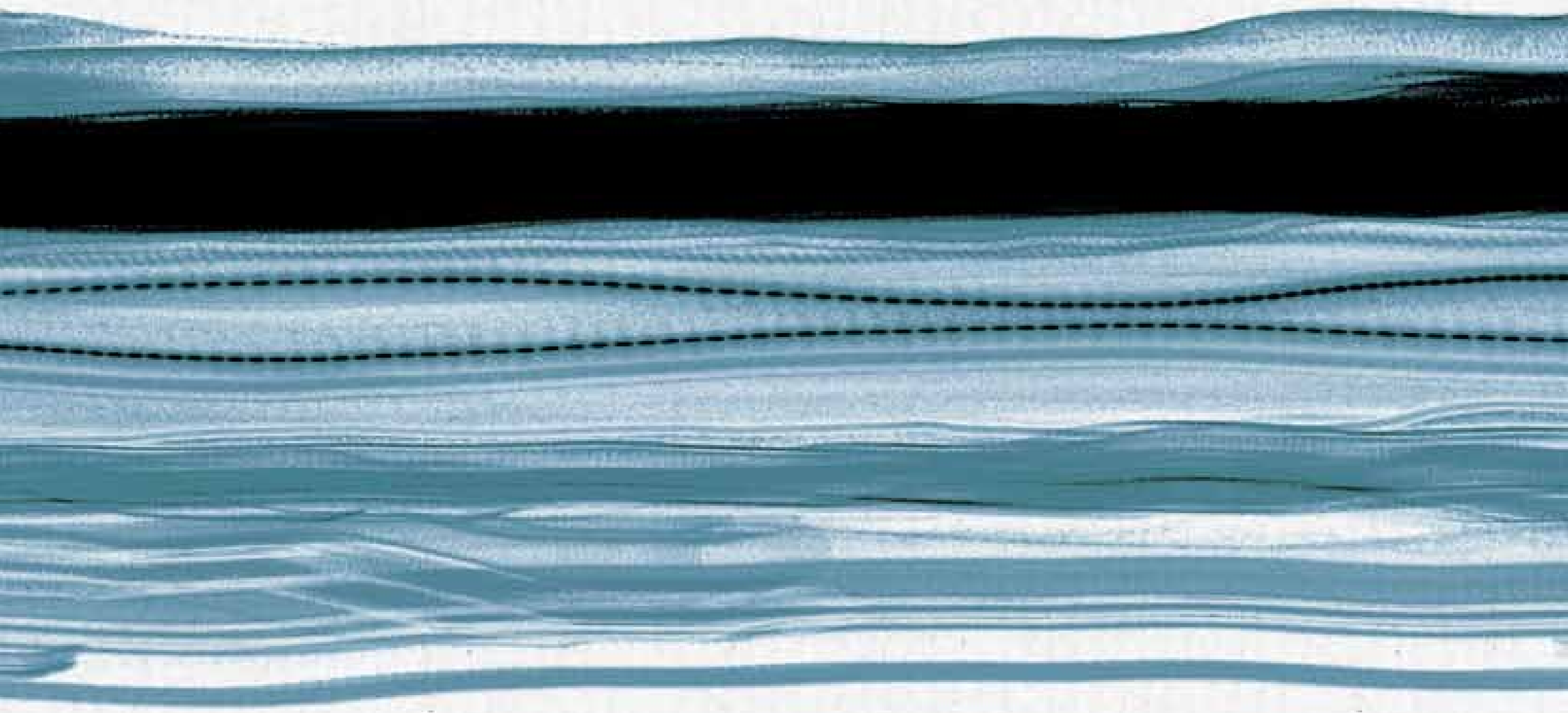
HgCapital Trust plc



ANNUAL REPORT AND ACCOUNTS

31 December 2011

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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.

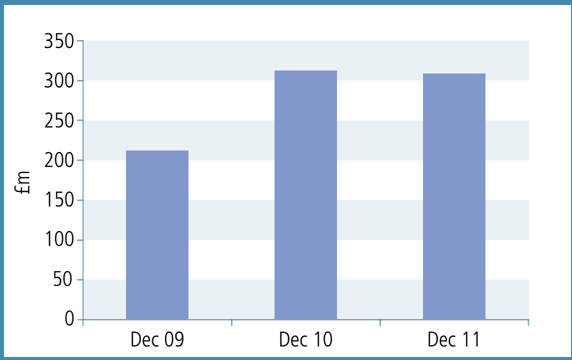
The Trust provides investors with exposure to a diversified portfolio of private equity investments primarily in the UK and Continental Europe.

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'.

FINANCIAL HIGHLIGHTS

2011 PERFORMANCE

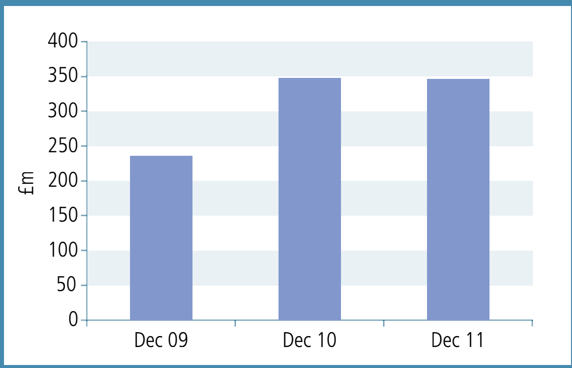
MARKET CAPITALISATION £309 MILLION



The ordinary share price fell from £10.06 to £9.70 over the year.
A decrease (on a total return basis) of:

-1.2%

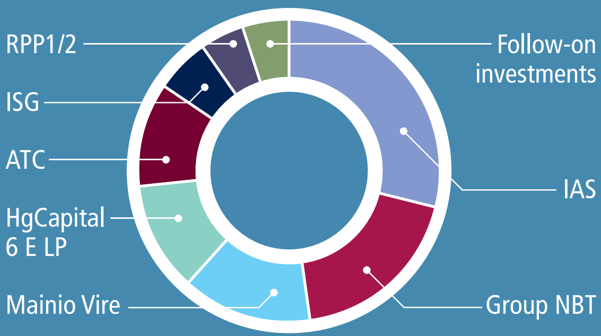
NET ASSET VALUE ('NAV') £347 MILLION



The NAV (diluted) per ordinary share fell from £10.91 to £10.69 over the year, following the payment of a 28p dividend.
A total return performance of:

+0.5%

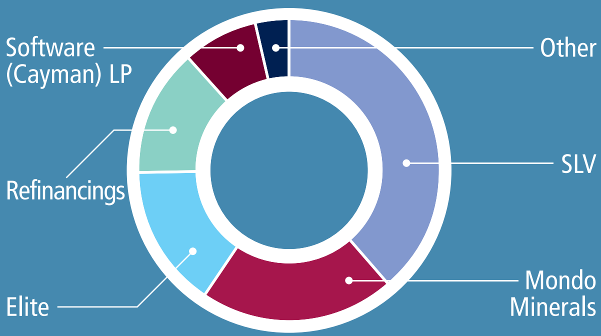
CASH DEPLOYED



£87 million

The amount of capital deployed in 2011, primarily in five new buyout investments.

CASH REALISED



£62 million

Cash realised in 2011, primarily from the sale of SLV and Mondo Minerals at an average uplift on book value on full realisations of 56%.

FINANCIAL HIGHLIGHTS CONTINUED

LONG-TERM PERFORMANCE – 10 YEAR TOTAL RETURNS

COMPOUND ANNUAL GROWTH RATE

15.7% p.a.

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

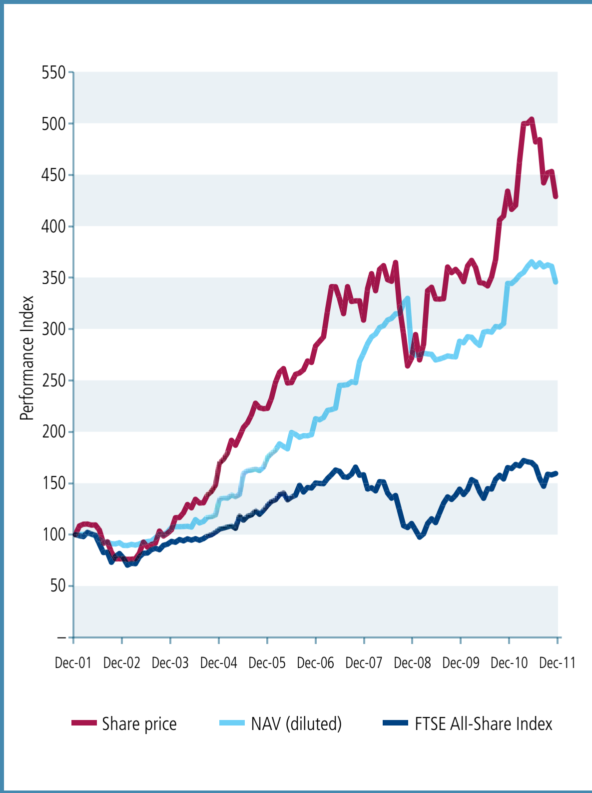
10 YEAR RETURN ON £1,000

£4,289

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

An equivalent investment in the FTSE All-Share Index would be worth £1,595.

*Assuming reinvestment of all dividends



BALANCE SHEET ANALYSIS

£347 million

The net assets of HgCapital Trust plc as at 31 December 2011.

£94 million

The liquid resources available (including a £40 million undrawn bank facility) for deployment as at 31 December 2011 representing 27% of NAV.

£195 million

The amount of outstanding commitments as at 31 December 2011 representing 56% of NAV.

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.

An investment in HgCapital Trust plc primarily provides exposure to a portfolio of fast growing companies. The top 20 buyout investments currently account for nearly 87% of the portfolio value. These companies have aggregate revenues of **£2.0 billion** and profits of **£480 million**.

In addition, the Trust has made a commitment to small-cap TMT deals, where it has many years of experience, through HgCapital's Mercury fund. Finally, it also holds investments in the Manager's two renewable energy funds.

+13% p.a.
revenue growth

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

+10% p.a.
profit growth

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

10.2x
EV/EBITDA multiple

The average valuation multiple used to value the top 20 buyout investments at 31 December 2011.

4.0x
net debt/EBITDA

The average net debt/EBITDA multiple of the top 20 buyout investments at 31 December 2011.

With a portfolio of businesses that continue to trade well, the Trust has preserved value for shareholders in a year when equity markets have been weak and volatile. The Manager's active engagement with each of our businesses helps them to grow sales and profits, despite challenging macro-economic prospects.

The year in review

2011 was a volatile and disappointing year for investors in equity markets, with the overall modest gains of the first half more than reversed in the second. Against a total return of -3.5% in the FTSE All-Share Index, the Trust's diluted NAV per share, after payment of a 28 pence dividend, was down only marginally at £10.69 (31 December 2010: £10.91, both fully diluted). After adjusting for movements in foreign exchange, the Trust's diluted NAV at 29 February 2012 had increased to £10.80.

Share price performance

At £9.70 (31 December 2010: £10.06) the Trust's ordinary share price was slightly lower at 31 December 2011 than a year before, a decrease on a total return basis (taking into account the dividend paid during the year) of -1.2%, reflecting a modest widening of the discount to diluted NAV. However, the Trust's shares continue to stand at a much smaller discount to NAV than those of its direct peers.

The modest widening in discount has little impact on returns to a patient, long-term investor. The Trust's ten-year total return to shareholders was again more than 10% p.a. in excess of the FTSE All-Share Index. An investment of £1,000 made in the Trust ten years earlier, with dividends reinvested, would now have a value of £4,289, compared with £1,595 if invested in the FTSE All-Share Index.

With the reduction in the remaining period for exercise of the Trust's subscription shares, and weak market conditions generally, their market price in the early part of the year was not sustained in the second half, closing in December 2011 at 53 pence. However, the price has increased by some 34% to 70 pence in the first two months of 2012. I remind shareholders that each subscription share entitles the holder to subscribe to one new ordinary share, on 31 May or 31 October 2012, or on the final exercise date of 31 May 2013. If exercised in 2012 the subscription price will be £9.50 per share; if exercised in 2013 the price will be £10.25. During 2011, 718,415 subscription shares, representing 12% of all subscription shares in issue, were exercised raising nearly £7 million. If all the remaining subscription shares are exercised it will raise new funds of between £52 million and £56 million for the Trust to deploy and will further enhance the liquidity of the market in the Trust's shares.

Dividend

The Trust is managed with the objective of achieving capital growth, not to deliver any target earnings or dividend. For the first time since 1994, earnings were negative in the year. This has been due to a number of factors, most notably from the relatively immature Hg6 vintage portfolio where income has not yet been recognised on all the investments, and the majority of the income recognised during the current year has been offset by the cumulative investment management costs, charged since 2009 on the Hg6 commitment made by the Trust. In addition, accrued income that had been recognised since March 2007 on our investment in Americana has required a provision through the Income Statement. Finally, in a low interest rate environment, negligible yield has been generated on our liquid resources which averaged £90 million in the year (26% of NAV). Taking account of the one-off nature of factors that depressed income in the year, the Board has decided to recommend that a dividend of 10.0 pence (2010: 28.0 pence) be paid.

Portfolio

Following a record year for investment in 2010, the Trust deployed £87 million in the year under review, including £70 million in five new acquisitions.

Realisations generated proceeds of £62 million for the Trust. This included the sale of five companies that in aggregate were achieved at prices 56% above the valuations adopted in the Trust's accounts at 31 December 2010 and the sale of two residual holdings. Total realisations added some £20 million to NAV.

This was partially offset by the unrealised revaluation of portfolio investments and accrued income, which reduced shareholder value by a net total of £7.5 million. The Manager's attribution analysis indicates that the growth in profits of the businesses in the Trust's buyout portfolio was more than offset by adverse movements in ratings. The effect of changes in the value of sterling against the currencies in which some investments are held was broadly neutral.

Despite challenging economic conditions, during 2011 most of the companies making up the top 20 buyout investments continued to trade well. In aggregate, the top 20, representing 87% of the total portfolio value, grew revenues by 13% and EBITDA by 10%. The Manager monitors the trading of every portfolio company on a monthly basis and reports in detail on the latest trading figures to the Board of the Trust at every meeting.

The Manager has continued to build the in-house resources available to work with the management of each business in the portfolio, to develop and implement strategic and operational change so as to assist in meeting the economic headwinds and increasing challenges in their markets. Executives of HgCapital's specialist teams act as board members of every investment, supporting management in setting the direction of the business, and where appropriate provide skilled hands-on support in implementing change, often drawing on the experience gained in earlier investments. The Board recognises this commitment to achieving strategic and operational improvement in the businesses acquired as the most important driver of value creation, which will be increasingly important in a low-growth environment with less use of leverage than in prior years.

Corporate developments

During the year we announced that the Board had agreed to co-invest up to £60 million alongside HgCapital's Mercury fund. This fund will invest exclusively in the TMT sector in the UK and Continental Europe, with a focus on smaller companies, with an enterprise value at acquisition of between £20 million and £80 million. This is the segment of the buyout market where HgCapital originally established itself as a successful investor. The Board is pleased to note that, although HgCapital has like other managers moved up in the scale of its activities and deals, it has not vacated this profitable segment of the market.

For the first time, the Trust acquired a £15 million limited partnership interest in Hg6 from an investor in HgCapital funds who decided to withdraw entirely from investment in private equity. The transaction comprised a payment of £7.8 million for funds already invested, with the balance by way of investment in future deals. The acquisition from other investors of interests in funds managed by HgCapital, with which the Trust's Board is of course very familiar, represents a further means to optimise the deployment of the Trust's resources. The Board may from time to time make further such acquisitions, or indeed might sell an interest, if this were appropriate in the strategic management of the Trust.

In parallel with these new deployments of the Trust's resources, the Board decided to gain further flexibility in managing its cash flows by arranging a facility with its bankers. The Trust now has in place a £40 million three-year standby facility with Lloyds TSB Bank plc, on an unsecured basis.

Reporting

Over several years we have continually sought to improve the transparency and clarity of our reporting. We describe in some detail all the top 20 companies we own and last year we introduced into our report a case study of one investment, to describe its history throughout the period of ownership by HgCapital. Another case study is set out in this report, and a library of these case studies is available at www.hgcapitaltrust.com.

Late in 2011 we achieved a further advance in enhancing the Trust's reporting, with a complete redesign of the Trust's web-site, www.hgcapitaltrust.com, which we hope investors and analysts will find useful.

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

Prospects

The Trust began 2012 with a relatively young portfolio and less exposure to cyclical businesses than before. The geographic balance of the buyout portfolio has shifted back towards the UK, with a smaller portfolio focused on northern Europe and Germany, and one investment in Italy.

At 31 December the Trust held some £54 million in cash and liquid resources and had access to a £40 million undrawn bank facility. The prospects for all forms of equity investment are vulnerable, of course, to instability in European economies and low economic growth. However, a number of our businesses are attracting interest that may result in successful realisations in the next twelve months. The Trust's portfolio appears well positioned and, with the Manager's commitment to active engagement with the businesses we own, the Board considers that the Trust offers an attractive investment opportunity.

As a listed investment trust, HgCapital Trust provides an attractive vehicle for investors to gain access to private equity. I am pleased to report that, in the Investment Week awards, the Trust was again chosen, for the seventh consecutive year, as Private Equity Investment Trust of the Year.

Roger Mountford

Roger Mountford
Chairman
15 March 2012

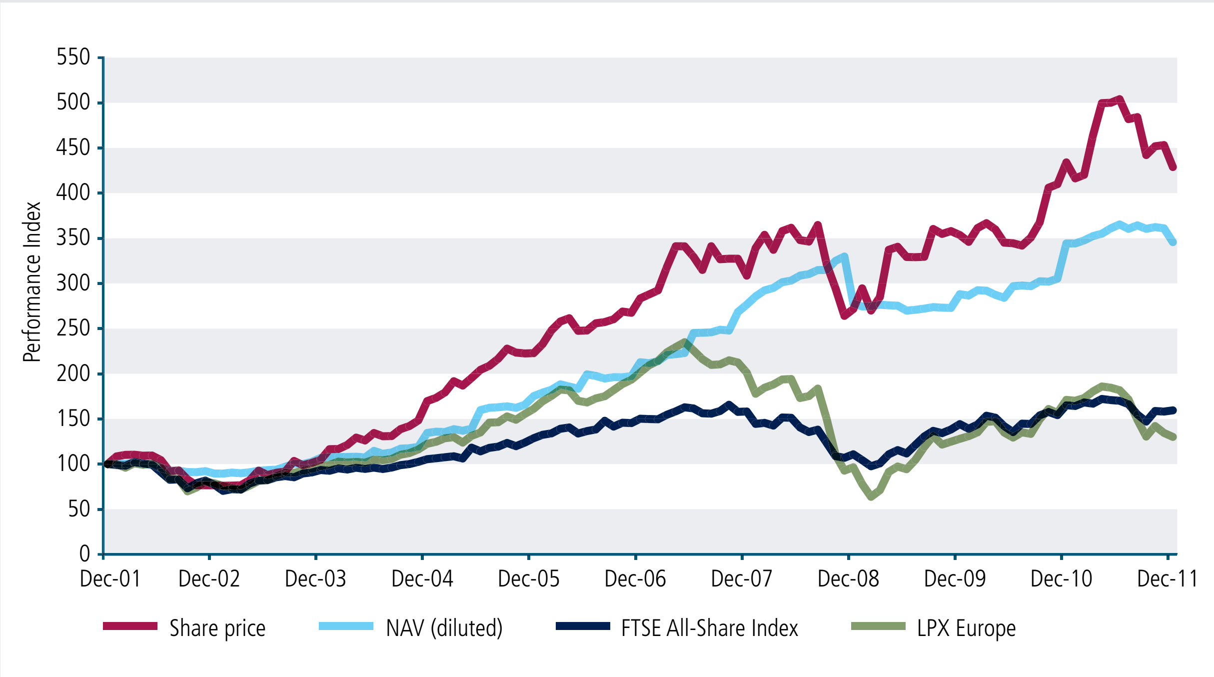
LONG-TERM PERFORMANCE RECORD

PERFORMANCE RECORD

Year ended 31 December	Net assets attributable to ordinary shareholders £'000	Net asset value per ordinary share (diluted[1]) p	Net asset value per ordinary share (basic) 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
2002	83,837	n/a	332.9	219.5	n/a	2,148	8.5	8.00
2003	99,987	n/a	397.0	289.5	n/a	3,969	15.8	12.00
2004	122,040	n/a	484.5	451.5	n/a	2,649	10.5	8.00
2005	156,487	n/a	621.3	583.5	n/a	2,965	11.8	10.00
2006	187,135	n/a	743.0	731.0	n/a	4,519	17.9	14.00
2007	238,817	n/a	948.2	782.5	n/a	7,446	29.6	25.00
2008	234,094	n/a	929.4	668.5	n/a	7,445	29.6	25.00
2009	236,044	n/a	937.2	844.0	n/a	7,148	28.4	25.00
2010	347,993	1,090.7	1,118.8	1,006.0	105.0	10,053	34.0	28.00
2011	**346,832**	**1,069.3**	**1,089.9**	**970.0**	**53.0**	**(645)**	**(2.0)**	**10.00[4]**

[1] Diluted NAV 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.
[4] Proposed dividend for the year ended 31 December 2011, to be paid on 15 May 2012, 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.lpx-group.com

Performance record frebased to 100 at 31 December 2001. Source: Factset.
*Total return assumes all dividends have been reinvested.

