 9	21 7	31 9	14 8	17 9
FTSE All-Share Index	5 3	14 5	15 4	4 6	6 2
FTSE Small Cap Index	(10 5)	9 7	16 0	3 4	6 6

Based on the Company's share price at 31 December 2007 and allowing for dividends to be reinvested, an investment of £1,000 ten years ago would now be worth £5,183
An equivalent FTSE All-Share Index return would be worth £1 824
** Total return assumes all dividends have been reinvested*

HgCapital Trust plc gives the investor access to a private equity portfolio run by an experienced and well-resourced Manager who makes investments in fast growing companies over a number of geographies and sectors

We believe our approach will continue to reward investors with superior performance, both relative to the public markets and its peers over the long term

Investing in private equity

STRONG PERFORMANCE IN ABSOLUTE TERMS AND RELATIVE TO OTHER ASSET CLASSES

Private equity
Private equity describes securities issued by private and unlisted companies The securities are loans, equity and equity-related, enjoying the full rewards and risks of ownership Investments can be in early-stage businesses, or provide expansion capital for profitable growing businesses, and can be used to finance management or leveraged buyouts of established businesses The objective is to achieve higher returns than public equity over a rolling period of five to ten years Investments are typically held for three to seven years and are realised through an initial public offering, a trade sale, or a sale to another financial institution Interim proceeds are sometimes possible through recapitalisations

Investment profile
Private equity investments are less liquid than public equities To compensate for this feature they offer more control and more attractive returns Over the ten years from 1996 to 2006 UK private equity funds outperformed the FTSE All-Share Index by 10 8% per annum and outperformed every asset class over this period* The risk profile of an individual private equity investment depends on many factors, the principal ones are the nature of the business, the maturity and stage of the business, its size and the financial structure of the balance sheet

A diversified portfolio helps to mitigate some of these risks, more important mitigants are the quality of company selections by the private equity manager and the quality of the management teams running the company

Advantages of private equity
Compared with investment in the public markets, a private equity investor has significant advantages

- More investment opportunities significantly more private than listed companies
- Better access to information the ability to conduct detailed market, financial, legal and management due diligence
- More control for the private equity manager over the management of the business and the timing of its sale
- Alignment of interest of owners and management, leading to better decision making the opportunity to act like an owner rather than a fund manager, with the benefit of representation on the Board
- Management talent the ability to attract high calibre management and the alignment of management's interests to the success of the investment through equity participation

Private Equity Investment Trusts (PEITs)
A Private Equity Investment Trust (PEIT) offers the opportunity to participate in a diversified portfolio of mainly unquoted companies that are generally valued at a discount to their quoted peers By buying shares in a PEIT, which are freely traded, the investor benefits from liquidity while participating in the potentially superior returns of a private equity portfolio

The Company's objective is to provide shareholders with long-term capital appreciation rather than dividend growth To maintain its status as an investment trust, it distributes a proportion of its income by way of a dividend each year The earnings of a PEIT in any year are affected by various factors, including the structure of the underlying investments Accordingly the revenue earnings per share and the dividend of a PEIT will tend to fluctuate from year to year A PEIT should not be confused with a Venture Capital Trust (VCT) which offers tax advantages to certain investors but is highly constrained in the companies that qualify for investment

Advantages of investment via an investment trust
PEITs offer investors liquidity in their shares, which can be traded in variable bargain sizes and at any time This is of significant benefit to investors who do not wish to commit to the ten year lock-in and minimum investment required when investing in private equity via limited partnerships

Share price
The major driver of a PEIT's share price is net asset value (NAV), the growth of which is driven by realisations and by revaluation of the unrealised portfolio, based on the profitability of each underlying investment and market ratings The share price of a PEIT usually tracks NAV but it may trade at a premium or a discount, depending on the market's view of future realisations and new investments, and the investment strategy of the manager Although not all PEITs will provide high returns, a strong manager with a carefully thought-out investment strategy that offers a diversified portfolio of companies across a number of sectors and geographies can increase the likelihood of success

Publication of net asset value
Unquoted investments are revalued twice each year, as at December and June, and the NAV is adjusted to reflect these valuations in the following March and August respectively The NAV per share of the Company is calculated monthly with respect to cash, cash equivalents and listed investments in the portfolio, and to reflect any realisations since the previous valuation The NAV is released to the public through the London Stock Exchange's regulatory news service on the fourth day of each month This NAV is then used as the basis for calculation of the discount or premium published in newspapers for the following month

* Source BVCA Performance Measurement Survey 2006

Manager's strategy

TO PRODUCE A DIVERSIFIED PORTFOLIO OF EUROPEAN MID-MARKET COMPANIES BY COMBINING DEEP SECTOR KNOWLEDGE WITH STRONG OPERATIONAL SKILLS

OUR STRATEGY

Mid-market
HgCapital concentrates on mid-market buyouts with enterprise values of between £50 million and £500 million This market comprises a high volume of companies with proven, reliable track records and defensible market positions Companies in this range are small enough to provide opportunities to unlock incremental value through organisational changes and operational improvements, yet large enough to attract quality management and to offer multiple exit options

Pan-regional
We focus on investments in Europe, with the majority of activity taking place in the UK, Benelux, Germany and the Nordic countries Our network of local offices, combined with a common culture and consistent processes, underpins our ability to produce strong performance

Broad coverage
HgCapital's dedicated sector teams continue to provide investors with exposure to the substantial majority of private equity activity within its target size range and across the relevant geographies

Clear investment criteria
When evaluating an investment opportunity, HgCapital applies a rigorous and commercial investment approach Our process governs all investment decisions, with the goal of ensuring that only the most attractive investments are completed, irrespective of an opportunity's sector or geography

In all cases we look to earn a return on the Company's capital that rewards the investor for the measured risks we take We like situations where change is taking place and where our specialist knowledge and skills will give us an edge over others

Over the past two years we have adopted a two-pronged approach to avoid overpaying We have been prepared to pay competitive prices for businesses that have strong management teams, leading market positions, high barriers to entry and that serve growth markets Alternatively, we have bought companies at lower valuations that serve growth markets, have clear performance improvement potential and have a requirement for management change

OUR TACTICS

Sector specialisation
Our well-resourced sector teams combine the domain knowledge and expertise of a trade buyer with the flexibility of a financial investor Our sector teams (Consumer and Leisure, Healthcare, Industrials, Services and TMT) share a similar top-down approach to screening their respective industries By leveraging on our sector knowledge, we can concentrate our resources on converting prime opportunities and avoid spending time on transactions of less interest or value

In addition, over the last four years we have built a specialist team to identify businesses that will operate, construct and develop renewable energy projects in Western Europe

Active portfolio management
We undertake intensive, continuous, informed interaction with our portfolio companies using dedicated portfolio management executives to develop, execute and monitor value-enhancement strategies for each of our investments HgCapital will typically invest as the lead controlling owner of its portfolio companies as part of its hands-on approach to management We appoint HgCapital executives to our companies' boards to participate in business planning and to work with management when needed, and have recently strengthened this team with a number of senior appointments To monitor and analyse our portfolio companies throughout the investment's life cycle, we operate a Portfolio Review Committee that meets on a monthly basis to discuss our investments' performance Particular attention is given to those that are recent, underperforming or scheduled for exit

Deep resources
We invest substantially in all areas of our business to ensure that high quality resources can be applied to each aspect of an investment opportunity Our team of over 70 people is well-positioned to produce high absolute returns over the long term from a well-diversified portfolio of investments which, we believe, will continue to be superior to the returns generated by comparable public equity markets

Manager's review

2007 WAS ANOTHER RECORD YEAR FOR REALISATIONS AND INVESTMENTS, WITH THE CURRENT PORTFOLIO CONTINUING TO PERFORM WELL

HgCapital Trust ('the Company') invests alongside other clients of HgCapital Typically, the Company's holding forms part of HgCapital's much larger controlling interest in buyout investments of 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 Company's participation or where it specifically says otherwise

The Company's net asset value increased from £187 1 million to £238 8 million during the year This arose largely from unrealised movements and realised proceeds in excess of the book value as at 31 December 2006 of £12 5 million and £43 2 million respectively This increase is the result of strong earnings growth and cash generation by our portfolio companies, as well as a good flow of realisations

During the year, the Company invested a total of £50 8 million (2006 £45 3 million), participating in eight new investments These new investments were made in Fabory (Netherlands, €345 million EV), Atlas (UK, £25 million EV), Mondo Minerals (Finland, €230 million EV), SLV (Germany, €320 million EV), CS Group (UK, £100 million EV), Americana (UK, £186 million EV), Cornish Bakehouse (UK, £9 million EV) and Wastebidco (UK)

During the year, the Company invested a further €3 5 million out of its €21 million commitment to the €300 million Hg Renewable Power Partners fund The fund's focus is on long-term investments in renewable power projects using proven technologies, including wind, small hydro, landfill gas and waste-to-energy in Western Europe

The Company realised record proceeds during the year (including gross income received) amounting to £106 3 million (2006 £62 3 million) These proceeds arose principally from the sale of Schenck, Hirschmann and the combined sale of IRIS Software and CS Group

Since the period end, we have made one new investment in Casa Reha (Germany, €327 million EV) We have also completed the sales of Hofmann Menü, The Sanctuary Spa and Clarion Events, with clients receiving proceeds of £58 4 million, £50 0 million and £73 9 million respectively In addition we have sold our remaining shares in Xyratex and PRA for £23 7 million and £10 million respectively In aggregate these realisations have returned proceeds of £216 million to clients, of which the Company received £38 9 million

Attribution analysis of current year movements in net asset value	
	£'000
Opening net asset value as at 1 January 2007	187,135
Gross revenue	12,129
Expenditure	(4,028)
Taxation	(2,418)
Dividends paid	(3,526)
Realised proceeds in excess of 31 December 2006 book value (excludes gross revenue)	43,170
Net unrealised appreciation of investments	12,544
Carried interest	(6,189)
Closing net asset value as at 31 December 2007	238,817

Manager's review continued

A DIVERSE PORTFOLIO THAT IS PERFORMING WELL, WITH STRONG LONG-TERM GROWTH POTENTIAL

At the end of 2007, the Company held a portfolio of 45 investments (2006 42), of which the 20 principal investments represent over 90% of the portfolio's value This portfolio of small- and mid-cap stocks combines strong growth with sector and geographic diversification

With the high number of realisations and new investments made during 2006 and 2007, the portfolio at year-end was relatively young Around 54% of the portfolio by value had been acquired within the previous two years (2006 55%) It is the Company's policy not to revalue any investment upwards until receipt of audited accounts for a full trading year following acquisition, as a result, some 48% of the portfolio by value at year-end was still held at cost (2006 49%)

The Company's ten largest investments, which represent over 60% of the Company's portfolio, are performing well, realising solid year-on-year growth in earnings At the same time, a minority of investments performed below expectation in the year, most notably FTSA, Elite and Axiom

Over the last three years, the focus of the portfolio has shifted towards Continental Europe, with over half the Company's investments by value located outside the UK We believe this to be advantageous, as these markets are less mature than the UK and offer significant potential for growth over the next decade

We look forward to exploiting new opportunities that will arise from a downward adjustment in the capital markets and the economy

The Company benefits from strong liquidity, holding £79 8 million in liquid funds at year-end awaiting reinvestment

It also has a £25 million borrowing facility

Asset class+	
Unquoted	62%
Cash & other assets	35%
Quoted	3%

Geographic spread by value++	
UK	45%
Germany	24%
Nordic region	14%
Benelux	13%
Europe	2%
North America	2%

Valuation basis++	
Cost	48%
Earnings	28%
Third Party	10%
Written down	7%
Quoted	4%
Net assets	3%

Deal type by value++	
Buyout	86%
Expansion	10%
Renewable energy	2%
Fund	1%
Venture	1%

Sector by value++	
TMT	29%
Industrials	22%
Consumer & Leisure	22%
Services	17%
Healthcare	7%
Renewable energy	2%
Fund	1%

Manager's review continued

Vintage by value++	
2007	28%
2006	26%
2005	20%
2004	7%
2003	8%
2002	1%
Pre 2002	10%*
*includes 7 5% relating to The Sanctuary Spa, which has been sold post period end	

+Percentages are based on net assets
++Percentages are based on fixed assets and are shown by value

Investments

DURING 2007 HGCAPITAL INVESTED A TOTAL OF £322 MILLION ON BEHALF OF ITS CLIENTS, INCLUDING £50 8 MILLION ON BEHALF OF THE COMPANY

Company	Sector	Activity	Deal Type	Cost £'000
BMFCO (t/a Fabory)	Services	Distributor of industrial fasteners	Buyout	10,871
Atlas Energy	Services	E-learning products for the oil & gas industry	Buyout	8,153
Mondo Minerals	Industrials	Talc mining	Buyout	7,004
SLV Electronik	Industrials	Lighting products	Buyout	5,962
Guildford (t/a CS Group)	TMT	Software services to the legal & not-for-profit sectors	Buyout	5,046
Americana	Consumer & Leisure	Wholesaler and retailer of fashion apparel	Buyout	4 611
Cornish Bakehouse	Consumer & Leisure	Pasty retailer	Expansion	4,200
Wastebidco	Industrials	Investment vehicle for potential acquisiton of Biffa plc	Buyout	309
New Investments				46,156
Sporting Index	Consumer & Leisure	Spread betting	Buyout	1,758
FTSA	Industrials	Crash test dummies	Buyout	578
Axiom	TMT	Telecommunications software	Expansion	85
Hg RPP LP	Renewable energy	Renewable energy fund	Fund	2,180
Further Investments				**4,601**
Total Investment by the Company				**50,757**

Figures below refer to the total size of each acquisition, including debt raised from third parties, made by HgCapital on behalf of its clients, including the Company

New investments

Fabory
In October 2007, HgCapital completed the €345 million buyout of Fabory, the leading distributor of industrial fasteners in the Benelux region Its Fabory Centres (FCs) have proved a highly successful retail format and the company is poised for an aggressive roll-out of further FCs in the high-growth markets of Central and Eastern Europe

Atlas
In November 2007, HgCapital completed the £25 million buyout of Atlas Founded in 1997, Atlas Interactive is a leading provider of interactive e-learning products, targeted at regulatory-driven health, safety and environmental training for the oil and gas sector Over the past 10 years the business has seen rapid organic growth and its customers include leading companies such as BP, Shell and QatarGas

Mondo Minerals
In November 2007, HgCapital completed the €230 million buyout of Mondo Minerals Mondo is one of the world's leading companies in talc mining and processing and has secure reserves of raw materials for the next 40 years Mondo's customers are active in a variety of European industries including paper, paint, plastics, and ceramics The group supplies clients in more than 50 countries

