HgCapital Trust plc

ANNUAL REPORT AND ACCOUNTS

31 December 2013

HgCapital Trust plc

"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'.

References in this annual report and accounts to 'Total Return' refer to a return where the reinvestment of all dividends is assumed.

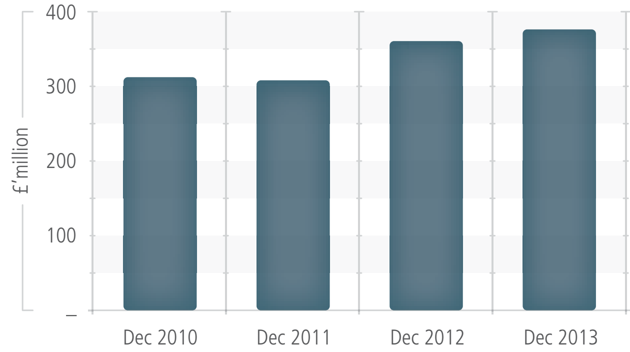
FINANCIAL HIGHLIGHTS

2013 PERFORMANCE

MARKET CAPITALISATION £377 MILLION

The Ordinary share price at 31 December 2013 was £10.10, a total return for the year of:

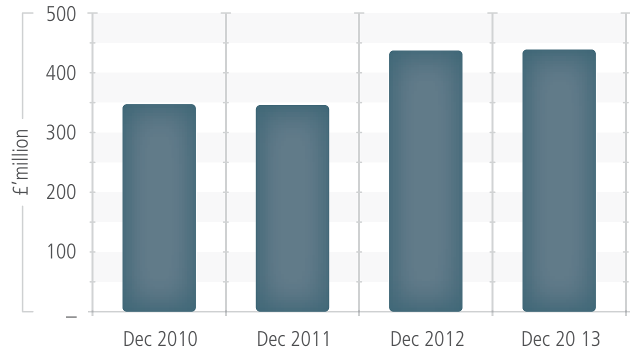
+1.4%



NET ASSET VALUE ('NAV') £441 MILLION

The diluted NAV per Ordinary share at 31 December 2013 was £11.80, a total return for the year of:

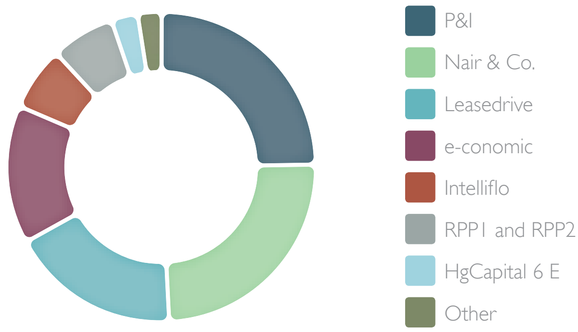
-1.6%



CASH DEPLOYED ON BEHALF OF THE TRUST

The amount of capital invested in 2013 that funded both new investments and further investment within the existing underlying portfolio.

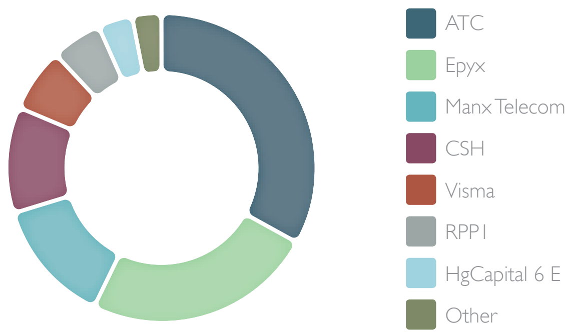
£80m



CASH REALISED FOR THE BENEFIT OF THE TRUST

Cash distributions received in 2013, resulting primarily from three full realisations of buyouts and two refinancings.

£66m



FINANCIAL HIGHLIGHTS continued

LONG-TERM PERFORMANCE – 10 YEAR TOTAL RETURN

COMPOUND ANNUAL GROWTH RATE

16.0% p.a.

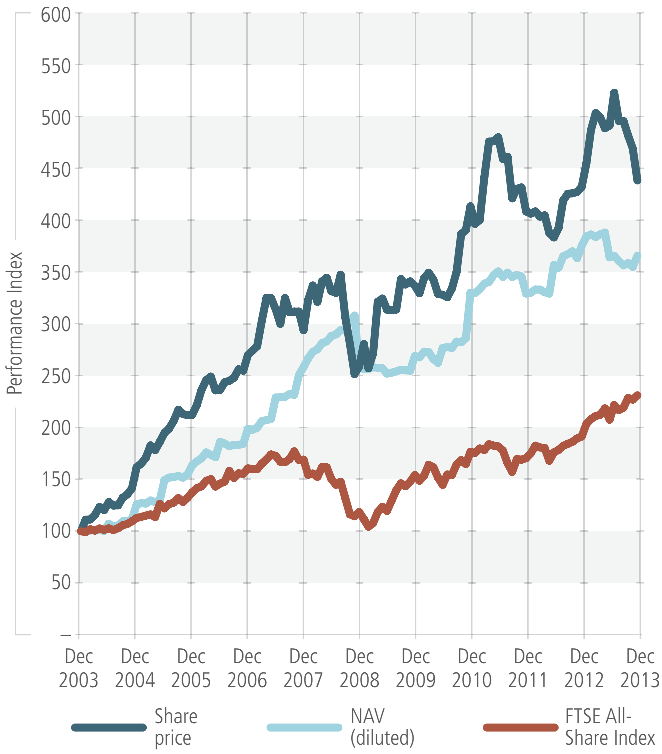
The compound annual growth rate of the Trust's Ordinary share price over the last 10 years.

10 YEAR TOTAL RETURN ON £1,000

£4,394

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

An equivalent investment in the FTSE All-Share Index would be worth £2,316.



BALANCE SHEET ANALYSIS

£441m The NAV of the Trust as at 31 December 2013, representing a NAV per Ordinary share of **£11.80**.

£95m The net liquid resources available for deployment as at 31 December 2013, representing **22%** of NAV.

£279m The amount of outstanding commitments as at 31 December 2013, representing **63%** of NAV.

FINANCIAL HIGHLIGHTS continued

THE PORTFOLIO

HgCapital Trust plc gives investors access to a private equity portfolio of currently **27 active companies**, managed by an experienced and well-resourced Manager. Investments are indirectly made in private companies primarily across Northern Europe in selected parts of the TMT, Services, Industrials and Healthcare sectors.

An investment in the Trust plc provides exposure to a portfolio of fast growing companies. The top 20 mid-cap buyout investments currently account for 87% of the portfolio value. These companies have aggregate revenues of **£2.2 billion** and EBITDA of **£468 million** with margins of **21%**.

In addition, the Trust holds investments in the Manager's two renewable energy funds.

+9% p.a.

REVENUE GROWTH

The average growth in revenues of the top 20 mid-cap buyout investments for the twelve months ended 31 December 2013.

+9% p.a.

PROFIT GROWTH

The average growth in profits (EBITDA) of the top 20 mid-cap buyout investments for the twelve months ended 31 December 2013.

11.6x

EV/EBITDA MULTIPLE

The average multiple used to value the top 20 mid-cap buyout investments at 31 December 2013.

4.3x

NET DEBT/EBITDA

The average net debt/EBITDA multiple of the top 20 mid-cap buyout investments at 31 December 2013.

EBITDA refers to Earnings Before Interest, Tax, Depreciation and Amortisation.

FINANCIAL HIGHLIGHTS continued

LONG-TERM PERFORMANCE RECORD

PERFORMANCE RECORD

Year ended 31 December	Net assets attributable to Ordinary shareholders £'000	NAV per Ordinary share (diluted)[1] p	NAV per Ordinary share (basic) p	Ordinary share price p	Revenue return/ (loss) available for Ordinary shareholders £'000	Return per Ordinary share[2] p	Dividends per Ordinary share[3] p
2004	122,040	n/a	484.5	451.5	2,649	10.5	8.0
2005	156,487	n/a	621.3	583.5	2,965	11.8	10.0
2006	187,135	n/a	743.0	731.0	4,519	17.9	14.0
2007	238,817	n/a	948.2	782.5	7,446	29.6	25.0
2008	234,094	n/a	929.4	668.5	7,445	29.6	25.0
2009	236,044	n/a	937.2	844.0	7,148	28.4	25.0
2010	347,993	1,090.7	1,118.8	1,006.0	10,053	34.0	28.0
2011	346,832	1,069.3	1,089.9	970.0	(645)	(2.0)	10.0
2012	437,956	1,221.7	1,231.5	1,016.0	10,398	32.1	23.0
2013	440,584	1,180.4	1,180.4	1,010.0	12,913	35.3	29.0[4]

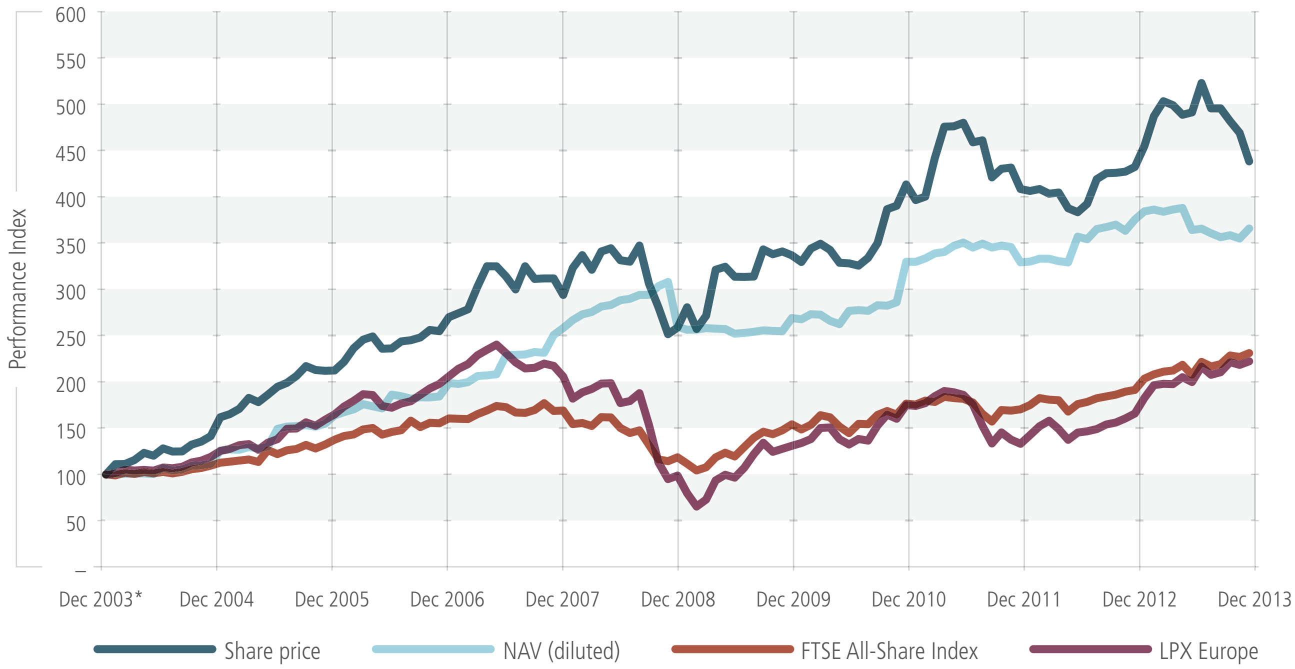
[1] Diluted NAV per share assumes that all outstanding Subscription shares were converted into Ordinary shares at the relevant year-end at the exercise price (£10.25 at 31 December 2012; £9.50 prior to 31 December 2012). No dilution existed until the 2010 financial year, following the issue of Subscription Shares.

[2] Based on weighted number of shares in issue during the year.

[3] Dividend proposed in respect of reported financial year, but declared and paid in the following year.

[4] Proposed dividend for the year ended 31 December 2013, to be paid on 16 May 2014, subject to shareholder approval.

PERFORMANCE OVER TEN YEARS – TOTAL RETURN



The LPX Europe Index represents the most actively traded listed private equity companies covered by LPX that are listed on a European exchange. For more information visit www.lpx-group.com.

*Performance record rebased to 100 at 31 December 2003. Source: Factset, HgCapital.

FINANCIAL HIGHLIGHTS continued

LONG-TERM PERFORMANCE RECORD

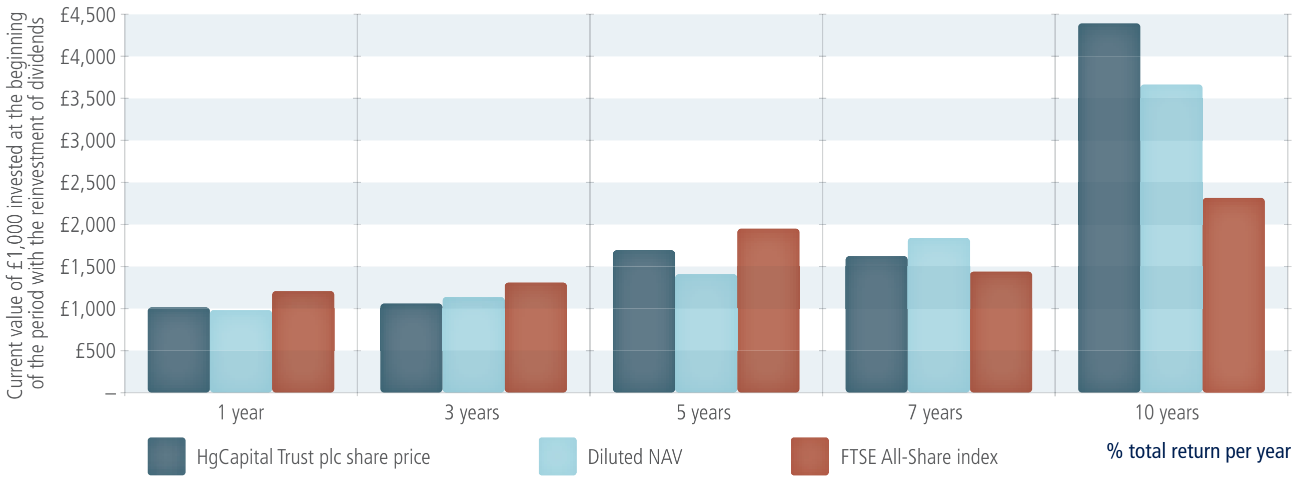
HgCapital Trust plc's share price has delivered significant outperformance against the FTSE All-Share Index over the long term.

HISTORICAL TOTAL RETURN PERFORMANCE

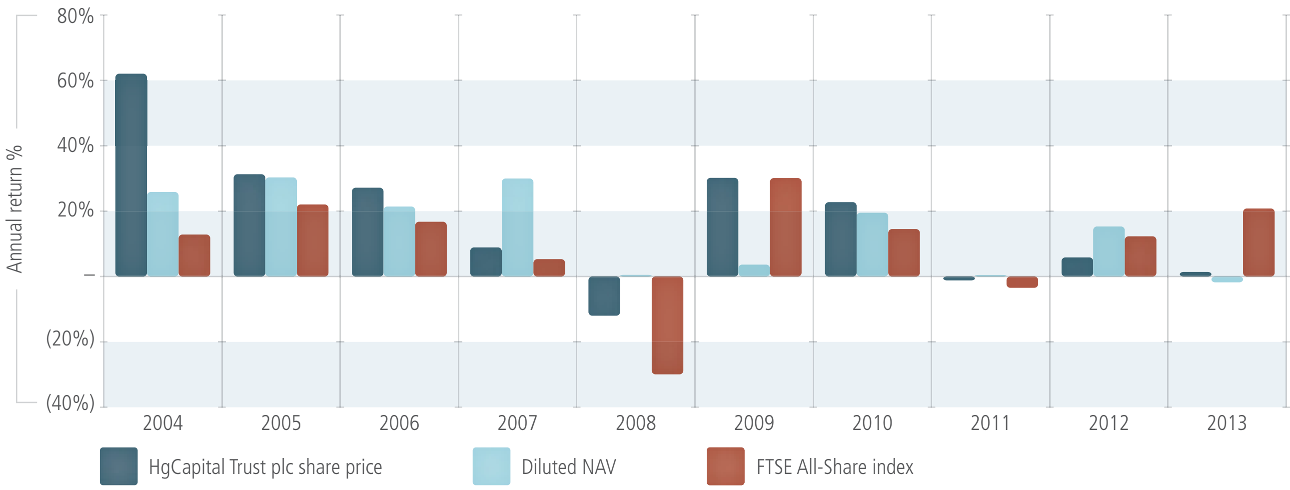
	One year %	Three years % p.a.	Five years % p.a.	Seven years % p.a.	Ten years % p.a.
Share price	1.4	2.0	11.1	7.2	16.0
NAV per share (diluted*)	(1.6)	4.5	7.1	9.1	13.9
FTSE All-Share Index	20.8	9.4	14.3	5.3	8.8
Share price performance per annum relative to the FTSE All-Share Index	(19.4)	(7.4)	(3.2)	1.9	7.2

*The remaining Subscription shares were exercised at the end of May 2013.

TOTAL RETURN PERFORMANCE PER £1,000 INVESTED



DISCRETE ANNUAL TOTAL RETURN PERFORMANCE AGAINST THE FTSE ALL-SHARE INDEX



Source: HgCapital.

THE BOARD'S STRATEGIC REPORT

CHAIRMAN'S STATEMENT

The store of value in the Trust's portfolio is the foundation for attractive long-term returns and diversification

Investment activity and performance during the year

2013 was an active year for HgCapital Trust, both in realising cash from existing portfolio investments and deploying cash into new opportunities. Some £66 million was returned to the Trust, primarily from the sale of three buyouts, delivering impressive gross returns over original cost; all three were realised at prices above the December 2012 valuation, in aggregate a gain of more than £7 million over book value. Cash was also returned to the Trust following the refinancing of two cash-generative investments. The Manager drew down some £80 million from the Trust for investment, £71 million of this being deployed into five new buyouts and the balance into the existing portfolio. The comparable figures for 2012 were £80 million received from realisations and £38 million invested. But for the receipt of the last instalment of £18 million from conversion of the subscription shares we issued to shareholders in April 2010, liquid resources would have decreased by £38 million during the year.

It was also a year in which progress was made in the development of the principal businesses in the portfolio. Revenues in the underlying buyout portfolio continued to grow, with revenues in the top 20 investments growing by 9%, in line with 2012. Profits (EBITDA) of the top 20 investments also grew by 9%, representing a material improvement over profits growth in the previous year. Aggregate EBITDA margins of 21% on revenue, across the top 20, show the high quality of the investment portfolio our Manager has assembled.

Across the buyout portfolio, improved ratings of comparable companies (used to value our investments) and growing profits from trading both contributed positively to NAV. Our investments in IRIS, Visma, Achilles, JLA and Manx Telecom (successfully floated since the year-end above the December 2013 valuation) appreciated strongly due to both earnings growth and higher multiples; valuations of others, such as Nair & Co., Teufel and Visma, were held back by adverse foreign exchange movements. Within the buyout portfolio, Lumesse, NetNames and Teufel were disappointing and HgCapital is fully engaged with these and other businesses that are operating below potential; since the half-year valuation, NetNames has shown improvements that have already begun to restore value to shareholders. The valuation of renewable generating assets has been adversely affected by unfavourable conditions in the Swedish market for green certificates, which the Manager believes to be temporary.

The result of all these factors was a modest fall in NAV per share, from 1,222 pence to 1,180 pence, after payment of a 23 pence dividend. The Trust's share price at 31 December 2013 stood at £10.10 compared with £10.16 at the end of 2012. This represented a total return to shareholders (including dividend) of 1.4%; though disappointing, the year's return needs to be viewed in the context of the long-term returns achievable in private equity over the investment/realisation cycle.

A private equity portfolio is unlikely to be closely correlated with listed equities in the short term and we do not seek to reflect movements in any index. A new table on page 7 illustrates, annually over the last ten years, the lack of correlation between the Trust's performance and short-term movements in the FTSE All-Share Index. Relative performance in recent years should be viewed against the strong recovery of listed markets from the financial crash. The Trust's relative performance over longer periods remains strong.

In line with our policy on dividends (described on page 13 under Business Model) and in order to meet the income retention rules as an investment trust, the Board has proposed payment of a dividend of 29.0 pence per share (2012: 23.0 pence).

THE BOARD'S STRATEGIC REPORT continued

CHAIRMAN'S STATEMENT

One of our objectives is to maintain and encourage good trading volumes in the Trust's shares. The monthly value of shares traded in 2013 averaged £10.2 million, representing further progress (2012: £7.6 million).

At the year-end, the Trust's outstanding commitments to make investments totalled £279 million, against which the Trust held £95 million in liquid resources. Over the last five years, the Trust has invested a total of £346 million and realised a total of £299 million. The Trust now has commitments to invest alongside three of the Manager's active funds, with the result that the rate of new investment is likely to remain high. The relationship between commitments and funds available is a strategic issue that the Board and Manager monitor closely.

At the same time, the Board is keen to keep the balance sheet as fully invested as possible, consistent with the investment/realisation cycle and taking account of changing market conditions for the purchase or sale of businesses. Shareholders will recall that in July 2011 we made our first secondary purchase of a limited partnership interest in one of HgCapital's funds; we intend to seek further such opportunities. More recently, we have agreed with the Manager a new policy under which the Manager may, after consideration is given to any concentration of risk, take up a co-investment interest in a buyout; this would be in addition to the direct interest we will take (which in HgCapital 7 represents 10% of each deal under our commitment of £200 million). The benefits of this are that we will gain some flexibility in the deployment of our liquid funds and that the Manager will charge no fees or carried interest on the amount co-invested, thus helping to reduce the fee drag on returns. Our investment in P&I in December 2013 was our first co-investment under this policy: we invested £15.2 million under our £200 million commitment to the HgCapital 7 vintage and a further £4.5 million by way of co-investment.

Management of liquid funds

As an investor in private equity deals, the Trust needs to maintain a level of liquidity that, after making reasonable assumptions about the investment/realisation cycle across the markets in which it invests, will enable the Trust to meet its commitments without strain. Up to now, these funds have been invested by the Manager in short-term gilts; very low yields and increasing risk of capital loss have made this unrewarding. We have recently agreed to place our liquidity in funds managed by Royal London Asset Management, an experienced money manager. We see no material increase in counterparty risk in this and the funds will remain available for investment at very short notice.

Developments in reporting to shareholders

The Trust has continually improved the scope and clarity of our reporting to shareholders over many years. We have done this not only to fulfil our duties to shareholders, but also in the belief that transparent reporting encourages a better understanding of listed private equity and of our business model, and wider interest in the Trust's shares; this should lead to more liquidity in the trading in our shares and, as a result, the shares should trade closer to NAV than other investment trusts.

This annual report has been redesigned and expanded again this year and, along with our website, continues to incorporate further disclosures in accordance with the latest requirements of corporate governance in the UK. We have endeavoured to accommodate these requirements while retaining and, wherever possible, improving the clarity and openness of our reporting. The Annual Report is now divided more clearly into sections, beginning with a full statistical summary of the Trust's performance and activity during the year set out in the financial highlights on pages 3 to 7. This is followed by the Board's Strategic Report, of which my statement forms part; this Strategic Report is intended to set out, over some seven pages, the key information that an investor might need in order to understand the investment objective and investment policy of the Trust, how the Trust is managed, how we assess its performance, mitigate its risks, and its future direction. In my statement, I focus on the major decisions made by the Board and report on the Board's stewardship and the strategic development of the Trust.

This is followed by a section in which the Manager, HgCapital, reports on its business strategy, policies and performance; this includes, for the first time, a description of the Manager's resources and policies on recruitment and engagement of staff.

Many investment trusts, especially those holding listed securities, are managed by one or two named individuals within an investment management business; but the nature of private equity and our commitment to invest in all of HgCapital's deals mean that the Trust's investment portfolio is managed by the entire professional team at HgCapital. In recognition of this, the Board of the Trust has, for many years, regularly probed the Manager's resources, business strategy, long-term policies on recruitment and training and succession planning – and frequently drawn on its own business experience to alert the

THE BOARD'S STRATEGIC REPORT continued

CHAIRMAN'S STATEMENT

Manager to matters it should consider – in order to ensure that the Manager would remain well positioned to manage the Trust's investments over the long term. The expanded section on the Manager in this Report will help shareholders also to consider more deeply the capabilities of the Manager, on which the Trust's success relies.

This Report also contains, for the first time, a letter to shareholders from my colleague Richard Brooman, as the Chairman of the Board's Audit and Valuation Committee. He sets out a detailed account of the membership and activities of the Committee during 2013, the Committee's action plan for 2014, and a description of its work on financial reporting, audit, risk management and internal controls. While the scope of the Committee's work has been growing continually over many years, I hope this addition to our annual report will add to the transparency of our reporting and to shareholders' assurance.

Responsible investment

The Board and Manager have also given thought to the most appropriate way for private equity to adopt policies of socially and ethically responsible investment. The Manager's section of this annual report now also sets out HgCapital's approach to responsible investment. We and the Manager would welcome feedback from investors on the steps we have taken.

Board and governance

Last year I reported that the Board had decided to expand the role of the Management Engagement Committee and to place it under the chairmanship of an independent director, other than the Chairman of the Trust. I was pleased to report late last year that, following an active search, we had appointed Peter Dunscombe to the Board and that he would take up this role. With long experience in the strategic leadership of investment in very large pension schemes, including the selection and monitoring of private equity managers, Peter is very well equipped to carry out this role.

I must also report that Peter Gale, our Deputy Chairman and Senior Independent Director, has decided not to seek re-election at the forthcoming AGM. Peter has served on the Board with great distinction for many years and throughout the evolution of the Trust from Grosvenor Investment Trust into HgCapital Trust. We have benefited greatly from his extensive knowledge of private equity and his wise advice. The Board has agreed that Andrew Murison should fill the role of Senior Independent Director. We anticipate appointing a further director during 2014, thus continuing to refresh the Board.

Implementation of the European Union's Alternative Investment Fund Management directive began in 2013 and will continue in stages this year. After lengthy research into the options for adherence to this Directive, the Board has decided that the Trust will not apply for authorisation as a manager in its own right; HgCapital is applying for this authorisation and the Board can see no benefit at present in duplicating the Manager's application. The relationship between the roles of the Board and the Manager, which we have carefully constructed over years, will not change in any fundamental way; however, it will require some changes to our contractual relationships and a degree of added formality in processes. We had this in mind a year ago when deciding to expand the remit of our Management Engagement Committee and to place the Committee under its own chairman.

Prospects

The Manager sets out its views on prospects on page 35 of this report, pointing out the rapid deployment of funds in the second half of 2013 and the first quarter of 2014; this reflects a high rate of conversion of the pipeline of prospective deals reported at the half-year. We anticipate further activity across all three of the strategies where we have made investment commitments, through both new investments and bolt-on acquisitions by portfolio companies. Since the year-end, the Trust has invested a net amount of £24 million in three new buyouts.

With the UK economy showing strong, if vulnerable, signs of growth, and a possible turning-point in the recession in the eurozone, trading in most of our buyout companies is improving; combined with firm equity markets, this solid progress should be reflected in future valuations and realisations. There continue to be a small number of businesses in the portfolio where our investment has had to be written down, or written off completely, but there are signs of recovery and the Manager continues to work hard to restore value; one of these, Americana, has been sold since the year-end, at a small uplift over book value. Subject to market conditions, we anticipate further exits, mainly of businesses from our older vintages. Meanwhile, the early investments made in the HgCapital 7 vintage and Mercury fund will continue to be developed in preparation for their realisation at a later date.