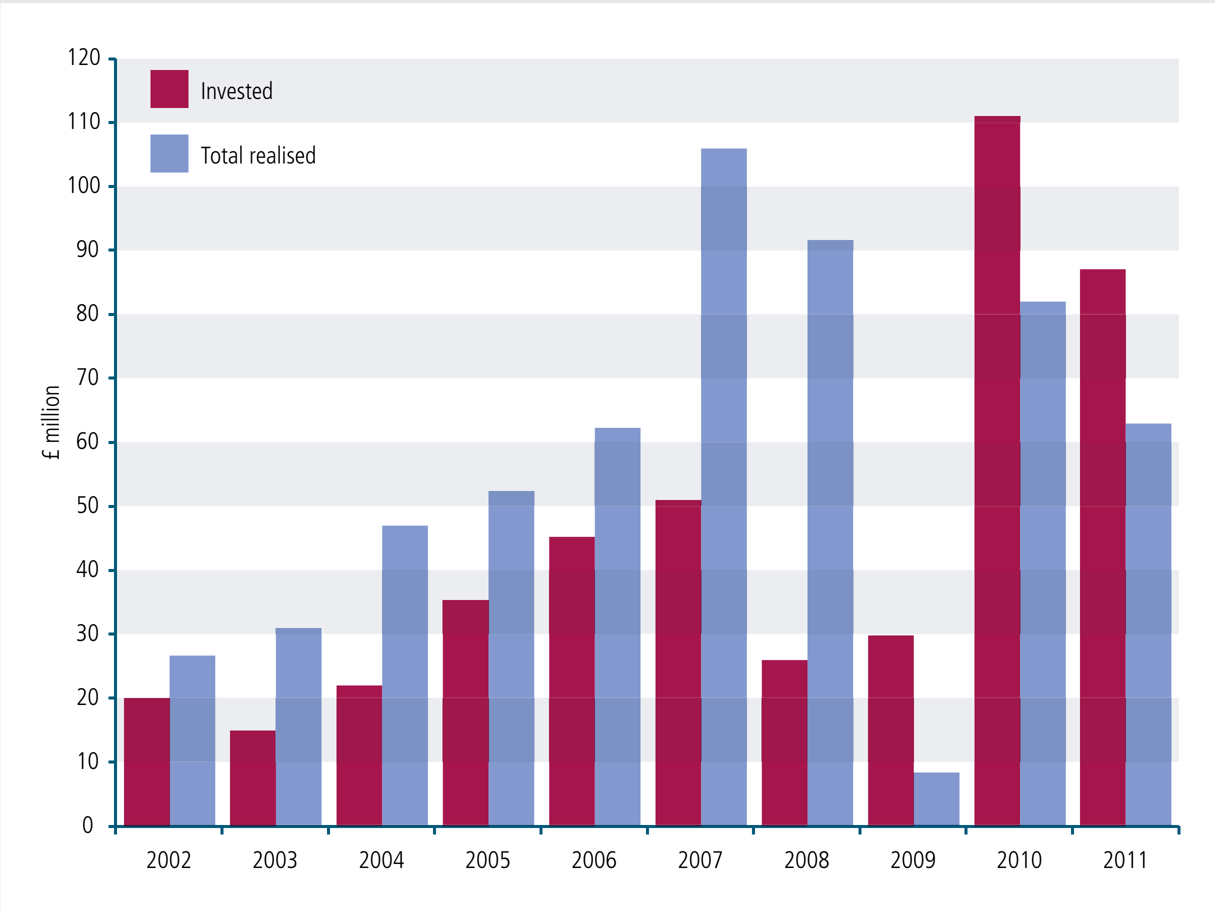
HgCapital Trust plc's share price has consistently delivered significant outperformance against its benchmark across one, three, five, seven and ten-year periods.

HISTORICAL TOTAL RETURN* PERFORMANCE

	One year % p.a.	Three years % p.a.	Five years % p.a.	Seven years % p.a.	Ten years % p.a.
Ordinary share price	(1.2)	16.4	8.6	14.2	15.7
NAV (diluted)	0.5	7.6	10.2	14.4	13.2
NAV (basic)	(0.2)	8.3	10.6	14.8	13.4
FTSE All-Share Index	(3.5)	12.9	1.2	6.1	4.8
Share price outperformance per annum against the FTSE All-Share Index	2.3	3.5	7.4	8.1	10.9

*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 63, 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 is chairman of the Civil Aviation Authority Pension Scheme, and a member of the Church of England Pensions Board and of the Advisory Board of VenCap International plc. He holds a number of other directorships and is a Governor of the London School of Economics.

Piers Brooke

Aged 71, 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 Property Trust plc.

Richard Brooman

Aged 56, 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, and a non-executive Director of the Camden & Islington NHS Foundation Trust. He was formerly Chief Financial Officer of Sherwood International plc and Group Finance Director of VCI plc. Prior to this, he served as CFO of the global Consumer Healthcare business of SmithKline Beecham and held senior financial and operational positions at Mars after qualifying with Price Waterhouse.

Peter Gale

Aged 56, Peter Gale was appointed to the Board in 1991 and is Deputy Chairman of the Company. He has worked in many divisions of National Westminster Bank, specialising in investment management. In 1990 he became responsible for the investment management of National Westminster Bank Group Pension Funds, which subsequently became RBS Pension Trustee Ltd. Upon the purchase of Gartmore Investment Management plc in 1996, he became a principal of the enlarged fund management company and in 2003 became Managing Director of Gartmore Private Equity. In 2010 Peter became Chief Investment Officer of Hermes GPE LLP. He is a non-executive director of Lothbury Property Trust plc and the Salvation Army Trustee Company. He is also the Investment Advisor to the West Midland Pension Fund.

Andrew Murison

Aged 63, 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 also serves on the boards of Maven Income and Growth VCT3 plc, Brandeaux Student Accommodation Fund Limited and Brandeaux US Dollar Fund Limited, and is Chairman of JPMorgan European Investment Trust plc.

Mark Powell

Aged 66, Mark Powell was appointed to the Board in 2010. He has spent his entire career in Investment Management and retired as Chairman of Rathbone Brothers Plc in 2011. He is a former Chairman of the Association of Private Client Investment Managers and Stockbrokers (APCIMS) and member of the Takeover Panel. He is a member of the Investment Committee of the Church of England Pensions Board and is a Trustee of several charities.

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% of the gross assets of the Trust from time to time. At the time of acquisition, no single investment will exceed a maximum of 15% 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 up to a maximum at the time of acquisition of 15% 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% 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 where there is potential for growth in value, especially where the Investment Manager and the management of the business can work together to implement strategic or operational change. These can result in higher rates of growth in sales and enhanced profits, offering investors capital gains on realisation.

Many large institutional investors have been making an allocation to private equity funds for decades, each time committing to a 10-12 year closed end fund, investing time to select a manager and negotiate complex and lengthy limited partnership agreements, and then assuming the burdens of administration, monitoring and accounting that these vehicles impose. In return, the best managers have delivered better performance than investors have received from their listed equity and bond, hedge fund and property portfolios. This long term commitment may not be practical for smaller institutions, wealth managers and funds that intend to de-risk over time. As an alternative, these investors can gain access to the private equity ownership model by buying shares in the Trust. As an investment trust, it has an independent Board and is committed to transparent and regular reporting, and the Trust is well covered by published research. The Trust's shares are listed on the London Stock Exchange, where they are freely tradeable.

THE TRUST'S INVESTMENT OBJECTIVE AND INVESTMENT POLICY

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 special purpose limited partnerships, that invest directly on its behalf in unquoted businesses in the UK and Continental Europe alongside other institutional clients of HgCapital, an experienced private equity manager. The Trust is not a fund of funds and does not invest in other managers' funds. The Trust's strategy of making these indirect investments via these partnerships into businesses provides the benefits of greater transparency for the Board and shareholders in the Trust and avoids the double level of fees inherent in a fund of funds.

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). The Trust invests on the same terms as institutional investors. The Trust normally acquires 15% of the interest in each business acquired by HgCapital on behalf of its clients.

The Manager is organised in investment teams that focus on business sectors that the Manager researches in depth. The Manager does not make top-down allocations to these sectors or to particular countries; the balance between sectors and countries may change as investment opportunities appear and portfolio companies are sold.

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 22 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, and the profile of its cash returns will complement those from buyout investments. 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 increase rates of return to shareholders. 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.
The Trust has a bank facility on which it can draw to meet short-term needs, for example, 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.

Comparator

For most shareholders, their investment in the Trust represents a small allocation of funds that would otherwise be invested in UK equities. The Manager's aim is to achieve returns in excess of the FTSE All-Share Index over the long term, but is not intended to reflect movements in the Index. To assess the Manager's performance relative to other private equity managers, the Board regularly compares the Trust's 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.

THE TRUST'S INVESTMENT OBJECTIVE AND INVESTMENT POLICY

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 of its investments in fund limited partnerships after considering, on a sample basis for the underlying investments held by the funds, the following: analytical and performance data; the valuations prepared by the Manager; and the Manager's valuation process. The Manager's valuations are carried out in accordance with the International Private Equity and Venture Capital ('IPEV') Valuation Guidelines, September 2009 edition. Further information can be found at www.privateequityvaluation.com.

NAV 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 as 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 short-term interest rates that can be earned on them, 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 mid-market.

Its business model combines sector-specific thematic investing with dedicated portfolio management support. HgCapital invests primarily in growth companies in expanding sectors via leveraged buyouts and in renewable energy-generating projects across 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, so as to produce consistent top quartile returns for our clients and a rewarding environment for our staff.

References in this annual report and accounts to the 'portfolio', 'investments', 'companies' or 'businesses', refer to a number of primary buyout investments, held indirectly by the Trust through its direct investments in fund limited partnerships (HGT LP, HGT6 LP and HgCapital Mercury D LP) of which the Trust is the sole limited partner, direct investments in secondary buyout investments in HgCapital's 6 fund through HgCapital 6 E LP ('Hg6E'), in which the Trust is a 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.

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, wholly owned by its partners.

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

With nearly 100 employees in two investment offices in the UK and Germany, HgCapital has assets under management of £3.6 billion serving a range of highly regarded institutional investors, including private and public pension funds, charitable endowments, insurance companies and family offices.

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, and with the benefit of an independent board.

THEMATIC INVESTMENT

HgCapital's five dedicated 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, through which 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 works to protect and enhance value, driving clear strategies for growth, and managing a realisation that adds further value.

With substantial 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 primarily 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 to 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 focused on the British Isles, the Nordic region and Spain.

All investments are managed by specialist, dedicated 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 be constrained 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 the Manager's specialist knowledge and skills can make a real difference in supporting management to grow industry champions.

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.

A full description of the Manager and its key staff is available on www.hgcapital.com

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 assist each firm in applying active, results-oriented corporate governance.

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

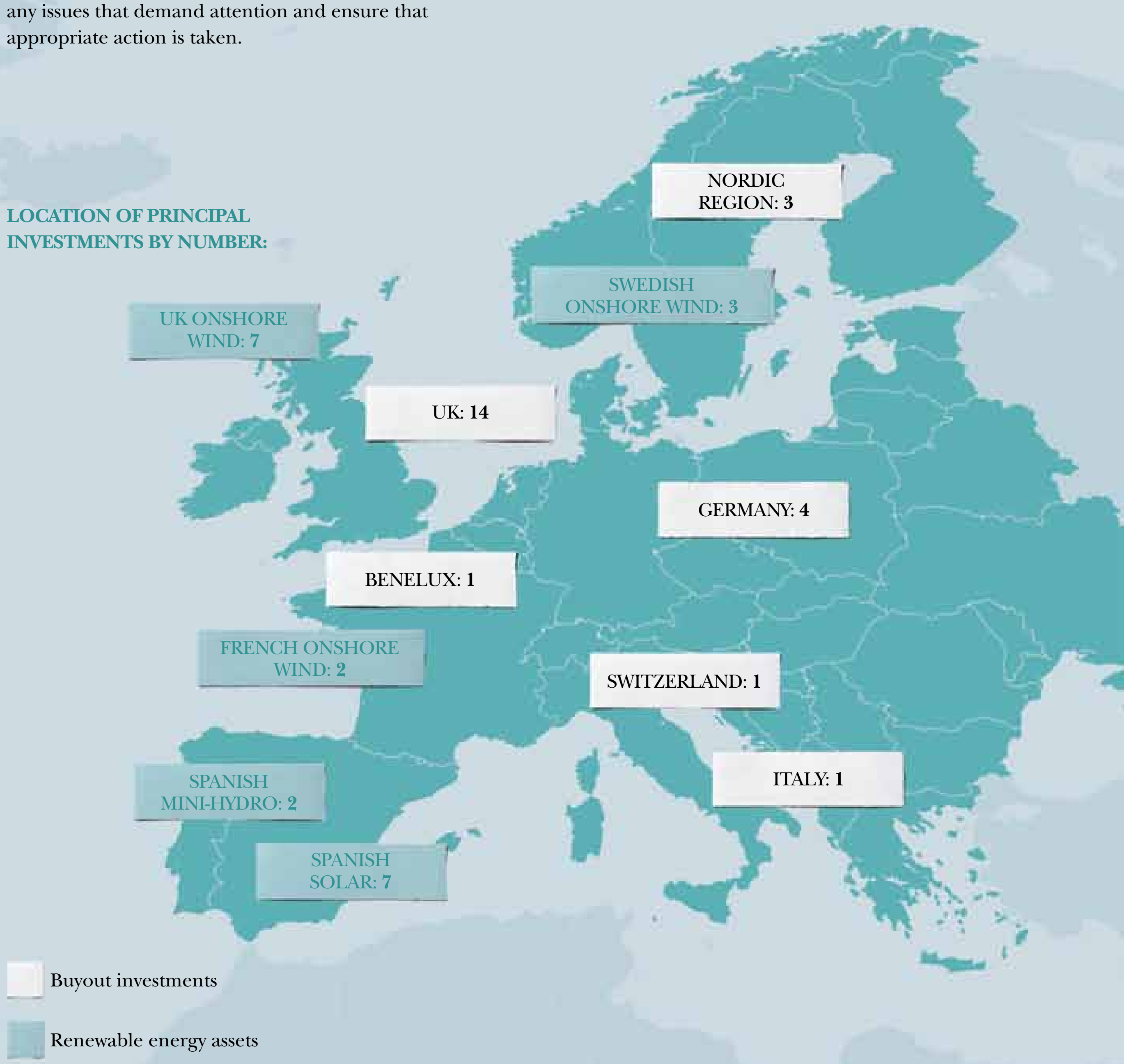
Accordingly, HgCapital is in a position to review the performance of all of its investments, identify quickly any issues that demand attention and ensure that appropriate action is taken.

Deep resources

Our practice of employing specialisation – both in investment selection and portfolio management – places significant demands on our time. Accordingly, we have built a deeply resourced business employing nearly 100 staff, including 55 investment professionals.

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 partners have, on average, 15 years' experience in private equity management.

LOCATION OF PRINCIPAL INVESTMENTS BY NUMBER:



SECTOR SPECIALISATION

Healthcare

Growth in the European Healthcare sector is driven by ageing populations and technological change. Our Healthcare team is attracted to protected segments of the sector and to platforms that have convincing growth potential, often through the roll-out of a proven model or roll-up of a fragmented market within a region.

Our primary investment themes include high-acuity, long-term care facilities and specialty pharmaceuticals. We seek to partner with firms and management teams which provide outstanding levels of care as, ultimately, this is the key driver of growth. Long-term high-acuity care companies are typically cash flow generative, allowing for reinvestment in growth and bolt-on acquisitions, where smaller homes can be acquired and both the quality of care and performance can improve through integration.

The team continually examines other segments of the market for our target themes and other attractive sub-sectors. For example, certain niches of the specialty pharmaceuticals segment enjoy high margins and cash conversion rates, and the potential for product roll-up, enabling strong growth. This theme led to our 2010 investment in Goldshield.

Our experienced, dedicated Healthcare team is well placed to identify, assess and complete investments quickly and thoroughly. We work with companies' existing management teams towards delivering organic growth, rather than financial engineering and aim to interact with management with the sector knowledge of a trade player.

Industrials

Our Industrials Team is focused on partnering with growth businesses in particular in the German market, which is characterized by a large number of highly successful, family-owned businesses (the "Mittelstand"). We have earned a reputation as a preferred partner for many Mittelstand companies as a result of supporting the management of a number of these hidden champions to scale into international businesses. An example of this can be found in our case study of lighting firm, SLV, on page 17.

The German industrial market benefits from proven expertise and high levels of international demand for German precision-engineering, smart electronics, automotive, chemical and industrial automation. The Industrials Team, based in Munich, is located in the heart of an economic zone containing many high-quality, cutting-edge, technology-led industrial players, many of which have strong national or international positions in specific niche markets, with the opportunity to scale further.

Our thematic research within this sector has focused over many years on the characteristics that define the strongest industrial production and distribution businesses and the potential opportunities and challenges that will impact these businesses as they grow. As a result, we focus on investing in the following industrial sub-sectors: specialised engineering or distribution, industrial electronics, automotive suppliers and specialist consumer product design and manufacture.

Services

The Services sector is a large and wide-ranging segment which is traditionally split into 'horizontal' business models such as business process outsourcing, facilities management, or testing and inspection provision. In contrast, HgCapital's Services Team's thematic investment thinking focuses much more on specific end-markets or customer segments, which we think lead to attractive business model characteristics. We have then invested time to develop a strong understanding of the industry dynamics through top-down research or existing investments, identifying service companies that sell into those specific end markets.

Within the Services sector, attractive themes have typically featured large fragmented SME customer bases, long-term and stable customer relationships, and businesses which provide business-critical services, preferably on a recurrent basis. We target businesses with market-leading positions within a niche, typically reflected by strong margins, and we aim to grow these businesses, either organically within existing markets or through acquisitions.

Existing investments include companies that serve a range of industries from trust and fiduciary services, psychometric assessment to commercial laundry equipment distribution, but all have in common a number of characteristics including strong, stable and diverse customer bases and critical, repeated use products. A good example of an investment within this theme is SHL.

TMT

TMT as a sector covers a very wide market. Driven by our thematic approach, HgCapital's TMT team is focused on specific sub-sectors including vertical market application software, private electronic marketplaces, B2B media information/publishing and telecoms/datacentre operators. Within these sub-sectors, we have invested in high quality market leaders with, diverse customer bases, and which feature subscription-based business models generating predictable revenues and cash flows. We regularly conduct top-down thematic research within the wider sector, to continue to identify and assess further repeatable investment themes where we can invest our time to develop proprietary expertise.

Our well-resourced, dedicated team means that we are well placed to identify, assess and complete investments quickly and thoroughly. We work to bring our experience and knowledge to support management teams, aiming to have the knowledge of a trade buyer coupled with the speed and focused delivery of a financial buyer. The team benefits from the depth and breadth of many years of TMT private equity experience, and is complemented by an extensive network of industry experts and advisors. Visma is a good example of taking a strong regional player, and then helping it scale to become a regional technology champion.

Renewable Energy

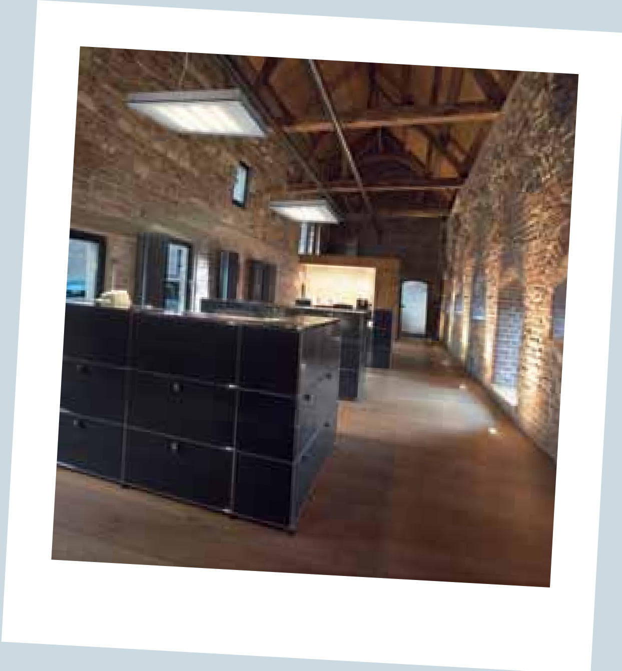
In 2004, HgCapital established a dedicated renewable energy investment team. We raised our first dedicated fund in 2006, following two years of deep sector research. Our team invests in utility-scale renewable energy projects in Western Europe using proven technologies such as onshore wind, solar and hydro, using an infrastructure fund investment approach. We focus on control investments and create industrial scale renewable energy platforms, seeking to aggregate a number of like assets and to deliver economies of scale. The renewable energy market is the fastest growing generation segment in Europe.

It is an attractive investment opportunity, which is estimated to require significant capital investment over the medium term. Technological advances and the increased scale of the industry have increased the cost competitiveness of renewable energy, which also provides favourable inflation linkage and a hedge against fossil fuel costs. In response to these market drivers, our renewable energy investment theme is to focus on the most efficient technologies and best resourced sites, requiring the least regulatory support and resulting in the lowest cost for the consumer.

We invest at an industrial scale to reduce intrinsic costs and create strategic value. We are the leading owner of onshore wind farms in Scandinavia, and one of the largest financial investors in UK onshore wind. Our dedicated team benefits from seven full time investment professionals and six support asset management personnel, with several decades of combined industry experience.

SLV®

Website:	www.slv.de
Sector:	Industrials
Geography:	Germany



“HgCapital saw the potential in our model and used their knowledge and experience to scale the business successfully.”

Detlef Harms
CEO of SLV

Business description

SLV is one of the fastest growing providers of indoor and outdoor lighting in Europe. Its vertically integrated model delivers competitive advantages in development, sourcing, logistics and distribution. It is able to offer high-quality products at attractive prices with leading levels of service.

Thematic investing

SLV is part of a recession resistant, niche growth market with a protected business model. HgCapital's sector expertise meant that we could quickly understand SLV's business and pinpoint the sources of outperformance:

- Precise understanding of customer needs leads to long-lasting relationships;
- A lean and effective business model across the value-chain keeps costs low;
- Outsourced production with in-house know-how developed from strong supplier partnerships maintains quality as well as cost advantages; and
- Strong culture and a well-known brand amongst customers.

The deal

In 2006, SLV's founder decided to find a partner for the next development phase of the company. HgCapital was shortlisted by the sellers due to our track record amongst German ‘Mittelstand' companies such as Schleich, the German toy figurine producer.

Our experience meant we were quickly able to establish a rapport and demonstrate that we understood SLV's business, winning their trust and showing how strongly we believed in its potential to develop at home and internationally.

Our proposition allowed for re-investment by shareholders and management who, like us, believed in SLV's future. Therefore, although we did not offer the highest bid, we were chosen to take SLV forward.

The investment case

We regarded SLV as a “hidden champion” of the Mittelstand, a successful niche player which had grown faster and with higher margins than its competitors. Our due diligence focused around the question of whether the market and performance was sustainable and if margin levels could be maintained.

Sales growth was achievable, given the relatively low market penetration at that time and SLV's record of successfully entering international markets. Margins were sustainable due to multiple suppliers, disciplined pricing and cost approaches, product portfolio monitoring, and efficient operations with low marketing spending and overheads.

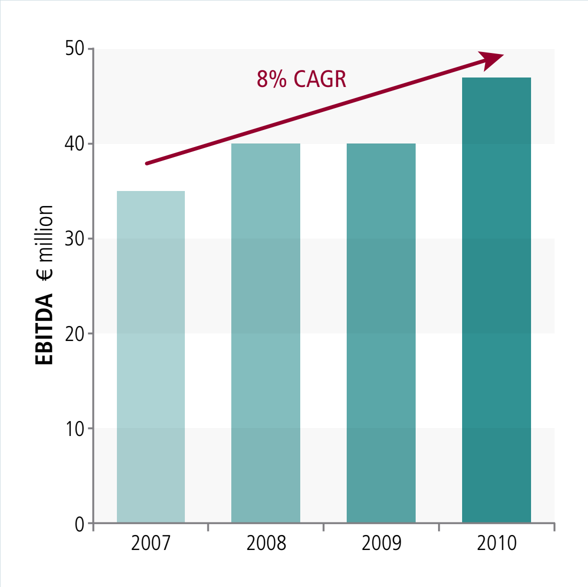
Finally, we were partnering with an experienced management team that had built and refined SLV's business model over years, giving us the comfort to improve strategy and successfully take SLV to the next level.