SLV
In August 2007, HgCapital completed the €320 million buyout of SLV Group SLV Group is one of the fastest-growing manufacturers of innovative lighting systems in Europe It combines German design excellence, low-cost production in Asia and first class logistics

CS Group
In April 2007, HgCapital completed the £100 million P2P buyout of CS Group, the UK's leading provider of back-office application software to the legal and not-for-profit sectors CS Group was sold in a combined sale with IRIS in July 2007, delivering a return of 2 2x original cost, including the unrealised value Further details are set out in Realisations

Americana
In March 2007, HgCapital completed the £186 million buyout of Americana, the branded apparel business, which owns the youth brands Bench and Hooch Revenues are predominantly through UK wholesale channels although the business is increasing its wholesale revenues in Continental Europe and building a UK retail presence

Cornish Bakehouse
In July 2007, HgCapital completed the £9 million buyout of Cornish Bakehouse, the St Ives-based pasty retailer It sells a full take-away range, predominantly for lunchtime trade, at a higher quality level than direct competitors We are backing a proven management team that previously grew and sold a very successful specialist retail chain

Wastebidco
Wastebidco is a specially formed acquisition vehicle set up with the purpose of acquiring 2 4% of the shares of Biffa plc, an integrated UK waste management company As announced by the target on 24 January 2008, HgCapital withdrew from the consortium formed with Montagu Assuming that a transaction occurs with the new Montagu consortium then it is intended that Wastebidco's shares in Biffa plc will be tendered at the consortium's offer price

Realisations

DURING 2007 HGCAPITAL REALISED TOTAL PROCEEDS OF £688 MILLION ON BEHALF OF ITS CLIENTS, INCLUDING £106 4 MILLION FOR THE COMPANY

Company	Sector	Exit Route	Cost £'000	Proceeds + £'000	2007 return + £'000
Schenck	Industrials	Financial sale	11,698	33,952	22,254
Blue Minerva (t/a IRIS)	TMT	Financial sale	2,939	17,660	14,721
Hirschmann	Industrials	Financial sale	2,669	14,874	12,205
Guildford (t/a CS Group)	TMT	Financial sale	5,031	9,967	4,936
Doc Morris	Healthcare	Trade sale	1,956	4,739	2 783
Worldmark	Industrials	Financial sale	2,389	3,569	1,180
Bertram	Consumer & Leisure	Trade sale	2,848	2,009	(839)
Eagle Rock	TMT	Sale to management	3,856	1,618	(2,238)
South Wharf plc*	Industrials	Quoted share sale	47	1,033	986
Other			96	366	270
Full realisations			**33,529**	**89,787**	**56,258**
Xtx t/a Xyratex**	TMT	Quoted share sale	1,895	4,957	3,062
Addison	TMT	Recapitalisation	4,203	5,441	1,238
Rolfe & Nolan	TMT	Recapitalisation	225	2,093	1,868
Voyage (formerly Paragon)	Healthcare	Loan redemption	1 991	1,991	-
SHL	Services	Loan redemption	1,046	1,127	81
Other			4,501	994	(3 507)
Partial realisations			**13,861**	**16,603**	**2,742**
Total realisations by the Company			**47,390**	**106,390**	**59,000**

+ Includes gross revenue received during the year
* Listed on the Dublin and London Stock Exchange
** Traded on NASDAQ

Realisation figures below refer to the total value of each transaction, including, where appropriate, repayment of third party debt Proceeds to clients including the Company are stated net of any such repayment

Full realisations

Schenck
In December 2005, HgCapital completed the €205 million buyout of Schenck Process SA, the global market leader in high-tech applications and solutions in industrial weighing, feeding and automation In June 2006, Schenck completed the acquisition of Stock Equipment Company (USA) Inc In November 2007 the business was sold, returning proceeds to clients of £174 million, equal to 2 9x original cost

IRIS Software
The £102 million secondary management buyout of IRIS Software Ltd was completed in July 2004 In June 2007, a deal was signed to sell IRIS to Hellman & Friedman in a combined sale with CS Group On completion this delivered £105 1 million to clients Of this amount, £92 5 million has been received as cash and £12 6 million as equity in the newly combined IRIS-CSG, delivering a 3 6x return, including the unrealised value

Hirschmann
In March 2004, HgCapital completed the €115 million buyout of Hirschmann Electronics Hirschmann is the market-leading global supplier of electronics equipment, components and related accessories It has manufacturing plants in Germany and Hungary as well as sales and services operations in Europe, the USA, the Far East and South America The business was sold in March 2007, with proceeds of €113 million received for clients Further proceeds of €25 million were received in April 2007, with the potential of a further €15 million over the next 2-3 years, subject to warranty claims This investment has returned 5 8x original cost, including the unrealised value of potential future payments

Realisations continued

CS Group
In April 2007 HgCapital completed the £100 million P2P buyout of CS Group, the UK's leading provider of back-office application software to the legal and not-for-profit sectors CS Group was sold in a combined sale with IRIS in July 2007, delivering £87 million to clients As with IRIS, of this amount, £76 6 million has been received in cash and £7 4 million as equity in the newly combined IRIS-CSG This has delivered a 2 2x return, including the unrealised value

DocMorris
Founded in 2000 as a mail order business, DocMorris has grown to become the largest pharmacy serving the German market It offers prescription drugs at attractive prices by sourcing direct from the pharmaceutical manufacturers In April 2007 HgCapital, together with 3i and Neuhaus Partners, sold their stakes to Celsio AG, Europe's largest pharmaceutical distributor This investment returned 2 5x original cost, including the unrealised value of future escrow payments

Worldmark
Worldmark is a supplier of labels to the electronics industry We bought the business in 2000, then its market deteriorated rapidly We changed its focus and board leadership, and the business recovered

The business was sold in January 2007 Clients received proceeds amounting to £29 2 million, representing a 1 5x multiple of cost

Bertram
Bertram is a book wholesaler and distributor of books, games and audio-visual titles to public libraries Following the acqusition of Bertram in 1999, the business made mistakes in the execution of its strategy We changed the management team, trading improved and eventually in February 2007, the business was sold to Woolworths plc Proceeds of £13 1 million were received for clients, representing an overall return of 0 7x original cost

Eagle Rock
Eagle Rock creates and acquires audio and audio-visual entertainment productions with a strong focus on rock music by mature and established international artists It exploits these intellectual property rights through DVD, TV licensing and CD All manufacturing and distribution are outsourced, as is most of the production In April 2007, the company was sold to management and an investment consortium Proceeds of £7 5 million were received for clients, representing a return of 0 4x original cost

South Wharf
Following the demerger of the glass business, South Wharf became a property company, owning 26 acres of long-leasehold land and a small glass trading activity Title to the land was improved significantly so that it could be sold We sold our quoted shares for proceeds of £49 8 million Over its life, this investment has returned a multiple of 7 3x original cost

Partial realisations

Xyratex
Xyratex has been a world leader in the hard disk and network storage technology market for over 20 years It completed its IPO on NASDAQ on 24 June 2004 at a price of $14 per share, realising £10 2 million for HgCapital clients at the time HgCapital has since selectively sold stock with a total value of approximately £80 million from the time when our lock-up period expired in early 2005 until July 2007

Since the period end, the residual stake was sold for £23 7 million, resulting in a total return of 2 25x original cost

Addison
Addison is a leading German applications software company that provides business-critical solutions to two related markets - tax accountancy and small to medium enterprises (SMEs) It develops, licenses and manages standard and sector-specific software for bookkeeping, accounts production, tax, cost accounting, payroll administration and financial planning Addison is the clear number two player in the German market and the fastest-growing The business was recapitalised in October 2007, returning £28 million to clients

Rolfe & Nolan
Rolfe & Nolan is the number two global supplier of back-office processing software to the exchange traded derivatives industry It supports over 250 bank, brokerage and exchange clients in 20 countries Customers include Deutsche Bank, Goldman Sachs, HSBC, Lehman Brothers and MAN Financial

The business has been recapitalised a number of times, most recently in June 2007, which returned £12 million to clients Over its lifetime this investment has returned 2 2x original cost, including the unrealised value

Loan redemptions
During the period, partial redemptions of loan stock from Voyage and SHL returned proceeds of £13 million and £9 million respectively

Other realisations
Other realisations received during the period include deferred considerations from earn-outs on PBR and Mednova and cash distributions received from residual overseas fund investments The restructuring of Pulse Staffing Limited (formerly Match) resulted in the original loan stock being cancelled and the remaining investment is now held in an equity instrument

Review of principal investments

1 VISMA

Sector TMT
Location. Nordic region
Year of investment: 2006
www visma com

In May 2006, HgCapital completed the £382 million buyout of Visma, the number one provider of business software in the Nordic region HgCapital's clients hold a 57% stake in this business

Headquartered in Oslo, with significant revenues throughout the Nordic region, the company provides its customer base of over 200,000 enterprises with accounting, resource planning and payroll software, outsourced book-keeping and payroll services, in addition to debt collection and procurement

2 The Sanctuary Spa

Sector. Consumer and Leisure
Location UK
Year of investment. 1995
www thesanctuary co uk

In July 2005, our original investment in the Sanctuary Spa Group was acquired by the newly incorporated The Sanctuary Spa Holdings Limited (SSHL) Simultaneously, SSHL acquired the licence to sell beauty products branded The Sanctuary Spa, the rights to which had previously been held by a third party licensee HgCapital's clients took a 78% stake in the business

The Sanctuary Spa operates the women's day spa 'The Sanctuary', based in Covent Garden, and also owns a range of beauty products distributed through the spa and Boots the Chemist In 2006, we received £9 million from loan stock repaid

Post period end, The Sanctuary Spa has been sold to PZ Cussons for £75 million, returning £50 million to clients

3 Fabory

Sector Services
Location Benelux
Year of investment· 2007
www fabory com

In October 2007, HgCapital acquired Fabory from AAC Capital Partners for a consideration of €345 million HgCapital's clients hold a 79% stake in this business

Fabory is a full-line wholesale distributor of industrial fasteners with a market-leading position in the Benelux markets Key features of Fabory's business model are its well-invested infrastructure and very high service and availability levels, enabling it to charge premium prices to a relatively price-insensitive customer base Fabory delivers fasteners direct to customers or through its B2B retail concept ('Fabory Centres') The company plans to roll out the Fabory Centre concept in the high growth economies of Central & Eastern Europe

4 Hofmann

Sector Industrials
Location Germany
Year of investment 2005
www hofmann-menue de

In November 2005, HgCapital successfully completed the €138 million buyout of Hofmann Menu for a 78% equity stake in the business

Hofmann is a market-leading provider of frozen food products as well as related on-site catering for small business canteens and social organisations such as care homes, hospitals and schools in Germany Hofmann differentiates itself from its competition by focusing on quality and a wide choice of healthy, tasty menus The company's centralised production also allows for significant cost advantages over traditional catering firms

Since the period end the sale of the business to Gilde Buy Out Partners has completed, returning £58 4 million to clients

Cost and valuation of the Company's holdings

Company	Deal type	Residual cost £'000	Valuation £'000	Valuation basis	Portfolio value %
VISMA Holdings *	Buyout	13,268	13,812	Cost	8 9
The Sanctuary Spa Holdings Ltd	Expansion	631	11,628	Earnings	7 5
BMFCO UA (t/a Fabory) *	Buyout	10,871	11,428	Cost	7 4
Hofmann M M SA	Buyout	4,747	10,774	Third Party	7 0

** The difference between cost and valuation is due to foreign exchange rate movements*

Review of principal investments continued

5 Voyage Group

Sector. Healthcare
Location. UK
Year of investment 2006
www milburycare com

In April 2006, HgCapital completed the £322 million buyout of Voyage Group (formally known as Paragon Healthcare) HgCapital's clients have a 52% stake in this business

Voyage owns and operates small community-based homes for adults with learning disabilities and associated physical disabilities, autistic spectrum disorders, complex needs and acquired brain injury The company uses a variety of techniques as therapy, including working with animals

The company currently operates 1,600 beds in 242 homes across England and Scotland

6 Atlas

Sector Services
Location UK
Year of investment· 2007
www atlasinteractive co uk

In November 2007, HgCapital completed the £25 million acquisition of Petrolearn Limited, also known as Atlas Interactive HgCapital's clients have a 57% stake in the business

Atlas Interactive is a leading provider of interactive e-learning products, targeted at regulatory-driven health, safety and environmental training for the oil and gas sector Atlas Interactive has a global market share of around 1-1 25% (25% to 38% UK market share), making it a relatively large player in this fragmented space It benefits from deep-rooted customer relationships with major companies such as BP, Shell and QatarGas, and maintains a high level of repeat business In addition, it has amassed over 1,000 hours of standardised intellectual property-protected e-learning content that it resells to its customer base

7 Clarion Events

Sector. TMT
Location UK
Year of investment. 2004
www clarionevents co uk

The £50 million buyout of Clarion Events, the largest independent exhibition and events business in the UK, completed in October 2004, with HgCapital's clients taking a 65% equity stake in the business

The company has a portfolio of fifty business and consumer shows, including the 'Top Drawer' giftware trade shows, 'Fine Art & Antiques', 'Baby', 'Caravan & Outdoor' and 'House & Garden' Clarion's subsidiary ATE, acquired in June 2005, runs the leading international show for the amusements and gaming sector, and related conference and publishing services Since the period end the business has been sold, returning £73 9 million to clients

8 Addison

Sector TMT
Location Germany
Year of investment 2005
www addison de

The €78 million buyout of Addison was completed in June 2005 HgCapital's clients have a 93% equity stake in the business

Addison is a leading German applications software company that provides business-critical solutions for tax accountants and SMEs It develops, licences and manages standard and sector-specific software for bookkeeping, accounts production, tax, cost accounting, payroll administration and corporate planning

In December 2005, HgCapital made a further investment in Addison of €14 million to fund the acquisition of its competitor PBSG, and in November 2007 a recapitalisation of the business was completed to enable the company to pursue its growth strategy, returning £28 million to clients

Cost and valuation of the Company's holdings					
Company	**Deal type**	**Residual cost £'000**	**Valuation £'000**	**Valuation basis**	**Portfolio value %**
Voyage Group Ltd (formerly Paragon)	Buyout	8,755	8,755	Cost	5 7
Atlas Energy Group Ltd	Buyout	8,153	8 153	Cost	5 3
Clarion Events Holdings Ltd	Buyout	4,965	7,594	Earnings	4 9
Addison Luxembourg SA	Buyout	2,296	7,547	Earnings	4 9