Our portfolio of interests in renewable power projects has had varied success, with the Manager completing a number of profitable exits in the UK. This year's valuation has been affected by unfavourable conditions in the Swedish market for green certificates, but we are hopeful that this will prove temporary. The actions of the Spanish government, in seeking powers to rewrite tariffs on which substantial inward investment has been based, is regrettable; the Manager, along with other international investors, is taking action to mitigate the effects, if possible.

The store of value that continues to be created within the Trust is the foundation for attractive long-term returns, and diversification from listed equities, as an element of the portfolio of a patient, long-term investor.

Roger Mountford
Chairman
7 March 2014

THE BOARD'S STRATEGIC REPORT continued

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 policy of the Trust is to invest, directly or indirectly, in a portfolio of unlisted companies that are expected to grow organically or by acquisition and to spread investment risk through appropriate diversification. 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 in an unlisted company, whether made directly or indirectly, will exceed a maximum of 15% of gross assets.

The Trust may invest in other listed closed-ended investment funds up to a maximum at the time of acquisition of 15% of gross assets.

Any material change to the Trust's Investment Policy will be made only with the approval of shareholders in a general meeting.

Sectors and markets

The Trust invests primarily in companies whose operations are headquartered or substantially based, 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 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 to hedge tactically with the object of protecting the anticipated sterling value of the acquisition cost of investments made or proceeds from realising investments in other currencies.

Liquid funds

The Trust maintains a level of liquidity to ensure, so far as can be forecast, that it can participate in all investments made by the Manager throughout the investment/realisation cycle.

When appropriate the Trust negotiates a standby bank facility to provide funds for investment.

The Trust currently has a £40 million unsecured standby bank facility with Lloyds TSB Bank plc. The Trust can draw on this facility 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. 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.

To this end, we have appointed Royal London Asset Management as a cash manager, with the intention of investing in their Cash Plus fund. This will deploy funds awaiting investment in private equity deals in a highly liquid portfolio of cash, UK gilts, covered bonds, sovereign bonds and index-linked securities.

If there is 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.

Socially responsible investment

The Board has adopted a policy intended to invest the Trust's funds in a socially responsible manner. The Trust's focus is on identifying high-quality and sustainable businesses, and supporting their growth for the benefit of shareholders and wider society. The Board monitors the Manager's policies to ensure they are compatible with the Trust's policies.

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.

The Manager seeks investment opportunities on a sector basis. The sectors chosen do not generally raise ethical issues.

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 BOARD'S STRATEGIC REPORT continued

THE TRUST'S RATIONALE AND BUSINESS MODEL

The Board has a clear view of the rationale for investing in private equity through an investment trust. 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 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 most investors have received from their listed equity, bond, hedge fund and property portfolios. This long-term commitment may not be practical for smaller pension schemes - especially if they intend to de-risk over time - or wealth managers, funds and private individuals. 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. The Trust's shares are listed on the London Stock Exchange and it is widely covered by published research.

BUSINESS MODEL

Working within the framework 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's objective is to participate in the ownership and development of unquoted businesses. From time to time, the Trust may directly or indirectly hold listed securities in pursuit of its investment policy.

The Trust is not a fund of funds and does not invest in other managers' funds. This provides greater transparency for the Board and shareholders in the Trust and avoids the double level of fees common in a fund of funds model.

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: the Trust currently invests alongside the Manager's HgCapital 7 fund. The Trust also invests in smaller TMT buyouts via the Manager's specialist Mercury fund and in renewable energy via its commitment to RPP2.

The Trust invests on the same terms as institutional investors. The Manager is organised in investment teams that focus on business sectors and carry out in-depth research into them. 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 mitigate 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 new investment (made by the HgCapital 7 fund) where certain conditions exist (see note 22 to the financial statements).

The Trust may also take up a co-investment in some buyouts (in addition to investment under its commitment). The Trust may also acquire a limited partnership interest in any of the Manager's funds in that event that any other investor wishes to realise its partnership interest.

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.

Comparators

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 the Trust is not managed so as to reflect short-term 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.

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.

THE BOARD'S STRATEGIC REPORT continued

THE TRUST'S RATIONALE AND BUSINESS MODEL

Valuation

The Board reviews the values of each of its underlying investments after considering 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, December 2012 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. Following these dates, the NAV figure is published monthly, 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. The Board believes that discounts to NAV are minimised through consistently good 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 retained, after dividend distributions in respect of that financial year, may not exceed 15% of the annual total taxable income. The total taxable income for a financial year might be higher or lower than the net income reported in the income statement. The level of the net revenue 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 buyouts held at the time; net revenue is also affected by the valuation of accrued, but unpaid, interest on shareholder loans to investee companies. Accordingly, dividends may vary from year to year. Where possible, 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 reduces the tax charge payable by the Trust.

Going concern

The Trust's business activities, together with the factors likely to affect its future development, performance and financial position are described in the Board's Strategic Report and the Manager's Report. The financial position of the Trust, its cash flows, liquidity and borrowing facilities are described in this Strategic Report. In addition, note 19 to the financial statements describes 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. 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 and be able to meet its outstanding commitments, as noted on pages 4 and 28. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Performance

In the year to 31 December 2013, the Trust's NAV per share (including dividends re-invested) decreased by 1.6%.
In comparison, the FTSE All-Share Index increased by 20.8% (total return). The Trust's Ordinary share price increased by 1.4% on a total return basis.

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, total 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 8 to 10 and the Manager's review on pages 15 to 61. 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 AND UNCERTAINTIES

The key financial 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

An inappropriate investment strategy may lead to poor performance. The Board is responsible for deciding the investment strategy to fulfil the Trust's objectives and for monitoring the performance of the Manager. To help 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.

THE BOARD'S STRATEGIC REPORT continued

THE TRUST'S RATIONALE AND BUSINESS MODEL

Regulatory

The Trust operates as an investment trust in accordance with Sections 1158 and 1159 of the Corporation Tax Act 2010 ('CTA'). As such, the Trust is exempt from corporation tax on capital gains realised from the sale of its investments, so the impact of losing investment trust status would be significant to the Trust. The Board believes this risk is low. 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 are not breached. The Trust's compliance with the conditions for retaining investment trust status 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

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. 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 each year.

The Board has considered an Assurance Report on Internal Controls (AAF 01/06) as prepared by the Manager, and independently reviewed by Deloitte LLP, for the year ended 31 December 2012. The Board will consider the 2013 Assurance Report when issued later in March 2014.

Financial

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

The Trust, by the very nature of its investment objective, predominantly 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, after providing for necessary expenditure, the Trust will have insufficient cash resources to fund a new investment, the Manager may exercise an opt-out in respect of new buyout investments alongside HgCapital 7. This helps the Trust to manage the risk of over-commitment.

At certain points in the investment cycle the Trust may hold substantial cash awaiting investment, which it may invest in government or corporate securities, or in bank deposits, or in managed funds. In 2013, the Directors appointed Royal London Asset Management to manage the Trust's liquid assets.

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 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.

In August 2011, the Board put in place a £40 million three year multi-currency 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 2013.

OTHER MATTERS

Employees, human rights and community issues

The Board recognises the requirement under section 414C of the Companies Act 2006 to provide information about employees, human rights and community issues, including information in respect of any policies it has in relation to these matters and their effectiveness. These requirements do not apply to the Trust as it has no employees, all of the Directors are non-executive and it has outsourced all its functions to third party providers. The Trust has therefore not reported further in respect of these provisions.

Gender diversity

At the end of the year under review, the Board of Directors of the Trust comprised five Directors, all of whom are male. The Board's policy is to make appointments to the Board solely on merit and, when selecting potential candidates for the Board, interviews a short-list that always includes well-qualified male and female candidates. The Manager has an equal opportunities policy and currently employs 64 men and 38 women on a permanent basis.

For and on behalf of the Board

Roger Mountford
Chairman of the Board
7 March 2014

THE MANAGER'S REVIEW

HgCapital is a private equity investor focused on the European mid-market.

Our business model combines deep sector specialisation 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, HGT7 LP and HgCapital Mercury D LP ('Hg Mercury')) 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.

The photographs on pages 8, 15 and 37 of this report are of the building in London occupied by HgCapital and of the surrounding area.

THE MANAGER'S REVIEW continued

INTRODUCTION TO THE MANAGER

Formerly Mercury Private Equity, HgCapital became a fully independent firm in December 2000 and is wholly owned by our partners and senior employees.

We have progressively invested in and strengthened the business over the years to establish a significant competitive advantage.

With over 100 employees in two investment offices in the UK and Germany, HgCapital has assets under management of £5.2 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 us as its Investment Manager in 1994. It offers investors a liquid investment vehicle, through which they can obtain an exposure to its 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.

SECTOR FOCUS

HgCapital's sector teams combine the domain knowledge and expertise of a trade buyer – giving them superior credibility and the ability to make confident decisions – with the speed of execution and discipline of a financial investor leading to high conversion rates on deals.

This deep sector focus is channelled through a rigorous, research-based investment process, to identify systematically the most attractive growth sub-sectors and business models of the European mid-market and then repeatedly invest in them, optimising deal flow and improving returns.

Following each investment, our dedicated portfolio management team works to protect and enhance value by adopting clear strategies for growth and ultimately for realisation of the value created.

With experienced people and an approach that focuses on delivering value, HgCapital has the capability and commitment to deliver strong investment returns to investors.

EMPLOYEE ENGAGEMENT

Over the past few years HgCapital has focused on maximising employee engagement to ensure that we create an environment where people are able to attain their full potential. We have developed a set of values that we believe embodies our working culture and these are aligned with our performance review and compensation structures.

Positioning ourselves as a best in class recruiter

HgCapital's recruitment and selection processes are robust and mean that we can attract and hire the best. To ensure that we achieve this, our interviewers are all trained in effective interviewing techniques; we place a strong emphasis on delivering an experience that will encourage the best candidates to join us.

Improving our ability to identify talent

We have strengthened our talent identification processes and introduced a forum which meets twice a year to focus on outperformers and how we can best accelerate their development within the business. We believe that this is the basis of effective succession planning.

Enhancing our skill at developing talent

We have gained external recognition by winning Best Learning and Development Strategy for a UK private company for our work with Investment Executives.

Developing future leaders

We are explicit about the behaviours we wish to encourage at HgCapital, and have aligned incentivisation strategies with our set of values.

THE MANAGER'S REVIEW continued

THE MANAGER'S STRATEGY AND TACTICS

Mid-market focus

HgCapital primarily focuses on mid-market buyouts with enterprise values of between £50 million and £500 million and lower mid-market buyouts in the TMT sector between £20 million and £80 million. We also invest in renewable power generating projects between €10 million and €50 million. These markets offer a high volume of companies with proven financial performance and strong market positions.

These companies are small enough to provide opportunities for operational improvement, yet large enough to attract high quality management and to offer multiple exit options across market cycles.

European focus

We focus our buyout investments primarily in the UK and Northern Europe.

The renewable energy investments are focused on the UK, Ireland, 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 acquire the most attractive investments rather than be constrained by a top-down asset allocation.

For buyouts, we seek companies with predictable revenues, which offer a platform for growing market share or have the potential for significant performance improvement.

We target situations where our 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 our target size range and across our chosen geographies.

Active portfolio management

HgCapital's objective is to ensure that all businesses in which we invest maximise their long-term potential and reward all of our stakeholders. As a result, we typically invest as the lead, majority shareholder and appoint our 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, we are in a position to review the performance of all of our investments, identify quickly any issues that demand attention and ensure that appropriate action is taken.

Deep resources

HgCapital's practice of employing specialisation – both in investment selection and portfolio management – requires significant resources. Accordingly, we have built a deeply resourced business employing over 100 staff, including more than 60 investment and other professionals.

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

A full description of HgCapital and our key staff is available at www.hgcapital.com

THE MANAGER'S REVIEW continued

RESPONSIBLE INVESTMENT

To HgCapital, responsible investment ('RI') is about investing in opportunities that seek to generate both financial value and sustainable growth. We believe that businesses which actively engage with the social responsibility agenda achieve higher performance than their peers, which do not do so and this enhances returns for our investors. Our RI approach supports the backbone of our investment philosophy which is to invest in growth companies and sectors, rather than turnaround or distressed investing: we aim to make excellent investment returns for our clients by growing high-quality, socially responsible businesses, which create lasting, value-adding jobs in Western Europe and elsewhere. Furthermore, one of our investment teams is dedicated to investing in renewable energy projects through a dedicated fund.

We believe that businesses must preserve the trust of stakeholders in order to create long-term value for investors. As part of our RI approach, we take an active interest in how companies in our portfolio manage environmental, social, and governance ('ESG') issues and, on behalf of our clients, encourage and support companies to adhere to standards of best practice for responsible business.

HgCapital is a signatory to the United Nations Principles for Responsible Investment Initiative ('PRI').

As part of this commitment to RI, HgCapital strives for continuous improvement in the ESG impacts of our own operations by:

- Minimising the negative impacts of our activities on the environment by actively managing our direct footprint – in particular by reducing our greenhouse gas emissions, for which we are in the process of obtaining Certified Emissions Measurement and Reduction Scheme ('CEMARS') certification;
- Being a responsible employer, by creating an equal opportunities culture in which we develop a diverse pool of high calibre employees and staff, and having a commitment to talent management and development to give everyone at HgCapital the opportunity to perform to the best of their ability; and
- Upholding the highest standards of business conduct.

Investment principles

When considering potential new investments, HgCapital will:

- Screen them against the following Exclusion List, which identifies the sectors, businesses and activities in which HgCapital will not invest. HgCapital will not invest in a company which:
  - has production or other activities that involve harmful or exploitative forms of forced labour or child labour;
  - produces any illegal products or engages in any illegal activities under applicable local laws;
  - manufactures, distributes or sells arms or ammunitions primarily designed or primarily designated for military purposes;
  - manufactures or sells pornography;
  - is involved with products and activities that are banned under global conventions and agreements, such as certain pesticides, chemicals, wastes, ozone depleting substances and endangered or protected wildlife or wildlife products;
  - is involved in the supply or purchase of sanctioned products or goods to or from countries or regions covered by United Nations sanctions;
  - is, in the opinion of HgCapital's Investment Committee, exploitative of vulnerable groups in society.
- Assess them from an RI perspective to identify material ESG risks and opportunities, and potential consequent actions, prior to any commitment of capital.
- Over the period of our investment, HgCapital will monitor investee companies' performance in relation to the management of ESG issues. Since 2012, we have asked all our portfolio companies to report annually against a set of ESG Key Performance Indicators. We also support investee companies in improving the management of ESG issues on a continuous basis to reflect evolving international and industry best practice. For example, all HgCapital portfolio companies are required to commit to the highest standards of business conduct through implementing a Code of Conduct applicable to all employees. We also actively encourage all our portfolio companies to manage and reduce their greenhouse gas emissions by obtaining CEMARS certification.

PRI Principles for Responsible Investment

HgCapital received this BVCA Responsible Investment Award in October 2013 for our ESG policy and framework.

A full description of the Manager and our key staff is available at www.hgcapital.com

THE MANAGER'S REVIEW continued

RESPONSIBLE INVESTMENT

Responsible investment focus areas

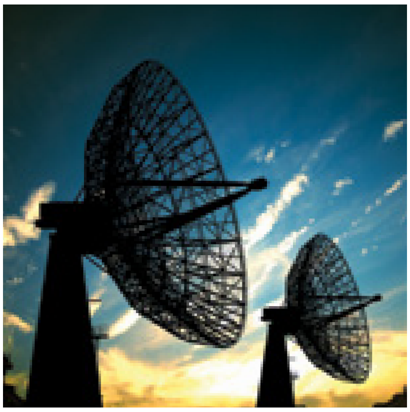
HgCapital's investment philosophy is based on creating value driven by sustainable growth. We believe that this approach will allow HgCapital to deliver superior returns for our clients by investing in the provision of services and resources from which entire communities can benefit.

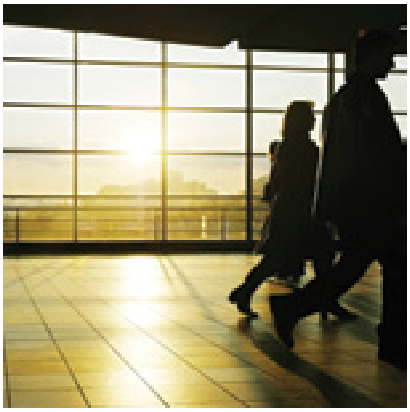
To support this philosophy and our approach to responsible investment, HgCapital considers five RI focus areas in making investment decisions and evaluating portfolio companies, namely: Environment, Workplace, Marketplace, Governance, and Community.

HgCAPITAL'S RESPONSIBLE INVESTMENT APPROACH:

THE MANAGER'S REVIEW continued

SECTOR SPECIALISATION





TMT

TMT, as a sector, covers a broad range of markets. 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 industry champions with diverse customer bases, which feature subscription-based business models generating predictable revenues and cash flows. The team regularly conducts top-down thematic research within the wider sector, in order to continue to identify and assess further repeatable investment themes where we can invest time to develop proprietary expertise.

Our highly 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 expertise 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.

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. The team targets businesses that are leaders in their field 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 international business expansion services 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.

Industrials

HgCapital's 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.

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 numerous high-quality, cutting-edge, technology-led industrial businesses, many of which have strong national or international positions in specific niche markets, with the opportunity to scale further.

Thematic research within this sector has been concentrated over many years on the characteristics that define the strongest industrial production and distribution businesses and on 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.

THE MANAGER'S REVIEW continued

SECTOR SPECIALISATION

Healthcare

The HgCapital Healthcare team has been historically focused on acute long-term care facilities and more recently on speciality pharmaceuticals; we have made several successful investments in these areas. The provision of outstanding levels of care within acute long-term facilities has been a key driver of growth in this sector, typically with cash generative companies allowing for reinvestment in growth and bolt-on acquisitions enabling expansion and enhancement of services provided.

More recently, this area of investment has been de-emphasised with fewer opportunities in the European healthcare market to offer performance improvements and consequently the Healthcare team has not made any new investments over the last two years.

We continually examine alternative segments of the market for our target themes and other attractive sub-sectors. A key driver of growth in the European Healthcare sector is technological change and we will be focused on working alongside the Services and TMT sector teams to identify niche sub-sectors and assets that can take advantage of their knowledge within the Healthcare sector and the company's wider investment capability.

HgCapital will continue to work with the current portfolio company management teams towards delivering growth both organically and through M&A.

Renewable Energy

In 2004, HgCapital established a dedicated renewable energy investment team and, after a period of research, raised our first dedicated fund in 2006. We invest in utility-scale renewable energy projects in Western Europe using proven technologies such as onshore wind, solar and hydro, adopting an infrastructure fund investment approach. We focus on control investments and creating industrial scale renewable energy platforms, seeking to aggregate a number of like assets and to deliver economies of scale.

We believe it presents 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, HgCapital's 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 costs for the consumer.

Investment is at an industrial scale to reduce intrinsic costs and create strategic value. HgCapital is one of the leading owners of onshore wind farms in Scandinavia, and is one of the largest financial investors in Irish onshore wind. The team comprises nine dedicated full time investment professionals.

THE MANAGER'S REVIEW continued

CASE STUDY – EPYX

Website: www.epyx.co.uk

Sector: TMT

Geography: UK

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.

The deal

HgCapital's TMT team actively seeks companies with high levels of recurring revenue and attractive organic top-line growth. In 2007 we identified Epyx through a discussion with one of its angel investors at an HgCapital-organised industry dinner. A call to the founder-CEO followed, and after nearly two years spent getting to know the CEO and the company, we acquired a large minority stake in the business. A minority deal is unusual for us, but we felt the business and its CEO were of sufficiently high quality, and the investment opportunity sufficiently compelling, to make an exception. The CEO did not want to sell a majority stake, nor did he want to sell to a trade buyer at that point. The TMT team's ability to rapidly understand the business and its scalability, and our readiness and flexibility on deal terms, were key to securing this proprietary deal, some 20 months after the initial meeting with the CEO. At the end of the process, the company sought to price-test our proposal; HgCapital was able to confidently pay the market price because we had spent our time conducting deep analysis of Epyx's sector and the company's growth potential.

THE MANAGER'S REVIEW continued

CASE STUDY – EPYX

The investment case

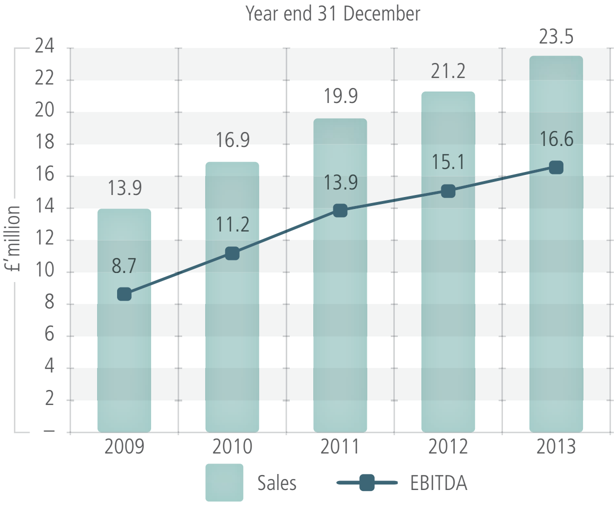
Epyx fully matched HgCapital's focus on investing in companies which possess resilient growth characteristics and high levels of revenue visibility, operating in business-critical niche markets.

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

The company uses its high level of cash generation continually to invest in growth. Epyx provides its customers with a stream of innovative products, all developed in-house and all delivered on a "cloud" basis since the company's inception in 2000. It continues to invest in development and sales resource to win new business across the board.

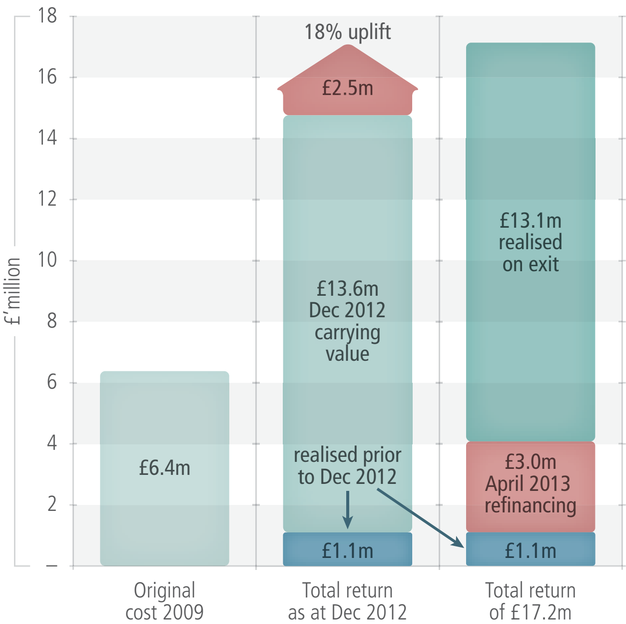
The investment case focused on value creation through selling more services to the existing customer base, by developing new market segments, and by expanding internationally.

FINANCIAL PERFORMANCE



> HgCapital's knowledge of the sector, straightforward working style and focused approach combined with their significant support of the management team to help us deliver growth and identify exit opportunities, has been a key part of the Epyx success story.

Greg Connell, Founder & CEO of Epyx



Investment return multiple of cost: **2.7x**
Gross IRR: **27% p.a.**

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

How HgCapital supported Epyx

A significant portion of profits were re-invested into expanding sales and product development, in order to optimise Epyx's long-run balance of revenue growth and profitability. Additional investment has gone into new divisional managers alongside new product development. HgCapital was supportive of the Epyx management team's decision to pursue long-run growth rather than to maximise profits in the short term only to risk growth tailing off in the future. We thought this aligned the interests of customers, Epyx itself and HgCapital's investment in the company very well. We also supported the financing needs of the business through multiple changes, including the initial leverage when HgCapital invested, the payment of dividends once that initial leverage had been paid down by cash-flows, and a low-cost, low-leverage refinancing just prior to exit.

Performance improvement

During HgCapital's investment period the business performed strongly, with Epyx achieving double-digit annual growth in revenue and EBITDA, since HgCapital acquired its stake in the summer of 2009.

The exit

In October 2013, HgCapital sold its investment in Epyx to Fleetcor LLC, a US trade buyer, at an enterprise value of £198 million. The realisation of Epyx represents a multiple of 2.7x original cost and a gross IRR of 27%.

MANAGER'S REVIEW continued

OVERVIEW OF THE YEAR

NET ASSET VALUE (NAV)

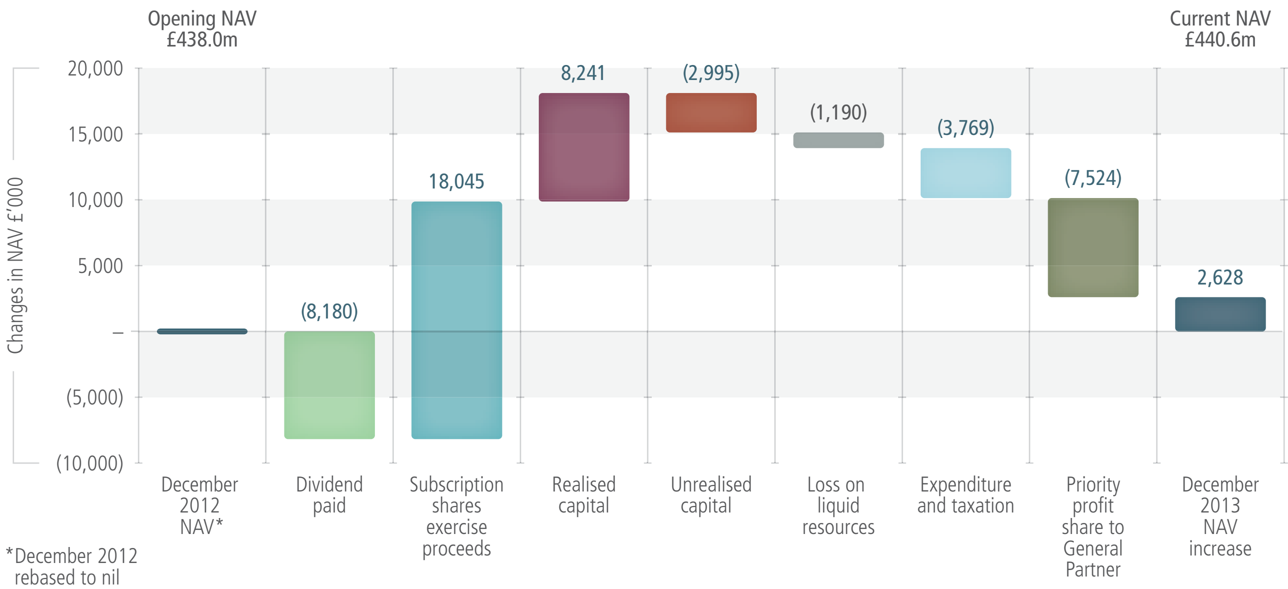
Over the course of 2013, the NAV of the Trust increased by £2.6 million (0.6%), from £438.0 million to £440.6 million at the year end.