How HgCapital supported SLV

Our approach was to help management harness the business' potential and to bring our experience from other Mittelstand buyouts to further professionalise SLV:

- We helped SLV gain control over marketing and sales in its most important international markets by acquiring majority holdings in crucial distributors;
- We aided the development of a strategy for entry into a number of new European markets and the US; and
- We supported business function expansion, investment in warehouse space and equipment to increase efficiency. We supported hiring an experienced CFO to improve reporting and control processes.

Financial performance

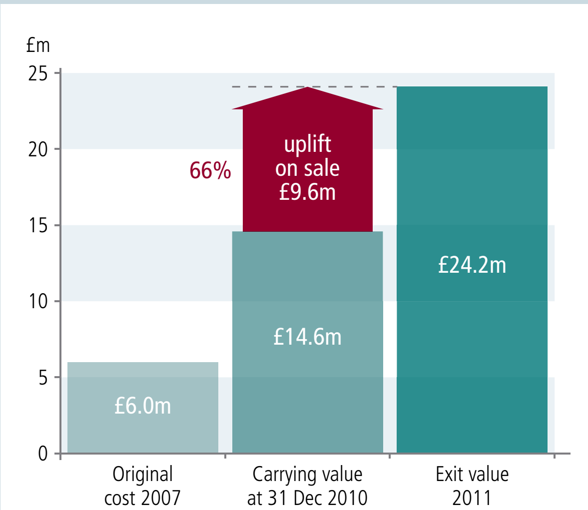


Performance improvement

SLV proved to be resilient through the recession, driven by market share gains, a scalable platform, cost discipline and control over its value chain.

Since we acquired SLV in August 2007 the company has consistently outperformed. We feel that under HgCapital's ownership SLV has become a stronger and more competitive company, benefitting its employees, its customers, and its owners. Between 2007 and 2010:

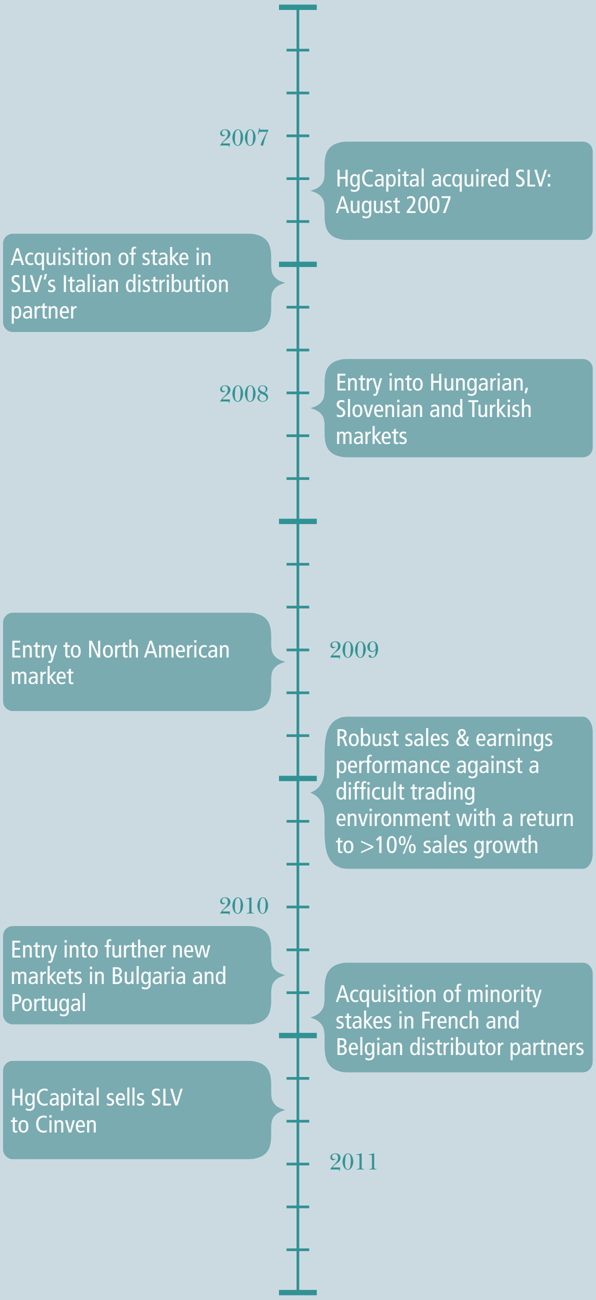
- EBITDA increased by 34%
- Revenues grew by an average of more than 8% p.a.
- Margins rose by 3%
- Jobs increased from c. 155 to c. 230



Investment return multiple of cost: 4.0x

The numbers in the table relate to the Trust's share of transactions

TIME LINE



The exit

SLV's strong performance through the cycle has led to several approaches from interested parties since 2009.

A sales process began in 2010 with the goal of finding an investor who could help drive future growth by bringing new skills and experiences to bear.

We chose Cinven who agreed to acquire SLV in April 2011 delivering a return for our investors of 4.0x and an IRR of 45% p.a. There remains plenty of performance to come from SLV in terms of organic growth and geographical expansion.

Summary

In 2011 the diluted NAV per share increased by 0.5% on a total return basis and the total share price return declined by 1.2%. This static picture fails to reflect significant activity in buying and selling assets as well as in the necessary work to build companies which we believe, after taking account of setbacks some have experienced, will be rewarded in future periods.

New investment activity, whilst lower than in 2010, a record year, included five new buyouts following three well established HgCapital investment themes. In total, we invested £521 million, including £87.1 million for the Trust. The above mentioned new investments were: ATC, a Dutch fiduciary business; Mainio Vire, a Finnish care home operator; the public-to-private acquisition of Group NBT plc, a provider of internet domain name management; IAS, the UK's leading provider of application software for accountants; and ISG, a provider of software for lawyers and for charities.

In total, realisations produced £442 million, of which the Trust's share amounted to £62.4 million. The full realisations produced a 56% uplift over the December 2010 book value, the largest being the sale of SLV discussed as a case study on pages 17 and 18, which produced cash proceeds of £24.2 million for the Trust. The next most significant was the sale of Mondo Minerals, a talc mining operation, where the Trust's share of proceeds was £13.0 million. Elite contributed £9.4 million, with the balance of £7.3 million coming from the sale of smaller and residual holdings in companies and £8.5 million from the re-financing of recent buyouts with new debt facilities, improving the capital efficiency of these businesses.

Our top 20 investments, which represent 87% of the portfolio value, grew solidly during the year, recording average growth in revenue and EBITDA of over 13% and 10% respectively. Our renewable power generating assets, which represent 7% of the portfolio value, generated cash, repaid debt and recorded growing earnings.

At the year-end, the Trust had available liquid resources (including a debt facility of £40 million) of £94 million. Outstanding commitments to HgCapital funds amounted to £195 million.

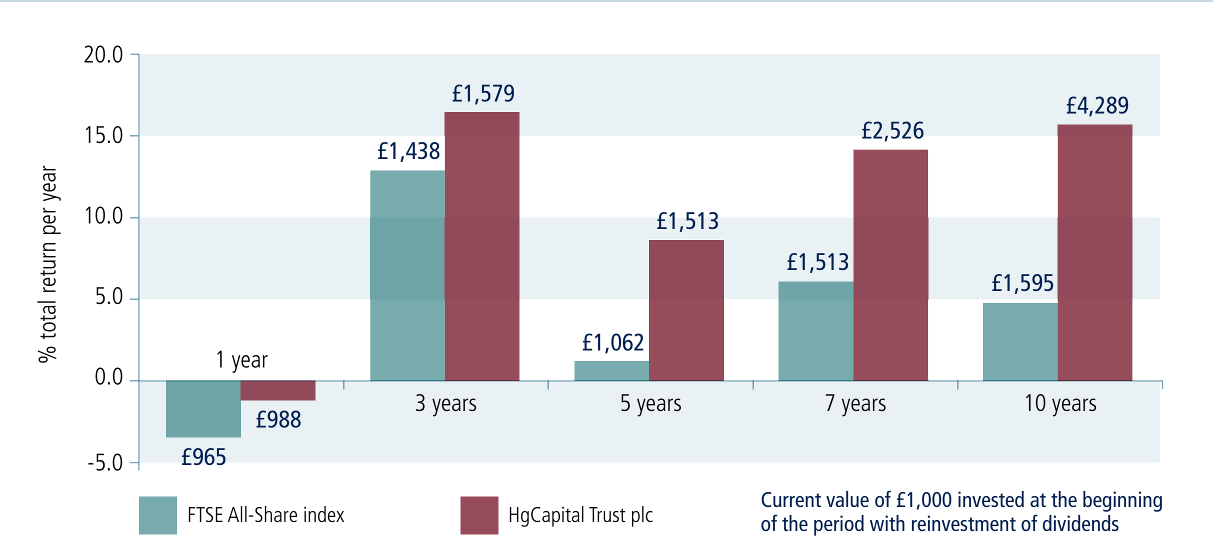
Performance

Share price performance over the year has been marginally negative, albeit outperforming public markets again. It is our belief that listed private equity funds are better measured over periods of three, five and ten years consistent with the long-term nature of private equity investment in generating returns for clients.

Over three years, the share price of the Trust (on a total return basis) has out-performed the FTSE All-Share Index by 3.5% p.a., over five years by 7.4% p.a., and over ten years by 10.9% p.a., net of all costs. £1,000 invested in December 2001 would be worth £1,595 in December 2011 if invested in the FTSE All-Share Index and £4,289 if invested in the Trust. As for 2011, the total return to shareholders was -1.2%, which compared with -3.5% for the FTSE All-Share Index.

The growth in NAV per share is a lead indicator and driver of share price performance over the long run; during the year it rose modestly by 0.5% (total return on a diluted basis). Gains made at the half year were driven primarily by realisations in the first half of 2011 delivering cash proceeds in excess of the 31 December 2010 book value; these were eroded in the second half of the year due to mark downs in the buyout portfolio. This unrealised depreciation is mostly due to falling ratings and in a few cases declining earnings – refer to pages 24 and 25 of this report.

TOTAL RETURN* OUTPERFORMANCE AGAINST THE FTSE ALL SHARE INDEX



*Total return assumes all dividends have been reinvested.

Trading performance

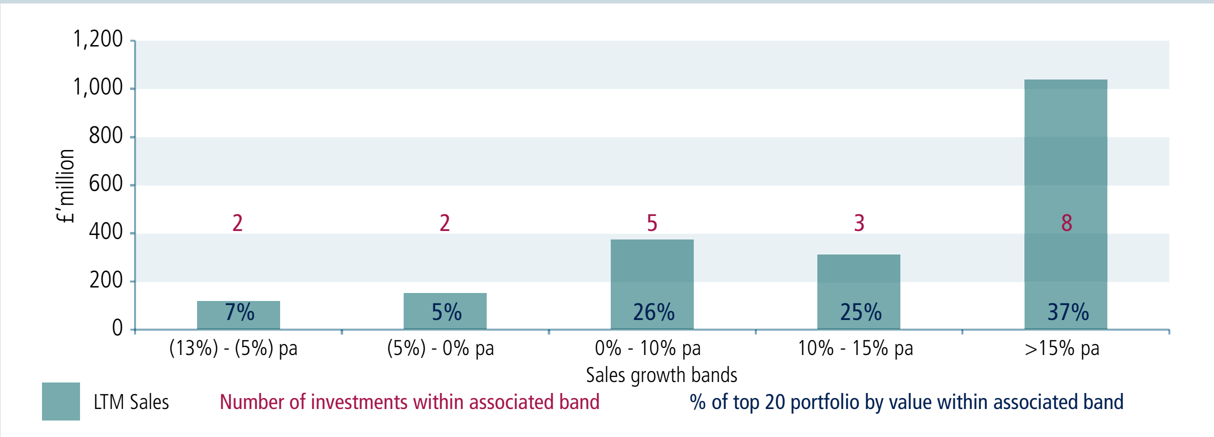
The top 20 companies, which represent 87% of the total portfolio value, grew revenues by 13% and EBITDA by 10% during the year: a healthy growth rate but slower than 2010 when the top 20 grew EBITDA at 16%. A backdrop of a slowing economy partially explains this reduction in rates of growth. The balance may be attributed to some companies investing in their business in advance of delivering revenues from new products and markets. These additional expenditures also partially explain revenue growth out-stripping profit growth. However, it is clear that tougher market conditions have limited the ability of some companies to raise prices in line with costs, particularly those in the long-term care sector and in consumer-facing businesses.

Average net margins of 24%, healthy growth rates and good market positions indicate that these companies have, for the most part, been robust. They are managed by talented managers, who are very committed, with every manager having a significant part of their net worth invested in the companies they run.

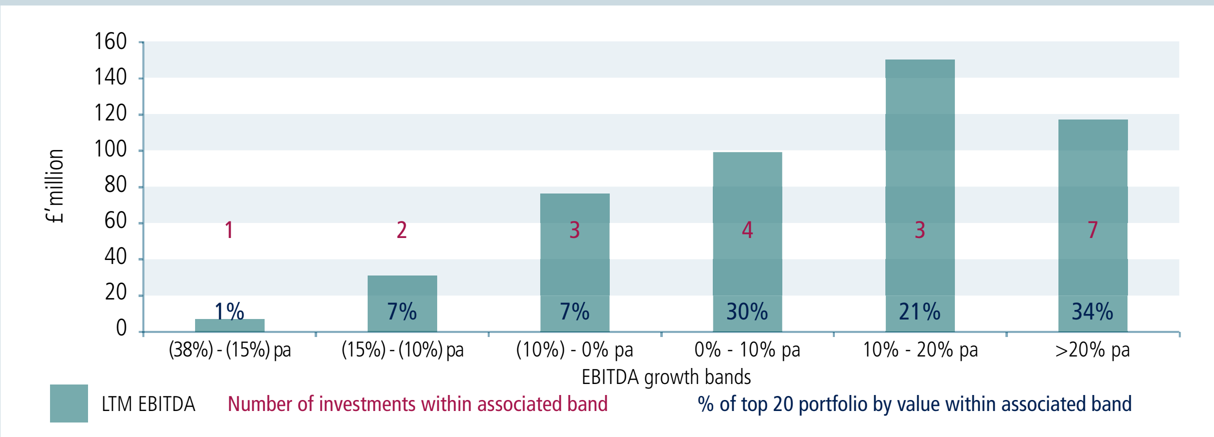
The graphs below show the revenues and earnings for the last twelve months to 31 December 2011 for the top 20 buyout portfolio companies, expressed in growth bands. Over half of the portfolio by value has seen profits grow by more than 10%. 15% of portfolio companies by value have seen a decline in profits in the year. Our portfolio companies are exposed to comfortable levels of gearing (see page 23). The average gearing in the top 20 is 4.0x EBITDA.

We have taken advantage of the highly predictable earnings and free cash flows generated by some businesses (IAS, Group NBT, TeamSystem, JLA, Voyage and Manx Telecom) to use cheap debt to gear our returns. In others, such as Achilles, Epyx, SHL 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. In addition, during the year, we took the opportunity to refinance both Lumesse and SimonsVoss, where both investments were initially completed on an all equity basis.

TOP 20 LAST TWELVE MONTHS ('LTM') SALES GROWTH
Exposure to £2.0 billion of sales that have grown on average at 13% over the last 12 months to December 2011



TOP 20 LAST TWELVE MONTHS ('LTM') PROFIT GROWTH
Exposure to £480 million of EBITDA that have grown on average at 10% over the last 12 months to December 2011



Valuation and Concentration Analysis

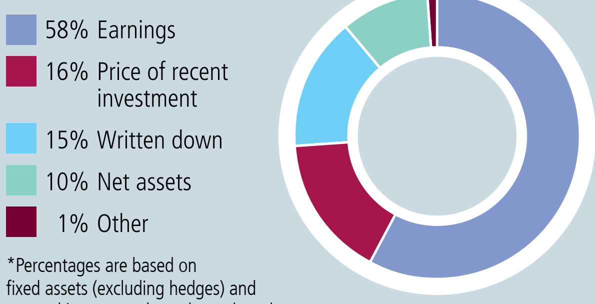
The portfolio is valued consistently from year to year, applying the IPEV Valuation Guidelines. Our valuation of each company has produced an average EBITDA multiple for the top 20 buyout investments of 10.2x.

We continue to take a considered and prudent approach in determining the level of maintainable earnings to use in each investment valuation. Where companies have a December year end and we are confident that they will continue to see growth in 2012, we have used full year earnings for 2011 to derive the value. Where we anticipate future earnings for companies to be below 2011 levels we have used the lower forecast figure.

In selecting an appropriate multiple to apply to the company's earnings, we look for a basket of comparable companies primarily from the quoted sector, but where relevant and recent, we will also use private M&A data.

During the course of the year, strong profit growth and cash generation in a number of businesses within the portfolio has led to an increase in their value, most notably SHL, ATC, Goldshield, Epyx and Achilles.

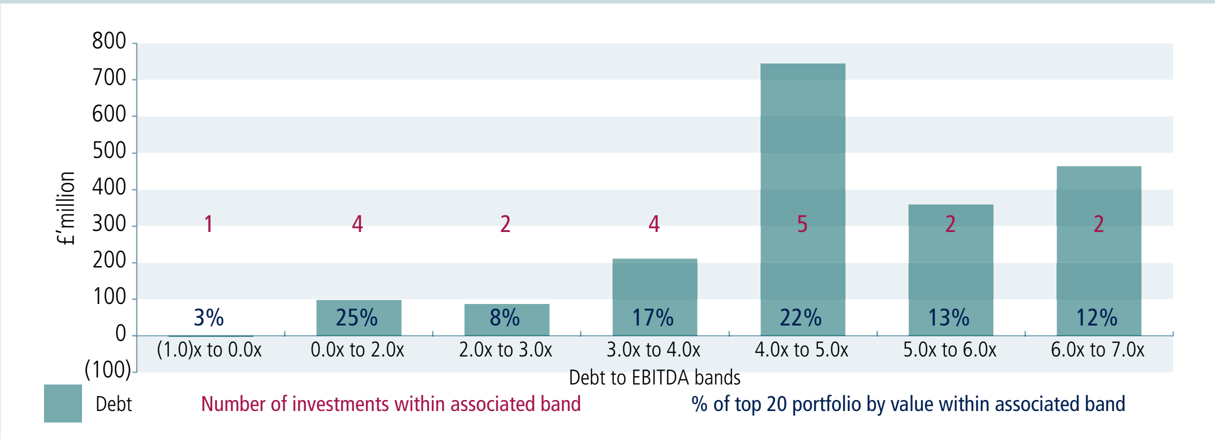
Fair value classification*



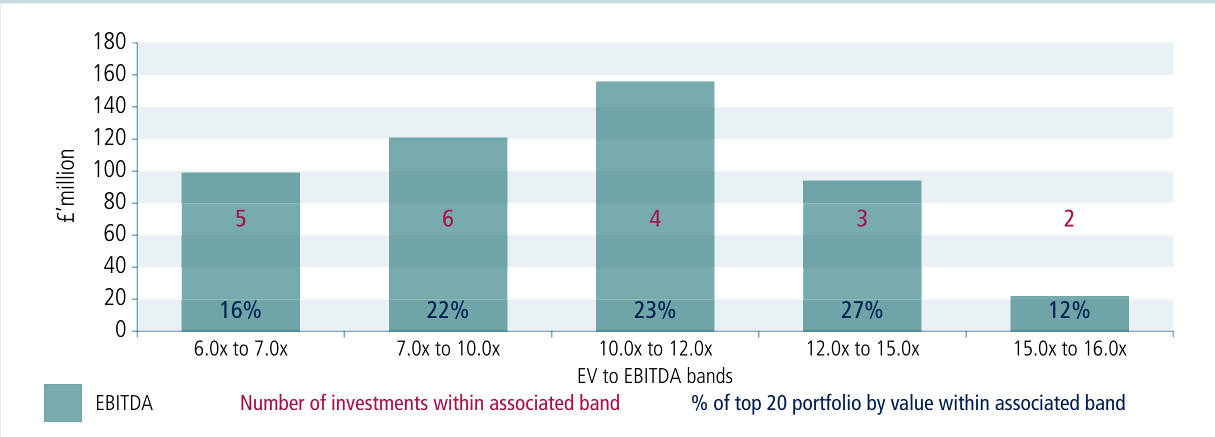
*Percentages are based on fixed assets (excluding hedges) and accrued interest and are shown by value

At Teufel and SPIN, planned expenditure, designed to grow earnings in subsequent years, has reduced profits. At Americana and Schleich, softer consumer demand has taken its toll on earnings. At Mainio Vire, we paid a premium price to buy the business and acquire a platform for growth. To date, we haven't completed any acquisitions and have therefore written the holding value down. At Frösunda, poor execution of an acquisition programme has reduced the equity value.

TOP 20 DEBT TO EBITDA RATIO – Average debt ratio of the top 20 buyout investments of 4.0x



TOP 20 EV TO EBITDA VALUATION MULTIPLE – Average ratings multiple of 10.2x



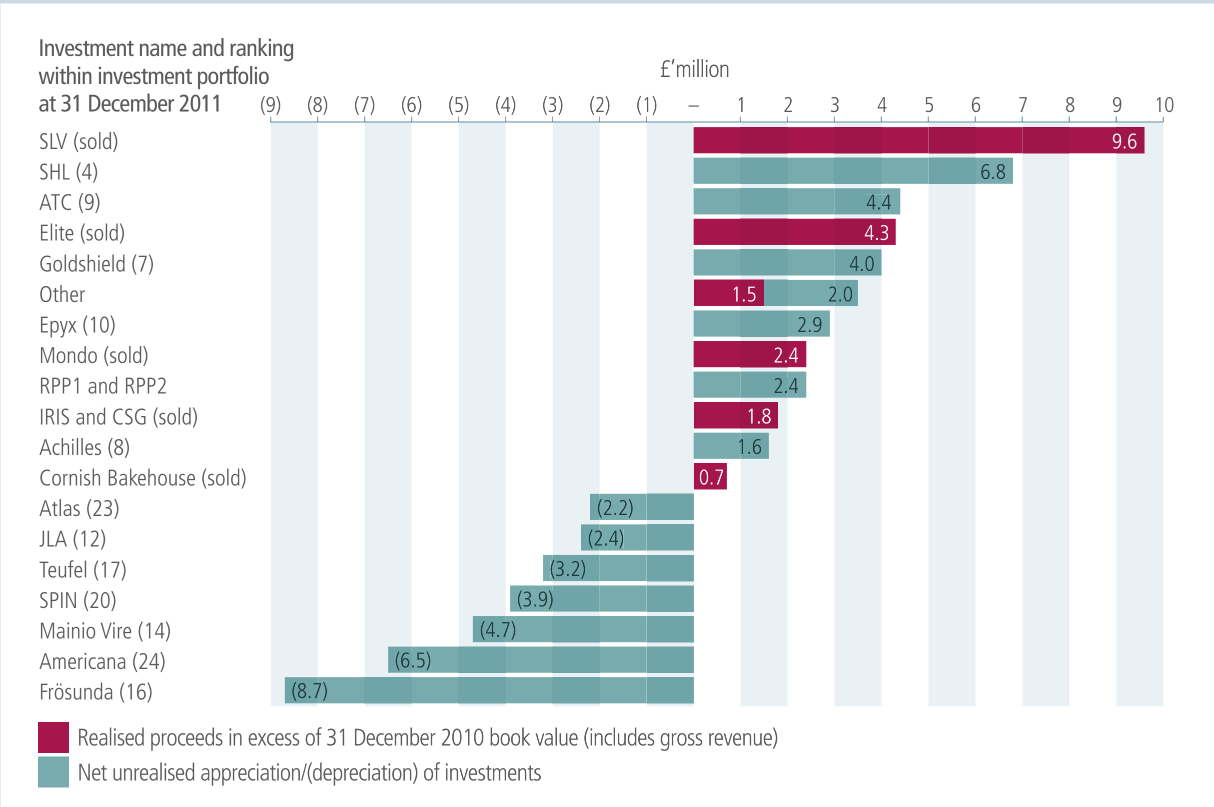
Balance sheet

Over the course of 2011, the net assets of the Trust decreased by £1.2 million (0.3%) from £348.0 million to £346.8 million at the year end.