Review of principal investments continued

9 Mondo Minerals

Sector. Industrials
Location· Nordic region
Year of investment. 2007
www mondominerals com

In November 2007, HgCapital completed the €230 million acquisition of Mondo Minerals OY HgCapital's clients have a 91% stake in the business

Mondo is the world number two in talc mining and processing with estimated 2007 revenues of €134 million The core markets for Mondo are the paper and paint industries, where it holds a market share of 65% and 40% respectively in Europe Mondo supplies the majority of the talc demand for paper producers in Finland, a highly regional market Talc is a base chemical with multiple proven applications and Mondo has secure raw material reserves of more than 40 years

10 Sporting Index

Sector Consumer and Leisure
Location UK
Year of investment 2005
www sportingindex com

The £75 8 million buyout of Sporting Index was completed in November 2005 HgCapital's clients acquired a 70% equity stake in the business

Founded in 1992, Sporting Index is the recognised leader in sports spread betting, with a market share of approximately 70% in the UK It offers a greater variety of bets (approximately 23,000) and more choice than any other sports spread betting company It is also the only sports spread betting company to offer continuous 24-hour betting and sports spread betting on Sky TV It is regulated by the FSA and does not have a US presence

11 SHL

Sector: Services
Location UK
Year of investment 2006
www shl com

In November 2006, HgCapital completed the £100 million buyout of SHL, taking a stake of 72%

SHL is the UK market leader in objective psychometric testing and has a global presence The core business consists of the development and sale of 300 psychometric tests to corporate clients, covering areas such as numerical ability, verbal reasoning and personality fit SHL also provides psychologists for the administration and interpretation of tests

12 SLV

Sector Industrials
Location Germany
Year of investment 2007
www slv de

In August 2007, HgCapital completed the €320 million acquisition of SLV Group HgCapital's clients have a 67% stake in the business

SLV is a fast-growing and highly profitable German provider of innovative lighting systems Since 2000, the company has established a unique business model focused on B2B SLV has a competitive advantage in the areas of product development and design, production, warehousing, and logistics and distribution SLV is positioned at the lower end of the premium market, providing superior quality at attractive prices Today SLV generates 45% of sales abroad Manufacturing is outsourced predominately to China, providing a considerable cost advantage The company also benefits from long-established relationships with suppliers

Cost and valuation of the Company's holdings

Company	Deal type	Residual cost £'000	Valuation £'000	Valuation basis	Portfolio value %
Mondo Minerals Co-op *	Buyout	7,004	7,358	Cost	4 8
Sporting Index Group Ltd	Buyout	7,186	7 186	Cost	4 7
SHL Group Holdings 1 Ltd	Buyout	6,489	6,489	Cost	4 2
SLV Electronic SARL *	Buyout	5,962	6,438	Cost	4 2

** The difference between cost and valuation is due to foreign exchange rate movements*

Review of principal investments continued

13 Sitel Semiconductor

Sector TMT
Location Benelux
Year of investment. 2005
www sitelsemi com

The $74 million buyout of the digital cordless business unit of National Semiconductor Corporation completed in June 2005 HgCapital's clients acquired an 81% equity stake in the business

Elite creates products and systems to support wireless voice and data applications for the home These include baseband and radio transceivers for cordless DECT (Digital Enhanced Cordless Telephony), telephones and base stations for VoIP (Voice over Internet Protocol), and cordless game pads and voice modules The company, which was formerly part of National Semiconductor Corporation, is based in Den Bosch and Hengelo, Netherlands, and employs approximately seventy people

14 W.E.T.

Sector Industrials
Location· Germany
Year of investment 2003
www wet de

The €169 million public-to-private transaction to acquire W E T Automotive Systems AG was declared unconditional in September 2003, with acceptances of over 76 3% HgCapital's clients acquired a 70% equity stake in the business

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

The weak US dollar and a slow North American market have both had an impact on profitability, although within Europe and China the business is performing well A profit-improvement programme has been implemented and the sensors business has been divested

15 Schleich

Sector. Consumer and Leisure
Location: Germany
Year of investment· 2006
www schleich-s de

In December 2006, HgCapital completed the €165 million buyout of Schleich acquiring an 80% stake in the business

Schleich is the leading producer of plastic toy figurines, such as farm and wildlife animals, historical characters and The Smurfs Its products, trading under the highly recognised name Schleich-S, are sold in over thirty countries, including Germany, the US, the UK and France

The company is trading well ahead of budget, both in terms of sales and profit

16 Americana

Sector Consumer and Leisure
Location UK
Year of investment. 2007
www bench co uk

In March 2007, HgCapital completed the £186 million buyout of Americana HgCapital's clients have a 43% stake in the business

Americana is a branded apparel business, manufacturing and marketing two brands targeted at the youth market, Bench and Hooch The Bench brand is aimed at both men and women in the 16 to 25 age group Hooch is a fashion clothing brand targeted at the female 13 to 17 age group Revenues are predominantly through UK wholesale channels, though the business is increasing its wholesale revenues in Continental Europe and building a UK retail presence

A significant upgrade of Americana's management team has recently been completed Further opportunities are being explored in international wholesale expansion beyond Continental Europe and in product range extension

Cost and valuation of the Company's holdings

Company	Deal type	Residual cost £'000	Valuation £'000	Valuation basis	Portfolio value %
Elite Holding SA (t/a Sitel Semiconductor)	Buyout	5,749	6 103	Earnings	4 0
W E T Holding Luxembourg SA	Buyout	7,590	5,417	Written down	3 5
Schleich Luxembourg SA *	Buyout	4,634	5,059	Cost	3 3
Americana International Holdings Ltd	Buyout	4,611	4,611	Cost	3 0

** The difference between cost and valuation is due to foreign exchange rate movements*

17 Cornish Bakehouse

Sector. Consumer and Leisure
Location UK
Year of investment 2007
www cornishbakehouse com

In July 2007, HgCapital completed the £9 million buyout of Cornish Bakehouse (shortly to be renamed Cornish Kitchen) HgCapital's clients have a 57% stake in the business

Cornish Bakehouse is a pasty retailer founded in 1993 by a St Ives based entrepreneur It sells a full take-away offer, predominately for lunchtime trade, including pasties, sandwiches, baguettes, cakes, pizza, snacks and drinks All bakery products are delivered frozen and cooked on site

A rapid roll-out of outlets is planned under the direction of the high calibre and experienced management team led by Phillip Newton, former CEO of the Merchant Retail Group plc, which owns The Perfume Shop, the highest density retail format in the UK

18 Xyratex

Sector. TMT
Location· UK
Ticker XRTX:US
Year of investment· 2003
www xyratex com

In September 2003, HgCapital completed the £50 million buyout of Xyratex for a fully-diluted stake of 45%

Xyratex is a global provider of enterprise-class data storage subsystems and storage process technology Storage technology provides the means by which business and personal IT data can be captured, processed, stored and retrieved in a digital form Since our investment the company has been trading ahead of plan and, in June 2004, completed an initial public offering on NASDAQ

Total proceeds to December 2007 were £89 9 million Since the period end, the residual stake has been sold for £23 7 million, resulting in a total return of 2 25x original cost

19 Hg Renewable Power Partners LP

Sector Renewable energy
Location Europe
Year of investment 2006
www hgcapital com/en/energy

The first closing of the fund at €147 1 million took place in June 2006 A final closing in December 2006 took the fund up to its hard cap limit of €303 million, including a 1% co-investment by HgCapital and its employees

The fund has made investments to date valued at €60 0 million including accrued loan stock interest as at 31 December 2007, and has cash available for future investments and fees of €8 0 million

The fund is 26% called as at 31 December 2007

20 IRIS Software

Sector TMT
Location UK
Year of investment 2004
www iris co uk

The £102 million buyout of IRIS Software completed in July 2004, with HgCapital's clients holding a 63% stake in the business

IRIS is the UK's leading provider of financial, practice management and tax software to accountancy practices and has an outstanding reputation within its sector Under HgCapital's ownership, IRIS acquired four companies for a total consideration of £31 million and the core business grew revenue by 12-13%

In July 2007 IRIS was sold to Hellman & Friedman in a combined sale with CS Group, returning £150 million to clients over the life of the investment, including the residual unrealised value, resulting in a return of 3 6x original cost

Cost and valuation of the Company's holdings					
Company	**Deal type**	**Residual cost £'000**	**Valuation £'000**	**Valuation basis**	**Portfolio value %**
Cornish Bakehouse Investments Ltd	Expansion	4,200	4,200	Cost	2 7
Xtx Ltd (t/a Xyratex)	Buyout	1,277	3,721	Quoted	2 4
Hg Renewable Power Partners LP	Renewable energy	3,803	3,555	Net Assets	2 3
Software (Cayman) LP - re IRIS	Buyout	17	1,999	Third Party	1 3

Renewable energy

Hg Renewable Power Partners LP

In June 2006 the Company made a commitment of €21 million to Hg Renewable Power Partners LP, a dedicated renewable energy fund managed by HgCapital The €303 million fund is the largest raised to date for renewable energy investments in Europe The fund's focus is on long-term investments in renewable power projects using proven technologies, including wind, small hydro, landfill gas and waste-to-energy in Western Europe

Renewable energy benefits from a highly favourable regulatory and policy environment with climate change solidly on the political agenda The investment in the fund will give the Company exposure to a diversified portfolio of assets offering both income and capital appreciation in a rapidly growing sector

The fund has investments in eight wind projects in construction or operation totalling 125 MW and four biogas projects that are in construction totalling 1 4 MW, and has made investments in companies that develop wind and biogas projects giving it the right to acquire a further 400+ MW of wind projects and 75+ MW of biogas projects The fund's investments are in France, Germany, Ireland, Italy and the United Kingdom

The fund's portfolio now includes the following investments

Tir Mostyn
A 21 25 MW operating wind farm in North Wales The original investment was made in November 2004, with construction completed in October 2005 The wind farm has now been operating for over two years

Sorne Wind
A 32 MW operating wind farm in Donegal, Ireland This investment was made in July 2005, with the farm entering operation in November 2006

Picardy Wind
A portfolio of four wind farms in Northern France in operation or under construction with a total capacity of 47 5 MW This investment commenced in July 2006 with the first operational wind farm located near Bougainville All four projects sell or will sell power to Electricité de France (EdF) under 15 year power sales contracts

Wind Direct
A business that installs owns and operates wind turbines on UK industrial sites, providing its customers with low cost, direct energy supplies The investment was made in 2006 and includes one site in operation and one entering construction, with 35 sites in development

Aufwind Schmack Neue Energien
A company that develops and operates biogas plants in Germany Biogas plants ferment agricultural, household and industrial residues, or purpose-grown energy crops, producing biogas, which is used to generate electricity and heat or which may be used directly in other gas-dependent processes This investment was made in January 2007 Four biogas projects are under construction with a combined capacity of 1 4 MW

Schmack Biogas Framework Agreement
The rights to acquire 10 German biogas projects totalling 30 MW from the leading biogas equipment supplier This agreement was entered into in December 2007

Bagmoor Wind Farm
A 16 MW wind farm in construction in Lincolnshire, England Construction is due to start in March 2008 with commercial operation expected to begin in 2009

RidgeWind
A United Kingdom wind farm developer with over 200 MW of wind farms in development, including a 28 MW project that has secured planning permission

Rewind
An investment of €2 1 million provided in August 2006 in return for the option to acquire a 120 MW portfolio of wind farms in Sicily

Cost and valuation of the Company's holdings					
Company	**Deal type**	**Residual cost £'000**	**Valuation £'000**	**Valuation basis**	**Portfolio value %**
Hg Renewable Power Partners LP	Renewable energy	3 803	3,555	Net assets	2 3

The difference between cost and valuation is due to establishment and running costs fees foreign exchange movements in the fund and the revaluation of investments

Investment portfolio

	Company	Sector	Location	Residual cost £'000	Valuation £'000	Year of investment	Portfolio value %	Cum Value %
1	VISMA Holdings +	TMT	Nordic region	13,268	13,812	2006	8 9%	8 9%
2	The Sanctuary Spa Holdings Ltd +	Consumer & Leisure	UK	631	11,628	1995	7 5%	16 4%
3	BMFCO UA (t/a Fabory) +	Services	Benelux	10,871	11,428	2007	7 4%	23 8%
4	Hofmann M M SA +	Industrials	Germany	4,747	10 774	2005	7 0%	30 8%
5	Voyage Group Ltd (formerly Paragon) +	Healthcare	UK	8,755	8,755	2006	5 7%	36 5%
6	Atlas Energy Group Ltd +	Services	UK	8,153	8,153	2007	5 3%	41 8%
7	Clarion Events Holdings Ltd +	TMT	UK	4,965	7 594	2004	4 9%	46 7%
8	Addison Luxembourg SA +	TMT	Germany	2,296	7,547	2005	4 9%	51 6%
9	Mondo Minerals Co-op +	Industrials	Nordic region	7,004	7,358	2007	4 8%	56 4%
10	Sporting Index Group Ltd +	Consumer & Leisure	UK	7,186	7,186	2005	4 7%	61 1%
11	SHL Group Holdings 1 Ltd +	Services	UK	6,489	6,489	2006	4 2%	65 3%
12	SLV Electronik SARL +	Industrials	Germany	5,962	6,438	2007	4 2%	69 5%
13	Elite Holding SA +	TMT	Benelux	5,749	6,103	2005	4 0%	73 5%
14	W E T Holding Luxembourg SA +	Industrials	Germany	7,590	5,417	2003	3 5%	77 0%
15	Schleich Luxembourg SA +	Consumer & Leisure	Germany	4,634	5,059	2006	3 3%	80 3%
16	Americana International Holdings Ltd	Consumer & Leisure	UK	4,611	4,611	2007	3 0%	83 3%
17	Cornish Bakehouse Investments Ltd +	Consumer & Leisure	UK	4,200	4,200	2007	2 7%	86 0%
18	Xtx Ltd (t/a Xyratex) **	TMT	UK	1,277	3 721	2003	2 4%	88 4%
19	Hg Renewable Power Partners LP	Renewable energy	Europe	3,803	3 555	2006	2 3%	90 7%
20	Software (Cayman) LP - re IRIS	TMT	UK	17	1,999	2006	1 3%	92 0%
21	FTSA Holdings Ltd +	Industrials	North America	6,813	1,961	2004	1 3%	93 3%
22	PRA International Inc **	Healthcare	Benelux	1,478	1,789	2002	1 2%	94 5%
23	Classic Copyright (Holdings) Ltd (t/a Boosey & Hawkes) +	TMT	UK	6,033	1,486	2003	1 0%	95 5%
24	Weston Presidio Capital III, LP	Fund	North America	1,733	1,181	1998	0 8%	96 3%
25	Hoseasons Group Ltd +	Consumer & Leisure	UK	2,197	965	2003	0 6%	96 9%
26	Software (Cayman) LP - re Guildford	TMT	UK	15	927	2007	0 6%	97 5%
27	Rolfe & Nolan Holdings plc +	TMT	UK	14	836	2003	0 5%	98 0%
28	Hirschmann Electronics Holdings SA +	Industrials	Germany	-	718	2004	0 5%	98 5%
29	Orbiscom Ltd	TMT	Ireland	2,981	584	2001	0 4%	98 9%
30	Clinphone plc *	Healthcare	UK	7	499	1996	0 3%	99 2%
31	Wastebidco Ltd ^	Industrials	UK	309	473	2007	0 3%	99 5%
32	Axiom Holdings Ltd	TMT	UK	1,888	413	2001	0 2%	99 7%
33	Schenck Process SA +	Industrials	Germany	-	258	2005	0 1%	99 8%
34	Pulse Staffing Ltd	Healthcare	UK	400	207	1999	0 1%	99 9%
35	Doc M SARL	Healthcare	Germany	-	206	2004	0 1%	100 0%
36	ACT Venture Capital Ltd	Fund	Ireland	-	36	1994	-	100 0%
37	Euroknights III LP	Fund	Europe	968	1	1996	-	100 0%
38	Orbis plc *	Services	UK	3,378	-	1997	-	100 0%
39	Burns e-Commerce Solutions	TMT	UK	3,245	-	2001	-	100 0%
40	SGI (Holdings) Ltd +	Services	UK	1,721	-	1999	-	100 0%
41	Profiad Ltd +	Healthcare	UK	1,653	-	1999	-	100 0%
42	Newchurch Ltd	Healthcare	UK	1,297	-	2000	-	100 0%
43	Azinger Ltd	Services	Ireland	204	-	1993	-	100 0%
44	Lantor plc (formerly South Wharf plc)	Industrials	Ireland	-	-	1992	-	100 0%
45	Weston Presidio Capital II, LP	Fund	North America	-	-	1995	-	100 0%
	Total			148,542	154,367		100 0%	

