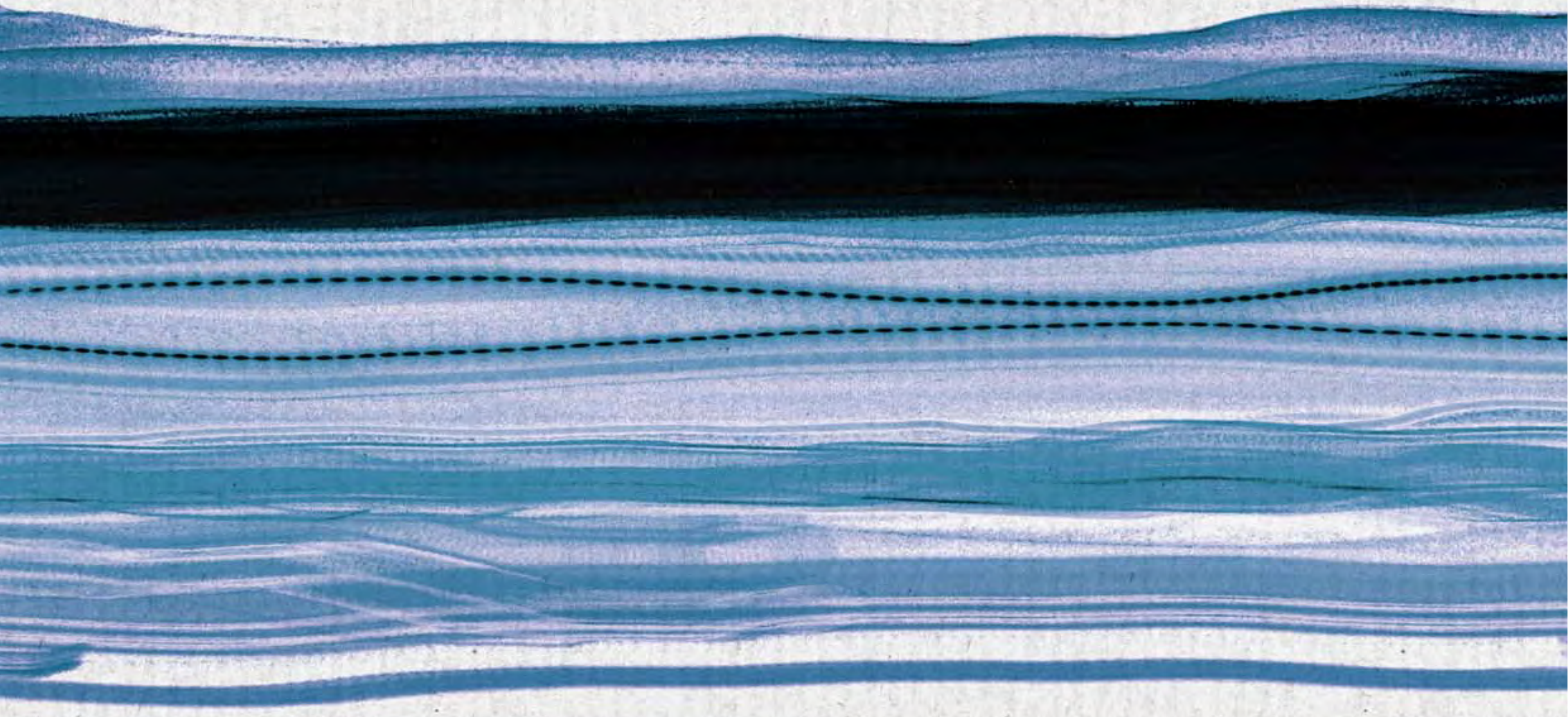
HgCapital Trust plc

Private equity investment trust of the year
Investment Week Awards 2005, 2006, 2007, 2008, 2009 and 2010



ANNUAL REPORT AND ACCOUNTS
31 December 2010

CONTENTS

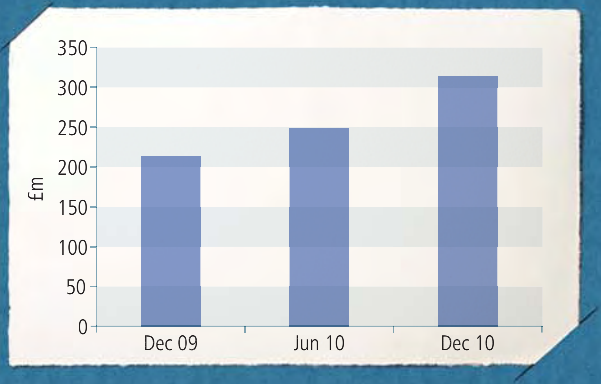
The objective of the Trust is to provide shareholders with long-term capital appreciation in excess of the FTSE All-Share Index by investing in unquoted companies.

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

References in this annual report and accounts to HgCapital Trust plc have been abbreviated to 'HgCapital Trust' or the 'Trust'. HgCapital refers to the trading name of HgPooled Management Limited and HgCapital LLP, who act as the 'Manager'.

2010 PERFORMANCE

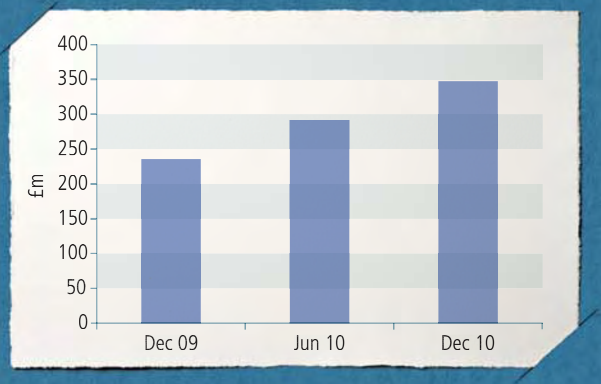
MARKET CAPITALISATION £313 MILLION



The ordinary share price rose from £8.44 to £10.06 over the year. An increase (on a total return basis) of:

+23%

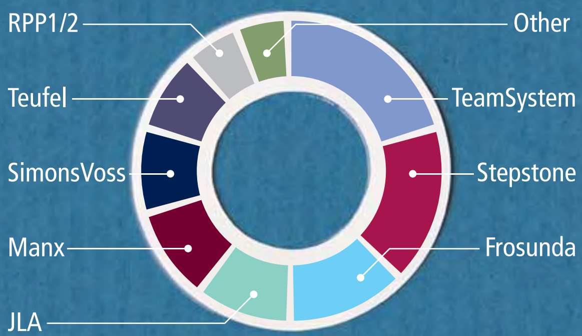
NET ASSET VALUE £348 MILLION



The net asset value (basic) per ordinary share rose from £9.37 to £11.18 over the year. An increase (on a total return basis) of:

+23%

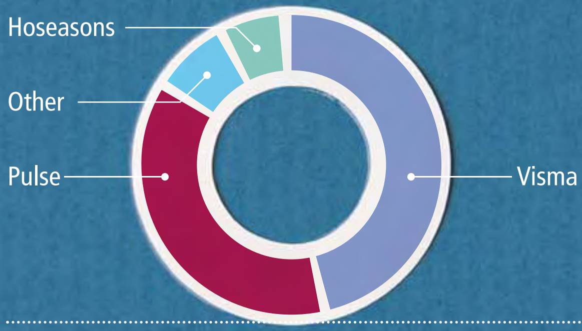
CASH DEPLOYED



£111 million

The amount of capital deployed in 2010, a record year for deployment. HgCapital invested in seven, primarily fast growing companies.

CASH REALISED



£82 million

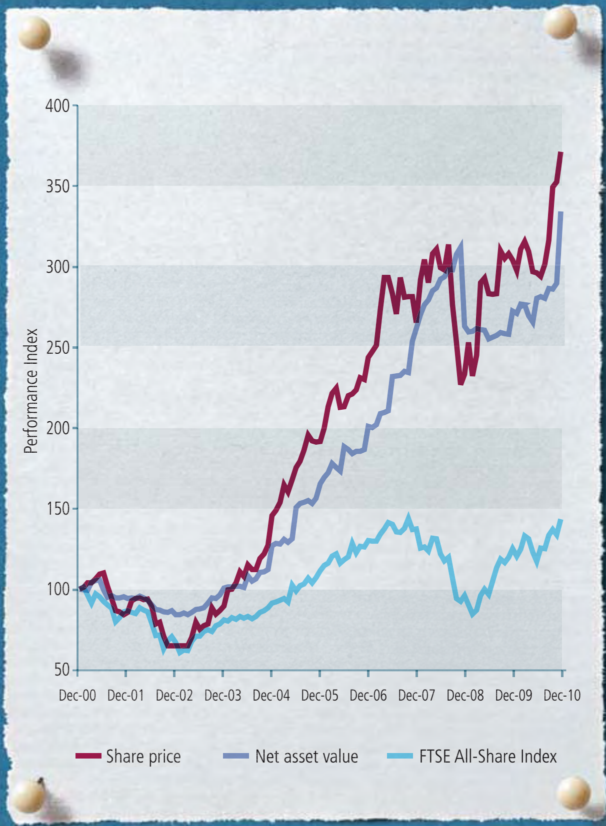
Significant cash realised in 2010, primarily from the sale of Pulse Staffing and the partial sale of Visma, at an average uplift on book value of 64%.

LONG-TERM PERFORMANCE – 10 YEAR TOTAL RETURNS

COMPOUND ANNUAL GROWTH RATE

14% p.a.

The compound annual growth rate of the HgCapital Trust plc share price over the last 10 years.



10 YEAR RETURN ON £1,000

£3,721

How much an investment of £1,000 in HgCapital Trust plc ten years ago, would now be worth.*

An equivalent investment in the FTSE All-Share Index would be worth £1,432.

BALANCE SHEET ANALYSIS

£348 million

The net assets of HgCapital Trust plc as at 31 December 2010.

£90 million

The net assets in liquid funds available for deployment as at 31 December 2010 representing 26% of NAV.

£212 million**

The amount of outstanding commitments as at 31 December 2010 representing 61% of NAV.

*Assuming reinvestment of all dividends

**This includes an outstanding commitment to HgCapital 6 of £156 million, where the Trust has an investment opt-out without penalty if it has insufficient cash resources to fund a new investment (see note 21).

THE PORTFOLIO

HgCapital Trust plc gives investors access to a private equity portfolio of currently **31 companies**, run by an experienced and well-resourced Manager that makes investments in private companies across Northern Europe in the Healthcare, Industrials, Services and TMT sectors.

Investment in HgCapital Trust plc provides exposure to a portfolio of primarily fast growing companies*. The top 20 buyout investments currently account for 92% of the portfolio value. These companies have aggregate revenues of **£1.9 billion** and profits of **£470 million**.

In addition, the Trust has diversified into the renewable energy sector and currently holds investments in **two renewable energy funds**.

+13% p.a.
revenue growth

The average growth in revenues of the top 20 buyout investments over the last year.

+16% p.a.
profit growth

The average growth in profits of the top 20 buyout investments over the last year.

9.7x
EV/EBITDA multiple

The average valuation multiple used to value the top 20 buyout investments at 31 December 2010.

3.6x
Net debt/EBITDA

The average net debt/EBITDA multiple of the top 20 buyout investments at 31 December 2010.

*References in this annual report and accounts to the 'portfolio', 'investments', 'companies' or 'businesses', refer to a number of buyout investments, held indirectly by the Trust through its direct investments in fund limited partnerships (HGT LP and HGT6 LP) of which the Trust is the sole limited partner, and direct investments in renewable energy fund limited partnerships (HgRenewable Power Partners LP ('RPP1') and HgCapital Renewable Power Partners 2 C LP ('RPP2')), of which the Trust is a limited partner.

CHAIRMAN'S STATEMENT

With a portfolio of businesses that is trading well, the Trust has again created value for shareholders. The Trust's strong balance sheet combined with the Manager's clear focus offer prospects for continuing good long-term returns.

The year in review

In 2010 HgCapital Trust plc made further strong progress towards several of our goals.

A highlight of the year was the successful placing and open offer of new ordinary shares, raising £50 million before expenses, that completed in April. The offer was over-subscribed by both existing shareholders and new investors, thus growing and diversifying the Trust's share register so as to provide greater liquidity in the market to the benefit of all shareholders. At the same time, the Trust made a bonus issue of new subscription shares on the basis of one for every five ordinary shares. These subscription shares have traded well, ending the year with a market value of £1.05 per share, providing further value to shareholders.

Each subscription share entitles the holder to subscribe to one new ordinary share, beginning in May 2011 with the final exercise date being 31 May 2013. If exercised in 2011 or 2012 the subscription price will be £9.50 per share; if exercised in 2013 the price will be £10.25. If all the subscription shares are exercised it will raise new funds of between £59 million and £64 million for the Trust to deploy and will further enhance the liquidity of the market in the Trust's shares.

Performance

The total return (net asset value plus dividend) was 22.8%, compared with a total return on the Trust's benchmark, the FTSE All Share Index, of 14.5%. The basic net asset value per ordinary share increased over the year to a record £11.19 (£10.91 diluted).

Total return in terms of share price, plus dividend, was 22.8%. As a result, the ten-year total return to shareholders was more than 10% p.a. in excess of the benchmark. An investment of £1,000 made ten years earlier, with dividends reinvested, would now have a value of £3,721, compared with £1,432 if invested in the FTSE All Share Index.

The total return, over the eight months following the share issue, to shareholders who held or subscribed new ordinary shares at the issue price of £8.45, with subscription shares attached, and who retained both, represented a return of 21.5% over the eight month period which is equivalent to an annualised return of 34.0%.

Return per ordinary share was 34.0 pence, compared with 28.4 pence in 2009, and the Board has recommended a final dividend of 28.0 pence (2009: 25.0 pence).

Since the year-end, the Trust's interest in SiTel has been sold, delivering proceeds of £9.5 million and an uplift over NAV at 31 December 2010 of 13.1 pence per share (basic; 10.9 pence per share diluted). As a result, and taking account of movements in foreign exchange, NAV at 28 February 2011 was 1,131.4 pence per share (basic) and 1,101.2 pence per share (diluted).

Portfolio

It was a busy year for new buyout investments, with seven new investments made, totalling £100 million for the Trust. A further £5 million was invested in existing buyouts and £6 million in renewable power projects.

Following a quiet year for realisations in 2009, the total value of realisations to the Trust in 2010 was over £82 million, marking a return to the levels achieved on average over the period 2006-8. In aggregate, these realisations delivered £32 million in excess of their valuation at December 2009, an uplift of 64%, adding substantially to net asset value.

Shareholder value was further created by the unrealised revaluation of portfolio investments by a net total of £36 million. The Manager's attribution analysis indicates that by far the largest contributor to this growth in value was the growth in profits of the businesses in the Trust's buyout portfolio. Strong cash flows from trading enabled reductions to be achieved in the net debt of portfolio companies. Strong equity markets in the latter part of 2010 led to some further upward revaluation as the market multiples of comparable companies improved. The effect of changes in the value of sterling against the currencies in which some investments are held was broadly neutral.

It is particularly pleasing to note that at year-end almost all the companies making up the top 20 buyout investments continued to trade strongly. All but two of the Trust's top 20 buyouts at year-end achieved growth in both sales and EBITDA during the year. The Manager monitors trading on a monthly basis and reports in detail on the latest trading figures to the Board of the Trust at every meeting.

A disappointment affecting a small part of the Trust's investment portfolio came with the decision of the

Spanish government to impose, unilaterally, adverse changes in the terms on which the solar energy projects in Spain had contracted to sell their power. The Manager kept the Board well informed about this issue and the Manager's renewables team led the industry's efforts to lobby the Spanish government. Late in the year the government replaced its original proposals with new terms that reduce short-term returns to investors while compensating for this by extending the life of the power sales contract. The net effects remain adverse for the distribution of cash to investors in the early years, and this has been taken into account in the portfolio valuation at year-end.

Reporting

Over several years we have endeavoured each year to improve the transparency and the clarity of our reporting to shareholders.

This report contains for the first time not only a statement of our investment objective, but also a clear statement of the rationale for investing in private equity and a description of the business model that the Board is pursuing. In one straightforward statement this covers the asset class, the benchmark, the Board's priorities for the Trust as a listed investment vehicle, investment policy, the Board's approach to cash, borrowing, hedging, valuation and dividends.

This year the Board and the Manager have also provided further information about the portfolio and analysis of how value for shareholders has been created across the portfolio. We believe that shareholders also value transparency through to the principal underlying assets in a way that is not practical in a fund-of-funds investment vehicle. Nearly all of our private equity investments are held across several annual reports and, accordingly, they are likely to be revalued several times between first investment and final realisation. In between, trading performance may vary from year to year; bolt-on acquisitions and disposal of non-core activities may add further complexity. To give a longer term view we have this year added as a case study a description of the investment made in Visma, the case for doing so and the strategy adopted, the work that HgCapital's executives did with Visma's management team to build the business, and the sale of a majority interest to KKR in late 2010. Further case studies will be provided to shareholders in future and will be available on the Manager's website, www.hgcapital.com.

Later this year we plan to redesign the Trust's website, www.hgcapitaltrust.com, in order to make it more useful for shareholders and prospective investors.

In line with this policy of transparency, the Manager also publishes a pre-close statement on the website just prior to the half-year and year-end.

Prospects

The Trust began the year with a compact portfolio, diversified by geography and business across the sectors that the Manager has used its expertise to select. Almost all of the principal buyout businesses are trading strongly in markets that show clear growth characteristics. Accordingly, we believe that the prospects for continuing progress are good, but remain subject, of course, to continuing stability in European economies and a return to economic growth.

Private equity investment at its best brings together long-term capital and talent in identifying good businesses and helping them to create value. We have consistently said that we expected an investment in the Trust's shares to reward the committed and patient investor. Large institutional investors recognise the value of making an allocation of their funds to private equity, as HgCapital's other clients do in joining as limited partners into its funds. The Trust provides individual investors and small institutions with the opportunity to invest alongside those large institutions, on the same terms, and in a vehicle whose shares are traded on the London Stock Exchange.

To reinforce the valuable role that the Trust can play in a portfolio I am pleased to report that, in the Investment Week awards, it was again chosen, for the sixth consecutive year, as Private Equity Investment Trust of the Year. The citation for the award referred to the Trust's outstanding long-term performance and its high standards of governance.

Roger Mountford

Chairman

17 March 2011

LONG-TERM PERFORMANCE RECORD

PERFORMANCE RECORD

Year ended 31 December	Net assets attributable to ordinary shareholders £'000	Net asset value per ordinary share (basic) p	Net asset value per ordinary share (diluted[1]) p	Ordinary share price p	Subscription share price p	Revenue available for ordinary shareholders £'000	Earnings per ordinary share[2] p	Dividends per ordinary share[3] p
2001	95,795	380.3	n/a	294.0	n/a	2,420	9.6	8.00
2002	83,837	332.9	n/a	219.5	n/a	2,148	8.5	8.00
2003	99,987	397.0	n/a	289.5	n/a	3,969	15.8	12.00
2004	122,040	484.5	n/a	451.5	n/a	2,649	10.5	8.00
2005	156,487	621.3	n/a	583.5	n/a	2,965	11.8	10.00
2006	187,135	743.0	n/a	731.0	n/a	4,519	17.9	14.00
2007	238,817	948.2	n/a	782.5	n/a	7,446	29.6	25.00
2008	234,094	929.4	n/a	668.5	n/a	7,445	29.6	25.00
2009	236,044	937.2	n/a	844.0	n/a	7,148	28.4	25.00
2010	347,993	1,118.8	1,090.7	1,006.0	105.0	10,053	34.0	28.00*

[1] Diluted net asset value per share assumes that all outstanding subscription shares were converted into ordinary shares at the year-end at the minimum price of £9.50 a share.
[2] Based on weighted number of shares in issue during the year.
[3] Dividend proposed in respect of reported financial year; declared and paid post relevant year-end.
*Proposed final dividend for the year ended 31 December 2010, to be paid on 13 May 2011, subject to shareholder approval.

PERFORMANCE OVER TEN YEARS – TOTAL RETURN

The LPX Europe Index represents the most actively traded LPE companies covered by LPX that are listed on a European exchange. For more information visit www.lpeq.com/morelpestatistics.aspx

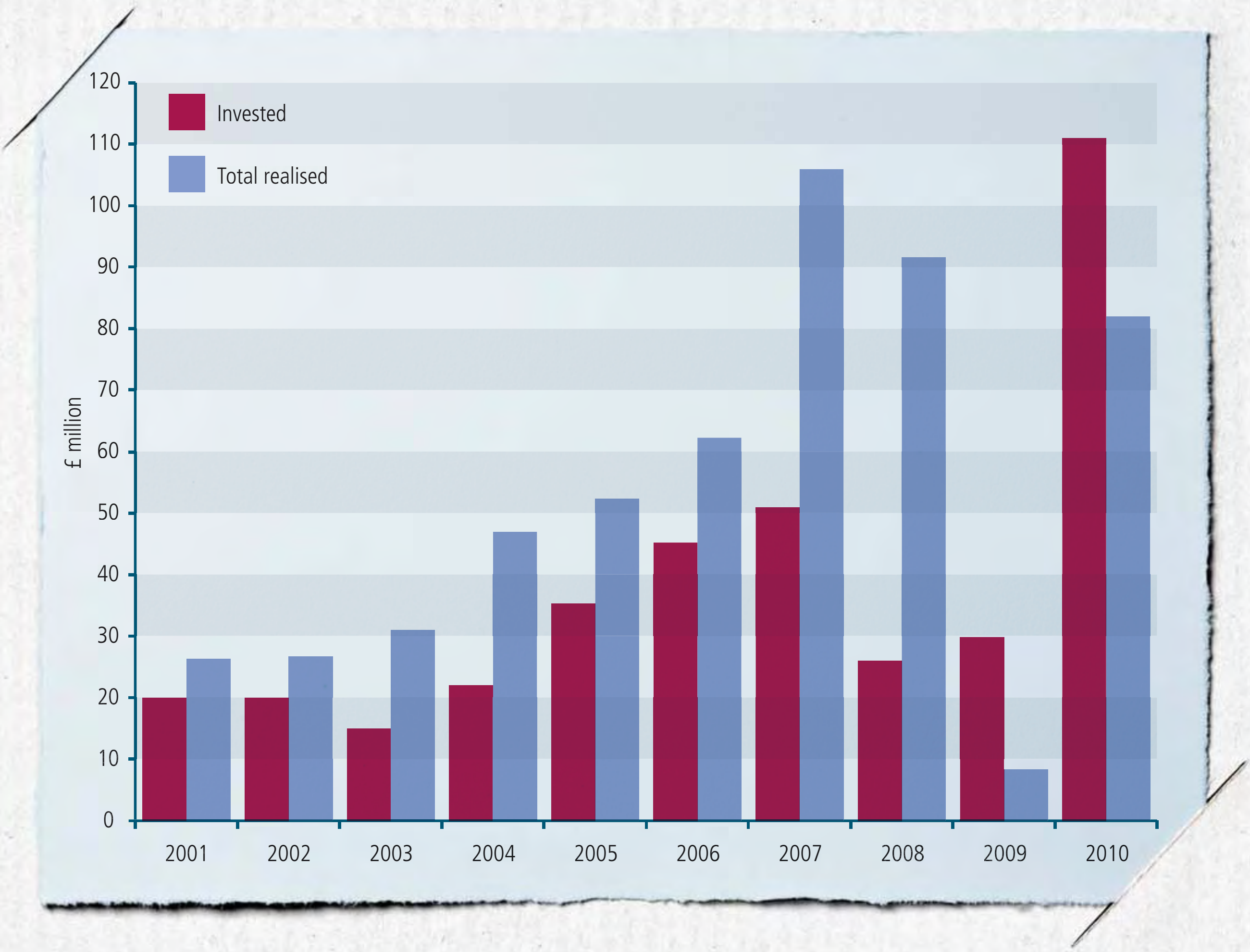
HgCapital Trust plc's share price has consistently delivered significant outperformance against its benchmark across one, three, five, seven and ten-year periods.

HISTORICAL TOTAL RETURN* PERFORMANCE

	One year % p.a.	Three years % p.a.	Five years % p.a.	Seven years % p.a.	Ten years % p.a.
Share price*	22.8	12.0	14.3	22.5	14.0
Net asset value (basic)	22.6	8.5	15.0	18.6	12.8
Net asset value (diluted)	19.5	7.6	14.5	18.2	12.5
FTSE All-Share Index	14.5	1.4	5.1	8.5	3.7

*Total return assumes all dividends have been reinvested.

INVESTMENT ACTIVITY



THE BOARD OF DIRECTORS

The Board of HgCapital Trust plc consists of six non-executive Directors with a wide range of business experience, all of whom the Board of the Trust deems to be independent of the Trust's Manager.

Roger Mountford (Chairman of the Board)

Aged 62, 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. He is Chairman of The Housing Finance Corporation, the Dover Harbour Board and LSE Enterprise Limited, the commercial subsidiary of the London School of Economics.

Piers Brooke

Aged 70, 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 has been a director of a number of companies. He is currently a non-executive director of Lothbury Investment Management.

Richard Brooman

Aged 55, Richard Brooman was appointed to the Board in 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, a non-executive Director of the Camden & Islington NHS Foundation Trust, where he chairs the Audit & Risk Committee, and was appointed as a non-executive director of SVM UK Active Fund Plc on 1 March 2011. 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. He is Chairman of the Audit & Valuation Committee of the Trust.

Peter Gale

Aged 55, Peter Gale was appointed to the Board in 1991 and is Senior Independent Director and Deputy Chairman of the Trust. 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. Following the merger of Gartmore's private equity business with that of Hermes Fund Managers in 2010 Mr Gale became Chief Investment Officer of Hermes GPE. He is a non-executive director of Lothbury Investment Management and advisor to the West Midlands Metropolitan Authorities Pension Fund as well as several other large pension and investment funds.

Andrew Murison

Aged 62, 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 boards of Maven Income and Growth VCT 3 plc (formerly Aberdeen Growth Opportunities Venture Capital Trust), Brandeaux Student Accommodation Fund Limited and Brandeaux US Dollar Fund Limited and is chairman of JPMorgan European Investment Trust plc.

Mark Powell

Aged 65, Mark Powell was appointed to the Board in 2010. He has been involved in investment management for private investors and charities throughout his career. From 1968 to 1989 he worked in what became C L Alexanders Laing & Cruickshank Holdings of which he became Chief Executive.
In 1989 he joined Laurence Keen which was acquired in 1995 by Rathbone Brothers Plc of which he became Managing Director. He was appointed Chairman of Rathbones in 2003 and will retire from their board in May 2011. He is Chairman of SVM UK Active Fund Plc and was previously Chairman of the Association of Private Client Investment Managers & Stockbrokers and a member of the Takeover Panel.

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

All Directors are non-executive.

THE TRUST'S INVESTMENT OBJECTIVE AND INVESTMENT POLICY

INVESTMENT OBJECTIVE

The Investment Objective of the Trust is to provide shareholders with long-term capital appreciation in excess of the FTSE All-Share Index by investing in unquoted companies. If the Board proposes to amend the Trust's Investment Objective, it will seek the approval of shareholders in a general meeting.

INVESTMENT POLICY

The principal policy of the Trust is to invest in a portfolio of unlisted companies that are expected to grow organically or by acquisition. Any material change to the Trust's Investment Policy will be made only with the approval of shareholders in a general meeting.

The Trust's maximum exposure to unlisted investments is 100 per cent of gross assets. At the time of acquisition no single investment will exceed a maximum of 15 per cent of gross assets. The Trust may invest in assets other than companies, so long as the Manager believes that its expertise in private equity investment can be profitably applied. The Trust may invest in unlisted funds, whether managed by HgCapital or not, up to a maximum at the time of acquisition of 15 per cent of gross assets. The Trust may invest in other listed investment companies, including investment trusts, up to a maximum at the time of acquisition of 15 per cent of gross assets. The Trust may 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 that hold investments of a similar quality.

Range and diversification

The Trust invests primarily in companies whose operations are headquartered or substantially based in or which serve markets in Europe. The Trust invests in companies operating in a range of countries, but there is no policy of making allocations to specific countries or markets. The Trust invests across a range of sectors, but there is no policy of making allocations to sectors.

Gearing

Underlying investments or funds are typically leveraged to enhance value creation, but it is impractical to set a maximum for such gearing. The Trust may over-commit to invest in underlying assets in order to maintain the proportion of gross assets that are invested at any time. The Trust has the power to borrow and to charge its assets as security.

The Articles currently restrict the Trust's ability to borrow no more than, broadly, twice the aggregate of the Trust's paid up share capital and reserves (without shareholder approval).

Hedging

The Trust may use derivatives to hedge its exposure to interest rates, currencies, equity markets or specific investments for the purposes of efficient portfolio management.

RATIONALE AND BUSINESS MODEL

The Board has a clear view of the rationale for investing in private equity through an investment trust and this informs its decisions on the operation of the Trust and the evolution of the Board's Business Model.

RATIONALE

The Board believes that there is a convincing rationale for investing in well-researched private businesses with potential for growth, especially where the Investment Manager and the management of the business can work together to implement strategic change or operational efficiency. These can result in higher rates of growth in sales and enhanced profits, offering investors capital gains on realisation. Many large institutional investors allocate a proportion of their assets to this asset class, but it is difficult for private investors and small institutions to invest in private equity due to the large commitments required over long periods of time. The Trust provides an opportunity for investors to hold shares listed on the London Stock Exchange through which they can invest in private equity transactions not otherwise accessible.

BUSINESS MODEL

Working within the constraints of the Trust's Investment Policy, the Board and the Manager have together developed a Business Model, which is kept under regular review. The Business Model evolves as market conditions change and new opportunities appear.

Asset class

The Trust invests directly into unquoted businesses in the UK and Continental Europe alongside other institutional clients of HgCapital, an experienced private equity manager whose principal business is to invest in, and manage, leveraged buyouts.
Private equity investments are normally held through partnerships that provide legal and taxation advantages. Most of the Trust's investments are held through partnerships of which it is the sole limited partner and which invest alongside pooled funds managed by HgCapital (currently its Hg6 fund) on the same terms as institutional investors. The Trust normally acquires a 15% interest in each business in which Hg6 invests. The Manager is organised in investment teams that focus on well researched business sectors, but it does not make top-down allocations to these sectors or to particular countries; the balance may change as investment opportunities appear and portfolio companies are sold. The Trust is not a fund of funds and does not invest in other managers' funds. The Trust's strategy of making direct investments into businesses provides greater transparency for the Board and shareholders in the Trust and avoids the double fees inherent in a fund of funds.