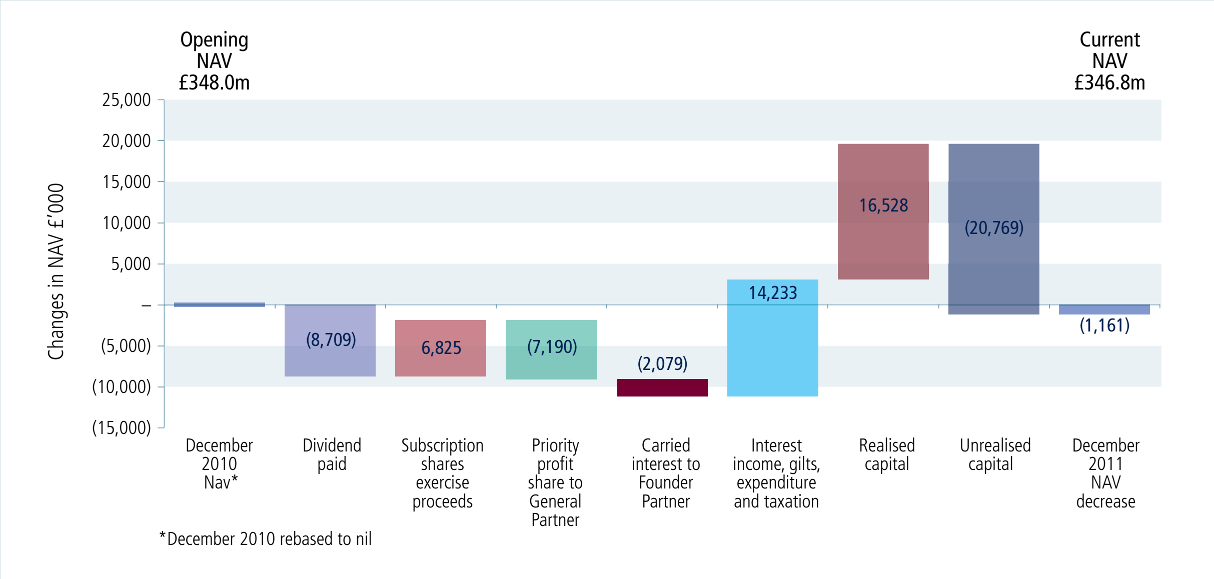
During the year we continued to put money to work, so that 85% of net assets were invested as at 31 December 2011, up from 74% last year.

Attribution analysis of current year movements in NAV	Revenue return	Capital return	Total return
Opening NAV as at 1 January 2011	19,371	328,622	347,993
Dividend paid	(8,709)	–	(8,709)
Proceeds from exercise of subscription shares	–	6,825	6,825
Gross revenue	17,159	–	17,159
Government securities realised and unrealised net losses	–	(329)	(329)
Realised capital proceeds from investment portfolio in excess of 31 December 2010 book value	–	16,528	16,528
Net unrealised capital depreciation of investment portfolio	–	(20,769)	(20,769)
Expenditure and taxation	(2,597)	–	(2,597)
Investment management costs:			
Priority profit share - current year charge	(7,190)	–	(7,190)
Priority profit share - net loan recovery	(8,017)	8,017	–
Carried interest	–	(2,079)	(2,079)
Closing NAV as at 31 December 2011	**10,017**	**336,815**	**346,832**

REALISED AND UNREALISED MOVEMENTS IN INVESTMENT PORTFOLIO (INCLUDING INTEREST) FOR THE YEAR ENDED 31 DECEMBER 2011

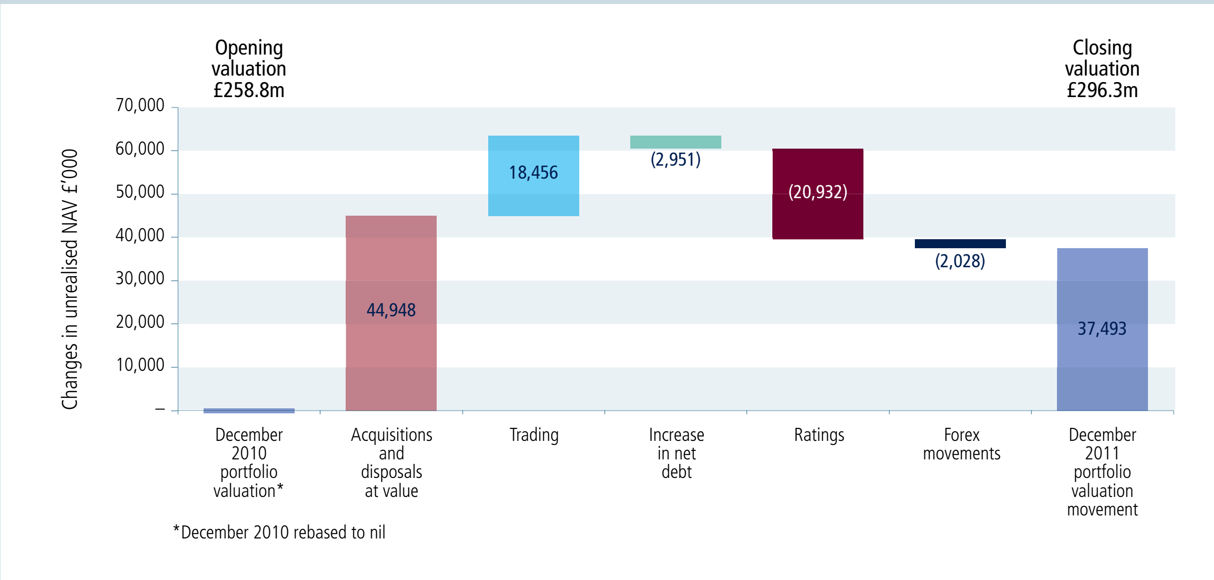


ANALYSIS OF NAV MOVEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011



Over the course of the year, the NAV of the Trust decreased by 0.3% from £348.0 million to £346.8 million. There were a number of underlying factors contributing to the movement in the NAV. Positive impacts on the NAV were: the exercise of 12% of the subscription shares in issue (+£6.8 million); income net of expenses from the underlying portfolio and gilts(+£14.2 million); and uplifts on the realisation of investments compared to their carrying value at the start of the year (+£16.5 million). Reductions in the NAV were caused by: the payment of a dividend to shareholders (-£8.7 million); the Manager's remuneration totalling £9.3 million for both the annual management of the portfolio (-£7.2 million)and long term performance incentives (-£2.1 million); and the movement in value of the unrealised portfolio (-£20.8 million).

ATTRIBUTION ANALYSIS OF UNREALISED MOVEMENTS IN THE INVESTMENT PORTFOLIO (INCLUDING ACCRUED INTEREST MOVEMENT OF £4.3 MILLION) FOR THE YEAR ENDED 31 DECEMBER 2011



During the period, the value of the unrealised portfolio increased by £37.5 million. This change can be attributed primarily to the following factors: net investment activity (+£45.0 million); profit growth in the underlying portfolio (+£18.5 million); and a decrease in ratings during the year on those assets not held at cost (-£20.9 million).

In July the Trust took the opportunity to increase its exposure to the HgCapital 6 vintage investments by acquiring a secondary fund interest commitment of £15million in HgCapital 6 E LP.

In addition, a commitment of £60 million was made to the Manager's new Mercury Fund, specialising in TMT investments in the £20-£80 million Enterprise Value range.

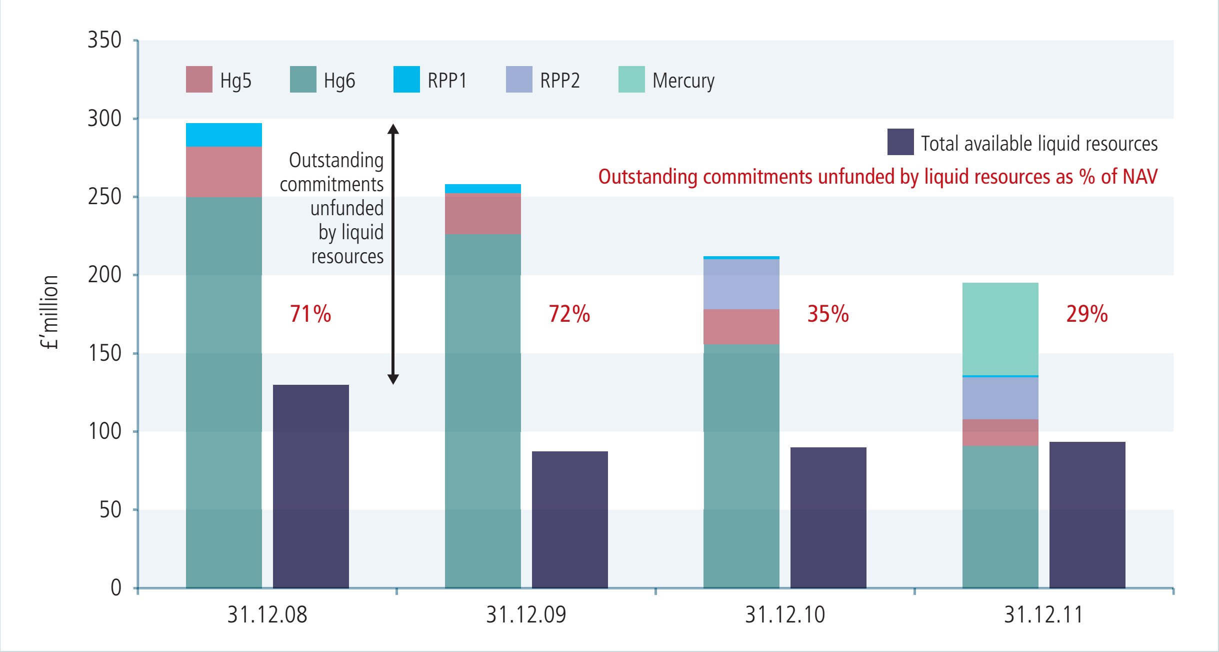
The year ended with available liquid resources totalling £94 million (comprising £54 million of cash and government securities and a £40 million undrawn standby bank facility), which compares with outstanding but undrawn commitments of £195 million on Hg5, Hg6, RPP1, RPP2 and Mercury. Total outstanding commitments less available liquid resources represent 29% of NAV (35% at 31 December 2010).

OUTSTANDING COMMITMENTS OF THE TRUST

Fund	Vintage	Original commitment £'million	Outstanding commitments as at 31 December 2011 £'million	% of NAV	Outstanding commitments as at 31 December 2010 £'million	% of NAV
HGT	pre-2009	120.0	17.1	4.9%	22.3	6.4%
HGT 6[1]	2009	285.0	85.9	24.8%	155.9	44.8%
HgCapital 6 E LP[2]	2009	15.0	4.7	1.4%	–	–
Mercury	2011	60.0	59.0	17.0%	–	–
RPP LP	2006	18.1[3]	1.2	0.3%	1.8	0.5%
RPP2 C LP	2010	33.4[4]	27.2	7.8%	32.0	9.2%
Total outstanding commitments			195.1	56.2%	212.0	60.9%
Liquid resources			53.5	15.4%	90.2	25.9%
Bank facility			40.0	11.5%	–	–
Total available liquid resources			93.5	26.9%	90.2	25.9%
Net outstanding commitments less available liquid resources			**101.6**	**29.3%**	**121.8**	**35.0%**

[1] HgCapital Trust plc has the benefit of an investment opt-out provision in its commitment to invest alongside HgCapital 6, so that it can opt out of a new investment without penalty should it not have the cash available to invest.
[2] Partnership interest acquired during 2011. [3] Sterling equivalent of €21.6 million. [4] Sterling equivalent of €40.0 million.

OUTSTANDING COMMITMENTS BY FUND VINTAGE AND TOTAL AVAILABLE LIQUID RESOURCES



Portfolio of Investments

The Trust's strategy is to invest in five sectors, four of them by way of buyouts of businesses (representing 93% of the portfolio by value at year-end). Investment in the fifth sector, renewable power generation (7%), is made into projects through RPP1 and RPP2.

Buyout portfolio

As at 31 December 2011, the Trust's buyout portfolio comprised 31 investments including a small number of residual interests in companies we had sold, which were mostly valued at, or close to, zero. The Trust held investments, included above, which had performed poorly and been written down to zero in previous periods. This report covers only those companies with value.

TMT represented 57% of the total primary buyout portfolio (42% at 31 December 2010). The majority 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. 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, two electronic market place investments, continue to grow strongly, delivering double digit growth year on year.

Visma and TeamSystem are both providers of business software and services to small and medium sized enterprises in the Nordic region and Italy respectively. Both benefit from high recurring revenues, a very large and diversified customer base and they continue to grow through a combination of organic growth and acquisitions.

Manx Telecom is the incumbent integrated fixed and mobile telecom operator on the Isle of Man. It has generated cash ahead of expectation, reducing its debt each year.

Three new investments were made in this sector during the year, representing nearly 16% of the overall portfolio value: IAS, the number one provider of core application software to the UK Accountancy Practice market; ISG, a software provider to the UK's legal and not-for-profit sectors; and Group NBT, an internet domain name manager and online brand protection service provider.

Services investments represented 18% of the primary buyout portfolio (11% at 31 December 2010).

Following the merger with PreVisor at the beginning of the year, SHL, the global leader in psychometric assessment services, has delivered strong double digit 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.

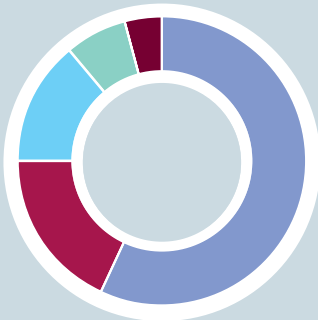
ATC, a new investment in early 2011, has delivered a strong trading performance in 2011 with double digit profit growth and strong cash generation.

JLA, a provider of equipment, finance and maintenance to laundries had a disappointing 2011, recording a flat level of profits compared with 2010. There are signs that a new management team has improved performance with profits growing in the second half of the year.

Healthcare represented 14% of the primary buyout portfolio (14% at 31 December 2010). We are invested in two areas: long-term care where the payer risks are low, with a preference for specialist care of people with acute disabilities; and low cost pharmaceuticals.

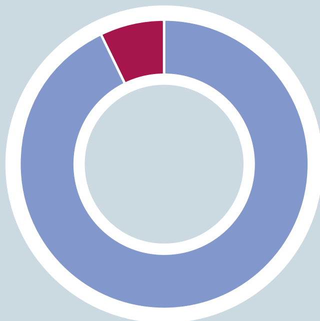
Sector by value of primary buyout portfolio[1]

- 57% TMT
- 18% Services
- 14% Healthcare
- 7% Industrials
- 4% Consumer & Leisure



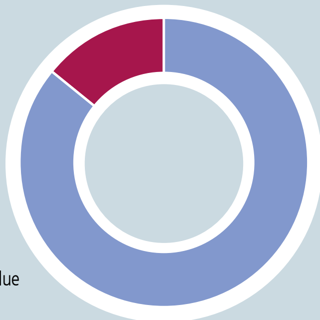
Deal type by value[1]

- 93% Buyout
- 7% Renewable Energy



Sector by class[2]

- 86% Unquoted
- 14% Cash & other assets



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

[2]Percentages are based on net assets

We own long-term care assets in the UK, Germany, Sweden and Finland. In the UK, the Government's fiscal consolidation translates into a reduction in fees that local authorities and social services will pay for care. This resulted in a squeeze on margins and therefore ratings across the sector have fallen to historic lows. Voyage, which has a more defensible business model, has managed to maintain profits and repay debt; however, low ratings have taken their toll on our book value. In Germany, labour shortages have increased labour cost and squeezed margins. Casa Reha has maintained earnings through expanding its estate. At Frösunda, based in Sweden, a poorly executed acquisition programme, which coincided with an operational improvement project, damaged margins and revenues, leading to a reduction in the holding value.

Our Finnish investment, Mainio Vire, has traded to plan, although a significant bolt-on acquisition, lined up when we completed this investment, was not concluded. Accordingly, the premium paid to obtain this platform company has not been recouped from expected synergies arising from the further acquisition. We have therefore marked our investment down and written off this premium completely.

Goldshield, a pharmaceutical company, continued to grow its core business after selling, as planned, a weak and declining consumer business. It has seen earnings rise and debt reduce rapidly; it is now well placed to make acquisitions and/or commence paying dividends.

Industrials represented 7% of the primary buyout portfolio (18% at 31 December 2010). Here, the common theme is that we are backing companies that own and develop high quality products based on technologically advanced German design but manufactured in low cost locations.

During 2011 we realised both SLV and Mondo at healthy uplifts to their carrying values and delivered overall investment returns on these investments of 4.0x and 2.1x original cost respectively. No new investments were made in this sector during the year.

SimonsVoss, the German developer and manufacturer of digital battery powered locking and access control systems, grew very strongly in 2011 and enjoyed record levels of order intakes. New product innovation is being positively received by customers and the company is now focusing on expanding into adjacent countries.

Finally, our legacy **Consumer and Leisure** portfolio represented 4% of the primary buyout portfolio (9% at 31 December 2010). 2011 proved to be a difficult trading environment for businesses exposed to the consumer and as a result we have seen a significant deterioration in the trading of Americana, which designs and sells branded clothing. Schleich, which designs and markets toy figurines, has also seen a small decline in year-on-year trading results. Sporting Index, a sports spread betting firm, experienced volume and profits decline in 2011, compared with 2010 which benefited from the Football World Cup. The scale of this event distorted year-on-year trading comparison, as do the current year costs of developing a new trading platform.

Renewable energy

The Trust invests in renewable energy through RPP1 and RPP2, two UK funds managed by our dedicated team of seven specialists. The underlying portfolios are divided into four platforms: UK Onshore Wind, Swedish Onshore Wind, Spanish Mini-Hydro and Spanish Solar. The assets are split into onshore wind at 63% of value, mini-hydro at 9% and solar at 28% of value. All use proven and commercially viable technologies within the framework of current power price regimes across Europe. Each of the platform's operating performance continues to be in line with our investment case since inception. 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.

Mercury

The Trust has made a £60 million commitment to the Manager's new Mercury Fund, specialising in TMT investments with an Enterprise Value of between £20 million and £80 million. This is an area where the Manager has historically made many profitable investments and has now set up a dedicated team focused on this niche.

This dedicated fund is intended to target smaller buyouts in the same thematic TMT sub-sectors but with significant incremental resources added to the existing HgCapital sector team. The addition of Mercury alongside the existing TMT team further reinforces the scale and capability of HgCapital within this sector.

Geography and vintage analysis

At 31 December 2011 the geographical weighting of the total primary buyout portfolio had moved towards the UK, (up from 45% in December 2010 to 60%) and away from Germany (down from 18% in December 2010 to 9%) and the Nordic and Benelux regions (down from 22% in December 2010 to 21%). Our largest investment in the portfolio, TeamSystem, is based in Italy and accounts for about 10% of the primary buyout portfolio value.

Clearly we are exposed to developments in each of these economies but also exposed to growth sectors and to the global economy too, as many of the companies within the portfolio are exporters.

Prospects

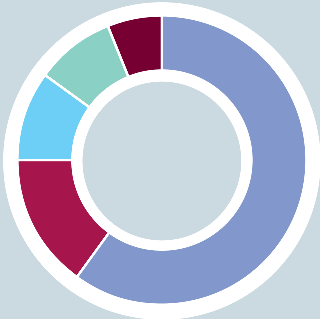
We saw a marked downturn in leading indicators and activity across Western Europe in the second half of 2011 and we believe that this will continue into 2012. A weakened global financial system, exposed in Europe to sovereign debt defaults, presents challenges for business and for investors.

Our current expectation is that in 2012 our energies will be directed towards enhancing the value of our portfolio; making earnings enhancing acquisitions where appropriate and exploiting the strong competitive positions most of our companies have in order to gain market share. In addition, we have businesses in our portfolio that have navigated the downturn and implemented change programmes which have improved their earnings and competitive capabilities. In these cases, we will sell if we can secure attractive prices. New investment will occur, where we can secure a business that fits our thematic criteria and which can be bought for value.

Our portfolio of buyouts continues to grow profits and revenues at healthy rates, even in a slowing economy. They tend not to be over exposed to cyclical trends in demand. Most, if not all, provide products or services which are differentiated, valued by and in some cases vital to their customers. Consequently, they earn healthy net margins and generate cash. Each business will continue to take measured risks in making investments to improve the pace of growth or quality of earnings, so that we can secure premium ratings on exit.

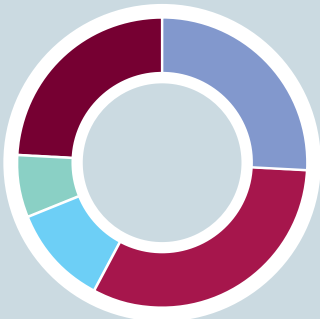
Geographic spread by value of primary buyout portfolio*

60% UK
15% Nordic Region
10% Italy
9% Germany
6% Benelux



Vintage by value of primary buyout portfolio*

26% 2011
32% 2010
11% 2009
7% 2008
24% pre 2008



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

INVESTMENTS

£87 million invested in 2011

Five new primary buyout investments were made with a total enterprise value of £948 million, using £463 million (£521 million invested in total) of equity from our clients, with the Trust's share being £69.5 million. In each case, we have applied the knowledge acquired in our research into various investment themes: compliance and mission critical services; and long-term acute care.