* Listed on the London Stock Exchange ** Traded on NASDAQ ^ Underlying investment listed on the London Stock Exchange
+ HgCapital controls more than 50% of the voting equity shares through its management of the Company and other funds

Income statement

for the year ended 31 December 2007

	Note	Revenue return		Capital return		Total return	
		2007 £'000	2006 £'000	**2007 £'000**	2006 £'000	**2007 £'000**	2006 £'000
Gains on investments and government securities	10	**-**	-	**55,714**	34,919	**55,714**	34,919
Carried interest	3(b)	**-**	-	**(6,189)**	(4,737)	**(6,189)**	(4,737)
Income	2	**12,129**	7,769	**-**	-	**12,129**	7,769
Investment management fee	3(a)	**(840)**	(730)	**(2,519)**	(2,191)	**(3,359)**	(2,921)
Other expenses	4(a)	**(669)**	(636)	**-**	-	**(669)**	(636)
Return on ordinary activities before taxation		**10,620**	6,403	**47,006**	27,991	**57,626**	34,394
Taxation on ordinary activities	6	**(3,174)**	(1,884)	**756**	657	**(2,418)**	(1,227)
Transfer to reserves		**7,446**	4,519	**47,762**	28,648	**55,208**	33,167
Return per ordinary share	7	**29 56p**	17 94p	**189 63p**	113 74p	**219 19p**	131 68p

The total return column of this statement represents the Company's profit and loss The supplementary revenue and capital return columns are prepared under guidance published by the Association of Investment Companies All recognised gains and losses are disclosed in the Revenue and the 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 17 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 the following pages form part of these financial statements

Balance sheet

as at 31 December 2007

	Note	2007 £'000	2006 £ 000
Fixed assets			
Investments held at fair value			
Quoted at market valuation		**6,482**	14,255
Unquoted at Directors' valuation		**147,885**	134 287
	9	**154,367**	148,542
Current assets			
Debtors	11	**13,906**	10,005
Government securities	12	**79,723**	34,284
Cash	13(a)	**117**	2,268
		93,746	46,557
Creditors – amounts falling due within one year	14	**(9,296)**	(7,964)
Net current assets		**84,450**	38,593
Net assets		**238,817**	187 135
Capital and reserves			
Called up share capital	16	**6,296**	6 296
Share premium account	17	**14,123**	14,123
Capital redemption reserve	17	**1,248**	1 248
Capital reserve – realised	17	**197,852**	152,787
Capital reserve – unrealised	17	**5,682**	2,985
Revenue reserve	17	**13,616**	9 696
Total equity shareholders' funds		**238,817**	187,135
Net asset value per ordinary share	7	**948 2p**	743 0p

The financial statements were approved and authorised for issue by the Board of Directors on 17 March 2008 and signed on its behalf by
Roger Mountford, Chairman
Timothy Amies Director

The following notes form part of these financial statements

Cash flow statement

for the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Net cash outflow from operating activities	4(b)	**(2,259)**	(2,273)
Taxation (paid)/recovered		**(2,137)**	2,666
Capital expenditure and financial investment			
Purchase of fixed asset investments		**(50,757)**	(45,266)
Proceeds from the sale of fixed asset investments		**103,283**	59,805
Net cash inflow from capital expenditure and financial investment		**52,526**	14,539
Equity dividends paid		**(3,526)**	(2,519)
Net cash inflow before management of liquid resources		**44,604**	12,413
Management of liquid resources			
Purchase of government securities		**(181,486)**	(111,342)
Sale/redemption of government securities		**134,731**	100,334
Net cash outflow from management of liquid resources		**(46,755)**	(11,008)
(Decrease)/increase in cash in the period	13	**(2,151)**	1,405

Reconciliation of movements in shareholders' funds

for the year ended 31 December 2007

	Note	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 December 2006		6,296	14,123	1,248	155,772	9,696	187,135
Net return from ordinary activities after tax		-	-	-	47,762	7,446	55,208
Dividends paid	8	-	-	-	-	(3,526)	(3,526)
At 31 December 2007	16,17	6,296	14,123	1,248	203,534	13,616	238,817
At 31 December 2005		6,296	14,123	1,248	127,124	7,696	156,487
Net return from ordinary activities after tax		-	-	-	28,648	4 519	33,167
Dividends paid	8	-	-	-	-	(2,519)	(2,519)
At 31 December 2006	16,17	6,296	14,123	1,248	155 772	9,696	187,135

The following notes form part of these financial statements

Notes to the financial statements

1. Principal activity and accounting policies
The principal activity of the Company is that of an investment company within the meaning of section 266 of the Companies Act 1985 and section 842 of the Income and Corporations Taxes Act 1988

Basis of preparation
The accounts have been prepared in accordance with applicable UK law and Accounting Standards (GAAP) and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' (SORP), dated January 2003 and revised in December 2005 All of the Company's operations are of a continuing nature

Associated undertakings
Certain venture capital investments deemed to be associated undertakings are carried at fair value in accordance with the Company's Investments accounting policy and Financial Reporting Standard (FRS) 9

Investment income and interest receivable
Income from 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 Company 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 Interest income is accounted for on an accruals basis Dividends receivable on equity shares where there is no ex-dividend date and on non-equity shares are brought into account when the Company's right to receive payment is established

Management fee and finance costs
The annual investment management fee and finance costs are charged 75% to Capital reserve - realised and 25% to the revenue account
This is in line with the board's expected split of long-term returns, in the form of capital gains and income respectively, from the investment portfolio of the Company

Expenses
All expenses are accounted for on an accruals basis All administrative expenses, excluding the management fee, are charged wholly to the revenue account Expenses that are incidental to the purchase or sale of an investment are included within the cost or deducted from the proceeds of the investment

Foreign currency
All transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the dates of such transactions Foreign currency assets and liabilities at the balance sheet date are translated into sterling at the exchange rates ruling at that date Exchange differences arising on the translation of foreign currency assets and liabilities are taken to Capital reserve - realised

Taxation
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 Company's taxable profits and its results, as stated in the financial statements, which are capable of reversal in one or more suitable periods

Investments
The general principle applied is that investments should be reported at "fair value" in accordance with FRS26 and the International Private Equity and Venture Capital Association (IPEVCA) valuation guidelines issued jointly by the British Venture Capital Association (BVCA) and the European Venture Capital Association (EVCA) in February 2005
Quoted Quoted investments are designated as held at fair value, which is deemed to be bid market prices
Unquoted. Unquoted investments are also designated as held at fair value and are valued using the following guidelines
(i) initially, investments are valued at cost, including fees and transaction costs,
(ii) after the receipt of the first audited financial statements following initial investment, companies are valued on the level of maintainable earnings and an appropriate earnings multiple A marketability discount is applied to the value attributable to shareholders, ranging from 20% to 30%
(iii) where more appropriate, investments are valued with reference to their net assets rather than earnings, and
(iv) appropriate provisions are made against all individual valuations where necessary to reflect unsatisfactory financial performance leading to diminution in value
Both realised and unrealised gains and losses arising on investments 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) losses on investments within the portfolio where there is little prospect of realisation or recovering any value,
(iii) realised exchange differences of a capital nature, and
(iv) 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, and
(ii) unrealised exchange differences of a capital nature

Organisational structure
In May 2003, the Company entered into a partnership agreement with HGT General Partner Limited and MUST 4 Carry LP A limited partnership, HGT LP, was constituted to carry on the business of an investor with the Company being the sole limited partner in this entity
Under the partnership agreement, the Company made a capital commitment of its non-cash investment portfolio to HGT LP with the result that all fixed asset investments are now held through HGT LP Note 9 and the Investment portfolio present the underlying investments held in HGT LP The income and capital accruals relating to the investments held in HGT LP are shown in notes 11 and 14 Carried interest paid to the Founder Partner is shown on the face of the Income Statement as it is the first charge on investment gains
The agreement stipulates that the associated income and capital profits, after payment of the carried interest and the General Partner share, are distributed to the Company and consequently these amounts (including the associated cash flows) are shown in the appropriate lines within the Income Statement, Cash Flow Statement and the related notes

Notes to the financial statements continued

2 Income

	2007 £'000	2006 £'000
Income from investments		
UK unquoted investment income	8,305	5,370
UK dividends	41	82
	8,346	5,452
Other income		
Gilt interest	3,650	2,056
Deposit interest	133	95
Other interest income	-	166
	3,783	2 317
Total income	12,129	7,769
Total income comprises		
Dividends	41	82
Interest	12,088	7,687
	12,129	7,769

3 (a) Investment management fee

	Revenue return		Capital return		Total return	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Investment management fee	745	621	2,235	1,865	2,980	2 486
Irrecoverable VAT thereon	95	109	284	326	379	435
	840	730	2,519	2,191	3,359	2,921

Details of the investment management, custodian and administration contracts are disclosed in the Directors' report
The investment management fee is levied quarterly in arrears Investment management fees are charged 75% to capital and 25% to revenue

3 (b) Carried interest

	Revenue return		Capital return		Total return	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Carried interest	-	-	6,189	4,737	6,189	4,737

The carried interest payable ranks as a first distribution of capital gains on the investments held in HGT LP, a limited partnership established solely to hold the Company's investments, and is deducted prior to such gains being paid to the Company in its capacity as Limited Partner The gross amount of capital gains of HGT LP during the period is shown on the Income Statement Details of the carried interest contract are disclosed in the Directors' report

Notes to the financial statements continued

4. Other expenses

(a) Operating expenses

	2007 £'000	2006 £'000
Custodian and administration fees	**249**	197
Directors' remuneration (note 5)	**138**	104
Auditors' remuneration - audit services	**32**	27
- taxation and interim review	**7**	4
Other administration costs	**243**	304
The Company's total expense ratio, (TER) calculated as a percentage of average net assets and including expenses, after relief for taxation, was	**1 32%**	1 45%

(b) Reconciliation of net return before taxation to net cash flow from operating activities

	2007 £'000	2006 £ 000
Total return before taxation	**57,626**	34,394
Gains on investments held at fair value	**(55,714)**	(34,919)
Movement on carried interest	**1,452**	1,761
Increase in accrued income	**(5,237)**	(3,613)
Decrease/(increase) in debtors	**15**	(20)
(Decrease)/increase in creditors	**(397)**	385
Tax on investment income included within gross income	**(4)**	(261)
Net cash outflow from operating activities	**(2,259)**	(2,273)

5. Directors' remuneration

The aggregate remuneration of the Directors, excluding VAT where applicable, for the year to 31 December 2007 was £133,000 (2006 £103,500) Further information on the Directors' remuneration is disclosed in the Directors' remuneration report

Notes to the financial statements continued

6 Taxation on ordinary activities

(a) Analysis of charge in the year

	Revenue return		Capital return		Total return	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000	**2007 £'000**	2006 £'000
Current tax						
UK corporation tax	**3,174**	1,896	**(756)**	(657)	**2,418**	1,239
Prior year adjustment	**-**	(12)	**-**	-	**-**	(12)
Total current tax (note 6(b))	**3,174**	1,884	**(756)**	(657)	**2,418**	1,227

(b) Factors affecting current tax charge for the period
The tax assessed for the period is lower than the standard rate of corporation tax in the UK for a large company (30%)
The differences are explained below

	2007 £'000	2006 £'000
Revenue return on ordinary activities before taxation	**10,620**	6,403
UK corporation tax at 30% thereon	**3,186**	1,921
Effects of		
Non taxable UK dividends	**(12)**	(25)
Tax deductible expenses in capital	**(756)**	(657)
Tax relief to the capital account	**756**	657
Tax in relation to the prior year	**-**	(12)
	(12)	(37)
Current revenue tax charge for the period (note 6(a))	**3,174**	1,884

In the opinion of the Directors the Company has complied with the requirements of Section 842 ICTA 1988 and will therefore be exempt from corporation tax on any capital gains made in the year

7 Return and net asset value per ordinary share

	2007	2006
Revenue and capital returns per share are shown below and have been calculated using the following		
Net revenue attributable to equity shareholders after taxation	**£7,446,000**	£4,519,000
Net capital gains for the year	**£47,762,000**	£28,648,000
Total return	**£55,208,000**	£33,167,000
Number of shares in issue	**25,186,755**	25,186,755

	Revenue return		Capital return		Total return	
	2007	2006	**2007**	2006	**2007**	2006
Return per ordinary share	**29 56p**	17 94p	**189 63p**	113 74p	**219 19**	131 68p