ATTRIBUTION ANALYSIS OF CURRENT YEAR MOVEMENTS IN NAV

	Revenue return £'000	Capital return £'000	Total return £'000
Opening NAV as at 1 January 2013	17,233	420,723	437,956
Dividend paid	(8,180)	–	(8,180)
Proceeds from the final exercise of Subscription shares	–	18,045	18,045
Realised capital and income proceeds from investment portfolio in excess of 31 December 2012 book value	7,304	937	8,241
Net unrealised capital and income appreciation / (depreciation) of investment portfolio	15,863	(18,858)	(2,995)
Net realised and unrealised losses from liquid resources*	(410)	(780)	(1,190)
Expenditure and taxation	(3,769)	–	(3,769)
Investment management costs:			
Priority profit share - current year charge	(7,524)	–	(7,524)
Priority profit share - net loan allocation	1,449	(1,449)	–
Closing NAV as at 31 December 2013	**21,966**	**418,618**	**440,584**

*Liquid resources include cash and government securities

ANALYSIS OF NAV MOVEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013



*December 2012 rebased to nil

There were a number of underlying factors contributing to the above movement in the NAV. Positive impacts on the NAV were: the final exercise of Subscription shares issued (+£18.0 million); and uplifts on the realisation of investments, compared with their carrying value at the start of the year (+£8.2 million). Reductions in the NAV were caused by: the payment of a dividend to shareholders (-£8.2 million); the Manager's remuneration (-£7.5 million); the revaluation of the unquoted portfolio (-£3.0 million); the loss on liquid resources (-£1.2 million); and operating expenditure and taxation (-£3.8 million).

MANAGER'S REVIEW continued

OVERVIEW OF THE YEAR

TOP 20 PORTFOLIO TRADING PERFORMANCE

The top 20 buyouts (representing 87% of the total portfolio) have delivered aggregate sales and EBITDA growth of 9% over the last twelve months ('LTM') to 31 December 2013. This compares with sales growth of 9% and EBITDA growth of 6% as reported at 31 December 2012.

Eighteen companies (93% by value) reported an increase in year-on-year sales, while fifteen out of the 20 companies (85% by value) increased EBITDA. Of these top 20 investments, eight (51% by value) increased sales by greater than 10% and eight (50% by value) grew EBITDA by more than 10% over the last twelve months.

Of the top 20 investments, five have reported a decline in EBITDA year-on-year. For some of these companies, the decline in EBITDA is a function of continued investment in the businesses. For example, Parts Alliance is seeing short-term profits reduced by the significant increase in cost base, as we consolidate the four businesses acquired over the past eighteen months with a centralised infrastructure.

e-conomic, acquired in August 2013, is seeing rapid revenue growth. However, profits are currently in decline due to significant investment to drive future expansion.

Trading at Lumesse remains behind expectations. We are continuing to invest in the business to support the strategy developed by the new management team to drive higher long-term growth.

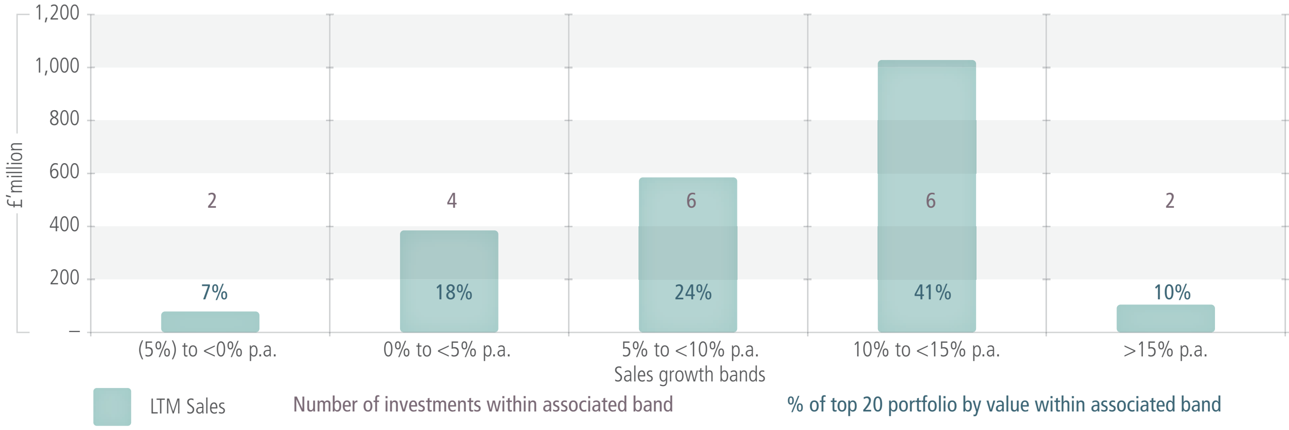
There has been an improvement in trading compared with 2012 from some companies in the portfolio, in particular Frösunda, which has seen a return to growth. Whilst NetNames remains behind plan, we have seen a good recovery in its year-on-year performance.

A number of businesses within the portfolio have reported continued double-digit growth over the last year, including Visma, IRIS, JLA, Achilles, P&I and Nair & Co.

We are pleased to see a small improvement in our EBITDA figures, as investment made into the portfolio companies to drive growth begins to come through. Trading performance over the past six months suggests that this is continuing.

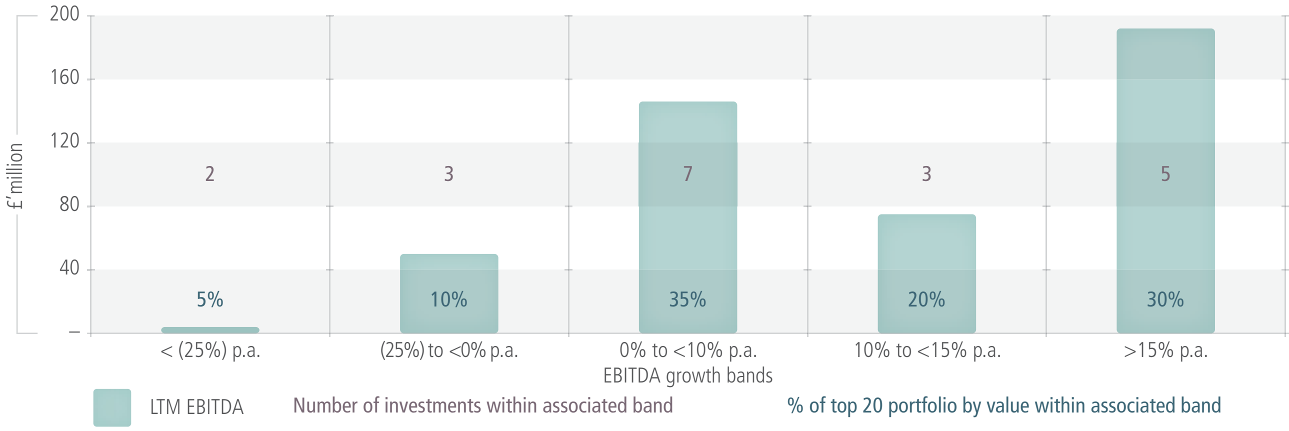
TOP 20 LTM SALES GROWTH

Exposure to £2.2 billion of sales that have grown on average at 9% over the last 12 months to December 2013



TOP 20 LTM PROFIT GROWTH

Exposure to £468 million of EBITDA that have grown on average at 9% over the last 12 months to December 2013



MANAGER'S REVIEW continued

OVERVIEW OF THE YEAR

VALUATION AND GEARING 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 11.6x EBITDA.

We continue to take a considered and prudent approach in determining the level of maintainable earnings to use in each investment valuation. The majority of the portfolio is valued using the LTM earnings to 30 November 2013, unless we have anticipated that the outlook for the full current financial year is likely to be lower, in which case we have used forecast earnings.

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.

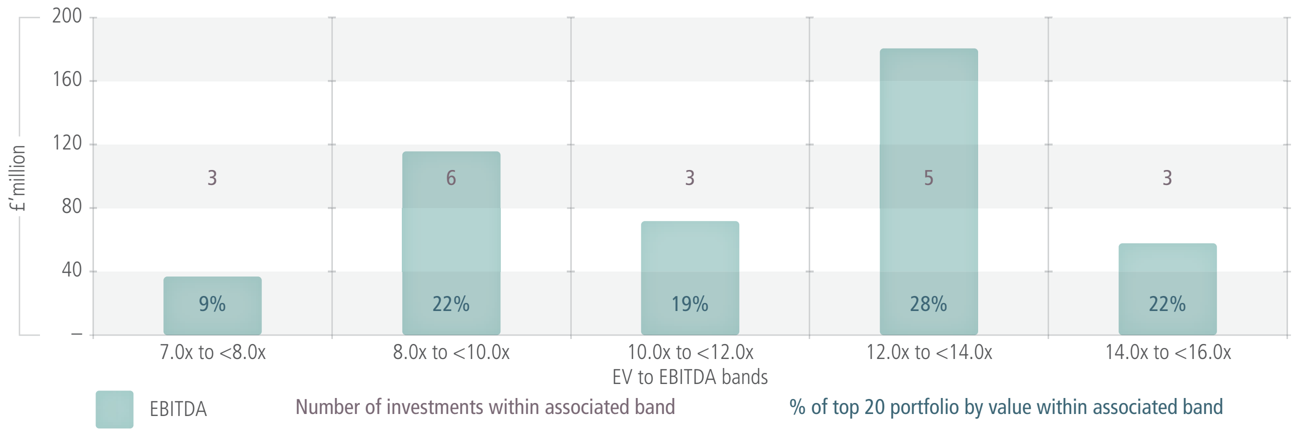
In 2013, a downturn in profits combined with a conservative view as to ratings (compared with recent M&A transactions) led to a material write-down for the Trust in the value of Lumesse (£8.3 million) and NetNames (£3.8 million) totalling £12.1 million. In both cases, we believe that these are short-term issues and we are working with the management teams to get the businesses back on track.

Over half the portfolio has seen an increase in value through strong profit growth and debt reduction: most notably, IRIS, Manx Telecom, Visma, JLA and Frösunda.

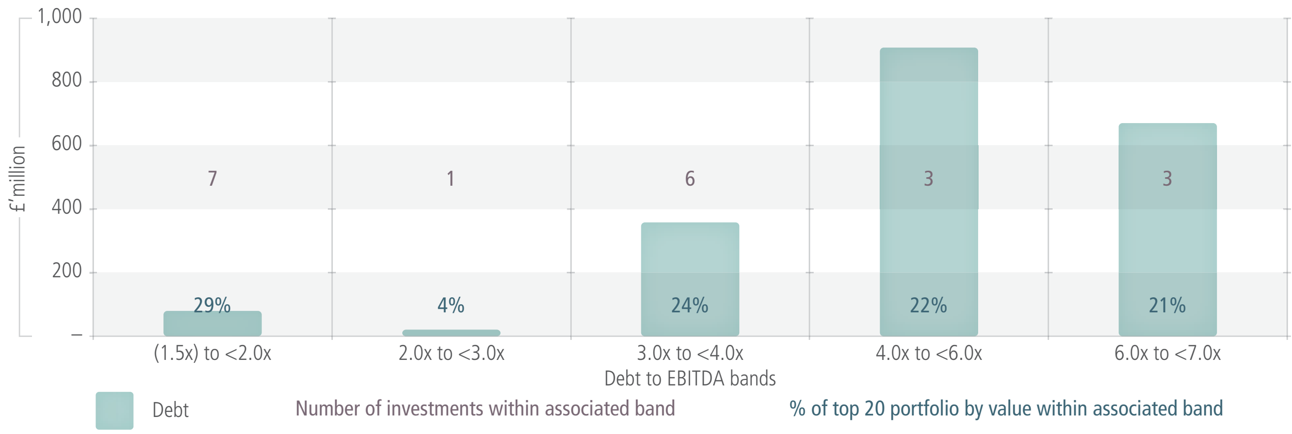
Our portfolio companies make appropriate use of gearing, with average gearing for the top 20 of 4.3x LTM EBITDA as at 31 December 2013. A number of the businesses have highly predictable earnings and free cash flows (e.g. Visma, IRIS and TeamSystem), enabling us to use debt to gear our returns. A number of our companies were under-geared at the end of 2012 and, in the case of Visma and Manx Telecom, we took the opportunity to refinance these and return cash to our investors.

In 2013, we additionally took advantage of the European bond market by refinancing the bank debt in Voyage Care and TeamSystem; by issuing bonds into the public market we reduced their debt servicing costs and provided financial flexibility to enable future growth through bolt-on acquisitions.

TOP 20 EV TO EBITDA VALUATION MULTIPLE – Average ratings multiple of 11.6x



TOP 20 DEBT TO EBITDA RATIO – Average debt ratio of the top 20 buyout investments of 4.3x

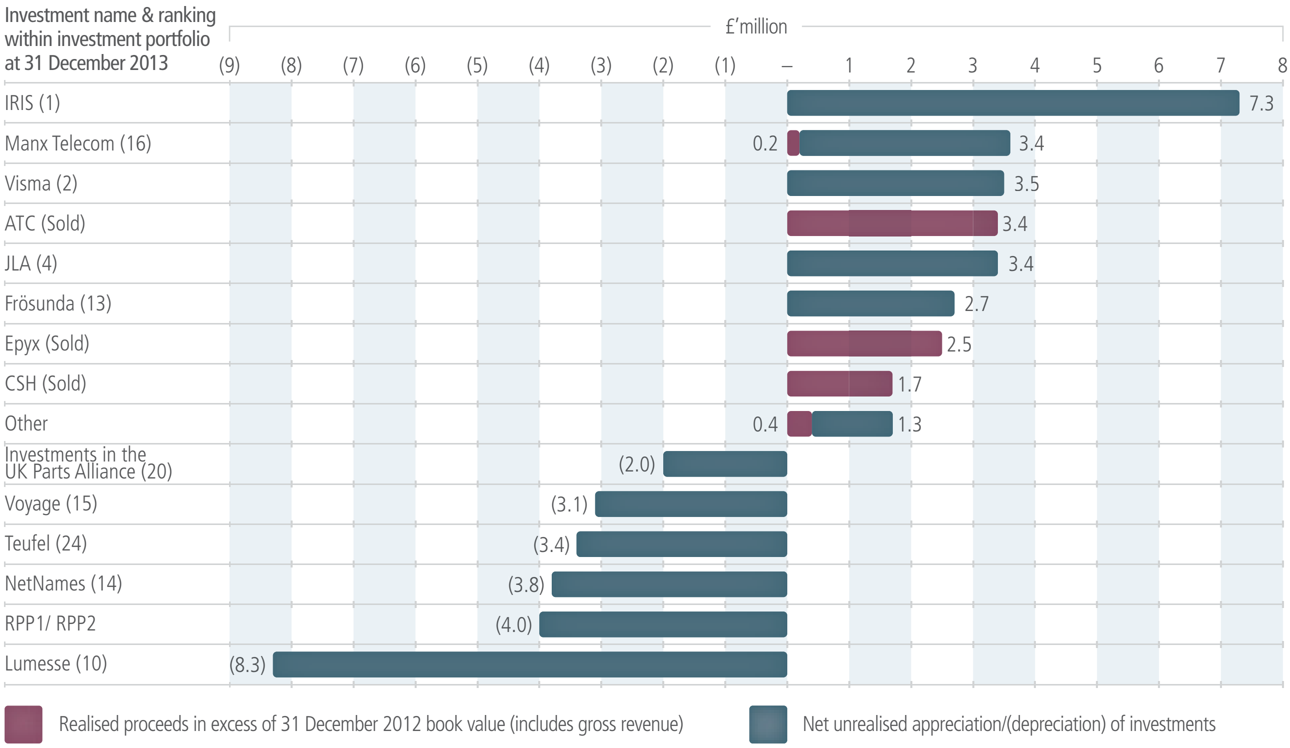


MANAGER'S REVIEW continued

OVERVIEW OF THE YEAR

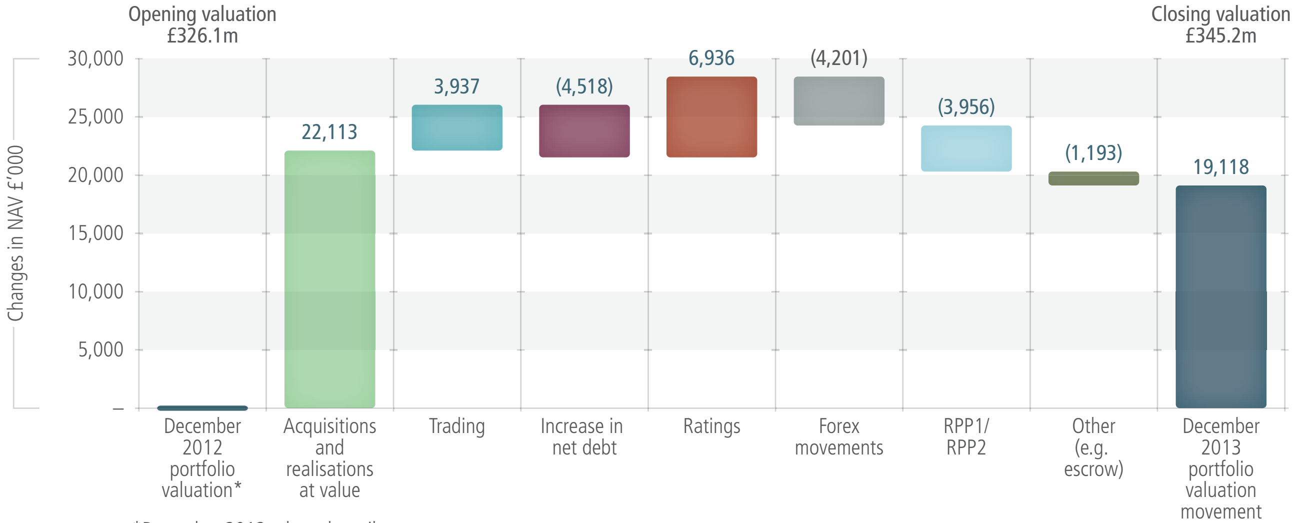
REALISED AND UNREALISED MOVEMENTS IN INVESTMENT PORTFOLIO

for the year ended 31 December 2013



ATTRIBUTION ANALYSIS OF UNREALISED MOVEMENTS IN THE INVESTMENT PORTFOLIO

for the year ended 31 December 2013



*December 2012 rebased to nil

During the year, the value of the unrealised portfolio increased by £19.1 million. The majority of the increase (+£22.1 million) relates to the acquisitions made within the portfolio netted-off against the 31 December 2012 carrying value of realisations made during the year. Furthermore, the unrealised active buyout portfolio increased by £2.2 million over the year: increases from profit growth in the underlying portfolio and an increase in ratings (+£3.9 million and +£6.9 million respectively), were partially offset by decreases driven by an increase in net debt (-£4.5 million) and unfavourable foreign exchange movements (-£4.2 million). The RPP1 and RPP2 fund investments decreased by £4.0 million over the year whereas other inactive buyout investments decreased by £1.2 million, largely resulting from a decrease in expected escrow proceeds.

MANAGER'S REVIEW continued

OVERVIEW OF THE YEAR

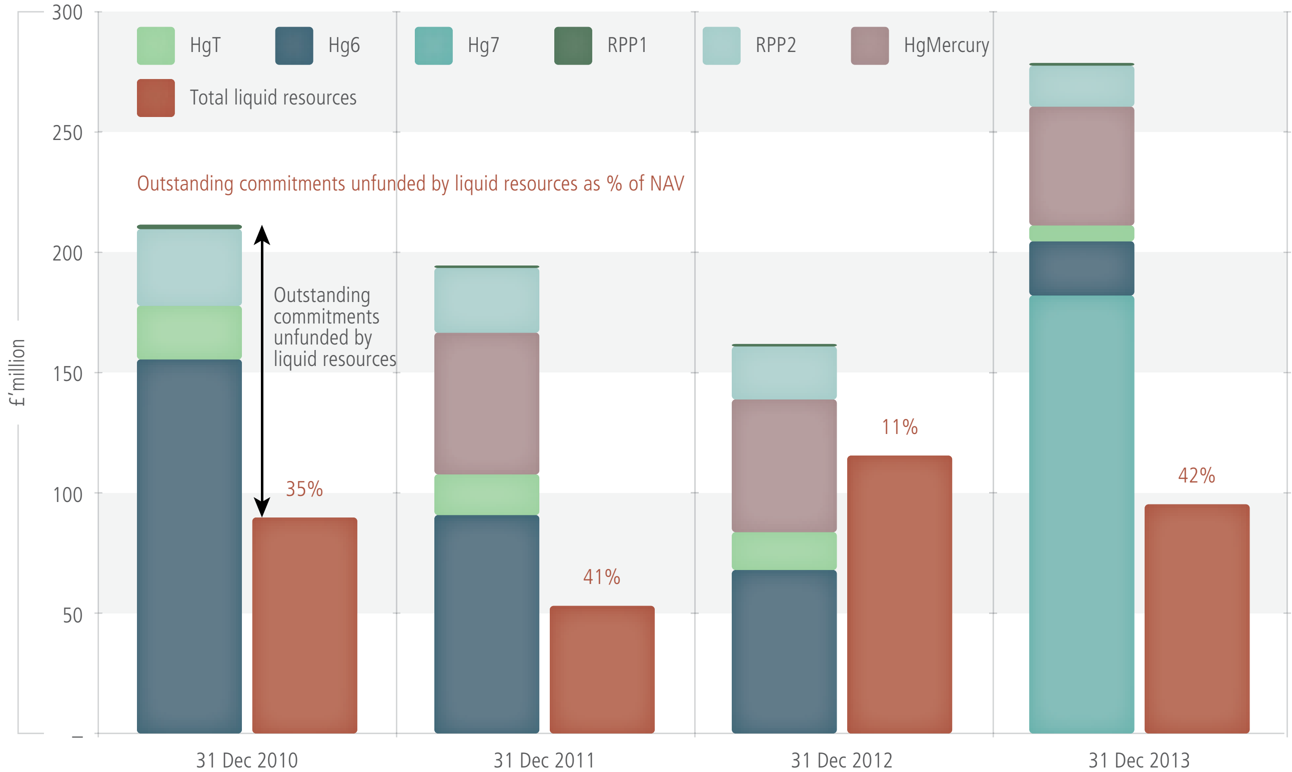
OUTSTANDING COMMITMENTS OF THE TRUST

During the first half of 2013, the Trust made a new commitment of £200 million to invest alongside the Manager's latest buyout fund, HgCapital 7, which closed in April 2013, following strong demand from institutional clients. HgCapital 7 provides the Manager with £2 billion of funds to continue its investment strategy over the next three to four years, as was the case with HgCapital 6, the Trust has the benefit of an opt-out provision in its commitment to invest so that it can opt out of a new investment without penalty, should it not have the cash available to invest.

Fund	Vintage	Original commitment £'million	Outstanding commitments as at 31 December 2013 £'million	% of NAV	Outstanding commitments as at 31 December 2012 £'million	% of NAV
HGT 7 LP	2013	200.0	182.5	41.4%	–	–
HgCapital Mercury D LP	2011	60.0	49.5	11.2%	55.3	12.6%
HGT 6 LP	2009	285.0	21.1	4.8%	64.5	14.8%
HgCapital RPP2 C LP	2010	33.3[2]	17.1	3.9%	22.0	5.1%
HGT LP (Pre-Hg6 vintage)	pre-2009	120.0	6.6	1.5%	15.8	3.6%
HgCapital 6 E LP[1]	2009	15.0	1.5	0.3%	3.6	0.8%
RPP LP	2006	18.0[3]	1.1	0.3%	1.0	0.2%
Total			279.4	63.4%	162.2	37.1%
Net liquid resources			95.5	21.7%	115.8	26.5%
Net outstanding commitments unfunded by net liquid resources			183.9	41.7%	46.4	10.6%

[1]Partnership interest acquired during 2011. [2]Sterling equivalent of €40.0 million. [3]Sterling equivalent of €21.6 million.

The period ended with liquid resources of £95.5 million and outstanding commitments of £279.4 million in the funds, as listed above. The Trust also has a £40 million bank facility that is currently undrawn.



MANAGER'S REVIEW continued

INVESTMENT PORTFOLIO OF THE TRUST

	Fund limited partnerships	Residual cost £'000	Total valuation £'000	Portfolio value %
	Primary mid-cap buyout funds:			
1	HGT 6 LP	208,000	199,826	57.9%
2	HGT LP	66,997	95,177	27.6%
3	HGT 7 LP	15,186	15,158	4.4%
	Total primary mid-cap buyout funds	290,183	310,161	89.9%
	Secondary mid-cap buyout funds:			
4	HgCapital 6 E LP	9,167	10,209	2.9%
	Total secondary mid-cap buyout funds	9,167	10,209	2.9%
	Primary small-cap buyout funds:			
5	HgCapital Mercury D LP	8,091	6,954	2.0%
	Total primary small-cap buyout funds	8,091	6,954	2.0%
	Total buyout funds	**307,441**	**327,324**	**94.8%**
	Renewable energy funds:			
6	HgCapital Renewable Power Partners 2 C LP	16,384	10,566	3.1%
7	HgRenewable Power Partners LP	7,414	7,314	2.1%
	Total renewable energy funds	23,798	17,880	5.2%
	Total all investments (7)	**331,239**	**345,204**	**100.0%**

PORTFOLIO OF INVESTMENTS

HgCapital's strategy is to invest in five sectors, four of them (TMT, Services, Industrials and Healthcare) by way of buyouts of businesses. The primary focus is on mid-market buyouts between £50 million and £500 million and also in lower mid-market buyouts in the TMT sector between £20 million and £80 million. The buyout portfolio currently represents 95% of the portfolio by value at the year end.

Investment in the fifth sector, renewable power generation (5%), is made into projects through RPP1 and RPP2.

Deal type by value

- 93% Buyout – mid-cap
- 5% Renewable Energy
- 2% Buyout – small-cap

Analysis by value of investment return* relative to its original cost

- 68% Above
- 10% At original cost
- 22% Below

*Representing aggregate realised proceeds and unrealised valuations of an investment

MANAGER'S REVIEW continued

INVESTMENT PORTFOLIO OF THE TRUST

PRIMARY MID-CAP BUYOUT PORTFOLIO

As at 31 December 2013, the Trust's buyout portfolio comprised of 27 active companies alongside a small number of residual interests in companies that had been sold and were awaiting liquidation and final proceeds. These were mostly valued at, or close to, zero.

TMT

TMT represented 57% of the total primary buyout portfolio. The majority of this value was represented by companies that are 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.

IRIS, Visma, e-conomic, TeamSystem and P&I are providers of business software and services in the UK, Nordic region, Italy and Germany respectively. These businesses benefit from high recurring revenues and a very large and diversified customer base.

IRIS and Visma have performed well, delivering strong double-digit revenue and profit growth over the last year and continue to expand both organically and through acquisition.

P&I and e-conomic are new investments acquired in the second half of 2013, currently representing 5.7% and 3.4% of the portfolio value respectively. Further detail on these investments can be found on pages 43 and 48. TeamSystem, based in Italy, continues to see low single-digit growth but is continuing to win market share in a difficult environment and this trend is improving.