The Board of the Trust decides, after consultation with the Manager, on the timing, amount and terms of each commitment it makes to invest in or alongside any of the Manager's funds. Such commitments are normally drawn down over five years as investment opportunities arise. The Board agrees each commitment at a level it believes the Trust will be able to fund from its own resources or from temporary borrowing. However, to protect the Trust from the risk of being unable to fund any drawdown under its commitment the Board has negotiated a right to 'opt-out', without penalty, of any HGT 6 LP investment where certain conditions exist (see note 21 to the financial statements).

In addition, the Trust has invested in renewable power generating projects, an area where the Manager has developed its skills and built a specialist team. This sector provides the Trust with an element of diversification, as it has fundamentally different drivers of risk and return, but is expected to deliver comparable long-term returns. In this sector it is advantageous to the Trust to participate with other institutional clients of HgCapital as limited partners in HgCapital's two renewable energy funds.

Cash and borrowing

The Board and the Manager agree that prudent use of borrowing to fund acquisitions can increase diversification within the portfolio and yield rates of return superior to the market in listed shares. Businesses in the underlying portfolio are acquired with the benefit of bank borrowing at levels that can be serviced from the cash flows generated within that business. The Board does not currently see any advantage in using a further level of structural borrowing by the Trust as this would add risk without any certainty of enhancing returns. From time to time the Board arranges a small bank facility on which it can draw to meet short-term needs between making an investment and receiving the proceeds from a realisation.

At certain points in the investment cycle the Trust may hold substantial cash awaiting investment, which it holds in bank deposits or invests in short-dated government bonds. If there appears to be surplus capital and conditions for new investment appear to be unfavourable the Board will consider returning capital to shareholders, probably through the market purchase of shares.

Hedging

The Trust offers exposure to a range of businesses operating in the UK, the eurozone and the Nordic region. The Trust does not strategically hedge investments back into sterling. From time to time the Manager may use derivatives approved by the Board to hedge tactically with the object of protecting the anticipated sterling value of proceeds from realising investments in other currencies.

Benchmark

For most shareholders their investment in the Trust represents a small allocation of funds that would otherwise be invested in UK equities. The Trust's benchmark is therefore the FTSE All-Share Index.

Relative data on performance, volatility etc can be found in the Trust's fact sheet at www.hgcapitaltrust.com and www.lpeq.com. To assess the Manager's performance relative to other private equity managers the Board regularly compares the NAV and share price performance against a basket of peers listed on the London Stock Exchange and against the UK and pan- European indices of listed private equity companies published by LPX.

Priorities as a listed investment company

As the rationale for the Trust is to provide investors with a way to invest in an illiquid asset class, through a liquid listed vehicle, the Board has a number of priorities including: retaining the status of an investment trust; maintaining a liquid market in its shares; providing shareholders with transparent reports on the underlying portfolio; adopting prudent valuations; and avoiding adding risk at the Trust level.

Valuation

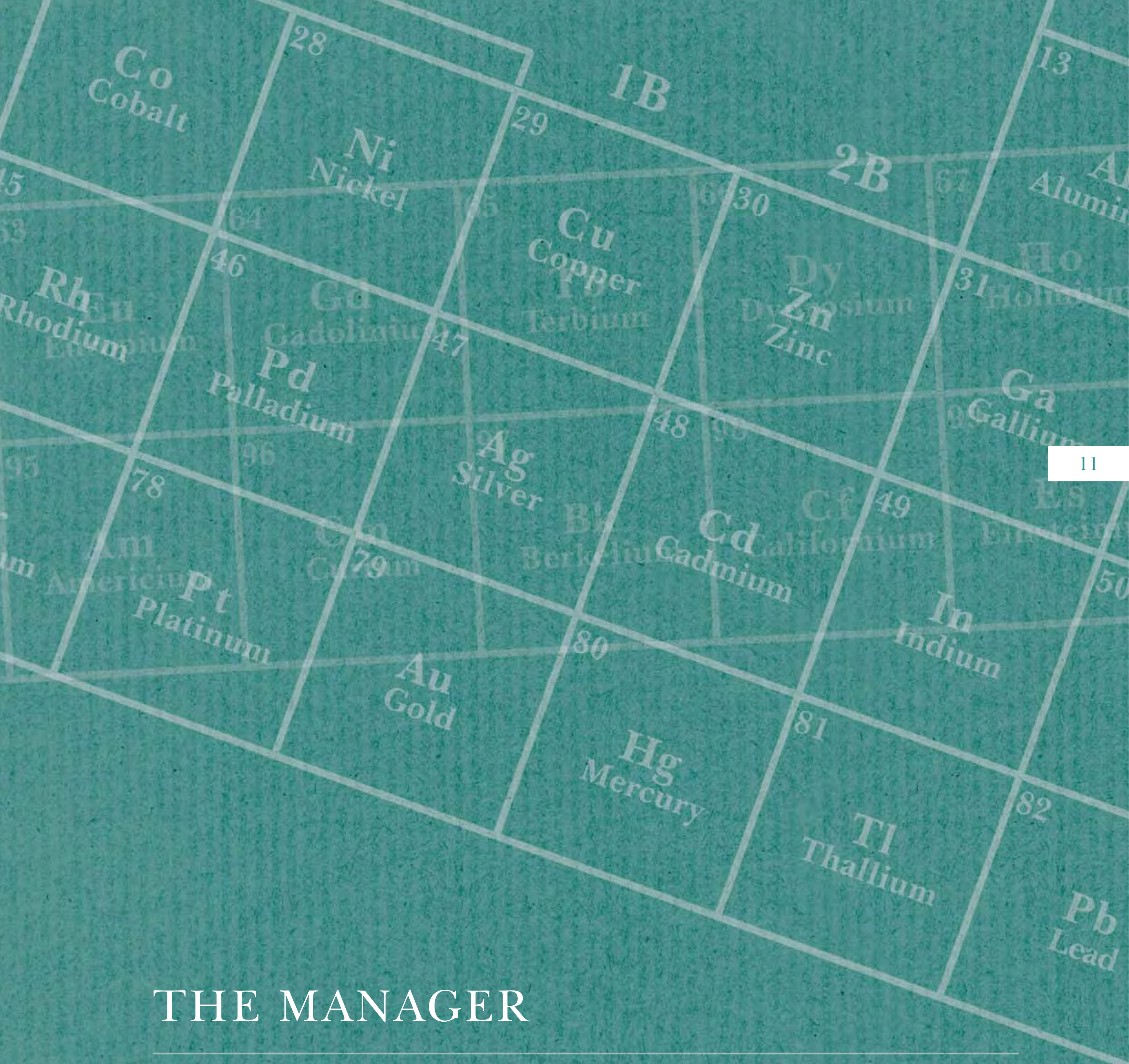
The Board values each investment in the portfolio after considering analytical data and draft valuations prepared by its Manager. Valuations are carried out in accordance with the International Private Equity and Venture Capital ('IPEVC') Valuation Guidelines, September 2009 edition. Further information can be found at www.privateequityvaluation.com.

Net asset value and trading in the Trust's shares

The Board values the portfolio and publishes the Trust's NAV as at 30 June and 31 December. Each month following these valuations the NAV figure is published after adjustment for realisations and movements in foreign exchange and the market prices of any listed securities. The Trust's shares trade on the London Stock Exchange at prices that are independent of the Trust's NAV but reflect the NAV and expectations of future changes in it. The shares have traded at a discount to the NAV and at times at a premium to it. The Board has not attempted to manage any discount through repurchase of shares, which it believes usually has only temporary effect. The Board believes that discounts to NAV are minimised through consistent long-term returns, transparent reporting, rigorous valuation and avoidance of risk at Trust level.

Dividends

The Board does not structure the Trust's balance sheet or underlying investments in order to deliver any target level of dividend. To maintain the Trust's status an investment trust, annual net revenue return retained, after dividend distributions in respect of that financial year, may not exceed 15% of the annual total income earned from investments. The level of the net revenue return varies from year to year according to the level of the Trust's liquid funds and the structure of the buy-outs held at the time. Accordingly, dividends may vary from year to year. The Trust has elected to 'stream' its income from interest-bearing investments as dividends that will be taxed in the hands of shareholders as interest income; this minimises the tax charge payable by the Trust.



THE MANAGER

HgCapital is a private equity investor focused on the European middle market. Its business model combines sector-specific thematic investing with dedicated portfolio management support. HgCapital invests in growth companies in expanding sectors via leveraged buyouts and in renewable energy generating projects across Western Europe.

HgCapital's vision is to be the most sought after private equity manager in Europe, being a partner of choice for management teams and renewable power developers producing consistent top quartile returns for our clients and providing a rewarding environment for our staff.

THE MANAGER

INTRODUCTION TO THE MANAGER

HgCapital began life as Mercury Private Equity (MPE), the private equity arm of Mercury Asset Management plc, a long established listed UK-based asset management firm. Mercury was bought by Merrill Lynch in 1997 and, in December 2000, MPE negotiated its independence as HgCapital and became a fully independent firm, owned by its partners.

HgCapital has progressively invested in and strengthened its business over the years to establish a significant competitive advantage in making money for its clients.

With over 70 employees in two investment offices in the UK and Germany, HgCapital has assets under management of £3.3 billion serving a range of highly regarded institutional investors, including private and public pension funds, charitable endowments, insurance companies and banks.

HgCapital's largest client is HgCapital Trust plc. Established in 1989, the Trust appointed HgCapital as its Investment Manager in 1994. It offers investors a liquid investment vehicle, through which they can obtain an exposure to our diversified portfolio of private equity investments with minimal administrative burdens, no long-term lock-up or minimum size of investment.

THEMATIC INVESTMENT

HgCapital's five sector teams combine the domain knowledge and expertise of a trade buyer – giving them superior credibility and the ability to make quick decisions – with the flexibility of a financial investor – leading to high conversion rates on deals we like.

This deep sector focus is channelled through a rigorous research-based approach and disciplined thematic investment processes, whereby the most attractive segments of the European mid-market can be systematically identified and then repeatedly invested in, optimising deal flow and improving returns.

Following each investment HgCapital's specialist portfolio management team, which is separate from the sector teams, works to protect and enhance value, ensuring clear strategies for growth and a realisation that adds further value.

With substantial expert resources, and a structure that focuses on delivering value, HgCapital has the tools and ability to succeed consistently.

THE MANAGER'S STRATEGY AND TACTICS

Middle-market focus

HgCapital focuses on middle market buyouts with enterprise values of between £50 million and £500 million and renewable power generating projects using proven technologies. The middle market offers a high volume of companies with proven financial performance and defensible market positions. These companies are small enough to provide opportunities for operational improvement, yet large enough to attract quality management and offer multiple exit options across market cycles.

European focus

HgCapital primarily focuses its buyout investments in the UK, Germany and the Nordic Region, as well as Switzerland, Italy and Benelux.

Our renewable energy investments are currently focused on the British Isles, the Nordic region and Spain. All investments are managed by specialist sector and portfolio management teams located in London and Munich who work with a common purpose and culture, applying consistent processes.

Clear investment criteria

HgCapital applies a rigorous and commercial investment approach when evaluating all investment opportunities. Our objective is to complete the most attractive investments rather than being limited by a top-down asset allocation.

For buyouts, HgCapital seeks companies with protected business models and predictable revenues, which offer a platform for growing market share or have the potential for significant performance improvement. HgCapital targets situations where significant change is taking place and where the Manager's specialist knowledge and skills can make a real difference.

Broad coverage

HgCapital's dedicated sector teams provide investors with access to the substantial majority of private equity activity within their target size range and across their chosen geographies.

Active portfolio management

Our sole objective is to ensure that all businesses in which we invest maximise their long-term potential and reward all of their stakeholders. As a result, HgCapital typically invests as the lead, majority shareholder and appoints HgCapital executives to the companies' boards to ensure that each firm applies active, results-oriented corporate governance.

Experienced HgCapital professionals work with the management of our portfolio companies to develop, execute and monitor value enhancement strategies for each business.

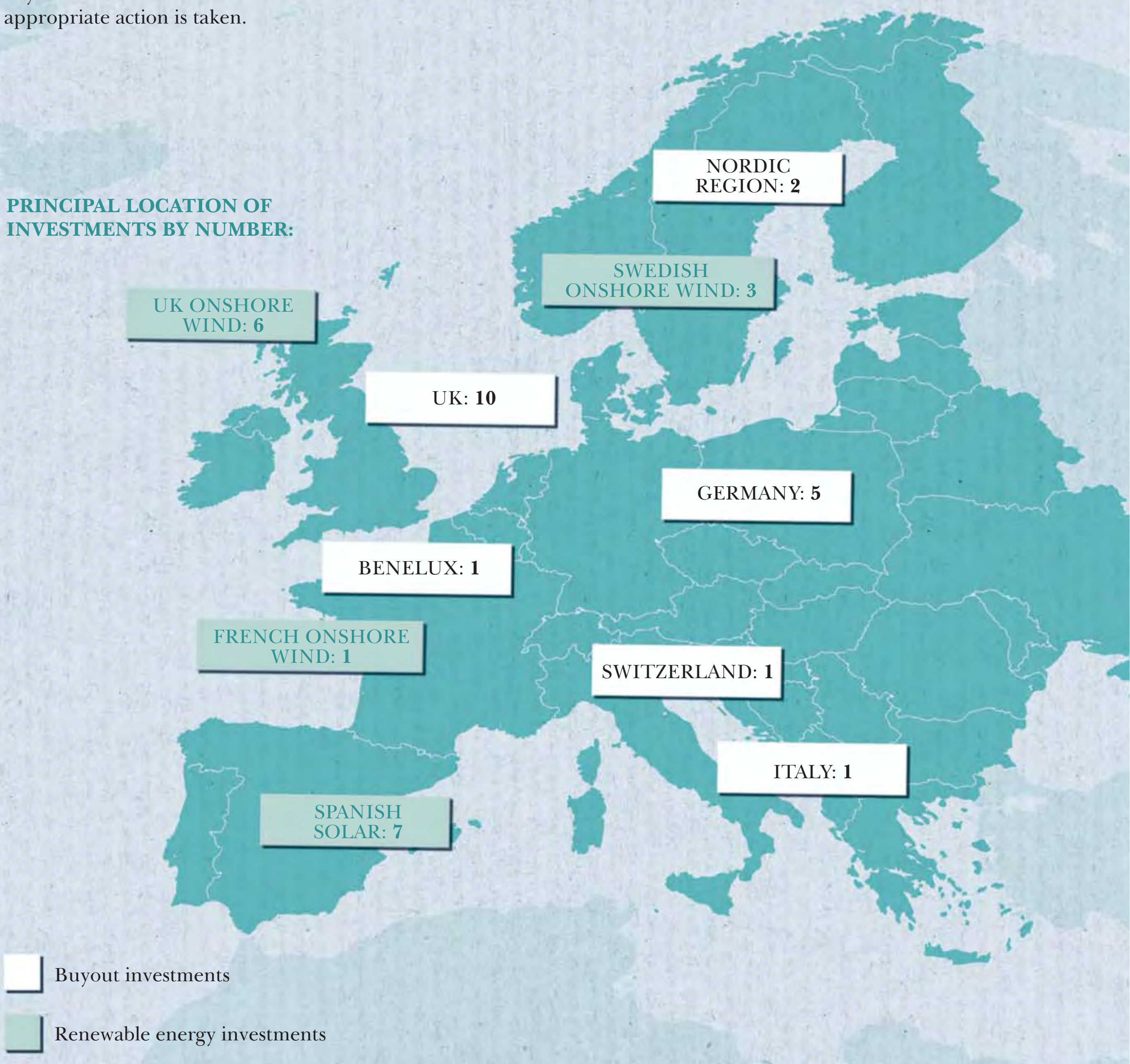
Accordingly, HgCapital is in a position to review the performance of all of its investments, quickly identify any issues that demand attention and see that appropriate action is taken.

Deep resources

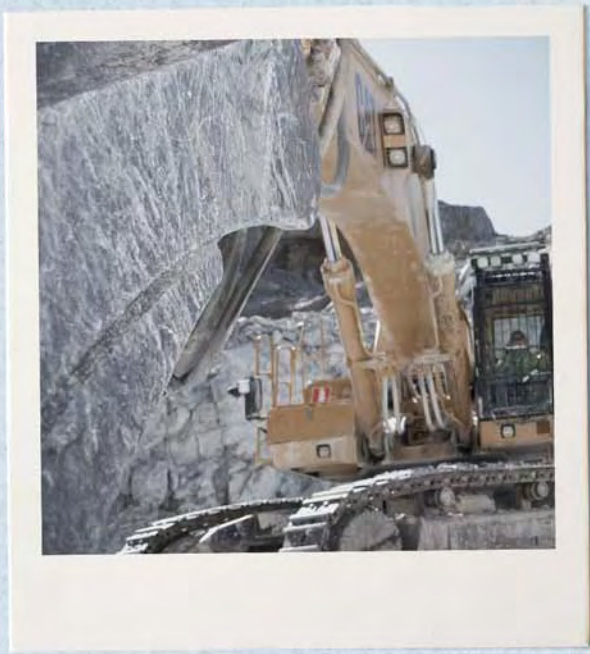
Our practice of employing specialisation – both in investment selection and management – places significant demands on our time. Accordingly, we have built a deeply resourced business employing over 45 investment professionals currently managing 22 active buyout investments.

Investing in businesses, many of which have a global footprint and which are located across Europe, requires time and, of course, a deep understanding of local cultures. Accordingly, our people come from around the globe including ten Western European countries. Our investment professionals have on average 16 years' experience in private equity management.

PRINCIPAL LOCATION OF INVESTMENTS BY NUMBER:



SECTOR SPECIALISATION



Healthcare

The Healthcare sector across Europe is large and displays non-cyclical growth ahead of nominal GDP driven by ageing populations and expensive but beneficial technological change. It is also characterised by high levels of regulation and differing payer models from country to country.

We focus on niche growth segments where businesses may clearly differentiate their offerings. We currently invest in high acuity long-term care, either residential or domestic, where surplus cash flow can be invested in rolling out the business or in making bolt-on acquisitions. In addition, we invest in generic and low cost pharmaceutical suppliers who operate with high margins and cash conversion which allow them to grow by acquisition. We continue to examine other niches for future investment including instruments and devices.

Our core geographic focus is in the UK, Germany and the Nordic region but we continue to monitor opportunities in Benelux, France and Spain and other regions with significant growth potential.

The Healthcare team is currently made up of six dedicated investment professionals and, over the last ten years, has invested £384 million across seven investments.

Industrials

Based in Germany, the HgCapital Industrials team's objective is to take advantage of the country's deserved reputation in the production of high quality, cutting edge manufactured goods which are in particularly strong demand amongst the BRIC economies as well as across Europe and North America. Typically, German technology and expertise are applied to products made in low cost locations.

It is well known that the German market is characterised by the large number of small, family-owned Mittelstand companies. These companies and their owners are difficult to access and yet we have been particularly successful in dealing with them as we have patiently built our business in Germany and acquired a good reputation for our approach to investing and working with them.

Our team has identified three sectors which demonstrate the most attractive growth, profitability and valuation characteristics for us as well as offering significant opportunities for investment. These sectors are: mechanical engineering, industrial electronics and specialist suppliers to the automotive industry.

The Industrials team is currently made up of five dedicated investment professionals and, over the last ten years, has invested £497 million across eleven investments.

Services

The services sector is a very broad market with many segments. We have developed an investment strategy that focuses on specific vertical markets where the growth drivers are likely, in our opinion, to be present for many years to come. They have diverse customer bases, long-term, stable customer relationships and often provide business critical services.

These markets are the provision of compliance/screening services, specialist outsourcing and the provision of corporate trust services. We like to invest in entities that are natural acquirers/industry leaders or those that will make excellent acquisitions for others. We like companies who display a strong ability and a very a systematic approach to growth - either organic or through incremental acquisitions.

Investments to date have been largely UK-based although some trade globally. We continue to monitor and explore opportunities throughout Europe and, during the year, committed to acquire a Netherlands-based provider of company tax, secretarial and trust services.

Our current portfolio provides services that range across health and safety compliance, HR and laundry facilities management.

Since deciding to establish a Services sector focus in 2005, a team of five dedicated investment professionals has been built and £208 million has been invested across three investments.

TMT

Within the TMT market we continue to invest in three core sub-sectors: vertical market application software; private electronic marketplaces; and telecoms/datacentre operators.

Within these sub-sectors we invest in high quality, growing companies which have strong and defensible market positions, diverse customer bases, and which feature subscription-based business models generating predictable revenues and cashflows. We regularly conduct top-down thematic research within the wider TMT sector, seeking further repeatable investment models where we can develop expertise.

We have an eight-strong team dedicated to TMT, meaning we are well resourced to identify, assess and complete investments quickly and thoroughly. The team benefits from a cumulative 60 years of TMT private equity experience, and is complemented by an extensive network of industry experts and advisers.

Over the last ten years, the TMT team has invested £939 million across 18 investments.

Renewable Energy

The renewable energy market is the fastest growing power generation segment in Europe. The fundamental drivers of return and risk in the renewable energy market are very different from those of the traditional buyout market. As such, renewable energy offers valuable diversification benefits.

Increasing consensus on climate change, the need for reduction of greenhouse gas emissions and the need for security of energy supply have increased pressure to diversify and upgrade power generation assets. Renewables are playing a key role in meeting these targets.

Given this anticipated growth and global political pressure, the renewables market is a highly attractive investment proposition, estimated to require around €160 billion in capital investment over the medium term.

Technological advances and industry scaling have increased price competition, while favourable regulatory regimes offer predictable pricing and strong revenue visibility, providing superior, risk-adjusted returns, favourable inflation linkage and a hedge against fossil fuel costs.

Our team has financed projects primarily across three platforms, UK onshore wind, Swedish onshore wind and solar projects in Spain. The market offers significant opportunities to acquire attractive assets, given its fragmented nature and the numerous independent developers, sponsors and large utilities players.

The team's investment strategy focuses on high quality assets, a disciplined approach to structuring and risk management, operational performance improvements and working with tier one developers, contractors and equipment manufacturers. This has earned us a strong reputation for prudently geared, well structured deals, and positioned us as one of the leading European renewables teams.

The Renewable Energy team is currently made up of seven dedicated investment professionals with over 55 years of industry experience and, since its foundation in 2006, has invested €261 million.

Website:	www.visma.com
Sector:	TMT
Location:	Nordic region

Business description

Based in Oslo, Visma is the leading provider of accounting, resource planning, book-keeping and payroll software and services to 220,000 SME businesses in the Nordic region.

Thematic investing

Regulatory-driven software for SMEs is a long-term, recession resistant growth area with an attractive business model:

- A fast growing marketplace with increasing penetration of business critical software.
- High barriers to entry and sticky customer relationships due to the complexity of regulation across the SME marketplace.
- Supporting a subscription payment model so SME software businesses tend to have high levels of recurring revenue and high profit margins.

The opportunity

HgCapital had already made two successful platform investments applying this theme in IRIS Software and Addison Software, both of which grew organically and by acquisition and which delivered strong investment returns. So, when we identified Visma in 2003, we had knowledge, experience and confidence in our ability to evaluate the business and the investment opportunity.

We first met the CEO in 2004 and developed a good relationship with Visma's management team, gaining a better understanding of the business.

Our sub-sector knowledge enabled us to combine the support of a trade partner with the flexibility of a financial buyer. As a result, we made a successful public to private offer in 2006 beating a competitive public offer from Sage plc.

The investment case

Notwithstanding Visma's position as a market leader in the Nordic region, with growing revenues, profits and consistent innovation, its profit margins were well below those of most of its competitors.

"HgCapital helped us to professionalise the business.

They aided us in finding strategic targets and improved the overall acquisition process."

Øystein Moan
Chief Executive, Visma

We understood that Visma's low margins did not reflect the full benefits of integrating a series of acquisitions it had made. Moreover we could see that Visma was investing heavily for rapid growth. So as new business lines matured and integration work was completed we believed that margins would improve significantly, matching similar results from Iris and Addison.

In addition, Visma's management team were very successful in finding and making bolt-on acquisitions, which gave us comfort that there was potential for significant growth.

We worked to help develop a 'lean process' strategy and a move to fixed pricing for some customers, improving customer satisfaction, revenue visibility and margins

How HgCapital supported Visma

Working closely with management to grow the business both organically and through acquisition:

- We helped to deliver more than 25 bolt-on acquisitions, particularly Accountview in 2007.
- We worked to help develop a 'lean process' strategy and a move to fixed pricing for some customers, improving customer satisfaction, revenue visibility and margins.
- We assisted in re-positioning Visma as a higher growth, web-based software as a service and business process outsourcing services company.

Performance improvement

Visma's performance proved resilient through the recession, supporting our original hypothesis.

At the end of 2009, Visma was more than one year ahead of our original plan. We feel that under HgCapital's ownership Visma has become a stronger company during our four years of ownership, benefiting employees, customers and owners:

- EBITDA increased by over 265%.
- Revenues rose by an average of 16% p.a.
- Margins improved from 14% to 20%.
- Investment in R&D and new product launches doubled.
- Jobs increased from 2,512 to 4,200.
- Market share increased in every part of the business every year.

It is now one of the top three software and services companies in the Nordic region and one of the top ten across Western Europe.

Financial performance

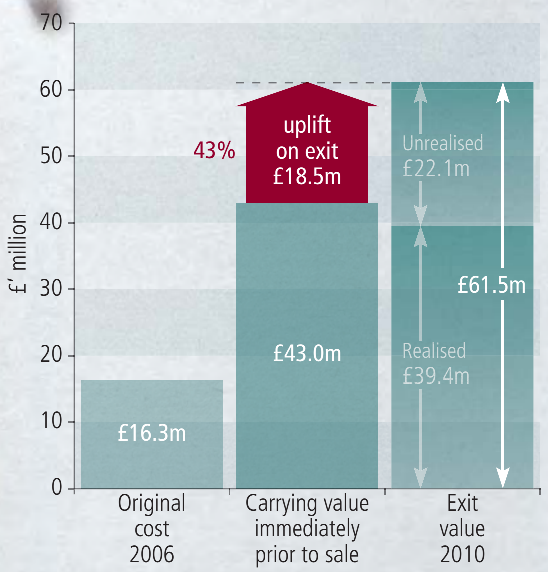
Partial exit

Visma continues to enjoy growing revenues with scope for further margin improvement and enhanced cross-selling so we decided to continue to hold a stake in Visma on behalf of our clients.

Our initial intention was to float the business but, instead, a process with a small number of potential PE suitors began in the summer of 2010. We aimed to select a new shareholder who would offer the best value to existing shareholders as well as help drive the future growth of the business.

In September 2010, KKR agreed to purchase 63.5% of our stake in Visma (HgCapital clients retained 36.5%). KKR's global reach and understanding of the technology and services sectors will make them an excellent partner for Visma.

Our aim is at least to double the value of this reinvested stake over the next 3-4 years as Visma continues to grow.



Investment return multiple of cost: 3.7x

Impact of sale on NAV*: +62.0p

*As at 30 November 2010

TIME LINE

2003
Identified Visma as a target

2004
Met Visma CEO and began to build relationship

2005

2006
Public to private buyout of Visma (EBITDA of NOK304.9 million)

Established a strong base in the Netherlands by acquiring Accountview

2007
Built presence in Finland by acquiring Teemuaho

2008

2009

2010
Acquired Sirius, creating the project and consulting division

Partial sale to KKR. (EBITDA of NOK684.2 million – an increase of over 265% in the four years of ownership)

MANAGER'S REVIEW OF THE YEAR

References in this annual report and accounts to the 'portfolio', 'investments', 'companies' or 'businesses', refer to a number of buyout investments, held indirectly by the Trust through its direct investments in fund limited partnerships (HGT LP and HGT6 LP) of which the Trust is the sole limited partner, and direct investments in renewable energy fund limited partnerships (HgRenewable Power Partners LP ('RPP1') and HgCapital Renewable Power Partners 2 C LP ('RPP2')), of which the Trust is a limited partner.

Summary

We produced a solid set of results and put a record amount of capital to work in seven new buyout companies. Three sales were completed during the year, the last two to larger PE firms as the shallow buyer's market of 2009-10 turned into a healthy two-way market with balanced buyer and seller interest. A £50 million share issue was also completed, expanding the share register, improving liquidity and rewarding investors who participated. As in every other year, we continued to invest in and to develop the capabilities of our firm so that we may compete effectively in the future.

We will probably invest less in 2011 than in 2010, because we believe that value will be harder to find. In addition, we will bed down recent acquisitions and spend time making bolt-on acquisitions where possible. There may be further realisations, taking advantage of increasing interest amongst trade buyers and from larger PE houses wanting to invest their pools of committed capital.

Taking a longer view, it remains our belief that the combination of a patient, committed approach we offer companies plus equity capital will be attractive to the market because:

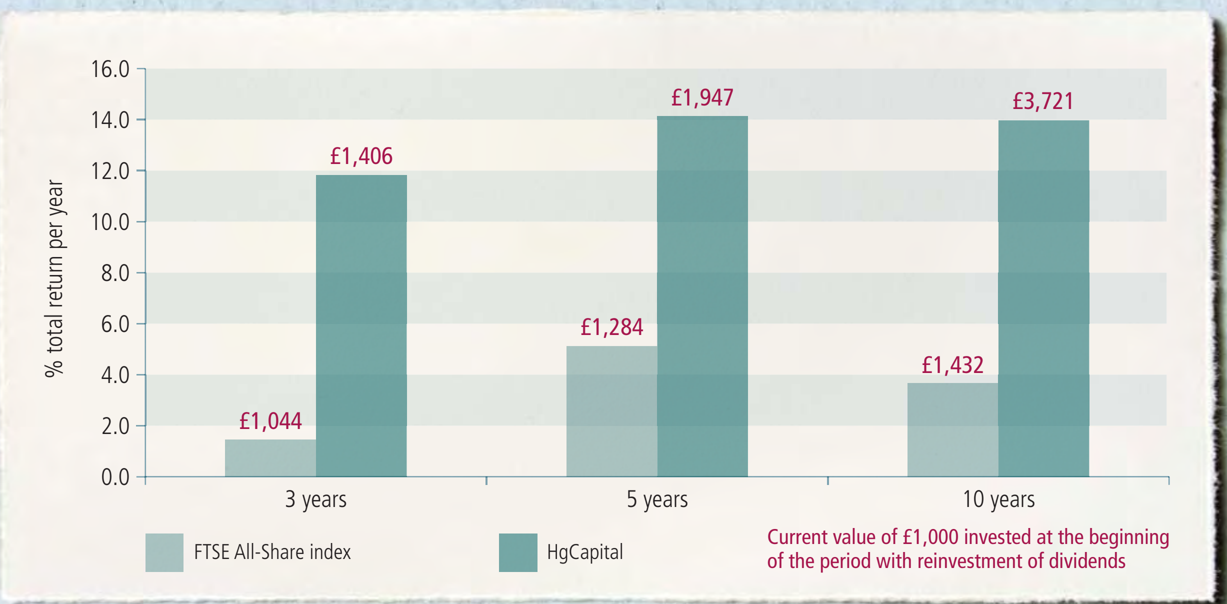
- The need for change in business will be greater.
- The challenge of making radical change, either as a listed company, a state owned enterprise or a family company, will become more intense.
- Debt finance will be scarcer and more expensive.