The net asset value per share of 948 2p (2006 743 0p) was calculated by dividing equity shareholders' funds of £238,817,000 (2006 £187,135,000) by the number of shares in issue at the year end of 25,186,755 (2006 25,186,755)

Notes to the financial statements continued

8 Dividends on ordinary shares				
Company	Register date	Payment date	**2007 £'000**	2006 £'000
Final dividend (10 00p) for the year ended 31 December 2005	24 March 2006	2 May 2006	-	2,519
Final dividend (14 00p) for the year ended 31 December 2006	23 March 2007	1 May 2007	**3,526**	-
			3,526	2,519

The proposed final dividend is subject to approval by 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 842 of the Income and Corporation Taxes Act 1988, are set out below

	2007 £'000
Revenue available for distribution by way of dividend for the year	**7,446**
Proposed final dividend of 25 00p for the year ended 31 December 2007 (based on 25,186,755 ordinary shares in issue at 31 December 2007)	**(6,297)**
Undistributed revenue for section 842 purposes *	**1,149**
** Undistributed revenue comprises 9 6% of income from investments of £11,996 000 (see note 2)*	

9. Investments held at fair value		
	2007 £'000	2006 £'000
Investments held at fair value through profit and loss		
Investments quoted on the London or Dublin Stock Exchanges	**2,761**	3,034
Investments traded on NASDAQ	**3,721**	11,221
Unquoted investments	**147,885**	134,287
	154,367	148,542
Equity shares	**57,655**	85,803
Convertible securities	**200**	1,401
Fixed income securities	**96,512**	61 338
	154,367	148,542

	Quoted £'000	Unquoted £'000	Total £'000
Opening valuation as at 1 January 2007	14,255	134 287	148,542
Opening unrealised (appreciation)/depreciation	(6,173)	2,806	(3,367)
Opening book cost	8 082	137,093	145,175
Movements in the year·			
Additions at cost	309	50,448	50 757
Disposals - proceeds	(5,991)	(95,971)	(101,962)
- realised gains on sales	4,049	50,523	54,572
Closing book cost of investments	6,449	142,093	148,542
Closing unrealised appreciation	33	5,792	5,825
Closing valuation of investments as at 31 December 2007	**6,482**	**147,885**	**154,367**

Notes to the financial statements continued

The Company has equity holdings of 10% or more of the following classes of share in the companies listed below

Company	Country of incorporation	Shareholding	% of class*
Addison Luxembourg SA	Germany	Class A Shares	19 5%
Atlas Energy Group Ltd	UK	Ordinary Shares	58 8%
BMFCO UA	The Netherlands	Membership Rights	10 2%
Clarion Events Holdings Ltd	UK	A Ordinary Shares	17 0%
Classic Copyright (Holdings) Ltd	UK	A Ordinary Shares	15 8%
Cornish Bakehouse Investments Ltd	UK	Ordinary Shares	38 2%
Doc M SARL	Germany	Ordinary Shares	17 0%
Elite Holding SA	The Netherlands	Ordinary Shares	19 3%
FTSA Holdings Ltd	UK	Ordinary Shares	19 5%
Hirschmann Electronics Holdings SA	Germany	A Redeemable Shares	12 6%
Hirschmann Electronics Holdings SA	Germany	C Redeemable Shares	12 6%
Hofmann M M SA	Germany	Ordinary Shares	15 1%
Hoseasons Group Ltd	UK	Ordinary Shares	12 0%
Mondo Minerals Co-op	Finland	Registered Shares	11 4%
Newchurch Ltd	UK	Subordinated £1 shares	11 6%
Orbiscom Ltd	UK	Non - Convertible Redeemable Prefs	23 0%
Profiad Ltd	UK	B Ordinary Shares	13 9%
Rolfe and Nolan Holdings Ltd	UK	Hg Preferred Ordinary Shares	17 2%
Schenck Process SA	Germany	Ordinary Shares	16 6%
SGI (Holdings) Ltd	UK	A Ordinary Shares	14 8%
Sporting Index Group Ltd	UK	Ordinary Shares	13 7%
The Sanctuary Spa Holdings Ltd	UK	Ordinary Shares	29 4%
W E T Holding Luxembourg SA	Germany	Ordinary Shares	14 5%

* Investee companies may issue a number of different classes of share The percentage of the total issued ordinary share capital of the ten largest investments held by the Company is shown in the table entitled 'top ten investments'

Further information on those investments which, in the opinion of the Directors, have a significant effect on the Company's financial statements, is contained in the Review of principal investments

10 Gains on investments and government securities

	2007 £'000	2006 £'000
Realised gains on sales	**53,017**	20,516
Foreign exchange losses	**-**	(4)
Change in unrealised appreciation	**2,697**	14,407
	55,714	34,919

11 Debtors

	2007 £'000	2006 £'000
Sales for future settlement	**-**	1,321
Prepayments and accrued income	**13,901**	8,664
Other debtors	**5**	20
	13,906	10,005

12 Government securities

	2007 £'000	2006 £'000
Investments held at fair value through profit and loss		
Opening valuation	**34,284**	24,515
Purchases at cost	**181,486**	111,342
Sales and redemptions	**(134,731)**	(100 334)
Movement in unrealised capital gains/(losses)	**239**	(65)
Realised capital losses	**(1,555)**	(1,174)
Closing valuation	**79,723**	34,284

13 Movement in net funds

(a) Reconciliation of net cash flow to movement in net funds

	2007 £'000	2006 £'000
Change in net funds	(2,151)	1,405
Exchange movements	-	(4)
Net funds at 1 January	2,268	867
Net funds at 31 December	117	2,268

(b) Analysis of changes in net funds	At 1 Jan 2007 £'000	Cash flows £'000	Exchange movements £'000	At 31 Dec 2007 £ 000
Cash	2,268	(2,151)	-	**117**

14 Creditors - amounts falling due within one year	2007 £'000	2006 £'000
Carried interest	**6,189**	4,737
Corporation taxation payable	**2,564**	2,287
Sundry creditors	**543**	940
	9,296	7,964

15 Risk

The following disclosures relating to the risks faced by the Company are provided in accordance with Financial Reporting Standard 29, "Financial instruments disclosures"

Financial instruments and risk profile
As a private equity investment trust, The Company's primary investment objective is to achieve long-term capital appreciation by investing in unquoted companies, mostly in the UK and Europe Additionally, the Company holds Government gilts and cash and items such as debtors and creditors arising directly from its operations In pursuing its investment objective, the Company is exposed to a variety of risks that could result in either a reduction of the Company's net assets or a reduction in the profits available for distribution by way of dividends These risks, valuation risk, market risk (comprising currency risk and interest rate risk) and liquidity risk and and the directors' approach to the management of them, are set out below The Company Secretary, in close cooperation with the board of directors and the Manager, coordinates the Company'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 Company's exposure to valuation risk comprises mainly movements in the value of its underlying investments, the majority of which are unquoted In accordance with the Company's accounting policies, all underlying unquoted investments are valued by the Directors with regard to the current guidelines issued by the International Private Equity and Venture Capital Association The Company does not hedge against movements in the value of these investments The Company has exposure to interest rate movements, through cash and gilt holdings

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

Market risk
The fair value or future cash flows of a financial instrument held by the Company may fluctuate due to changes in market prices This market risk comprises currency risk (see below), interest rate risk (see following page) and equity price risk (see following page) The board of directors review and agree 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 Company is exposed to currency risk as a result of investing in funds and companies in foreign currencies The sterling value, being the Company's functional currency, of these assets can be significantly influenced by movements in foreign exchange rates The Company does not normally hedge against foreign currency movements affecting the value of its investments, but takes account of this risk when making investment decisions The Manager monitors the Company'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 Company's year-end financial assets for movements in foreign exchange rates against the Company's functional currency The rates represent the high and low positions during the year for the currencies listed

	Revenue return		Capital return	
	£'000	NAV per ordinary share (pence)	£'000	NAV per ordinary share (pence)
Low				
Euro (1 3532)	9	-	364	1 4
Norwegian Kroner (10 8223)	(1)	-	(17)	(0 1)
US Dollar (1 9180)	64	0 3	559	2 2
	72	**0 3**	**906**	**3 5**
High				
Euro (1 5296)	(168)	(0 7)	(6 525)	(25 9)
Norwegian Kroner (12 7668)	(148)	(0 6)	(2,118)	(8 4)
US Dollar (2 1161)	(100)	(0 4)	(875)	(3 5)
	(416)	**(1 7)**	**(9,518)**	**(37 8)**

In the opinion of the directors, the above sensitivity analysis are not representative of the year as a whole, since the level of exposure changes frequently as part of the currency risk management process used to meet the Company's objectives

Interest rate risk and sensitivity
The Company has exposure to interest rate movements as this may effect the fair value of funds awaiting investment, interest receivable on cash and interest payable on borrowings The Company has little immediate direct exposure to interest rates on its fixed assets as the majority of these are fixed rate assets and equity shares that do not pay interest Therefore, and given that the Company has no borrowings and maintain low cash levels, the Company'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 Company to movements on interest rates have been based on the UK Base rate With all other variables constant, an 0 5% decrease in the above, should increase the Capital return for the year by £400,000, with a corresponding decrease if the UK Base rate increase by 0 5% In the opinion of the directors, the above sensitivity analyses are not representative of the year as a whole, since the level of exposure changes as investments are made and repaid throughout the year

Liquidity risk
Investments in unquoted companies, which form the majority of the Company's investments, may not be as readily realisable as investments in quoted companies, which might result in the Company having difficulty in meeting obligations associated with financial liabilities Liquidity risk is currently not significant as more than 33% of the Company's net assets at the year-end are invested in liquid funds The Board gives guidance to the Manager as to the maximum amount of the Company's resources that should be invested in any one company For details refer to the investment policy

Equity price risk
Equity price risk is the risk that the fair values of equities (including loans) decrease as a result of changes in the values of individual assets The Board of directors manages the risks inherent in the investment portfolios by ensuring full and timely access to relevant information from the Manager The Board meets regularly and at each meeting reviews investment performance The Board monitors the Manager's compliance with the Company's objectives, and is responsible for investment strategy and asset allocation The Manager's best estimate of the effect on the net assets and total return due to a reasonably possible change in quoted indices and the value of unquoted securities, with all other variables held constant, is as follows

	% change	£'000	NAV per ordinary share (pence)
Quoted	10%	648	2 6
Unquoted	10%	14,789	58 7
		15,437	61 3

Notes to the financial statements continued

Financial assets of the Company								
	2007				2006			
	Fixed rate £'000	**Floating rate £'000**	**Non interest-bearing £'000**	**Total £'000**	Fixed rate £'000	Floating rate £'000	Non interest-bearing £'000	Total £'000
Sterling	**124,958**	**117**	**21,223**	**146,298**	72,996	2,268	28,524	103,788
Euro	**38,607**	**-**	**20,734**	**59,341**	19,000	-	39,138	58,138
Norwegian Kroner	**7,203**	**-**	**7,553**	**14,756**	5,027	-	16,940	21,967
US dollar	**5,667**	**-**	**8,145**	**13,812**	-	-	1,201	1,201
Total	**176,435**	**117**	**57,655**	**234,207**	97,023	2,268	85,803	185,094

The fixed rate assets comprise gilts and fixed rate lendings to investee companies Fixed rate lendings have a weighted average interest rate of 10 9% per annum (2006 11 3%) and a weighted average life to maturity of 7 9 years (2006 6 8 years) The floating rate assets consist of cash

The non interest-bearing assets represent the equity content of the investment portfolio

The Company did not have any outstanding borrowings at the year end (2006 £nil) The numerical disclosures above exclude short-term debtors and creditors

Currency exposure
The currency denomination of the Company's financial assets is shown above Short-term debtors and creditors, which are excluded, are predominantly in sterling, the functional currency of the Company

Capital Management policies and procedures
The Company's capital management objectives are to ensure that it will be able to continue as a going concern and to maximise the revenue and capital return to its equity shareholders, through an appropriate balance of equity capital and debt

The Company's capital at 31 December comprises

	2007 £'000
Equity	
Equity share capital	6,296
Share premium	14,123
Capital redemption reserve	1 248
Retained earnings and other reserves	217,150
Total capital	**238,817**

As stated above, the Company did not have any outstanding borrowings at the year end The Board with the assistance of the Manager monitors and reviews the broad structure of the Company's capital on an ongoing basis This review includes

• the planned level of gearing, which takes into account the Manager's view on the market,

• the need to buy back equity shares, either for cancellation or to hold in treasury, which takes account of the difference between the net asset value per share and the share price (ie the level of share price discount or premium),

• the need for new issues of equity shares, including issues from treasury, and

• the extent to which revenue in excess of that which is required to be distributed should be retained, whilst maintaining its Section 842 status

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

Notes to the financial statements continued

16 Share capital	2007		2006	
	Nominal No '000	£'000	Nominal No '000	£'000
Authorised				
40,000,000 ordinary shares of 25p each	40,000	10,000	40,000	10 000
Allotted, called up and fully paid				
Ordinary shares				
At 1 January & 31 December	25,187	6,296	25 187	6,296

17. 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 2007	14 123	1,248	152,787	2,985	9,696
Transfer on disposal of investments	-	-	9,847	(9,847)	-
Losses on sale of government securities	-	-	(1,555)	-	-
Net gain on sale of investments	-	-	44,725	-	-
Net movement in unrealised appreciation of investments	-	-	-	12 544	-
Dividends paid	-	-	-	-	(3,526)
Net revenue for the year after tax	-	-	-	-	7 446
Carried interest	-	-	(6,189)	-	-
Management fee charged to capital, after taxation	-	-	(1,763)	-	-
As at 31 December 2007	**14,123**	**1,248**	**197,852**	**5,682**	**13,616**

18 Contingent liabilities

As at 31 December 2007, investment purchases of £11,900,000 (31 December 2006 £12,941,000) had been authorised and contractually committed, including uncalled commitment to Hg Renewable Power Partners LP

19 VAT recoverable

On 28 June 2007 the European Court of Justice announced that it had found in favour of the Association of Investment Companies and JPMorgan Claverhouse Trust plc in declaring that management expenses of investment trusts should be exempt from VAT Her Majesty's Customs and Revenue ("HMRC") has recently announced that it has accepted that fund management services are exempt from VAT and it has withdrawn from the appeal in the JPMorgan Claverhouse Trust case The Company will therefore no longer be charged VAT on management expenses and it is expected that it will be able to recover some or all of the VAT previously charged on management fees Clarification as to how claims will be processed is awaited from HMRC Dating back from February 2001 to September 2007 the Company has paid approximately £2,310,000 of VAT on its management expenses This potential recovery of VAT has not been recognised in the financial statements for the year ended 31 December 2007 The extent of the recovery will be determined by the Manager's own VAT position