Lumesse, a European provider of strategic HR software, continues to see demand for its products and positive organic growth in recurring software revenues. However, in 2013, strong growth in recurring software revenues was partly off-set by disappointing consulting and bespoke sales. As a result, the business saw a decrease in profits leading to a write-down in its valuation at the end of June 2013. We believe that the investment thesis for this company remains sound and are continuing to work with the management to increase efficiency and reduce costs.

Achilles is an electronic market place, which has delivered strong year-on-year revenue and profit growth in 2013, as it has consistently since acquisition.

NetNames, an internet domain name manager and online brand protection service provider, saw weak trading over the twelve months to the end of June 2013 and was further affected in the period by currency rates and significant investment being made in the business. We wrote the valuation of this business down accordingly at the end of the first half of 2013. Whilst NetNames remains behind plan, we have seen a good recovery in its year-on-year performance in the second half of the year and its value has increased since June.

Manx Telecom, the incumbent integrated fixed and mobile telecom operator on the Isle of Man, traded solidly over 2013 and we announced the IPO of this investment in February 2014. Further detail can be found on page 53.

Services

Services investments represented 21% of the primary buyout portfolio.

JLA, a leading provider of laundry equipment, finance and maintenance has continued to see strong double-digit growth in the last twelve months, driven both organically by an increase in the rental market, the success of innovative sales initiatives and also through small acquisitions.

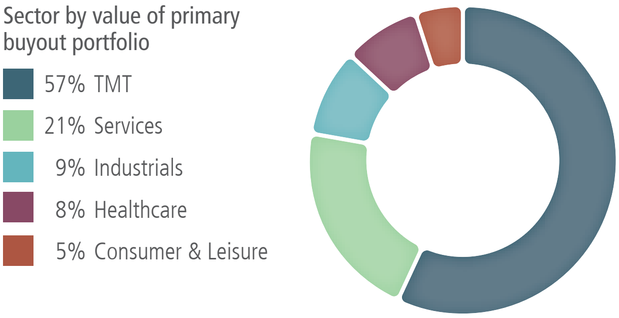
The investments in the UK Parts Alliance is a roll-up of firms in the UK automotive after-market parts distribution sector. Investment into the cost base of the companies in order to professionalise the group is holding back short-term profit.

In August, the Services team acquired Nair & Co., a UK headquartered provider of tailored solutions for companies looking to expand into international markets. This company currently represents 5.6% of the portfolio value and further information can be found on page 44.

In December 2013, we completed the acquisition of Leasedrive, a UK vehicle leasing business currently representing 4.2% of the portfolio value. More information on this new investment can be found on page 45.

Since the period-end, the Services team has completed a further investment in the UK vehicle leasing business with the acquisition of Zenith. The Trust's share of this business could be up to £21.0 million.

Sector by value of primary buyout portfolio



MANAGER'S REVIEW continued

INVESTMENT PORTFOLIO OF THE TRUST

Industrials

Industrials represented 9% of the primary buyout portfolio. Here, the common theme is that we are backing companies that own and develop high quality products, based on technologically advanced German design.

SimonsVoss, a German developer and manufacturer of digital battery-powered locking and access control systems, has started to see a slight recovery in performance in 2013 following a weaker performance in 2012 which was primarily due to a poor economic environment and our continued investment for growth.

QUNDIS is a leading provider of sub-metering devices and services in Germany and Italy with a presence in other European markets. Problems in 2012 with the automated assembly line have now been resolved and the order book is strong. The business has seen modest growth in 2013 with profits held back by continuing investment in the company for future growth.

Teufel is a designer and online direct retailer of loudspeaker systems in Germany. The business performed poorly over the twelve months to the end of June 2013, leading us to apply a full provision against the investment. We have continued to work with the management of this company and have seen some indications of an improvement in trading over the last quarter of 2013, leading us modestly to increase the value of the investment at the year-end.

Net assets by class

Healthcare

Healthcare represented 8% of the primary buyout portfolio. We have previously 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.

We own long-term care assets in the UK, Germany, Sweden and Finland.

In the UK, the Government's fiscal consolidation translated into a reduction in fees that local authorities and social services will pay for care, which has resulted in a squeeze on margins affecting most care home operators. Voyage Care has a more defensive business model and grew both revenue and EBITDA in the first half of 2013, benefiting from the synergies of recent acquisitions. However, the underlying trading conditions remain tough, both with respect to occupancy and fee rates; the second half of 2013 saw a decline in profits which has been reflected in its valuation at the year end.

In Germany, manpower shortages have generally increased labour costs and squeezed margins. Despite this, Casa Reha has seen an improvement in trading performance in 2013, primarily from: three new homes opened; better operational controls over staff; and tighter cost control overall.

In 2012 Frösunda, a Swedish care home business, went through a period of consolidation following a poorly executed acquisition programme the previous year. This led to damaged margins and revenues and a reduction in the valuation. The business has since stabilised and has seen a return to growth in 2013, reflected in an increase in its valuation at the year-end. We continue to work with the new management team further to improve performance.

Our Finnish investment, Mainio Vire, has reported revenue growth, while profits have been adversely affected by occupancy rates, management problems, higher than budgeted sick leave rates and poor cost control. This investment was further marked down in value at the end of June 2013. More recent figures suggest a small improvement in operating margins.

Consumer and Leisure

Finally, our legacy Consumer and Leisure portfolio represented 5% of the primary buyout portfolio.

Sporting Index, a sports spread betting firm, saw flat growth compared with 2012 and is currently valued at close to cost. We would expect this company to benefit in 2014 from the football World Cup.

Schleich, the German toy figurine producer, suffered weak performance in 2012 but has seen some recovery during 2013.

Americana's continued trading deterioration led us to provide in full against this investment at the half-year stage. In February 2014 this investment was sold to EMERAM Capital Partners, a Munich-based private equity fund returning initial cash proceeds of £0.5 million to the Trust, with further potential proceeds of £0.4 million in three years' time.

MANAGER'S REVIEW continued

INVESTMENT PORTFOLIO OF THE TRUST

PRIMARY SMALL-CAP BUYOUT PORTFOLIO

HgCapital's Mercury Fund specialises in lower mid-market buyouts in the TMT sector 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 of investment professionals focused on this niche. As at 31 December 2013, the Fund has made two investments, together representing 2% of the portfolio value.

Valueworks is a UK based electronic marketplace serving landlords and contractors in the housing construction and maintenance market. Investment in management and premises in 2012, together with lower revenues from professional services, has materially affected growth, leading to a write-down in the valuation.

Intelliflo, acquired in August 2013, is a UK-based Software as a Service ('SaaS') provider of front and back office software to financial advisors, advisor networks and brokers. Please refer to page 58 for further information.

Since the period-end, the Mercury team has completed a further investment in Relay Software, a provider of software to insurance brokers, underwriters and insurers in the Republic of Ireland. The Trust contributed a total of £2.2 million to this investment.

RENEWABLE ENERGY

The Trust invests in renewable energy projects where HgCapital's management skills can be applied to create and realise value. The Trust is a limited partner in RPP1 and RPP2, two funds managed by our dedicated team of specialists. The underlying portfolios are divided into four platforms: Swedish Onshore Wind, Irish Onshore Wind, Spanish Solar and Spanish Mini-Hydro. The assets are currently split: onshore wind at 61% of value; solar at 20%; and mini-hydro at 19% of value. All of them use proven and commercially viable technologies within the framework of current power price regimes across Europe. Each platform's energy generation, since inception, continues to be in line with our original investment case.

The European power sector is at a cyclical low, with the recession and fall in industrial production reducing the demand for power. Low US gas prices are reducing global coal demand with cheap US coal coming to Europe and displacing gas fired generation, driving down power prices. In turn, this is leading to reduced European utility share prices and write-downs of gas-fired generation assets. How this plays out for renewables differs by market.

As previously reported, the Spanish government has been reviewing power sector regulation as part of its aim to tackle the shortfall between power sector costs and what consumers pay. This follows earlier retroactive regulatory changes to the sector that affected the Trust's investments. Despite earlier statements to the contrary, Spain continues to refuse to pass on power generation costs to consumers in full, and makes retroactive tariff cuts to both renewable and conventionally generated power, in the hope of driving a manufacturing-led recovery.

In July 2013, Spain announced new legislation making further changes which are expected to have a material impact on the value of the Spanish assets. The July 2013 legislation was general in nature. On 3 February 2014, Spain announced the detailed new tariffs under the July 2013 legislation. At 1,700 detailed pages, the regulations cover hundreds of different tariffs based on technology, location and date of operation. HgCapital is currently evaluating the impact on seven solar projects held by RPP1 and 34 hydro projects held by RPP2. The 31 December 2013 valuations do not reflect the changes announced in Spain on 3 February 2014. Once the impact of these changes has been fully worked through, the valuations will be updated accordingly.

In Sweden, lower power demand has made the market in green certificates more volatile than anticipated; however, there appears to be political will to correct the system, which could mitigate the adverse effects on our investments. Power prices are below the five-year average, driven by weak demand and low coal and carbon prices, in what we think is a cyclical trough.

In Germany, Ireland, France and the UK, there remains strong institutional investor interest in yielding, contracted, renewable assets; and policies still favour growth in renewable generation. Investor interest in operating assets comes from both the unlisted and listed markets, creating a new exit market, from which our Irish investments and potentially our Swedish assets might benefit.

MANAGER'S REVIEW continued

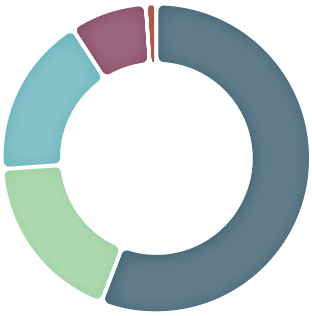
INVESTMENT PORTFOLIO OF THE TRUST

GEOGRAPHY & VINTAGE ANALYSIS

At 31 December 2013, the geographical weighting of the total primary buyout portfolio, including Mercury, was split 56% in the UK, 18% in the Nordic Region and 17% in Germany and one investment, KVT is based in Switzerland. TeamSystem, which is our sole investment in Italy, accounts for about 8% of the primary buyout value.

Geographic spread by value of primary buyout portfolio

- 56% UK
- 18% Nordic Region
- 17% Germany
- 8% Italy
- 1% Switzerland



Vintage by value of primary buyout portfolio

- 22% 2013
- 6% 2012
- 15% 2011
- 28% 2010
- 29% pre 2010

PROSPECTS

As we enter 2014 the improvement in the broader macro-economic environment has continued and has slowly gathered momentum in Europe, with improved confidence across all business sectors. The recovery in the UK, in particular, has continued to develop strongly and looks to be gathering pace. Despite these positive lead indicators, the European recovery clearly still remains at a relatively tentative stage, following a long period of recession. Given this, we continue to remain suitably cautious and disciplined in our approach.

Over the course of the last year, we have consistently both deployed and returned capital. We believe that within our sectors of expertise we can continue to find pockets of opportunity to acquire market leading businesses at reasonable prices, usually where there has been the opportunity for us to build relationships with such companies over many years before making an investment. This was borne out over the second half of 2013 and into the first quarter of 2014 with £782 million deployed, primarily into seven new buyout companies, as a strong pipeline of opportunities that we commented on at the beginning of 2013 converted into several new investments. The vast majority of these were generated on a proprietary basis from many years of sector research. Consistent with this, we have tried to avoid full auction processes wherever possible.

This sector expertise, developed over 10-15 years, is used to identify the highest quality growth companies in sub-sectors which themselves are growing at typically 2-3 times GDP, driven by fundamental long-term factors. An example we have often cited is the increasing penetration of internet-based transactions for businesses, a trend we identified many years ago and exploited in several different sectors. Companies such as Visma, IRIS and Achilles all benefit from this and have produced consistently strong growth over the past few years. Less obvious examples include JLA and Nair & Co., both companies providing business critical services to a fragmented customer base and both delivering robust growth.

Trading has also remained robust throughout the downturn, although the first half of 2013 saw growth rates and valuations fall for a small number of our portfolio companies. However, the majority of the unrealised HgCapital portfolio has subsequently demonstrated an acceleration in trading performance, particularly over the last three to six months.

Both trade and financial buyers continue to express interest in acquiring a number of our portfolio companies, as a result of their growth and market positions, as shown by the sale of CSH, ATC and Epyx to trade buyers in 2013. Additionally, in February 2014, a strong equity market environment enabled us to secure a full exit at IPO from our investment in Manx Telecom; this represented the fifth realisation from the 2009 vintage HgCapital 6 Fund.

We believe there will be further opportunities in the short and medium term to continue realising investments as we have done consistently across market cycles.

MANAGER'S REVIEW continued

INVESTMENTS

£80 million invested by the Trust in 2013, primarily in five new buyouts

Five new primary buyout acquisitions were made during 2013 as a strong pipeline of potential opportunities converted into investments. £535 million was deployed on behalf of HgCapital clients, with the Trust's share being £70.5 million.

The TMT team's acquisition of e-conomic was at an enterprise value of DKK 634 million, deploying £11.5 million on behalf of the Trust. e-conomic provides Software as a Service ('SaaS') accounting services to SMEs in its home market of Denmark and in eight other European countries.

The Mercury Fund invested in Intelliflo, a leading UK SaaS provider of front and back office software to financial advisors, advisor networks and brokers at an enterprise value of £43 million. The Trust's share was £5.4 million, £1.4 million of which was funded from a loan facility.

The Services team completed the acquisition of Nair & Co., a UK headquartered provider of international business expansion services, for an enterprise value of $194 million, with the Trust's share being £19.5 million.

The Services team completed the acquisition of Leasedrive, one of the UK's largest independent vehicle leasing businesses, at an enterprise value of £113 million, deploying £14.3 million on behalf of the Trust.

Germany based P&I Personal & Informatik AG ('P&I') was acquired at an enterprise value of €442 million. P&I is a premium developer and vendor of software solutions for SMEs and the public sector, offering HR applications and solutions for the areas of payroll, personnel, and time & attendance management. To date, the Trust has contributed a total of £19.8 million, including £4.6 million as a co-invest participation.

In addition to new investments in the buyout portfolios, the Trust has also participated in further small investments in the buyout and renewable energy funds, to give a total for all investments in 2013 of £80.0 million.

Please also refer to more detailed information on our investments on pages 37 to 61.

INVESTMENTS MADE DURING THE YEAR[1]

Company	Sector	Geography	Activity	Cost £'000
P&I[2]	TMT	Germany	Developer and vendor of HR software	19,771
Nair & Co.	Services	UK	Business solutions for international expansion	19,499
Leasedrive	Services	UK	Vehicle leasing	14,325
e-conomic	TMT	Nordic region	SaaS accountancy provider	11,496
Intelliflo	TMT	UK	SaaS provider to the financial services sector	5,435
New investments				70,526
RPP1 and RPP2	Renewable energy	Europe		5,438
HgCapital 6 E	Fund	Europe		2,100
Other investments				1,904
Further investments				9,442
Total on behalf of the Trust				**79,968**

[1] The numbers in the table relate to the Trust's share of underlying transactions
[2] Investment through HGT 7 LP and co-investment participation through HGT LP

POST 31 DECEMBER 2013 EVENTS

£23 million invested into two new buyouts since 31 December 2013

In February 2014, the Services team completed the acquisition of Zenith at an enterprise value of £231 million. Zenith is one of the UK's largest independent leasing, fleet management and vehicle outsourcing businesses. At the beginning of March 2014, Zenith and Leasedrive began operating as a single entity. The Trust's share of the combined business is £24.0 million.

In February, the Mercury Fund announced an investment in Relay Software, a provider of software to insurance brokers, underwriters and insurers in the Republic of Ireland at an enterprise value of £30 million. The Trust contributed a total of £2.2 million to this investment.

In early March 2014. HgCapital announced an investment in Ullink, a leading global provider of electronic trading applications and connectivity to the financial community. The Trust's share of this investment was £7.7 million.

MANAGER'S REVIEW continued

REALISATIONS

£66 million returned to the Trust during 2013

During the year we returned a total of £467 million to clients, with the Trust's share being £66.1 million, primarily from the sale of three buyout investments, with further liquidity from refinancing and the sale of the UK Onshore Wind assets.

In March, Computer Software Holdings Limited ('CSH') was sold to Advanced Computer Software Plc, a trade buyer, at an enterprise value of £110 million. The sale represented an investment multiple of 1.5x original cost and a gross IRR of 36% p.a. over an investment period of fourteen months. The Trust received proceeds of £7.3 million, representing an uplift of £1.7 million over the carrying value of £5.6 million at 31 December 2012.

We completed the sale of ATC in August to Intertrust, a provider of trust and corporate management services, for €303 million. This realisation represented an investment multiple of 2.3x original cost and a gross IRR of 40% p.a. over the less than two-and-a-half year investment period. The Trust received proceeds of £21.9 million, which is an uplift of £3.4 million over the carrying value of £18.5 million at 31 December 2012.

In October, Epyx was sold to Fleetcor LLC, a US-based fuel payment processing business listed on the NYSE, for an enterprise value of £197 million. The Trust's sale proceeds of £13.1 million and £3.0 million of refinancing proceeds already received in April, represent an uplift of £2.5 million over the carrying value of £13.6 million in the NAV of the Trust as at 31 December 2012. This realisation represented a multiple of up to 2.7x original cost and a gross IRR of c. 27% p.a. over the investment period.

The development assets of RPP1's UK Onshore Wind portfolio, including the developer, Ridgewind, were sold to Blue Energy in January, at an investment multiple of 1.6x and a gross IRR of 15% p.a. The proceeds from the sale returned £2.8 million to the Trust, with some residual value expected in the future.

In addition to these realisations, further distributions of £17.0 million were received by the Trust, primarily from the refinancing of Manx Telecom and Visma.

REALISATIONS MADE DURING THE YEAR[1]

Company	Sector	Exit Route	Cost £'000	Proceeds[2] £'000	Cumulative gain / (loss)[3] £'000	Current year gain / (loss)[4] £'000
ATC	Services	Trade sale	9,913	21,930	12,017	3,378
Epyx	TMT	Trade sale	6,388	16,136	9,748	2,483
CSH	TMT	Trade sale	5,058	7,338	2,280	1,666
Other			9,446	862	(8,584)	43
Full realisations			30,805	46,266	15,461	7,570
Manx Telecom	TMT	Refinancing	6,569	8,548	1,979	185
Visma	TMT	Refinancing	-	4,543	4,543	-
RPP1 fund	Renewable energy	Distribution received	2,667	3,443	776	-
HgCapital 6 E	Fund	Distribution received	2,435	2,435	-	-
Other			62	861	799	486
Partial realisations			11,733	19,830	8,097	671
Total realisations on behalf of the Trust			**42,538**	**66,096**	**23,558**	**8,241**

[1] The numbers in the table relate to the Trust's share of transactions
[2] Includes gross revenue received during the year ended 31 December 2012
[3] Realised proceeds including gross revenue received, in excess of historic costs
[4] Realised proceeds including gross revenue received, in excess of 31 December 2012 book value

POST 31 DECEMBER 2013 EVENTS

£13 million returned to the Trust since 31 December 2013

In February 2014 we completed the IPO of Manx Telecom on London's Alternative Investment Market ('AIM') at a market capitalisation of £160 million.

The proceeds from the realisation of HgCapital's holding and earlier proceeds from refinancing the business represented an investment multiple of 2.1x original cost and a gross IRR of 26% p.a. over the investment period. The Trust received proceeds on completion of £13.1 million, an uplift of £3.0 million over the carrying value of £10.1 million at 31 December 2013.

Americana, a UK-based apparel company, was sold in February 2014 to EMERAM Capital Partners, a Munich-based private equity fund. Americana was written down to zero in June 2013 and the initial proceeds of this sale will return £0.6 million to the Trust with a further £0.5 million retained in the business.

MANAGER'S REVIEW continued

OVERVIEW OF THE UNDERLYING INVESTMENTS HELD THROUGH FUND LIMITED PARTNERSHIPS

The top 20 primary buyout investments account for 87% of the investments by value

Investments (in order of value) Primary mid-cap buyout investments	Fund	Sector	Location	Year of invest-ment	Residual cost £'000	Total valuation £'000	Portfolio value %	Cum. value %
1 IRIS	HGT 6 LP	TMT	UK	2011	25,598	32,927	9.5%	9.5%
2 Visma	HGT LP	TMT	Nordic Region	2006	701	31,656	9.2%	18.7%
3 TeamSystem	HGT 6 LP	TMT	Italy	2010	24,432	24,831	7.2%	25.9%
4 JLA	HGT 6 LP	Services	UK	2010	12,224	20,013	5.8%	31.7%
5 Achilles	HGT LP	TMT	UK	2008	5,218	19,871	5.8%	37.5%
6 P&I	HGT 7 LP / HGT LP[1]	TMT	Germany	2013	19,771	19,734	5.7%	43.2%
7 Nair & Co.	HGT 6 LP	Services	UK	2013	19,499	19,408	5.6%	48.8%
8 Leasedrive	HGT 6 LP	Services	UK	2013	14,325	14,325	4.2%	53.0%
9 QUNDIS	HGT 6 LP	Industrials	Germany	2012	11,552	12,908	3.7%	56.7%
10 Lumesse	HGT 6 LP	TMT	UK	2010	20,060	11,688	3.4%	60.1%
11 e-conomic	HGT 6 LP	TMT	Nordic Region	2013	11,496	11,653	3.4%	63.5%
12 SimonsVoss	HGT 6 LP	Industrials	Germany	2010	11,936	11,407	3.3%	66.8%
13 Frösunda	HGT 6 LP	Healthcare	Nordic Region	2010	14,296	10,641	3.1%	69.9%
14 NetNames	HGT 6 LP	TMT	UK	2011	14,249	10,494	3.0%	72.9%
15 Voyage	HGT LP	Healthcare	UK	2006	15,336	10,320	3.0%	75.9%
16 Manx Telecom	HGT 6 LP	TMT	UK	2010	3,274	10,113	2.9%	78.8%
17 Atlas	HGT LP	Services	UK	2007	9,597	8,626	2.5%	81.3%
18 Schleich	HGT LP	C&L[2]	Germany	2006	4,650	7,600	2.2%	83.5%
19 Sporting Index	HGT LP	C&L[2]	UK	2005	7,440	7,355	2.1%	85.6%
20 Investments in the UK Parts Alliance	HGT 6 LP	Services	UK	2012	6,596	4,624	1.3%	86.9%
21 Mainio Vire	HGT 6 LP	Healthcare	Nordic Region	2011	8,307	2,923	0.9%	87.8%
22 KVT	HGT LP	Industrials	Switzerland	2008	5,829	2,738	0.8%	88.6%
23 Casa Reha	HGT LP	Healthcare	Germany	2008	8,990	2,335	0.7%	89.3%
24 Teufel	HGT 6 LP	Industrials	Germany	2010	10,156	704	0.2%	89.5%
25 Americana International	HGT LP	C&L[2]	UK	2007	4,625	-	-	89.5%
Non-active investments[3] (5)	HGT 6 LP / HGT LP				26	1,267	0.4%	89.9%
Total primary mid-cap buyout investments (30)					**290,183**	**310,161**	**89.9%**	
Other buyout investments	Hg 6E LP / Mercury				17,258	17,163	4.9%	94.8%
Renewable energy investments	RPP1 / RPP2	Renewable energy			23,798	17,880	5.2%	100.0%
Total all investments					**331,239**	**345,204**	**100.0%**	

[1] Investment through HGT 7 LP and co-investment participation through HGT LP
[2] Consumer and Leisure
[3] Residual ownerships in holding company structures, following earlier realisations of underlying operating company groups, awaiting liquidation and final proceeds and a small residual holding, awaiting final realisation by fund manager

THE MANAGER'S REVIEW continued

THE TOP 20 PRIMARY MID-CAP BUYOUT INVESTMENTS

representing 87% of the total portfolio

Primary buyout investments are held through limited partnerships of which HgCapital Trust plc 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. IRIS

Business description

IRIS is a leading provider of both core application software to the UK accountancy market and payroll applications to key business segments, including the UK general practitioners' market. Headquartered in Berkshire, IRIS is a leading provider of business critical software and services to the UK Accountancy and SME sectors. Over half of all UK Accountants rely on IRIS to run their business, and its SME software is used by 38,500 SMEs and Bureaus to process payroll for 10% of the UK workforce, as well as 92,000 SMEs who subscribe to IRIS's cloud solutions to run their business.

Why did we invest?

HgCapital has been an investor in IRIS since 2004, retaining a minority stake following its sale and merger with CSH in 2007, and becoming a majority investor again in 2011 when we separated the two businesses. IRIS is one of the earliest examples of our focus on business critical software firms operating in attractive, predictable end-markets. IRIS operates a business model with a high level of revenues coming from subscriptions, and high customer retention rates. The company has grown consistently through the recession with organic growth in excess of 7%, even in 2008-9. The investment decision was based on our belief in continuing organic growth potential and acquisition-led consolidation opportunities in the sector.

How do we intend to create value?

The company is achieving good organic revenue and profit growth through a combination of market share gains, price optimisation, and the on-going development of new solutions to sell into the existing customer base. Furthermore, the UK accountancy and SME software markets remain fragmented, offering additional acquisition opportunities to IRIS.

What has been achieved?

Significant investment has been made in senior management and the new team is working well. The CEO has also made good progress in achieving revenue synergies and applying best practice between the Accountancy and SME Payroll divisions. The company has been successful in broadening its market by expanding its offering portfolio, both by organic product development and by acquisition. The CEO has also successfully established a Cloud Division in London to sell SaaS products to UK accountants and SMEs.

How is it performing?

Whilst the business continues to invest significantly in marketing, new product development and infrastructure, IRIS saw double-digit revenue and EBITDA growth in its latest financial year (ending 30 April 2013) and in the year to December 2013.

How will we crystallise value?

IRIS 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.

Website: www.iris.co.uk

Original enterprise value: £425 million

HgCapital clients' total equity: 68.8%

IRIS – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
TMT	UK	Dec 2011	25,598	32,927

2. Visma

Business description

Visma is a leading provider of mission-critical business software and outsourcing services to small and medium-sized enterprises in the Nordic region. Headquartered in Norway, the company provides accounting, resource planning and payroll software, outsourced bookkeeping, payroll services and transaction process outsourcing to its customer base of over 400,000 enterprises across the Nordics and the Netherlands.

Why did we invest?

Visma was an early example of HgCapital's focus on recurring revenue, business critical application software companies focused on SMEs and their advisors. The company enjoys high levels of predictable recurring revenue resulting from a subscription payment model.

At the acquisition in 2006, performance improvements were identified in both organic and acquisition-driven revenue growth, as well as significant opportunities to increase profit margins that were below those of most of its competitors. This was in part 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?

Visma has consistently exceeded our investment plans. 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 retained an interest of 14.8% in Visma, to benefit from its continued growth, and remains represented on the Board.

What has been achieved?

Since 2006, Visma has acquired over 75 companies during HgCapital's hold period, notably: Mamut ASA, a provider of ERP software to small customers in Norway (2011); Netvisor, a provider of SaaS based ERP software to the Finnish small customer segment (2011); Agda, a Swedish provider of payroll software to SMEs, with over 2,000 customers (2012); and InExchange, the Swedish e-invoicing leader (2013). These deals strengthened organic growth from innovation in new products as well as driving margin improvement through a re-organisation of Visma's internal processes. Visma is now positioned as one of the leading and largest SaaS companies in Europe.