Performance

We prefer to be measured over periods of 3, 5 and 10 years because this frequency is consistent with the long-term nature of private equity investment and our patient investment strategy. Over three years, the Trust has out-performed the FTSE All-Share index by 10.6% p.a., over five years by 9.2% p.a., and 10 years by 10.3% p.a. net of all costs. £1,000 invested in December 2000 would be worth £1,432 in December 2010 if invested in the FTSE All-Share Index and £3,721 if invested in the Trust. As for 2010, the total return to shareholders was 22.8%, including a dividend of 25 pence per share, paid in April 2010, which compared with 14.5% for the FTSE All-Share Index.

The growth in Net Asset Value per share is a driver of share price performance over the long run. During the year it rose by 22.6% (basic) which is mainly attributed to realised proceeds in excess of the 31 December 2009 book value adding 11% to the NAV and unrealised appreciation contributing 17% to NAV before the reduction from expenditure and payments to the Manager. This unrealised appreciation is mostly due to rising earnings, debt reduction and higher ratings – refer to pages 21 and 22 of this report.

TOTAL RETURN OUTPERFORMANCE AGAINST THE FTSE ALL SHARE INDEX



Trading performance

2010 offered an improving backdrop for the businesses in the Trust's portfolio, partly because over the past five years we have largely avoided making investments in highly cyclical industries. So the portfolio measured by number, by cost or by value is exposed, in the main, to secular growth stories or non-cyclical value plays.

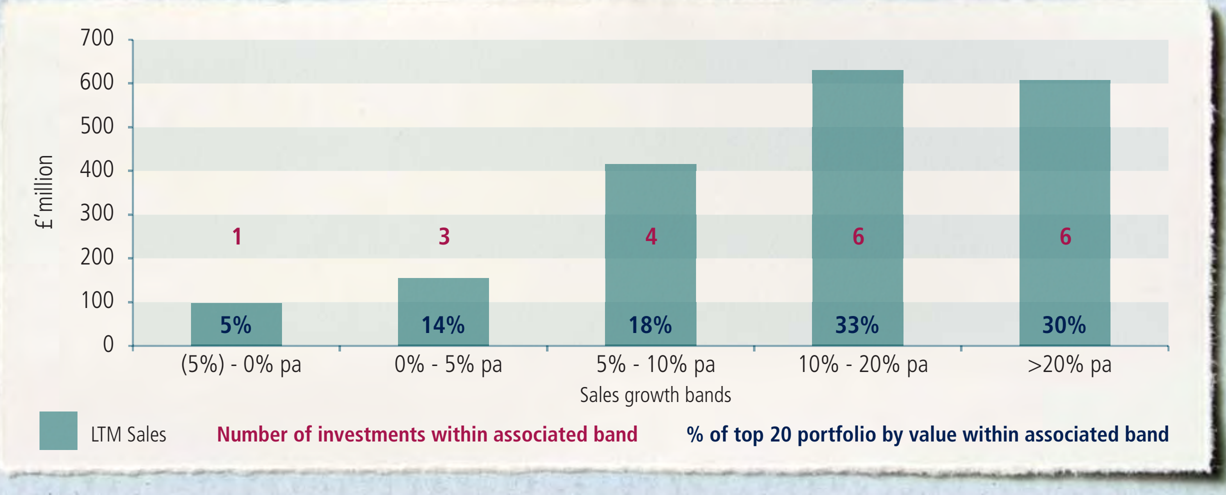
Across the top twenty buyout investments, revenue growth averaged 13% and EBITDA growth averaged 16%, comparing favourably with nominal GDP across Europe. This growth trend fell slightly from 2009 because we added two non-cyclical value plays to the portfolio: in pharmaceuticals (Goldshield); and in telecoms a network operator (Manx Telecom).

The graphs below show the revenues and earnings for the last twelve months to 31 December 2010 for the top 20 portfolio companies, expressed in growth bands. 71% of the portfolio by value has seen profits grow by more than 10%. Less than 10% of portfolio companies by value and number have seen profits fall marginally.

Our portfolio companies are exposed to comfortable levels of gearing (see page 22). The average gearing in the top twenty is 3.6x EBITDA. We have taken advantage of the highly predictable earnings and free cash flows generated by some businesses (Team System, JLA, Voyage and Manx Telecom) to use cheap debt to gear our returns. In others, such as Achilles, Epyx, SHL, Mondo and Goldshield, the balance sheets are under-geared and the companies have the financial flexibility to make acquisitions, expand more aggressively or to refinance and return capital.

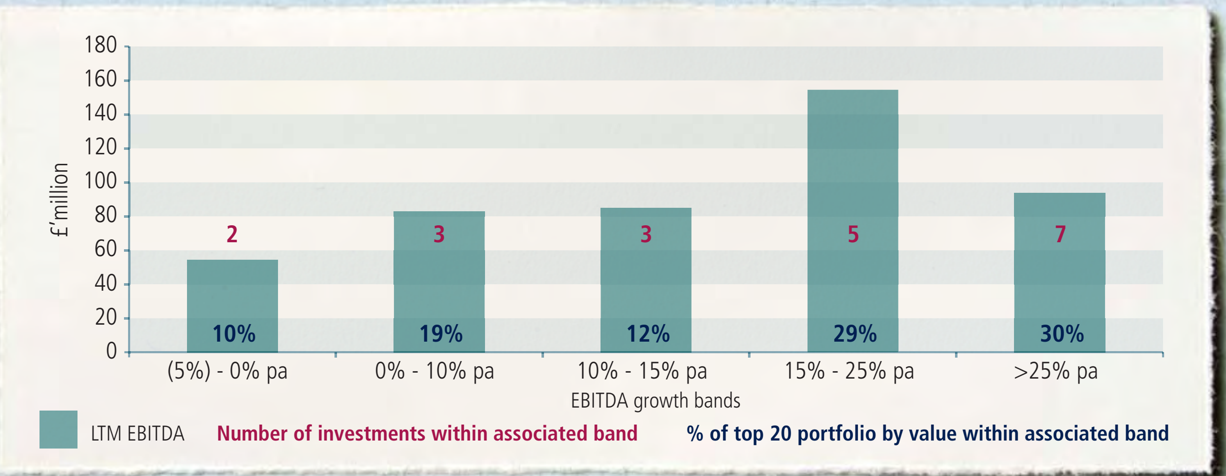
TOP 20 LAST TWELVE MONTHS ('LTM') SALES GROWTH

Exposure to £1.9bn of sales that have grown on average at 13% over the last 12 months to December 2010



TOP 20 LTM PROFIT GROWTH

Exposure to £470 million of EBITDA that have grown on average at 16% over the last 12 months to December 2010

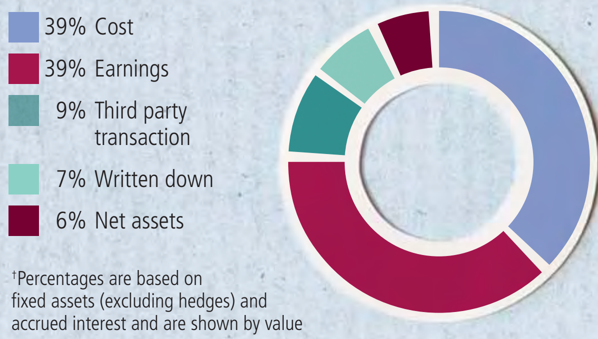


Valuation and Concentration Analysis

The portfolio is valued consistently from year to year, applying the IPEVC Valuation Guidelines. Our valuation of each company has produced an average EBITDA multiple for the top 20 buyout investments (92% of book value) of 9.7x earnings with these companies achieving a 16% average growth rate in EBITDA. Where we have invested in companies operating in cyclical industries adversely affected by the recession, we wrote down their values heavily and early so they represent a minimal share of NAV.

Our preference is to concentrate on a compact portfolio of businesses that we know and understand fully. The top ten buyout investments accounted for 66% of the book value of investments and 46% of NAV, the next ten represented 31% of the book value (22% of NAV); accordingly, over the medium-term, it will be these that are most likely to drive future valuation changes. We continue to pay close attention to each investment and dedicate significant resources to growing their value.

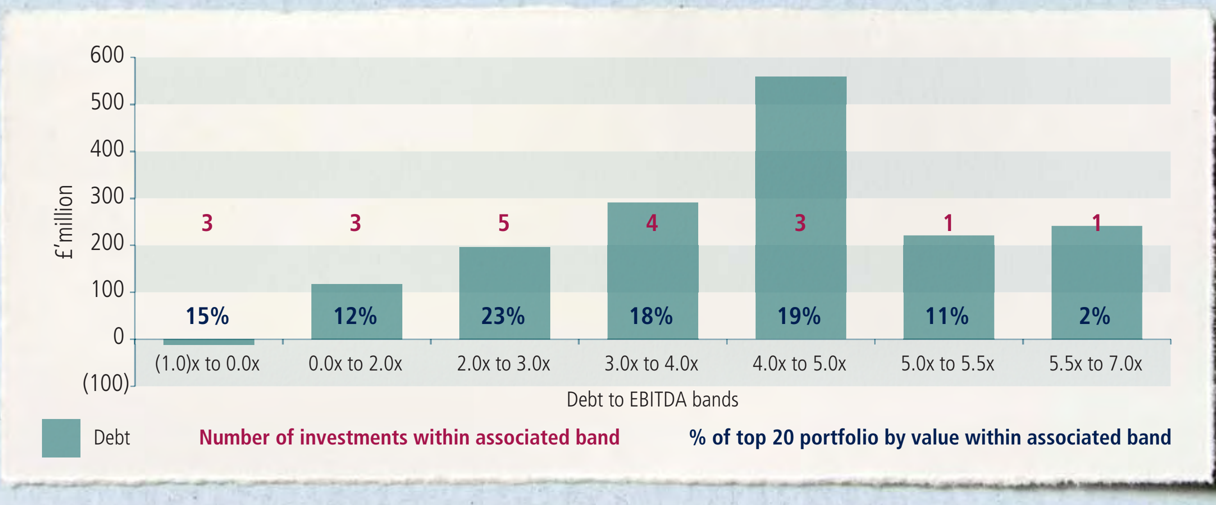
Valuation Basis†



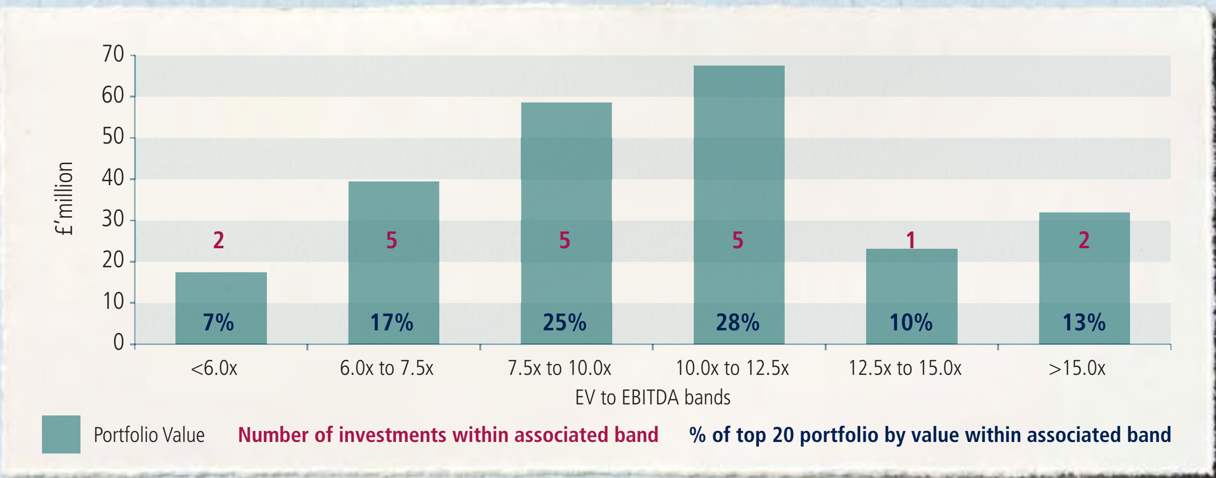
†Percentages are based on fixed assets (excluding hedges) and accrued interest and are shown by value

Our largest investment by value, TeamSystem, is 10% of the value of the portfolio and 7% of NAV. It is the fourth accounting software business we have owned, having invested in and having successfully exited or partially exited Iris, Addison and Visma, each delivering substantial and attractive returns.

TOP 20 DEBT TO EBITDA RATIO – Average debt ratio of the top 20 buyout investments of 3.6x



TOP 20 EV TO EBITDA VALUATION MULTIPLE – Average ratings multiple of 9.7x



Balance Sheet

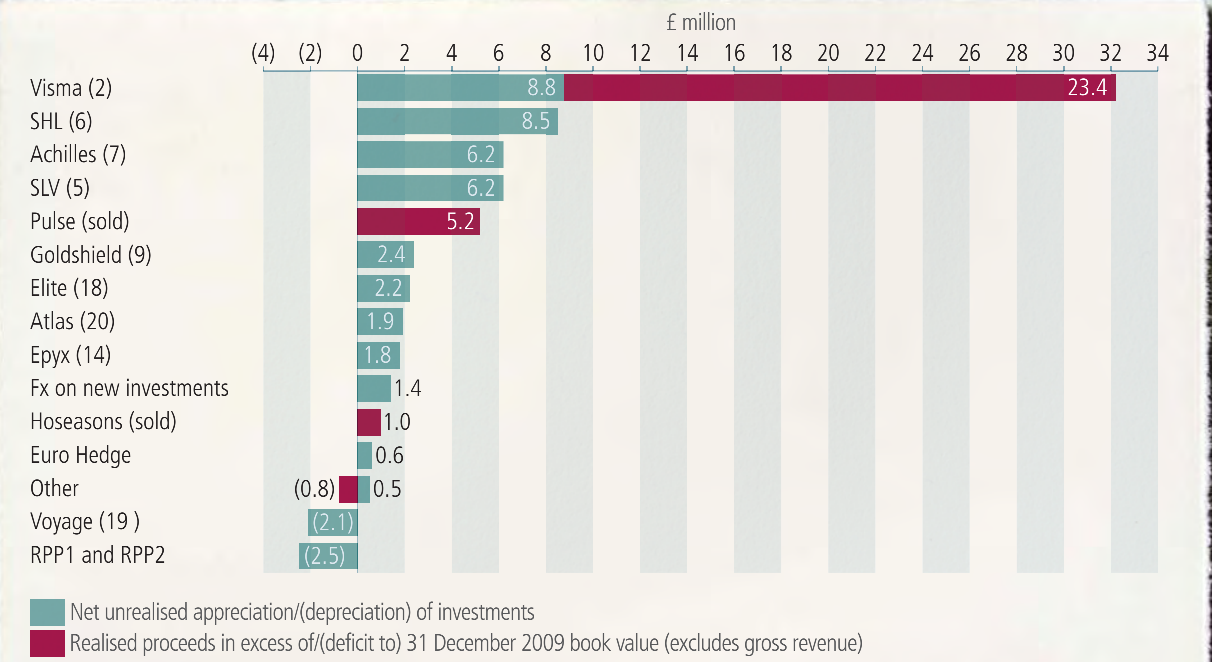
The net assets of the Trust increased by £112.0 million (47%) from £236.0 million to £348.0 million at the year-end. A dividend of 25.0 pence per share was declared in February 2010, decreasing the NAV by £6.3 million, following which the NAV increased after the successful share issue that completed during April 2010, raising £50 million (£48.9 million after costs) at a price of £8.45 per share. The remaining increase was largely due to performance, with realised gains producing £28.8 million, unrealised gains amounting to £35.9 million and £15.0 million of income received or accrued. Total expenditure and other charges, including the Manager's remuneration, resulted in a £10.3 million decrease in the NAV. In summary, the NAV per share rose by 22.6% on a total return basis.

The Trust was also able to put the proceeds of the share issue to work, so that investments amounted to £258.8 million or 74% of net assets. Cash and government securities totalled £90.0 million, which compares with outstanding but undrawn commitments of £212.0 million on HgCapital 5, HgCapital 6, RPP1 and RPP2. This represents an improvement with commitments, less cash and government securities, representing 35% of NAV compared with 73% at 31 December 2009.

The Trust has a unique opt-out for capital calls on HgCapital 6, without incurring the normal penalties that apply to most limited partners. As we enter 2011, the balance sheet has sufficient free capital to continue to exploit any good opportunities we might uncover, both by financing bolt-on acquisitions from existing portfolio companies and through financing new transactions. It remains our belief that 'available capital' is a critical factor in the long-term investor's armoury.

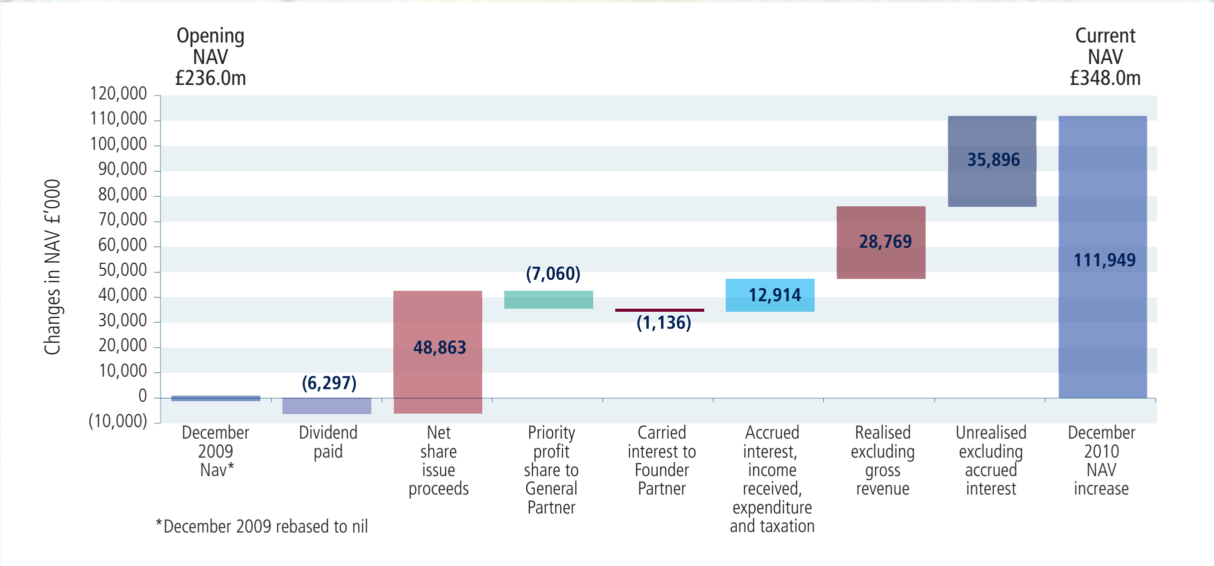
Analysis of movements in net asset value for the year ended 31 December 2010	£'000
Opening net asset value as at 1 January 2010	236,044
Dividend paid	(6,297)
Net proceeds from fundraising	48,863
Gross revenue	15,026
Realised proceeds in excess of 31 December 2009 book value (excludes gross revenue)	28,769
Net unrealised appreciation of investments	35,896
Expenditure and taxation	(2,112)
Priority profit share	(7,060)
Carried interest	(1,136)
Closing net asset value as at 31 December 2010	347,993

REALISED AND UNREALISED MOVEMENTS IN INVESTMENT PORTFOLIO (EXCLUDING ACCRUED INTEREST) FOR THE YEAR ENDED 31 DECEMBER 2010



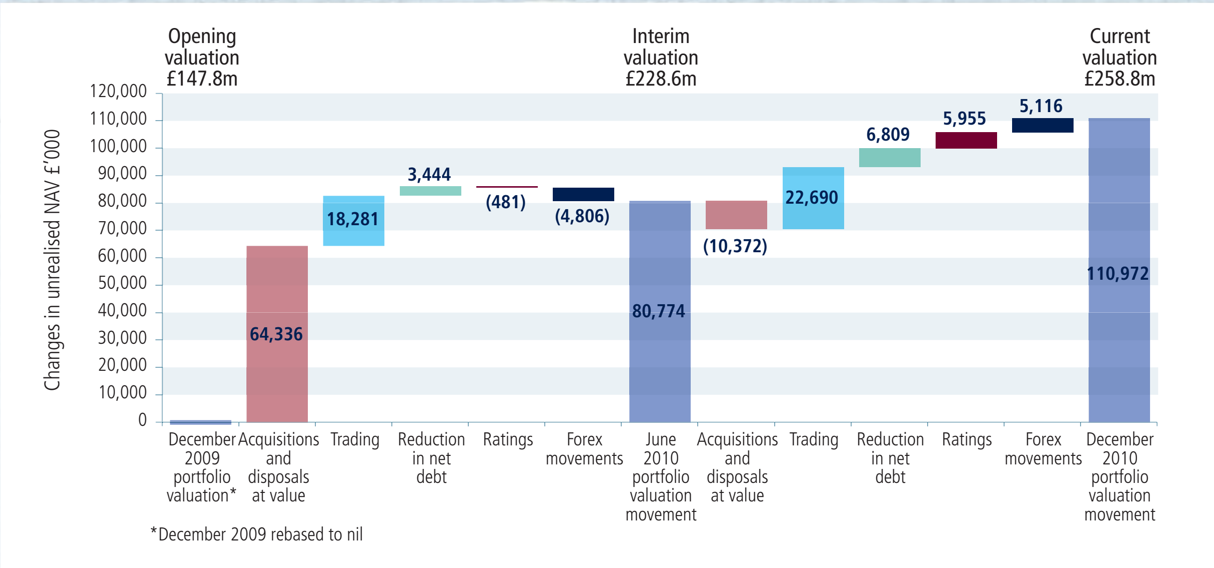
Investment name and ranking within top 20 investment portfolio at year end

ANALYSIS OF NET ASSET VALUE (NAV) MOVEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010



Over the course of the year, the NAV of the Trust increased by 47% from £236 million to £348 million. There were three main drivers of this movement. Firstly, there was the raising of £49 million (net of fees) in an April 2010 share issue intended to fund new investment opportunities. Secondly, it can be attributed to the revaluation of the unquoted portfolio – itself driven by strong trading performance. Lastly, NAV increased by just under £29 million as a result of realisations in excess of book value.

ATTRIBUTION ANALYSIS OF UNREALISED MOVEMENTS IN THE INVESTMENT PORTFOLIO (INCLUDING ACCRUED INTEREST MOVEMENT OF £6.4 MILLION) FOR THE YEAR ENDED 31 DECEMBER 2010



During 2010, the value of the unrealised portfolio increased by just under £111 million. This change can be attributed to a number of things: the net increase of £54 million (£64 million in the first half of the year, minus £10 million in the second half) from acquisitions and disposals, a growth driven by strong trading performance in both halves of the year, the reduction of debt from cashflow generated by the portfolio, and a modest pick-up in ratings in the second half of the year.

Portfolio of Investments

The Trust's strategy is to invest in five sectors, four of them by way of buyouts of businesses (representing 94% of the portfolio by value at year-end). Investment in the fifth sector, renewable power generation (6%), is made into projects through RPP1 and RPP2.

Buyout portfolio

The majority of the portfolio companies grew steadily in 2010, generating surplus cash which was either returned to shareholders in the case of SiTel and Pulse or used to repay debt and finance bolt-on acquisitions.

As at 31 December 2010, the Trust's buyout portfolio comprised 21 investments with value and a small number of residual interests in companies we had sold, which were mostly valued at, or close, to zero. In addition, the Trust held investments which had performed poorly and been written down to zero in previous periods. This report covers only those companies with value.

TMT represented 42% of the total investment portfolio. Over 95% of this value was represented by companies that are all users of technology, rather than developers of technology with the associated frequent challenges of new product development. They included three accounting software companies, a fixed and mobile incumbent telecom network operator, two private electronic market places and a vendor of strategic HR software, sold as a service ('SaaS'). The common themes that run through each one are highly visible revenues, strong market positions and strong cash conversion that permits debt repayment whilst the businesses expand and grow. Achilles and Epyx both grew very strongly as did the new investment in Stepstone. Visma and a new investment, TeamSystem, also continued to grow solidly and Manx Telecom started to implement its buyout strategy which involves investment in new service lines.

Industrials represented 18% of the total investment portfolio. Here, the common theme is that we are backing companies that own and develop high quality technology/design mostly in Germany but manufacture in low cost locations.

2010 saw a resumption of strong growth in our lighting equipment business, SLV, and a cyclical rebound in our industrial minerals business, Mondo, amplified by excellent cost reduction, better pricing policies and improved sales mix.

Healthcare represented 14% of the total investment portfolio. We currently like two areas: long-term care where the payer risk is low, with a preference for specialist care of people with acute disabilities; and low cost pharmaceuticals.

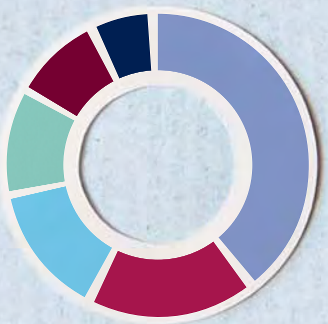
Performance in the year was mixed. Solid profit growth was negated by a reduction in market ratings for long-term care businesses which reduced the equity value of Voyage and Casa Reha. Conversely, Frösunda, an addition in the year which operates in Sweden, both increased earnings strongly and saw no adverse impact on ratings because the payer risk is low. Strong cash generation and higher core earnings increased the value of our pharmaceutical business, Goldshield.

Services investments represented 11% of the total investment portfolio. Two companies, SHL and Atlas, both engaged in HR and compliance services, grew strongly at double-digit rates of revenue and profit growth. SHL benefited from the successful completion of an ambitious restructuring exercise which cut costs, increased productivity and accelerated innovation and sales growth. Our third investment made in 2010 is JLA, a provider of equipment, finance and maintenance to laundries. JLA improved cash generation and started management succession changes as part of our plans to professionalise and improve this solid market-leading business.

Finally, our legacy **Consumer and Leisure** portfolio represented 9% of the investment portfolio. Americana designs and sells branded clothing; Schleich designs and markets toy figurines and Sporting Index is a sports spread betting firm. All have performed solidly and continue to pay down debt. We believe that they offer further value appreciation potential before we exit them at the most opportune time.

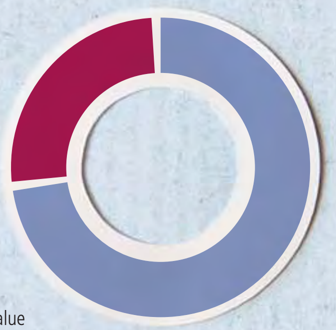
Sector by value†

- 42% TMT
- 18% Industrials
- 14% Healthcare
- 11% Services
- 9% Consumer & Leisure
- 6% Renewable Energy



Asset class††

- 74% Unquoted
- 26% Cash & other assets



†Percentages are based on fixed assets (excluding hedges) and accrued interest and are shown by value

††Percentages are based on net assets

Renewable Power

The Trust invests in renewable energy through RPP1 and RPP2, separate UK funds managed by our dedicated team of seven specialists. The underlying portfolios are divided primarily into three platforms: UK onshore wind, Swedish onshore wind and Spanish solar. The assets are split into onshore wind at 73% of value and solar at 27% of value. All employ proven, commercially viable technologies within the framework of current power price regimes across Europe. We eschew off-shore power generation, as we believe it to be operationally unproven.

Each of the platforms' operating performance was in line with our investment cases since inception, notwithstanding a period of exceptionally low winds by historic standards. Against this robust financial performance we face a decision by the Spanish government to unilaterally change the terms of 25-year contracts with power generators. These changes reduce the income our assets will receive over the next three years.

Accordingly, our valuations of these Spanish assets are based on our updated estimates of reduced net cash flow to equity and on an increased discount rate to reflect the peculiar factors the market now attaches to Spanish sovereign risk and our own addition to reflect Spanish regulatory risk.

The investment case for power generation remains positive as Western Europe faces both a huge need to re-equip its creaking power infrastructure and to reduce its CO_2 emissions.

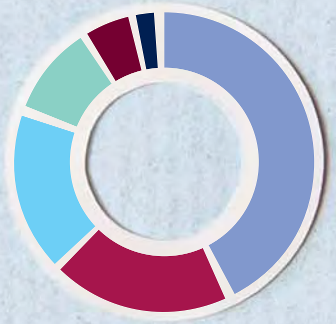
Geography, Vintage Analysis

At the balance sheet date the geographical weighting of the portfolio had moved away from the UK, (down from 50% in December 2009 to 45%) towards the Nordic region, Germany and Italy. We are certainly exposed to developments in each of these economies but also exposed to growth sectors and to the global economy too as many companies are exporters. We have retained a weather eye on the periphery of the eurozone economy, which is set for uncertain times ahead, whereas the core saver economies of the Nordic region and Germany are both performing strongly at present.

The distribution of the portfolio across the years shows that our exposure to the vintages of 2007 and 2008, which may be poor years in retrospect, is quite low at 21%.