In addition, £17.6 million was provided to existing investments; £10.2 million of which was a secondary fund commitment, increasing the Trust's exposure to the HgCapital 6 fund.

In the renewable power business, two new investments with total project values of £155 million required £71 million of equity from RPP2 and RPP 1. The Trust's share of these new investments, other further investments and their share of fees payable via the fund was £4.7 million.

Please also refer to more detailed information on our top 20 buyout investments on pages 33 to 53 and on the renewables funds on page 54.

INVESTMENTS MADE DURING THE YEAR*

Company	Sector	Geography	Activity	Deal type	Cost £'000
IAS	TMT	UK	Accountancy software	Buyout	25,598
Group NBT	TMT	UK	Domain name management	Buyout	16,623
Mainio Vire	Healthcare	Nordic Region	Specialist disability care	Buyout	12,330
ATC	Services	Benelux	Fiduciary management and administration services	Buyout	9,913
ISG	TMT	UK	Provider of business software	Buyout	5,058
New investments					69,522
HgCapital 6 E LP	Fund	UK	Secondary interest in mid-cap buyout fund	Fund	10,207
RPP2 Fund	Renewable energy	Europe	Renewable energy fund	Fund	4,110
Lumesse	TMT	UK	Strategic HR software	Buyout	1,509
JLA	Services	UK	On-premise laundry services and commercial machine sales	Buyout	751
RPP1 Fund	Renewable energy	Europe	Renewable energy fund	Fund	568
Sporting Index	Consumer & Leisure	UK	Sports spread betting firm	Buyout	332
Other investments					102
Further investments					17,579
Total investment by the Trust					**87,101**

*The numbers in the table relate to the Trust's share of transactions

REALISATIONS

Realisations of seven investments for £52 million at a 56% uplift over book value in December 2010

Two investments, SLV, a B2B lighting business, and SiTel Semiconductor (held under Elite), a designer of application-specific microprocessors for voice applications, were realised in the first half of 2011. Together, they returned £241 million of proceeds for our clients, the Trust's share being £33.6 million, resulting in an average life to date multiple of cost of 2.9x and a combined uplift over book value, at 31 December 2010, of 71%.

In addition, the investment in Fabory, the Dutch industrial fasteners distributor, was restructured into a new holding company, in which HgCapital clients now only have a 3% equity holding, valued at nil.

During July 2011, we completed the sale of Cornish Bakehouse, returning £0.7 million of proceeds to the Trust. This investment was previously fully written-off.

In October 2011, Mondo Minerals, a talc mining company was sold, initially realising cash proceeds of £12.7 million with a further £0.3 million received in December. Further proceeds, which are currently valued at £2.0 million, are expected over the next two years. This represents a 2.1x return on an original cost of £7 million.

REALISATIONS MADE DURING THE YEAR[1]

Company	Sector	Exit Route	Cost £'000	Proceeds[2] £'000	Cumulative gain/(loss)[3] £'000	Current year gain[4] £'000
SLV	Industrials	Secondary sale	5,999	24,170	18,171	9,638
Mondo Minerals	Industrials	Secondary sale	6,987	13,043	6,056	2,422
Elite	TMT	Trade sale	3,540	9,441	5,901	4,325
Software (Cayman) – re Blue Minerva	TMT	Secondary sale	530	3,420	2,890	1,197
Software (Cayman) – re Guildford	TMT	Secondary sale	253	1,585	1,332	554
Cornish Bakehouse	Consumer & Leisure	Trade sale	4,200	672	(3,528)	672
Fabory	Industrials	Transfer for no value	7,474	–	(7,474)	–
Full realisations			**28,983**	**52,331**	**23,348**	**18,808**
Lumesse	TMT	Refinancing	5,035	5,601	566	625
SimonsVoss	Industrials	Refinancing	2,164	2,940	776	713
Other			2,824	1,560	(1,264)	132
Partial realisations			**10,023**	**10,101**	**78**	**1,470**
Total realisations			**39,006**	**62,432**	**23,426**	**20,278**

[1] The numbers in the table relate to the Trust's share of transactions
[2] Includes gross revenue received during the year
[3] Realised proceeds including gross revenue received, in excess of historic cost
[4] Realised proceeds including gross revenue received, in excess of 31 December 2010 book value and accrued interest

INVESTMENT PORTFOLIO

THE TOP 20 PRIMARY BUYOUT INVESTMENTS ACCOUNT FOR 87% OF THE PORTFOLIO BY VALUE

Primary buyout investments (in order of value)	Sector	Location	Year of invest-ment	Residual cost £'000	Total valuation[1] £'000	Portfolio value %	Cum. value %
1 TeamSystem Holdco SARL	TMT	Italy	2010	24,432	25,671	8.7%	8.7%
2 IAS Guernsey Limited	TMT	UK	2011	25,598	25,598	8.6%	17.3%
3 Visma Norway Holdco	TMT	Nordic Region	2006	701	23,156	7.8%	25.1%
4 SHL Group Holdings 1 Limited	Services	UK	2006	7,991	21,078	7.1%	32.2%
5 Group NBT Limited	TMT	UK	2011	16,623	16,623	5.6%	37.8%
6 Lumesse Holdings SARL	TMT	UK	2010	15,790	16,251	5.5%	43.3%
7 Goldshield Equityco SARL	Healthcare	UK	2009	8,545	16,007	5.4%	48.7%
8 Achilles Group Holdings Limited	TMT	UK	2008	5,226	14,418	4.9%	53.6%
9 ATC Holdco SARL	Services	Benelux	2011	9,913	14,269	4.8%	58.4%
10 Epyx Investments Limited	TMT	UK	2009	6,388	12,273	4.1%	62.5%
11 Manx Telecom Limited	TMT	UK	2010	11,033	11,436	3.9%	66.4%
12 JLA Equityco Limited	Services	UK	2010	12,227	9,814	3.3%	69.7%
13 SimonsVoss Luxco SARL	Industrials	Germany	2010	7,901	8,824	3.0%	72.7%
14 Mainio Vire SARL	Healthcare	Nordic Region	2011	12,330	7,627	2.6%	75.3%
15 Schleich Luxembourg SARL	Consumer & Leisure	Germany	2006	4,650	6,801	2.3%	77.6%
16 Frösunda Luxco SARL	Healthcare	Nordic Region	2010	14,296	6,692	2.3%	79.9%
17 Teufel Holdco SARL	Industrials	Germany	2010	9,428	6,449	2.2%	82.1%
18 Voyage Holdings Limited	Healthcare	UK	2006	13,136	5,729	1.9%	84.0%
19 ISG Bidco Limited	TMT	UK	2011	5,058	5,058	1.7%	85.7%
20 Sporting Index Group Holdings Limited	Consumer & Leisure	UK	2005	6,503	2,777	0.9%	86.6%
21 Casa Reha SARL	Healthcare	Germany	2008	8,296	2,235	0.8%	87.4%
22 Mondo Minerals Co-op	Industrials	Nordic Region	2007	-	2,003	0.7%	88.1%
23 Atlas Energy Group Limited	Services	UK	2007	9,597	1,856	0.6%	88.7%
24 Americana International Holdings Limited	Consumer & Leisure	UK	2007	4,625	1,430	0.5%	89.2%
25 Weston Presidio Capital III, L.P.	Fund	North America	1998	1,723	588	0.2%	89.4%
26 KVT Co-invest Sarl	Industrials	Switzerland	2008	5,829	523	0.2%	89.6%
27 Tiger Capital Limited	TMT	UK	2008	632	417	0.1%	89.7%
28 Elite Holding SA	TMT	Benelux	2005	-	254	-	89.7%
29 ACT Venture Capital Limited	Fund	Ireland	1994	27	26	-	89.7%
30 W.E.T Holding (Luxembourg) SA	Industrials	Germany	2003	7,775	-	-	89.7%
31 BMFGH II BV	Services	Benelux	2007	-	-	-	89.7%
Hg5 Euro Hedge	n/a	n/a	n/a	-	(52)	-	89.7%
Total primary buyout investments[2]				**256,273**	**265,831**	**89.7%**	
Secondary buyout investments							
1 HgCapital 6 E LP	Fund	UK	2011	10,087	9,444	3.2%	92.9%
Total buyout investments				**266,360**	**275,275**	**92.9%**	
Renewable energy investments							
1 RPP1 Fund	Renewable energy	Europe	2006	14,975	15,806	5.3%	98.3%
2 RPP2 Fund	Renewable energy	Europe	2010	6,424	5,202[3]	1.8%	100.0%
Total renewable energy investments				**21,399**	**21,008**	**7.1%**	
Total all investments (34)				**287,759**	**296,283**	**100.0%**	

[1]Including investment valuation of £265,421,000 and accrued interest of £30,862,000.
[2]Buyout investments are held through the Trust's investment in HGT LP and HGT 6 LP.
[3]Reflecting the draw down of fees and fund establishment expenses in the early phase of the fund.

TOP 20 PRIMARY BUYOUT INVESTMENTS

representing nearly 87% of the total portfolio

Primary buyout investments are held through limited partnerships of which HgCapital Trust plc (the 'Trust') is the sole limited partner. The Trust invests alongside other clients of HgCapital. Typically, the Trust'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 Trust's participation or where it specifically says otherwise.

1 TeamSystem

Website: www.teamsystem.com **Original enterprise value:** €562 million **HgCapital clients' total equity:** 50.0%

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 fifth new platform investment into business-critical back office software, following Iris (2004), Addison (2005), Visma (2006) and CSG (2007). The company has a track record of solid growth throughout the economic cycle and delivered compound organic revenue growth of 6% p.a. between 2007 and 2009, trading resiliently through that downturn. Its stable nature (with more than 50% of revenues by way of annual subscriptions), strong cash generation and potential for growth in both the business and its market, all supported our decision.

How do we intend to create value?

Alongside organic growth, management has increased its cross-sell of 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 businesses in Italy has also been identified; the company has completed four such bolt-ons under our ownership.

What has been achieved?

Our normal post-acquisition review has identified several improvement projects that have been put into action, including improved reporting and pricing, investment into the M&A process and finding new ways to address the micro-SME customer base in Italy. We are acting directly on these – for example, in December 2011 TeamSystem acquired a controlling stake in Daneasoft, a provider of accounting software to the Italian micro-SME market.

How is it performing?

Trading has been sound with good growth in revenue and profits. In 2011, a year when the Italian economy performed poorly, TeamSystem's organic revenue growth exceeded 7.5% - this ability to grow at many times the rate of GDP (and to achieve positive organic growth even when GDP growth is negative) is an attractive characteristic of this and our other accounting software businesses in other countries.

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 a possibility.

Trust's investment – TeamSystem

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Fair value classification
TMT	Italy	Sep 2010	24,432	25,671	Earnings

2 Iris Accountancy Solutions (IAS)

Website: www.iris.co.uk **Original enterprise value:** £425 million **HgCapital clients' total equity:** 68.8%

Business description

Iris Accountancy Solutions (IAS) is the leading provider of core application software to the UK accountancy market and a leading provider of payroll software to SMEs and niche vertical markets. Headquartered in Berkshire, the company has 370 employees and 14,000 customers.

Why did we invest?

IAS is a business that HgCapital knows well, having been an investor since 2004, retaining a minority stake after the sale to Hellman & Friedman in 2007. IAS is one of the earliest examples of HgCapital's focus on business critical software firms operating in attractive, predictable end-markets.

IAS is a highly predictable business with c.90% of revenue coming from recurring subscription contracts. The company has grown consistently through the recession with organic growth in excess of 7% even in its poorest year. The investment decision was based on our belief in continued organic growth potential and consolidation opportunities through acquisition, coupled with the improvement in performance demonstrated by the business following the recruitment of the present CEO into what was then a divisional management position.

How do we intend to create value?

The company is achieving sound levels of organic revenue and profit growth through a combination of market share gains, price optimisation, and the ongoing development of new products and services to sell into the existing customer base (IAS is very strong on this last point vs. other such companies in the market). Furthermore, the UK accountancy and SME software markets remain fragmented, offering additional acquisition opportunities to IAS.

How is it performing?

Current organic revenue and EBITDA growth is strong due to the rapid uptake by existing customers of newly launched products. At present, the company is achieving organic revenue growth rates in excess of 10% p.a. which is high, given the 90% recurring revenue model.

How will we crystallise value?

IAS would be an attractive acquisition target to private equity players due to its high organic growth, margins, cash conversion and recurring revenue levels. It would also be a strong strategic fit with a number of tax and financial information providers and other larger software companies.

Trust's investment – Iris Accountancy Solutions

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Fair value classification
TMT	UK	Dec 2011	25,598	25,598	Price of recent investment

3 Visma

Website: www.visma.com **Original enterprise value:** NOK4.3 billion **HgCapital clients' total equity:** 16.3%

Business description

VISMA is the number one provider of mission-critical business software and out-sourcing 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 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 R&D 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 16.3% 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 Mamut ASA. 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?

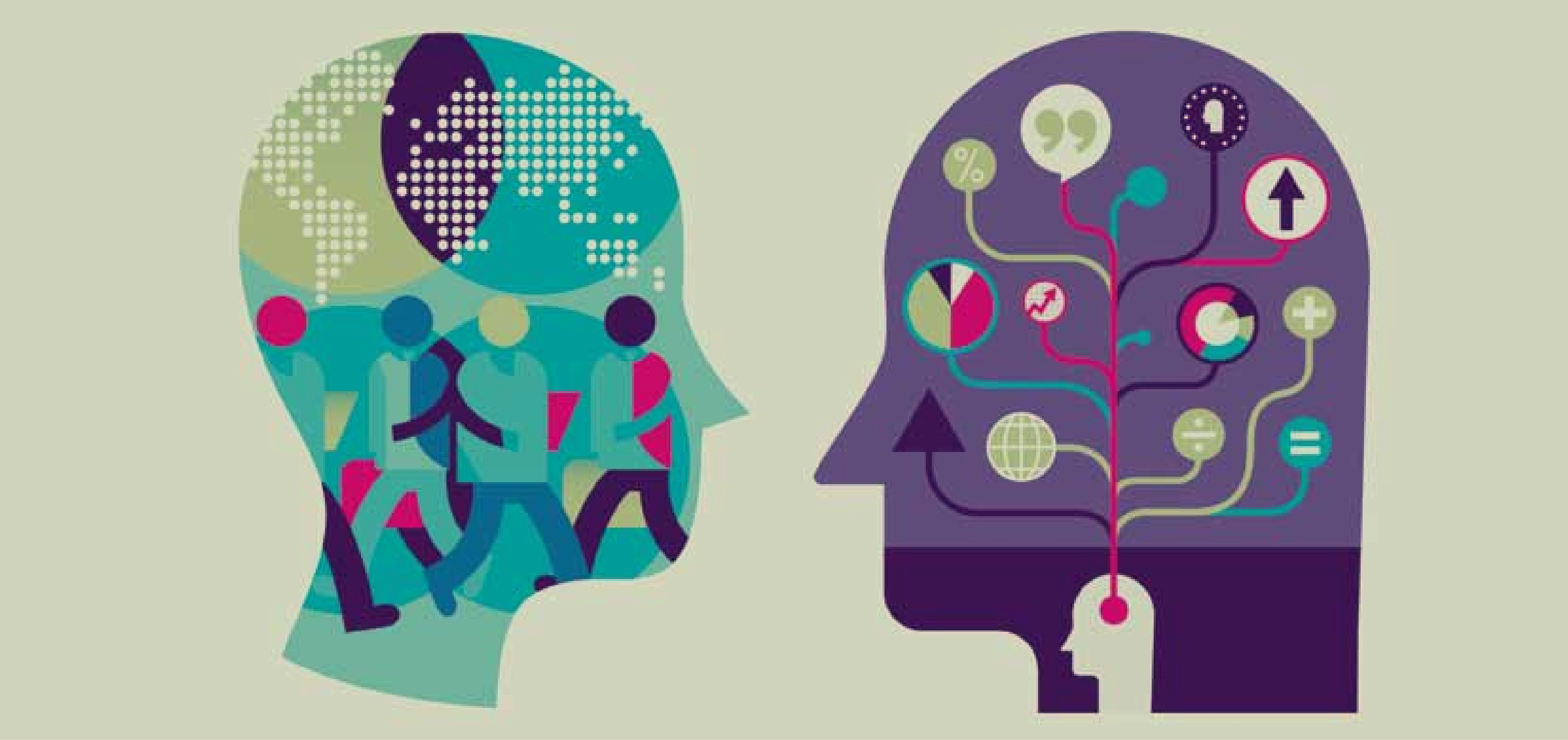
There was continued growth in 2011, both organically and through M&A. The company posted record results for both revenue and EBITDA.

How will we crystallise value?

The business has a scale and growth profile which will make it an attractive IPO candidate, as well as a target for trade buyers.

Trust's investment – Visma

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Fair value classification
TMT	Nordic Region	May 2006	701	23,156	Earnings



4 SHL

Website: www.shl.com **Original enterprise value:** £102 million **HgCapital clients' total equity:** 50.5%

Business description

SHL is the global market leader in objective psychometric assessment and has a world-wide presence.

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

Why did we invest?

SHL's enviable share 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?

The plan is 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 when revenues fell and costs were cut rapidly, productivity increased and the business has rebounded strongly, with profits and revenues increasing significantly. A merger with US-based PreVisor was completed in January 2011.

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

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

How is it performing?

The full year to December 2011 was strong with both sales and EBITDA ahead of last year (10% and 33% respectively). Most of the cost synergies predicted pre-merger have been delivered.

How will we crystallise value?

Since the merger, the focus has been 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	Fair value classification
Services	UK	Oct 2006	7,991	21,078	Earnings

5 Group NBT

Website: www.groupnbt.com **Original enterprise value:** £141 million **HgCapital clients' total equity:** 90.0%

Business description

Group NBT is a UK based European leader in online intellectual property asset management. With the online channel increasingly important for commercial and marketing activities, Group NBT offers a single point of contact for global domain name management and the protection of brands across all online environments. The company offers an expertise, infrastructure and service which is hard for corporates to match and enjoys long-term relationships with c.2,500 mid- to large-sized firms.

Why did we invest?

As a market leader in Europe in a sector where increasing internet usage among corporates is driving growth, Group NBT is well positioned to deliver growth. The company has a track record of strong performance through the cycle, growing consistently through the downturn. In addition, Group NBT has made a number of acquisitions which have built on its product offering, geographic reach and customer base. The business also receives recurring revenue from a diverse customer base and cash generation.

How do we intend to create value?

HgCapital will continue to support the company's successful growth plan with further investment in the sales force, maximisation of value from existing customers and further expansion in new geographies. We see significant opportunity to improve margins as the business grows through the harmonisation of back office systems and synergies from recent acquisitions. In addition, we will look to make further strategic bolt-on acquisitions.

How is it performing?

Group NBT is currently trading strongly with revenues for the year to date December 2011 showing organic revenue growth of 10%, with growth in the core corporate domain name and brand protection businesses above this level supported by new domain name launches.

How will we crystallise value?

We believe that Group NBT will be attractive to a number of strategic buyers who are looking to broaden their product range into a core, growing area of the legal, IP and marketing support space. The significant market opportunity, robust business model and track record of growth will drive strong interest from financial investors looking for a cash generative asset in a fast growing market. The business was highly regarded during its time on the public markets and we would expect an IPO to be another potential exit option.

Trust's investment – Group NBT

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Fair value classification
TMT	UK	Nov 2011	16,623	16,623	Price of recent investment

6 Lumesse

Website: www.lumesse.com **Original enterprise value:** €110 million **HgCapital clients' total equity:** 81.9%

Lumesse was formerly known as StepStone Solutions; the company has rebranded in accordance with the terms of the acquisition agreement.

Business description

Lumesse is a leading provider of strategic HR software (recruiting and talent management) to medium and large enterprises in Europe, operating in 16 countries with c. 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?

Lumesse lies within the sub-sector focus on 'software as a service' ('SaaS' e.g. Visma) 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.

How do we intend to create value?

Lumesse's management intends to drive subscription revenue growth by capitalising on their cutting-edge technology, improving cross- and up-selling into the existing customer base.

There is also an increased focus on efficiency and scale effects with a view to improving margins and strengthening the company's international presence both organically and through bolt-on acquisitions.

What has been achieved?

Two bolt-on acquisitions, Mr. Ted and Edvantage, have been made and Mr.Ted's global Talentlink product and Edvantage's Learning Management suite have been added to the Lumesse range of services. Investment in the sales force has helped to drive organic growth. Lumesse's senior management team has been strengthened with significant new hires, while internal process projects on pricing, back-office management and sales practices have been initiated. An initial cost saving programme has been successfully completed.

How is it performing?

Trading is ahead of last year in both sales and EBITDA. Revenue outperformance has been driven mainly by increased demand for consulting services.

How will we crystallise value?

Multiple options are available as there is high demand for SaaS companies, in particular in Lumesse's market. Lumesse 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 – Lumesse

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Fair value classification
TMT	UK	May 2010	15,790	16,251	Earnings

7 Goldshield

Website: www.goldshieldgroup.com **Original enterprise value:** £132 million **HgCapital clients' total equity:** 53.2%

Business description

Goldshield is a profitable niche pharmaceutical company based in the UK. It sells both mature branded products and niche generics. Although the product portfolio is diversified well, the company has particular strength in pain products and hospital supply.
It is primarily focused on serving the UK, where demand for its products benefits from attempts to reduce prescription costs. The principal growth drivers are the life-cycle management of its existing drugs as well as the targeted development, in-licensing, or acquisition of further 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?

We have created value in three distinct ways. First, we spun off all non-core activities and refocused the business on its pharmaceutical core. Second, we invested into quality, improving both supply chain and regulatory performance. Finally, we increased business development spending, thereby accelerating organic growth.

What has been achieved?

The streamlining process has been completed with the disposal of the Consumer Health division and other non-core assets. A new management team has been recruited including the Chairman, CEO and Heads of Operations and Business Development. The new executives have driven improvements in their respective areas particularly Quality Assurance, Product Development/Acquisition and Operations, leading to a solid financial performance.

How is it performing?

The company has performed well financially since our acquisition and will meet this year's sales and profit budget.

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	Fair value classification
Healthcare	UK	Dec 2009	8,545	16,007	Earnings

8 Achilles

Website: www.achilles.com **Original enterprise value:** £75 million **HgCapital clients' total equity:** 63.2%

Business description

Achilles operates an online platform whereby buyers require their suppliers to subscribe and to provide information to the Achilles online database; for suppliers it is mandatory to join the platform 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 thematic investment strategy. It is a market leader in the regulatory compliance industry, with significant recurring revenue streams.

How do we intend to create value?

With high levels of contracted revenue, Achilles' position as global market leader with 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.

How will we crystallise value?

There has been strong interest from both the strategic and private equity communities and Achilles' protected revenue base is likely to maintain this interest throughout the economic cycle. A trade sale or IPO are also attractive outcomes with an IPO likely to offer the best long-term value.