How is it performing?

2013 has seen continued double-digit revenue and EBITDA growth with investment in sales initiatives positively impacting organic growth. Across the group, SaaS growth accelerated in 2013 with c.40% year-on-year growth. Group margins improved from 19.1% to 20.5%.

How will we crystallise value?

Visma has a scale and growth profile which will make it an attractive target for a large private equity group.

Website: www.visma.com

Original enterprise value: NOK 4.3 billion

HgCapital clients' total equity: 14.8%

Visma – Trust's underlying investment through HGT LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
TMT	Nordic Region	May 2006	701	31,656

3. TeamSystem

Business description

TeamSystem is a leading provider of business critical, regulatory driven SME software products in Italy. Headquartered in Pesaro, the company has a broad base of over 120,000 customers. It has 27 offices across Italy and employs approximately 1,300 people.

Why did we invest?

TeamSystem was HgCapital's fifth platform investment in 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 the 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.

What has been achieved?

Several improvement projects were identified post acquisition including: enhanced reporting and pricing; product development; investment in the M&A process; and sourcing new ways to grow the micro-SME customer base. The focus on M&A has led to the completion of six acquisitions, including a controlling stake in Daneasoft, a leading accountancy software provider to the Italian micro-SME market.

How is it performing?

Despite a weak Italian economy, TeamSystem has continued to see low single-digit growth through 2013, well in excess of local GDP growth. Notwithstanding the difficult market environment, the business continues to also win market share.

In April 2013, TeamSystem completed its debt re-financing, issuing €300 million of public bonds to the Italian market. This has lowered borrowing costs and provided financial flexibility.

How will we crystallise value?

We see a diverse range of exit options for TeamSystem, with interest from trade and financial buyers previously evidenced in the sector and an IPO on the Italian stock market a possibility given the scale of the company and local demand for technology stocks.

Website: www.teamsystem.com

Original enterprise value: €562 million

HgCapital clients' total equity: 50.0%

TeamSystem – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
TMT	Italy	Sep 2010	24,432	24,831

4. JLA

Business description

JLA is a leading provider of on-premises laundry services, providing distribution, rental and servicing of commercial laundry machines to the UK SME market, mainly to care homes and small hotels.

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

JLA has recently extended its offering into kitchen and medical equipment, and supplying detergents to laundry customers.

Why did we invest?

JLA is a leader in its field 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 a high level of revenues and a greater proportion of profits), there are attractive recurring revenues and a high level of forward revenue visibility.

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.

What has been achieved?

A number of projects have been initiated covering strategic planning, customer retention and pricing.

In addition, management has been strengthened and nine small bolt-on acquisitions have been completed. The business now has a dedicated M&A team and a pipeline of further acquisition targets.

How is it performing?

JLA saw strong organic revenue and EBITDA growth during 2013, despite continued investment into the cost base. This has been driven by growth in rentals and also the Circuit brand, supported by the success of innovative sales initiatives.

How will we crystallise value?

HgCapital is focused on positioning JLA as a platform for selling critical asset maintenance services into SMEs. The most likely exit route for JLA is either a secondary sale to a private equity investor or a trade sale.

Website: www.jla.com

Original enterprise value: £150 million

HgCapital clients' total equity: 81.7%

JLA – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
Services	UK	Mar 2010	12,224	20,013

5. Achilles

Business description

Achilles manages a global network of collaborative industry communities. The business provides a cloud-based service enabling networks of buyers to create industry standards for collecting and validating supplier information. This is made available through the Achilles platform together with searching, reporting and risk management tools.

Suppliers join the platform to gain access to the whole community of buyers and information to help them achieve and maintain compliance. Both buyers and suppliers pay annual subscription fees.

The verified data gathered and delivered by Achilles is crucial to support processes around risk management and compliance with regulatory, social responsibility and health and safety requirements. Achilles currently operates more than 30 communities across 22 countries in five continents.

Why did we invest?

Achilles is another good example of a subscription based network business model with significant recurring revenue streams. It is a market leader in supply chain data, with stable growth driven by the increasing need for risk management.

How do we intend to create value?

With high levels of contracted revenue, Achilles' position as a global, scalable business model has considerable potential in revenue and margin growth, as well as multiple opportunities for expansion into new geographies and new industries.

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 have increased revenue growth. The business has made substantial investment in a new global technology platform and has started the migration of some existing schemes to the same platform, a material transformation for the business. Achilles is in the process of rolling out its services to sophisticated multi-national customers.

How is it performing?

Achilles continues to demonstrate robust revenue and EBITDA growth year-on-year. Significant investment in the global infrastructure has held back short-term profit growth and we would expect margins to rise over the medium term, as global efficiencies are achieved.

How will we crystallise value?

There has been strong interest in Achilles from both strategic and private equity buyers and the business's recurring revenue base is likely to maintain this interest throughout the economic cycle. An IPO is also a possibility.

Website: www.achilles.com

Original enterprise value: £75 million

HgCapital clients' total equity: 63.0%

Achilles – Trust's underlying investment through HGT LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
TMT	UK	Jul 2008	5,218	19,871

6. P&I

Business description

Headquartered in Wiesbaden, Germany, P&I is a leading supplier of payroll and HR-related software to mid-market companies and the public sector in Germany, Austria and Switzerland. The company serves almost 4,000 direct and 15,000 indirect customers; it generated revenue of €82 million in 2013. The business offers software for the management of payroll, workforce, time management and human capital management. It typically services "Mittelstand" businesses with 200 - 5,000 employees across industries, as well as medium-sized and large public sector customers. It employs a staff of almost 400 with offices in Austria, Switzerland, Slovakia and the Netherlands and has partners in nine additional European countries.

Why did we invest?

P&I displays specific characteristics that HgCapital looks for in its portfolio companies: a scalable business model with a broad diversified customer base; and a significant share of recurring revenues, driven by on-going regulatory changes.

The acquisition of P&I further strengthens HgCapital's position as a leading investor in the European software sector, having completed ten prior investments in the regulatory-driven software space since the firm's inception in 2000.

How do we intend to create value?

HgCapital continues to see attractive long-term growth opportunities in the European payroll and transactional HR sector for leading, innovative players. It will support P&I's continued development of its new product offering around Cloud, Big Data, Mobile, supported by continuous operational improvements.

What has been achieved?

Early plans surround the strengthening of the finance function and monthly reporting and creation of a full potential business plan for the investment period.

How is it performing?

2013's strong sales look set to continue, partly driven by the acquisition of the Swiss company, Mirus Software. Organic revenue is forecast to increase by over 10%. EBITDA margins are also above the prior year, which represents an encouraging start for this investment.

How will we crystallise value?

We believe that the combination of highly contracted or quasi-contracted growth, high cash flow conversion and a strong product will be highly attractive at exit for both trade and financial buyers.

Website: www.pi-ag.com

Original enterprise value: €442 million

HgCapital clients' total equity: 69.6%

P&I – Trust's underlying investment through HGT 7 LP and co-investment through HGT LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
TMT	Germany	Dec 2013	19,771	19,734*

*The difference between residual cost and unrealised value is due to foreign exchange rate movements

7. Nair & Co.

Business description

Nair & Co. provides a tailored solution for fast growing companies that are looking to expand into international markets, but do not have the technical or administrative expertise to do so. Nair & Co. sets up the required international entities and integrates legal, accounting, payroll, tax and human resources services to ease the process of international expansion. Whilst it is headquartered in Bristol, UK, the company has 450 employees based in offices in UK, India, the US, Singapore, Japan and China.

Although it is based in the UK, most of the company's revenues are denominated in US dollars; accordingly, the company is valued in US dollars.

Why did we invest?

HgCapital's Services team had previously identified accountancy and trust/administrative services as a core focus area and the acquisition of Nair & Co. illustrates HgCapital's approach to making repeatable investments in its target sectors. HgCapital has a demonstrable track record of identifying and working with leading technology-enabled service companies to achieve sustainable growth.

Nair & Co. has all the characteristics that HgCapital looks for in an investment: it is a leader in a highly fragmented market with real growth potential; a large and diversified client base; and a significant and predictable proportion of repeat business.

How do we intend to create value?

HgCapital intends to support continued organic growth of the business through increased market penetration and customer wins. We will target various operational and system improvements with potential for efficiency gains (e.g. billing/invoicing processes) and margin expansion. The potential for selective M&A to expand the service offering or global scope of the business has also been identified.

What has been achieved?

It is early days, but HgCapital is working with the company to strengthen management, processes and systems, and to grow the sales force.

How is it performing?

Nair & Co. is performing strongly with revenue growth driven through increased customer numbers. Operational improvements have driven a strong EBITDA performance.

How will we crystallise value?

We believe that the margin and sales growth profile of Nair & Co. will support an IPO when the company has reached sufficient scale. However, we would also consider a sale to another financial investor.

Website: www.nair-co.com

Original enterprise value: $194 million

HgCapital clients' total equity: 88.0%

Nair & Co. – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
Services	UK	Aug 2013	19,499	19,408

8. Leasedrive

Business description

Founded in 1983, Leasedrive is one of the largest independent vehicle leasing businesses in the UK. With headquarters in Wokingham, Berkshire and over 300 employees, Leasedrive provides services to private and public sector organisations across the UK, offering contract hire, short-term hire and fleet management services to its customers. The company operates a fleet of over 30,000 vehicles and focuses on serving SME and large customers.

Having identified the sub-sector as attractive for investment over two years ago, the HgCapital Services team began building a relationship with management and shareholders of Leasedrive in 2012. This relationship enabled the team to gain exclusivity and ultimately become the preferred partner for the business.

Why did we invest?

Leasedrive displays a number of the investment characteristics targeted by HgCapital. It has strong core profitability, high cash flow conversion and is a low spend, business essential service to a largely fragmented customer base with a high customer retention rate.

How do we intend to create value?

In addition to core customer growth, there is opportunity for significant improvement in operating and financing efficiency; synergies are also available through strategic M&A.

A very experienced non-executive director, Jon Walden, will also be joining the team. HgCapital had the opportunity to work with Mr Walden at Epyx, where he was Chairman, and his experience of building Lex, the largest UK vehicle leasing business, gave us insight and conviction on the opportunities in the sector.

What has been achieved?

The acquisition of Leasedrive was completed in December 2013, and we subsequently completed the acquisition of Zenith in February 2014 (please refer to post-period investments on page 34). At the beginning of March, Zenith and Leasedrive began operating as a single entity.

How is it performing?

Leasedrive displays strong core profitability; a combination of both new and recurring contracts will further drive revenue growth.

How will we crystallise value?

We believe that Leasedrive will be an attractive target for trade buyers and larger financial sponsors once HgCapital has delivered its growth and efficiency plan for the business.

Website: www.leasedrive.com

Original enterprise value: £113 million

HgCapital clients' total equity: 85.0%

Leasedrive – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
Services	UK	Dec 2013	14,325	14,325

9. QUNDIS

Business description

QUNDIS is a leading provider of sub-metering devices in Germany and Italy with potential for international expansion in the Turkish and Russian markets.

It was created in 2008 from the merger of QVEDIS (previously part of Siemens) and KUNDO SystemTechnik and currently has a staff of around 210 employees. The company supplies a comprehensive range of sub-metering devices used to measure, collect and transmit consumption-dependent data for heating and water usage on a unit level.

Why did we invest?

QUNDIS has a robust business model, benefitting from a recurring and predictable revenue stream:

- A significant proportion of sales are replacement related, hence recurring in nature; the remainder is based on new installations, driven by increasing market regulation;
- There is a fragmented customer base of independent, SME service providers, serving an installed base of c. 5 million flats and offices across Europe; and
- Strong cash conversion and industry leading profitability.

How do we intend to create value?

HgCapital is supporting management to pursue strong expansion, including building a presence in adjacent European markets with robust growth potential. Profitability is expected to increase through economies of scale and higher production efficiency at the new site.

What has been achieved?

Management has been strengthened and internal processes have been improved. The company has recently consolidated its current production facilities into a single modern production site in Erfurt, Germany. This will allow for additional capacity to drive international growth and profitability through increased efficiency.

How is it performing?

The ramp up of the automated assembly line in 2012 has now been accomplished through the production facility consolidation mentioned above. Management, processes and production were all improved during 2013. As at the end of December 2013, revenues and EBITDA grew by over 5% on an LTM basis.

How will we crystallise value?

There has been a strong appetite in the past from strategic buyers looking to diversify their product portfolio. The large market opportunity, robust business model and track record of growth will drive interest from financial investors looking for a cash generative asset in a growing market segment.

Website: www.qundis.com

Original enterprise value: €151 million

HgCapital clients' total equity: 85.0%

QUNDIS – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
Industrials	Germany	May 2012	11,552	12,908

10. Lumesse

Business description

Lumesse is the leading European provider of strategic HR software (for recruiting, talent management and learning) to medium and large enterprises. It operates in 18 countries with around 650 employees. The business operates a subscription-based model (more than 70% of total revenue) with a consulting element. Customer retention rates are high at around 93%.

Why did we invest?

Strategic HR software for large enterprises is a long-term growth market. As an on-line SaaS provider, Lumesse experiences high levels of recurring revenue, leading to higher predictability. With strong organic sales growth, it was identified that further investment would drive market share, revenue and strategic value over the longer term.

How do we intend to create value?

Lumesse's management intends to drive subscription revenue growth by capitalising on their leading technology, improving cross- and up-selling into the existing customer base, as well as acquiring new customers in what remains an underpenetrated market. 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 (recruitment software) and Edvantage (learning management software), have been made and added to the Lumesse range of services. Lumesse's senior management team has been strengthened with significant new hires, including a new CEO in April 2013. An internal project, focused on driving recurring revenue growth and increasing productivity, is under way.

How is it performing?

The performance over 2013 has been characterised by the impact of the changes the business is undergoing. Whilst the key recurring revenues products continue to see very good organic growth, the non-recurring consulting and bespoke sales were behind expectations.

We believe that the changes made will improve current performance in the near term and that the market provides significant opportunity for future growth.

How will we crystallise value?

There is high demand for SaaS companies, providing multiple options for exit. Lumesse has received strong interest from trade buyers, but we will also consider a sale to another private equity buyer in due course.

Website: www.lumesse.com

Original enterprise value: €110 million

HgCapital clients' total equity: 81.8%

Lumesse – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
TMT	UK	May 2010	20,060	11,688

11. e-conomic

Business description

e-conomic, founded in 2001 in Copenhagen, is Europe's leading and largest SaaS accounting company for SMEs with over 70,000 customers for its core product and c. 180,000 sign-ups for its 'freemium' (initially free, but charging for certain functions and features) invoicing and expenses product Debitoor (www.debitoor.com). The company operates in its core home market of Denmark and in eight other European countries, including the UK, the Nordics, Germany and Spain. Its products enable customers to do their accounting more efficiently and with greater flexibility over the internet.

Why did we invest?

The investment is in line with HgCapital's sector-focused approach of investing in leading growth mid-market companies in the European SME software sector. The SME SaaS sector is expected to continue to grow strongly in the coming years and HgCapital will support e-conomic's management to capitalise on this opportunity.

How do we intend to create value?

HgCapital plans to support e-conomic's management in geographic expansion into further EU countries (and potentially internationally), as the expected growth of the SME SaaS bookkeeping market unfolds over the next 5+ years. Supporting the fast growing 'freemium' product, Debitoor, will play a key role.

What has been achieved?

HgCapital is supporting e-conomic in various projects, in order to drive growth, including increased sales capacity, pricing projects, developing partnerships outside Scandinavia, strengthening the management team and assessing potential M&A opportunities.

How is it performing?

e-conomic has reported strong revenue growth, but profits have been materially held back in the short term (as envisaged at the outset) by continued investment into the business to drive further growth.

How will we crystallise value?

Increasing strategic importance of the SaaS sector and e-conomic's leading position in Europe should attract significant interest from both trade and financial investors.

Website: www.e-conomic.co.uk

Original enterprise value: DKK 634 million

HgCapital clients' total equity: 81.6%

e-conomic – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
TMT	Nordic Region	Aug 2013	11,496	11,653

12. SimonsVoss

Business description

SimonsVoss is a European leader in the development, manufacture and marketing of electronic battery-powered locking and access control systems for public, commercial and residential buildings. Revenues primarily originate in Germany, with an increasing number of international subsidiaries.

Why did we invest?

Operating in a niche segment with considerable technological expertise, the company's robust trading through the recession saw them thrive in a depressed market with EBITDA growing by an average of 19% p.a. between 2005 and 2012. The business continues to grow in Germany and internationally, as well as into attractive new product segments. SimonsVoss has an established in-house R&D function aiming for a constant expansion of its innovative product range, while reducing production costs.

How do we intend to create value?

Having rebuilt and grown the sales teams, SimonsVoss is now looking towards growing markets with a focus on Central, Western and Northern Europe as well as Asia. This is supported by new, innovative products including: passive technology; digital door fittings; and compact readers. Profitability should improve through higher volumes and various operational efficiencies.

What has been achieved?

During HgCapital's involvement, SimonsVoss has developed away from a single-product-focused company into a solution provider in electronic access control, offering a comprehensive product family. In order to address proactively new technology trends and to push internationalisation, the Board has been complemented by the appointment of an experienced chairman, the former Chief Marketing Officer at Vodafone plc.

A new CEO, Bernd Sommer, recruited from electronic blinds and gates producer, Somfy, with an impressive track record in multi-channel sales, joined the business in September 2013. He is focused on pushing growth through new customer groups, distribution channels and geographic markets.

How is it performing?

In 2012 growth was weaker than in prior years, driven by softening demand throughout the market and investment into the business to enhance future growth (including sales and international expansion). Performance in 2013 was stronger with sales and EBITDA growth of over 5%.

How will we crystallise value?

SimonsVoss represents a strong technology platform to enter the fast growing market for electronic locks; an exit to a trade buyer would seem most likely.

Website: www.simons-voss.com

Original enterprise value: €113 million

HgCapital clients' total equity: 90.0%

SimonsVoss – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
Industrials	Germany	Jun 2010	11,936	11,407

13. Frösunda

Business description

Frösunda is a leading Swedish provider of care for individuals with learning disabilities, severe physical disabilities, and psychological / behavioural issues. Frösunda offers personal assistance, elderly care, schools and youth rehabilitation.

Headquartered in Solna, Sweden, Frösunda employs around 8,000 staff and cares for over 2,500 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 a very high quality operator in its markets 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 has benefited from the ongoing shift to greater private provision of healthcare in Sweden and is an attractive platform to expand into adjacent 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?

Following a year of consolidation in 2012, HgCapital has been working hard with the strengthened management team further to drive excellence and improved trading in the Assistance and Disability divisions particularly, improving management and cost control, and sales force productivity.

How is it performing?

Following mixed performance in 2012, Frösunda's trading performance in 2013 has shown promising signs with good EBITDA growth over the period.

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. The role of privately-owned companies in welfare provision is a closely-monitored political topic in Sweden ahead of elections there in autumn 2014.

Website: www.frosunda.se

Original enterprise value: SEK 1.5 billion

HgCapital clients' total equity: 90.4%

Frösunda – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
Healthcare	Nordic Region	Jun 2010	14,296	10,641

14. NetNames

Business description

NetNames is one of the leading European providers of internet domain name management and online brand protection services. With the online channel increasingly important for corporate and marketing activities, NetNames offers a single point of contact for domain name management in all jurisdictions and brand protection across all online environments. The company offers a level of expertise, infrastructure and quality of service which is hard for its customers to replicate internally. NetNames enjoys long-term relationships with c. 2,500 medium to large sized companies across a wide range of industries.

Why did we invest?

NetNames is a leader in a strong growth market, fundamentally driven by increasing corporate internet usage. This market will benefit from the liberalisation of internet domain names beginning in 2014. The company has a proven track record of organic growth and has supplemented its performance through a number of accretive acquisitions to grow its product offering, geographic reach and customer base. The business enjoys a high degree of recurring revenue from a diverse customer base and strong cash generation.

How do we intend to create value?

We see significant opportunity to support the acceleration of NetNames' growth through investment in marketing, sales and M&A. We also see opportunities to improve margins through operational leverage and improvements in systems and operational structure, as well as the integration of bolt-on acquisitions.

What has been achieved?

The senior management team has been strengthened with a new COO and CFO and a number of second-tier managers. This management change has been accompanied by the business working to integrate a number of legacy systems and improve the efficiency of its operations and sales force. A number of programmes in these areas and around improving customer satisfaction are ongoing. In 2012, the company completed the sale of its non-core Managed Hosting division for £25 million to a trade buyer; the proceeds were partly used to pay down debt in 2013. Investment into branding and marketing is showing early positive signs.

How is it performing?

NetNames posted disappointing results for the year to June 2013, with trading adversely affected by a number of factors: a slowdown in the broader corporate domain names market; disposal of the non-core hosting business thereby removing revenues; currency movements affecting sterling profits; and a significant increase in costs to drive future value. The company saw an improved performance in the second half of 2013 and has initiated major cost savings which will drive enhanced EBITDA figures.

How will we crystallise value?

We believe that NetNames 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 growth record will drive interest from investors looking for a cash generative asset in a fast growing market.

Website: www.netnames.com

Original enterprise value: £141 million

HgCapital clients' total equity: 76.0%

NetNames – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
TMT	UK	Nov 2011	14,249	10,494

15. Voyage

Business description

Voyage Care is a leading independent provider of health and social care support in the UK. They provide residential, day care, supported living and rehabilitation services which enable people to live as independently as possible through a combination of therapeutic, leisure and social activities.

They operate small community-based homes and provide specialist tailored support for adults under the age of 65 years with mental health problems, neurodegenerative disorders, learning disabilities (LD), autistic spectrum disorders, complex needs as well as those individuals with acquired brain injury.

The company now supports c.2,900 individuals in c.400 locations across the UK. Voyage offers a range of care provision from full-time residential care to daily homecare (either in supported living tenancies or their own homes) to intensive physical and mental support in specially modified accommodation.

Why did we invest?

At the time of investment, a significant shortage in residential care supply of this level underpinned the opportunity for growth. In addition, Voyage enjoys a strong market position and a high quality estate of stable, cash generative assets. Up to the financial crisis, the business had a track record of delivering organic and acquisition-led growth. Since then, the business has proved very stable and has completed three value-accretive acquisitions.

How do we intend to create value?

Historically, growth has been generated by organic roll-out of purpose-built residential care homes. Going forward, the strategy is to grow organically with greater focus on providing specialist support in the individual's own home and develop specialist higher acuity residential services.

What has been achieved?

Voyage completed the acquisition of Solor Care in April 2012, ILG in March 2013, and Ingleby in November 2013. Voyage is now the largest pure LD operator in the UK market. There has also been a senior recruitment push to prepare for further acquisitions, as well as organic growth through sales and marketing.

In January 2013, Voyage completed its debt refinancing, issuing £272 million of public market bonds to repay its existing bank debt and securing a £30 million revolving credit facility to provide additional liquidity for the company to pursue its acquisition strategy.

How is it performing?

Trading over 2013 was relatively disappointing with weaker trading performance largely driven by staffing inefficiencies. This led to a write-down in the valuation at 31 December. HgCapital, together with management, are fully focused on addressing these short-term problems and the direction of trading has seen a marked improvement.

How will we crystallise value?

The most likely exit routes are via a secondary private equity sale or potentially an IPO.

Website: www.voyagecare.com

Original enterprise value: £320 million

HgCapital clients' total equity: 64.5%

Voyage – Trust's underlying investment through HGT LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
Healthcare	UK	Apr 2006	15,336	10,320

16. Manx Telecom

Business description
Manx Telecom is the primary fixed and mobile telecom operator on the Isle of Man. 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 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?
We have supported 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 and an ongoing focus on operating efficiencies.

How is it performing?
Manx Telecom delivered strong growth under HgCapital's ownership and was consistently cash generative, facilitating a recapitalisation of the business in March 2013 and a successful exit in February 2014.

How will we crystallise value?
In February 2014, we announced the successful listing of Manx Telecom on the AIM. HgCapital agreed to sell its entire shareholding in the company as part of this process. The proceeds on completion represent a 2.1x investment multiple and 26% p.a. gross IRR.

Website: www.manxtelecom.com

Original enterprise value: £159 million

HgCapital clients' total equity: 79.5%

Manx Telecom – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
TMT	UK	Jun 2010	3,274	10,113

17. Atlas

Business description

Atlas is an international provider of competency and compliance learning and software solutions, targeted to meet the growing requirement of health, safety, environmental and technical training needs of the global oil and gas ('O&G') sector.

Why did we invest?

The oil and gas learning market is large and fast-growing because it offers a highly cost effective solution to the O&G industries' twin problems: the growing shortage of skills and competency as an ageing global workforce retires and the need for greater solutions around competency, skills and compliance with health and safety standards and safe methods of working.

Atlas has amassed over 3,000 hours of intellectual property-protected learning content, along with innovative customised learning delivered via cloud-based solutions, or learning management systems for remote workers. Atlas provides 1.5 million learning events each year targeting 300,000+ O&G workers globally. It has a customer base of international companies (BP, Shell, Exxon Mobil, Conoco-Philips) and national entities (Petronas, Qatar Gas and ADNOC) on a recurring basis or through long contracts.

How do we intend to create value?

The plan is to increase share of revenue from key accounts and to win business outside the core North Sea market by expanding the sales resource and product range. This plan has made progress with over 40% of sales coming from international markets together with the launch of new competency and Health & Safety Executive products.

What has been achieved?

Management has been strengthened across the business, evolving Atlas into a market-driven customer-oriented organisation. Work continues to strengthen the company's market position. Average contract values have risen and innovation has been applied to the products sold and to the processes behind them. Sales have grown by 13% p.a. CAGR since we acquired the business and growth is accelerating.

Atlas has also strengthened its business model, through long-term contracts with international safety organisations to deliver Health & Safety Executive programmes. It is building revenues in subscription sales through the its new competency software services and learning management systems. In addition, it is providing bespoke solutions for major O&G projects worldwide; an extension of the in-house development function.

How is it performing?

2013 saw the sales mix skew towards high margin proprietary content; however, the contribution made to last year's revenue by two large contracts has not yet been replaced. The pipeline is building and the customer base is expanding.

Atlas has been recognised by leading O&G and learning bodies and won a gold award at the Brandon Hall Excellence in Technology Awards.

How will we crystallise value?

Atlas is attracting the attention of two sets of potential acquirers: O&G services companies and other, more generic e-learning vendors.

Website: www.atlasknowledge.com

Original enterprise value: £25 million

HgCapital clients' total equity: 60.6%

Atlas – Trust's underlying investment through HGT LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
Services	UK	Nov 2007	9,597	8,626

18. Schleich

Business description

Schleich is a leading producer of classic toy figurines, such as farm and wildlife animals, historical characters and The Smurfs™.

Its products are sold in over 50 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?

The plan is to drive sales growth organically in existing markets and through international expansion, further penetrate large key accounts and capture margin improvement through increased scale.

What has been achieved?

A number of major supplier deals have been made internationally over the last few years. Further expansion is planned in 2014 to win major retailers both domestically and internationally.

How is it performing?

2012's revenues were slightly behind the prior year due to weak trading in Germany, following a move from an agent model to our own sales force. 2013 saw Schleich return to double-digit earnings growth, driven primarily by increased sales in the US and emerging markets.