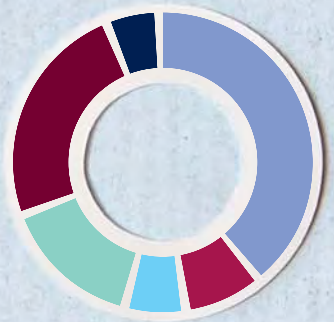
Geographic spread by value†

- 45% UK
- 20% Nordic Region
- 18% Germany
- 10% Italy
- 5% Rest of Europe
- 2% Benelux



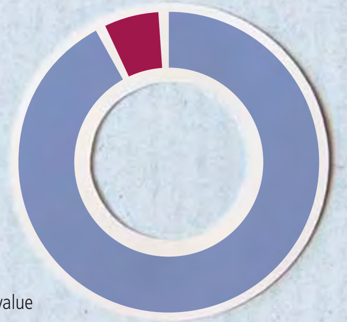
Vintage by value†

- 41% 2010
- 8% 2009
- 6% 2008
- 15% 2007
- 25% 2006
- 5% pre 2006



Deal type by value†

- 94% Buyout
- 6% Renewable Energy



†Percentages are based on fixed assets (excluding hedges) and accrued interest and are shown by value

INVESTMENT PORTFOLIO

THE TOP 20 BUYOUT INVESTMENTS ACCOUNT FOR 92% OF THE PORTFOLIO BY VALUE

Buyout investments (in order of value)	Sector	Location	Year of invest-ment	Residual cost £'000	Total valuation £'000	Portfolio value %	Cum. value %
1 TeamSystem Luxco SARL	TMT	Italy	2010	24,432	25,136	9.7%	9.7%
2 Visma Norway Holdco	TMT	Nordic Region	2006	701	23,116	8.9%	18.6%
3 Stepstone Solutions SARL	TMT	UK	2010	19,316	19,085	7.4%	26.0%
4 Frösunda Luxco SARL	Healthcare	Nordic Region	2010	14,296	15,418	6.0%	32.0%
5 SLV Electronik SARL	Industrials	Germany	2007	5,999	14,532	5.6%	37.6%
6 SHL Group Holdings 1 Limited	Services	UK	2006	7,984	14,224	5.5%	43.1%
7 Achilles Group Holdings Limited	TMT	UK	2008	5,226	12,788	4.9%	48.0%
8 Mondo Minerals Co-op	Industrials	Nordic Region	2007	6,987	12,676	4.9%	52.9%
9 Midas EquityCo SARL (t/a Goldshield)	Healthcare	UK	2009	8,545	11,962	4.6%	57.5%
10 JLA Equityco Limited	Services	UK	2010	11,476	11,476	4.4%	61.9%
11 Manx Telecom Limited	TMT	UK	2010	11,033	11,033	4.3%	66.2%
12 SimonsVoss Luxco SARL	Industrials	Germany	2010	10,065	10,360	4.0%	70.2%
13 Teufel Holdco SARL	Industrials	Germany	2010	9,418	9,605	3.7%	73.9%
14 Epyx Investments Limited	TMT	UK	2009	6,388	9,414	3.6%	77.5%
15 Schleich Luxembourg SA	Consumer & Leisure	Germany	2006	4,634	8,305	3.2%	80.7%
16 Americana International Holdings Limited	Consumer & Leisure	UK	2007	4,625	7,947	3.1%	83.8%
17 Sporting Index Group Limited	Consumer & Leisure	UK	2005	7,207	6,444	2.5%	86.3%
18 Elite Holding SA (t/a Sitel)	TMT	Benelux	2005	3,540	5,367	2.1%	88.4%
19 Voyage Holdings Limited	Healthcare	UK	2006	13,136	4,926	1.9%	90.3%
20 Atlas Energy Group Limited	Services	UK	2007	9,597	4,034	1.6%	91.9%
21 Casa Reha SARL	Healthcare	Germany	2008	8,262	3,023	1.2%	93.1%
22 Software (Cayman), LP - re Blue Minerva	TMT	UK	2006	530	2,224	0.9%	94.0%
23 Software (Cayman), LP - re Guildford	TMT	UK	2007	253	1,030	0.4%	94.4%
24 Weston Presidio Capital III, LP	Fund	North America	1998	2,104	639	0.2%	94.6%
25 Tiger Capital Limited	TMT	UK	2008	632	316	0.1%	94.7%
26 Doc M SARL	Healthcare	Germany	2004	–	177	0.1%	94.8%
27 ACT Venture Capital Limited	Fund	Ireland	1994	26	28	–	94.8%
28 BMFCO UA (t/a Fabory)	Services	Benelux	2007	7,473	–	–	94.8%
29 Cornish Bakehouse Investments Limited	Consumer & Leisure	UK	2007	4,200	–	–	94.8%
30 KVT Coinvest SARL	Industrials	Switzerland	2008	5,827	–	–	94.8%
31 W.E.T Holding Luxembourg SA	Industrials	Germany	2003	7,774	–	–	94.8%
NOK / GBP Hedge	n/a	n/a	n/a	849	543	0.2%	95.0%
Hg5 Euro Hedge	n/a	n/a	n/a	–	(1,289)	(0.5%)	94.5%
Total buyout investments				222,535	244,539	94.5%	
Renewable energy investments							
1 RPP1 Fund	Renewable energy	Europe	2006	14,815	12,425	4.8%	4.8%
2 RPP2 Fund	Renewable energy	Europe	2010	2,314	1,826	0.7%	5.5%
Total renewable energy investments				17,129	14,251	5.5%	
Total all investments (33)				**239,664**	**258,790***	**100.0%**	**100.0%**

The above buyout investments are held through the Trust's investment in HGT LP and HGT 6 LP. See note 1 to the financial statements.
*Including investment valuation of £232,184,000 and accrued interest of £26,606,000 – see notes 12 and 14 to the financial statements.

INVESTMENTS

A record year, investing £111 million in a shallow buyer's market

Seven new buyout investments were made with a total enterprise value of £1.3 billion, using £667 million of equity from our clients, with the Trust's share being £100 million. In each case we have applied the knowledge acquired in our research into various investment themes. These are: compliance and mission critical services and software; telecoms infrastructure; long-term acute care; low cost pharmaceuticals; and German designed products made in China. Details of these new investments may be found in the section beginning on page 31.

In the renewable power business, three new investments with total project values of £254.9 million required £37.6 million of equity from RPP1 and RPP2. The Trust's share of these new investments, other further investments and their share of fees payable by the projects was £5.9 million. Three new investments were made in the year in the UK and Sweden. Each one built on earlier work and grew existing core platforms in Sweden and the UK. We are now co-owners of the largest on-shore wind farms in the UK and Sweden and are the 5th largest operator of solar parks in Spain.

Post-period end, an investment was made into ATC Group, a leading independent provider of corporate secretarial, tax and trust services to multinational corporations and financial institutions. HgCapital Trust plc contributed approximately £9.9 million to the investment.

INVESTMENTS MADE IN 2010*

Company	Sector	Geography	Activity	Deal type	Cost £'000
TeamSystem	TMT	Italy	Software and services business	Buyout	24,432
Stepstone	TMT	UK	Global provider of strategic HR software	Buyout	19,316
Frösunda	Healthcare	Nordic region	Swedish provider of specialist disability care	Buyout	14,296
JLA	Services	UK	Provision of on-premise laundry services and commercial machine sales	Buyout	11,476
Manx Telecom	TMT	UK	Telecommunications and internet provider	Buyout	11,033
SimonsVoss	Industrials	Germany	Provider of digital radio-based locking and access control systems	Buyout	10,065
Teufel	Industrials	Germany	Designer and online retailer of loudspeaker systems	Buyout	9,418
RPP2 Fund	Renewable Energy	Europe	Renewable energy fund	Fund	2,314
New investments					**102,350**
Voyage	Healthcare	UK	Care home operator	Buyout	4,380
RPP1 Fund	Renewable Energy	Europe	Renewable energy fund	Fund	3,603
Visma	TMT	Nordic region	Business application software	Buyout	1,712
Atlas	Services	UK	E-learning products for the oil and gas industry	Buyout	1,444
Epyx	TMT	UK	Electronic marketplace for services to private car fleets	Buyout	446
Goldshield	Healthcare	UK	Markets pharmaceuticals and nutraceuticals	Buyout	(2,730)+
Other investments					213
Further investments					**9,068**
Total investment by the Trust					**111,418**

*The numbers in the table relate to the Trust's share of transactions
+Partial return of initial investment

REALISATIONS

£82 million realised at 2.2x original cost and 64% uplift over book value in December 2009

We entered 2010 believing that the next 12 months would be a buyer's market and realisation activity would be unattractive and hence subdued. The opportunity to buy for value was in fact shallow and competitive buyer interest grew through the year giving us the opportunity to secure good value from realising a number of investments.

Two investments, Hoseasons, a holiday business, and Pulse, a healthcare staffing agency, were long-held investments, both of which had been very heavily written down in earlier periods. Both were revived under new management; both grew to record profits; and both were sold to industry consolidators at attractive prices. Together they returned £84.0 million of capital for our clients, the Trust's share being £36.2 million at an average multiple of cost of 2.0x and a combined uplift over book value of 53% (£29.0 million).

Visma was the third and most significant realisation. It was sold for NOK 11 billion (£1.2 billion) to KKR delivering a 3.7x return on cost, with the Trust's share being £61.5 million representing a 50% uplift over the June 2010 book value. We chose to take 63.5% of this in cash (£39.4 million for the Trust) rolling over the remaining 36.5%, totalling £136.7 million (£22.1 million for the Trust) because, even at the premium price paid, we believe the long-term prospects for Visma remain attractive.

£11.3 million of capital was distributed from the RPP portfolios, which are now generating cash consistently, of which the Trust's share was £0.7 million. Power investments offer long-term high yields which are a partial hedge against the impact of rising energy prices on corporate profits.

Since the period end, we completed the sale of Elite Holdings, trading as SiTel Semiconductor, a producer of microchips targeted primarily at the home wireless voice and data applications market. Proceeds to the Trust amounted to £9.5 million and the uplift over the December 2010 valuation was equal to 13.0 pence per share.

REALISATIONS MADE IN 2010*

Company	Sector	Exit Route	Cost £'000	Proceeds[1] £'000	Cumulative gain/(loss)[2] £'000	Current year gain[3] £'000
Visma	TMT	Secondary sale	16,470	39,365	22,895	21,757[+]
Pulse	Healthcare	Trade sale	6,131	31,186	25,055	6,589
Hoseasons	Consumer & Leisure	Trade sale	2,197	5,065	2,868	2,591
FTSA	Industrials	Liquidation	6,813	–	(6,813)	–
Full realisations			31,611	75,616	44,005	30,937
Elite	TMT	Refinancing	2,209	4,127	1,918	–
RPP1 Fund	Renewable energy	Capital Distribution	758	748	(10)	–
Other			2,504	1,452	(1,052)	1,106
Partial realisations			5,471	6,327	856	1,106
Total realisations			**37,082**	**81,943**	**44,861**	**32,043**

* The numbers in the table relate to the Trust's share of transactions
1 Includes gross revenue received during the year
2 Realised proceeds including gross revenue received, in excess of historic cost
3 Realised proceeds including gross revenue received, in excess of 31 December 2009 book value and accrued interest
+ Minority stake retained, valued at £23.1 million

Developments in HgCapital

2010 was little different from any other year in terms of investment and change at HgCapital. Some of the significant developments in the year worth noting were:

- Increasing our funds under management by £0.3 billion, including the £50 million raised in the Trust's share issue.
- The promotion of the next generation of investment managers to lead each of our four buyout investment teams.
- Recruiting new talent into the business at all levels including at partner and director level.
- Commencing research on smaller mid-market buyouts in TMT.

We have ample capacity to manage the capital entrusted to us by our clients and to identify new areas of endeavour which will be beneficial for our clients, including the Trust.

Prospects

Having the capital to support our portfolio, a well equipped investment team and a portfolio of companies growing revenues and profits, led by a strong cadre of managers, give us grounds for optimism for the future. Yet we continue to recognise the risks posed by a reverse in the global economy caused by an inadequate policy response to global imbalances, which currently manifest themselves in an over-heating Chinese economy, excess debt in Anglo-Saxon economies and sovereign credit risk in the peripheral economies of the eurozone. So we will work to improve the strategic and operational positions of each of our holdings, look at selling for value where appropriate, and reducing our investment rate in a year where we believe demand for new deals will be more intense than it has been since early 2008.

As the economy recovers, attention will shift again to the longer term problems of the costs of a rapidly ageing population and pricing-in the true economic cost of CO_2 emissions. This will happen during a period where the excesses of the last decade have to be worked off via deleveraging and probably through higher inflation than we have been used to over the past 20 years. Companies will need to change their strategies, their portfolios and their operations to succeed. Business will need the patient risk capital and informed and committed approach that HgCapital brings.

If we continue to be alert to risks and opportunities, avoid complacency and continue to find the best managers to back, we remain confident that we can continue to deliver performance and value for shareholders.

TOP 20 BUYOUT INVESTMENTS

Buyout investments are held through limited partnerships of which HgCapital Trust plc (the 'Company') is the sole limited partner. The Company invests alongside other clients of HgCapital. Typically, the Company's holding forms part of a much larger majority interest held by HgCapital clients in buyout investments in 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.

1 TeamSystem

Website: www.teamsystem.com **Original enterprise value:** €570 million **HgCapital clients' total equity:** 50%

Business description
TeamSystem is a leading market provider of business-critical, daily-use SME software products in Italy. Headquartered in Pesaro, the company has a diverse base of over 80,000 customers. It has 27 offices in Italy and employs approximately 800 people.

Why did we invest?
TeamSystem is HgCapital's seventh investment into business-critical back office software. The company has a track record of strong performance and delivered organic revenue growth of 6% p.a. between 2007 and 2009, trading resiliently through the downturn. Its stable nature (with more than 50% of revenues by way of annual subscriptions), strong cash generation and room for growth in both the business and its market, all supported our decision.

How do we intend to create value?
Alongside organic growth, management intends to cross-sell products to TeamSystem's existing client base through the use of add-on modules such as reporting, analytics and payroll.

The potential to complete a number of add-on acquisitions of complementary software businesses in Italy has also been identified.

What has been achieved?
At this early stage of the investment's life we are focused on an in-depth review to identify key growth areas for the business and to confirm the investment case.

How is it performing?
TeamSystem has already traded ahead of prior year with good growth in both sales and EBITDA. Some anticipated growth has been delayed until 2011 as changes in tax legislation that will require customers to upgrade their software were postponed.

How will we crystallise value?
We see a diverse range of exit options for TeamSystem, with interest from trade and financial buyers expected and an IPO on the Italian stock market also a possibility.

To support an attractive exit rating for the business we will look to drive organic growth both by leveraging the existing customer base and by continuing to grow customer numbers.

Trust's Investment – TeamSystem

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Accrued interest £'000	Total value £'000	Valuation methodology
TMT	Italy	Aug 2010	24,432	25,136	–	25,136	Cost

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

2 Visma

Website: www.visma.com **Original enterprise value:** NOK4.3 billion **HgCapital clients' total equity:** 16%

Business description

VISMA is the number one provider of business software and related services to small and medium-sized enterprises in the Nordic region.

The company provides accounting, resource planning and payroll software, outsourced book-keeping, payroll services and transaction process outsourcing.

Why did we invest?

Visma is an early example of HgCapital's focus on business critical 'software as a service' firms operating within a fast growing marketplace. The company enjoys high barriers to entry due to complex regulation and high levels of predictable recurring revenue resulting from a subscription payment model.

Room for improvement was identified in profit margins that were below those of most of its competitors. This was due to significant investment in the business and a delay in the benefits expected from a number of recent acquisitions.

How do we intend to create value?

In September 2010, a 64% stake in the business was sold to KKR. This valued the business at £1.2 billion, of which our clients' stake was worth £380.0 million (an investment multiple of 3.7x). HgCapital continues to hold a stake and hopes to benefit from further potential in the next few years.

What has been achieved?

During the course of the investment, the company has made several bolt-on acquisitions including Accountview, Sirius IT and Teemuaho. These deals bolstered organic growth from innovation in new services and products while margins were improved through rethinking Visma's internal processes.

How is it performing?

There was continued strong growth in 2010 with growth in both sales and EBITDA up on prior year.

How will we crystallise value?

There is plenty of potential for further value to be generated through an IPO in the next few years.

Trust's Investment – Visma

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Accrued interest £'000	Total value £'000	Valuation methodology
TMT	Nordic region	May 2006	701	23,116	–	23,116	Third party transaction

3 StepStone Solutions

Website: www.stepstonesolutions.com **Original enterprise value:** €110 million **HgCapital clients' total equity:** 79%

Business description
StepStone Solutions is a leading provider of strategic HR software (recruiting and talent management) to medium and large enterprises in Europe, operating in 16 countries with 430 full-time employees.

The business operates a subscription-based model (more than 60% of total revenue) with a strong recurring consulting element. Customer retention rates are high at around 95%.

Why did we invest?
StepStone lies within the sub-sector focus on 'software as a service' (e.g. Visma, Achilles, Epyx) where companies experience high levels of recurring revenue from long-term customers which leads to stability and high margins.

The company has achieved strong organic growth, with scope for further margin improvement, and has been gaining share since 2003 in a market growing at 15%-20% p.a. There is also the opportunity to consolidate the market by acquiring local players.

How do we intend to create value?
StepStone's management intends to drive subscription revenue growth by capitalising on their leading technology, improving cross- and up-selling into the existing customer base and investigating partnerships with HgCapital portfolio companies.

There is also an increased focus on costs to improve margins and the strengthening of the company's international presence both organically and through bolt-on acquisitions.

What has been achieved?
A first bolt-on acquisition, Mr. Ted, has been made and their globally-sold Talentlink product has been added to the StepStone range of services. An initial cost saving programme has been successfully completed.

How is it performing?
Sales and EBITDA have grown well in 2010, partly driven by an increased demand for consulting services.

How will we crystallise value?
Multiple options are available as there is high demand for vertical technology companies. StepStone has received strong interest from trade buyers but we may also contemplate an IPO or a sale to another private equity buyer.

Trust's Investment – StepStone Solutions

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Accrued interest £'000	Total value £'000	Valuation methodology
TMT	UK	Aug 2010	19,316	19,085	–	19,085	Cost

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

4 Frösunda

Website: www.frosunda.se **Original enterprise value:** SEK1.5 billion **HgCapital clients' total equity:** 88%

Business description

Frösunda provides specialist care and personal assistance for people with physical or mental disabilities. It also has an emerging psychiatric and schools business.

Headquartered in Solna, Sweden, Frösunda employs around 3,700 and cares for over 1,600 people.

Why did we invest?

Frösunda represents HgCapital's fourth investment into healthcare services. It is one of the leaders, with considerable market share, in a sub-segment of the healthcare market growing at over 10% p.a. and protected by intensifying regulation and high patient care requirements.

The business benefits from visible recurring revenue and low customer churn. There are clear opportunities to improve margins through economies of scale. There is also potential to expand into adjacent market segments which the company has already shown through recent M&A.

How do we intend to create value?

HgCapital will work with management to develop Frösunda as an independent business and as the leading provider of specialist care in Sweden.

We intend to grow the business organically while broadening into adjacent markets where the company can apply its expertise. Expansion through acquisition will be key to our growth plans and a first bolt-on investment, Norlandia, has already been made. There is considerable room for margin improvement by focusing on operational excellence.

What has been achieved?

The senior team at Frösunda is in the midst of executing the 100 day plan developed alongside HgCapital. This will see improvements in sales force effectiveness, productivity and product range while also looking at potential bolt-on acquisitions.

How is it performing?

In 2010, Frösunda experienced good growth in both sales and EBITDA.

How will we crystallise value?

We expect Frösunda to appeal to one of the large Swedish healthcare conglomerates, another financial buyer, or to the public through an IPO.

Trust's Investment – Frösunda

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Accrued interest £'000	Total value £'000	Valuation methodology
Healthcare	Nordic region	Jun 2010	14,296	15,418	–	15,418	Cost

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

5 SLV

Website: www.slv.com **Original enterprise value:** €280 million **HgCapital clients' total equity:** 66%

Business description
SLV is a fast growing and highly profitable German provider of lighting systems and decorative lighting solutions with a B2B focus. Products are only sold through catalogues.

SLV has a competitive advantage in the areas of product development and design, production, warehousing and logistics, and distribution.

Why did we invest?
SLV 's fast, profitable growth, strong cash flow and competitive business model give it the clear potential to increase market share in Germany, to grow strongly in other European countries and to enter other markets.

How do we intend to create value?
Our plan is to grow sales and gain market share in existing European markets, improve cooperation with business partners, enter new markets and reduce leverage quickly.

What has been achieved?
The management team has been strengthened while strategies and plans to enter the US market are bearing fruit. Relationships with business partners have been redefined and new partners added in Europe to support growth.

How is it performing?
Despite the uncertain environment, SLV managed to significantly grow sales and EBITDA in 2010 following flat performance in 2009. Promisingly, new markets are showing particularly strong growth prospects.

How will we crystallise value?
SLV should be an attractive target for both private equity and trade buyers.

Trust's Investment – SLV

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Accrued interest £'000	Total value £'000	Valuation methodology
Industrials	Germany	Aug 2007	5,999	11,556	2,976	14,532	Earnings

6 SHL

Website: www.shl.com **Original enterprise value:** £102 million **HgCapital clients' total equity:** 75%

Business description
SHL is the UK market leader in objective psychometric testing and has a global presence.

The business consists of the development and sale of 300 different types of psychometric tests to corporate clients and the provision of psychologists for the administration and interpretation of tests.

Why did we invest?
SHL's position at the head of a growth market with a blue chip customer base provided an opportunity to invest aggressively to increase SHL's share of customer spend and access high growth geographies through focusing on new technology and products.

How do we intend to create value?
Our plan was to invest in new sales resources, to focus the business on higher margin web sales and to invest in new technology to increase product performance.

What has been achieved?
Following a tough year in 2009 the business has rebounded strongly, with profits and revenues on the increase. A merger with US-based Previsor was completed post-period end in January 2011.

The deal was executed on an all equity basis, with a universal rollover of existing management ownership into the combined business, and no additional funding requirement from clients. HgCapital will retain a 50.5% stake of the enlarged group, with Veronis Suhler Stevenson, the private equity investor in PreVisor, retaining a minority position.

The merged company will be able to provide a broad range of assessment solutions across a variety of roles to support both recruitment and development decisions. Its offering will be available in more languages and countries than any other talent management provider.

How is it performing?
Sales in the year to date have been strong and costs have been effectively kept under control leading to very strong recovery in growth in EBITDA after a difficult 2009.

How will we crystallise value?
Following the merger we will focus on achieving the target cost and revenue synergies of the combined businesses. The business will be one of the largest and most profitable in the human capital market and should be an attractive acquisition target as well as potential IPO candidate.

Trust's Investment – SHL

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Accrued interest £'000	Total value £'000	Valuation methodology
Services	UK	Oct 2006	7,984	10,473	3,751	14,224	Earnings

7 Achilles

Website: www.achilles.com **Original enterprise value:** £75 million **HgCapital clients' total equity:** 63%

Business description
Achilles operates schemes whereby buyers in a certain industry require their suppliers to subscribe and to provide information to the Achilles online database; for suppliers it is mandatory to join the scheme if they wish to supply to the buyer group and both buyers and suppliers pay annual subscription fees.

Achilles currently operates more than 30 schemes across 22 countries.

Why did we invest?
Achilles is a prime example of HgCapital's subscription-based 'software as a service' thematic investment strategy. It is a market leader in a fast growing industry, with significant recurring revenue streams and high barriers to entry.

How do we intend to create value?
With high levels of contracted revenue, Achilles' position as global market leader with high barriers to entry and a scalable business model reveals considerable potential in revenue and margin growth.

What has been achieved?
Achilles' senior management team has been strengthened with significant new hires, while internal process projects on pricing, back-office management and sales practices are beginning to bear fruit.

There has also been considerable investment in a new common IT system, used across all areas of the business.

How is it performing?
Performance has been significantly up on the prior year with good growth in both sales and EBITDA.

In March 2011, Achilles was named as the Times Buyout Track 100 Best Buyout Deal of the Year and was also ranked at number 13 in The Times 2011 Buyout Track List, designed to highlight private equity-backed companies with the fastest growing profits in the UK.

How will we crystallise value?
There has been strong interest from the Private Equity community and Achilles' protected revenue base will maintain this interest throughout the economic cycle. A trade sale or IPO are also attractive outcomes.

Trust's Investment – Achilles

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Accrued interest £'000	Total value £'000	Valuation methodology
TMT	UK	Jul 2008	5,226	11,458	1,330	12,788	Earnings

8 Mondo Minerals

Website: www.mondominerals.com **Original enterprise value:** €230 million **HgCapital clients' total equity:** 89%

Business description
Mondo is the European number two in talc mining and processing. Its core markets are the paper and paint industries. It supplies the majority of talc for paper producers in Finland, the rest of the Nordic region and Northern Europe.

Why did we invest?
Mondo's core customer base offers long-term demand. The product is a critical but low cost technical component in its customers' manufacturing processes.

Due to the specific characteristics of talc, an opportunity exists to push into other high margin applications and increase the size of the non-paper business. There is also opportunity for margin improvement through process change.

How do we intend to create value?
The strategy is to grow sales in higher margin applications, reduce costs through better procurement and process and enter new expanding BRIC markets through acquisition and joint ventures.

What has been achieved?
Sales in non-paper applications have increased, processes improved, milling operations have switched from oil to electricity, and Mondo has expanded alongside its customers to serve their global needs.

How is it performing?
Mondo has been trading very well over the year with a steady increase in shipped volumes, sales and EBITDA.

How will we crystallise value?
We believe that Mondo will be an attractive target for industrial minerals companies to enter into or reinforce their position in the talc industry. Mondo already has world-class margins and cash generation. These characteristics, together with the build up of a strong management team should also make Mondo attractive to secondary buyout investors.

Trust's Investment – Mondo

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Accrued interest £'000	Total value £'000	Valuation methodology
Industrials	Nordic region	Oct 2007	6,987	9,159	3,517	12,676	Earnings

9 Goldshield

Website: www.goldshield-pharmaceuticals.com **Original enterprise value:** £179 million **HgCapital clients' total equity:** 53%

Business description
Goldshield is a profitable niche pharmaceutical and consumer health products company focused on the UK.

The pharmaceutical division sells mature branded products and niche generics, typically re-formulating them to extend their lives. It is primarily focused on serving the UK, where demand for its products benefits from attempts to reduce prescription costs.

Goldshield also has a small consumer health division which sells a range of weight management and consumer health products.

Why did we invest?
The business operates in a protected niche of the pharmaceuticals market and can act as a platform for acquisition-based growth.

It benefits from having a lean operating model which delivers attractive margins and strong cash conversion. We believe that surplus cash can be used to acquire new products and to finance licensing deals that will extend the product portfolio and deliver continued growth.

How do we intend to create value?
The business can be simplified by withdrawing from unprofitable activities and grown by acquiring/licensing more products in the pharmaceutical business.

What has been achieved?
A new management team has been recruited including a Chairman, CEO and Heads of Operations and Business Development. A streamlining process has begun with the disposal of some Consumer Health and other non-core assets. The new executives are driving improvements in their respective areas particularly Quality Assurance, Product Development/Acquisition and Operations.

How is it performing?
Pharmaceutical sales are flat with underlying market growth offset by a new competitor in a core product area. Consumer Health sales are declining and this division is being exited. EBITDA is strongly ahead of the prior year and expectations, with significant cash on the balance sheet.

How will we crystallise value?
The most likely exit route is a trade sale to a larger pharmaceutical company.

Trust's Investment – Goldshield

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Accrued interest £'000	Total value £'000	Valuation methodology
Healthcare	UK	Dec 2009	8,545	10,924	1,038	11,962	Earnings

10 JLA

Website: www.jla.com **Original enterprise value:** £150 million **HgCapital clients' total equity:** 75%

Business description
JLA is the number one service provider to the on-premises laundry market in the UK, providing distribution, rental and servicing of commercial laundry machines to more than 18,000 UK SMEs.

The company is also the leading provider of coin-operated, commercial machines into accommodation units (e.g. universities, worker accommodation units etc.) which it services via its Circuit brand.

Why did we invest?
JLA has significant market share and strong operating performance, including sustained organic growth through the period 2007-2009.

The customer base is highly fragmented and considers laundry as a mission critical part of their day-to-day business. With a high proportion of customers in long-term contracts (representing over 70% of revenues and 85%+ of profits), there are attractive recurring revenues.

How do we intend to create value?
HgCapital is working alongside management to increase the benefit of selling new products and services through JLA's existing sales force and service network.

In addition there are plans to drive add-on acquisitions while assisting the company to secure the financing to enable it to grow.

What has been achieved?
A first small bolt-on acquisition has been made in CityNet, a producer of temperature monitoring systems, bolstering JLA's product range.

How is it performing?
Performance for the year to date has been largely flat for both sales and EBITDA with a poor first half being countered by improvements in the second.

How will we crystallise value?
The most likely exit route for JLA is either a secondary sale or a trade sale. Ahead of exit, HgCapital will focus on repositioning JLA as a platform for selling hard facility management services into SMEs, which could potentially lead to a re-rating of the business.

Trust's Investment – JLA

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Accrued interest £'000	Total value £'000	Valuation methodology
Services	UK	Mar 2010	11,476	11,476	–	11,476	Cost

11 Manx Telecom

Website: www.manxtelecom.com **Original enterprise value:** £159 million **HgCapital clients' total equity:** 80%

Business description
Manx Telecom is the primary fixed and mobile telecom operator on the Isle of Man. A former monopoly, it provides telecommunication and data services to commercial and consumer customers.

In addition to its on-island activities, the company has developed a number of niche off-island voice and data hosting businesses which are delivering further growth.

Why did we invest?
Manx Telecom is the incumbent operator in a high growth economy where quality telecoms are critical for many businesses and spending in the sector has historically grown above real GDP.

The company enjoys a leading market position and a favourable regulatory environment which encourages infrastructure investment.

How do we intend to create value?
HgCapital will continue to invest in the network to drive growth in the core business while further investment in the Isle of Man's infrastructure through the development of a new data hosting centre will support continued growth in this high margin business area.

We will pursue margin improvement to levels in line with leading small island telecoms operators and management will be supported in the continued growth of new off-island opportunities. There is potential for bolt-on acquisitions to further expand the business.