Trust's investment – Achilles

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Fair value Classification
TMT	UK	Jul 2008	5,226	14,418	Earnings

9 ATC Group

Website: www.atcgroup.com **Original enterprise value:** €187 million **HgCapital clients' total equity:** 61.1%

Business description

Amsterdam-based ATC provides fiduciary, management and administration services to multinational corporations, financial institutions and fund managers through its presence in locations across the globe.

The company sets up and maintains corporate structures that allow the efficient intra-group movement of cash and/or balance sheet management, e.g. divisional holding companies or acquisition bid vehicles.

Corporate structures typically last for seven to ten years and need to comply with legal, accounting and tax regulations in multiple jurisdictions, a complex task for clients to manage themselves. ATC uses functional expertise and economies of scale to provide these services for a fraction of the cost of in-house provision.

Why did we invest?

The fiduciary services market is a structurally high growth market, achieving 3x GDP growth rates over multiple decades. The multi-year nature of corporate structures leads to predictable and recurring revenues, low customer concentration and high margins.

The company achieves the highest revenue per structure in the sector, a reflection of the sophisticated services it provides to the highest value and most resilient segment of the market place. Finally, ATC has very low capital expenditure and working capital requirements, leading to high cash conversion.

How do we intend to create value?

HgCapital will support increased investment into a professional sales force to drive organic revenue growth and assist in the origination and execution of selective acquisitions, with a clear focus on high margin service providers operating in onshore jurisdictions.

Investment in a sales efficiency monitoring system will help to manage the sales team and allow clearer analysis of the sources of growth.

How is it performing?

In 2011, ATC delivered strong revenue and EBITDA growth. Growing business in the core jurisdictions of the Netherlands and Luxembourg were the primary drivers of the strong performance.

How will we crystallise value?

There are a number of options for exit available, including a sale to a strategic buyer or a secondary buyout.

Trust's investment – ATC Group

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Fair value classification
Services	Benelux	Mar 2011	9,913	14,269	Earnings

10 Epyx

Website: www.epyx.co.uk **Original enterprise value:** £92 million **HgCapital clients' total equity:** 47.3%

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 investing in European growth together with new market segments in the UK, such as an electronic marketplace handling the servicing of heavy goods vehicles.

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.

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 invest continually in growth. Epyx provides its customers with a stream of innovative products, and is further investing in development and sales to win new business across the board.

How do we intend to create value?

Value is being created by selling more services to the existing customer base, by developing new market segments, and by expanding internationally.

How is it performing?

Epyx has seen strong growth in sales and EBITDA since we invested, 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	Fair value classification
TMT	UK	Jun 2009	6,388	12,273	Earnings

11 Manx Telecom

Website: www.manxtelecom.com **Original enterprise value:** £159 million **HgCapital clients' total equity:** 79.5%

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 regulatory environment which encourages infrastructure investment in addition to price competitiveness. We felt the business was well managed but operational improvements were available to help maximise return on equity.

How do we intend to create value?
At board level, we are supporting management's desire to achieve faster organic revenue and profit growth. Since our acquisition, the company has better optimised its capital spending and as a result cashflow has been very strong. We have worked with the incumbent CEO (who held the CFO position prior to our acquisition) to build a strong management team around him and we expect this to deliver sound financial performance.

What has been achieved?
Initially we helped the team develop much more accurate performance indicators so that the business could be managed according to detailed financial and operational metrics. Subsequently we have helped to improve the management team as noted above, and encouraged the investment into and launch of new services (such as very high speed broadband which was deployed in the second half of 2011). We are now helping them focus on operating efficiencies. Manx Telecom was recently listed in the Sunday Times 100 Best Companies To Work For.

How is it performing?
The business is performing within a tight tolerance of our investment case - revenues continue to rise compared to last year, and we have invested into the cost base to deliver long-term revenue growth. Cashflow generation has been significantly ahead of our expectations.

How will we crystallise value?
The business in its current form is expected to be attractive to a number of trade and financial buyers. Successful growth in the scale of the business through acquisitions would make the business attractive to larger private equity investors 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	Fair value classification
TMT	UK	Jun 2010	11,033	11,436	Earnings

12 JLA

Website: www.jla.com **Original enterprise value:** £150 million **HgCapital clients' total equity:** 86.6%

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 is a market leader with 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, both in the laundry space and in adjacent areas.

How is it performing?

JLA grew its revenues by 4% in the full year to October 2011. EBITDA was broadly flat on last year due to a year of heavy investment into management and infra-structure functions. However, revenue growth rates in the last six months have doubled, reflecting an increase in performance of the business.

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	Fair value classification
Services	UK	Mar 2010	12,227	9,814	Written-down

13 SimonsVoss

Website: www.simons-voss.com **Original enterprise value:** €113 million **HgCapital clients' total equity:** 68.7%

Business description

SimonsVoss is the European market leader in the development, manufacture and marketing of electronic battery-powered locking and access control systems for public, commercial and residential buildings. Revenues come primarily from Germany with an increasing number of international subsidiaries in France, Benelux, Switzerland, Sweden and Singapore.

Why did we invest?

Operating in a niche market segment with considerable expertise, the company's robust trading through the recent recession saw them grow in a depressed market and the business grew EBITDA by an average of 24% each year between 2005 and 2011. The business is well placed to continue this trend and there is also the opportunity for further expansion into 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?

We intend to create value by building sales teams in growing markets with a focus on Central, Western and Northern Europe as well as Asia. This is supported by new, innovative products including the recently launched passive technology, digital door fittings and compact readers. Profitability is improved through higher volumes and various operational efficiencies.

How is it performing?

In spite of weakness in the industry, SimonsVoss saw significant 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	Fair value clasification
Industrials	Germany	Jun 2010	7,901	8,824	Earnings

14 Mainio Vire

Website: www.mainiovire.fi **Original enterprise value:** €85 million **HgCapital clients' total equity:** 90.2%

Business description

Founded in 1997, Mainio Vire was one of the first private social care companies in Finland. It has grown rapidly, via a combination of opening new care homes and selected small acquisitions, to become the market leader in Finland.

Mainio Vire serves four business areas: elderly care, mental health, child day-care and home services. The company operates 45 care homes with 1,576 beds and six child day-care centres with 291 places. Mainio Vire has one of the widest geographic footprints in the sector and is strongest in the regional economic centres located in the southern and central parts of Finland. Approximately 1,180 people work at the company, including more than 75% holding formal healthcare or social care qualifications.

Why did we invest?

We view the Nordic region as an attractive place to invest given the favourable demographics, fragmented competition, and the strong trend towards private provision of care. Our in-depth analysis of the Finnish market suggested that there were a number of highly attractive segments and Mainio Vire offers an attractive platform to benefit from these trends.

Mainio Vire is a strong, high quality business with sustainable organic growth. It is a quality-oriented company with ISO certification and has a very experienced, operationally focused management team.

How do we intend to create value?

There are a number of paths to increased value, including expected organic growth, movements into adjacent and emerging sectors, and through further acquisitions.

How is it performing?

Mainio Vire is trading in line with our investment plan and experienced double-digit sales and profit growth in 2011. Nonetheless, to reflect quoted comparables, the value of the investment has been written down. For 2012, Mainio Vire has a strong pipeline of new home openings and has completed one add-on in January 2012.

How will we crystallise value?

The most likely exit route is a sale to a larger Nordic healthcare group or to a private equity buyer.

Trust's investment – Mainio Vire

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Fair value classification
Healthcare	Nordic Region	Jun 2011	12,330	7,627	Written-down

15 Schleich

Website: www.schleich-s.com **Original enterprise value:** €165 million **HgCapital clients' total equity:** 75.0%

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 a wide product range, brand reputation, 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.

How is it performing?

In 2011 Schleich encountered soft trading due to (i) weaker than expected demand in Germany, (ii) the mediocre reception of novelties launched in January and (iii) execution problems with the Danish distributor.

Sales of novelty lines had recovered by December and the company is pushing to open up additional sales channels, through key accounts. We have started a trial with Wal-Mart in 250 shops in the USA in November 2011 and expect to develop further relationships with key accounts through 2012.

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.

Trust's investment – Schleich

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Fair value classification
Consumer & Leisure	Germany	Dec 2006	4,650	6,801	Earnings

16 Frösunda

Website: www.frosunda.se **Original enterprise value:** SEK1.5 billion **HgCapital clients' total equity:** 87.8%

Business description

Frösunda is a leading Swedish provider of care for individuals with learning disabilities, severe physical disabilities, and psychological / behavioural issues. Frösunda offers both personal assistance to children and adults and housing, daily activities, schools and youth rehabilitation.

Headquartered in Solna, Sweden, Frösunda employs around 6,000 staff and cares for over 2,000 people across the whole of Sweden and parts of Norway.

Why did we invest?

Frösunda represents HgCapital's fourth investment into healthcare services. It has a reputation for being the highest quality operator in the sector and has strong advocacy amongst customers and employees.

Sweden has one of the strongest economies in Europe and commits to providing high quality healthcare to its citizens. The business benefits from the ongoing shift to greater private provision of healthcare in Sweden and is an attractive platform to expand into adjacent market segments to create a diversified specialist care business.

How do we intend to create value?

HgCapital is working with management to grow the business organically. We may also look to acquire quality businesses in existing and adjacent business areas.

What has been achieved?

During the first 18 months, we have focused on building a management team ready for the next stage of the company's development, integrating acquisitions, improving financial control and reporting, and building the sales-force. Management has also completed a number of bolt-on acquisitions in core and adjacent segments.

How is it performing?

While revenue and profit grew through acquisitions in 2011, the core business' margins underperformed due to poor cost control and lower than anticipated growth. This, combined with investment into scalable infrastructure, led to an overall decrease in profits compared to 2010. The slower than expected growth was primarily due to the decreasing pace of privatisation but also due to disruption from internal reorganisations. The business experienced some working capital issues during the summer but these have now been resolved. 2012 will be a year of consolidation for Frösunda and we and management believe that the changes being made will pay off in the future. The original thesis still holds and we see opportunities to grow equity value over the next few years.

How will we crystallise value?

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

Trust's investment – Frösunda

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Fair value classification
Healthcare	Nordic Region	Jun 2010	14,296	6,692	Written-down

17 Teufel

Website: www.teufel.de **Original enterprise value:** €105 million **HgCapital clients' total equity:** 80.0%

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 compound 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, 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.

How is it performing?

During 2011 Teufel outperformed the German loudspeaker market by nearly 3x. While 2011 was focused on top-line growth we are taking several measures to enhance gross margins (e.g. through changing of pricing architecture and discounting policies). We continue to invest heavily into the organisation and the international roll-out.

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	Fair value classification
Industrials	Germany	Jul 2010	9,428	6,449	Written-down

18 Voyage

Website: www.voyagecare.com **Original enterprise value:** £320 million **HgCapital clients' total equity:** 64.6%

Business description

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

Voyage offers a range of care provision from help in individuals' own homes to intensive physical and mental support in modified accommodation. Fees are paid by local authorities and Primary Care Trusts.

Why did we invest?

Significant shortages of supply of residential care at this level underpins the 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 care in the patient's own home.

We intend to grow value by continuing to invest in developing new residential care facilities in localities where capacity shortages exist; hiring a team of tendering experts to grow the company's share of supported living contracts; and taking advantage of the harsher economic climate to acquire earnings at low entry multiples.

In December 2010, Voyage acquired an acute home care provider, Partners in Specialist Care.

We plan to hold this asset until such time as we have a demonstrable track record of growth under the new management team and when the market has re-entered a more favourable funding environment.

How is it performing?

In its core residential care business, performance has been flat with headwinds being experienced both in fee pressure and new admissions. However, modest overall sales growth will be delivered, thanks to supported-living contract wins, a modest number of new site developments and some success with the launch of Voyage's outreach ('Options') service.

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	Fair value classification
Healthcare	UK	Apr 2006	13,136	5,729	Written-down

19 Iris Software Group (ISG)

Website: www.iris.co.uk **Original enterprise value:** £100 million **HgCapital clients' total equity:** 67.1%

Business description

ISG provides application software to a number of niche vertical markets. It is the leading provider of software to the UK legal and not-for-profit markets and has strong market positions in accounting software for SMEs, ticketing, software modernisation, and compliance. The company has 23 offices across the UK, 30,000 customers and c.700 employees across the group.

Why did we invest?

ISG provides mission critical software to niche vertical markets. 68% of revenue is contractually recurring and the majority of new sales are to the installed customer base. This provides a highly resilient recurring revenue base which is fully consistent with HgCapital's investment in highly protected and predictable businesses. The new ISG management team introduced by HgCapital in March 2011 was also having a positive impact on the business which had stabilised revenue and was leading to modest organic revenue growth.

How do we intend to create value?

We expect modest revenue and EBITDA growth from improved customer retention and new sales growth driven by increased adoption of hosting solutions in the customer base.

In addition, ISG was acquired at a relatively attractive entry multiple versus market comparables and with an efficient capital structure due in part to the vendor financing. Consequently the strong cash generation of ISG will enable increased equity value through the pay-down of the existing debt.

How is it performing?

ISG has stabilised its revenues following a decline during 2008-2010. However EBITDA and cashflow growth is strong from cost reduction initiatives by the new management team. We expect the business to return to modest organic growth driven by performance in the legal and SME accounting divisions.

How will we crystallise value?

ISG would be an attractive acquisition target to private equity in its current form due to the resilience and strong cash generation of the business. Individual divisions within ISG would also be highly attractive to specific trade acquirers, allowing them to build strong market positions in the UK market. We will therefore opportunistically consider divestment of certain divisions where such strategic rationale exists.

Trust's investment – Iris Software Group

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000	Fair value classification
TMT	UK	Dec 2011	5,058	5,058	Price of recent investment

20 Sporting Index (SPIN)

Website: www.sportingindex.com **Original enterprise value:** £70 million **HgCapital clients' total equity:** 65.6%

Business description

Sporting Index ('SPIN') is one of 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 profits: the development of a B2B service, selling sports prices to fixed-odds bookmakers, lottery operators and online casinos; the expansion of SPIN's proprietary trading capability via betting exchanges; and offering a fixed-odds betting service to its current client base.

How is it performing?

SPIN's core betting business produces flat profits. Expenditure has been incurred to replace its IT trading platform and to build new revenue streams. This, coupled with the fact that the prior year benefited from the football world cup, means that profits will decline in the current year as a consequence.

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	Fair value classification
Consumer & Leisure	UK	Nov 2005	6,503	2,777	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 113MW of capacity in operation;
- Spanish Solar: the fourth largest operator of solar PV in Europe with capacity of 61MW in seven projects in Spain;
- Swedish Onshore Wind: the largest owner of onshore wind farms in the Nordic region with total capacity of 192MW in three projects, developed and built by Renewable Energy Systems Limited, one of the world's most experienced developers of wind farms; and
- Spanish Hydro: 14 projects of 55MW operating with 16MW to be built in the next 12 months.

Why do 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, replacement of ageing generation capacity, and the need 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 should complement returns from our 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 platforms described below. These platforms can then be refinanced efficiently or sold as portfolios of closely related projects to industry buyers or financial investors.

PRINCIPAL INVESTMENTS BY PLATFORM

	Total valuation £'000	Portfolio value %
UK Wind	8,184	2.7
Spanish Solar	5,048	1.7
Swedish Wind	2,409	0.8
Other	165	0.1
RPP1 Fund	**15,806**	**5.3**
Spanish Hydro	1,684	0.6
Swedish Wind	848	0.3
Other and liquid assets*	2,670	0.9
RPP2 Fund	**5,202**	**1.8**
Total renewable energy investments	**21,008**	**7.1**

*pending deployment in further investments

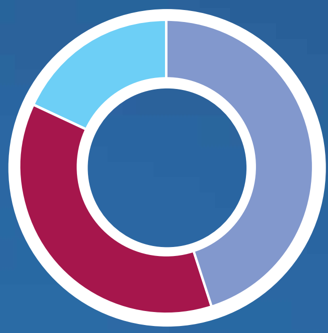
DIVERSIFICATION BY VALUE

Geography

45% UK

37% Spain

18% Sweden



Resource

63% Onshore wind

28% Solar

9% Hydro

FINANCIAL STATEMENTS

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Revenue return 2011 £'000	Revenue return 2010 £'000	Capital return 2011 £'000	Capital return 2010 £'000	Total return 2011 £'000	Total return 2010 £'000
(Losses)/gains on investments and government securities	13	–	–	(6,649)	63,529	(6,649)	63,529
Gains/(losses) on loans recoverable from priority profit share due to General Partners	5(b)	–	–	8,017	(4,199)	8,017	(4,199)
Net income	4	1,952	12,165	–	–	1,952	12,165
Other expenses	6	(2,597)	(2,062)	–	–	(2,597)	(2,062)
Net return on ordinary activities before taxation		(645)	10,103	1,368	59,330	723	69,433
Taxation on ordinary activities	9(a)	–	(50)	–	–	–	(50)
Net return on ordinary activities after taxation attributable to reserves		**(645)**	**10,053**	**1,368**	**59,330**	**723**	**69,383**
Return per Ordinary share	10(a)	**(2.05p)**	**34.02p**	**4.34p**	**200.77p**	**2.29p**	**234.79p**

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 21 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 61 to 77 form part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Investments held at fair value			
Unquoted at Directors' valuation		265,421	232,184
Total fixed assets	12	265,421	232,184
Current assets – amounts receivable after one year			
Accrued income on fixed assets	14	30,862	26,606
Current assets – amounts receivable within one year			
Debtors	14	618	1,826
Government securities	15	48,497	86,498
Cash	16	4,476	3,473
Total current assets		84,453	118,403
Creditors – amounts falling due within one year	17	(3,042)	(2,594)
Net current assets		81,411	115,809
Net assets		**346,832**	**347,993**
Capital and reserves			
Called up share capital	20	8,011	7,838
Share premium account	21	68,096	61,444
Capital redemption reserve	21	1,248	1,248
Capital reserve – realised	21	282,934	274,913
Capital reserve – unrealised	21	(23,474)	(16,821)
Revenue reserve	21	10,017	19,371
Total equity shareholders' funds		**346,832**	**347,993**
Basic net asset value per Ordinary share	10	**1,089.9p**	**1,118.8p**
Diluted net asset value per Ordinary share	10	**1,069.3p**	**1,090.7p**
Ordinary shares in issue at 31 December		**31,822,330**	**31,103,915**

The financial statements on pages 57 to 77 were approved and authorised for issue by the Board of Directors on 15 March 2012 and signed on its behalf by:

Roger Mountford, Chairman

Richard Brooman, Director

The notes on pages 61 to 77 form part of these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 £'000	2010 £'000
Net cash inflow from operating activities	7	3,759	4,311
Taxation received/(paid)		1,590	(10)
Capital expenditure and financial investment			
Purchase of fixed asset investments	12	(87,101)	(111,418)
Proceeds from the sale of fixed asset investments	12	49,623	72,600
Net cash outflow from capital expenditure and financial investment		(37,478)	(38,818)
Financing activities			
Proceeds from issue of share capital		6,825	50,000
Fees paid on issue of share capital		–	(1,137)
Equity dividends paid	11	(8,709)	(6,297)
Net cash (outflow)/inflow from financing activities		(1,884)	42,566
Net cash (outflow)/inflow before management of liquid resources		(34,013)	8,049
Management of liquid resources			
Purchase of government securities	15	(117,127)	(205,535)
Sale/redemption of government securities	15	152,143	198,086
Net cash inflow/(outflow) from management of liquid resources		35,016	(7,449)
Increase in cash and cash equivalents in the year	16	**1,003**	**600**
Cash and cash equivalents at 1 January		3,473	2,873
Cash and cash equivalents at 31 December	16	**4,476**	**3,473**

The notes on pages 61 to 77 form part of these financial statements.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 December 2010		7,838	61,444	1,248	258,092	19,371	347,993
Issue of Ordinary shares	20,21	180	6,652	–	–	–	6,832
Conversion of Subscription shares	20	(7)	–	–	–	–	(7)
Net return from ordinary activities		–	–	–	1,368	(645)	723
Dividends paid	11	–	–	–	–	(8,709)	(8,709)
At 31 December 2011	**20,21**	**8,011**	**68,096**	**1,248**	**259,460**	**10,017**	**346,832**
At 31 December 2009		6,296	14,123	1,248	198,762	15,615	236,044
Issue of Ordinary shares		1,480	48,520	–	–	–	50,000
Issue of Subscription shares		62	(62)	–	–	–	–
Cost of share issue		–	(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	**20,21**	**7,838**	**61,444**	**1,248**	**258,092**	**19,371**	**347,993**

The notes on pages 61 to 77 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. Further details are provided in the Directors' report on page 80.

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

The Trust entered into three separate partnership agreements with general and founder partners in May 2003 (subsequently revised in January 2009), January 2009 and July 2011, 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, HGT 6 LP and HgCapital Mercury D LP (together the 'primary buyout funds') is to hold all the Trust's investments in primary buyouts and other investments, other than liquid funds. Under the partnership agreements, the Trust made capital commitments into the primary buyout funds with the result that the Trust now holds direct investments in the primary 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 32 comprise the underlying investments held by these primary buyout funds.

In July 2011, the Trust made a direct secondary investment into HgCapital 6 E LP ('Hg6 E LP'), one of the partnerships that comprise the Hg6 funds, in which the Trust is now a limited partner alongside other limited partners. This is a direct investment in the HgCapital 6 E LP fund, as shown on the balance sheet and the investment portfolio on page 32.

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 ('Hg RPP LP') and HgCapital Renewable Power Partners 2 C LP ('Hg RPP2 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 32.

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

Under the terms of the primary 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 primary 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 primary buyout funds' LPAs, the founder partner is entitled to a carried interest distribution once certain preferred returns are met. The LPAs stipulate that the primary 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 primary 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 as its PPS and to the founder partner as 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.

3. Organisational structure, manager arrangements and accounting policies continued

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

Investment income and interest receivable
As stated on the previous page, all income that is recognised by the primary buyout funds, net of PPS, is attributed to the Trust. The Trust will recognise such net income and reflect this as income in its financial statements, once recognised in the buyout funds. Income from HgCapital 6 E LP and the renewable funds would normally consist of income distributions and these distributions are recognised as income in the Financial Statements of the Trust when the right to such distribution is established.

The accounting policies below apply to the recognition of income by the primary buyout funds.

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 unlisted 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.

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.

Expenses
All expenses are accounted for on an accruals basis. All administrative expenses 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 and the resulting exchange differences are taken to capital reserve – realised. Foreign currency assets and liabilities at the balance sheet date are translated into pounds sterling at the exchange rates ruling at that date and the resulting exchange differences are taken to capital reserve – unrealised.

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.

3. Organisational structure, manager arrangements and accounting policies continued

Investments

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

Purchases of investments are recognised on a trade date basis. Sales of investments held through the primary buyout funds are recognised at the trade date of the disposal. Sales from the investments in HgCapital 6 E LP and the renewable energy funds would normally consist of capital distributions and these distributions are recognised as a realisation when the right to such distribution is established. 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 their bid price.