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.

Website: www.schleich-s.com

Original enterprise value: €165 million

HgCapital clients' total equity: 75.0%

Schleich – Trust's underlying investment through HGT LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
Consumer & Leisure	Germany	Dec 2006	4,650	7,600

19. Sporting Index

Business description

Formed in 1991, Sporting Index Group ('SPIN') is best known as the operator of the world's leading sports spread betting business. It makes more markets and accepts larger bets than any other sports spread betting business. It reputedly has the best trading team in the market. SPIN's B2C spread betting business serves a UK-centric niche market. SPIN has also established a B2B business, Sporting Solutions, which sells its sports betting prices and trading tools to other bookmakers. This activity remains nascent and currently consumes cash but offers strong growth beyond the niche B2C business.

Why did we invest?

The core business is robust, cash generative and provides a base from which the group could grow by launching new products and services.

How do we intend to create value?

Three initiatives are being pursued to grow revenues and profits. They are the development of the B2B service, selling software and data services to global sportsbooks, lottery operators and online casinos; the expansion of SPIN's proprietary trading capability; and utilising enhanced client profiling, predictive analytics and other advanced techniques to boost B2C client recruitment and retention.

What has been achieved?

Significant investment has been made in SPIN's proprietary IT platforms to take advantage of its data sets and sophisticated modelling. The B2B business is growing revenues at around 100% year-on-year, winning new customers and broadening its offering. SPIN's B2C business is taking a more aggressive approach to the market and offering larger bet sizes to enhance activity and profits, albeit with higher month-on-month volatility. Management has pushed this theme further by offering fixed-odds bets to a small number of high value clients, enabling SPIN to increase share of wallet with this audience. This will increase volatility until a wider, diversified book is built.

How is it performing?

Key milestones have been hit with the move to a new B2C trading platform completed successfully and significant new customers being integrated into the B2B service.

How will we crystallise value?

The company will be positioned for a trade or secondary buyer exit.

Website: www.sportingindex.com

Original enterprise value: £70 million

HgCapital clients' total equity: 52.1%

Sporting Index – Trust's underlying investment through HGT LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
Consumer & Leisure	UK	Nov 2005	7,440	7,355

20. Investments in the UK Parts Alliance

Business description

The Parts Alliance is a UK buying group for car parts distributors and currently consists of thirteen parts suppliers. We have currently completed four acquisitions and we are in discussions with further companies.

Our intention is to consolidate this group to create a single national entity which we believe will be attractive to a range of potential trade and financial buyers.

Why did we invest?

The £4.5 billion UK car parts market is amongst the most fragmented in Europe, with over 1,500 participants; it is characterised by greater levels of owner-management than in other EU countries. We believe that there are several market, regulatory and commercial catalysts that will encourage consolidation of this sector in both the UK and Europe, offering a number of interesting investment opportunities and exit alternatives. To date, we have deployed c. £40 million of client capital. All of the previous owners have reinvested between 15-40% of their proceeds in the opportunity and as a result, we take some comfort that the founder/key man risk in this transaction has been mitigated and that they have belief in the commercial logic behind our investment thesis.

How do we intend to create value?

We intend to create value in the overall transaction in three ways: improving gross margin with better procurement and category management, pricing more effectively to our customers; improving EBITDA margin by improving productivity, performance management and customer segmentation; and removing overlaps in the back office.

What has been achieved?

The leadership team are in the process of building these capabilities, processes and the management strength and depth of the group. This includes improving gross margins through pricing and category management and implementing EBITDA margin improvements by increased efficiencies, as well as training employees at all levels in best customer practice.

How is it performing?

Despite a challenging market for the sector, the group has demonstrated resilient trading. Investment into the cost base of the companies are depressing short-term profits.

How will we crystallise value?

The likely exit is to a US or European trade buyer wanting to achieve scale within Europe or a strategic position within the UK (with Europe's second largest number of cars on the road). However, there is also potential for an exit by IPO or to private equity investors.

Original enterprise value: £43.5 million

HgCapital clients' total equity: 85.0%

Investments in the UK Parts Alliance – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
Services	UK	Aug 2012	6,596	4,624

THE MANAGER'S REVIEW continued

INVESTMENTS IN SMALL-CAP TMT

Background

In 2011, the Trust made a £60 million commitment to HgCapital's new Mercury Fund, specialising in TMT investments with an enterprise value of between £20 million and £80 million. Smaller technology buyouts is an area where HgCapital has historically made many profitable investments and Mercury has allowed the establishment of a dedicated team of investment professionals focused on these deals.

This dedicated fund is intended to target smaller buyouts in the same TMT sub-sectors and similar business models, for example electronic marketplaces and SaaS providers. The addition of the dedicated Mercury team alongside the existing TMT team further reinforces the scale and capability of HgCapital within this sector.

Investments made to date

In October 2012, the fund acquired its first investment. Valueworks provides a private B2B electronic marketplace, through which c.300 buyers (principally social housing organisations) procure goods and services, primarily related to planned repair and maintenance. The enterprise value was £20 million and HgCapital owns 63% of the company. Investment in management and premises in 2012, together with lower Professional Services revenues, has adversely affected profits and this led to a write-down of the investment at 30 June 2013.

HgCapital is working with management on several initiatives to recover value, including: developing the sales processes; work on the longer-term national pipeline strategy; evolving industry relationships; developing a product for private construction partners; and energy saving schemes.

In August 2013, the HgCapital Mercury Fund completed an investment in Intelliflo Limited, a leading SaaS provider of front and back office software to financial advisors, advisor networks and brokers. Nearly ten thousand advisors and administrators use Intelliflo's software on a daily basis to manage workflows and respond to customer and regulatory needs. The enterprise value was £43 million and HgCapital owns 58% of the company. Intelliflo shares similar attractive characteristics with a number of HgCapital's SME regulatory software businesses, including: a scalable business model; organic recurring revenue growth; high customer retention rates; and a service which is critical but low-spend.

HgCapital is working alongside the management on a number of initiatives to accelerate market share growth through: investment in sales and marketing; improved customer satisfaction; faster product release cycles; and new product development.

Post-31 December 2013 event

In February 2014, the Mercury team announced an investment in Relay Software, a provider of software to insurance brokers, underwriters and insurers in the Republic of Ireland.

The Trust contributed a total of £2.2 million to this investment.

THE MANAGER'S REVIEW continued

INVESTMENTS IN SMALL-CAP TMT

Underlying investments held through HgCapital Mercury D LP

Investment	Location	Date of investment	Residual cost £'000	Total valuation £'000	Portfolio value
Intelliflo	UK	July 2013	5,435	5,574	1.6%
Valueworks	UK	October 2012	2,656	1,380	0.4%
TOTAL			**8,091**	**6,954**	**2.0%**

THE MANAGER'S REVIEW continued

INVESTMENTS IN RENEWABLE ENERGY

Business description

HgCapital's specialist team uses private equity skills to identify and acquire high quality European renewable energy projects with minimal GDP risk, favourable inflation links and the use of proven technologies.

RPP1 (€303 million raised in 2006)

HgCapital's first renewable energy fund has built a number of utility-scale power platforms across Europe, optimising them using our specialist experience. HgCapital Trust's commitment to the Fund is €21.6 million. Following the successful disposal of the entire UK platform, the remaining platforms are:

- **Swedish onshore wind** (Vasa Vind: www.vasavind.se): one operating project of 95MW;
- **Spanish solar PV** (Mercurio Solar): seven operating projects of 61MW.

RPP2 (€542 million raised in 2010)

The second fund replicates the strategies of the first. HgCapital Trust's commitment to the Fund is €40 million. The second fund's platforms are:

- **Swedish onshore wind** (Vasa Vind: www.vasavind.se): two operating projects of 96MW; two projects in pre-construction totalling 305MW; and a development business with a pipeline of over 700MW;
- **Irish onshore wind** (Invis Energy: www.invisenergy.ie): one operating project of 44MW; one 43MW project in construction; and a further 290MW in pre-construction;
- **Spanish mini-hydro** (Ondina): two operating portfolios of 120MW.

As at 31 December 2013, electricity equivalent to the power consumption of more than 200,000 homes is generated from the operational energy plants in the portfolio.

Why do we invest?

Renewable energy is the fastest growing segment 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.

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 shown in the table opposite. These platforms can then be refinanced efficiently or sold as portfolios of closely related projects to industry buyers or financial investors.

Exit

In January 2013, the development assets of RPP1's UK Onshore Wind portfolio were sold to Blue Energy and in December 2013, the remaining three UK wind operating projects in RPP1 were sold to Resonance Asset Management.

Including the sale of the UK onshore operating assets to MEAG in 2012, the UK wind portfolio has now been fully exited, resulting in an overall investment multiple of 1.8x and a gross IRR of 17% p.a.

THE MANAGER'S REVIEW continued

INVESTMENTS IN RENEWABLE ENERGY

PRINCIPAL INVESTMENTS BY PLATFORM

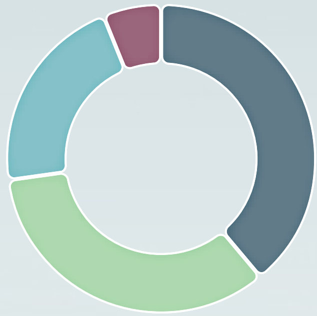
	Total valuation £'000
Spanish Solar	3,187
Swedish Onshore Wind	1,679
UK Onshore Wind	1,002
Other*	1,446
RPP1 Fund	7,314
Swedish Onshore Wind	3,768
Irish Onshore Wind	3,472
Spanish Hydro	3,060
Other	266
RPP2 Fund	10,566
Total renewable energy investments	17,880

*Mainly realised proceeds distributed post 31 December 2013.

DIVERSIFICATION BY VALUE

Geography

39% Spain
34% Sweden
21% Ireland
6% UK



Resource

61% Onshore wind
20% Solar
19% Hydro

FINANCIAL STATEMENTS

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Revenue return 2013 £'000	Revenue return 2012 £'000	Capital return 2013 £'000	Capital return 2012 £'000	Total return 2013 £'000	Total return 2012 £'000
(Losses) / gains on investments and government securities	13	–	–	(18,701)	48,944	(18,701)	48,944
Losses on priority profit share loans advanced to General Partners	5(b)	–	–	(1,449)	(583)	(1,449)	(583)
Net income	4	16,682	13,600	–	–	16,682	13,600
Other expenses	6(a)	(3,323)	(2,101)	–	–	(3,323)	(2,101)
Net return before finance costs and taxation		13,359	11,499	(20,150)	48,361	(6,791)	59,860
Finance costs	6(b)	(482)	(501)	–	–	(482)	(501)
Net return / (loss) on ordinary activities before taxation		12,877	10,998	(20,150)	48,361	(7,273)	59,359
Taxation credit / (charge) on ordinary activities	9(a)	36	(600)	–	–	36	(600)
Net return / (loss) on ordinary activities after taxation attributable to reserves		**12,913**	**10,398**	**(20,150)**	**48,361**	**(7,237)**	**58,759**
Return / (loss) per Ordinary share	**10(a)**	**35.34p**	**32.13p**	**(55.14)p**	**149.42p**	**(19.80)p**	**181.55p**

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 67 to 85 form part of these financial statements.

BALANCE SHEET

AS AT 31 DECEMBER 2013

	Notes	2013 £'000	2012 £'000
Fixed asset investments			
Investments held at fair value:			
Unquoted at Directors' valuation		295,960	286,026
Total fixed asset investments	12	295,960	286,026
Current assets – amounts receivable after one year:			
Accrued income on fixed assets	14	49,244	40,060
Current assets – amounts receivable within one year:			
Debtors	14	1,907	2,306
Government securities	15	83,121	108,359
Cash	16	12,708	5,867
Total current assets		146,980	156,592
Creditors – amounts falling due within one year	17	(2,356)	(4,662)
Net current assets		144,624	151,930
Net assets		440,584	437,956
Capital and reserves:			
Called up share capital	20	9,331	8,908
Share premium account	21	120,368	102,746
Capital redemption reserve	21	1,248	1,248
Capital reserve – realised	21	326,197	317,366
Capital reserve – unrealised	21	(38,526)	(9,545)
Revenue reserve	21	21,966	17,233
Total equity shareholders' funds		440,584	437,956
Basic net asset value per Ordinary share	10(b)	1,180.4p	1,231.5p
Diluted net asset value per Ordinary share	10(b)	1,180.4p	1,221.7p
Ordinary shares in issue at 31 December		37,324,698	35,564,185

The financial statements on pages 63 to 85 were approved and authorised for issue by the Board of Directors on 7 March 2014 and signed on its behalf by:

Roger Mountford, Chairman

Richard Brooman, Director

The notes on pages 67 to 85 form part of these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £'000	2012 £'000
Net cash inflow from operating activities	7	5,078	1,104
Servicing of finance		(482)	(501)
Taxation paid		(1,212)	(78)
Capital expenditure and financial investment:			
Purchase of fixed asset investments	12	(79,968)	(37,582)
Proceeds from the sale of fixed asset investments	12	52,113	68,939
Net cash (outflow) / inflow from capital expenditure and financial investment		(27,855)	31,357
Financing activities:			
Proceeds from issue of share capital		18,045	35,547
Proceeds from loan facility		1,421	–
Equity dividends paid	11	(8,180)	(3,182)
Net cash inflow from financing activities		11,286	32,365
Net cash (outflow) / inflow before management of liquid resources		(13,185)	64,247
Management of liquid resources:			
Purchase of government securities	15	(153,375)	(90,006)
Sale / redemption of government securities	15	173,401	27,150
Net cash inflow / (outflow) from management of liquid resources		20,026	(62,856)
Increase in cash and cash equivalents in the year	**16**	**6,841**	**1,391**
Cash and cash equivalents at 1 January	16	5,867	4,476
Cash and cash equivalents at 31 December	**16**	**12,708**	**5,867**

The notes on pages 67 to 85 form part of these financial statements.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 December 2012		8,908	102,746	1,248	307,821	17,233	437,956
Issue of Ordinary shares	20,21	441	17,622	–	–	–	18,063
Conversion upon exercise of Subscription shares	20	(18)	–	–	–	–	(18)
Net return from ordinary activities		–	–	–	(20,150)	12,913	(7,237)
Dividends paid	11	–	–	–	–	(8,180)	(8,180)
At 31 December 2013	**20,21**	**9,331**	**120,368**	**1,248**	**287,671**	**21,966**	**440,584**
At 31 December 2011		8,011	68,096	1,248	259,460	10,017	346,832
Issue of Ordinary shares	20,21	934	34,650	–	–	–	35,584
Conversion upon exercise of Subscription shares	20	(37)	–	–	–	–	(37)
Net return from ordinary activities		–	–	–	48,361	10,398	58,759
Dividends paid	11	–	–	–	–	(3,182)	(3,182)
At 31 December 2012	**20,21**	**8,908**	**102,746**	**1,248**	**307,821**	**17,233**	**437,956**

The notes on pages 67 to 85 form part of these financial statements.

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

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

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

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

3. Organisational structure, manager arrangements and accounting policies

Partnerships where the Trust is the sole limited partner

The Trust entered into four separate partnership agreements with general and founder partners in May 2003 (subsequently revised in January 2009), January 2009, July 2011 and March 2013, 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, HgCapital Mercury D LP and HGT 7 LP (together the 'primary buyout funds') is to hold all the Trust's investments in primary buyouts. 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. These direct investments are included under fixed asset investments on the balance sheet and in the investment portfolio on page 29.

Partnerships where the Trust is a minority limited partner

In July 2011, the Trust made a direct secondary investment in HgCapital 6 E LP ('Hg6 E LP'), one of the partnerships that comprise the Hg6 Fund, 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 in the investment portfolio on page 29.

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 in the investment portfolio on page 29.

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.

NOTES TO THE FINANCIAL STATEMENTS continued

3. Organisational structure, manager arrangements and accounting policies continued

Accordingly, the Trust's entitlement to net income and net capital gains is shown in the appropriate lines of the income statement. Notes 4, 5, 7, 12, 14, 16 and 17 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.

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 is recognised on a time apportionment basis so as to reflect the effective yield when it is probable that it will be realised. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS continued

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, December 2012 edition. Where relevant, the Trust applies the policies stated below to the investments held by HGT LP, HGT 6 LP, HGT 7 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) subsequently, 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 adjustment required 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.

NOTES TO THE FINANCIAL STATEMENTS continued

4. Income

	Revenue return	
	2013 £'000	2012 £'000
Income from investments held by HGT LP, HGT 6 LP, HGT 7 LP and HgCapital Mercury D LP:		
UK unquoted investment income	11,546	16,258
Foreign unquoted investment income	10,911	3,260
Other investment income		
UK unquoted investment income	710	929
Gilt interest less amortisation of premium	(482)	(237)
Total investment income	22,685	20,210
Other income:		
Deposit interest	16	42
Other interest income	3	–
Other income	53	–
Total other income	72	42
Total income	**22,757**	**20,252**
Priority profit share charge against income:		
Current year - HGT LP	(1,434)	(1,383)
Prior year - HGT LP	–	(402)
Current year - HGT 6 LP	(4,641)	(4,867)
Total priority profit share charge against income	(6,075)	(6,652)
Total net income	**16,682**	**13,600**
Total income comprises:		
Interest	16,629	13,600
Other income	53	–
Total net income	**16,682**	**13,600**

5. Priority profit share and carried interest

(a) Priority profit share payable to General Partners

	Revenue return	
	2013 £'000	2012 £'000
Priority profit share payable:		
Current year amount	7,524	7,235
Less: Current year loans advanced to General Partners	(1,449)	(985)
Current year charge against income	6,075	6,250
Add: Prior year loans to General Partners recovered from priority profit share	–	402
Total priority profit share charge against income	**6,075**	**6,652**

The priority profit share payable on HGT LP, HGT 6 LP, HGT 7 LP and HgCapital Mercury D LP rank as a first appropriation of net income from investments held in HGT LP, HGT 6 LP, HGT 7 LP and HgCapital 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, HGT 7 LP and HgCapital 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 93.

NOTES TO THE FINANCIAL STATEMENTS continued

5. Priority profit share and carried interest continued

The terms of the above priority profit share arrangements during 2013 were:

Fund partnership	Fee per year
HGT LP	1.5% on the value of investments in fund
HGT 6 LP	1.75% on the fund commitment during the investment period; post-investment period 1.5% of original cost of investments in fund less the original cost of investments that have been realised or written off[1]
HgCapital Mercury D LP	1.75% on the fund commitment during the investment period
HGT 7 LP	1.75% on the fund commitment during the investment period

In addition, priority profit shares are payable on partnerships where the Trust is a minority limited partner. These amounts are initially and indirectly funded by the Trust through the amounts invested in these partnerships and these amounts are recognised as unrealised losses in the capital account in the income statement.

Fund partnership	Fee per year
HgCapital 6 E LP	1.75% on the fund commitment during the investment period; post-investment period, 1.5% of original cost of investments in fund, less the original cost of investments that have been realised or written off[1]
Hg Renewable Power Partners LP	1.5% of original cost of investments in fund, less the original cost of investments that have been realised or written off (previously 1.75% of the fund commitment during the investment period that ended on 31 May 2010)
HgCapital Renewable Power Partners 2 C LP	1.64% on the fund commitment during the investment period

[1]Investment period ended on 19 November 2013

(b) Priority profit share loans to General Partners

	Capital return	
	2013 £'000	2012 £'000
Movements on loans to General Partners:		
Losses on current year loans advanced to General Partners	(1,449)	(985)
Gains on prior year loans to General Partners recovered against income	–	402
Total losses on priority profit share loans advanced to General Partners	**(1,449)**	**(583)**

In years in which the funds described 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 sufficient 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	
	2013 £'000	2012 £'000
Carried interest payable:		
Current year amount	–	2,728
Total carried interest charge against capital gains (note 13)	**–**	**2,728**

NOTES TO THE FINANCIAL STATEMENTS continued

5. Priority profit share and carried interest continued

The carried interest payable ranks as a first appropriation of capital gains on the investments held in HGT LP, HGT 6 LP, HGT 7 LP and HgCapital 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, HGT 7 LP and HgCapital 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 93.

6. Other expenses

(a) Operating expenses

	Revenue return	
Operating expenses	2013 £'000	2012 £'000
Custodian and administration fees	529	479
Directors' remuneration (note 8)	187	198
Share of aborted deal fees	1,965	1,077
Legal and other administration costs	535	278
	3,216	2,032
Fees payable to the Trust's auditor in relation to the Trust and Fund Limited Partnerships:		
Audit fees	58	51
Tax compliance services	35	14
Other non-audit services	14	4
Total fees payable to the Trust's auditor	107	69
Total other expenses	3,323	2,101
The Trust's total expense ratio ('TER'), calculated as total expenses including the priority profit share as a percentage of average net assets was:	2.47%	2.38%*

(b) Finance costs

Finance costs	2013 £'000	2012 £'000
Interest paid	22	–
Non-utilisation fees and other expenses	460	501*
Total finance costs	**482**	**501**

*The prior year bank facility fees and related expenses have been reclassified to finance costs. The total expense ratio calculation has also been restated in line with this reclassification. This reclassification has no effect on the prior year return and reserves.

7. Cash flow from operating activities

Reconciliation of net (loss) / return before taxation to net cash flow from operating activities	2013 £'000	2012 £'000
Net (loss) / return before finance costs and taxation	(6,791)	59,860
Add back: Losses / (gains) on investments held at fair value	18,701	(51,672)
(Decrease) / increase in carried interest payable	(2,728)	649
Amortisation of premium on government securities	4,432	2,704
Increase in prepayments, accrued income and other debtors	(8,746)	(10,199)
Increase / (decrease) in creditors	210	(238)
Net cash inflow from operating activities	**5,078**	**1,104**

NOTES TO THE FINANCIAL STATEMENTS continued

8. Directors' remuneration

The aggregate remuneration of the Directors for the year to 31 December 2013 was £186,777 (2012: £197,500).
Further information on the Directors' remuneration is disclosed in the Directors' remuneration report on pages 102 and 103.

9. Taxation on ordinary activities

(a) Analysis of (credit) / charge in the year

	Revenue return	
	2013 £'000	2012 £'000
Current tax:		
UK corporation tax	2,696	3,213
Income streaming relief	(2,515)	(2,004)
Prior year adjustment	(287)	85
Current revenue tax (credit) / charge for the year (note 9(b))	(106)	1,294
Deferred tax:		
Reversal / (origination) of timing differences	70	(694)
Total deferred tax charge / (credit) for the year (note 9(c))	70	(694)
Total taxation (credit) / charge on ordinary activities	**(36)**	**600**

(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 (23.25%; 2012: 24.5%).
The differences are explained below:

	2013 £'000	2012 £'000
Net revenue return on ordinary activities before taxation	**12,877**	**10,998**
UK corporation tax charge at 23.25% thereon (2012: 24.5%)	2,993	2,694
Effects of:		
Tax relief from interest distribution	(2,515)	(2,004)
Non-taxable investment income	(503)	–
Taxable income not recognised in revenue return	362	519
Income taxed in prior years	(165)	–
Disallowed expenses	9	–
Tax in relation to the prior year	(287)	85
Total differences	(3,099)	(1,400)
Current revenue tax (credit) / charge for the year (note 9(a))	**(106)**	**1,294**

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. The Trust will elect to designate all of the proposed dividend (see note 11) as an interest distribution to its shareholders. This distribution is treated as a tax deduction against taxable income and results in a reduction of corporation tax being payable by the Trust at 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS continued

9. Taxation on ordinary activities continued

(c) Deferred tax

	Revenue return	
	2013 £'000	2012 £'000
Deferred tax:		
Movement in taxable income not recognised in revenue return	70	(694)
Total deferred tax charge / (credit) for the year (note 9(a))	**70**	**(694)**
Deferred tax recoverable:		
Recoverable deferred tax at 31 December	694	–
Deferred tax (charge) / credit for the year	(70)	694
Recoverable deferred tax at end of year	**624**	**694**

10. Return / (loss) and net asset value per Ordinary share

(a) Return / (loss) per Ordinary share

	Revenue return		Capital return	
	Year ended 31 Dec 2013	Year ended 31 Dec 2012	Year ended 31 Dec 2013	Year ended 31 Dec 2012
Amount (£'000):				
Return / (loss) on ordinary activities after taxation	12,913	10,398	(20,150)	48,361
Number of shares ('000):				
Weighted average number of shares in issue	36,543	32,366	36,543	32,366
Return / (loss) per Ordinary share (pence)	**35.34**	**32.13**	**(55.14)**	**149.42**

At the beginning of the year the Trust had 1,760,513 Subscription shares in issue. On 31 May 2013, 1,760,513 new Ordinary shares were issued pursuant to the exercise of the remaining Subscription shares.

(b) Net asset value per Ordinary share

	Capital return	
	Year ended 31 Dec 2013	Year ended 31 Dec 2012
Amount (£'000):		
Net assets	440,584	437,956
Assuming exercise of all outstanding Subscription shares	–	18,045
Fully diluted net asset value	440,584	456,001
Number of Ordinary shares ('000):		
Number of Ordinary shares in issue	37,325	35,564
Potential issue of new Ordinary shares on exercise of Subscription shares	–	1,761
Ordinary shares in issue following exercise of Subscription shares	37,325	37,325
Basic net asset value per share (pence)	**1,180.4**	**1,231.5**
Fully diluted net asset value per share (pence)	**1,180.4**	**1,221.7**

NOTES TO THE FINANCIAL STATEMENTS continued

10. Return / (loss) and net asset value per Ordinary share continued

All remaining Subscription shares were exercised on 31 May 2013 and therefore no diluted net asset value calculation is relevant on 31 December 2013. In 2012, the diluted net asset value per share was calculated by adding to the current net asset value (basic) of £437,956,000 the proceeds of £18,045,000 from the exercise of Subscription shares, assuming all outstanding Subscription shares would be exercised at the subscription price of £10.25, and then dividing the adjusted net asset value (diluted) by the adjusted number of Ordinary shares in issue (37,324,698).

11. Dividends on Ordinary shares

	Register date	Payment date	2013 £'000	2012 £'000
Dividend of 10.0p for the year ended 31 December 2011	10 April 2012	15 May 2012	–	3,182
Dividend of 23.0p for the year ended 31 December 2012	5 April 2013	15 May 2013	8,180	–
			8,180	**3,182**

The proposed dividend of 29.0 pence per Ordinary share for the year ended 31 December 2013 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 total dividends payable in respect of the financial year, which form the basis of the retention test as set out in Section 1159 of the CTA 2010, are set out below:

	2013 £'000
Revenue available for distribution by way of dividend for the year	12,913
Proposed dividend of 29.0p for the year ended 31 December 2013 (based on 37,324,698 Ordinary shares in issue at 31 December 2013)	(10,824)
Undistributed revenue for Section 1159 purposes*	**2,089**

*Undistributed revenue comprises 13.6% of the estimated total taxable income of £15,367,000.