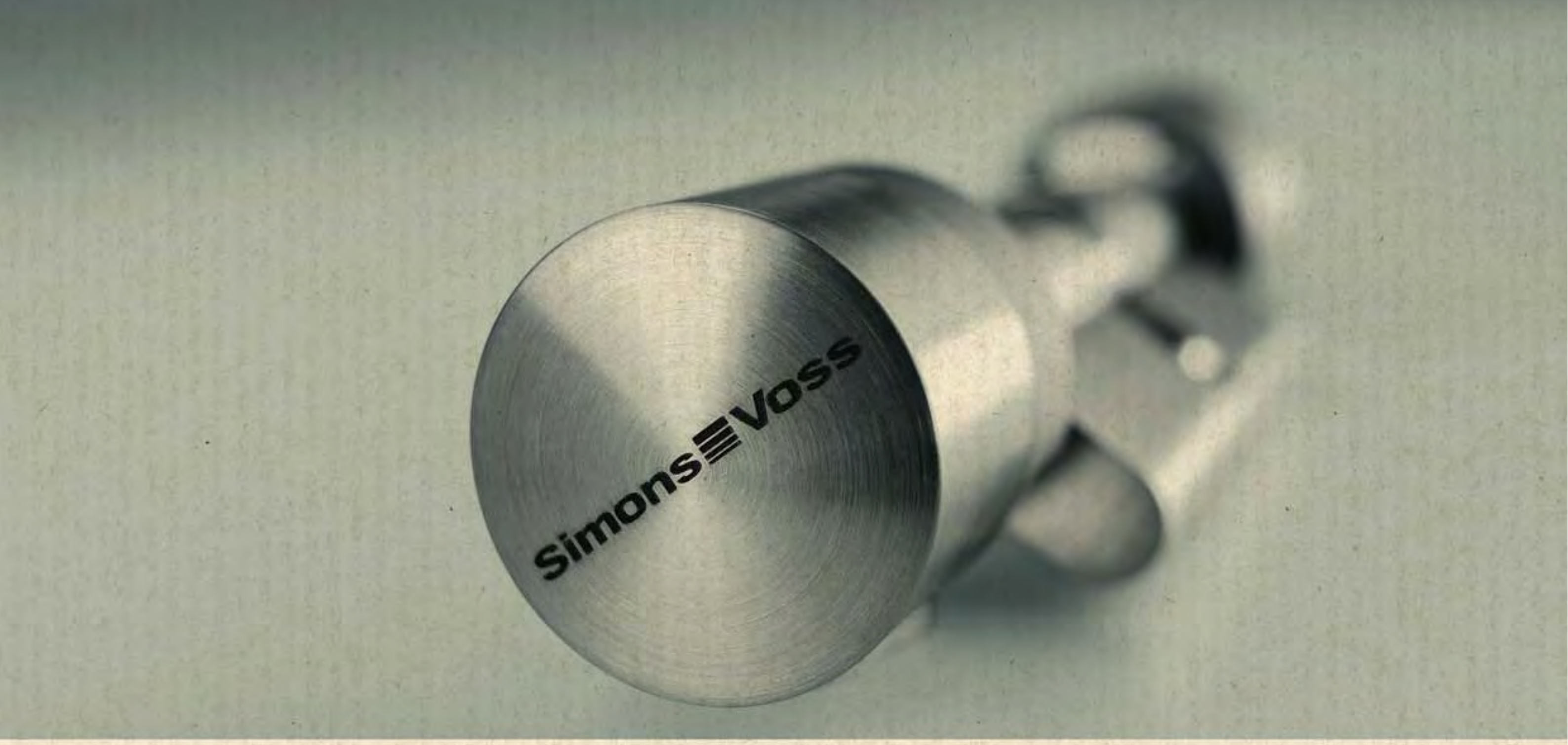
What has been achieved?
In the nine months since our investment the company has successfully completed the spin out from previous owner Telefonica, and adjusted well to life as an independent business. Best in class reporting and KPI monitoring processes have been put in place and a strategic review carried out identifying key areas for future growth, with planning for construction of a new data centre and roll out of high speed broadband well underway. In 2011, Manx Telecom was listed in the Sunday Times 100 Best Companies To Work For.

How is it performing?
The company experienced flat sales and a slight decrease in EBITDA compared to the prior year due to exceptional one-off revenues in 2009 and the extra costs incurred as a result of Manx Telecom becoming a stand-alone company.

How will we crystallise value?
The business in its current form is expected to be attractive to a number of trade and financial buyers but successful growth in the scale of the business through acquisitions will make the business attractive to larger private equity players who have a successful track record in the telecoms space.

Trust's Investment – Manx Telecom

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Accrued interest £'000	Total value £'000	Valuation methodology
TMT	UK	Jun 2010	11,033	11,033	–	11,033	Cost



12 SimonsVoss

Website: www.simons-voss.com **Original enterprise value:** €112 million **HgCapital clients' total equity:** 69%

Business description
SimonsVoss is the European market leader in the development, manufacture and marketing of electronic battery powered locking and access systems for public, commercial and residential buildings. Revenues come primarily from Germany with additional presence in France and Benelux.

Why did we invest?
Operating in a niche market segment with high barriers to entry (development costs and certification in particular), the company's robust trading through the recent recession saw them gain market share in a depressed market and the business grew EBITDA by an average of 28% each year between 2005 and 2009.

The business is well placed to benefit from the low penetration of the overall market for electronic locking systems (5% in Europe and 19% in Germany); there is also an opportunity for further expansion into the US and Asia and into attractive new product segments.

SimonsVoss has an established in-house R&D function and develops innovative new products while minimising the cost of existing ones.

How do we intend to create value?
By building sales teams in all markets we can increase revenue, with the strongest growth coming from European countries outside Germany. This can be supported by additional products such as passive technology, digital escutcheon and compact readers, all of which can help to open up new markets.

Margins can be partly improved by increasing volumes and achieving a variety of operational efficiencies.

What has been achieved?
At such an early stage in the investment, the primary objective so far has been to navigate an expanded product range to market, giving a newly bolstered sales force something to use as it expands internationally.

How is it performing?
In spite of weakness in the industry, SimonsVoss saw slight increases on prior year in both sales and EBITDA.

How will we crystallise value?
SimonsVoss offers a strong platform to enter the fast growing market for electronic cylinders so an exit to a trade buyer seems most likely.

Trust's Investment – SimonsVoss

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Accrued interest £'000	Total value £'000	Valuation methodology
Industrials	Germany	Jun 2010	10,065	10,360	–	10,360	Cost

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

13 Teufel

Website: www.teufel.de **Original enterprise value:** €105 million **HgCapital clients' total equity:** 84%

Business description
Teufel Speakers is a leading designer and online retailer of loudspeaker systems in Germany. The company designs, markets and sells under its own brand directly through its internet platform.

Based in Berlin with 72 employees, the business is focused on providing value for money products to the mid-to-high-end segment of the market.

Why did we invest?
Teufel has a pure online sales model with high operating margins while still being able to offer products at a 10%-20% lower price point than its competitors. The market it serves has been growing thanks to the ongoing switch to flatscreen TVs, surround sound and portable media devices in the household, all requiring speakers. Teufel's revenue grew at a rate of 18% per annum between 2007 and 2009.

Loudspeakers enjoy stable prices and margins and Teufel designs its own products, eliminating the risk of disintermediation, a business model with certain similarities to other successful HgCapital investments like SLV and Schleich.

How do we intend to create value?
Initial expansion into the UK and Benelux has generated immediate sales success and HgCapital intends to support management to continue to grow the core business in Germany alongside these international efforts.

There is considerable room for improvement in margins, marketing, brand recognition and especially in the product range where we look forward to the continued launch of new, state-of-the-art products and technologies.

What has been achieved?
The additional acquisition of wireless audio company, Raumfeld, gives Teufel an entry into a small but fast growing, high margin audio segment. At this early stage, Teufel is primarily concerned with new product development.

How is it performing?
Teufel has seen significant increase in sales and EBITDA across 2010.

How will we crystallise value?
Several buyers could be interested in a trade sale if the business becomes larger and more international. Financial investors looking for an asset light business model with attractive growth and cash flow characteristics, industry players interested in the trend towards listed eCommerce, and an IPO are all possible outcomes.

Trust's Investment – Teufel

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Accrued interest £'000	Total value £'000	Valuation methodology
Industrials	Germany	Jul 2010	9,418	9,605	–	9,605	Cost

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

14 Epyx

Website: www.epyx.co.uk **Original enterprise value:** £90 million **HgCapital clients' total equity:** 49%

Business description
Epyx provides a private electronic marketplace serving the vehicle contract hire and leasing market. The Epyx service enables both customers and suppliers to reduce costs and increase efficiency across multiple business processes.

The Epyx marketplace connects over 60 of the UK's largest vehicle fleet operators and 9,000+ suppliers of critical services to these fleets. The company is very well established in the UK and is now investing in European growth.

Why did we invest?
We like companies which possess resilient growth characteristics and high levels of revenue visibility, which operate in business-critical niche markets, and which have the potential to generate high cash flow margins. Epyx fits this model perfectly.

The company's applications are embedded in its customers' business processes, offering a low-cost and highly reliable method of administering the servicing, relicensing, hire and disposal of fleet vehicles.

The company uses its high level of cash generation to continually invest in growth. Epyx provides its customers with a stream of innovative products, and is further investing in development and sales to win new business in Europe.

How do we intend to create value?
Value is being created by selling more services to the existing customer base and by expanding internationally.

What has been achieved?
A strategic business review has been implemented to decide on core focus areas in a highly selective manner. We are working to identify and approach potential acquisition targets.

How is it performing?
Epyx has seen strong growth in sales and EBITDA in the year to date which is expected to continue as new business lines are rolled out.

How will we crystallise value?
We believe the exit options for Epyx are attractive, with a trade sale or secondary buyout being viable exit options.

Trust's Investment – Epyx

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Accrued interest £'000	Total value £'000	Valuation methodology
TMT	UK	Jun 2009	6,388	8,149	1,265	9,414	Earnings

15 Schleich

Website: www.schleich-s.com **Original enterprise value:** £165 million **HgCapital clients' total equity:** 76%

Business description
Schleich is the leading producer of low price classic toy figurines, such as farm and wildlife animals, historical characters and The Smurfs.

Its products are sold in over 30 countries, including its home market of Germany, the US, the UK and France.

Why did we invest?
Schleich's figurines are attractive to retailers, given their low seasonality, high sales and attractive margins.

The company benefits from relatively high barriers to entry given its wide product range, brand, established retailer network and a high quality, low cost supply base.

Revenue growth is supported by continual innovation in the product range.

How do we intend to create value?
Drive sales growth organically in existing markets and through international expansion. Penetrate large key accounts. Capture margin improvement through increased scale.

What has been achieved?
Schleich has rolled out 8,000 metres of new shelf space, introduced a new pricing policy and acquired major key accounts, including ELC, Edeka and Toys 'R' Us. The online business is under review and new management in the US is performing well.

How is it performing?
Strong product demand in the year was hampered by availability issues which were solved at the end of 2010 leaving Schleich with sales and EBITDA only moderately up on prior year.

How will we crystallise value?
Several multi-national toy makers represent natural trade buyers; stable profits and risk profile could also support a secondary buyout or an IPO. We have watched the success of recent German IPOs (eg. Kabel Deutschland, Brenntag, Tom Tailor) with interest.

Trust's Investment – Schleich

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Accrued interest £'000	Total value £'000	Valuation methodology
Consumer & Leisure	Germany	Dec 2006	4,634	6,408	1,897	8,305	Earnings

16 Americana

Website: www.bench.co.uk **Original enterprise value:** £180 million **HgCapital clients' total equity:** 45%

Business description
Americana is a branded apparel business, primarily focused on designing and marketing Bench brand products aimed at both men and women in the 16 to 25 age group.

The company achieves UK-wide distribution through multiple UK retailers as well as its own small UK retail presence. It has entered the German market successfully, employing a wholesale distribution strategy.

Why did we invest?
Bench is a strong brand that can be developed internationally. A high margin, cash generative business underpinned by a strong supply chain based in China.

How do we intend to create value?
Management's plan is to build Bench's brand equity and value by growing revenues internationally, both in Germany and in less established territories, whilst at the same time refreshing its credentials in the mature UK market.

Success in both areas will increase profits as well as improve the rating we can attain on exit.

What has been achieved?
Having substantially strengthened the management team and improved management reporting and business planning, Americana entered Germany and built a small but highly profitable and growing business. Brand ownership issues in other territories have been resolved in preparation for further expansion while brand perception on home soil is being built up.

How is it performing?
Performance in the year to 30 June 2010 was good. Sales and EBITDA in the first half of the financial year-ending 30 June 2011 continued to grow – particularly in the German operation.

How will we crystallise value?
Interest is anticipated from both trade buyers and private equity.

Trust's Investment – Americana

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Accrued interest £'000	Total value £'000	Valuation methodology
Consumer & Leisure	UK	Mar 2007	4,625	4,946	3,001	7,947	Earnings

17 Sporting Index

Website: www.sportingindex.com **Original enterprise value:** £73 million **HgCapital clients' total equity:** 69%

Business description
Sporting Index ('SPIN') is the largest sports spread betting firm in the world. Well positioned in the UK, it aims to offer more markets, more 'fun bets', and more choice than any other sports spread betting company.

Why did we invest?
The core business is robust, cash generative and provides a base from which to expand the group by launching new products and services and attacking new geographic markets.

How do we intend to create value?
Three main improvements will lead to greater revenues and margins: the development of new distribution channels for SPIN's spread betting product through the sale of pricing to fixed-odds bookmakers, lottery operators and online casinos; the expansion of SPIN's proprietary trading capability via betting exchanges; and development of its online marketing abilities and customer database to increase retention and usage.

What has been achieved?
Four accounts for SPIN's pricing service have been won and a strong pipeline for further accounts is in place.

A new IT platform under development will deliver significant productivity improvements.

How is it performing?
Sales and EBITDA were flat in the year to May 2010 but have since rebounded, and are both significantly up on the previous year. Contributing factors can be identified as a profitable World Cup and a strengthening wholesale distribution base.

How will we crystallise value?
The company will be positioned for a trade exit, most likely to an industry consolidator.

Trust's Investment – Sporting Index

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Accrued interest £'000	Total value £'000	Valuation methodology
Consumer & Leisure	UK	Nov 2005	7,207	3,077	3,367	6,444	Written-down

18 SiTel Semiconductor

Website: www.sitelsemi.com **Original enterprise value:** £39 million **HgCapital clients' total equity:** 80%

Business description
SiTel creates custom-made microchips targeted primarily at the home wireless voice and data applications market. Its customers include the world's leading manufacturers of cordless home telephone systems.

SiTel outsources all of its asset-intensive manufacturing to large blue-chip foundries, allowing it to generate a high return on capital.

Why did we invest?
Our investment thesis was based on buying the asset at a low price, with the intent of growing revenues and profits from both market share gains and winning revenue in adjacent niche markets.

How do we intend to create value?
By working closely with management to establish a strong independent entity, support increased R&D spend, and expand into areas such as 'Voice over Internet Protocol' (VoIP) chips and gaming peripherals.

What has been achieved?
HgCapital helped the business establish a strong supplier base and build a skilled non-executive team. Increased R&D investment resulted in market share gains in core cordless telephony systems market and key design wins in new growth markets.

How is it performing?
In 2010, both sales and EBITDA grew over the prior year.

How will we crystallise value?
On 10 February 2011, HgCapital announced the sale of SiTel Semiconductor to Dialog Semiconductor plc for an enterprise value of $86.5 million, representing a realisation at nearly 2.4x original cost.

HgCapital Trust realised cash proceeds of £9.6 million on the deal. Compared with the valuation of SiTel – at £5.4 million – this is an uplift of 78%.

The Trust's net asset value as at February 2011 has taken account of the sale of this business.

Trust's Investment – SiTel Semiconductor

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Accrued interest £'000	Total value £'000	Valuation methodology
TMT	Benelux	Jun 2005	3,540	2,883	2,484	5,367	Earnings

19 Voyage

Website: www.voyagecare.com **Original enterprise value:** £322 million **HgCapital clients' total equity:** 65%

Business description
Voyage provides care for people with learning disabilities and associated physical disabilities, autistic spectrum disorders, complex needs and acquired brain injury.

Voyage offers a range of care provision from help in your own home to intensive physical and mental support in modified accommodation. Fees are paid by local authorities and PCTs.

Why did we invest?
Significant shortage of supply for residential care at this level leaves opportunity for growth.

Voyage enjoys a strong market position and a high quality estate of stable, cash generative assets.

How do we intend to create value?
Historically, growth has been generated by organic roll-out of purpose-built homes. Going forward, the strategy is to broaden the service offering to include flexible home care options. In December 2010, Voyage acquired an acute home care provider, Partners in Specialist Care.

What has been achieved?
Maintained a reputation for high quality care, continued successful roll out of new homes, supported management in reviewing acquisition targets.

How is it performing?
Voyage experienced moderate growth in both sales and EBITDA compared to prior year with high levels of occupancy offsetting pressure on fees.

How will we crystallise value?
An exit could be via an IPO, to a private equity fund or private equity-backed trade buyer.

Trust's Investment – Voyage

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Accrued interest £'000	Total value £'000	Valuation methodology
Healthcare	UK	Apr 2006	13,136	4,357	569	4,926	Written-down

20 Atlas Interactive

Website: www.atlasinteractive.com **Original enterprise value:** £25 million **HgCapital clients' total equity:** 69%

Business description
Atlas Interactive is a provider of e-learning products, targeted to meet the growing competency, health, safety and environmental training needs of the global oil and gas ('O&G') sector.

Why did we invest?
The e-learning market is large and fast-growing due to the twin problems of poor education standards and skills shortages across many countries and sectors. The O&G sector in particular faces huge problems with recruitment and safe operating standards. E-learning offers significant cost advantages over classroom based training.

Atlas has amassed over 1,500 hours of standardised intellectual property – protected e-learning content – which it resells to its customer base of international and national O&G companies such as BP, Shell, Exxon Mobil, Chevron and QatarGas on term contracts with a recurring subscription basis.

How do we intend to create value?
The plan is to increase the share of revenue from key accounts and to win additional business in areas outside of the core North Sea market by expanding the sales resource and by broadening the product range.

What has been achieved?
Sales have grown by 25% since we acquired the business and are on target to double by September 2012. The management team has been strengthened. A more sales-oriented strategy has seen significant business won with trade associations including a project in which Atlas has been appointed the exclusive provider of minimum safety standards assessment and training to all 40,000 + North Sea offshore workers.

How is it performing?
Atlas has performed very well in 2010 with sales and EBITDA significantly up on prior year.

How will we crystallise value?
Atlas is attracting the attention of two sets of potential acquirers: existing O&G services companies and other more generic e-learning vendors. There is scope to perform one or two acquisitions before exit.

Trust's Investment – Atlas Interactive

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Accrued interest £'000	Total value £'000	Valuation methodology
Services	UK	Nov 2007	9,597	3,333	701	4,034	Written-down

INVESTMENTS IN RENEWABLE ENERGY

Business description
HgCapital's Renewable Energy sector team uses private equity skills to identify and acquire renewable energy projects, usually based on wind or solar energy, in Western Europe. These projects run across two funds and are grouped into platforms with the current portfolio comprising:

- UK Onshore Wind: one of the ten largest independently-owned onshore wind portfolios in the UK with 112MW of capacity in operation;
- Swedish Onshore Wind: the largest owner of onshore wind farms in the Nordic region with total capacity of 139MW in two projects, both developed and built by Renewable Energy Systems Limited, one of the world's most experienced developers of wind farms; and
- Spanish Solar: the fourth largest operator of solar PV in Europe with capacity of 61MW in seven projects in Spain.

As at 31 December 2010, 187,096 homes benefit from the operational energy plants in the portfolio.

Why did we invest?
Investment in renewable energy offers good, risk-adjusted returns, delivering inflation-protected and non-GDP linked revenue streams from high quality assets.

It is the fastest growing part of the European electric power sector, and is expected to account for the majority of new European energy asset investment over the next ten years. This growing demand is driven by renewable energy's increasing cost competitiveness, legally binding carbon reduction targets set by the EU, the need to replace ageing generation capacity, and to increase the security of energy supplies in Europe.

The sector shares the attractive characteristics, including downside protection, of core infrastructure projects with the potential for significantly higher returns on equity.

How do we intend to create value?
Investment returns are anticipated through a combination of yield during operation and capital gain at refinancing or exit, providing a return profile that the Board believes will complement returns from its core investments in leveraged buyouts.

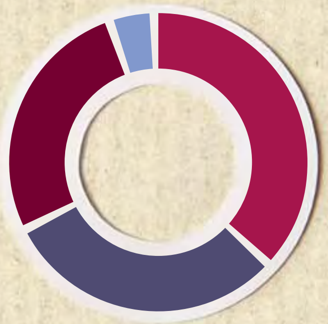
By bringing individual investments together into platforms, we can enhance value through economies of scale, shared expertise and aggregated generation capacity.

How will we crystallise value?
HgCapital is developing groups of projects based on the three platforms described below. These platforms can then be refinanced efficiently or sold as portfolios of closely related projects to industry buyers or financial investors.

DIVERSIFICATION BY VALUE

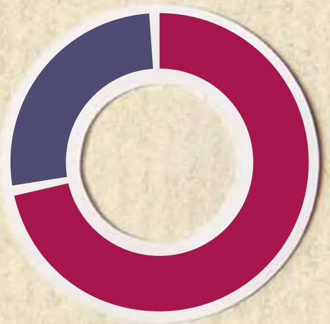
Geography

38% UK
31% Sweden
27% Spain
4% France



Resource

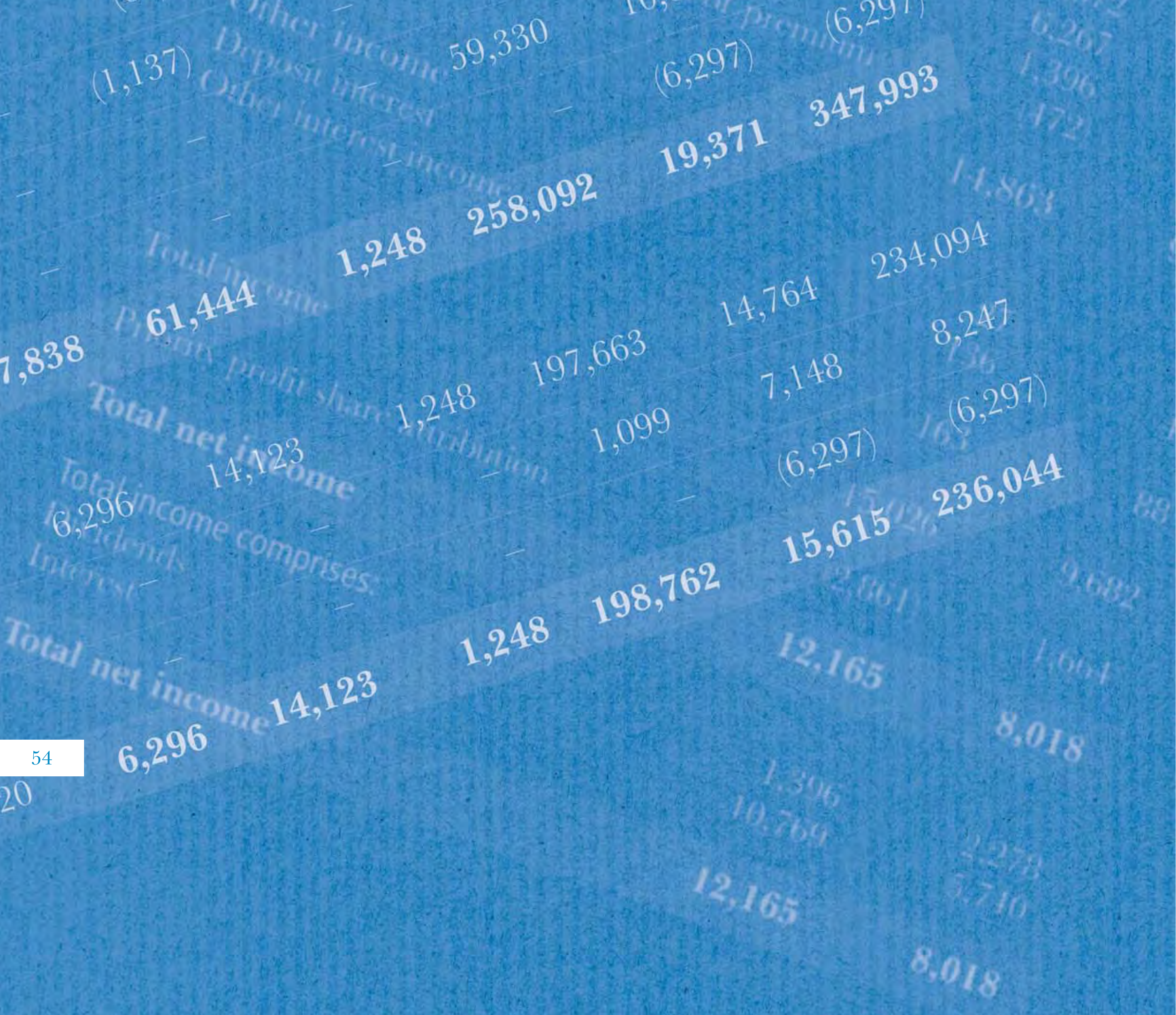
73% Onshore wind
27% Solar



INVESTMENTS IN RENEWABLE ENERGY CONTINUED

PRINCIPAL INVESTMENTS BY PLATFORM

	Residual cost £'000	Total valuation £'000	Portfolio value %
UK Wind: RPP 1	5,213	5,372	2.1
Swedish Wind: RPP 1	2,721	2,666	1.0
Swedish Wind: RPP 2	1,579	1,621	0.6
Spanish Solar: RPP 1	5,069	3,734	1.4



FINANCIAL STATEMENTS

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	Revenue return 2010 £'000	Revenue return 2009 £'000	Capital return 2010 £'000	Capital return 2009 £'000	Total return 2010 £'000	Total return 2009 £'000
Gains on investments and government securities	13	–	–	63,529	5,211	63,529	5,211
Losses on loans receivable from General Partner	5(b)	–	–	(4,199)	(4,737)	(4,199)	(4,737)
Net income	4	12,165	8,018	–	–	12,165	8,018
VAT recovered	5(a)	–	208	–	625	–	833
Other expenses	6	(2,062)	(1,078)	–	–	(2,062)	(1,078)
Net return on ordinary activities before taxation		**10,103**	**7,148**	**59,330**	**1,099**	**69,433**	**8,247**
Taxation on ordinary activities	9(a)	(50)	–	–	–	(50)	–
Transfer to reserves		**10,053**	**7,148**	**59,330**	**1,099**	**69,383**	**8,247**
Return per Ordinary share	10(a)	**34.02p**	**28.38p**	**200.77p**	**4.36p**	**234.79p**	**32.74p**

The total return column of this statement represents the Trust's income statement. The supplementary revenue and capital return columns are both prepared under guidance published by the Association of Investment Companies ('AIC'). All recognised gains and losses are disclosed in the revenue and 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 20 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 pages 59 to 73 form part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Investments held at fair value			
Quoted at market valuation		–	76
Unquoted at Directors' valuation		232,184	127,128
Total fixed assets	12	232,184	127,204
Current assets – amounts receivable after one year			
Accrued income on fixed assets	14	26,606	20,614
Current assets – amounts receivable within one year			
Debtors	14	1,826	4,623
Government securities	15	86,498	84,526
Cash	16	3,473	2,873
Total current assets		118,403	112,636
Creditors – amounts falling due within one year	17	(2,594)	(3,796)
Net current assets		115,809	108,840
Net assets		**347,993**	**236,044**
Capital and reserves			
Called up share capital	19	7,838	6,296
Share premium account	20	61,444	14,123
Capital redemption reserve	20	1,248	1,248
Capital reserve – realised	20	274,913	242,015
Capital reserve – unrealised	20	(16,821)	(43,253)
Revenue reserve	20	19,371	15,615
Total equity shareholders' funds		**347,993**	**236,044**
Net asset value per Ordinary share	10(b)	**1,118.8p**	**937.2p**
Diluted net asset value per Ordinary share	10(b)	**1,090.7p**	**n/a**

The financial statements on pages 55 to 73 were approved and authorised for issue by the Board of Directors on 17 March 2011 and signed on its behalf by:

Roger Mountford, Chairman

Richard Brooman, Director

The notes on pages 59 to 73 form part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 £'000	2009 £'000
Net cash inflow/(outflow) from operating activities	7	4,311	(3,439)
Taxation paid		(10)	(1,149)
Capital expenditure and financial investment			
Purchase of fixed asset investments	12	(111,418)	(29,863)
Proceeds from the sale of fixed asset investments	12	72,600	5,467
Net cash outflow from capital expenditure and financial investment		(38,818)	(24,396)
Financing activities			
Proceeds from issue of share capital		50,000	–
Fees paid on issue of share capital		(1,137)	–
Equity dividends paid	11	(6,297)	(6,297)
Net cash inflow/(outflow) from financing activities		42,566	(6,297)
Net cash inflow/(outflow) before management of liquid resources		8,049	(35,281)
Management of liquid resources			
Purchase of government securities	15	(205,535)	(242,339)
Sale/redemption of government securities	15	198,086	274,652
Net cash (outflow)/inflow from management of liquid resources		(7,449)	32,313
Increase/(decrease) in cash and cash equivalents in the year	16	**600**	**(2,968)**
Cash and cash equivalents at 1 January		2,873	5,841
Cash and cash equivalents at 31 December	16	**3,473**	**2,873**

The notes on pages 59 to 73 form part of these financial statements.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2010

	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 2009		6,296	14,123	1,248	198,762	15,615	236,044
Issue of Ordinary shares	19	1,480	48,520	–	–	–	50,000
Issue of Subscription shares	19	62	(62)	–	–	–	–
Cost of share issue	19	–	(1,137)	–	–	–	(1,137)
Net return from ordinary activities		–	–	–	59,330	10,053	69,383
Dividends paid	11	–	–	–	–	(6,297)	(6,297)
At 31 December 2010	19, 20	**7,838**	**61,444**	**1,248**	**258,092**	**19,371**	**347,993**

	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 2008		6,296	14,123	1,248	197,663	14,764	234,094
Net return from ordinary activities		–	–	–	1,099	7,148	8,247
Dividends paid	11	–	–	–	–	(6,297)	(6,297)
At 31 December 2009	19, 20	**6,296**	**14,123**	**1,248**	**198,762**	**15,615**	**236,044**

The notes on pages 59 to 73 form part of these financial statements.