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) subsequent to the initial fair value recognition in (i), 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

(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 manager in which the Trust has a direct investment, but is not the sole limited partner and does not hold a majority share. These investments are valued at fair value, based on the 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 for financial instruments traded in active markets, or dealer price quotations for financial instruments that are not actively traded.

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	2011 £'000	2010 £'000
Income from investments held by HGT LP and HGT 6 LP		
UK unquoted investment income	4,474	7,672
Foreign unquoted investment income	12,591	6,267
UK dividends	–	1,396
Gilt interest less amortisation of premium	53	(472)
Total investment income	17,118	14,863
Other income		
Deposit interest	23	27
Other interest income	18	136
Total other income	41	163
Total income	17,159	15,026
Priority profit share charge against income		
Current year - HGT LP	(1,357)	(2,861)
Current year - HGT 6 LP	(4,914)	–
Prior year - HGT 6 LP	(8,936)	–
Total priority profit share charge against income	(15,207)	(2,861)
Total net income	**1,952**	**12,165**
Total income comprises:		
Dividends	–	1,396
Interest	1,952	10,769
Total net income	**1,952**	**12,165**

5. Priority profit share and carried interest

(a) Priority profit share payable to General Partners	Revenue return 2011 £'000	Revenue return 2010 £'000
Priority profit share payable		
Current year amount	7,190	7,060
Less: Current year loans advanced to General Partners	(919)	(4,199)
Current year charge against income	6,271	2,861
Add: Prior year loans to General Partners recovered from priority profit share	8,936	–
Total priority profit share charge against income	15,207	2,861

The priority profit share payable on HGT LP, HGT 6 LP and Hg Mercury D LP rank as a first appropriation of net income from investments held in HGT LP, HGT 6 LP and Hg Mercury D 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, HGT 6 LP and Hg Mercury D 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 84.

5. Priority profit share and carried interest (continued)

(b) Loans to General Partners	Capital return	
	2011 £'000	2010 £'000
Movements on loans to General Partners		
Losses on current year loans advanced to General Partners	(919)	(4,199)
Gains on prior year loans to General Partners recovered against income	8,936	–
Total gains/(losses) on loans recoverable from General Partners	8,017	(4,199)

In years in which the funds noted in note 5(a) have not yet earned sufficient net income to satisfy the priority profit share, the entitlement is carried forward to the following years. The priority profit share 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 primary 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 and hence an unrealised capital loss is recognised and reversed if sufficient income is subsequently generated.

(c) Carried interest to Founder Partners	Capital return	
	2011 £'000	2010 £'000
Carried interest payable		
Current year amount	2,079	1,136
Total carried interest charge against capital gains (note 13)	2,079	1,136

The carried interest payable ranks as a first appropriation of capital gains on the investments held in HGT LP, HGT 6 LP and Hg Mercury D LP, limited partnerships 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, HGT 6 LP and Hg Mercury D LP during the year, after the deduction of carried interest, is shown on the income statement. Details of the carried interest contracts are disclosed in the Directors' report on page 84.

6. Other expenses

Operating expenses	2011 £'000	2010 £'000
Custodian and administration fees	445	324
Directors' remuneration (note 8)	189	178
Bank facility fees and expenses	840	–
Legal and other administration costs	1,053	1,432
	2,527	1,934
Fees payable to the Trust's auditors		
Audit of the Trust's annual accounts	48	46
Tax compliance services	18	17
Tax advisory services	–	24
Other non-audit services	4	41
total fees payable to the Trust's auditors	70	128
Total other expenses	**2,597**	**2,062**
The Trust's total expense ratio ('TER'), calculated as total expenses including the priority profit share as a percentage of average net assets was:	**2.82%**	**3.12%**

7. Cash flow from operating activities

Reconciliation of net return before taxation to net cash flow from operating activities	2011 £'000	2010 £'000
Net return before taxation	723	69,433
Add back: Losses/(gains) on investments held at fair value	4,570	(64,665)
Increase in carried interest payable	943	74
Amortisation of premium on government securities	2,656	3,980
Increase in prepayments and accrued income	(4,648)	(5,919)
Decrease in debtors	17	2,691
Decrease in creditors	(495)	(1,276)
Tax on investment income included within gross income	(7)	(7)
Net cash inflow from operating activities	**3,759**	**4,311**

8. Directors' remuneration

The aggregate remuneration of the Directors for the year to 31 December 2011 was £189,000 (2010: £178,000). Further information on the Directors' remuneration is disclosed in the Directors' remuneration report on page 92.

9. Taxation on ordinary activities

(a) Analysis of charge in the year	2011 £'000	2010 £'000
Current tax:		
UK corporation tax	–	2,438
Income streaming relief	–	(2,438)
Prior year adjustment	–	50
Total current tax (note 9(b))	**–**	**50**

(b) Factors affecting current tax charge for the year

The tax assessed for the year is the same as the standard rate of corporation tax in the UK for a large company (26%; 2010: 28%). The differences are explained below:

	2011 £'000	2010 £'000
Net revenue return on ordinary activities before taxation	(645)	10,103
UK corporation tax (credit)/charge at 26% thereon (2010: 28%)	(171)	2,829
Effects of:		
Non taxable UK dividends	–	(391)
Tax relief from interest distribution	–	(2,438)
Unutilised losses arising in the year	171	–
Tax in relation to the prior year	–	50
	171	(2,779)
Current revenue tax charge for the year (note 9(a))	**–**	**50**

In the opinion of the Directors, the Trust has complied with the requirements of Section 1158 and Section 1159 of the CTA 2010 and will therefore be exempt from corporation tax on any capital gains made in the year.

10. Return and net asset value per Ordinary share

(a) Return per Ordinary share

	Revenue return		Capital return	
	Year ended 31.12.11	Year ended 31.12.10	Year ended 31.12.11	Year ended 31.12.10
Earnings (£'000):				
Return on ordinary activities after taxation	(645)	10,053	1,368	59,330
Number of shares ('000)				
Weighted average number of shares in issue	31,518	29,552	31,518	29,552
Return per Ordinary share (pence)	**(2.05)**	**34.02**	**4.34**	**200.77**

At the beginning of the year the Trust had 6,220,783 Subscription shares in issue. On 10 June 2011 and 11 November 2011 respectively, 695,810 and 22,605 new Ordinary shares were issued pursuant to the exercise of Subscription shares. The remaining Subscription shares are convertible into Ordinary shares on 31 May 2012 and 31 October 2012, with the final exercise date on 31 May 2013.

(b) Net asset value per share	Year ended 31.12.11	Year ended 31.12.10
Net asset value (£'000)		
Net assets	346,832	347,993
Assuming exercise of all outstanding Subscription shares	52,272	59,097
Fully diluted net asset value	399,104	407,090
Number of Ordinary shares ('000)		
Number of Ordinary shares in issue	31,822	31,104
Potential issue of new Ordinary shares on exercise of Subscription shares	5,503	6,221
Ordinary shares in issue following exercise of Subscription shares	37,325	37,325
Basic net asset value per share (pence)	**1,089.9**	**1,118.8**
Fully diluted net asset value per share (pence)	**1,069.3**	**1,090.7**

The diluted NAV per share is calculated by adding to the current NAV (basic) of £346,832,000 the proceeds of £52,272,000 from the exercise of Subscription shares, assuming all outstanding Subscription shares will be exercised at the minimum price of £9.50, and then dividing the adjusted NAV (diluted) by the adjusted number of Ordinary shares in issue (37,324,698).

11. Dividends on Ordinary shares

	Register date	Payment date	2011 £'000	2010 £'000
Dividend of 25.0p for the year ended 31 December 2009	26 February 2010	31 March 2010	–	6,297
Dividend of 28.0p for the year ended 31 December 2010	8 April 2011	13 May 2011	8,709	–
			8,709	**6,297**

The proposed dividend of 10.0 pence per Ordinary share for the year ended 31 December 2011 is subject to approval by the shareholders at the annual general meeting and has not been included as a liability in these financial statements. The retention test in CTA 2010, section 1159 has been met as there is no undistributed income from qualifying investments in the period.

12. Fixed asset investments

	2011 £'000	2010 £'000
Investments held at fair value through profit and loss		
Investments held in HGT LP		
Unquoted investments	69,181	96,746
Investments held in HGT 6 LP		
Unquoted investments	165,787	121,186
Other investments held by the Trust		
Unquoted investments	30,453	14,252
Total fixed asset investments	**265,421**	**232,184**
Total fixed asset investments consisting of:		
Equity shares	32,436	15,205
Non-equity shares	56,433	13,280
Fixed income securities	176,604	204,445
Derivative instruments	(52)	(746)
Total fixed asset investments	**265,421**	**232,184**

	2011 £'000	2010 £'000
Opening valuation as at 1 January	232,184	127,204
Add back: opening unrealised depreciation – investments	5,885	35,830
– financial derivative instruments	1,595	2,294
Opening book cost as at 1 January	239,664	165,328
Movements in the year:		
Additions at cost	87,101	111,418
Disposals – proceeds	(49,623)	(72,600)
– realised gains on sales	10,617	35,518
Closing book cost of investments	287,759	239,664
Less: closing unrealised depreciation – investments	(22,286)	(5,885)
– financial derivative instruments	(52)	(1,595)
Closing valuation of investments as at 31 December	**265,421**	**232,184**

The above investments include investments in companies that are indirectly held by the Trust through its investment in HGT LP, HGT 6 LP and Hg Mercury D LP, as set out in note 3 on page 61, and investments in fund limited partnerships in HgCapital 6 E LP, Hg Renewable Power Partners LP and HgCapital Renewable Power Partners 2 C LP.

13. (Losses)/gains on investments and government securities

		2011 £'000	2010 £'000
Realised			
Realised gains/(losses) on sales	– fixed asset investments	11,455	35,518
	– financial derivative instruments	(838)	–
	– government securities	(517)	(1,484)
		10,100	34,034
Carried interest charge against capital gains (note 5(c))		(2,079)	(1,136)
Net realised gains		8,021	32,898
Unrealised			
Change in unrealised depreciation	– fixed asset investments	(16,401)	29,945
	– financial derivative instruments	1,543	699
	– government securities	188	(13)
Net unrealised (losses)/gains		(14,670)	30,631
Total (losses)/gains		**(6,649)**	**63,529**

14. Debtors and accrued income

	2011 £'000	2010 £'000
Amounts receivable after one year		
Accrued income on fixed assets	30,862	26,606
Amounts receivable within one year		
Taxation recoverable	7	1,590
Accrued income on government securities	543	181
Prepayments and other accrued income	68	38
Other debtors	–	17
	618	1,826
Total debtors	**31,480**	**28,432**

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

15. Government securities

	2011 £'000	2010 £'000
Investments held at fair value through profit and loss		
Opening valuation	86,498	84,526
Purchases at cost	117,127	205,535
Sales and redemptions	(152,143)	(198,086)
Movement in unrealised capital gains/(losses)	188	(13)
Amortisation of premium on acquisition	(2,656)	(3,980)
Realised capital losses	(517)	(1,484)
Closing valuation	**48,497**	**86,498**

16. Movement in net funds

Analysis and reconciliation of net funds	2011 £'000	2010 £'000
Change in cash	1,003	600
Net funds at 1 January	3,473	2,873
Net funds at 31 December	**4,476**	**3,473**
Net funds comprise:		
Cash	4,476	3,473

17. Creditors – amounts falling due within one year

	2011 £'000	2010 £'000
Carried interest	2,079	1,136
Sundry creditors	963	1,458
	3,042	**2,594**

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

18. Bank facility

On 24 August 2011, the Trust entered into a £40,000,000 multicurrency revolving credit facility on an unsecured basis. The facility is available for three years. Under the facility agreement, the Company is liable to pay interest on any drawn amount at LIBOR plus a margin of 2.75%. A commitment fee of 1.1% is liable on any undrawn commitment. No amount was drawn during the current financial year.

19. 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, RPP2, Hg6E and the underlying investments in HGT LP, HGT 6 LP and HgCapital Mercury D LP as described in note 3 on page 61.

Financial instruments and risk profile

As a private equity investment trust, the Trust's investment objective is to achieve long-term capital appreciation by indirectly investing in unquoted companies. It does this 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), liquidity risk and credit 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.

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 32. 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 IPEV 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).

19. Financial risk continued

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 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.

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.

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	–	–	69,181	69,181
	– Investment in HGT 6 LP	–	–	165,787	165,787
	– Investment in Hg 6 E LP	–	–	9,445	9,445
	– Investment in Hg RPP LP	–	–	15,806	15,806
	– Investment in Hg RPP2 LP	–	–	5,202	5,202
	– Government securities	48,497	–	–	48,497
Other assets					
Accrued income		543	–	30,862	31,405
As at 31 December 2011		**49,040**	**–**	**296,283**	**345,323**

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	–	–	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**

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.

19. Financial risk continued

Investments classified within level 3 have significant unobservable inputs. Level 3 instruments include private equity and corporate 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 IPEV 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 2011 by class of financial instrument.

Unquoted investments	Accrued income on investments 2011 £'000	Investments in limited partnerships 2011 £'000	Total 2011 £'000
Opening balance	26,606	232,184	258,790
Purchases	–	87,101	87,101
Realisations at 31 December 2010 valuation	(9,059)	(33,095)	(42,154)
Total gains/(losses) for the year included in the income statement	13,315	(20,769)	(7,454)
Closing valuation of level 3 investments	**30,862**	**265,421**	**296,283**
Total gains for the year included in the income statement for investments held at the end of the year	**14,511**	**(21,436)**	**(6,925)**

Equity price risk

Equity price risk is the risk that the fair values of equities (including loans) held by the Trust indirectly through its direct investments in fund limited partnerships, 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 the trading performance of the principal underlying investments. 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%**	**29,628**	**93.1**

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) that are 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 issued by the United Kingdom. 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.

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 above). 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.

19. Financial risk continued

Currency risk and sensitivity

The Trust is exposed to currency risk as a result of investing in fund partnerships which invest in companies that operate in currencies other than sterling. The value of these assets in 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 against pounds sterling affecting the value of its investments, as explained below. 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 range of movements against sterling over the current 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.

	Revenue return		Capital return	
	£'000	NAV per Ordinary share (pence)	£'000	NAV per Ordinary share (pence)
Highest value against sterling during the year				
Euro (1.1070)	856	2.7	9,813	30.8
Euro forward contract (1.1070)	–	–	(143)	(0.5)
Norwegian kroner (8.5649)	–	–	1,919	6.0
Swedish kroner (9.9620)	70	0.2	465	1.5
Swiss franc (1.1744)	28	0.1	28	0.1
US dollar (1.5341)	–	–	8	–
	954	**3.0**	**12,090**	**37.9**
Lowest value against sterling during the year				
Euro (1.2037)	(57)	(0.2)	(655)	(2.1)
Euro forward contract (1.2037)	–	–	(4)	–
Norwegian kroner (9.3987)	–	–	(305)	(1.0)
Swedish kroner (10.8286)	(16)	(0.1)	(108)	(0.3)
Swiss franc (1.5639)	(8)	–	(8)	–
US dollar (1.6704)	–	–	(41)	(0.1)
	(81)	**(0.3)**	**(1,121)**	**(3.5)**

At 31 December 2011, the following rates were applied to convert foreign denominated assets into sterling: Euro (1.1972); Norwegian Kroner (9.2748); Swedish Kroner (10.6538); Swiss Franc (1.4532); and US Dollar (1.55450).

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 are as follows:

		2011		2010	
	Currency	No '000	£'000	No '000	£'000
Forward foreign currency contracts	Euro	1,544	(52)	25,040	(1,384)
Currency option	Euro	–	–	12,520	95
Currency option	NOK	–	–	125,724	543

19. Financial risk continued

The Trust does not trade in derivatives but holds them to hedge specific exposures, they 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 or 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.

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 £242,000, 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 15% of the Trust's net assets at the year-end are liquid resources and, in addition, the Trust has a £40 million undrawn bank facility available. 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.

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.

	2011				2010			
	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	160,065	6,071	34,469	200,605	159,841	5,897	16,191	181,929
Euro	87,448	2,164	28,675	118,287	96,871	2,948	23,401	123,220
Euro hedge	–	–	(52)	(52)	–	–	(1,289)	(1,289)
Norwegian kroner	–	–	23,156	23,156	–	–	23,116	23,116
Norwegian kroner hedge	–	–	–	–	–	–	543	543
Swedish kroner	6,692	–	–	6,692	11,323	–	4,095	15,418
Swiss franc	523	–	–	523	–	–	–	–
US dollar	–	–	588	588	5,367	–	638	6,005
Total	**254,728**	**8,235**	**86,836**	**349,799**	**273,402**	**8,845**	**66,695**	**348,942**

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 11.5% per annum (2010: 11.3%) and a weighted average life to maturity of 11.1 years (2010: 12.1 years). Otherwise, fixed rate assets comprised two gilts with interest rates of 5.25% and 4.50% per annum and which mature on 7 June 2012 and 7 March 2013 respectively. 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 (2010: £nil). The numerical disclosures above exclude short-term debtors and creditors.

19. Financial risk continued

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.

The Trust's capital at 31 December comprised:	2011 £'000	2010 £'000
Equity:		
Equity share capital	8,011	7,838
Share premium	68,096	61,444
Capital redemption reserve	1,248	1,248
Retained earnings and other reserves	269,477	277,463
Total capital	**346,832**	**347,993**

As stated above, the Trust did not have any outstanding borrowings at the year-end (2010: 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.

20. Issued share capital

	2011		2010	
	No. '000	£'000	No. '000	£'000
Ordinary shares of 25p each				
Allotted, called-up and fully paid				
At 1 January	31,104	7,776	25,187	6,296
Issued as part of placing and open offer	–	–	5,917	1,480
Issued following exercise of subscription rights	718	180	–	–
At 31 December	31,822	7,956	31,104	7,776
Subscription shares of 1p each				
Allotted, called-up and fully paid				
At 1 January	6,221	62	–	–
Issued as part of placing and open offer and bonus issue	–	–	6,221	62
Conversion into Ordinary shares	(718)	(7)	–	–
At 31 December	5,503	55	6,221	62
Total share capital	**37,325**	**8,011**	**37,325**	**7,838**

20. Issued share capital continued

The Trust's issued share capital at the beginning of the year consisted of 31,103,915 Ordinary shares. On 10 June 2011 and 1 1 November 2011 respectively, 695,810 and 22,605 new Ordinary shares were issued pursuant to the exercise of Subscription shares. The subscription price paid per Ordinary share was £9.50 and total proceeds of £6,825,000 were received by the Trust.

At the beginning of the year, the Trust had 6,220,783 Subscription shares in issue. 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 was on 31 May 2011 when 695,810 Subscription shares were exercised. The Ordinary shares issued commenced trading on the 15 June 2011. The second opportunity to exercise such right was on 31 October 2011 when 22,605 Subscription shares were exercised. The Ordinary shares commenced trading on 14 November 2011. The next opportunity to exercise subscription rights is on 31 May 2012 and, thereafter, 31 October 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 share.

Whilst the Trust no longer has an 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.

21. 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 2011	61,444	1,248	274,913	(16,821)	19,371
Issue of Ordinary shares	6,652	–	–	–	–
Transfer on disposal of investments	–	–	(5,911)	5,911	–
(Losses)/gains on government securities	–	–	(517)	188	–
Net gain on sale of fixed asset investments	–	–	16,528	–	–
Net movement in unrealised depreciation of fixed asset investments	–	–	–	(20,769)	–
Dividends paid	–	–	–	–	(8,709)
Net return for the year after taxation	–	–	–	–	(645)
Loans to General Partners recovered	–	–	–	8,017	–
Carried interest to Founder Partner	–	–	(2,079)	–	–
As at 31 December 2011	**68,096**	**1,248**	**282,934**	**(23,474)**	**10,017**

22. Commitment in fund partnerships and contingent liabilities

(a) Original and outstanding commitments in Fund partnerships

Fund	Original Commitment £'000	Outstanding at 31 Dec 2011 £'000	Outstanding at 31 Dec 2010 £'000
HGT LP[1]	120,000	17,094	22,350
HGT 6 LP[2]	285,029	85,888	155,884
HgCapital 6 E LP	15,000	4,732	–
Hg Mercury LP	60,000	58,970	–
Hg RPP LP	18,076[3]	1,236[4]	1,823
Hg RPP2 C LP	33,411[5]	27,222[6]	31,964
Total outstanding commitments		**195,142**	**212,021**

[1] With effect from 21 October 2011, £12 million (10% of the original £120 million loan commitment to the Hg5 fund) was cancelled.

[2] HgCapital Trust plc has the benefit of an investment opt-out provision in its commitment to invest alongside HgCapital 6, so that it can opt out of a new investment without penalty should it not have the cash available to invest.

[3] Sterling equivalent of €21,640,088

[4] Sterling equivalent of €1,479,000 (2010: €2,127,000)

[5] Sterling equivalent of €40,000,000

[6] Sterling equivalent of €32,590,000 (2010: €37,302,000)

(b) Contingent liabilities

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 £376,000 (2010: £6,260,000) has been reserved for this purpose. This amount is therefore callable from the Trust at this or any earlier date.

23. Related party transactions

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, priority profit shares allocated to HgCapital were £7,190,000 (2010: £7,060,000) and a carried interest profit allocation of £2,079,000 (2010: £1,136,000) was made to HgCapital during the year.

HgCapital also acts as secretary and administrator of the Trust. Total fees for the year amounted to £342,000 (2010: £250,000).

At 31 December 2011, the amount due to HgCapital relating to the above, disclosed under creditors, was £2,165,000 (2010: £1,731,000).

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 2011 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 23. 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 and of its return 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 matters 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 May 2010 UK Corporate Governance Code specified for our review and the equivalent provisions of the AIC Code of Corporate Governance; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Calum Thomson FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
15 March 2012

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 information differs from legislation in other jurisdictions.

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 2011.

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; and
- 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 2011 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 2010. It is the intention of the Trust to continue to seek approval for classification as an investment trust under Section 1158 of the CTA 2010 for subsequent tax years. 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 9 March 2012, the Trust had 31,822,330 ordinary shares of 25 pence each and 5,502,368 subscription shares of 1 penny 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 31,822,330. Further information on the share capital of the Trust can be found in note 20 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 19 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 Directors believe that the Trust is well placed to manage its business risks successfully, despite the current uncertain economic outlook. The Directors review cash flow projections regularly, including important assumptions as to future realisations and the rate at which funds will be deployed into new investments. 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 Board keeps the management of the Trust's resources under constant review and regularly considers long-term cash flow projections for the Trust and the use of gearing.

During 2011 the Board finalised a £40 million three-year multicurrency standby facility with Lloyds TSB Bank plc, on an unsecured basis. The Directors believe the borrowing facility gives the Board further flexibility in managing the Trust's resources, without adding undue risk. The facility was unutilised as at 31 December 2011.