Top ten investments

	Accounting date	Currency	Turnover	PBIT*	Net assets/ (liabilities)	Income accrued 2007 £'000	% of total share capital held by the company	% of total	
								2007	2006
Addison Luxembourg SA	Dec-06	€m	37 7	11 2	19 5	36	18 1%	**4 9%**	4 5%
Atlas Energy Group Ltd	Sep-07	£'m	5 1	2 5	2 0	69	47 1%	**5 3%**	-
BMFCO UA (t/a Fabory)	Dec-06	€m	248 9	29 2	5 7	270	10 2%	**7 4%**	-
Clarion Events Holdings Ltd	Jan-07	£'m	47 8	6 7	(6 1)	1,740	11 0%	**4 9%**	3 8%
Hofmann M M SA	Sep-07	€m	102 8	21 5	7 2	347	15 1%	**7 0%**	3 1%
Mondo Minerals Co-op	Oct-07	€m	134 1	19 8	79 3	133	11 4%	**4 8%**	-
Sporting Index Group Ltd	May-07	£'m	24 3	7 8	(15 1)	2,245	13 7%	**4 7%**	3 7%
The Sanctuary Spa Holdings Ltd	Aug-07	£'m	26 3	6 0	5 2	-	29 4%	**7 5%**	4 1%
Visma Holdings	Dec-06	NOK'm	2,305 6	316 0	591 0	968	9 2%	**8 9%**	8 2%
Voyage Group Ltd (formerly Paragon)	Mar-07	£'m	107 4	24 0	(20 7)	2,866	7 9%	**5 7%**	7 2%

** Profit Before Interest and Taxation and where applicable before amortisation of goodwill*

This table does not form part of the financial statements

Analysis of registered shareholders
as at 27 February 2008

By type of holder	Number of shares	% of total		Number of holders	% of total	
		2008	2006		**2008**	2006
Nominee companies	23,599,389	**93 70**	80 4	373	**56 17**	54 2
Direct private investors	1,112,008	**4 42**	7 5	241	**36 30**	38 2
others	475,358	**1 89**	12 1	50	**7 53**	7 6
	25,186,755	**100**	100	664	**100**	100

By size of holding	Number of shares	% of total		Number of holders	% of total	
		2008	2006		2008	2006
1 - 5 000	678,805	2 70	2 9	465	70 03	67 5
5,001 - 50,000	2,277,447	9 04	10 6	128	19 28	22 2
50,001 - 100,000	1,963,355	7 80	7 1	27	4 07	3 5
over 100,000	20,267,148	80 47	79 4	44	6 63	6 8
	25,186,755	100	100	664	100	100

This table does not form part of the financial statements

Board of Directors

Roger Mountford (Chairman)
Aged 59, 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 now serves on several boards, including the Civil Aviation Authority, where he is chairman of the CAA Pension Scheme, and the Port of Dover He is Chairman of The Housing Finance Corporation and of Enterprise LSE Limited, the commercial subsidiary of the London School of Economics

Timothy Amies
Aged 69, Timothy Amies was appointed to the Board in 1991 He is a chartered accountant with over 30 years' experience of working in the City He was a partner at Laurie Milbank & Co, stockbrokers for 16 years prior to its acquisition by Chase Manhattan Bank He then became a director of Chase Investment Bank involved in mergers and acquisitions He is Chairman of the Audit and Valuation Committee of the Company

Piers Brooke
Aged 67, 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 is a non-executive director of Focus Solutions Group plc and Lothbury Property Trust

Richard Brooman
Aged 52, Richard Brooman was appointed to the Board on 11 October 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 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

Peter Gale
Aged 52, Peter Gale was appointed to the Board in 1991 and is Deputy Chairman of the Company He has 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 fund management company and in 2003 became Managing Director of Gartmore Private Equity He is a non-executive director of Lothbury Property Trust plc

Andrew Murison
Aged 59, 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 now serves on the board of Aberdeen Growth Opportunities Venture Capital Trust plc and is Chairman of the JPMorgan European Investment Trust plc

All Directors are members of the Audit and Valuation, Nomination, Directors' Remuneration and Management Engagement Committees

All Directors are non-executive

Directors' report

The Directors present the annual report and financial statements of the Company for the year ended 31 December 2007

Business Review

Background

The business review has been prepared in accordance with Section 234ZZB of the Companies Act 1985

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

- Analysing development and performance using appropriate key performance indicators (KPIs)
- Outlining the principal risks and uncertainties affecting the Company
- Describing how the Company manages these risks
- Explaining the future business plans of the Company

Principal activity and business review

The principal activity of the Company is to operate as an investment trust providing access to a diversified portfolio of private equity investments A review of the business for the year is given in the Chairman's statement and in the Manager's review

Status of the Company

The Inland Revenue has accepted the Company as an investment trust for the purposes of section 842 of the Income and Corporation Taxes Act 1988 (ICTA) for the year ended 31 December 2006 In the opinion of the Directors, the Company has conducted its affairs so as to enable it to continue to maintain acceptance as an investment trust since that date It is the Company's intention to continue to seek authorisation under section 842 of ICTA

The Company is not a close company within the meaning of the provisions of ICTA

The Company is an investment company within the meaning of section 266 of the Companies Act 1985

The Company's shares are eligible investments within the stocks and shares component of an Individual Savings Account (ISA)

Going concern

The Company is in a position to meet all of its liabilities from its liquid assets and consequently the accounts of the Company have been prepared on a going concern basis

Business and strategy

The objective of the Company is to provide shareholders with long-term capital appreciation in excess of the FTSE All-Share Index by investing in unquoted companies The strategy of the Manager is to maximise returns from mid-market private equity through sector specialisation and proactive work with portfolio companies It concentrates on buyouts in Europe with enterprise values between £50 million and £500 million

No material change will be made to the investment policy without shareholder approval

Investment Policy

Investments

- The principal policy of the Company is to invest in a portfolio of unlisted companies that are expected to grow either organically or by acquisition
- The Company's maximum exposure to unlisted investments is therefore 100% of gross assets At the time of acquisition no single investment will exceed a maximum of 15% of gross assets
- The Company may invest in assets other than companies where the Manager believes that its expertise in private equity investment can be profitably applied
- The Company may invest in unlisted funds, whether managed by the Company's Manager or not, up to a maximum at the time of acquisition of 15% of gross assets
- The Company may invest in other listed investment companies, including investment trusts, up to a maximum at the time of acquisition of 15% of gross assets
- The Company will 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 with a similar investment policy

Range and diversification

- The Company will invest primarily in companies whose operations are headquartered or substantially based in or which serve markets in Europe
- The Company will invest in companies operating in a range of countries, but there will be no policy of making allocations to specific countries or markets
- The Trust will invest across a range of sectors, but there will be no policy of making allocation to sectors

Gearing

- Underlying investments or funds will typically be leveraged to enhance value creation, but it is impractical to set a maximum for such gearing
- The Company may over-commit to invest in underlying assets in order to maintain the proportion of gross assets that are invested at any time
- The Company may borrow against its portfolio

Directors' report continued

Hedging

• The Company may use derivatives to hedge its exposure to interest rates, currencies or equity markets

Borrowing facility

The Company has a £25 million borrowing facility which it may use from time to time to exploit investment opportunities The Board regularly reviews cash flow and the use of gearing

Performance

In the year to 31 December 2007, the Company's net asset value per share (including dividends re-invested) increased by 30 0% This compares with a rise in the FTSE All-Share Index (total return) of 5 3% The Company's ordinary share price increased by 8% on a total return basis

Results and dividend

The total return for the Company is set out in the Income statement The total return for the year, after taxation, was £55,208,000 (2006 £33,167,000) of which £7,446,000 is revenue return (2006 £4,519,000)

The Directors recommend the payment of a final dividend of 25p per ordinary share for the year ended 31 December 2007 (2006 14 0p) Subject to approval of this dividend at the forthcoming Annual General Meeting (AGM), it will be paid on 12 May 2008 to shareholders on the register of members at the close of business on 28 March 2008

Key performance indicators

Each Board meeting conducts a detailed review of the portfolio and reviews a number of indices and ratios to understand the impact on the Company's performance of the individual portfolio holdings The key performance indicators (KPIs) used to measure the progress and performance of the Company over time and which are comparable to those reported by other investment trusts include net asset value per share, share price, earnings per share, average monthly trading volumes and cash flow 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 also monitor the Company's discount or premium regularly

Principal risks

The key risks faced by the Company are set out below 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 Company'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 Board monitors and maintains an adequate spread of investments, based on the diversification requirements inherent in the Company's investment policy, in order to minimise the risks associated with particular countries or factors specific to particular sectors

Income/dividend risk

The amount of dividends and future dividend levels will depend on the income received from the Company's underlying portfolio

Regulatory risk

The Company operates as an investment trust in accordance with section 842 of ICTA As such, the Company is exempt from capital gains tax on the profits realised from the sale of its investments 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 section 842 are not breached The results are reported to the Board at each meeting

Operational risk

In common with most other investment trust companies, the Company has no employees The Company therefore relies upon the services provided by third parties and is dependent upon the control systems of the Manager and the Company's other service providers The security, for example, of the Company'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 and Valuation Committee twice a year

Financial risks

The Company's investment activities expose it to a variety of financial risks that include valuation risk, liquidity risk, market price risk, foreign exchange risk and interest rate risk Further details are disclosed in note 15, together with a summary of the policies for managing these risks

Liquidity risk

The Company, by the very nature of its investment objective, invests in unquoted companies, and liquidity in their securities can be constrained, 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 Company manages its liquid resources to ensure sufficient cash is available to meet its contractual commitments

Future prospects

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

Derivative transactions

The Company has not entered into any derivative transactions during the year

Directors' report continued

Directors
The Board undertook a review of committee membership and the resultant position is detailed in the Corporate Governance and Directors' responsibilities report

In accordance with the Articles of Association, Mr Brooke and Mr Munson having most recently been re-elected in 2005 will retire by rotation at the Company's AGM and, being eligible, offer themselves for re-election Mr Brooman will be standing for election at this year's AGM having been appointed to the Board in October 2007

The Board has noted the recommendation in the 2006 Combined Code that non-executive directors serving longer than nine years since election should be subject to annual re-election Accordingly Mr Amies and Mr Gale will offer themselves for re-election at this year's Annual General Meeting

The Board has considered all the retiring Directors' performance as part of its valuation process and recommends that all be proposed for re-election

The Board recommends that shareholders elect and re-elect as appropriate all of the retiring Directors based on the following assessment of his contribution to the operation of the Board

Mr P Brooke
He has many years' experience in financial markets and in management and board level decision-making within publicly listed companies He brings to Board discussions particular expertise in corporate governance, business strategy and financial management The Board recommends that Mr Brooke be re-elected

Mr A Munson
Andrew Munson has experience both as a director and manager of companies funded by private equity, and as a portfolio investor in unlisted equity, which inform board discussions He also brings current experience on the boards of two other investment trusts The Board recommends that Mr Munson be re-elected

Mr T Amies
He has been a director of the Company for over fourteen years A chartered accountant, he has over thirty years' experience working in the City and currently chairs the Company's Audit & Valuation Committee It is intended that Mr Brooman will succeed Mr Amies as chairman of the Committee on 1 July this year, but the Board believes that Mr Amies will continue to be an effective member of the Board and Audit & Valuation Committee, and his re-election is recommended to shareholders

Mr P Gale
Peter Gale is professionally responsible for the selection and monitoring of a wide range of private equity managers on behalf of a major institutional investor His extensive knowledge of the private equity industry and of trends in this market is of great value to the Board, especially when considering the strategy of the Company and of the Manager The Board recommends that Mr P Gale be re-elected

Mr R Brooman
He is a charted accountant with long experience as a finance director of substantial publicly listed businesses and on the board of another investment trust It is intended that Mr Brooman will be appointed Chairman of the Company's Audit and Valuation Committee on 1 July year Accordingly, the Board proposes and recommends Richard Brooman for election at this year's Annual General Meeting

None of the Directors has a service contract with the Company

Directors' interests
The interests of those persons who were Directors at the end of the year in the ordinary shares of the Company were as follows (all holdings are beneficial unless stated otherwise)

	31 December 2007	1 January 2007*
T J Amies	30,000	30,000
P L Brooke	2,000	–
R J Brooman	1,200	–
P Gale	9,996	4,000
R P Mountford	10,000	10,000
A H Munson	1,281	–

*or date of appointment, if later

No notification of any change in the above interests has been received from 31 December 2007 to the date of this report

Directors' report continued

Substantial interests
The Company is aware that the following shareholders had an interest in 3% or more of the voting rights of the Company on 17 March 2008

	Ordinary shares	% of voting rights
Hg Investment Managers Ltd*	1,337,063	6 4
Hg Pooled Management Ltd**	1,019,619	4 0
East Riding Pension Fund	1,750,000	6 9
The Scottish Investment Trust plc	1,200,000	4 8
Oxfordshire County Council	1 300,000	5 2
Legal & General Investment Managers Ltd	1,026,903	4 1

* Held by HgCapital staff
** Managed on behalf of RW SPLP LP, where the beneficial owner is the BBC Pension Trust Limited Fund RW

The Company is not aware that any other shareholder had an interest of 3% or more in the Company's ordinary share capital as at 17 March 2008

Investment management and administration
Under the management arrangements implemented in May 2003, the Company's assets, excluding cash and government securities, are held in HGT Limited Partnership which is managed by Hg Pooled Management Ltd (HgCapital) At the time of entering the new management agreement a new incentive scheme was introduced to align the Manager's remuneration more closely with the performance of the Company

A management fee of 1 5% per annum of NAV, excluding investments in other collective investment funds, is payable

In addition, the Manager is entitled to a carried interest in which the executives of HgCapital participate 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 Company in respect of that financial year The first carried interest under this arrangement accrued in the year ended 31 December 2005

The management agreement may be terminated on giving two years' notice and such notice shall be deemed to be given at the end of the half-year in which notice is served No penalty on termination is payable by the Company in the event that two years' notice is given to HgCapital, during which period HgCapital would receive a management fee calculated on the basis of the value of assets remaining under its management and not on the entire net assets of the Company

The Company has no obligation to pay any further fees in respect of management of the cash portfolio by Hg Investment Managers Limited as this will be covered by the Manager's fees

The Board has agreed that the Company will not invest more than 15% of its gross assets in other listed investment companies, including listed investment trusts