1. Principal activity

The principal activity of the Trust is that of an investment trust company. The Trust is an investment company as defined by Section 833 of the Companies Act 2006 and an investment trust within the meaning of Sections 1158 and 1159 of the Corporation Tax Act 2010 ('CTA 2010').

2. Basis of preparation

The accounts have been prepared under the historical cost convention, except for the revaluation of financial instruments at fair value as permitted by the Companies Act 2006, and in accordance with applicable UK law and UK Accounting Standards ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' ('SORP'), dated January 2009. All of the Trust's operations are of a continuing nature.

The Trust has considerable financial resources and, as a consequence, the Directors believe that the Trust is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the Directors have a reasonable expectation that the Trust will have adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

The same accounting policies, presentation and methods of computation are followed in these financial statements as applied in the Trust's previous annual audited financial statements.

3. Organisational structure, manager arrangements and accounting policies

Partnerships

In May 2003 (subsequently revised in January 2009) and January 2009, the Trust entered into two separate partnership agreements with general and founder partners, at which point investment holding limited partnerships were established to carry on the business of an investor, with the Trust being the sole limited partner in these entities.

The purpose of these partnerships, HGT LP and HGT 6 LP (together the 'buyout funds') is to hold all the Trust's investments in buyouts and other investments, other than liquid funds and renewable energy projects (see below).

Under the partnership agreements, the Trust made capital commitments into the buyout funds with the result that the Trust now holds direct investments in the buyout funds and an indirect investment in the fixed asset investments that are held by these funds, as it is the sole limited partner. The fixed asset investments on the balance sheet and the investment portfolio on page 27 comprise the underlying investments held by these buyout funds.

The Trust also entered into partnership agreements with the purpose of investing in renewable energy projects by making capital commitments alongside other limited partners in Hg Renewable Power Partners LP and HgCapital Renewable Power Partners 2 C LP (together the 'renewable funds'). These are direct investments in the renewable funds, as shown on the balance sheet and the investment portfolio on page 27.

Priority profit share and carried interest per the buyout limited partnership agreements

Under the terms of the buyout fund limited partnership agreements ('LPAs'), the general partner is entitled to appropriate, as a first charge on the net income of the funds, an amount equivalent to its priority profit share ('PPS'). The Trust is entitled to net income from the funds, after payment of the PPS.

In years in which these funds have not yet earned sufficient net income to satisfy the PPS, the entitlement is carried forward to the following years. The PPS is payable quarterly in advance, even if insufficient net income has been earned. Where the cash amount paid exceeds the net income, an interest free loan is advanced to the general partner by these buyout funds, which is funded via a loan from the Trust. Such loan is only recoverable from the general partner by an appropriation of net income; until net income is earned, no value is attributed to this loan.

Furthermore, under the buyout funds' LPAs, the founder partner is entitled to a carried interest distribution once certain preferred returns are met. The LPAs stipulate that the buyout funds' capital gains (or net income), after payment of the carried interest, are distributed to the Trust.

Accordingly, the Trust's entitlement to net income and net capital gains are shown in the appropriate lines of the income statement. Notes 4, 5 and 7 to the financial statements and the cash flow statement disclose the gross income and gross capital gains of the buyout funds (including the associated cash flows) and also reflect the proportion of net income and capital gains in the buyout funds that have been paid to the general partner and founder partner as its PPS and carried interest, where applicable.

The PPS paid from net income is charged to the revenue account in the income statement, whereas PPS paid as an interest-free loan, if any, is charged as an unrealised depreciation to the capital return on the income statement.

The carried interest payments made from net income and capital gains are charged to the revenue and capital account respectively on the income statement.

3. Organisational structure, manager arrangements and accounting policies continued

Investment income and interest receivable

As stated above, all income of HGT LP and HGT 6 LP is distributed to the Trust and this income is recognised and shown as income in the financial statements of the Trust. The accounting policies below apply to the income of HGT LP and HGT 6 LP.

Income from listed 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 Trust 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 on non-equity shares and fixed income securities are recognised on a time apportionment basis so as to reflect the effective yield when it is probable that economic benefit will flow to the Trust. Premiums paid or discounts received with the acquisition of government securities are amortised over the remaining period up to the maturity date and are recognised in interest income on government securities. Dividends receivable on equity shares where there is no ex-dividend date and on non-equity shares are brought into account when the Trust's right to receive payment is established.

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.

Dividends

Dividend distributions to shareholders are recognised as a liability in the year that they are approved unconditionally.

Current and other non-current assets

Financial assets and financial liabilities are recognised in the Trust's balance sheet when the Trust becomes a party to the contractual provisions of the instrument.Trade receivables are stated at nominal value. Appropriate allowances for estimated irrecoverable amounts are recognised in the revenue return on the income statement.

Government securities are short-term investments made in fixed rate government gilts. Cash comprises current accounts held with banks.

Foreign currency

All transactions in foreign currencies are translated into pounds 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 pounds 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

Income taxes represent the sum of the tax currently payable, withholding taxes suffered and deferred tax. Tax is charged or credited in the income statement. 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 Trust's taxable profits and its results, as stated in the financial statements, which are capable of reversal in subsequent periods.

Investments

The general principle applied is that investments should be reported at 'fair value' in accordance with Financial Instruments: Recognition Measurement ('FRS26') and the International Private Equity and Venture Capital ('IPEVC') Valuation Guidelines, September 2009 edition. Where relevant, the Trust applies the policies stated below to the investments held by HGT LP and HGT 6 LP, in order to determine fair value of its investments in HGT LP and HGT 6 LP.

Purchases of investments are recognised on a trade date basis. The sales of investments are recognised at the trade date of the disposal. Proceeds are measured at fair value, which is regarded as the proceeds of sale less any transaction costs.

Quoted: Quoted investments are designated as held at fair value, which is deemed to be bid 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 the price of recent investment including fees and transaction costs, unless the prevailing market conditions and/or trading prospects of the investment result in this price being an inappropriate measure of fair value and (ii) or (iv) below is required;

(ii) after the receipt of the first audited financial statements following initial investment, companies are valued based on the level of maintainable earnings and an appropriate earnings multiple, unless (iv) is required;

(iii) where more appropriate, investments are valued with reference to their net assets rather than to their earnings; and

3. Organisational structure, manager arrangements and accounting policies continued

(iv) appropriate provisions are made against all individual valuations where necessary to reflect unsatisfactory financial performance or a fall in comparable ratings, leading to an impairment in value.

Limited partnership funds: These are investments that are set up by a third party where the Trust does not hold a majority share and are at fair value, based on the third party manager's valuation after any required adjustment by the Directors.

Government securities: These are short-term investments made in fixed rate government gilts and are valued at the current fair market value of the gilt.

Derivative financial instruments: Derivative financial instruments are held at fair value and are valued using quoted market prices or dealer price quotations for financial instruments traded in active markets.

Both realised and unrealised gains and losses arising on fixed asset investments, financial assets and liabilities and derivative financial instruments, 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) attribution of gains to the founder partners for carried interest;
(iii) losses on investments within the portfolio where there is little prospect of realisation or recovering any value;
(iv) realised exchange differences of a capital nature; and
(v) 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;
(ii) increases and decreases in the valuation of the loans to general partners; and
(iii) unrealised exchange differences of a capital nature.

4. Income

	2010 £'000	2009 £'000
Income from investments held by HGT LP and HGT 6 LP		
UK unquoted investment income	7,672	2,218
Foreign unquoted investment income	6,267	4,776
UK dividends	1,396	2,278
Gilt interest less amortisation of premium	(472)	322
	14,863	9,594
Other income		
Deposit interest	27	46
Other interest income	136	42
	163	88
Total income	15,026	9,682
Priority profit share attribution	(2,861)	(1,664)
Total net income	**12,165**	**8,018**
Total income comprises:		
Dividends	1,396	2,278
Interest	10,769	5,740
Total net income	**12,165**	**8,018**

5. Fees, priority profit share and carried interest paid to Manager

(a) VAT recovered on investment management fee

	Revenue return		Capital return		Total return	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000
VAT recovered	–	(208)	–	(625)	–	(833)
Total VAT recovered	**–**	**(208)**	**–**	**(625)**	**–**	**(833)**

From 1 January 2009, no further investment management fee is payable, as the Manager is receiving a priority profit share from that date. Details of the investment management, custodian and administration contracts are disclosed in the Directors' report from pages 80 to 81. The investment management fee was levied quarterly in arrears and was charged 75% to capital and 25% to revenue.

(b) Priority profit share	2010 £'000	2009 £'000
Priority profit share to General Partners funded by:		
Share of investment income	2,861	1,664
Loan to General Partner	4,199	4,737
Total priority profit share charge	**7,060**	**6,401**

The priority profit share payable on HGT LP and HGT 6 LP rank as a first appropriation of net income from investments held in HGT LP and HGT 6 LP respectively and is deducted prior to such income being attributed to the Trust in its capacity as a Limited Partner. The net income of HGT LP and HGT 6 LP earned during the year, after the deduction of the priority profit share, is shown on the income statement. Details of these arrangements are disclosed in the Directors' report on page 80.

(c) Carried interest	2010 £'000	2009 £'000
Carried interest payable to Founder Partner funded by:		
Share of gains on investments	1,136	1,062
Total carried interest charge	**1,136**	**1,062**

The carried interest payable ranks as a first distribution of capital gains on the investments held in HGT LP and HGT 6 LP, a limited partnership established solely to hold the Trust's investments, and is deducted prior to such gains being paid to the Trust in its capacity as a Limited Partner. The net amount of capital gains of HGT LP and HGT 6 LP during the year, after the deduction of carried interest, is shown on the income statement. Details of the carried interest contract are disclosed in the Directors' report on page 81.

6. Other expenses

Operating expenses	2010 £'000	2009 £'000
Custodian and administration fees	324	268
Directors' remuneration (note 8)	178	179
Auditor's remuneration – audit services	45	43
– taxation, interim review and other services	12	63
Legal and other administration costs	1,503	525
Total other expenses	**2,062**	**1,078**
The Trust's total expense ratio ('TER'), calculated as total expenses including the priority profit share, but before any recovery of VAT on management fees, as a percentage of average net assets was:	**3.12%**	**3.18%**

Auditor's remuneration excludes an amount of £41,000 (including VAT) which was included in the cost of the share issue (see note 20).

7. Cash flow from operating activities

Reconciliation of net return before taxation to net cash flow from operating activities	2010 £'000	2009 £'000
Net return before taxation	69,433	8,247
Gains on investments held at fair value	(60,466)	(1,536)
Priority profit share advanced	(4,199)	(4,737)
Movement on carried interest	74	(4,070)
Amortisation of premium on government securities	3,980	5,372
Increase in prepayments and accrued income	(5,919)	(5,101)
Decrease/(increase) in debtors	2,691	(2,708)
(Decrease)/increase in creditors	(1,276)	1,115
Tax on investment income included within gross income	(7)	(21)
Net cash inflow/(outflow) from operating activities	**4,311**	**(3,439)**

8. Directors' remuneration

The aggregate remuneration of the Directors for the year to 31 December 2010 was £178,000 (2009: £179,000). Further information on the Directors' remuneration is disclosed in the Directors' remuneration report on page 88.

9. Taxation on ordinary activities

(a) Analysis of charge in the year

	2010 £'000	2009 £'000
Current tax:		
UK corporation tax	2,438	1,997
Income streaming relief (see note 9b)	(2,438)	(1,997)
Prior year adjustment	50	–
Total current tax (note 9b)	**50**	**–**

(b) Factors affecting current tax charge for the year
The tax assessed for the year is lower than the standard rate of corporation tax in the UK for a large company (28%; 2009: 28%). The differences are explained below:

	2010 £'000	2009 £'000
Net revenue return on ordinary activities before taxation	10,103	7,148
UK corporation tax at 28% thereon (2009: 28%)	2,829	2,001
Effects of:		
Non taxable UK dividends	(391)	(179)
Tax relief from interest distribution	(2,438)	(1,997)
Taxable rebate in capital	–	175
Tax in relation to the prior year	50	–
	(2,779)	(2,001)
Current revenue tax charge for the year (note 9a)	**50**	**–**

9. Taxation on ordinary activities continued

In the opinion of the Directors, the Trust has complied with the requirements of Section 1158 and Section 1159of the CTA 2010 and will therefore be exempt from corporation tax on any capital gains made in the year. The Trust willl elect to designate all of the proposed final dividend (see note 11) as an interest distribution to its shareholders. This distribution is treated as a tax deduction against taxable income and results in no corporation tax being payable by the Trust at 31 December 2010.

10. Return and net asset value per Ordinary share

(a) Return per Ordinary share

	Revenue return		Capital return	
	Year ended 31.12.10	Year ended 31.12.09	Year ended 31.12.10	Year ended 31.12.09
Earnings (£'000):				
Return on ordinary activities after taxation	10,053	7,148	59,330	1,099
Number of shares ('000)				
Weighted average number of shares in issue	29,552	25,187	29,552	25,187
Return per Ordinary share (pence)	**34.02**	**28.38**	**200.77**	**4.36**

The Trust has in issue 6,220,783 Subscription shares, issued on 7 April 2010, which are convertible into Ordinary shares on 31 May 2011, and thereafter on 31 October and 31 May in each year to 2012, with the final exercise date on 31 May 2013. As at 31 December 2010, there was no dilution of the return per Ordinary share in respect of the conversion rights attaching to the Subscription shares (see note 19).

(b) Net asset value per share	Year ended 31.12.10	Year ended 31.12.09
Net asset value (£'000)		
Net assets	347,993	236,044
Assuming exercise of all Subscription shares (at minimum price)	59,097	–
Fully diluted net asset value	407,090	236,044
Number of shares ('000)		
Number of shares in issue	31,104	25,187
Potential issue of Subscription shares	6,221	–
Shares in issue following excercise of Subscription shares	37,325	25,187
Basic net asset value per share (pence)	**1,118.8**	**937.2**
Diluted net asset value per share (pence)	**1,090.7**	**n/a**

11. Dividends on Ordinary shares

	Register date	Payment date	2010 £'000	2009 £'000
Final dividend of 25.0p for the year ended 31 December 2008	2 April 2009	11 May 2009	–	6,297
Interim dividend of 25.0p for the year ended 31 December 2009	26 February 2010	31 March 2010	6,297	–
			6,297	**6,297**

The proposed final dividend of 28.0 pence per Ordinary share for the year ended 31 December 2010 is subject to approval by the shareholders at the annual general meeting and has not been included as a liability in these financial statements.

11. Dividends on Ordinary shares continued

The total dividends payable in respect of the financial year, which form the basis of the retention test as set out in Section 1159 of the CTA 2010, are set out below:

	2010 £'000
Revenue available for distribution by way of dividend for the year	10,053
Proposed final dividend of 28.0p for the year ended 31 December 2010 (based on 31,103,915 Ordinary shares in issue at 31 December 2010)	(8,709)
Undistributed revenue for Section 1159 purposes*	**1,344**

*Undistributed revenue comprises 11.1% of income from qualifying investments of £12,157,000 (including tax credit on UK dividend income) (see note 4).

12. Fixed asset investments

	2010 £'000	2009 £'000
Investments held at fair value through profit and loss		
Investments held in HGT LP		
Investments quoted on the London or Dublin Stock Exchanges	–	76
Unquoted investments	96,746	98,291
Investments held in HGT 6 LP		
Unquoted investments	121,186	17,217
Other investments held by the Trust		
Unquoted investments	14,252	11,620
Total fixed asset investments	**232,184**	**127,204**
Total fixed asset investments consisting of:		
Equity shares	15,205	30,774
Non-equity shares	13,280	34,211
Fixed income securities	204,445	62,814
Derivative instruments	(746)	(595)
Total fixed asset investments	**232,184**	**127,204**

	Quoted £'000	Unquoted £'000	Total £'000
Opening valuation as at 1 January 2010	76	127,128	127,204
Add back: opening unrealised depreciation – investments	497	35,333	35,830
– financial derivative instruments	–	2,294	2,294
Opening book cost as at 1 January 2010	**573**	**164,755**	**165,328**
Movements in the year:			
Additions at cost	–	111,418	111,418
Disposals – proceeds	(79)	(72,521)	(72,600)
– realised (losses)/gains on sales	(494)	36,012	35,518
Closing book cost of investments	**–**	**239,664**	**239,664**
Less: closing unrealised depreciation – investments	–	(5,885)	(5,885)
– financial derivative instruments	–	(1,595)	(1,595)
Closing valuation of investments as at 31 December 2010	**–**	**232,184**	**232,184**

The above investments include investments that are indirectly held by the Trust through its investment in HGT LP and HGT 6 LP, as set out in note 1 on page 59, and investments in Hg Renewable Power Partners LP and Hg Capital Renewable Power Partners 2 C LP.

13. Gains on investments and government securities

		2010 £'000	2009 £'000
Realised gains on sales		34,034	3,846
Carried interest attribution		(1,136)	(1,062)
Change in unrealised appreciation	– investments and government securities	29,932	1,920
	– financial derivative instruments	699	507
Total gains		**63,529**	**5,211**

14. Debtors

	2010 £'000	2009 £'000
Amounts receivable after one year		
Accrued income on fixed assets	26,606	20,614
Amounts receivable within one year		
Taxation recoverable	1,590	1,623
Prepayments and other accrued income	219	292
Other debtors	17	2,708
	1,826	4,623
Total debtors	**28,432**	**25,237**

The Directors consider that the carrying amount of debtors approximate their fair value.

15. Government securities

	2010 £'000	2009 £'000
Investments held at fair value through profit and loss		
Opening valuation	84,526	124,014
Purchases at cost	205,535	242,339
Sales and redemptions	(198,086)	(274,652)
Movement in unrealised capital losses	(13)	(1,048)
Amortisation of premium on acquisition	(3,980)	(5,372)
Realised capital losses	(1,484)	(755)
Closing valuation	**86,498**	**84,526**

16. Movement in net funds

Analysis and reconciliation of net funds	2010 £'000	2009 £'000
Change in cash and cash equivalents	600	(2,968)
Net funds at 1 January	2,873	5,841
Net funds at 31 December	**3,473**	**2,873**
Net funds comprise:		
Cash and cash equivalents	3,473	2,873

17. Creditors – amounts falling due within one year

	2010 £'000	2009 £'000
Carried interest	1,136	1,062
Premium payable on financial derivative instruments	–	1,699
Sundry creditors	1,458	1,035
	2,594	**3,796**

The Directors consider that the carrying amount of creditors approximate their fair value.

18. Financial risk

The following disclosures relating to the risks faced by the Trust are provided in accordance with Financial Reporting Standard 29, 'Financial instruments: disclosures'. The reference to investments in this note is in relation to the Trust's direct investments in RPP1 and RPP2, and the underlying investments in HGT LP and HGT 6 LP as detailed in note 1 on page 59.

Financial instruments and risk profile

As a private equity investment trust, the Trust's primary investment objective is to achieve long-term capital appreciation by indirectly investing in unquoted companies, through its investments in fund partnerships, mostly in the UK and Europe. Additionally, the Trust holds government gilts and cash and items such as debtors and creditors arising directly from its operations. In pursuing its investment objective, the Trust is exposed to a variety of risks that could result in either a reduction of the Trust's net assets or a reduction in the profits available for distribution by way of dividends. Valuation risk, market risk (comprising currency risk and interest rate risk) and liquidity risk, and the Directors' approach to the management of them, are described below. The Board and the Manager coordinate the Trust'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.

Credit risk

Credit risk is the risk of financial loss in the event that any of the Trust's market counterparties fail to fulfil their contractual obligations to the Trust. The Trust's financial assets (excluding fixed asset investments) subject to credit risk, are not impaired or overdue. The Trust's cash balances are held with the Bank of New York Mellon and any significant balances are invested in government securities. Government securities are held with the United Kingdom government. Foreign exchange forward contracts and options are held with counterparties which have credit ratings that the Board considers to be adequate. The board regularly monitors the credit quality and financial position of these market counterparties. The credit quality of the above mentioned financial assets was deemed satisfactory.

Valuation risk

The Trust's exposure to valuation risk arises mainly from movements in the value of the underlying investments (held through fund partnerships), the majority of which are unquoted. A breakdown of the Trust's portfolio is given on page 27. In accordance with the Trust's accounting policies, the investments in fund limited partnerships are valued by reference to all underlying unquoted investments, which are valued by the Directors following the IPEVC guidelines. The Trust does not hedge against movements in the value of these investments, apart from foreign exchange movements as explained below. The Trust has exposure to interest rate movements, through cash and gilt holdings.

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

The Trust adopted the amendment to FRS 29, effective 1 January 2009. This requires the Trust to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes an 'observable' input requires significant judgement by the Board. The Board considers observable data relating to investments actively traded in organised financial markets, in which case fair value is generally determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date, without adjustment for transaction costs necessary to realise the asset.

18. Financial risk continued

The following table analyses, within the fair value hierarchy, the Fund's financial assets and liabilities (by class) measured at fair value at 31 December.

		Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments held at fair value through profit and loss					
Unquoted investments	– Investment in HGT LP	–	–	96,746	96,746
	– Investment in HGT 6 LP	–	–	121,186	121,186
	– Investment in Hg RPP LP	–	–	12,426	12,426
	– Investment in Hg RPP2 LP	–	–	1,826	1,826
	– Government securities	86,498	–	–	86,498
Other assets					
Accrued income		181	–	26,606	26,787
As at 31 December 2010		**86,679**	**–**	**258,790**	**345,469**

Financial assets		Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments held at fair value through profit and loss					
Unquoted investments	– Investment in HGT LP	–	–	98,367	98,367
	– Investment in HGT6 LP	–	–	17,217	17,217
	– Investment in Hg RPP LP	–	–	11,620	11,620
	– Government securities	84,526	–	–	84,526
Other assets					
Accrued income		260	–	20,614	20,874
As at 31 December 2009		**84,786**	**–**	**147,818**	**232,604**

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include government securities and actively traded listed equities. The Trust does not adjust the quoted bid price of these instruments.

Financial instruments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs, are classified within level 2. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs. Level 3 instruments include private equity and corporate

18. Financial risk continued

debt securities. As observable prices are not available for these securities, the Board has used valuation techniques to derive the fair value. In respect of unquoted instruments, or where the market for a financial instrument is not active, fair value is established by using recognised valuation methodologies, in accordance with International Private Equity and Venture Capital ('IPEVC') Valuation Guidelines. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

There were no transfers of assets from level 1 to level 2 or 3, level 2 to level 1 or 3 and level 3 to level 1 or 2.

The following table presents the movement in level 3 investments for the period ended 31 December 2010 by class of financial instrument.

Unquoted investments	Accrued income on investments 2010 £'000	Investments in limited partnerships 2010 £'000	Total 2010 £'000
Opening balance	20,614	127,204	147,818
Purchases	–	111,418	111,418
Realisations at 31 December 2009 valuation	(4,193)	(42,347)	(46,540)
Total gains for the year included in the income statement	10,185	35,909	46,094
Closing valuation of level 3 investments	**26,606**	**232,184**	**258,790**
Total gains for the year included in the income statement for investments held at the end of the year	**12,295**	**35,909**	**48,204**

Market risk

The fair value of future cash flows of a financial instrument held by the Trust may fluctuate due to changes in market prices of comparable businesses. This market risk may comprise: currency risk (see below), interest rate risk and/or equity price risk (see page 70). The Board of Directors reviews and agrees 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 Trust is exposed to currency risk as a result of investing in fund partnerships that invest in companies in foreign currencies. The value of these assets in pounds sterling, being the Trust's functional currency, can be significantly influenced by movements in foreign exchange rates. The Trust is partially hedged against movements in the value of the euro and the Norwegian kroner against pounds sterling affecting the value of its investments, as explained on the following page. The Manager monitors the Trust'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 Trust's year-end financial exposure to movements in foreign exchange rates against the Trust's functional currency. The rates represent the high and low positions during the year for the currencies listed.

In the opinion of the Directors, the sensitivity analysis below may not be representative of the year as a whole, since the level of exposure changes as the portfolio changes through the purchase and realisation of investments to meet the Trust's objectives.

18. Financial risk continued

	Revenue return		Capital return	
	£'000	NAV per Ordinary share (pence)	£'000	NAV per Ordinary share (pence)
Low				
Euro (1.0956)	592	1.9	8,088	26.0
Euro forward contract (1.0956)	–	–	(52)	(0.2)
Euro option contract (1.0956)	–	–	(1,338)	(4.3)
Norwegian kroner (8.7816)	–	–	839	2.7
Norwegian kroner option contract (8.7816)	–	–	2,197	7.1
Swedish kroner (10.3487)	–	–	264	0.8
Swiss franc (1.4418)	–	–	–	–
US dollar (1.4304)	235	0.8	568	1.8
	827	**2.7**	**10,566**	**33.9**
High				
Euro (1.2364)	(510)	(1.6)	(6,967)	(22.4)
Euro forward contract (1.2364)	–	–	85	0.3
Euro option contract (1.2364)	–	–	1,188	3.8
Norwegian kroner (9.8219)	–	–	(1,698)	(5.5)
Norwegian kroner option contract (9.8219)	–	–	4,741	15.2
Swedish kroner (11.8446)	–	–	(1,717)	(5.5)
Swiss franc (1.7005)	–	–	–	–
US dollar (1.6372)	(109)	(0.4)	(262)	(0.8)
	(619)	**(2.0)**	**(4,630)**	**(14.9)**

Portfolio hedging

The Trust uses derivative financial instruments such as forward foreign currency contracts and option contracts to manage the currency risks associated with its underlying investment activities. The contracts entered into by the Trust are denominated in the foreign currency of the geographic areas in which the Trust has significant exposure against its reporting currency. The contracts are designated as a hedge and the fair values thereof are recorded in the balance sheet as investments held at fair value. Unrealised gains and losses are taken to capital reserves. At the balance sheet date, the notional amount and value of outstanding forward foreign exchange contracts and option contracts are as follows:

		2010		2009	
	Currency	No '000	£'000	No '000	£'000
Forward foreign currency contracts	Euro	25,040	(1,384)	25,040	(2,121)
Currency option	Euro	12,520	95	12,520	204
Currency option	NOK	125,724	543	251,448	1,322

The Trust does not trade in derivatives but holds them to hedge specific exposures and have maturities designed to match the exposures they are hedging. It is the intention to hold both the financial investments giving rise to the exposure and the derivatives hedging them until maturity and therefore no net gain or loss is expected to be realised.

The derivatives are held at fair value which represents the replacement cost of the instruments at the balance sheet date. Movements in the fair value of derivatives are included in the income statement. The Trust does not adopt hedge accounting in the financial statements.

Interest rate risk and sensitivity

The Trust has exposure to interest rate movements as this may affect the fair value of funds awaiting investment, interest receivable on liquid assets and short-dated government securities and interest payable on borrowings. The Trust 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 Trust has no borrowings and maintains low cash levels, the Trust's revenue return is not materially affected by changes in interest rates.

18. Financial risk continued

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 Trust to movements in interest rates has been based on the UK base rate. With all other variables constant, a 0.5% decrease in the UK base rate should increase the capital return in a full year by £432,000, with a corresponding decrease if the UK base rate were to increase by 0.5%. In the opinion of the Directors, the above sensitivity analyses may not be representative of the year as a whole, since the level of exposure changes as investments are made and realised throughout the year.

Liquidity risk

Investments in unquoted companies, which form the majority of the Trust's investments, may not be as readily realisable as investments in quoted companies, which might result in the Trust having difficulty in meeting its obligations. Liquidity risk is currently not significant as about 26% of the Trust'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 Trust's resources that should be invested in any one company. For details refer to the investment policy on page 9.

Equity price risk

Equity price risk is the risk that the fair values of equities (including loans) held by the Trust decrease as a result of changes in the values of underlying businesses. The Board revalues each investment twice each year. The Board manages the risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Manager. The Board meets regularly and at each meeting reviews investment performance. If there appears to the Board to be an impairment in value between regular valuations, it can revalue the investment. The Board also monitors the Manager's compliance with the Trust's investment objective and investment policy. The Manager's best estimate of the effect on the net assets and total return due to a reasonably possible change in the value of unquoted securities, with all other variables held constant, is as follows:

	% change	£'000	NAV per Ordinary share (pence)
Unquoted	**10%**	**25,879**	**83.2**

Currency exposure

The currency denomination of the Trust's financial assets is shown below. Short-term debtors and creditors, which are excluded, are mostly denominated in pounds sterling, the functional currency of the Trust.

	2010				2009			
	Fixed rate £'000	Floating rate £'000	Non interest-bearing £'000	Total £'000	Fixed rate £'000	Floating rate £'000	Non interest-bearing £'000	Total £'000
Pounds sterling	159,841	5,897	16,191	181,929	121,711	2,873	26,105	150,689
Euro	96,871	2,948	23,401	123,220	38,238	–	13,179	51,417
Euro hedge	–	–	(1,289)	(1,289)	–	–	(1,917)	(1,917)
Norwegian kroner	–	–	23,116	23,116	–	–	27,729	27,729
Norwegian kroner hedge	–	–	543	543	–	–	1,322	1,322
Swedish kroner	11,323	–	4,095	15,418	–	–	–	–
US dollar	5,367	–	638	6,005	5,196	–	1,041	6,237
Total	**273,402**	**8,845**	**66,695**	**348,942**	**165,145**	**2,873**	**67,459**	**235,477**

The fixed rate assets comprise gilts and fixed rate loans to investee companies. Fixed rate loans to investee companies had a weighted average interest rate of 11.3% per annum (2009: 11.1%) and a weighted average life to maturity of 12.1 years (2009: 7.5 years). Otherwise, fixed rate assets comprised one gilt with an interest rate of 3.25% per annum and which matures on 7 December 2011. It is the intention to re-invest the proceeds at maturity in another short dated gilt. The floating rate assets consisted of cash.

The non interest-bearing assets represented the equity content of the investment portfolio and the financial derivative instruments.

The Trust did not have any outstanding borrowings at the year-end (2009: £nil). The numerical disclosures above exclude short-term debtors and creditors.

Capital management policies and procedures

The Trust's capital management objectives are to ensure that it will be able to finance its business 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.