Performance

In the year to 31 December 2011, the Trust's NAV per share (including dividends re-invested) increased by 0.5%. This compares with a decrease in the FTSE All-Share Index (total return) of -3.5%. The Trust's ordinary share price decreased by -1.2% 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 £723,000 (2010: £69,383,000) of which -£645,000 was revenue return (2010: £10,053,000).

The Directors recommend the payment of a dividend of 10.0p per ordinary share for the year ended 31

December 2011 (2010: 28.0p). Subject to approval of this dividend at the forthcoming annual general meeting ('AGM'), it will be paid on 15 May 2012 to shareholders on the register of members at the close of business on 10 April 2012.

Key performance indicators

Each Board meeting conducts a detailed review of the portfolio and reviews trading results and ratios to understand the impact on the Trust of the trading 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 NAV 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 pages 4 and 5 and the Manager's review on page 21 to 32. 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 19 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 for the year-ended 31 December 2011, 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 19 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.

During 2011 the Directors also arranged a £40 million three-year standby facility as noted on page 80, allowing further flexibility in the management of the Trust's resources.

SOCIAL, ENVIRONMENTAL & ETHICAL POLICY

In 2006 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 four 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. During the year, the option contract was realised and the forward foreign exchange contract was partially realised, reducing our exposure to €1.5 million. The current write-down of £52,000 on the remaining derivative 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 19 of the financial statements.

DIRECTORS

The Directors in office throughout the year and at the date of this report are listed on page 8.

Membership of the Board's committees is detailed in the corporate governance statement on page 88.

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 Mountford, having most recently been re-elected in 2010, will retire by rotation at the Trust's AGM and, being eligible, offers himself for re-election.

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

Mr Gale

Mr Gale is professionally responsible for the selection and monitoring of a wide range of private equity managers and direct investments 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 Mountford

Mr Mountford has proven business and leadership skills, which he has exercised over a long career in merchant banking both in the UK and Far East. In addition, as a trustee of two major pension schemes, he has extensive knowledge of investment markets and corporate governance. Through his role as Chairman, Mr Mountford uses this broad experience to ensure that the Board discharges its duties in an effective manner at all times.

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.

	31 December 2011		31 December 2010	
	Ordinary shares	Subscription shares	Ordinary shares	Subscription shares
P L Brooke	2,500	500	2,500	500
R J Brooman	1,534	306	1,534	306
P Gale	10,695	2,139	10,695	2,139
R P Mountford	11,893	2,329	11,893	2,329
A H Murison	5,000	2,000	10,000	2,000
G M Powell	3,000	nil	3,000	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 2011 and the date of this report.

Substantial interests

	Ordinary shares	% of voting rights
Rowan Nominees Limited* whose shares are held on behalf of:	2,774,813	8.7
– Ian Armitage	1,567,368	4.9
– HgCapital staff	860,826	2.7
– 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
HSBC Holdings plc	1,594,924	5.0
The Co-Operative Asset Management	1,290,200	4.1
Legal & General Group plc	1,131,392	3.6

As at 9 March 2012, being the latest practicable date prior to the publication of this report, the Trust had received notice that the persons noted in the table opposite 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 (Chairman of HgCapital); HgCapital staff; and BBC Pension Trust Limited (a discretionary client of HgCapital) as indicated opposite. All shares held by Rowan Nominees Limited are managed by Hg Investment Managers Ltd or Hg Pooled Management Ltd.

Analysis of registered ordinary shareholders as at 31 December 2011

By type of holder	Number of shares	% of total 31 Dec 2011	% of total 31 Dec 2010*	Number of holders	% of total 31 Dec 2011	% of total 31 Dec 2010*
Direct private investors	788,174	2.47	2.60	215	31.11	33.77
Nominee companies	30,389,533	95.50	95.47	432	62.52	59.57
Others	644,623	2.03	1.93	44	6.37	6.66
Total	**31,822,330**	**100.00**	**100.00**	**691**	**100.00**	**100.00**

By size of holding	Number of shares	% of total 31 Dec 2011	% of total 31 Dec 2010*	Number of holders	% of total 31 Dec 2011	% of total 31 Dec 2010*
1 – 5,000	593,070	1.86	1.77	453	65.55	64.64
5,001 – 50,000	2,635,196	8.28	8.61	154	22.29	23.18
50,001 – 100,000	2,577,106	8.10	10.17	35	5.07	6.09
over 100,000	26,016,958	81.76	79.45	49	7.09	6.09
Total	**31,822,330**	**100.00**	**100.00**	**691**	**100.00**	**100.00**

*Percentages calculated on the basis of 31,103,915 ordinary shares in issue as at 31 December 2010
This table does not form part of the financial statements.

Investment management and administration

Throughout 2011, 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 the HGT LP portfolio, excluding investments in other collective investment funds.

The Trust pays a priority profit share in respect of its commitment to invest alongside HgCapital's HgCapital 6 and HgCapital Mercury funds. These shares are the same as those payable by all institutional investors in these funds. Amounts of 1.75% and 2.00% per annum respectively are payable on the commitments during the investment period of these funds, which is expected to last for between four and five years. These amounts 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 in HGT LP. 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.

The same carried interest arrangement as above applies to the Trust's commitment to HgCapital Mercury D LP.

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 Thursday 10 May 2012 at 12 noon. Light refreshments will be available at the conclusion of the AGM. Notice of the AGM is given on pages 100 to 103.

The Board is of the opinion that the passing of all resolutions being put to the AGM would be in the best interests of the Trust. They therefore recommend that shareholders vote in favour of resolutions 1 to 12, as set out in the Notice of Meeting.

Authority to buy back shares

The Directors' authority to buy back shares was renewed at last year's AGM and will expire at the end of the AGM in 2012.

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 4,770,167 ordinary shares (being 14.99% of the issued share capital) as set out in Resolution 9. This authority, unless renewed, will expire at the conclusion of the AGM in 2013 or 10 November 2013 (whichever is earlier). The authority will be used where the Directors consider it to be in the best interests 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 2011. The authority gives the Directors, for the period until the conclusion of the AGM in 2012, the necessary authority to allot securities up to a maximum nominal amount of £5,132,146, or what was at 31 December 2010 approximately 66% of the issued ordinary share capital of the Trust. Of this amount £2,566,073, 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 2012 AGM. The authority to allot will be on broadly the same terms as the resolution passed at the 2011 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 £5,250,684 (or 21,002,737 ordinary shares of 25p each) representing the guideline limit of approximately 66% of the Trust's ordinary share capital. Of this amount £2,625,342 (or 10,501,368 ordinary shares of 25p each), representing approximately 33% 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 2013 or, if earlier, 10 August 2013. The Directors have no present intention to allot new ordinary shares, however consider it appropriate to maintain the flexibility that the authority provides.

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 2011. 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 light of the ABI guidelines referred to above, this authority will permit the Directors to allot:

(a) ordinary shares up to a nominal amount of £5,250,684 (or 21,002,737 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 £2,625,342 (or 10,501,368 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, ordinary shares up to a maximum nominal value of £795,558, representing approximately 10% of the existing ordinary share capital, at a price not less than the NAV 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 resolutions 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
15 March 2012

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 UK Corporate Governance Code (the 'UK Code'). The provisions of the UK Code, as issued by the Financial Reporting Council (the 'FRC') in May 2010, were applicable in the year under review. The UK 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 Code as well as setting out additional principles and recommendations on issues that are of specific relevance to HgCapital 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.

Throughout the year, the Trust has taken into account the recommendations of the AIC Code and the relevant provisions of the UK Code, except as set out below. The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- 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 therefore not reported further in respect of these provisions.

A copy of the AIC Code and the AIC Guide can be obtained via the AIC's website, www.theaic.co.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 were non-executive directors of SVM UK Active Fund Plc until 4 July 2011, when both resigned from their positions following the sale of that company. Mr Mountford is a member of the Church of England Pensions Board, whilst Mr Powell is a member of its Investment Committee. Their fellow Directors consider that each individual member of the Board 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 and Senior Independent Director ('SID')of the Trust. Mr Gale continues to provide 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 six times during 2011. 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 matters so approved is maintained and reviewed at each meeting of the Board. 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'). 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 by the Nomination Committee during the year and as part of the annual evaluation process 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 the Trust's website at www.hgcapitaltrust.com 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, examines the effectiveness of the Trust's control systems and met six times during 2011. 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 finance and compliance departments within HgCapital. 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 £22,000 (including VAT) were paid to Deloitte LLP for tax compliance work and an interim review of valuations. 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 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 described its business relationship with the Manager and confirmed to the Committee that in its opinion it is independent of the Manager. Deloitte LLP has appropriate safeguards in place to ensure auditor objectivity and independence is safeguarded on the provision of non-audit services by use of separate engagement teams. The Committee 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 2012 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 also meets with the Committee and its Chairman 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 from 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.

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.

During 2011 the Committee considered the time spent by each Director on matters related to the Trust, having due regard to the other commitments each Director has outside his involvement with the Trust. It was agreed that each Director had demonstrated sufficient commitment to discharging his duties as a Director of the Trust and had committed sufficient time to Trust matters. The Committee also considered the membership of the standing committees of the Board and discussed the rationale for recommending the re-appointment of each Director that retired and offered himself for re-appointment at the 2011 AGM.

Number of meetings attended/eligible to attend

Director	Board	Audit & Valuation	Remuneration	Management Engagement	Nomination
Piers Brooke	5/6	5/6	1/1	1/1	1/1
Richard Brooman	6/6	6/6	1/1	1/1	1/1
Peter Gale	5/6	5/6	1/1	1/1	1/1
Roger Mountford	6/6	6/6	1/1	1/1	1/1
Andrew Murison	5/6	6/6	1/1	1/1	1/1
Mark Powell	6/6	6/6	1/1	1/1	1/1

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 2011, 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 2011 and up to the date of this report, and will continue to do so in the year ending 31 December 2012.

As part of the Board's responsibility for the internal control system, an ongoing process has been established in conjunction with HgCapital and CCSS 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, 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 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 to ensure that the concerns of their staff may be raised in a confidential manner.

During the year, following the implementation of the Bribery Act in the UK, the Trust formally adopted an anti-corruption policy and the Board also considered the policies and procedures put in place by HgCapital in this regard. The Board will continue to monitor compliance with these policies on a regular basis.

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 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 results 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 in respect of each substantive issue.

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 Trust'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
15 March 2012

The Board presents the Directors' remuneration report for the year ended 31 December 2011.

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 at least once a year to consider the Directors' remuneration policy and annual fees.

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.

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

All figures are based on the total return to shareholders.

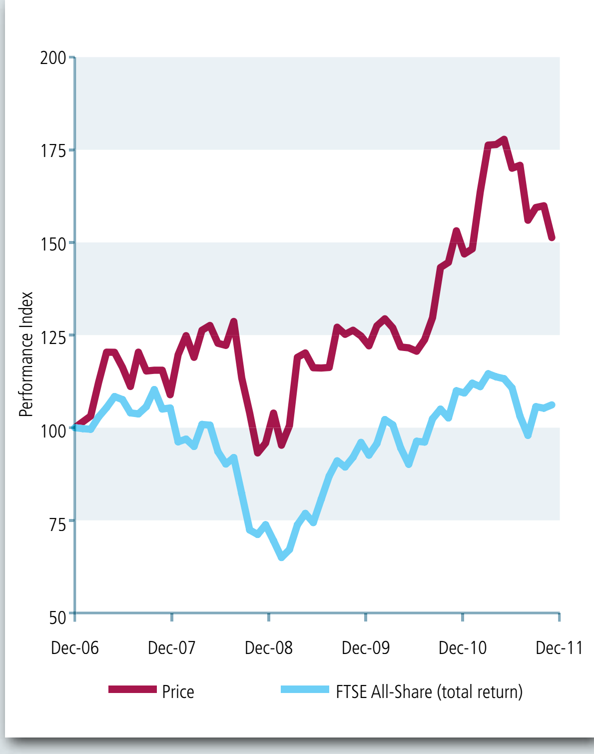
No element of the Directors' remuneration is performance related. The remuneration of the Directors is determined within the limits set out within the Trust's articles of association and they are not eligible for bonuses, share options or long-term performance incentives.

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.

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

During the year the Remuneration Committee agreed to increase the Directors' fees in order to reflect the high level of activity within the Trust during 2010 and 2011 and the corresponding increase in the time committed by Directors.

Share price performance from 31 December 2006 to 31 December 2011



Directors' remuneration

Director	Remuneration 2011 £	Remuneration 2010 £
Timothy Amies[1]	–	9,623
Piers Brooke	27,500	27,000
Richard Brooman (Chairman of the Audit & Valuation Committee)	35,000	34,000
Peter Gale	27,500	27,000
Roger Mountford (Chairman)	43,500	41,500
Andrew Murison	27,500	27,000
Mark Powell[2]	27,500	11,665
Total remuneration	188,500	177,788

[1]Mr Amies retired on 10 May 2010
[2]Mr Powell was appointed on 27 July 2010

It was also agreed that it was appropriate to increase the differential between the fees paid to other Directors and those paid to the Chairman and the Chairman of the Audit & Valuation Committee, in order to reflect the additional work undertaken by Mr Mountford and Mr Brooman and the additional responsibilities inherent in those roles.

With effect from 1 July 2011, the remuneration of the Directors was increased as follows:

Mr Mountford (Chairman of the Board) – from £42,000 to £45,000

Mr Brooman (Chairman of the Audit & Valuation Committee) – from £34,000 to £36,000

All other Directors – from £27,000 to £28,000

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
15 March 2012

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

The dividend proposed in respect of the year ended 31 December 2011 is 10.0p per share.

Ex-dividend date (shares transferred without dividend)	4 April 2012
Record date (last date for registering transfers to receive the dividend)	10 April 2012
Last date for registering DRIP instructions (see below)	23 April 2012
Dividend payment date	15 May 2012

The dividend is subject to approval of the Shareholders at 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 23 April 2012.

Share price

The Trust's mid-market Ordinary share price is published daily in the Financial Times, the Times and the Daily Telegraph under the section 'Investment Companies'. In the Financial Times the Ordinary share price and the Subscription share price are listed in 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 1.0%, subject to a minimum charge of £20. 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% plus a standard 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 2011/12, the first £10,600 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; and
- 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 small- to mid-cap companies, with enterprise values between £20 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 NAV (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.
- Ability 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 incentivised by 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
  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 shareholder 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 €45bn of which €12bn are London-listed companies (source: LPX December 2010). 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%.

NAV (net asset value per share)
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 2011, shareholders' funds were £346,832,000 and there were 31,822,330 Ordinary shares in issue; the NAV was therefore 1,089.9p 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.

EV (enterprise value)
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.

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 English limited partnership includes one or more general partners, who have responsibility for managing the business of the partnership and unlimited liability, and one or more limited partners, who do not participate in the operation of the partnership and whose liability is ordinarily capped at any capital and loan contribution to the partnership. In typical fund structures, the general partner receives a priority profit share ahead of distributions to limited partners. In addition, a limited partner designated as the 'founder partner' will share in the profits of the partnership alongside the other limited partners once limited partners have been returned all loan contributions plus a hurdle as agreed with the partnership.

MBI (management buy-in)
A change of ownership, where an incoming management team raises financial backing, normally a mix of equity and debt, to acquire a business.

MBO (management buyout)
A change of ownership, where the incumbent management team raises financial backing, normally a mix of equity and debt, to acquire a business it manages.

P2P (public to private)
The purchase of all of a listed company's shares using a special-purpose vehicle funded with a mixture of debt and unquoted equity.

Preferred return
A preferential rate of return on an individual investment or a portfolio of investments.

Quoted company
Any company whose shares are listed or traded on a recognised stock exchange.

Unquoted company
Any company whose shares are not listed or traded on a recognised stock exchange.

Venture capital
Investing in companies at a point in that company's life cycle that is either at the concept, start-up or early stage of development.

NOTICE OF ANNUAL GENERAL MEETING

This Notice of Meeting is an important document, if shareholders are in any doubt as to what action to take, they should consult an appropriate indepedent advisor.

Notice is hereby given that the Annual General Meeting of HgCapital Trust plc will be held at the Company's registered office at 2 More London Riverside, London SE1 2AP, on Thursday 10 May 2012 at 12 noon to transact the following business:

Ordinary business

To consider and, if thought fit, pass resolutions 1 to 8 as ordinary resolutions.

1. To receive the report of the Directors and the financial statements for the year ended 31 December 2011, together with the report of the independent auditor thereon.
2. To approve the Directors' remuneration report.
3. To declare a dividend of 10.0p per share.
4. To re-elect Mr R Mountford 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 re-appoint Deloitte LLP as independent Auditor to the Company.
8. To authorise the Directors to determine the independent Auditor's remuneration.

Special business

To consider and, if thought fit, pass resolutions 9, 11 and 12 as special resolutions and resolution 10 as an ordinary resolution.

9. 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 4,770,167;

    (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 2013 unless previously renewed, varied or revoked by the Company in general meeting.

10. 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 £2,625,342; and

    (b) up to a further aggregate nominal amount of £2,625,342 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 2013, 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.

11. 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 10 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 10 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 11) to any person or persons of equity securities up to an aggregate nominal amount of £795,558,

    and shall expire upon the expiry of the general authority conferred by Resolution 10 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.

12. 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
15 March 2012

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 2012 (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 2012.
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 2012 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 2012 ('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 or an amendment 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 31,822,330 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 9 March 2012 are 31,822,330.

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 conduct 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.

19. If a shareholder receiving this notice has sold or transferred all shares in the Trust, this notice and any other relevant documents (e.g. form of proxy) should be passed to the person through whom the sale or transfer was effected, for transmission to the purchaser or transf eree.

MANAGEMENT AND ADMINISTRATION

Board of Directors
Roger Mountford (Chairman)
Piers Brooke
Richard Brooman (Chairman of the Audit & Valuation Committee)
Peter Gale (Deputy Chairman and Senior Independent Director)
Andrew Murison
Mark Powell

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Manager
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Secretary and administrator
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Telephone: 020 7089 7888
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Custodian
Hg Investment Managers Limited*
2 More London Riverside
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Registrar
Computershare Investor Services PLC*
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

Telephone: 0870 707 1037
www-uk.computershare.com/investor

Stockbrokers
Jefferies Hoare Govett*
Vintners Place
68 Upper Thames Street
London EC4V 3BJ

Telephone: 020 7029 8000
www.jefferies.com

Numis Securities Ltd*
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Telephone: 020 7260 1000
www.numiscorp.com

Independent auditor
Deloitte LLP
2 New Street Square
London EC4A 3BZ

AIC
Association of Investment Companies
www.theaic.co.uk

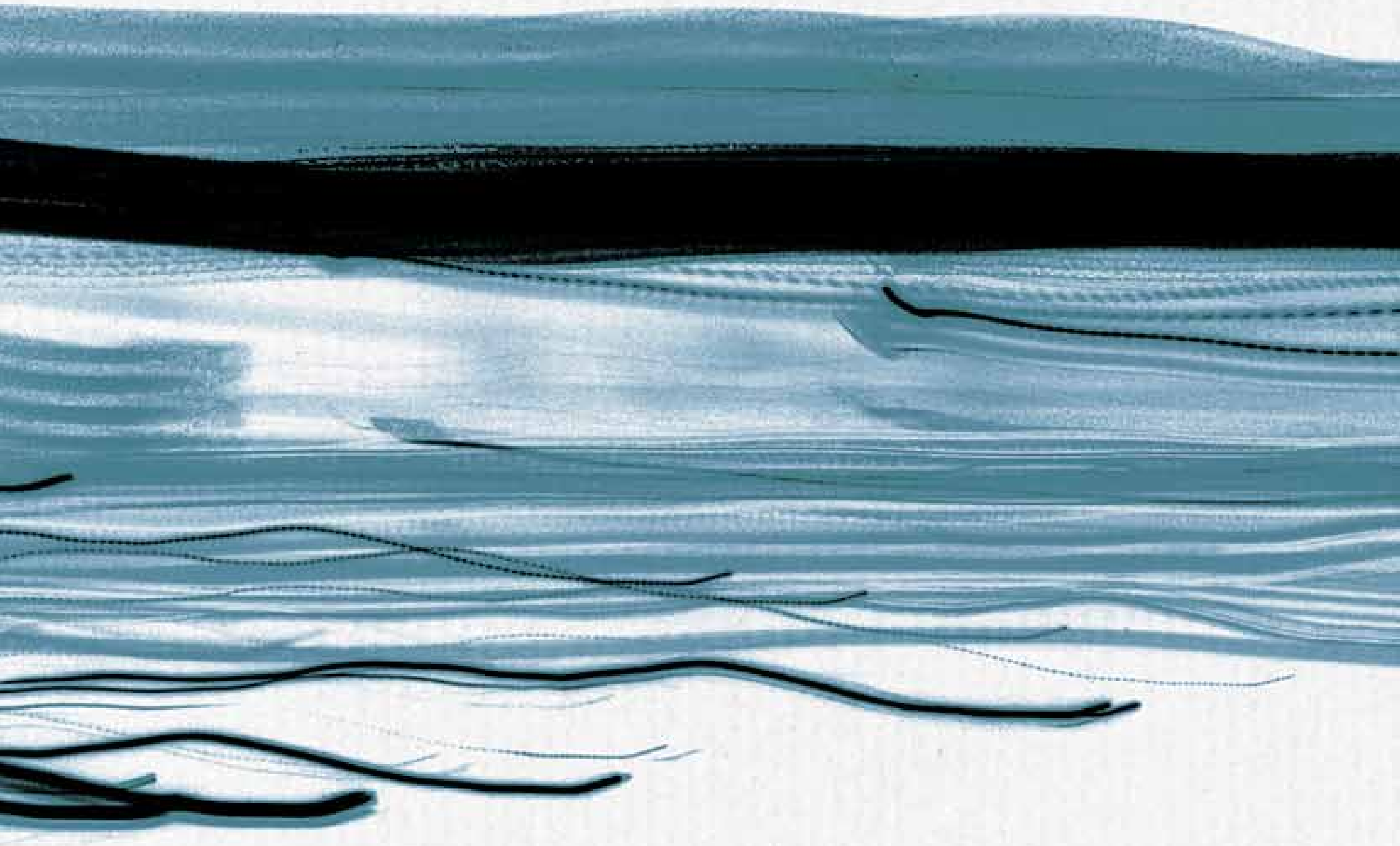
LPEQ
Listed Private Equity
www.lpeq.com

HgCapital Trust plc is a founder member of LPEQ. LPEQ is a group of private equity investment trusts and similar vehicles listed on the London Stock Exchange and other major European stock markets, formed to raise awareness and increase understanding of what listed private equity is and how it enables all investors - not just institutions - to invest in private equity.

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.

*Authorised and regulated by the Financial Services Authority.

**HgCapital is the trading name of Hg Pooled Management Limited and HgCapital LLP



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