HgCapital has been appointed as secretary and administrator of the Company for a fee equal to 0 1% of NAV The Bank of New York Europe Limited (BNYE) is the custodian of the Company'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 Company on the existing terms The Board considers the arrangements for the provision of investment management and other services to the Company 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 Company'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

Directors' remuneration report
An ordinary resolution to approve this report will be put to members at the forthcoming AGM No person's entitlement to remuneration is conditional upon the resolution being passed

Voting policy
The exercise of voting rights attached to the Company's portfolio has been delegated to HgCapital, whose policy is to participate actively as a shareholder, reviewing each case separately

Directors' report continued

Socially responsible investment
The Company has committed to invest in the Hg Renewable Power Partners fund, which the Board believes offers a profitable route for the Company 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

Donations
The Company made no political or charitable donations during the period

Payment of suppliers
It is the general policy of the Company to pay for the supply of goods and services within thirty days of the date of any invoice The Company has no trade creditors

Annual General Meeting
The AGM of the Company, followed by a presentation by the Manager, with light refreshments available, will be held at the offices of HgCapital, 2 More London Riverside, London SE1 2AP on Tuesday 6 May 2008 at 12 noon

Authority to buy back shares
The Directors' authority to buy back shares was renewed at last year's AGM and will expire on 24 October 2008 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 3,775,000 ordinary shares (being 14 99% of the issued share capital) as set out in Resolution 11 This authority, unless renewed, will expire on 24 October 2009

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 is 5% above the average of the market values of the ordinary shares for the five business days before the purchase is made 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 Company will deal only with member firms of the London Stock Exchange

Authority of Directors to allot shares
Resolutions 12 and 13 to be proposed at the AGM are similar to the authorities given to the Directors at last year's AGM By law, directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders Resolution 12 gives the Directors, for the period until the conclusion of the AGM in 2009, the necessary authority to allot securities up to an aggregate nominal amount of £314,800, which is equivalent to 1,259,300 ordinary shares of 25 0p each, or approximately 5% of the issued ordinary share capital

Resolution 13 empowers the Directors until the conclusion of the AGM in 2009 or, if earlier, the expiry of fifteen months from the date on which the resolution is passed, to allot securities for cash, otherwise than to existing shareholders on a pro rata basis, up to an aggregate nominal amount of £314,800, which is equivalent to 1,259,300 ordinary shares or approximately 5% of the issued share capital In no circumstances would the Directors use this authority to dilute the interests of existing shareholders by issuing shares at a price that is less than the NAV attributable to the shares at the time of issue

Directors' fees
Resolution 14, to be proposed at the AGM, will increase the total available for payment of Directors' fees, to take account of increases in fees and the enlargement of the Board

Amendment to Articles
Company law and best practice have undergone a number of changes since the current Articles of Association of the Company were adopted in April 2000, particularly since January 2007 when the staged implementation of the Companies Act 2006 (the "2006 Act") commenced The Board considers that it is prudent to replace the Company's existing Articles with new Articles that take account of those developments (the "New Articles")

A summary of the material changes brought about by the proposed adoption of the New Articles is set out in the Appendix to the Notice of Annual General Meeting Other changes, which are of a minor, technical or clarifying nature have not been noted in the Appendix

Further amendments to the New Articles may be required in the coming years as a result of the implementation of the 2006 Act The 2006 Act represents a major reform of UK companies' legislation and is being brought into force in stages, with full implementation scheduled by October 2009 At this year's Annual General Meeting the Company proposes to adopt provisions which reflect changes in the law brought about by the 2006 Act in respect of, among other things, electronic communications, notice periods for meetings, proxy voting and directors' conflicts of interest Over the course of the next year the Company intends to conduct a further review of the New Articles in order to identify any additional amendments that might be necessary following the full implementation of the 2006 Act by October 2009 It is the Board's intention that any further amendments will be put to shareholders at the 2009 AGM

A copy of the New Articles will be available for inspection from the date of this report until the conclusion of the Annual General Meeting during normal business hours on any weekday at the registered office of the Company The New Articles will also be available for inspection at any time until the conclusion of the Annual General Meeting on the Company's website (www hgcapitaltrust com) and shall be available at the venue of the Annual General Meeting from 15 minutes prior to and until the conclusion of the meeting

Directors' report continued

Auditor

Ernst & Young LLP has indicated its willingness to continue in office as independent auditor and resolutions proposing its re-appointment and authorising the Directors to determine its remuneration will be submitted at the AGM

Statement as to disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that ought to have been taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

By order of the Board
Hg Pooled Management Ltd (HgCapital)
Secretary
17 March 2008

Directors' remuneration report

The Board presents the Directors' remuneration report for the year ended 31 December 2007 The Board has prepared this report in accordance with the requirements of Schedule 7A to the Companies Act 1985, and an ordinary resolution for the approval of this report will be put to members at the forthcoming Annual General Meeting

Directors' Remuneration Committee
The Directors' Remuneration Committee consists of Roger Mountford (Chairman), Timothy Amies, Piers Brooke, Richard Brooman, Peter Gale and Andrew Munson and meets when necessary to consider any change in the Directors' remuneration policy The Company 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 Directors' 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

No element of the Directors' remuneration is performance related The Company has not awarded any share options or long-term performance incentives to any of the Directors

None of the Directors has a service contract with the Company The terms of their appointments are detailed in a letter sent to them when they join the Board These letters are available for inspection at the registered office of the Company

Director	Remuneration	
	2007 **£**	2006 £
Timothy Amies (Chairman of the Audit Committee)	**27,000**	20,500
Piers Brooke	**22,500**	18,500
Richard Brooman (appointed 11/10/07)	**5,600**	-
Peter Gale	**22,500**	18,500
Roger Mountford (Chairman)	**32,500**	27,500
Andrew Munson	**22,500**	18,500

The information in this table and in the paragraphs below has been audited

With effect from 1 July 2007 the remuneration of the Chairman was increased from £30,000 to £35,000 per annum, and that of the Chairman of the Audit Committee from £24,000 to £30,000 Remuneration of the other Board members was increased from £20,000 to £25,000 per annum Remuneration is reviewed on an annual basis

The Company's Articles of Association limit the aggregate remuneration of the Directors to £150,000 per annum The Board will seek to increase this at this year's AGM, to take account of the increases in fees and the enlargement of the Board

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 Company's Directors are subject to retirement by rotation in accordance with the Company's Articles of Association

By order of the Board
Hg Pooled Management Ltd (HgCapital)
Secretary
17 March 2008

Corporate governance and Directors' responsibilities

The Company is committed to high standards of corporate governance The Board has put in place a framework for corporate governance which it believes is suitable for an investment trust and which enables the Company to comply with the 2006 Combined Code on Corporate Governance (the "Combined Code") The Board has made the appropriate disclosures in the annual report to ensure the Company meets its continuing obligations under the Financial Services Authority, Investment Entities (Listing Rules and Conduct of Business) Instrument 2003

The Board considers that the Company has complied with the provisions contained within Section 1 of the Combined Code 2006 throughout this accounting period (except as described below), and this statement describes how the relevant principles of governance are applied to the Company

The Board

The Board consists of six non-executive Directors all of whom the Company deems to be independent of the Company's Manager

In the Board's opinion Mr Amies 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

For the same reasons and having considered Mr Gale's position as a senior employee of Gartmore, a shareholder of the Company, the Board considers him to be independent Both Mr Gale and Nr Brooke are non-executive directors of Lothbury Property Trust plc Their fellow Directors consider that each demonstrates that they are independent in character and judgment and that this common directorship of another company does not impede their independence

Their biographies highlight their wide range of business experience The Board does not feel that it would be appropriate to adopt a policy whereby Directors serve for a limited period, as, with a private equity portfolio, historical knowledge is useful The structure of the Board is such that it is considered unnecessary to identify a senior non-executive Director other than the Deputy Chairman

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 Directors retire by rotation at every third Annual General Meeting (AGM) and any Directors appointed to the Board since the previous AGM also retire and stand for election

Accordingly, the Directors being proposed for re-election at this year's AGM are Mr Brooke and Mr Murison Mr Brooman will be standing for election to the Board, having been appointed in October 2007 An external search consultancy was used to identify a suitable candidate The Board's recommendations that all should be re-elected are set out earlier in this document

Messers Gale and Amies were both appointed on 1 May 1991 The Combined Code 2006 recommends that any non-executive director serving for longer than nine years be subject to annual re-election Therefore both will stand for annual re-election at this year's AGM

The Board meets at least five times a year and there is regular contact 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 Company

The Board has responsibility for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable it to ensure that the financial statements comply with the Companies Act 1985 The Board is also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities Finally, it is the Board's responsibility to present a balanced and understandable assessment of the Company's position in all public communications

As set out in last year's report, the Board has considered its long term succession planning and has appointed Mr Brooman

The Company has maintained appropriate Directors' Liability Insurance cover throughout the year

Board/Audit and Valuation Committee/Directors' ongoing evaluation

The Board formally reviews its performance on a regular basis, together with that of the Audit and Valuation Committee

An appraisal system has been agreed by the Board for evaluation on a regular basis of the Board, its committees and the individual Directors, including the Chairman The evaluation for the year ended 31 December 2007 has been carried out This took 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 and its committees reflects a suitable mix of skills and experience, and that the Board was functioning effectively, augmented by the appointment of Mr Brooman The Board is satisfied that collectively the members of the Audit and Valuation Committee have a sufficient level of recent and relevant financial experience

Delegation of responsibilities
The Board has delegated a number of areas of responsibility, outlined below

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 Company certain of its corporate secretarial and fund administration duties have been delegated to Capita Sinclair Henderson Limited (CSH) who have a team specialising in providing secretarial and accounting services to investment trusts Custody and settlement services are undertaken by The Bank of New York Europe Limited (BNYE), a subsidiary of The Bank of New York

The Board has delegated the exercise of voting rights attaching to the 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

Board committees
All the Directors of the Company are non-executive and serve on the Nomination Committee, which 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 External search consultants are also used

Separate Audit and Valuation, and Management Engagement, Committees have been established Since the appointment of Mr Brooman, these committees have consisted of all six Directors, each of whom has no previous or current connection with the investment management of the Company other than in their capacity as a Director of the Company

The Audit and Valuation Committee, which has written terms of reference detailing its scope and duties and which meets at least four times per year, examines the effectiveness of the control systems All the Directors of the Company, including the Chairman, 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 committee reviews the interim and annual reports and also receives information from the relevant corporate audit and compliance departments The committee reviews the scope, results, cost effectiveness, independence and objectivity of the external auditor Semi-annually, at each balance sheet date, the committee reviews in detail the valuation of the unquoted investments within the portfolio

Non-audit fees of £4,500 were paid to Ernst & Young LLP for reviewing the interim financial statements Ernst & Young LLP provides details of any other relationship with the Manager and confirms to the Board each year that in its opinion it is independent of the Manager Based on the review of the non-audit services provided by the auditor, the Board has concluded that Ernst & Young LLP is independent of the Manager

The external auditor is invited to attend the Audit and Valuation Committee meeting at which the annual accounts are considered and has the opportunity to meet with the committee without representatives of the Manager being present

The Management Engagement Committee, which also has written terms of reference detailing its scope and duties, regularly reviews the terms of the investment management and administration contracts

The Directors' Remuneration Committee, which is made up of all the Directors, meets when necessary to consider any change to the Directors' remuneration The remuneration of the Chairman and Directors is 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 terms of reference of all the committees are available on request and will also be available at each Annual General Meeting

Membership of the Board Committees
Mr Mountford is Chairman of the Directors' Remuneration Committee, the Management Engagement Committee and the Nomination Committee Mr Amies is the Chairman of the Audit & Valuation Committee

The composition of the Board's standing committees was considered at the year end and it was felt appropriate that every non-executive Director should be a member of all committees

Attendance record
The following table summarises the Directors' attendance at meetings of the Board and Audit and Valuation Committee, compared with the number they were eligible to attend

Director	Number of meetings attended/eligible to attend	
	Board	A&VC
Peter Gale	6/6	3/4
Tim Amies	6/6	4/4
Piers Brooke	6/6	3/4
Richard Brooman	2/2	0/0
Roger Mountford	6/6	4/4
Andrew Munson	6/6	3/4

Each of the other Committees met on at least one occasion during the year

Corporate governance and Directors' responsibilities continued

Internal controls
The Board is responsible for the internal controls of the Company 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 Company fully complied with the Combined Code for the year ended 31 December 2007 and up to the date of this report, and will continue to do so for the year ending 31 December 2008

As part of the Board's responsibility for the internal control system, an ongoing process has been established in conjunction with HgCapital and CSH for identifying, evaluating and managing the Company's significant risks Controls of the risks identified, covering financial, operational, compliance and risk management, are embedded in the operations of HgCapital, CSH, 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 two organisations This accords with the guidance in the Turnbull Report HgCapital and CSH report to the Company on their review of internal controls (which for HgCapital includes checks on the custodian) formally on an annual and a semi-annual basis and orally at each Board and Audit and Valuation Committee meeting

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

The Company 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 Company'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 include detailed research and appraisal, and also take 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, CSH 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 Company as at the end of each financial year and of the profit of the Company for that period

The Board considers that in preparing the financial statements the Company 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 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 for substantive issues

Both the Chairman of the Board and the Chairman of the Audit and Valuation Committee, together with representatives of HgCapital, are available to answer shareholders' questions at the AGM Proxy voting figures are announced 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 Directors are available to enter into dialogue and correspondence with shareholders regarding the progress and performance of the Company The section of this report entitled "Shareholder Information", provides information useful to shareholders

Report of the independent auditor to the members of HgCapital Trust plc

We have audited the financial statements of HgCapital Trust plc for the year ended 31 December 2007 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 19 These financial statements have been prepared under the accounting policies set out therein We have also audited the information in the Directors' remuneration report that is described as having been audited

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the annual report, the Directors' remuneration report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' responsibilities

Our responsibility is to audit the financial statements and the part of the Directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We review whether the Corporate governance statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements The other information comprises only Investment objective, Financial highlights, Chairman's statement, Ten year track record, Investing in private equity, Manager's strategy, Manager's review, Investments, Realisations, Review of principal investments, Renewable energy, Investment portfolio, Top ten investment listing, Analysis of registered shareholders, Board of Directors, Directors' report and business review, the unaudited part of the Directors' remuneration report, Corporate governance and Directors' responsibilities, Shareholder information, Glossary, Notice of Annual General Meeting and Management and administration We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any other information

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' remuneration report to be audited It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' remuneration report to be audited