18. Financial risk continued

The Trust's capital at 31 December comprised:	2010 £'000	2009 £'000
Equity:		
Equity share capital	7,838	6,296
Share premium	61,444	14,123
Capital redemption reserve	1,248	1,248
Retained earnings and other reserves	277,463	214,377
Total capital	**347,993**	**236,044**

As stated above, the Trust did not have any outstanding borrowings at the year-end (2009: nil). With the assistance of the Manager, the Board monitors and reviews the broad structure of the Trust's capital on an ongoing basis. This review covers:

- the planned level of gearing, which takes into account the Manager's projections of cash flow;
- the desirability of buying back equity shares, either for cancellation or to hold in treasury, balancing the effect (if any) this may have on the discount at which shares in the Trust are trading against the advantages of retaining cash for investment;
- the need to raise funds by an issue 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 status under Section 1158 of the CTA 2010.

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

19. Share capital

	2010		2009	
	No. '000	Nominal £'000	No. '000	Nominal £'000
Ordinary shares of 25p each				
Allotted, called-up and fully paid:				
At 1 January	25,187	6,296	25,187	6,296
Issued as part of placing and open offer	5,917	1,480	-	-
Ordinary shares at 31 December	31,104	7,776	25,187	6,296
Subscription shares of 1p each				
Allotted, called-up and fully paid:				
At 1 January	–	–	–	–
Issued as part of placing and open offer and bonus	6,221	62	–	–
Subscription shares at 31 December	6,221	62	–	–
Total share capital	**37,325**	**7,838**	**25,187**	**6,296**

The Trust's issued share capital at the beginning of the year consisted of 25,186,755 Ordinary shares. On 7 April 2010, 5,917,160 new Ordinary shares were issued as part of the placing and open offer at a price of £8.45, resulting in proceeds of £50 million being received (£48.9 million net after fees).

At the same time a total of 6,220,783 Subscription shares of 1p each were issued: 5,037,351 Subscription shares were issued as part of the qualifying bonus issue, representing one Subscription share for every five existing Ordinary shares held; and 1,183,432 Subscription shares were attached to the Ordinary shares issued under the placing and open offer, representing one Subscription share for every five new Ordinary shares issued. The share premium account was reduced for the purpose of issuing and paying up in full the Subscription shares at their par value of 1.0 pence per share.

Each Subscription share entitles the holder to subscribe for one Ordinary share upon exercise of the subscription right and payment of the subscription price. The first opportunity to exercise such right will be on 31 May 2011, and thereafter on 31 October and 31 May in each year to 2012, at a price of £9.50 per Ordinary share. The final exercise date is on 31 May 2013 at a subscription price of £10.25 per Ordinary share.

19. Share capital continued

The Companies Act 2006 abolished the requirement for a company to have an authorised share capital and at the Trust's last annual general meeting, the Trust's articles of association were amended to reflect this. Whilst the Trust no longer has authorised share capital, the Directors will still be limited as to the number of shares they can at any time allot as the Companies Act 2006 requires that Directors seek authority from the shareholders for the allotment of new shares.

20. 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 2010	14,123	1,248	242,015	(43,253)	15,615
Share issue	48,520	–	–	–	–
Issue of Subscription shares	(62)	–	–	–	–
Cost of share issue	(1,137)	–	–	–	–
Transfer on disposal of investments	–	–	5,265	(5,265)	–
Losses on government securities	–	–	(1,484)	(13)	–
Net gain on sale of fixed asset investments	–	–	30,253	–	–
Net movement in unrealised appreciation of fixed asset investments	–	–	–	35,909	–
Dividends paid	–	–	–	–	(6,297)
Net return for the year after taxation	–	–	–	–	10,053
Priority profit share loan to General Partner	–	–	–	(4,199)	–
Carried interest to Founder Partner	–	–	(1,136)	–	–
As at 31 December 2010	**61,444**	**1,248**	**274,913**	**(16,821)**	**19,371**

21. Commitment in fund partnerships and contingent liabilities

The Trust has committed through HGT 6 LP to invest £285 million alongside the Manager's latest buyout fund, HgCapital 6. The Trust has agreed to pay fees on its commitment, whereas management fees were previously based on its NAV. The Trust will be entitled, without penalty, to opt out of any investment which could cause the Trust to lose its status as an investment trust, result in the Trust not having the cash resources to meet any of its projected liabilities or expenses, or result in it not being able to pay dividends or undertake any intended share buy-back. At 31 December 2010, £155,884,000 (2009: £228,030,000) of this commitment was uncalled.

The Trust has also committed through HGT LP to invest £120 million alongside the Manager's previous buyout fund, HgCapital 5. At 31 December 2010, £22,350,000 (2009: £26,160,000) of this commitment was uncalled.

During the current year, the Trust has committed to invest €40 million in the Manager's latest renewable energy fund, Hg Capital Renewable Power Partners 2 C LP. During 2006, the Trust committed €21.6 million in the Manager's previous renewable energy fund, Hg Renewable Power Partners LP. As at 31 December 2010, €37,302,000 (£31,964,000) and €2,127,000 (£1,823,000) (2009: €6,254,000 (£5,557,000)) of these respective commitments were uncalled.

In addition, the Trust's derivative financial instruments held through HGT LP expire on 29 August 2012. In order to meet any potential liability arising on this date, an amount of £6,260,000 has been reserved for this purpose. This amount is therefore callable from the Trust at this or any earlier date.

22. Related party disclosure

HgCapital and its subsidiaries, acting as Manager of the Trust through a management agreement and participating through limited partnership agreements as General and Founder partners of the fund partnerships that the Trust invests in, are considered to be related parties by virtue of the above agreements.

During the year, management fees and priority profit shares allocated to HgCapital were £7,060,000 (31 December 2009: £6,401,000) and a carried interest profit attribution of £1,136,000 (2009: £1,062,000) was made to HgCapital during the year.

HgCapital also acts as secretary and administrator of the Trust. Total fees for the year amounted to £250,000 (2009: £232,000).

At 31 December 2010, the amount due to HgCapital relating to the above, disclosed under creditors, was £1,731,000 (31 December 2009: £1,942,000). Where applicable, amounts are inclusive of VAT.

- ☐ Status of the Trust
- ☐ Capital Structure
- ☐ Going concern
- ☐ Borrowing facility
- ☐ Performance
- ☐ Results and dividend
- ☐ Key performance indicators

GOVERNANCE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HgCAPITAL TRUST PLC

We have audited the financial statements of HgCapital Trust plc (the 'Trust') for the year ended 31 December 2010 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 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Trust's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Trust's members those matters we are required to state to them in an auditor's 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 Trust and the Trust's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, contained within the Director's Report, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Trust's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

C. M. Thomson

Calum Thomson FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
17 March 2011

DIRECTORS' REPORT

The Chairman's statement, the description of the Trust's investment objective, investment policy, rationale & business model, and corporate governance statement form part of this Directors' report.

The Directors present the annual report and financial statements of HgCapital Trust plc (the 'Trust') (Reg. No. 1525583) for the year ended 31 December 2010.

BUSINESS REVIEW

Background

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

- Analysing development and performance using appropriate key performance indicators ('KPIs')
- Outlining the principal risks and uncertainties affecting the Trust
- Describing how the Trust manages these risks
- Explaining the future business plans of the Trust
- Setting out the Trust's environmental, social and ethical policy
- Providing information about persons with whom the Trust has contractual or other arrangements which are essential to the business of the Trust
- Outlining the main trends and factors likely to affect the future development, performance and position of the Trust's business.

Principal activity and business review

The principal activity of the Trust is to operate as an investment trust providing access to a diversified portfolio of private equity investments. A review of the development and performance of the business for the year ended 31 December 2010 is given in the Chairman's statement, which forms part of this Directors' report, and in the Manager's review.

Status of the Trust

HMRC accepted the Trust as an investment trust for the purposes of Section 1158 of the Corporation Tax Act 2010 ('CTA 2010') for the year ended 31 December 2009. Following the modernisation of the investment trust tax rules through the CTA 2010, with effect from the year ended 31 December 2010 and for subsequent financial years, it is the intention of the Trust to seek approval for classification as an investment trust under Section 1158 of the CTA 2010. In the opinion of the Directors the Trust continues to conduct its affairs as an investment trust within the definition prescribed by the CTA and is not a close company as defined by relevant tax legislation and provisions.

Capital Structure

As at 16 March 2011, the Trust had 31,103,915 Ordinary shares of 25 pence each and 6,220,783 Subscription shares of 1 pence each in issue. Each Ordinary share has one voting right attached to it and the Subscription shares carry no voting rights. Consequently, the total number of voting rights in the Trust at this date was 31,103,915. Further information on the share capital of the Trust can be found in note 19 to the financial statements.

Going concern

The Trust's business activities, together with the factors likely to affect its future development, performance and position are described in the Chairman's statement and in the Manager's review. The financial position of the Trust, its cash flows, liquidity position and borrowing facilities are described in the Directors' report. In addition, note 18 to the financial statements includes the Trust's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Trust has considerable financial resources and as a consequence, the Directors believe that the Trust is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Directors have a reasonable expectation that the Trust will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Borrowing facility

The Trust had no borrowing facility at the end of the year. The Board regularly reviews cash flow and the use of gearing.

Performance

In the year to 31 December 2010, the Trust's net asset value per share (including dividends re-invested) increased by 22.6%. This compares with an increase in the FTSE All-Share Index (total return) of 14.5%. The Trust's ordinary share price increased by 22.8% on a total return basis.

Results and dividend

The total return for the Trust is set out in the income statement. The total return for the year, after taxation, was £69,383,000 (2009: £8,247,000) of which £10,053,000 is revenue return (2009: £7,148,000).

The Directors recommend the payment of a final dividend of 28.0p per ordinary share for the year ended 31 December 2010 (2009 interim: 25.0p). Subject to approval of this dividend at the forthcoming annual general meeting ('AGM'), it will be paid on 13 May 2011 to shareholders on the register of members at the close of business on 8 April 2011.

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 Trust's performance of the individual portfolio holdings. The KPIs used to measure the progress and performance of the Trust over time and which are comparable to those reported by other investment trusts include net asset value per share, share price, return per share, average monthly trading volumes and cash flow. Further information on KPIs and the Trust's progress against these can be found in the Chairman's statement on page 4 and Manager's review on page 20. 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 monitor the Trust's discount or premium regularly.

PRINCIPAL RISKS

The key risks faced by the Trust are set out below and in note 18 to the financial statements. 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 Trust'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 Manager monitors and maintains an adequate spread of investments, based on the diversification requirements inherent in the Trust's investment policy, in order to minimise the risks associated with particular countries or factors specific to particular sectors.

Regulatory risk

The Trust operates as an investment trust in accordance with Sections 1158 and 1159 of CTA 2010. As such, the Trust is exempt from corporation tax on any capital gains realised from the sale of its investments, so the loss of investment trust status would represent a significant risk to the Trust. 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 Sections 1158 and 1159 of CTA 2010 are not breached. The results are reported to the Board at each meeting.

General changes in legislation, regulation or government policy could significantly influence the decisions of investors or impact upon the markets in which the Trust invests.

Operational risk

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

The Board has considered an Assurance Report on Internal Controls (AAF 01/06) as prepared by the Manager, and independently reviewed by Deloitte LLP, and confirms that no material issues were raised in the report.

Financial risks

The Trust's investment activities expose it to a variety of financial risks that include valuation risk, liquidity risk, market price risk, credit risk, foreign exchange risk and interest rate risk. Further details are disclosed in note 18 to the Financial Statements, together with a summary of the policies for managing these risks.

Liquidity risk

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

In the event that the Directors have any particular concerns regarding the liquidity of the Trust and its cash resources, the Trust may exercise an opt-out in respect of new buyout investments alongside HgCapital 6 in order to manage the risk of over-commitment.

SOCIAL, ENVIRONMENTAL & ETHICAL POLICY

In 2004 and again in 2010, the Trust committed to invest in the Hg Renewable Power Partners funds, which the Board believes offer a profitable route for the Trust 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.

The Trust has no employees and has limited direct impact on the environment. The Trust aims to conduct itself responsibly, ethically and fairly and has sought to ensure that HgCapital's management of the portfolio of investments takes account of social, environmental and ethical factors where appropriate.

Stewardship

HgCapital and the Trust seek to invest in companies that are well managed, with high standards of corporate governance. The Directors believe this creates the proper conditions to enhance long-term shareholder value. In aiming to achieve a high level of corporate performance, the Trust adopts a positive approach to corporate governance and engagement with companies.

The exercise of voting rights attached to the Trust's portfolio has been delegated to HgCapital. As acknowledged by the Walker Review, the distance between owner and manager within the private equity model is relatively short and the link between the two is an important ingredient in investment performance. HgCapital has a policy of active portfolio management and ensures that significant time and resource is dedicated to every investment, with HgCapital executives typically being appointed to investee company boards in order to ensure the application of active, results-orientated corporate governance. Further information regarding the stewardship of investee companies by HgCapital can be found in the Manager's review.

FUTURE PROSPECTS

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

DERIVATIVE TRANSACTIONS

On 27 August 2008, the Manager, on behalf of the Trust, entered into a €25 million forward foreign exchange contract and a €12.5 million option contract with a duration of 4 years, in order to partially offset the effect of sterling exchange rate movements on euro currency exposure. The contract secures a sterling/euro exchange rate of €1.24 on the forward contract and a strike price of €1.40 on the option contract compared with an average exchange rate of €1.42 at which euro-denominated assets in HgCapital 5 were acquired. The current write-down of £1,289,000 on these derivatives is more than offset by unrealised foreign exchange gains on the euro-denominated assets.

The contract requires no cash funding until expiry, by which time the Manager expects to be in a position to cover any funding requirement from euro proceeds from the sale of investments. Further details are provided in note 21 of the financial statements.

In December 2009, the Manager, on behalf of the Trust, entered into an option contract of NOK126 million expiring in December 2013 which is exercisable at a strike price of NOK10.50 to pounds sterling. A premium of £0.8 million was paid. The current write-down of £0.3 million to the current value of £0.5 million reflects currency changes and other market factors impacting on the value of the options since the acquisition date.

DIRECTORS

The Directors in office at the date of this report are listed on page 8. Mr Powell was appointed as a Director on 27 July 2010 and Mr Amies retired as a Director on 10 May 2010.

Membership of the Board's committees is detailed in the corporate governance statement on page 84.

The Board has noted the recommendation in the AIC Code of Corporate Governance that non-executive directors serving longer than nine years should be subject to annual re-election. Accordingly, Mr Gale and Mr Brooke will offer themselves for re-election at this year's annual general meeting.

In accordance with the articles of association, Mr Brooman and Mr Murison, having most recently been re-elected in 2008, will retire by rotation at the Trust's AGM and, being eligible, offer themselves for re-election. Mr Powell will be standing for election at this year's AGM having been appointed to the Board in July 2010.

The Board has considered the retiring Directors' performance and recommends that each Director be proposed for election or re-election (as applicable). This opinion is based on the following assessment of their contribution to the operation of the Board:

Mr Brooman

Mr Brooman is a chartered accountant with significant experience in senior financial roles, including previous appointments as Finance Director for large publicly listed businesses. He also holds the positions of Deputy Chairman and Chairman of the Audit Committee of another UK investment trust. His knowledge and experience are of great value to the Board, particularly his contribution to, and leadership of, the Audit & Valuation Committee.

Mr Murison

Mr Murison has experience both as a director and manager of companies funded by private equity and as a portfolio investor in unlisted equity. He is chairman of another investment trust and sits on the board of a venture capital trust. His informed opinions and relevant, broad-ranging experience contribute greatly to Board discussions.

Mr Gale

Mr 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 trends in the market are of great value to the Board and his contributions towards the consideration of the Trust's strategy and the Board's assessment of the Manager's performance are particularly notable.

Mr Brooke

Mr Brooke has long-running and extensive experience in financial markets and significant exposure to board level decision-making within publicly listed companies. He brings particular expertise in corporate governance, business strategy and financial management to Board discussions and decision-making.

Mr Powell

Mr Powell has had significant experience in the investment management arena throughout his career and has been responsible for the management of private client investment portfolios at the highest level. He makes significant contributions to the Board through the application of his expert knowledge and significant industry experience.

Directors' interests

At the year-end the Directors of the Trust had the following interests in the ordinary shares and subscription shares of the Trust. All holdings are beneficial unless stated otherwise. Subscription shares were first issued on 7 April 2010.

	Ordinary shares 31.12.10	Ordinary shares 31.12.09	Subscription shares 31.12.10
P L Brooke	2,500	2,000	500
R J Brooman	1,534	1,200	307
P Gale	10,695	9,996	2,139
R P Mountford	11,893	10,607	2,329
A H Murison	10,000	8,000	2,000
G M Powell	3,000	n/a	nil

There have been no changes to the interests held by the Directors, in the Ordinary or Subscription shares of the Trust, between 31 December 2010 and the date of this report.

As at 3 March 2011, being the latest practicable date prior to the publication of this report, the Trust had received notice that the following persons had interests in 3% or more of the total voting rights of the Trust:

Where notifications were received prior to the placing and open offer, percentages have been updated to reflect the increased number of shares in issue and may therefore differ from the percentages notified at the relevant time.

* The shares notified by Rowan Nominees Limited include shares held on behalf of Mr Ian Armitage; HgCapital staff; and BBC Pension Trust Limited as indicated opposite. All shares held by Rowan Nominees Limited are managed by Hg Investment Managers Ltd or Hg Pooled Management Ltd.

**Additional interests in 226,341 Subscription shares were notified by Legal & General plc.

Substantial interests	Ordinary shares	% of voting rights
Rowan Nominees Limited* whose shares are held on behalf of:	2,781,905	8.9
– *Ian Armitage*	*1,567,368*	*5.0*
– *HgCapital staff*	*950,458*	*2.8*
– *BBC Pension Trust Limited*	*346,619*	*1.1*
Cazenove Capital Management Limited	1,864,383	6.0
Oxfordshire County Council	1,782,500	5.7
The Co-Operative Asset Management	1,290,200	4.1
Legal & General Group plc**	1,131,392	3.6

Analysis of registered Ordinary shareholders as at 31 December 2010

By type of holder	Number of shares	% of total 31 Dec 2010	% of total 31 Dec 2009	Number of holders	% of total 31 Dec 2010	% of total 31 Dec 2009
Nominee companies	29,696,180	95.47	94.07	411	59.57	58.28
Direct private investors	807,651	2.60	3.94	233	33.77	35.89
Others	600,084	1.93	1.99	46	6.66	5.83
Total	**31,103,915**	**100.00**	**100.00**	**690**	**100.00**	**100.00**

By size of holding	Number of shares	% of total 31 Dec 2010	% of total 31 Dec 2009	Number of holders	% of total 31 Dec 2010	% of total 31 Dec 2009
1 – 5,000	550,176	1.77	2.37	446	64.64	68.25
5,001 – 50,000	2,678,491	8.61	8.28	160	23.18	19.79
50,001 – 100,000	3,162,079	10.17	9.48	42	6.09	5.06
over 100,000	24,713,169	79.45	79.87	42	6.09	6.9
Total	**31,103,915**	**100.00**	**100.00**	**690**	**100.00**	**100.00**

This table does not form part of the financial statements.

Investment management and administration

Throughout 2010, the Trust's assets were managed by Hg Pooled Management Ltd and HgCapital LLP, both trading as HgCapital, under management arrangements implemented in January 2009.

Under these arrangements, the Trust pays a priority profit share of 1.5% per annum on the current value of its pre-HgCapital 6 private equity portfolio, excluding investments in other collective investment funds and investments made alongside HgCapital 6 as described below.

The Trust pays a priority profit share in respect of its commitment to invest alongside HgCapital's new buyout fund, HgCapital 6. This share is the same as those payable by all institutional investors in the new fund. An amount of 1.75% per annum is payable on the commitment during the investment period of the fund, which is expected to last for between four and five years. The amount will then reduce to 1.5% per annum calculated on the basis of the original cost of the assets, less the original cost of any assets which have been realised or written off.

The incentive scheme introduced in May 2003 remains in place for the Trust's investments other than those made alongside HgCapital 6. Under this scheme, 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 Trust in respect of that financial year.

For the Trust's investment alongside HgCapital 6, this incentive scheme has been replaced by a carried interest arrangement identical to that which applies to all other investors in HgCapital 6. Under this arrangement, HgCapital receives 20% of aggregate profits after the repayment to the Trust of its invested capital payable once investors have received a preferred return thereon of 8% per annum.

No priority profit share or carried interest will apply to any investment alongside HgCapital 6 in excess of the Trust's pro-rata commitment.

HgCapital has been appointed as Secretary and administrator of the Trust for a fee equal to 0.1% of NAV. Hg Investment Managers Limited is the custodian of the Trust'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 Trust on the existing terms. The Board considers the arrangements for the provision of investment management and other services to the Trust 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 Trust'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.

Donations

The Trust made no political or charitable donations during the period.

Payment of suppliers

It is the policy of the Trust to pay for the supply of goods and services within the terms agreed with the supplier. The Trust has no trade creditors.

Annual General Meeting ('AGM')

The AGM of the Trust, which will include a presentation by the Manager, will be held at the offices of HgCapital, 2 More London Riverside, London SE1 2AP on Tuesday 10 May 2011 at 12 noon. Light refreshments will be available at the conclusion of the AGM. Notice of the AGM is given below.

Authority to buy back shares

The Directors' authority to buy back shares was renewed at last year's AGM and will expire on 10 November 2011.

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 4,662,477 Ordinary shares (being 14.99% of the issued share capital) as set out in Resolution 10. This authority, unless renewed, will expire at the conclusion of the AGM in 2012. The authority will be used where the Directors consider it to be in the best interest of shareholders.

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 for each Ordinary share is the higher of: (a) 105% of the average of the middle market quotations of the Ordinary shares in the Trust for the five business days prior to the date on which such share is contracted to be purchased; and (b) the higher of the price of the last independent trade and the highest current independent bid (as stipulated by Article 5(1) of Commission Regulation (EC) No.2233/2003). 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 Trust will deal only with member firms of the London Stock Exchange.

Authority of Directors to allot shares

A general authority to allot new shares (or to grant rights over shares) was given to the Directors at the Trust's AGM in 2010. The authority gives the Directors, for the period until the conclusion of the AGM in 2011, the necessary authority to allot securities up to a maximum nominal amount of £4,197,792, or what was at 31 December 2009 approximately 66% of the issued ordinary share capital of the Trust. Of this amount £2,098,896, or what was approximately 33% of the issued ordinary share capital, may only be allotted in the event of a fully pre-emptive rights issue.

On 6 April 2010 the Directors were also given authority to allot Ordinary and Subscription shares in respect of the open offer, the bonus issue and the exercise of subscription rights attaching to Subscription shares. This authority will expire on 6 April 2015.

The Directors are proposing to renew the general authority to allot shares at the 2011 AGM. The authority to allot will be on broadly the same terms the resolution passed at the 2010 AGM, and takes account of ABI guidelines.

The guidelines state that ABI members will permit, and treat as routine, resolutions seeking authority to allot shares representing up to one-third of a company's issued share capital. In addition they will treat as routine a request for authority to allot shares representing an additional one-third of a company's issued share capital provided that it is only used to allot shares pursuant to a fully pre-emptive rights issue.

In light of these guidelines, the Board considers it appropriate that the Directors should be granted ongoing authority to allot shares in the capital of the Trust up to a maximum nominal amount of £5,132,146 (or 20,528,584 ordinary shares of 25p each) representing the guideline limit of approximately 66 per cent of the Trust's ordinary share capital. Of this amount £2,566,073 (or 10,264,292 ordinary shares of 25p each), representing approximately 33 per cent. of the Trust's ordinary share capital, can only be allotted pursuant to a fully pre-emptive rights issue. The power will last until the conclusion of the AGM in 2012 or, if earlier, 10 August 2012.

Disapplication of pre-emption rights

A general power to disapply the pre-emption rights set out in Section 561 of the Companies Act 2006 was granted to the Directors at the AGM in 2010. On 6 April 2010 an authority to disapply pre-emption rights was granted to the Directors in respect of the bonus issue and the exercise of subscription rights attaching to Subscription shares.

The Directors are proposing a resolution to renew the general power to allot shares for cash without complying with the pre-emption rights in the Companies Act 2006 in certain circumstances.

In the light of the ABI guidelines referred to above, this authority will permit the Directors to allot:

(a) shares up to a nominal amount of £5,132,146 (or 20,528,584 ordinary shares of 25 pence each) representing two-thirds of the Trust's existing ordinary share capital on an offer to shareholders on a pre-emptive basis. However unless the shares are allotted pursuant to a rights issue (rather than an open offer), the Directors may only allot shares up to a nominal amount of £2,566,073 (or 10,264,292 ordinary shares of 25 pence each) representing one-third of the Trust's existing ordinary share capital (in each case subject to any adjustments, such as for fractional entitlements and overseas shareholders, as the Directors see fit); and

(b) otherwise than in connection with an offer to existing shareholders, shares up to a maximum nominal value of £777,598, representing approximately 10 per cent. of the existing ordinary share capital, at a price not less than the Net Asset Value per Ordinary Share as at the most recent practicable date chosen for such purposes by the Directors. The power shall be valid until expiry of the general authority to allot shares described above.

Notice period for general meetings

The Board believes that it is in the best interests of shareholders of the Trust to have the ability to call meetings on 14 days' clear notice should a matter require urgency. The Board will therefore, as last year, propose a resolution at the AGM to approve the reduction in the minimum notice period from 21 clear days to 14 clear days for all general meetings other than annual general meetings. The Directors do not intend to use fewer than 21 clear days' notice unless immediate action is required.

Transfer of shares and voting rights

There are no restrictions concerning the transfer of securities in the Trust; no special rights with regard to control attached to securities; no restrictions on voting rights; no agreements between holders of securities regarding their transfer known to the Trust; and no agreements to which the Trust is a party that might affect its control following a successful takeover bid.

Disclosure of information to Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Trust's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Trust's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Deloitte LLP has indicated its willingness to continue in office as Auditor and a resolution proposing its re-appointment and authorising the Directors to determine its remuneration will be proposed at the AGM.

By order of the Board
Hg Pooled Management Ltd
Secretary
17 March 2011

CORPORATE GOVERNANCE STATEMENT

This corporate governance statement forms part of the Directors' report.

Governance codes

The UK Listing Authority's Disclosure and Transparency Rules (the 'Disclosure Rules') require listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code on Corporate Governance (the 'Combined Code'), as issued by the Financial Reporting Council (the 'FRC'). The provisions of the Combined Code issued by the FRC in June 2008 were applicable in the year under review. The Combined Code can be viewed at www.frc.org.uk.

In addition, the Board of Hg Capital Trust plc has considered the principles and recommendations of the AIC Code of Corporate Governance ('AIC Code'), published in October 2010, by reference to the AIC Corporate Governance Guide for investment Companies ('AIC Guide'). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, published in May 2010, as well as setting out additional principles and recommendations on issues that are of specific relevance to Hg Capital Trust plc. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders.

The Trust has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below. The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of the Trust, being an externally managed investment company. The Trust has not therefore reported against these provisions.

A copy of the AIC Code and the AIC Guide can be obtained via the AIC's website, www.theaic.co.uk. A copy of the UK Corporate Governance Code can be obtained at www.frc.org.uk.

The Board's composition

The Board consists of six non-executive Directors, all of whom the Trust deems to be independent of the Manager.

In the Board's opinion Mr Brooke and Mr Gale continue to qualify as independent Directors despite their length of service as they are independent of the Manager and free from any business or other relationships that could materially interfere with the exercise of their judgment.

Mr Gale and Mr Brooke are non-executive directors of Lothbury Investment Management, and Mr Brooman and Mr Powell are non-executive directors of SVM UK Active Fund Plc. Their fellow Directors consider that each demonstrates that they are independent in character and judgement and that these common directorships do not impede their independence.

The Directors' biographies highlight their wide range of business experience.

The Board has proactively addressed the matter of director tenure in their deliberations. It believes that adopting a policy whereby Directors may serve only for a limited period is not appropriate for a listed private equity fund, such as the Trust, where maintaining a long-term perspective is of particular importance. The continuity and experience brought to the Board by Directors with longer periods of service is considered desirable. The Board further considers that implementation of a fixed tenure policy could bring with it the inherent risks of short-termism and abuse of position, particularly in the application of such a policy to the position of Chairman.

Mr Gale serves as Deputy Chairman of the Trust and, in practice if not in title, has assumed those responsibilities highlighted in the AIC Code as being the remit of the Senior Independent Director ('SID'). During the year the Board determined that it would be appropriate for Mr Gale to be formally appointed as the SID, in particular to highlight his role to investors as an alternative channel for shareholder communications.

Proceedings of the Board

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 Board meets formally at least five times a year and met eight times in 2010. There is regular contact among the Directors and 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 Trust.

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

The Trust has maintained appropriate directors' liability insurance cover throughout the year. The Trust's articles of association take advantage of statutory provisions to indemnify the Directors against certain liabilities owed to third parties even where such liability arises from conduct amounting to negligence or breach of duty or breach of trust. In addition, under the terms of appointment of each Director, the Trust has agreed, subject to the restrictions and limitations imposed by statute and by the Trust's articles of association, to indemnify each Director against all costs, expenses, losses and liabilities incurred in execution of his office as director or otherwise in relation to such office. Save for such indemnity provisions in the Trust's articles of association and in the Directors' terms of appointment, there are no qualifying third party indemnity provisions in force.

Conflicts of interest

The Directors have declared any conflict or potential conflict of interest to the Board, which has the authority to approve such situations. A Register of the situations approved is maintained and reviewed quarterly by the Board and when changes are notified. The Directors advise the Board as soon as they become aware of any conflicts of interest. In the event that a Director had a relevant conflict of interest he would not be party to discussions or decisions on the matter on which he is conflicted. The Board can however confirm that it has not been necessary to exclude any Director from the consideration of Board or Committee matters on such a basis at any time during the period.

The Board's evaluation

An appraisal system has been agreed by the Board for evaluation on an annual basis of the Board, the Audit & Valuation Committee, the Chairman and the individual Directors. The evaluation takes 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 provided a suitable mix of skills and experience and that the Board was functioning effectively. The Board is satisfied that collectively the members of the Audit & Valuation Committee have a sufficient level of recent and relevant financial experience.