NOTES TO THE FINANCIAL STATEMENTS continued

12. Fixed asset investments

	2013 £'000	2012 £'000
Investments held at fair value through profit and loss:		
Investments held in HGT 6 LP Unquoted investments	171,123	177,104
Investments held in HGT LP Unquoted investments	74,825	76,258
Investments held in HGT 7 LP Unquoted investments	15,158	–
Investments held in HgCapital Mercury D LP Unquoted investments	6,765	2,390
Other investments held by the Trust Unquoted investments	28,089	30,274
Total fixed asset investments	**295,960**	**286,026**
Total fixed asset investments consist of:		
Fund limited partnerships	295,960	286,026

		2013 £'000	2012 £'000
Opening valuation as at 1 January		286,026	265,421
Add back: opening unrealised depreciation	– investments	7,795	22,286
	– financial derivative instruments	–	52
Opening book cost as at 1 January		293,821	287,759
Movements in the year:			
Additions at cost		79,968	37,582
Disposals	– proceeds	(52,113)	(68,939)
	– realised gains on sales	9,563	37,419
Closing book cost of investments		**331,239**	**293,821**
Less: closing unrealised depreciation	– investments	(35,279)	(7,795)
Closing valuation of investments as at 31 December		**295,960**	**286,026**

The above investments include investments in companies that are indirectly held by the Trust through its investment in HGT LP, HGT 6 LP, HGT 7 LP and HgCapital Mercury D LP, as set out in note 3 on page 67, and investments in fund limited partnerships in HgCapital 6 E LP, Hg Renewable Power Partners LP and HgCapital Renewable Power Partners 2 C LP.

NOTES TO THE FINANCIAL STATEMENTS continued

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

		Capital return	
		2013 £'000	2012 £'000
Realised:			
Realised gains / (losses) on sales	– fixed asset investments	9,563	37,414
	– financial derivative instruments	–	5
	– government securities	(732)	(259)
Realised gains before carried interest charge		8,831	37,160
Carried interest charge against capital gains (note 5(c))		–	(2,728)
Net realised gains		8,831	34,432
Unrealised:			
Change in unrealised (losses) / gains	– fixed asset investments	(27,484)	14,491
	– financial derivative instruments	–	52
	– government securities	(48)	(31)
Net unrealised (losses) / gains		(27,532)	14,512
Total (losses) / gains		**(18,701)**	**48,944**

14. Debtors and accrued income

	2013 £'000	2012 £'000
Amounts receivable after one year:		
Accrued income on fixed assets	49,244	40,060
Amounts receivable within one year:		
Taxation recoverable	109	–
Deferred tax recoverable (note 9(c))	624	694
Accrued income on government securities	1,056	1,538
Prepayments and other accrued income	69	74
Other debtors	49	–
Total amounts receivable within one year	1,907	2,306
Total debtors	**51,151**	**42,366**

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

NOTES TO THE FINANCIAL STATEMENTS continued

15. Government securities

	2013 £'000	2012 £'000
Investments held at fair value through profit and loss:		
Opening valuation	108,359	48,497
Purchases at cost	153,375	90,006
Sales and redemptions	(173,401)	(27,150)
Movement in unrealised capital losses	(48)	(31)
Amortisation of premium on acquisition	(4,432)	(2,704)
Realised capital losses	(732)	(259)
Closing valuation	**83,121**	**108,359**

16. Movement in net funds

Analysis and reconciliation of net funds	2013 £'000	2012 £'000
Change in cash	6,841	1,391
Net funds at 1 January	5,867	4,476
Net funds at 31 December	**12,708**	**5,867**
Net funds comprise:		
Cash	12,708	5,867

Cash includes £9,915,000 (2012: £1,849,000) held by the fund limited partnerships in which the Trust is the sole limited partner.

17. Creditors – amounts falling due within one year

	2013 £'000	2012 £'000
Carried interest	–	2,728
Taxation payable	–	1,209
Loan facility (see note 18)	1,421	–
Sundry creditors	935	725
Total creditors	**2,356**	**4,662**

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 multi-currency revolving credit standby facility on an unsecured basis. The facility is available for three years. Under the facility agreement, the Trust is liable to pay interest on any drawn amount at LIBOR plus a margin of 2.75%. A commitment fee of 1.1% p.a. is liable on any undrawn commitment. No amount was drawn during the year under review.

On 28 November 2012, HgCapital Mercury D LP, alongside the other Hg Mercury funds, entered into a four-year multi-currency revolving term loan facility. HgCapital Mercury D LP participated for an amount of £4,736,842. Under the facility agreement, it is liable to pay interest on any drawn amount at base rate plus a margin of 3.00%. A commitment fee of 0.50% p.a. is liable on any undrawn commitment. At the end of the year, an amount of £1,421,053 was drawn.

NOTES TO THE FINANCIAL STATEMENTS continued

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 Hg RPP LP, Hg RPP 2 LP, Hg6E LP and the underlying investments in HGT LP, HGT 6 LP, HGT 7 LP and HgCapital Mercury D LP as described in note 3 on page 67.

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 29. 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 Valuation 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 bank deposits 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, which was effective from 1 January 2009. This requires the Trust to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that 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.

NOTES TO THE FINANCIAL STATEMENTS continued

19. Financial risk continued

The following table analyses, within the fair value hierarchy, the fund's financial assets (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	–	–	74,825	74,825
– Investment in HGT 6 LP	–	–	171,123	171,123
– Investment in HGT 7 LP	–	–	15,158	15,158
– Investment in HgCapital Mercury D LP	–	–	6,765	6,765
– Investment in Hg 6 E LP	–	–	10,209	10,209
– Investment in Hg RPP LP	–	–	7,314	7,314
– Investment in Hg RPP2 LP	–	–	10,566	10,566
– Government securities	83,121	–	–	83,121
Other assets:				
Accrued income	1,056	–	49,244	50,300
As at 31 December 2013	**84,177**	**–**	**345,204**	**429,381**

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	–	–	76,258	76,258
– Investment in HGT 6 LP	–	–	177,104	177,104
– Investment in HgCapital Mercury D LP	–	–	2,390	2,390
– Investment in Hg 6 E LP	–	–	10,434	10,434
– Investment in Hg RPP LP	–	–	11,335	11,335
– Investment in Hg RPP2 LP	–	–	8,505	8,505
– Government securities	108,359	–	–	108,359
Other assets:				
Accrued income	1,538	–	40,060	41,598
As at 31 December 2012	**109,897**	**–**	**326,086**	**435,983**

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 investments.

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

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

NOTES TO THE FINANCIAL STATEMENTS continued

19. Financial risk continued

The following table presents the movement in level 3 investments for the year ended 31 December 2013 by class of financial instrument.

Unquoted investments	Accrued income on investments 2013 £'000	Investments in limited partnerships 2013 £'000	Total 2013 £'000
Opening balance	40,060	286,026	326,086
Purchases	–	79,968	79,968
Realisations at 31 December 2012 valuation	(6,679)	(51,176)	(57,855)
Total gains / (losses) for the year included in the income statement	15,863	(18,858)	(2,995)
Closing unrealised valuation of level 3 investments	**49,244**	**295,960**	**345,204**
Total gains/ (losses) for the year included in the income statement for investments held at the end of the year	**21,390**	**(24,410)**	**(3,020)**

Equity price risk

Equity price risk is the risk of a fall in the fair value of the Trust's ownership interests (comprising equities and shareholder loans) held by the Trust indirectly through its direct investments in fund limited partnerships. 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 all unquoted securities, with all other variables held constant, is as follows:

	% change	£'000	NAV per Ordinary share (pence)
Unquoted	10%	34,520	92.5

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, were neither impaired nor overdue at the year-end. The Trust's cash balances were held with the Bank of New York Mellon and any significant balances were 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.

NOTES TO THE FINANCIAL STATEMENTS continued

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:				
Danish krone (8.5119)	42	0.1	623	1.7
Euro (1.1417)	714	1.9	5,322	14.3
Norwegian krone (8.4974)	–	–	5,777	15.5
Swedish krona (9.4762)	350	0.9	954	2.6
Swiss franc (1.4054)	6	–	126	0.3
US dollar (1.4831)	87	0.2	2,179	5.8
	1,199	3.1	14,981	40.2
Lowest value against sterling during the year:				
Danish krone (9.2051)	(20)	(0.1)	(301)	(0.8)
Euro (1.2339)	(349)	(0.9)	(2,607)	(7.0)
Norwegian krone (10.1034)	–	–	(173)	(0.5)
Swedish krona (10.7776)	(37)	(0.1)	(101)	(0.3)
Swiss franc (1.4927)	(2)	–	(35)	(0.1)
US dollar (1.6563)	–	–	–	–
	(408)	(1.1)	(3,217)	(8.7)

At 31 December 2013, the following rates were applied to convert foreign denominated assets into sterling: Danish krone (8.9671); euro (1.2020); Norwegian krone (10.0482); Swedish krona (10.6374); Swiss franc (1.4730); and US dollar (1.6563).

Portfolio hedging
At times, 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, there were no outstanding derivative financial instruments.

The Trust does not trade in derivatives but may hold them from time to time to hedge specific exposures with 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.

NOTES TO THE FINANCIAL STATEMENTS continued

19. Financial risk continued

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 loans 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 have been 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 about £407,000, 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 22% of the Trust's net assets at the year-end are liquid resources and, in addition, the Trust has a £40 million multi-currency 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 11.

Currency exposure

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

	2013				2012			
	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	84,177	10,891	156,577	251,645	109,896	2,540	160,027	272,463
Danish krone	–	–	11,653	11,653	–	–	–	–
Euro	–	1,817	112,529	114,346	–	3,327	122,932	126,259
Norwegian krone	–	–	31,656	31,656	–	–	32,718	32,718
Swedish krona	–	–	10,641	10,641	–	–	7,975	7,975
Swiss franc	–	–	2,739	2,739	–	–	2,103	2,103
US dollar	–	–	19,409	19,409	–	–	332	332
Total	**84,177**	**12,708**	**345,204**	**442,089**	**109,896**	**5,867**	**326,087**	**441,850**

Fixed rate assets comprised gilts with interest rates of 2.25% per annum and 4.0% per annum which mature in March 2014 and September 2014 respectively. The floating rate assets consisted of cash.

The non interest-bearing assets represent the investment portfolio and the financial derivative instruments held in fund limited partnerships.

Through its investment into the HgCapital Mercury D LP fund, the Trust had outstanding borrowings of £1,421,053 (see note 17 and 18) at the year-end (2012: £nil). The numerical disclosures above exclude short-term debtors and creditors.

Capital management policies and procedures

The Trust's capital management objectives are to ensure that it will be able to finance its business as a going concern and to maximise the revenue and capital return to its equity shareholders.

NOTES TO THE FINANCIAL STATEMENTS continued

19. Financial risk continued

The Trust's capital at 31 December comprised:	2013 £'000	2012 £'000
Equity:		
Equity share capital	9,331	8,908
Share premium	120,368	102,746
Capital redemption reserve	1,248	1,248
Retained earnings and other reserves	309,637	325,054
Total capital	**440,584**	**437,956**

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 projected level of liquid funds (including access to bank facilities);
- 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 opportunity to raise funds by an issue of equity shares; 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

	2013		2012	
	No. '000	£'000	No. '000	£'000
Ordinary shares of 25p each				
Allotted, called-up and fully paid:				
At 1 January	35,564	8,890	31,822	7,956
Issued following exercise of subscription rights	1,761	441	3,742	934
At 31 December	37,325	9,331	35,564	8,890
Subscription shares of 1p each				
Allotted, called-up and fully paid:				
At 1 January	1,761	18	5,503	55
Conversion into Ordinary shares upon exercise of subscription rights	(1,761)	(18)	(3,742)	(37)
At 31 December	–	–	1,761	18
Total share capital	**37,325**	**9,331**	**37,325**	**8,908**

The Trust's issued share capital at the beginning of the year consisted of 35,564,185 Ordinary shares. On 31 May 2013, 1,760,513 new Ordinary shares were issued pursuant to the exercise of the remaining Subscription shares. The subscription price paid per Ordinary share was £10.25 and total proceeds of £18,045,258 were received by the Trust.

At the beginning of the year, the Trust had 1,760,513 Subscription shares in issue. Each Subscription share entitled the holder to subscribe for one Ordinary share upon exercise of the subscription right and payment of the subscription price. The final opportunity in the current year to exercise such right was on 31 May 2013 when 1,760,513 Subscription shares were exercised at a subscription price of £10.25 per share. The Ordinary shares issued commenced trading on 11 June 2013.

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 shareholders for the allotment of new shares.

NOTES TO THE FINANCIAL STATEMENTS continued

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 2013	102,746	1,248	317,366	(9,545)	17,233
Issue of Ordinary shares	17,622	–	–	–	–
Transfer on disposal of investments	–	–	8,626	(8,626)	–
Losses on government securities	–	–	(732)	(48)	–
Net gain on sale of fixed asset investments	–	–	937	–	–
Net movement in unrealised depreciation of fixed asset investments	–	–	–	(18,858)	–
Dividends paid	–	–	–	–	(8,180)
Net return for the year after taxation	–	–	–	–	12,913
Loans advanced to General Partners	–	–	–	(1,449)	–
As at 31 December 2013	**120,368**	**1,248**	**326,197**	**(38,526)**	**21,966**

22. Commitment in fund partnerships and contingent liabilities

Original and outstanding commitments in Fund partnerships	Original	Outstanding at 31 Dec	
Fund	Commitment £'000	2013 £'000	2012 £'000
HGT 7 LP [1]	200,000	182,477	–
HgCapital Mercury D LP	60,000	49,547	55,274
HGT 6 LP	285,029	21,101	64,479
Hg RPP2 LP	33,278 [2]	17,100 [3]	22,052
HGT LP [4]	120,000	6,579	15,791
Hg 6 E LP	15,000	1,485	3,586
Hg RPP LP	18,003 [5]	1,147 [6]	985
Total outstanding commitments		**279,436**	**162,167**

[1] HgCapital Trust plc has the benefit of an investment opt-out provision in its commitment to invest alongside HgCapital 7, so that it can opt out of a new investment without penalty should it not have the cash available to invest.

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

[3] Sterling equivalent of €20,554,517 (2012: €27,188,000)

[4] With effect from 21 October 2011, £12 million (10% of the original £120 million loan commitment to the Hg5 fund) was cancelled and, on 31 March 2013, the commitment was further reduced by £9 million (7.5% of the original £120 million loan commitment).

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

[6] Sterling equivalent of €1,378,180 (2012: €1,215,000)

23. Key agreements, related party transactions and ultimate controlling party

HgCapital and its subsidiaries act as Manager of the Trust through a management agreement and participate through limited partnership agreements as General and Founder, secretary and administrator partners of the fund partnerships in which the Trust invests.

The Trust has no related parties. The Trust has no ultimate controlling party.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HgCAPITAL TRUST PLC

Opinion

In our opinion, the financial statements of HgCapital Trust plc (the 'Trust'):

- give a true and fair view of the state of the Trust's affairs as at 31 December 2013 and of its loss 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.

The financial statements 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 the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Going concern

As required by the Listing Rules we have reviewed the Directors' statement contained within the Strategic Report on page 13 that the Trust is a going concern. We confirm that:

- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Trust's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Trust's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
The valuation of unquoted investments The valuation of unquoted investments held by the fund limited partnerships involves the use of a significant degree of judgement in applying the International Private Equity and Venture Capital valuations guidelines.	• The investment valuations are prepared by the independent manager, HgCapital LLP, and subject to an appropriate degree of challenge by the Trusts's Audit and Valuation Committee. We attended the Audit and Valuation Committee meeting where these investment valuations were reviewed and discussed in detail to observe this process; • We tested the detailed valuations by considering the appropriateness of the methodology applied and the reasonableness of the underlying assumptions. We verified the inputs to the valuations by agreeing these to underlying supporting documentation and testing their arithmetical accuracy; • We checked that the forecast information provided for the underlying investments was reasonable in light of the historical performance and expected future earnings based on a review of the detailed valuations and forecast information which included future plans on the business; and • We reviewed the design and implementation of the controls around the valuation of investments at the Manager, HgCapital LLP, to verify that appropriate controls are in place.
The ownership of investments The Trust holds investments in fund limited partnerships and government securities. Any error in the number of holdings could be material.	• We confirmed the existence and ownership of the fund limited partnerships held by Trust by verifying the proportion held through independent confirmations from the General Partner; • We confirmed the existence and ownership of the government securities held by the Trust by obtaining an independent confirmation from the custodian to verify the holdings at the year-end; and • We reviewed the design and implementation of the controls around the ownership of investments at the Manager, HgCapital LLP, to verify that appropriate controls are in place at the Manager to maintain accurate records of investment holdings.
Revenue recognition The completeness and accuracy of the split between revenue and capital could impact the level of distribution required by the investment trust regulations.	• We carried out testing relating to the design and implementation of controls over revenue recognition and allocation between the revenue and capital columns in the financial statements to verify that the controls in place are appropriate. We also reviewed the accounting policies for the allocation of revenue between revenue and capital and tested that the relevant policies have been applied and that these are in line with the requirements of the investment trust regulations and the Statement of Recommended Practice issued by the Association of Investment companies; and • We tested the completeness of the revenue recognised and correct application of cut-off, and that recognition of revenue is in line with the requirements of FRS 5 "Reporting the substance of transactions".

The Audit Committee's consideration of these risks is set out on page 101.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HgCAPITAL TRUST PLC

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Trust to be £13.2 million, which is set at 3% of the net asset value.

We agreed with the Audit and Valuation Committee that we would report to the Committee all audit differences in excess of £264,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Trust and its environment, including the design and implementation of key controls, and assessing the identified risks of material misstatement.

Our audit of the Trust was undertaken to the materiality level specified above by one London-based audit team and was performed at the London offices of the Manager, HgCapital LLP.

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 Strategic Report and 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

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Trust; or
- the Trust's financial statements are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Trust's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Trust acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit and Valuation Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HgCAPITAL TRUST PLC

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. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, strategically focused second partner reviews and independent partner reviews.

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.

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Andrew Partridge (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
7 March 2014

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

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 2013.

The Corporate Governance Statement forms part of this Directors' Report.

Status of the Trust

The Trust is an investment company, as defined in section 833 of the Companies Act 2006, and operates as an investment trust in accordance with section 1158 and section 1159 of the Corporation Tax Act 2010. HMRC approval of the Trust's status as an investment trust has been received in respect of the year ended 31 December 2011. Following changes to the section 1158 rules with effect from 1 January 2012, the Trust no longer has to seek approval as an investment trust under section 1158 of the Corporation Tax Act each year, but had to make a one-off application for approval as an investment trust. The Trust has received confirmation from HMRC that it has been accepted as an approved investment trust with effect from 1 January 2012, provided it continues to meet the eligibility conditions for section 1158 and the ongoing requirements for approved companies in the Investment Trust (Approved Company) (Tax) Regulations 2011.

Capital structure

The Trust had 35,564,185 Ordinary shares and 1,760,513 Subscription shares in issue at the beginning of the year under review. All of the Subscription shares were converted into Ordinary shares during the year and as at 31 December 2013, the Trust had 37,324,698 Ordinary shares of 25 pence each in issue. As at 1 March 2014, the Trust had 37,324,698 Ordinary shares of 25 pence each in issue. Each Ordinary share has one voting right attached to it. The total number of voting rights in the Trust at this date was 37,324,698. Further information on the share capital of the Trust can be found in note 20 of the financial statements.

Results and dividend

The total return for the Trust is set out in the income statement on page 63. The total loss for the year after taxation, was £7,237,000 (2012: total return of £58,759,000) of which the revenue return was £12,913,000 (2012: revenue return of £10,398,000).

The Directors recommend the payment of a dividend of 29.0p per Ordinary share for the year ended 31 December 2013 (2012: 23.0p). Subject to approval of this dividend at the forthcoming annual general meeting ('AGM'), it will be paid on 16 May 2014 to shareholders on the register of members at the close of business on 4 April 2014.

Greenhouse gas emissions

The Company has no greenhouse gas emissions to report from the operations of the Company, nor does it have responsibility for any other emissions producing sources reportable under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Stewardship

Our Manager, HgCapital, seeks to invest in companies that are well managed, with high standards of corporate governance. The Directors of the Trust believe this creates the proper conditions to enhance long-term shareholder value and to achieve a high level of corporate performance.

The exercise of voting rights attached to the Trust's underlying proportion of the portfolio lies with 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.

Derivative transactions

The Trust had no outstanding derivative contracts at 31 December 2013.

CORPORATE GOVERNANCE continued

DIRECTORS' REPORT

The Trust's Board of Directors

As noted earlier, Piers Brooke retired as a Director at the Company's AGM held on 8 May 2013. The Board recognises the outstanding contribution Mr Brooke made to the Trust during his tenure and we thank him for his service as a member of the Board.

Mr Gale will not offer himself for re-election at the forthcoming AGM. We thank him for his long service to the Trust.

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

Roger Mountford (Chairman of the Board)

Aged 65, 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 the Allied Domecq Pension Fund. He is 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.

Richard Brooman (Chairman of the Audit & Valuation Committee)

Aged 58, Richard Brooman was appointed to the Board in 2007. He is a chartered accountant and is Deputy Chairman of the Board and Chairman of the Audit Committee of Invesco Perpetual UK Smaller Companies Investment Trust plc. He is a non-executive director and Chairman of the Audit Committee of Acal plc, a non-executive director of the Camden & Islington NHS Foundation Trust and a trustee of Leonard Cheshire Disability, in each case chairing the Audit & Risk Committees. 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 in London.

Peter Dunscombe (Chairman of the Management Engagement Committee with effect from 1 January 2014)

Aged 64, Peter Dunscombe was, until mid-2011, Head of Pension Investments at the BBC Pension Trust and is a member of the investment committees of The Pensions Trust, Reed Elsevier Pension Fund and St James's Place plc. Mr Dunscombe was formerly joint managing director at Imperial Investments Limited.

In addition to joining the HgCapital Trust board in 2013 he joined the board of GCP Student Living plc and became a member of the investment committee of the Nuffield Foundation.

Peter Gale (Deputy Chairman and Senior Independent Director)

Aged 58, Peter Gale was appointed to the Board in 1991. He 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 company responsible for investment strategy and asset allocation and in 2003 became Managing Director of Gartmore Private Equity. In 2010 he 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.

Mr Gale will retire from the Board at the forthcoming AGM.

Andrew Murison

Aged 65, 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 68, Mark Powell was appointed to the Board in 2010. He 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 and Management Engagement Committees; further details are provided in the Corporate Governance Statement on page 98.

All Directors are non-executive.

None of the Directors had any other connections with the Manager or served together as directors of any other company.

CORPORATE GOVERNANCE continued

DIRECTORS' REPORT

Mr Dunscombe was appointed to the Board with effect from 1 January 2014, following an active search by the Zygos Partnership, and brings successful experience and expertise in investment companies. In accordance with the AIC Code of Corporate Governance, a resolution to elect Mr Dunscombe will be proposed at the forthcoming AGM.

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 Mountford and Mr Murison will offer themselves for re-election at this year's annual general meeting.

In accordance with the Articles of Association, having held office and not retired at the previous two AGMs, Mr Powell will retire from office by rotation and will offer himself for re-election at the forthcoming AGM.

The Board has considered the performance of Mr Mountford, Mr Murison and Mr Powell and recommends that they be proposed for re-election. This opinion is based on the following assessment of their contribution to the operation of the Board:

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. More recently, as a trustee of three major pension schemes with more than £10 billion in assets under management, he has extensive knowledge of investment markets. He has long experience of corporate finance as both a financial adviser and chairman of a wide range of private and public boards. 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.

Mr Powell

Mr Powell held senior management and leadership positions in investment management and financial services businesses for over twenty years latterly as Chairman of a leading wealth management group whose shares are a constituent of the FTSE 250 Index. He has considerable knowledge and experience of the needs of investors and of corporate governance. He is a former Chairman of what is now the Wealth Managers' Association as well as a former member of the Takeover Panel. His extensive experience enables him to make a valuable contribution to the Board and to the Trust.

Mr Murison

Mr Murison has over forty years' experience of the investment trust industry having trained as a trust manager and subsequently written comprehensively about the industry as financial correspondent of The Economist. He also has extensive experience of corporate finance and private equity having formed a venture partnership in the United States over thirty years ago and subsequently managing and advising funds investing in the UK. He contributes a practitioner's understanding of private equity and a broad knowledge of investment issues and priorities.

Substantial interests

As at 31 December 2013, the Trust had received notice that the persons noted in the table below had interests in 3% or more of the total voting rights of the Trust.

	Ordinary shares[1]	% of voting rights[2]
Cazenove Capital Management Limited	4,077,196	10.9%
Oxfordshire County Council Pension Fund	1,677,500	4.5%
Ian Armitage	1,383,865	3.7%
HSBC Holdings plc	1,594,924	4.3%
Royal London Asset Management (CIS) Limited	1,290,200	3.5%
Red Rocks Capital LLC	1,877,313	5.0%

As at 7 March 2014, being the latest practicable date prior to the publication of this report , the Trust had received notice that the persons noted in the table below had interests in 3% or more of the total voting rights of the Trust.

	Ordinary shares[1]	% of voting rights[2]
Cazenove Capital Management Limited	4,246,891	11.4%
Oxfordshire County Council Pension Fund	1,934,000	5.2%
Red Rocks Capital LLC	1,877,313	5.0%
Ian Armitage	1,383,865	3.7%
Royal London Asset Management (CIS) Limited	1,290,200	3.5%

[1] Notifications are required where an investor reaches the 3% threshold and for every 1% increase or decrease thereafter. The above holdings are therefore not necessarily representative of the actual investor holdings at 31 December 2013 and at 7 March 2014.

[2] Where notifications were received prior to the placing and open offer in 2010 and subsequent share issues to fulfil Subscription share exercises during 2011 and 2012, percentages have been updated to reflect the increased number of Ordinary shares in issue and may therefore differ from the percentages notified at the relevant time.

CORPORATE GOVERNANCE continued

DIRECTORS' REPORT

ANALYSIS OF REGISTERED ORDINARY SHAREHOLDERS AS AT 31 DECEMBER 2013

By type of holder	Number of shares	% of total 31 Dec 2013	% of total 31 Dec 2012*	Number of holders	% of total 31 Dec 2013	% of total 31 Dec 2012*
Direct private investors	574,013	1.54	1.86	197	24.80	29.20
Nominee companies	36,107,486	96.74	96.06	555	69.90	63.96
Others	643,199	1.72	2.08	42	5.30	6.84
Total	**37,324,698**	**100.00**	**100.00**	**794**	**100.00**	**100.00**

By size of holding	Number of shares	% of total 31 Dec 2013	% of total 31 Dec 2012*	Number of holders	% of total 31 Dec 2013	% of total 31 Dec 2012*
1 – 5,000	663,418	1.78	1.68	548	69.02	65.24
5,001 – 50,000	2,471,325	6.62	6.53	146	18.39	20.23
50,001 – 100,000	2,706,781	7.25	9.19	36	4.53	6.27
over 100,000	31,483,174	84.35	82.60	64	8.06	8.26
Total	**37,324,698**	**100.00**	**100.00**	**794**	**100.00**	**100.00**

*Percentages calculated on the basis of 37,324,698 shares in issue at 31 December 2013
This table does not form part of the financial statements.

Investment management and administration

Throughout 2013, the Trust's assets were managed by Hg Pooled Management Limited 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 and any co-invest participations, 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, HgCapital 7 and HgCapital Mercury funds. These shares are the same as those payable by all institutional investors in these funds. Amounts of 1.75% per annum 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, in which the executives of HgCapital participate, carried interest is payable 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 and HgCapital 7, this incentive scheme has been replaced by a carried interest arrangement identical to that which applies to all other investors in HgCapital 6 and HgCapital 7. Under this arrangement, carried interest is payable, based on 20% of aggregate profits, after the repayment to the Trust of its invested capital payable once it has received a preferred return thereon of 8% per annum.