Opinion

In our opinion

• the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its profit for the year then ended,

• the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985, and

• the information given in the Directors' report is consistent with the financial statements

Ernst + Young LLP

Ernst & Young LLP
Registered auditor
London
17 March 2008

Shareholder information

Financial calendar

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

March

- Preliminary results and final dividend for year announced
- Annual report and financial statements published

April/May

- Annual General Meeting
- Final dividend paid

August

- Interim figures announced and half-yearly report published

In accordance with the recently introduced Disclosure and Transparency Rules, the Company will be releasing Interim Management Statements ('IMS') for the quarters ending 31 March and 30 September These will be released to the Stock Exchange and may be viewed at the Company's website

Dividend – 2007
The proposed final dividend in respect of the year ended 31 December 2007 is 25 0p per share

Ex-dividend date 26 March 2008
(shares transferred without dividend)

Record date 28 March 2008
(last date for registering transfers to receive the dividend)

Last date for registering

DRIP instructions (see below) 18 April 2008

Dividend payment date 12 May 2008

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 BACS (Bankers' Automated Clearing Service) This may be arranged by contacting the Company's registrar, Computershare Investor Services plc (Computershare), on 0870 707 1037

Dividend reinvestment scheme (DRIP)
Shareholders may request that their dividends be used to purchase further shares in the Company 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 18 April 2008

Share price
The Company's mid-market ordinary share price is published daily in the Financial Times, Daily Telegraph and Evening Standard under the section "Investment Companies"

ISIN/SEDOL numbers

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

ISIN	GB0003921052
SEDOL	0392105
Reuters code	HGT L

Share dealing
Investors wishing to purchase or sell shares in the Company 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 Company's ordinary shares on the London Stock Exchange The commission is just 0 5%, subject to a minimum charge of £15 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

Shareholder information continued

Telephone share dealing
Please note this service is, at present, only available to shareholders resident in the UK and Ireland The commission is 1%, subject to a minimum charge of £15 In addition stamp duty, currently 0 5%, is payable on purchases The service is available from 8am to 4 30pm Monday to Friday, excluding bank holidays, on telephone number 0870 703 0084 Shareholders should have their Shareholder Reference Number (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 Company's ordinary 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
Currently, all UK dividends are paid to stockholders 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 stockholders liable for higher rates of tax are assessed for any additional tax through their annual tax return

Capital gains tax (CGT)
Investment trusts currently pay no CGT 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 2007/8, the first £9,200 per annum of such gains from all sources is exempt

Up to 5 April 1998 the cost of investments for CGT purposes was adjusted to allow for inflation However, from 6 April 1998 this indexation was replaced by a taper relief and from this date chargeable gains will be reduced in line with the length of time the investment has been held

PEP and ISA investments will 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 unquoted companies, which form the majority of the Company's investments, may not be as readily realisable as investments in quoted companies

• As the Company invests in Continental Europe and in companies that trade internationally, the value of its shares may be affected by changes in rates of exchange

• The Company invests in a portfolio of smaller-cap companies, with enterprise values between £50 million and £500 million, the performance of which can fluctuate

• The price at which the Company's shares trade on the London Stock Exchange is not the same as their net asset value (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 Company and the income from it can fluctuate as the value of the underlying investments fluctuates

• The Company 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 Company
At an Extraordinary General Meeting held in April 2003, shareholders agreed to extend the life of the Company to 2011 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 2011 to continue the life of the Company for a further five years and a similar resolution will be put to the shareholders in 2016 and every fifth year thereafter If the resolution to continue the life of the Company is not approved in 2011, an Extraordinary General Meeting will be convened within six months after the date of the AGM to wind up the Company voluntarily

Shareholder information continued

Nominee code
Where shares are held in a nominee company name, the Company undertakes

- To provide the nominee company with multiple copies of shareholder communications, so long as an indication of quantities has been provided in advance

- 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 Company'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
- 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
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH

General enquiries about the Company should be directed to
The Secretary
Hg Pooled Management Ltd (HgCapital)
2 More London Riverside
London SE1 2AP
Telephone 020 7089 7888

Glossary

Investment trusts

Net asset value per share (NAV)

This is the value of the Company's assets attributable to one ordinary share It is calculated by dividing "shareholders' funds" by the total number of shares in issue For example, as at 31 December 2007, shareholders' funds were £238,817,000 and there were 25,186,755 ordinary shares in issue, the NAV was therefore 948 2p per share Shareholders' funds are calculated by deducting current and long-term liabilities, and any provision for liabilities and charges, from the Company's total assets

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 were 950p and the share price were 800p, the discount would be 15 8%

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 were 1,000p and the NAV were 950p, the premium would be 5 3%

Discounts and premiums are mainly the consequence of supply and demand for the shares on the stock market

Total return

The total return to shareholders comprises both changes in the Company's NAV or share price and dividends paid to shareholders, it is calculated on the basis that dividends are reinvested in the Company'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 Manager, after achievement of an agreed hurdle rate

Enterprise value (EV)

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 - sometimes also known as venture capital

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, usually by 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 heavily geared

LP (limited partnership)

An organisation made up of a managing general partner and limited partners, who invest money but have limited liability, are not involved in day-to-day management, and usually cannot lose more than their capital contribution Usually limited partners receive income, capital gains and tax benefits, the general partner usually receives a fee and the founder partner a percentage of capital gains and income

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

Notice is hereby given that the Annual General Meeting of HgCapital Trust plc will be held at the Company's offices at 2 More London Riverside, London SE1 2AP, on Tuesday 6 May 2008 at 12 noon to transact the following business

Ordinary business

1 To receive the report of the Directors and the financial statements for the year ended 31 December 2007, together with the report of the independent auditor thereon

2 To approve the Directors' remuneration report

3 To declare a dividend of 25 0p per share

4 To re-elect Mr P Brooke as a Director

5 To re-elect Mr A Murison as a Director

6 To re-elect Mr T Amies as a Director

7 To re-elect Mr P Gale as a Director

8 To elect Mr R Brooman as a Director

9 To re-appoint Ernst & Young LLP as independent auditor to the Company

10 To authorise the Directors to determine the independent auditor's remuneration

Special business

To consider and, if thought fit, pass the following resolutions numbered 11, 13, 14 and 15 as special resolutions and resolution 12 as an ordinary resolution

11 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 166 of the Companies Act 1985 (the Act) to make market purchases of ordinary shares (within the meaning of section 163 of the Act) provided that

(i) the maximum number of ordinary shares hereby authorised to be purchased is 3,775,000,

(ii) the minimum price which may be paid for an ordinary share shall be 25p,

(iii) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall be the lower of 5% above the average of the market values of the ordinary shares for the five business days immediately preceding the date of the purchase and the net asset value per ordinary share on the date of purchase, and

(iv) unless renewed, the authority hereby conferred shall expire on 24 October 2009 save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares which will or may be completed or executed wholly or partly after such expiry

12 THAT

(i) the Directors be and they are hereby generally and unconditionally authorised, in accordance with section 80 of the Companies Act 1985 (the Act), to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £314,800 provided that this authority shall expire on the date of the next Annual General Meeting of the Company after the passing of this resolution, but so that this authority shall allow the Company, acting by its Directors, to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry,

(ii) all authorities previously conferred under section 80 of the Act be and they are hereby revoked, provided that such revocation shall not have retrospective effect, and

(iii) words and expressions defined in or for the purposes of Part IV of the Act shall bear the same meanings in this resolution

13 THAT, subject to and conditional upon the passing as an ordinary resolution of the resolution numbered 12 set out in the notice of this meeting, the Directors be and they are hereby empowered, pursuant to section 95 of the Companies Act 1985 (the Act), to allot equity securities (as defined in section 94 of the Act) of the Company for cash pursuant to the authority conferred by the previous resolution as if section 89 (1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities

(i) which are, or are to be, wholly paid up in cash up to an aggregate nominal value of £314,800 at a price of not less than the net asset value per ordinary share as at the most recent practicable date, as determined by the Directors,

(ii) (otherwise than pursuant to sub-paragraph (i) above) in connection with issues by way of rights in favour of all holders of ordinary shares where the equity securities respectively attributable to the interests of all such holders are either proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them or are otherwise allotted in accordance with the rights conferred on such equity securities (but subject in either case to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or legal practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever), and shall expire on the earlier of the date which is 15 months after the date on which this resolution is passed and the date of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry,

Notice of annual general meeting continued

(iii) all powers previously conferred under section 95 of the Act be and they are hereby revoked, provided that such revocation shall not have retrospective effect, and

(iv) words and expressions defined in or for the purposes of Part IV of the Act shall bear the same meanings in this resolution

14 THAT the following amendment to the Articles of Association of the Company dated 18 April 2000 be and is hereby approved and sanctioned

The amount of £150,000, referred to in article 62, be increased to £230,000 so that the article 62 will read as follows

"The directors (other than any director who for the first time being holds an executive office or employment with the Company or a subsidiary of the Company) shall be paid out of the funds of the Company by way of remuneration for their services as directors such fees not exceeding in aggregate £230,000 per annum (or such larger sum as the Company may, by ordinary resolution, determine) as the directors may decide to be divided among them in such proportion and manner as they may agree or, failing agreement, equally Any fee payable under this article shall be distinct from any remuneration or other amounts payable to a director under other provisions of these articles and shall accrue from day to day "

15 That the draft regulations produced to the meeting and, for the purposes of identification, initialled by the Chairman of the meeting be 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

By order of the Board
Hg Pooled Management Ltd (HgCapital)
Secretary
17 March 2008

Notes:

1 Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting A shareholder may appoint more than one proxy in relation to the Annual General Meeting 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

2 To be valid, the enclosed reply-paid form of proxy, together, if appropriate, with the power of attorney or the authority (if any) under which it is signed, or a notarially certified copy of such power or authority must be deposited at the offices of Computershare Investor Services plc, The Pavilions, Bridgewater Rd, Bristol BS99 6ZY, not later than 12 noon on 4 May 2008

3 The return of a completed proxy form or any CREST Proxy Instruction (as described in paragraph 9 below) will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so

Notice of annual general meeting continued

4 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 Annual General Meeting 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

5 The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons The rights described in these paragraphs can only be exercised by shareholders of the Company

6 To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 6 00 p m on 4 May 2008 (or, in the event of any adjournment, 6 00 p m on the date which is two days 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 meeting

7 As at 17 March 2008 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 25,186,755 Ordinary shares, carrying one vote each Therefore, the total voting rights in the Company as at 17 March 2008 are 25,186,755

8 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a 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

9 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 UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual The message, regardless of whether it constitutes the appointment of a proxy or is 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 Company's agent (ID 3RA50) by 12 noon on 4 May 2008 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 Application Host) from which the Company'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

10 CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message 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, 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 system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings

11 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 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions, and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www icsa org uk) for further details of this procedure The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above

Appendix

Explanatory notes of principal changes to the Company's Articles of association

1 **Articles which duplicate statutory provisions**
Provisions in the Current Articles that replicate provisions contained in the Companies Act 2006 are in the main to be amended to bring them into line with the Companies Act 2006 Certain examples of such provisions include provisions as to the form of resolutions, the variation of class rights, the requirement to keep accounting records and provisions regarding the period of notice required to convene general meetings The main changes made to reflect this approach are detailed below

2 **Form of resolution**
The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective This provision is being amended, as the concept of extraordinary resolutions has not been retained under the Companies Act 2006

3 **Change of name**
Currently, a company can only change its name by special resolution Under the Companies Act 2006 a company will be able to change its name by other means provided for by its articles To take advantage of this provision, the New Articles will enable the Directors to pass a resolution to change the Company's name once the relevant provisions in the Companies Act 2006 Act are in force

4 **Redeemable shares and consolidation, division or sub-division**
At present, if a company wishes to issue redeemable shares it must include in its articles the terms and manner of redemption The Companies Act 2006 will enable directors to determine such matters instead provided they are so authorised by the articles The New Articles contain such an authorisation that will take effect once the relevant provisions in the Companies Act 2006 Act are in force The Company has no plans to issue redeemable shares but if it did so the Directors would need shareholders' authority to issue new shares in the usual way In addition, the New Articles permit the Company to retain for its own benefit the net proceeds up to £5 of selling fractional entitlements arising on a consolidation, division or sub-division of its shares

5 **Convening extraordinary and annual general meetings**
The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006 In particular, any general meeting other than an annual general meeting can be convened on 14 days' notice

6 **Votes of members**
Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder The New Articles reflect all of these new provisions

7 **Conflicts of interest**
The Companies Act 2006 sets out Directors' general duties that largely codify the existing law but with some changes Under the Companies Act 2006, from 1 October 2008 a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests The requirement is very broad and could apply, for example, if a Director becomes a director of another company or a trustee of another organisation The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty The New Articles give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position

There are safeguards that will apply when Directors decide whether to authorise a conflict or potential conflict First, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate

It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a Director from being in breach of duty if a conflict of interest or potential conflict of interest arises These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the Directors

It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed

8 **Electronic and web communications**
Provisions of the Companies Act 2006 that came into force in January 2007 enable companies to communicate with members by electronic and/or website communications The New Articles allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information

9 **Directors' indemnities and loans to fund expenditure**
The provisions dealing with indemnification of Directors and other officers is being amended in line with legislative changes Broadly, the New Articles would allow the Company to indemnify any of its Directors (or any director of an associated company) against liabilities in a civil action by a person other than the Company (or an associated company), and against his defence costs as the action proceeded, but in the case of actions by the Company (or an associated company) an indemnity could only cover the defence costs, and only if judgment was not given against the Director The indemnity could cover the costs of defending criminal proceedings or of making certain applications for relief - although not if the Director was convicted or denied relief - or of defending regulatory actions The Company would also be able to lend Directors monies to fund their defence expenditure in any civil or criminal proceedings taken against them as Directors, whether by a third party or by the Company itself, or in connection with any application for relief or any action taken by a regulatory authority Except where the arrangement related to regulatory action, any loan by the Company would have to be on terms that required it to be repaid immediately (after taking account of any appeal periods) if the Director lost in the criminal or civil proceedings or the application for relief was refused The existing authority to indemnify the Company's auditor has also been deleted and accordingly the Directors will not approve the granting of any such indemnity by the Company

10. **Age of Directors**
The provision in the Current Articles requiring Directors to retire at the next annual general meeting after attaining seventy years of age and, if reappointed, at each subsequent annual general meeting, has been removed as it may breach the Employment Equality (Age) Regulations 2006

11 **Updating statutory and regulatory references**
The opportunity is being taken to update references to legislation as well as regulatory and other bodies

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