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 Trust: certain of its corporate secretarial duties have been delegated to Capita Company Secretarial Services Limited ('CCSS') and certain of its fund administration duties have been delegated to Capita Financial Group Limited ('CFG'), who have teams specialising in the provision of secretarial and accounting services to investment trusts. Custody and settlement services are undertaken by Hg Investment Managers Limited (authorised and regulated by the Financial Services Authority), which in turn has appointed The Bank of New York Europe Limited ('BNYE'), a subsidiary of The Bank of New York Mellon, as sub-custodian.

The Board has delegated the exercise of any voting rights attaching to 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 and its committees.

Board committees

The Board has delegated a number of areas of responsibility to its committees.

All the Directors of the Trust are non-executive and serve on each committee of the Board. Each Director is considered independent of the Manager, having had no previous or current connection with the investment management of the Trust other than in their capacity as a Director of the Trust, and are further considered to be independent in mind and judgement.

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. With a relatively small Board, it was deemed both proportionate and practical to involve all the independent Directors in each committee.

Mr Brooman is the Chairman of the Audit & Valuation Committee. Mr Mountford is Chairman of the Remuneration Committee, the Management Engagement Committee and the Nomination Committee.

The terms of reference of all the committees are available on request and will also be available at each AGM.

Audit & Valuation Committee

The Audit & 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 Directors 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 half-yearly 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 relevant balance sheet date, the committee reviews in detail the valuation of the unquoted investments within the portfolio.

Non-audit fees of £53,000 (including VAT) were paid to Deloitte LLP for tax compliance work and as consultancy fees relating to the share issue. The Board monitors the Trust's relationship with its external auditor with a view to ensuring that the external auditor does not provide non-audit services that have the potential to impair or appear to impair the independence of their audit role. The Board has agreed that, from time to time it may be appropriate and cost effective for the external auditor to provide certain non-audit services where alternative providers do not exist or where it is cost effective or in the Trust's interest for the external auditor to provide such services.

Deloitte LLP has provided details of any other relationship with the Manager and confirmed to the Board that in its opinion it is independent of the Manager. The Board has considered the independence and objectivity of the auditor and has conducted a review of non-audit services which the auditor has provided. It is satisfied in these respects that Deloitte LLP is independent of the Trust and has fulfilled its obligations to the Trust and its shareholders.

Having regard to these and all other relevant factors, the Audit & Valuation Committee made a recommendation to the Board that, subject to shareholder approval at the 2011 AGM, Deloitte LLP be reappointed as the independent auditor of the Trust for the forthcoming year.

The external auditor is invited to attend all Audit & Valuation Committee meetings and has the opportunity to meet with the committee without representatives of the Manager being present.

Management Engagement Committee

The Management Engagement Committee is formally responsible for conducting an appraisal of the Manager's performance and considering and recommending, as appropriate, the Manager's continued appointment. It also regularly reviews the terms of the investment management and administration contracts. The Directors acknowledge that the role of the Management Engagement Committee in a listed private equity company such as the Trust will be different to the role of such committees in the majority of investment trusts. As such, the primary focus of the committee is to ensure that the Manager's business remains robust and is suitably resourced to enable efficient and effective operations to continue for the foreseeable future; the committee considers matters such as the Manager's governance framework and succession planning in this regard.

Remuneration Committee

The 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 recommendations of the AIC Code under Principle 5 state that the Chairman may be a member of, but not chair, the Remuneration Committee. The Board, having considered the recommendations, nevertheless believe that Mr Mountford remains the most suitable Director to chair the committee. Of particular relevance to the Board's deliberations on this matter were factors including the size of the Board and the remit of the committee, which extends only to the consideration of non-executive remuneration. The remuneration of the Chairman is considered by the committee in his absence and under the leadership of the Deputy Chairman.

Nomination Committee

The Nomination Committee 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.

Following the retirement of Mr Amies in May 2010 the Nomination Committee was responsible for the new Director selection process and for recommending the preferred candidate for appointment to the Board. Mr Powell was recommended for appointment by the committee following an active search conducted by external recruitment consultants.

Number of meetings attended/eligible to attend

Director	Board	Audit & Valuation	Remuneration	Management Engagement	Nomination
Tim Amies	4/4	3/3	1/1	1/1	n/a
Piers Brooke	6/8	4/6	1/1	2/2	1/1
Richard Brooman	8/8	6/6	1/1	2/2	1/1
Peter Gale	6/8	4/6	1/1	1/2	1/1
Roger Mountford	7/8	5/6	1/1	2/2	1/1
Andrew Murison	8/8	6/6	0/1	1/2	1/1
Mark Powell	4/4	3/3	n/a	0/1	n/a

Attendance record

The table on the previous page summarises the Directors' attendance at meetings of the Board and its committees, held in the year to 31 December 2010, compared with the number they were eligible to attend.

Internal controls

The Board is responsible for the internal controls of the Trust 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 Trust fully complied with the AIC Code of Corporate Governance throughout the year ended 31 December 2010 and up to the date of this report, and will continue to do so in the year ending 31 December 2011.

As part of the Board's responsibility for the internal control system, an ongoing process has been established in conjunction with HgCapital, CCSS and CFG for identifying, evaluating and managing the Trust's significant risks. Controls relating to the risks identified, covering financial, operational, compliance and risk management, are embedded in the operations of HgCapital, CCSS, CFG, 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 organisations. This accords with the guidance of the Financial Reporting Council's 'Internal Control: Revised Guidance for Directors on the Combined Code'. HgCapital, CCSS and CFG report to the Trust on their review of internal controls (which for HgCapital includes checks on the sub-custodian) formally on a semi-annual basis and orally at each Board and Audit & Valuation Committee meeting.

During the year the Board has not identified any significant failings or weaknesses in the internal control systems.

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

The Trust 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 Trust'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, CCSS, CFG 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 Trust as at the end of each financial year and of the profit of the Trust for that period.

The Board considers that in preparing the financial statements the Trust 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 & 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, the Senior Independent Director and Directors are available to enter into dialogue and correspondence with shareholders regarding the progress and performance of the Trust. The section of this report, entitled 'Shareholder Information', provides information useful to shareholders.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Trust and of the profit or loss of the Trust for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Trusts's transactions and disclose with reasonable accuracy at any time the financial position of the Trust and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Trust's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with UK Accounting Standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the Trust; and
- the Directors' report, includes a fair review of the development and performance of the business and the position of the Trust, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

Roger Mountford, Chairman

17 March 2011

DIRECTORS' REMUNERATION REPORT

The Board presents the Directors' remuneration report for the year ended 31 December 2010. The Board has prepared this report in accordance with the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as required under the Companies Act 2006, and an ordinary resolution for the approval of this report will be put to members at the forthcoming AGM.

Remuneration Committee

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

Policy on Directors' Remuneration

The Trust 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 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.

Share price performance from 31 December 2005 to 31 December 2010

The FTSE All-Share Index (total return) has been used for comparative purposes as this is the benchmark used when reporting to shareholders.

All figures are based on the total return to shareholders.

No element of the Directors' remuneration is performance related. The remuneration of the Directors is determined within the limits set out within the Trust's articles of association and they are not eligible for bonuses, share options or long-term performance incentives.

None of the Directors has a service contract with the Trust. The terms of their appointments are detailed in a letter sent to them when they join the Board. These letters state that a Director shall retire and be subject to election at the first AGM after his appointment and re-election at least every three years after that.

Directors' remuneration

	Remuneration	
Director	2010 £	2009 £
Timothy Amies	9,623	26,500
Piers Brooke	27,000	26,500
Richard Brooman (Chairman of the Audit & Valuation Committee)	34,000	33,000
Peter Gale	27,000	26,500
Roger Mountford (Chairman)	41,500	39,500
Andrew Murison	27,000	26,500
Mark Powell	11,665	–
Total remuneration	177,788	178,500

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

With effect from 1 July 2010, the remuneration of the Chairman was increased from £41,000 to £42,000 per annum. The Committee agreed that no further increases in the fees for Directors be made for the year ended 31 December 2010: as a result, the remuneration of the Chairman of the Audit & Valuation Committee continues to be set at £34,000 per annum and the remuneration of all other Directors is set at £27,000 per annum.

The Trust's articles of association limit the aggregate remuneration of the Directors to £230,000 per annum.

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 Trust's Directors are subject to retirement by rotation in accordance with the Trust's articles of association.

By order of the Board
Hg Pooled Management Ltd
Secretary
17 March 2011

SHAREHOLDER INFORMATION

Financial calendar
The announcement and publication of the Trust's results may normally be expected in the months shown below:

March	• Final results for year announced
	• Annual report and financial statements published
May	• Annual General Meeting
August	• Interim figures announced and half-yearly report published

In accordance with the Disclosure and Transparency Rules, the Trust will also release Interim Management Statements ('IMS'). These will normally be released to the Stock Exchange in May and October. All announcements may be viewed at the Trust's website, www.hgcapitaltrust.com.

Dividend – 2010
The final dividend proposed in respect of the year ended 31 December 2010 is 28p per share.

Ex-dividend date (shares transferred without dividend)	6 April 2011
Record date (last date for registering transfers to receive the dividend)	8 April 2011
Last date for registering DRIP instructions (see below)	18 April 2011
Dividend payment date	13 May 2011

The final dividend is subject to approval of the Shareholders in the forthcoming AGM.

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

Dividend reinvestment plan ('DRIP')
Shareholders may request that their dividends be used to purchase further shares in the Trust.

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 2011.

Share price
The Trust's mid-market Ordinary share price is published daily in the Financial Times, Daily Telegraph and Evening Standard under the section 'Investment Companies'. In the Financial Times the Ordinary share price and the Subscription share price are listed is the sub-section 'Conventional-Private Equity'.

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

ISIN	GB0003921052
SEDOL	0392105
Reuters code	HGT.L

The ISIN/SEDOL numbers and mnemonic code for the Trust's Subscription shares are:

ISIN	GB00B62CQW90
SEDOL	B62CQW9

Share dealing
Investors wishing to purchase or sell shares in the Trust 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 Trust's Ordinary shares on the London Stock Exchange. The commission is 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.

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 £25. 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 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 Trust's Ordinary and Subscription 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 shareholders 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 shareholders liable for higher rates of tax are assessed for any additional tax through their annual tax return.

Capital gains tax (CGT) for UK tax payers

Qualifying investment trusts currently pay no corporation tax 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 2010/11, the first £10,000 per annum of such gains from all sources is exempt.

From 6 April 2009 until 22 June 2010, a fixed tax rate on capital gains of 18% was applied. From 23 June 2010 the following CGT rates apply:

- 18% and 28% for individuals (depending on total taxable income and gains)
- 25% for trustees or personal representatives
- 10% for gains qualifying for Entrepreneurs' Relief

PEP and ISA investments 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 Trust's investments, may not be as readily realisable as investments in quoted companies.
- As the Trust 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 Trust invests in a portfolio of smaller-cap companies, with enterprise values between £50 million and £500 million (at time of acquisition), the performance of which can fluctuate.
- The price at which the Trust'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 Trust and the income from it can fluctuate as the value of the underlying investments fluctuates.
- The Trust 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 Trust

At an Extraordinary General Meeting held in January 2009, shareholders agreed to extend the life of the Trust to 2015. 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 2015 to continue the life of the Trust for a further five years and a similar resolution will be put to the shareholders in 2020 and every fifth year thereafter. If the resolution to continue the life of the Trust is not approved, a General Meeting will be convened within six months after the date of the AGM to put forward proposals for the reorganisation or reconstruction of the Trust.

Nominee code

Where shares are held in a nominee company name, the Trust 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 Trust'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; and
- 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
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

General enquiries about the Trust should be directed to:

The Secretary
Hg Pooled Management Ltd
2 More London Riverside
London SE1 2AP
Telephone: 020 7089 7888

PRIVATE EQUITY

Private equity is the term given to the provision of equity and equity type risk capital to unlisted companies.

It is normally used to finance beneficial change in businesses.

The changes that require equity finance are manifold and ever present. They include a change in the scale of a business (through fast growth or acquisitions), a change in ownership, often in conjunction with management (the management buyout), a change in the strategic direction of a company, a significant change in the structure and operations of a business or financing the commercialisation of new technologies.

Healthy economies require constant change in their corporate sector, otherwise they stultify. Private equity is probably the best form of finance to pay for this change as it is patient, welcomes considered risk taking, and participates directly in outcomes.

In return for their investment, private equity investors receive a share of the equity in the businesses they finance and do so with the objective of making a significant capital gain over holding periods from three to seven years.

Private equity investors like HgCapital aim to deliver their clients higher returns than may be obtained from a portfolio of public equity investments over any rolling period of five to ten years. Attractive returns can be garnered if the private equity manager exploits the inherent advantages private equity investors have over investors in public markets.

Investment profile

Private equity investments are less liquid than public equities.

To compensate for this, they offer greater control and more attractive returns.

Individual private equity investments have a risk profile dependent on the nature of the underlying business. Investing in a diversified portfolio helps to mitigate some of these risks; the quality of company selections by the private equity manager and the manager's ability to manage its portfolio further mitigates risk. Manager selection is a key determinant of returns.

Advantages of the private equity model

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

- Better governance model
  Theory and experience tells us that businesses run by their owners tend to perform better than those run by salaried agents. In a private equity backed business almost everybody around the board table and often a high percentage of managers and staff own shares in the companies they run. In addition, the private equity managers also own equity in the portfolio companies through their co-investment obligations and via their carried interest. Accordingly, the interests of all parties are closely aligned and focused on creating value and realising a substantial capital gain. This is achieved by selecting ambitious medium to long-term goals and allowing managers to pursue them, free from short-term distractions that often beset the managers of listed companies.
- Better control
  The private equity manager has more control over the method and timing of the sale of the business than a manager of listed equities. This superior control also extends to the appointment of management.
- Able to attract the best management talent
  Working in a private equity backed business is highly attractive to the best and most ambitious managers. They will be exposed to capital returns that the listed companies rarely, if ever, match and are given the challenge and satisfaction of running their own business.
- Larger universe of opportunities to choose from
  The universe of privately owned businesses is much larger than the publicly-traded one so the investor has greater choice. The choice available to private equity also includes listed companies which are frequently de-listed and refinanced with private equity capital.
- Better access presenting the possibility for better assessment
  Prior to investing, private equity managers have better access to information, including detailed market, financial, legal and management due diligence.

LISTED PRIVATE EQUITY

Listed Private Equity ('LPEQ') refers to public companies whose shares are listed and traded on a primary stock exchange.

In Europe, primary exchanges include the London Stock Exchange and Euronext. Some private equity companies quoted on the London Stock Exchange are structured as investment trusts. All listed private equity companies provide the stock-holder with an exposure to a differentiated portfolio of private companies, either directly or via funds.

By buying shares in LPEQ companies, the investor benefits from liquidity while participating in the potentially superior returns of a private equity portfolio. In addition, LPEQ companies allow investors access to private equity without having to commit to the ten year lock-in and minimum investment required when investing in private equity via limited partnerships.

For the most comprehensive single source of information on listed private equity go to www.lpeq.com.

London Stock Exchange-listed private equity investment trusts are supervised by boards of directors, the majority of whom are independent, in order to reinforce the manager's accountability to the shareholders. Provided they meet certain criteria, investment trusts pay no corporation tax on capital gains but must distribute most of their net income as dividends in each financial year.

The objective of listed private equity is usually to provide shareholders with long term capital appreciation, rather than income.

Each listed company, like each private equity firm, has its own investment strategy relating to geography, size and type of investment, etc. Listed private equity companies vary considerably in the number of their own holdings, ranging from specialist direct investment trusts, with a handful of portfolio companies in one country, to a fund-of-funds manager with holdings in over 300 private equity funds worldwide.

Listed private equity companies continually invest and reinvest; they have no fixed lifespan like a limited partnership. Proceeds from the sale of assets are generally retained for reinvestment, rather than being distributed to investors, which would trigger taxable gains. This, together with the long-term horizon of private equity, means that listed private equity is best suited to long-term holding, rather than frequent trading.

In Europe, there are about 80 investable listed private equity companies, with market capitalisation of £22 billion (€25 billion) of which £11 billion are London-listed companies (source: LPX as at end 2009). These listed private equity companies should not be confused with Venture Capital Trusts (VCTs), which offer targeted tax advantages to investors, but must follow stringent regulations as to the size and nature of the companies in which VCTs can invest. Such companies are generally embryonic businesses.

Advantages of listed private equity

Compared with an investment in a limited partnership with a ten year life, the normal route to obtaining a diversified exposure to private equity, listed private equity offers significant advantages:

- Listed private equity offers the opportunity for retail investors as well as institutions to participate in a diversified portfolio of mainly unlisted companies for the price of one share, rather than a typical minimum commitment of over £5 million to a limited partnership;
- By buying shares in a listed private equity company, investors have liquidity in the shares and do not have to make a ten year commitment to a fund. Accordingly they can trade without requiring the manager's consent and the need to run a private auction of their interest;
- Listed vehicles handle the cash management and administration, which are complex for a limited partnership interest. All listed private equity investors need do is monitor the value of their shareholdings in the quoted vehicle itself; and
- Capital gains retained within London-listed trusts are not taxed.

The listed sector is diverse, offering a wide range of private equity investment vehicles adopting different investment strategies and criteria.

GLOSSARY

INVESTMENT TRUSTS

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 1,100p and the share price were 990p, the discount would be 10%.

Net asset value per share ('NAV')
This is the value of the Trust's assets attributable to one Ordinary share. It is calculated by dividing 'shareholders' funds' by the total number of Ordinary shares in issue. For example, as at 31 December 2010, shareholders' funds were £347,993,000 and there were 31,103,915 Ordinary shares in issue; the NAV was therefore 1,118.8p per Ordinary share.

Shareholders' funds are calculated by deducting current and long-term liabilities, and any provision for liabilities and charges, from the Trust's total assets.

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 1,155p and the NAV were 1,100p, the premium would be 5%.

Subscription shares
Shares carrying the right (but not the obligation) to be exchanged for Ordinary shares of a company at a predetermined price and at a specified time in future.

Total return
The total return to shareholders comprises both changes in the Trust's NAV or share price and dividends paid to shareholders; it is calculated on the basis that dividends are reinvested in the Trust'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 Investment 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.

Hedging
Hedging is an investment technique designed to offset a potential loss on one investment by purchasing a second investment that is expected to perform in the opposite way.

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, often involving 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 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 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 10 May 2011 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 2010, together with the report of the independent auditor thereon
2. To approve the Directors' remuneration report
3. To re-elect Mr R J Brooman as a Director
4. To re-elect Mr A H Murison as a Director
5. To re-elect Mr P Gale as a Director
6. To re-elect Mr P L Brooke as a Director
7. To elect Mr G M Powell as a Director
8. To re-appoint Deloitte LLP as independent Auditor to the Company
9. To authorise the Directors to determine the independent Auditor's remuneration

Special business

To consider and, if thought fit, pass resolutions 10, 12 and 13 as special resolutions and resolution 11 as an ordinary resolution.

10. 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 701 of the Companies Act 2006 (the Act) to make market purchases of Ordinary shares (within the meaning of Section 693 of the Act) provided that:

    (i) the maximum number of Ordinary shares hereby authorised to be purchased is 4,662,477;

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

    (iii) the maximum price payable by the Company for each Ordinary share is the higher of:

    (a) 105% of the average of the middle market quotations of the Ordinary shares in the Company for the five business days prior to the date on which such share is contracted to be purchased; and

    (b) the higher of the price of the last independent trade and the highest current independent bid as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buyback programmes and stabilisation of financial instruments (No.2233/2003);

    (iv) the authority hereby conferred shall expire at the end of the next AGM of the Company or, if earlier, on 10 November 2012 unless previously renewed, varied or revoked by the Company in general meeting.

11. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ('Rights'):

    (a) up to an aggregate nominal amount of £2,566,073; and

    (b) up to a further aggregate nominal amount of £2,566,073 provided that (i) they are equity securities (within the meaning of Section 560(1) of the Companies Act 2006) and (ii) they are offered by way of a rights issue to holders of Ordinary shares on the register of members at such record dates as the Directors may determine where the equity securities respectively attributable to the interests of the Ordinary shareholders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary shares held or deemed to be held by them on any such record dates, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter,

    provided that this authority shall expire at the end of the next annual general meeting of the Company, or, if earlier, on 10 August 2012, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors shall be entitled to allot shares and grant Rights pursuant to any such offer or agreement as if this authority had not expired.

12. THAT the Directors be and they are hereby empowered pursuant to Section 570 and Section 573 of the Companies Act 2006 to allot equity securities (within the meaning of Section 560 of that Act) for cash either pursuant to the authority conferred by Resolution 11 above, or by way of a sale of treasury shares, as if Section 561(1) of that Act did not apply to any such allotment provided that this power shall be limited to:

    (a) the allotment of equity securities in connection with an offer of securities (but in the case of the authority granted under paragraph (b) of Resolution 11 by way of rights issue only) in favour of the holders of Ordinary shares on the register of members at such record dates as the Directors may determine where the equity securities respectively attributable to the interests of the Ordinary shareholders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary shares held or deemed to be held by them on any such record dates, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter; and

(b) the allotment (otherwise than pursuant to sub-paragraph (a) of this Resolution 12) to any person or persons of equity securities up to an aggregate nominal amount of £777,578,

and shall expire upon the expiry of the general authority conferred by Resolution 11 above, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the Directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

13. THAT the Company be and is hereby generally and unconditionally authorised to hold general meetings (other than annual general meetings) on 14 clear days' notice.

By order of the Board
Hg Pooled Management Ltd
Secretary
17 March 2011

Notes

1. To be entitled to attend and vote at the Annual General Meeting (the 'AGM') (and for the purpose of the determination by the Company of the number of votes they may cast) Ordinary shareholders must be entered on the Company's register of members at 6.00 pm on 8 May 2011 (or, in the event of any adjournment, 6.00 pm on the date which is two days (excluding weekends and bank holidays) 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 AGM. Subscription shares carry no right to attend or vote at the AGM.
2. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the AGM. A shareholder may appoint more than one proxy in relation to the AGM 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.
3. To be valid, the enclosed reply-paid form of proxy, together, if appropriate, with the power of attorney (if any) under which it is signed, or a notarially certified copy of such power of attorney must be deposited at the offices of Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not later than 12 noon on 8 May 2011.
4. To appoint more than one proxy, shareholders will need to complete a separate proxy form in relation to each appointment (you may photocopy the proxy form), stating clearly on each proxy form how many shares the proxy is appointed in relation to. A failure to specify the number of shares each proxy appointment relates to or specifying an aggregate number of shares in excess of those held by the member will result in the proxy appointment being invalid. Please indicate if the proxy instruction is one of multiple instructions being given. All proxy forms must be signed and should be returned together in the same envelope.
5. The appointment of a proxy will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.
6. A shareholder present in person or by proxy shall have one vote on a show of hands. On a vote by poll every member present in person or by proxy shall have one vote for every Ordinary share of which he/she is the holder. The termination of the authority of a person to act as proxy must be notified to the Company in writing.
7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the register of members in respect of the joint holding (the first-named being the most senior).
8. A person authorised by a corporation is entitled to exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company. On a vote on a resolution on a show of hands, each authorised person has the same voting rights as the corporation would be entitled to. On a vote on a resolution on a poll, if more than one authorised person purports to exercise a power in respect of the same shares:
   (a) if they purport to exercise the power in the same way as each other, the power is treated as exercised in that way;
   (b) if they do not purport to exercise the power in the same way as each other, the power is treated as not exercised.
9. 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 AGM. 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. The statements of the rights of shareholders in relation to the appointment of proxies in notes 1 to 4 above does not apply to a Nominated Person. The rights described in those notes can only be exercised by registered shareholders of the Company.
10. Pursuant to regulation 41(1) of the Uncertificated Securities Regulations 2001, only those shareholders registered in the register of members of the Company as at 6.00 pm on 8 May 2011 shall be entitled to attend and vote at the aforesaid AGM in respect of the number of shares registered in their name at the that time. Changes to entries on the relevant register of members after 6.00 pm on 8 May 2011 ('the specified time') shall be disregarded in determining the rights of any person to attend or vote at the AGM. If the AGM is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned AGM. If, however, the AGM is adjourned for a longer period then, to be so entitled, shareholders must be entered on the Company's register of members at the time which is 48 hours before the time fixed for the adjourned AGM or, if the Company gives notice of the adjourned AGM, at the time specified in that notice.
11. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for this meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual, which is available to download from the Euroclear website (www.euroclear.com/CREST). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting 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.

    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's specifications and must contain the information required for such instructions, as described in the CREST Manual.

The message, regardless of whether it constitutes the appointment of a proxy or to 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 issuer's agent (ID 3RA50) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. 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 Applications Host) from which the issuer'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.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. 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(s), 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 service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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. As at the date of this Notice, the Company's issued share capital consisted of 31,103,915 Ordinary shares carrying one vote each. The Company also has Subscription shares in issue, however, such shares do not carry voting rights. Therefore, the total voting rights in the Company as at 17 March 2011 are 31,103,915.

13. In accordance with Section 319A of the Companies Act 2006, the Company must cause any question relating to the business being dealt with at the AGM put by a shareholder attending the meeting to be answered. No such answer need be given if:

    (a) to do so would:

        (i) interfere unduly with the preparation for the AGM, or

        (ii) involve the disclosure of confidential information;

    (b) the answer has already been given on a website in the form of an answer to a question; or

    (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

14. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

15. Members satisfying the thresholds in Section 338 of the Companies Act 2006 may require the Company to give, to members of the Company entitled to receive notice of the AGM, notice of a resolution which those members intend to move (and which may properly be moved) at the AGM. A resolution may properly be moved at the AGM unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous or vexatious. The business which may be dealt with at the AGM includes a resolution circulated pursuant to this right. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by the Company not later than 6 weeks before the date of the AGM.

16. Members satisfying the thresholds in Section 338A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the AGM any matter (other than a proposed resolution) which may properly be included in the business at the AGM. A matter may properly be included in the business at the AGM unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than 6 weeks before the date of the AGM.

17. A copy of this Notice of Annual General Meeting is available on the Company's website: www.hgcapitaltrust.com

18. The terms and conditions of appointment of non-executive Directors will be available for inspection at the registered office of the Company during usual business hours on any weekday (except Saturdays and public holidays) until the date of the AGM and at the place of the AGM for a period of fifteen minutes prior to and during the meeting.

None of the Directors has a contract of service with the Company.

MANAGEMENT AND ADMINISTRATION

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LPEQ
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LPEQ provides information on private equity in general, and the listed sector in particular, undertaking and publishing research and working to improve levels of knowledge about the asset class among investors and their advisers.

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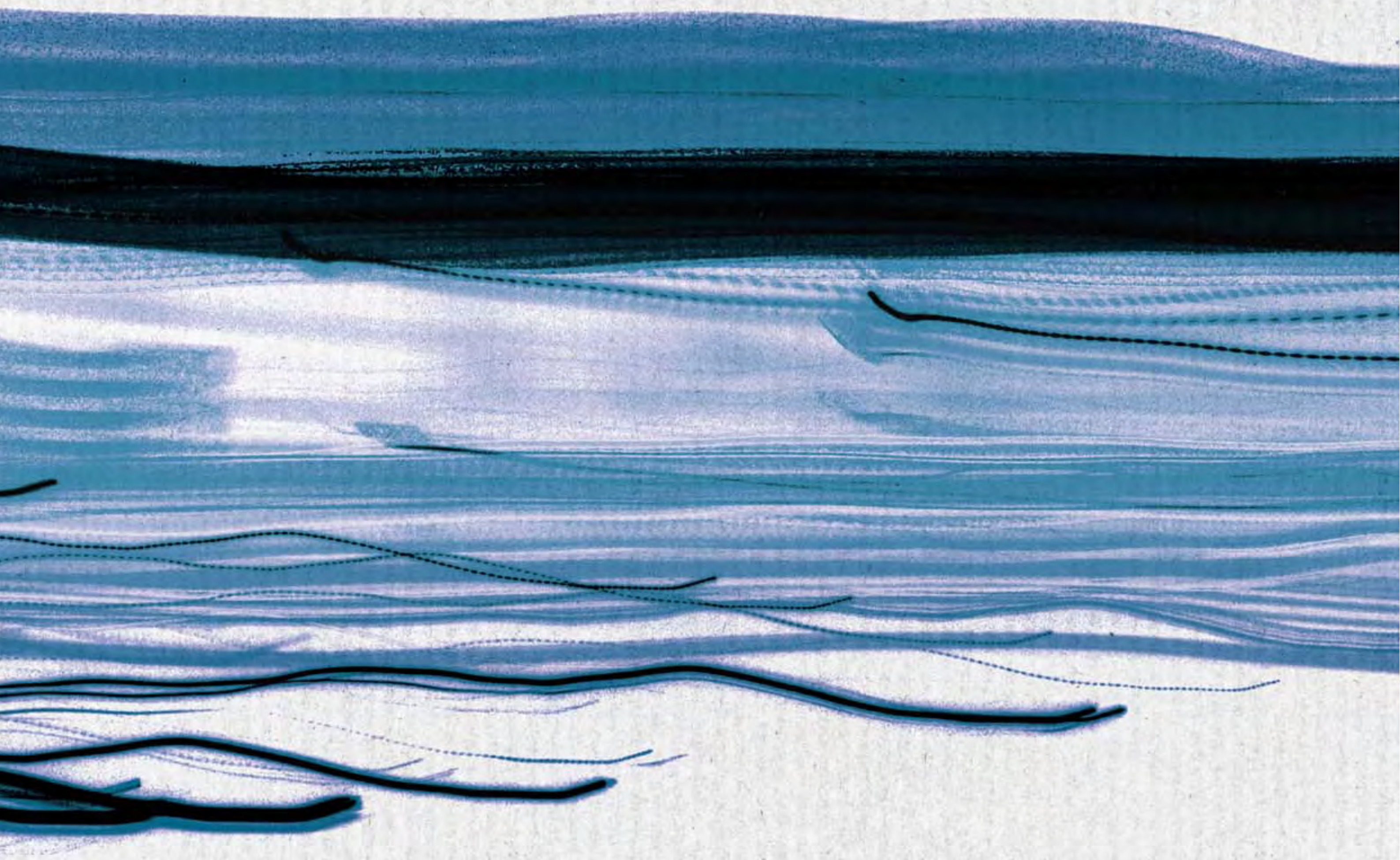
**HgCapital is the trading name of Hg Pooled Management Limited and HgCapital LLP



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