No priority profit share or carried interest will apply to any investment alongside HgCapital 6 and HgCapital 7 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% p.a. 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.

CORPORATE GOVERNANCE continued

DIRECTORS' REPORT

Donations

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

Annual General Meeting ('AGM')

The AGM of the Trust, which will include a presentation by the Manager, will be held at the offices of HgCapital, 2 More London Riverside, London SE1 2AP on Tuesday 13 May 2014 at 12 noon. Light refreshments will be available at the conclusion of the AGM. Notice of the AGM is given on pages 110 to 113.

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 14, 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 2014.

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 5,594,972 Ordinary shares (being 14.99% of the issued share capital) as set out in Resolution 11 in the Notice of AGM. This authority, unless renewed, will expire at the conclusion of the AGM in 2015 or 18 months from the passing of the resolution. 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 Conduct Authority, the maximum price that can be paid for each Ordinary share is the higher of: (a) 105% of the average of the mid-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 25p 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 2013. The authority gives the Directors, for the period until the conclusion of the AGM in 2014, the necessary authority to allot securities up to a maximum nominal amount of £5,868,090, or what was at 31 December 2012 approximately 66% of the issued Ordinary share capital of the Trust. Of this amount, £2,934,045, 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 2014 AGM. The authority to allot will be on broadly the same terms as the resolution passed at the 2013 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 £6,158,575 (or 24,634,300 Ordinary shares of 25p each) representing the guideline limit of approximately 66% of the Trust's Ordinary share capital. Of this amount £3,079,287 (or 12,317,150 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 2015 or, if earlier, 13 August 2015. 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 2013. 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 £6,158,575 (or 24,634,300 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 £3,079,287 (or 12,317,150 Ordinary shares of 25 pence each) representing 33% 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

CORPORATE GOVERNANCE continued

DIRECTORS' REPORT

(b) otherwise than in connection with an offer to existing shareholders, Ordinary shares up to a maximum nominal value of £933,117, 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 give fewer than 21 clear days' notice, unless the circumstances require it.

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 auditor is 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 auditor is 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
7 March 2014

CORPORATE GOVERNANCE continued

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT & 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 financial statements, 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 United Kingdom Generally Accepted Accounting Practice give a true and fair view of the assets, liabilities, financial position and profit or loss of the Trust;
- the Strategic Report and Manager's Review include 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; and
- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and the information provided to shareholders is sufficient to allow them to assess the Trust's performance, business model and strategy.

On behalf of the Board
Roger Mountford, Chairman
7 March 2014

CORPORATE GOVERNANCE continued

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 September 2012, were applicable in the year under review. The UK Code can be viewed at www.frc.org.uk.

In addition, the Board of HgCapital Trust plc has considered the principles and recommendations of the AIC Code of Corporate Governance ('AIC Code'), published in February 2013, 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 complied with 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

During the year under review, the Board consisted of six non-executive Directors until the retirement of Mr Brooke as a Director on 8 May 2013. All of the Directors are deemed to be independent of the Manager. In the Board's opinion, Mr Mountford, Mr Gale and Mr Murison continue to qualify as independent, 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 Mountford is a member of the Church of England Pensions Board, whilst Mr Powell is a co-opted member of its Investment Committee. Their fellow Directors do not believe that this connection in any way impedes the independence of either Mr Mountford or Mr Powell. 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.

The Board has considered its plans for the succession of appointments to the Board, having due regard to the benefits of diversity on the Board and the need to maintain an appropriate balance of skills and experience amongst Directors.

During the year, Mr Gale served as Deputy Chairman and Senior Independent Director ('SID') of the Trust, providing an alternative channel for shareholder communications.

Mr Gale is not offering himself for re-election at the forthcoming AGM. The Board has nominated Andrew Murison to act as SID; the Board does not propose to appoint a Deputy Chairman.

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 met formally six times during 2013 and on one additional occasion for a Board strategy day. 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.

CORPORATE GOVERNANCE continued

CORPORATE GOVERNANCE STATEMENT

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 has 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 year.

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 provided a suitable mix of skills and experience and that the Board was functioning effectively. The Board is also 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 Asset Services ('CAS'). Custody and settlement services are undertaken by Hg Investment Managers Limited (authorised and regulated by the Financial Conduct 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, as noted above, 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.

Throughout the financial year ended 31 December 2013, Mr Brooman was the Chairman of the Audit & Valuation Committee (and his report can be found on pages 100 and 101) and Mr Mountford was Chairman of 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.

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. It is intended that the terms of reference of the Management Engagement Committee will be expanded in order to add specific duties relevant to the implementation of the Alternative Investment Fund Managers' Directive, to reflect the detailed requirements of the Directive. Mr Dunscombe was appointed Chairman of the Management Engagement Committee with effect from 1 January 2014.

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.

The Board believes that, as a whole, it comprises an appropriate balance of skills, experience and knowledge. The Board also believes that diversity of experience and approach, including gender diversity, amongst Board members is of great importance and it is the Board's policy to give careful consideration to issues of board balance and diversity when making new appointments.

During 2013, 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 who retired and offered himself for re-appointment at the 2013 AGM.

Mr Dunscombe was appointed as a Director following an active search undertaken by The Zygos Partnership, acting as a recruitment consultant to the Trust. The Zygos Partnership has no other connection to the Trust.

CORPORATE GOVERNANCE continued

CORPORATE GOVERNANCE STATEMENT

Attendance record

The table below summarises the Directors' attendance at meetings of the Board and its committees, held in the year to 31 December 2013, compared with the number they were eligible to attend.

Mr Brooke retired from the Board on 8 May 2013, following serious illness that had prevented him from attending a number of meetings.

NUMBER OF MEETINGS ATTENDED/ ELIGIBLE TO ATTEND

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

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 2013 and up to the date of this report, and will continue to do so in the year ending 31 December 2014.

As part of the Board's responsibility for the internal control system, an ongoing process has been established in conjunction with HgCapital and CAS 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, CAS, 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 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 Trust 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.

Following the implementation of the UK Bribery Act in 2011, the Trust and the Manager formally adopted anti-corruption policies. The Board reviews compliance with these policies on a bi-annual 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 includes detailed research and appraisal, and also takes 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, CAS 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, in person or by proxy, 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 available to shareholders at the AGM.

HgCapital holds regular discussions with major shareholders, the feedback from which is greatly valued by the Board. In addition, the Chairman and the Senior Independent Director 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.

CORPORATE GOVERNANCE continued

AUDIT & VALUATION COMMITTEE REPORT

Dear Shareholder,

This is my first report to you in accordance with the recent changes to Corporate Governance in the UK and it presents an opportunity to show more clearly the range of work that the Audit & Valuation Committee has considered and the judgments it has exercised. The Committee, which met six times during the year, has continued to support the Board in fulfilling its oversight responsibilities, reviewing the critical valuations process, financial reporting, the system of internal control and management of risk, the audit process and the Trust's process for monitoring compliance with laws and regulations and its own code of business conduct.

The responsibilities of a company's audit committee are set out in the UK Corporate Governance Code, Disclosure and Transparency Rule 7.1 and the Committee's terms of reference.

Membership of the Audit & Valuation Committee

All of the Directors of the Trust 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. Mr Brooke ceased to be a member of the Committee, on his retirement as a Director of the Trust on 8 May 2013 and Mr Dunscombe joined the Committee on his appointment to the Trust on 1 January 2014.

All of the members of the Committee, whose biographies are included on page 91, have recent and relevant financial experience, as a result of their involvement in financial services and other industries. I am a chartered accountant with substantial experience in senior financial roles in a number of business sectors. Representatives of the external auditors, Deloitte LLP, also attend and present at meetings of the Committee.

Main issues considered by the Committee in 2013

During the year under review, the principal matters considered by the Committee were as follows:

- Regular six monthly valuation of the underlying portfolio assets, in line with International Private Equity and Venture Capital ('IPEV') guidelines and the calculation of NAV;
- The refocusing of risk management on the key risks pertinent to the Trust and the Board, as opposed to the Manager;
- The consideration of the risks associated with assets both individually and collectively;
- Recognition of loan stock interest receivable and the recognition of deferred tax assets;
- The planning, reporting and findings of the audit;
- Legal and regulatory change and compliance;
- The provision of services to the Trust, outsourced to third party providers; and
- Preparation of the Annual Report and Accounts and Interim Statements.

2014 Action Plan

A number of similar matters will be considered again in 2014, particularly those relating to valuation, the changing shape of the regulatory environment and the risks and opportunities so presented. Inevitably, the Annual Report and Accounts and the Interim Statements will occupy much Committee time. Appropriate GAAP and revisions to the investment trust SORP are expected to attract some attention later in the year. We expect to continue to sharpen our focus on relevant risks and the appropriate mitigation of their impact on the Company.

Financial Reporting

The Committee's key consideration in its work in connection with the Annual Report and Accounts is that the Board of Directors can deliver to shareholders financial statements which are fair, balanced and understandable.

The Committee considers in detail the annual and half-yearly reports published by the Trust. The Committee has engaged with the Manager in order to facilitate the making of any significant financial reporting judgements and has also considered industry practice amongst its peers, where this was considered appropriate.

Following discussion with the auditor and the Manager, the Committee considers the main risk in respect of the financial statements to be the valuation of multiple unlisted assets held through fund limited partnerships. In order to address this risk, the Audit & Valuation Committee has followed IPEV guidelines, considered comparable companies and questioned the Manager about the performance of the underlying businesses.

CORPORATE GOVERNANCE continued

AUDIT & VALUATION COMMITTEE REPORT

Risk Management and Internal Controls

The Committee is responsible for reasonably satisfying itself that:

- the accounting and internal control systems of the Trust, the Manager, Custodian and other service providers are adequate. It evaluates whether the Manager is setting the appropriate "control culture" by communicating the importance of internal control and risk management and is ensuring that all relevant employees of the Manager have an understanding of their roles and responsibilities;
- the systems put in place by the Manager in respect of the Trust (specifically accounting and internal control systems) meet relevant legal and regulatory requirements and to initiate further investigations as it sees fit as to the effectiveness of the systems of control; and
- matters of compliance are under proper review. The Committee has direct access to the Compliance Officer at the Manager and receives a report from the Compliance Officers of the Manager on a bi-annual basis confirming that the Trust's affairs have been conducted in compliance with the regulations applying to it.

Details in respect of the Board's approach to monitoring internal controls are provided on page 99.

The Board and the Committee have spent time in the past year assessing the suitability of the Trust's processes for mapping and monitoring risks; these processes are kept under regular review.

External Audit

The Trust's external auditor, Deloitte LLP, has been the Trust's auditor since 2008 and no tender for the audit contract of the Trust has been undertaken since this date. The audit engagement partner rotates every five years in accordance with the guidelines issued by the auditing practices board. During the year, the Committee undertook a review of the services provided by the auditor and the relevant fees and it was agreed that there was no need at present to tender the Trust's audit contract. Details of the audit and non-audit fees paid to Deloitte LLP are provided in note 6 to the financial statements.

The Committee monitors the Trust's relationship with Deloitte LLP 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.

The Committee has discussed Deloitte LLP's business relationship with the Manager and is satisfied that the external auditor remains independent of the Manager. Deloitte LLP has appropriate measures in place to ensure auditor objectivity and independence is safeguarded; such measures include ensuring that separate engagement teams conduct the audits for the Trust and the Manager. The Committee has considered the independence and objectivity of the auditor, having particular consideration of the factors outlined above, and is satisfied that Deloitte LLP is independent of the Trust and has fulfilled its obligations to the Trust and its shareholders.

Having regards to these and all other relevant factors, the Audit & Valuation Committee recommended to the Board that, subject to shareholder approval at the 2014 AGM, Deloitte LLP be reappointed as the independent auditor of the Trust for the forthcoming year.

Following completion of the external audit, the Committee obtains feedback on the conduct of the audit. 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.

Internal audit

The Trust does not have an internal audit function. The Committee considers from time to time whether there is a need for an internal audit function and it has been agreed that it remains appropriate for the Trust to rely on the internal controls implemented by the Manager and its third party providers.

Yours sincerely

Richard Brooman

Chairman, Audit & Valuation Committee

7 March 2014

CORPORATE GOVERNANCE continued

DIRECTORS' REMUNERATION REPORT

Statement from the Chairman of the Board

This Directors' Remuneration Report for the year ended 31 December 2013, has been prepared in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013.

This is the first time the Trust has prepared the report in accordance with the amended Regulations, which require companies to seek shareholder approval of the Directors' Remuneration Report every year and of the Directors' Remuneration Policy every three years. The vote on the Director's Remuneration Report is, as previously, an advisory vote, whilst the Directors' Remuneration Policy is subject to a binding vote. Accordingly, ordinary resolutions for the approval of this report and the Directors' Remuneration Policy will be put to members at the forthcoming AGM.

The Companies Act 2006 requires the auditors to report to shareholders on certain parts of the Directors' Remuneration Report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Regulations. The parts of the Annual Report on Remuneration that are subject to audit are indicated in that report. The statement by the Chairman of the Board and the Policy on Directors' Remuneration are not subject to audit.

The Trust decided in 2012 that as it has no employees or executive directors and the level of fees to be paid to the non-executive Directors and the Chairman are only considered within the limits prescribed by the Articles of Association, the maintenance of a separate Remuneration Committee added little value. On this basis, the Board as a whole is responsible for deciding the level of fees to be paid to the non-executive Directors and the Chairman, at its discretion within an aggregate ceiling of £300,000 per annum. Each Director abstains from voting on their own individual remuneration.

During the year under review, the whole Board met once during the year to consider the Directors' Remuneration Policy and annual fees. In order to reflect the continued high level of activity within the Trust and the time committed by Directors, with effect from 1 July 2013, the remuneration of the Directors was increased as follows:

- Mr Mountford (Chairman of the Board)
  – from £48,000 to £50,000 per annum;
- Mr Brooman (Chairman of the Audit & Valuation Committee)
  – from £38,000 to £40,000 per annum;
- All other Directors
  – from £29,000 to £30,000 per annum.

Policy on Directors' Remuneration

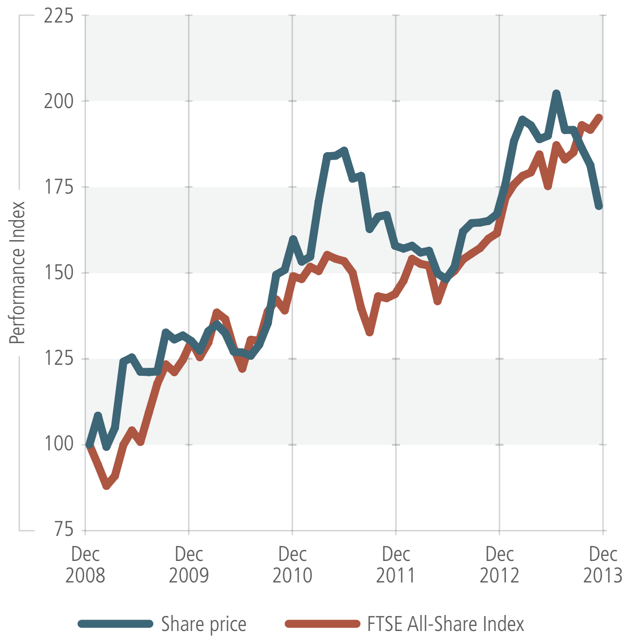
The Trust has no employees other than its Directors, who are all non-executive and independent of the Manager. The Secretary provides a comparison of the Directors' remuneration with other investment trusts of similar size and/or mandate. This comparison, together with consideration of any change in non-executive Directors' responsibilities, is used to review annually whether any change in remuneration is appropriate. The remuneration of the Directors is determined within the limits set out within the Trust's articles of association and the total aggregate annual fees payable to the Directors in respect of any financial period shall not exceed £300,000.

Assuming this policy is approved by shareholders at the forthcoming AGM, it is intended that this policy will be effective immediately and will continue for the year ending 31 December 2014 and subsequent years.

Any views expressed by shareholders at the Trust's AGM in respect of the Directors' remuneration are taken into account in formulating the Directors' remuneration policy. At the last AGM, approximately 99.96% of votes were in favour of the Directors' Remuneration Report, with approximately 0.04% voting against, showing significant shareholder support.

Annual Remuneration Report

Share price performance from 31 December 2008 to 31 December 2013



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.

CORPORATE GOVERNANCE continued

DIRECTORS' REMUNERATION REPORT

Total remuneration paid to each Director

The Directors who served during the year received the following remuneration:

This information has been audited.

Directors' remuneration	Total remuneration	
	2013 £	2012 £
Piers Brooke (retired 8 May 2013)	10,277	28,500
Richard Brooman (Chairman of the Audit & Valuation Committee)	39,000	37,000
Peter Gale	29,500	28,500
Roger Mountford (Chairman)	49,000	46,500
Andrew Murison	29,500	28,500
Mark Powell	29,500	28,500
Total remuneration	**186,777**	**197,500**

None of the fees referred to in the above table were paid to any third party in respect of the services provided by any of the Directors.

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.

During the year, the Trust retained The Zygos Partnership to identify candidates for appointment to the Board and to manage the interview process; as part of this engagement The Zygos Partnership was consulted on the subject of Director remuneration. No separate fee was paid for this advice and the Trust retained no other consultant to advise on Board remuneration. When considering remuneration, the Board reviewed a schedule of directors' fees at comparable investment trusts prepared by the Secretary.

Other Benefits

Taxable Benefits

Article 117 of the Company's Articles of Association provides that Directors are entitled to be reimbursed for reasonable expenses incurred by them in connection with the performance of their duties and attendance at Board and General Meetings.

Pensions related benefits

Article 118 permits the Company to provide pension or similar benefits for Directors and employees of the Company. However, no pension schemes or other similar arrangements have been established and no Director is entitled to any pension or similar benefits.

Relative importance of spend on pay

The table below shows the proportion of the Trust's income spent on pay.

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 Trust does not have a policy on termination payments and no past Director has been compensated for loss of office.

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

None of the Directors receive any non-cash benefits.

	2013	2012	Percentage change
Total Directors' remuneration (£'000)	187	198	(6%)[1]
Total dividend payment (£'000)	10,824	8,180	32%

[1] The normalised remuneration during the year, adjusted for the retirement of Piers Brooke, is £206,000, an increase of 4% over the 2012 remuneration.

Directors' interests

There is no requirement under the Trust's Articles of Association or letters of appointment for Directors to hold shares in the Trust. The interests of the Directors in the shares of the Trust, at end of the year under review and at the end of the previous year, were as follows:

This information has been audited.

No. Ordinary shares	2013	2012
Richard Brooman	1,840	1,840
Peter Gale	12,834	12,834
Roger Mountford	14,447	14,222
Andrew Murison	13,153	13,153
Mark Powell	3,000	3,000
Piers Brooke	n/a	3,000

There have been no changes in the interests of the Directors (including their connected persons), in the Ordinary shares of the Trust, between 31 December 2013 and the date of this report.

On behalf of the Board

Roger Mountford
Chairman of the Board
7 March 2014

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 Accounts 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 2013 is 29.0p per share.

Ex-dividend date (shares transferred without dividend)	2 April 2014
Record date (last date for registering transfers to receive the dividend)	4 April 2014
Last date for registering DRIP instructions (see below)	24 April 2014
Dividend payment date	16 May 2014

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 24 April 2014.

Share price

The Trust's mid-market Ordinary share price is published daily in the Times and the Daily Telegraph under the section 'Investment Companies'. In the Financial Times, the Ordinary share price is 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

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.

SHAREHOLDER INFORMATION continued

Telephone share dealing

Please note this service is, at present, only available to shareholders resident in the UK and Ireland. The commission is 1% plus a standard charge of £25. In addition, stamp duty, currently 0.5%, is payable on purchases. The service is available from 8.00am 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 Conduct 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 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

Where possible, dividends can be designated as an interest distribution (interest streaming) for tax purposes. This will be paid net of withholding tax of 20% which can be reclaimed by shareholders, depending on their relevant tax status, and the gross amount is taxed as interest income. Where interest streaming is not possible, 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 2012/13, 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 predominantly unquoted companies, which form the majority of the Trust's investments, may not be as readily realisable as investments in quoted companies.
- As HgCapital invests in Continental Europe and in companies that trade internationally, the value of the Trust's shares may be affected by changes in rates of exchange.
- HgCapital invests in a portfolio of small to mid-cap companies, with enterprise values between £20 million and £500 million (at the 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 them 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.

SHAREHOLDER INFORMATION continued

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; and
- 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.

Non Mainstream Pooled Investments

The Board notes the changes to the FCA rules relating to the restrictions on the retail distribution of unregulated collective investment schemes and close substitutes which came into effect on 1 January 2014.

Having taken legal advice, this confirms that the shares of HgCapital Trust plc (the 'Trust') shares will qualify as an 'excluded security' under these new rules and will therefore be excluded from the FCA's restrictions which apply to non-mainstream investment products. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

HgCapital Trust plc conducts its affairs so that the shares issued by the Trust can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

ISA status

The Trust's shares are eligible for stocks and shares ISAs.

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

INVESTING IN PRIVATE EQUITY

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 a form of finance well-suited 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 publicly traded equities. To compensate for this, they offer greater control and aim for 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 the management 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 can be de-listed and refinanced with private equity capital.
- **Better access presenting the possibility for** better assessment
  Prior to investing, private equity managers often have better access to information, including detailed market, financial, legal and management due diligence.

INVESTING IN PRIVATE EQUITY continued

LISTED PRIVATE EQUITY

Listed Private Equity ('LPE') 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 LPE companies, the investor benefits from liquidity while participating in the potentially superior returns of a private equity portfolio. In addition, LPE 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 shareholders.
Provided they meet certain criteria, investment trusts pay no corporation tax on capital gains but may not retain more than 15% of their income 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; most 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 64 investable listed private equity companies, with market capitalisation of c.€40 billion of which c.€16 billion are London-listed companies (source: LPEQ January 2013). 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 they 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 was 1,200p and the share price was 1,050p, the discount would be 12.5%.

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 2013, shareholders' funds were £440,584,000 and there were 37,324,698 Ordinary shares in issue; the NAV was therefore 1,180.4p 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 1,260p and the NAV were 1,200p, 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 have 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 independent advisor.

Notice is hereby given that the Annual General Meeting (the 'AGM') of HgCapital Trust plc will be held at the Company's registered office at 2 More London Riverside, London SE1 2AP, on Tuesday 13 May 2014 at 12 noon to transact the following business:

Ordinary business

To consider and, if thought fit, pass resolutions 1 to 10 as ordinary resolutions.

1. To receive the Report of the Directors, the Strategic Report and the Financial Statements for the year ended 31 December 2013, together with the report of the independent auditor thereon.
2. To approve the Directors' Remuneration Report other than the part containing the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Policy.
4. To declare a dividend of 29.0p per share.
5. To elect Mr P Dunscombe as a Director.
6. To re-elect Mr R Mountford as a Director.
7. To re-elect Mr A Murison as a Director.
8. To re-elect Mr M Powell as a Director.
9. To re-appoint Deloitte LLP as independent Auditor to the Company.
10. To authorise the Directors to determine the independent Auditor's remuneration.

Special business

To consider and, if thought fit, pass resolutions 11, 13 and 14 as special resolutions and resolution 12 as an ordinary resolution.

11. THAT in substitution for the Company's existing authority to make market purchases of Ordinary shares of 25p in the Company ('Ordinary shares'), the Company be and it is hereby authorised in accordance with Section 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 5,594,972;
    (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 mid-market quotations of the Ordinary shares in the Company for the five business days prior to the date on which such share is contracted immediately 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 annual general meeting of the Company or, if earlier, on 13 November 2015 unless previously renewed, varied or revoked by the Company in general meeting; and
    (v) the Company may make a contract to purchase Ordinary shares under the authority hereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority, and may purchase Ordinary shares in pursuance of any such contract.
12. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Act 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 £3,079,287; and
    (b) up to a further aggregate nominal amount of £3,079,287 provided that (i) they are equity securities (within the meaning of Section 560(1) of the Act) 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

NOTICE OF ANNUAL GENERAL MEETING continued

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 13 August 2015, 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; and all unexercised authorities previously granted to the Directors to allot shares and grant Rights be and are hereby revoked.

13. THAT the Directors be and they are hereby empowered pursuant to Section 570 and Section 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash either pursuant to the authority conferred by Resolution 12 above, or by way of a sale of treasury shares, as if Section 561(1) of the 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 12 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 13) to any person or persons of equity securities up to an aggregate nominal amount of £933,117,

and shall expire upon the expiry of the general authority conferred by Resolution 12 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.

14. 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
7 March 2014

NOTICE OF ANNUAL GENERAL MEETING continued

NOTES

1. To be entitled to attend and vote at 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 6.00pm on 9 May 2014 (or, in the event of any adjournment, 6.00pm 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.
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 9 May 2014.
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 Act 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 6.00pm on 9 May 2014 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 6.00pm on 9 May 2014 ('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.

NOTICE OF ANNUAL GENERAL MEETING continued

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 37,324,698 Ordinary shares carrying one vote each. Therefore, the total voting rights in the Company as at 7 March 2014 are 37,324,698.
13. In accordance with Section 319A of the Act, 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 Act, 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 Act. 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 Act. Where the Company is required to place a statement on a website under Section 527 of the Act, 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 Act to publish on a website.
15. Members satisfying the thresholds in Section 338 of the Act 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 Act 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 six weeks before the date of the AGM.
17. A copy of this Notice of Annual General Meeting and, if applicable, any member's statements, member's resolutions or member's matters of business received by the Trust after the date of this notice will be 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 Company, 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 transferee.

BOARD, MANAGEMENT AND ADMINISTRATION

Board of Directors

Roger Mountford (Chairman)

Richard Brooman
(Chairman of the Audit & Valuation Committee)

Peter Gale
(Deputy Chairman and Senior Independent Director)

Peter Dunscombe (appointed 1 January 2014)
(Chairman of the Management Engagement Committee)

Andrew Murison

Mark Powell

HgCapital Trust plc

2 More London Riverside
London
SE1 2AP

www.hgcapitaltrust.com

Registered office

(Registered in England No. 1525583)
2 More London Riverside
London
SE1 2AP

Manager

HgCapital[1]
2 More London Riverside
London
SE1 2AP

Telephone: 020 7089 7888
www.hgcapital.com

Secretary and administrator

Hg Pooled Management Limited[2]
2 More London Riverside
London
SE1 2AP

Telephone: 020 7089 7888
www.hgcapital.com

Custodian

Hg Investment Managers Limited[2]
2 More London Riverside
London
SE1 2AP

Registrar

Computershare Investor Services PLC[2]
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

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

Stockbroker

Numis Securities Ltd[2]
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

The AIC is the trade body for closed-ended investment companies. It helps its member companies deliver better returns for their investors through lobbying, media engagement, technical advice, training, and events.

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.

[1] HgCapital is the trading name of Hg Pooled Management Limited and HgCapital LLP.

[2] Authorised and regulated by the Financial Conduct Authority.

www.hgcapitaltrust.com