HgCapital Trust plc

ANNUAL REPORT AND ACCOUNTS

31 December 2014

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 Hg Pooled Management Limited and HgCapital LLP. Hg Pooled Management Limited is the 'Manager'.

References in this annual report and accounts to 'Total Return' refer to a return where it is assumed that an investor has re-invested all historic dividends at the time when they were paid.

The photographs featured on pages 1, 8, 9, 15, 35, 57 and 111 in this report are of the building in London occupied by HgCapital and the surrounding area.

FINANCIAL HIGHLIGHTS

2014 PERFORMANCE

NET ASSET VALUE ('NAV') PER SHARE

The NAV per share at 31 December 2014 was £12.78, a total return for the year of:

+13%

NET ASSETS

The total NAV of the Trust at 31 December 2014 was:

£477m

SHARE PRICE

The share price at 31 December 2014 was £10.58, a total return for the year of:

+10%

MARKET CAPITALISATION

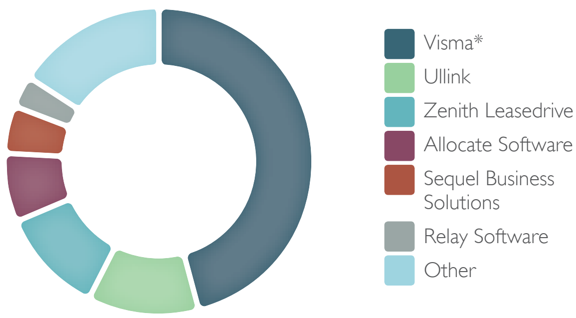
The market capitalisation of the Trust at 31 December 2014 was:

£395m

CASH DEPLOYED ON BEHALF OF THE TRUST

The amount of capital invested in 2014 that funded both new investments and further investments within the existing underlying portfolio:

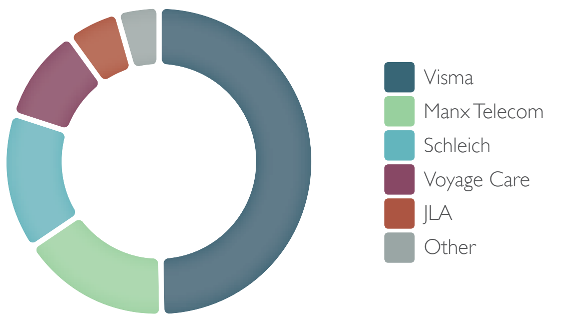
£87m



CASH REALISED FOR THE BENEFIT OF THE TRUST

Cash distributions received in 2014, resulting primarily from buyout realisations:

£83m

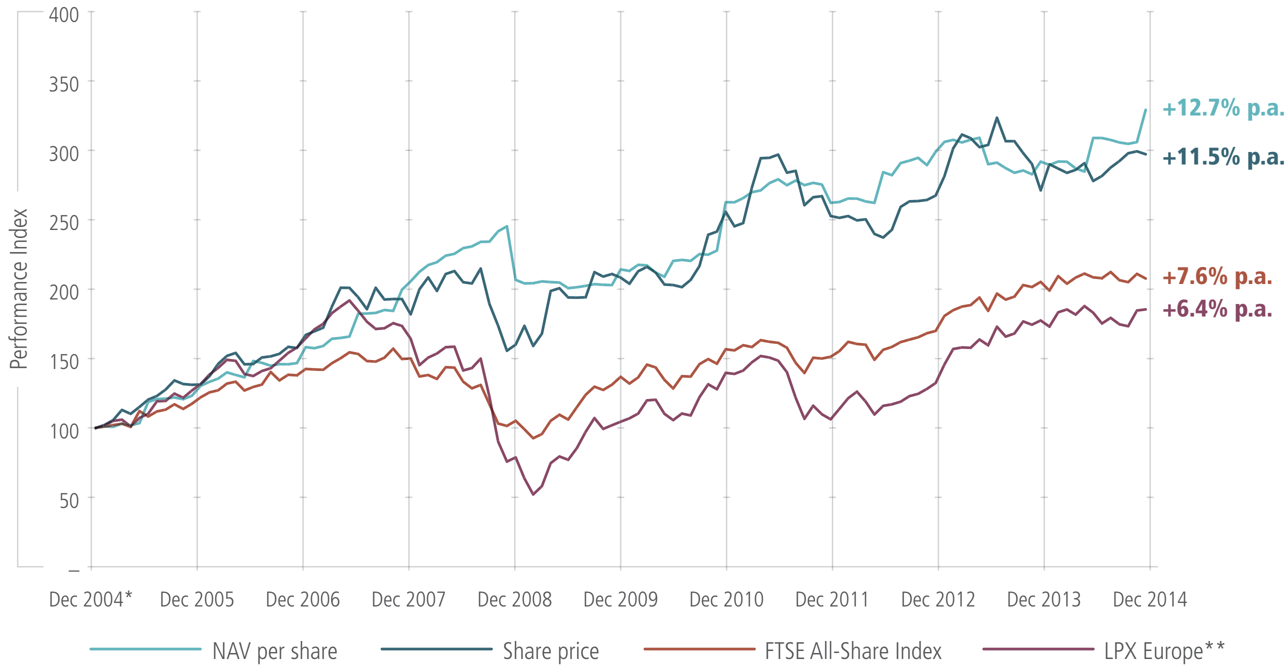


*Re-investment

FINANCIAL HIGHLIGHTS continued

LONG-TERM PERFORMANCE – TEN YEAR TOTAL RETURN

The Trust has continued to outperform the Listed Private Equity and public market indices.



Source: HgCapital, Factset

BALANCE SHEET ANALYSIS

as at 31 December 2014

£477m The NAV of the Trust

£63m The net liquid resources available for deployment representing **13%** of NAV.

£207m The amount of outstanding commitments representing **43%** of NAV.

* Performance record rebased to 100 at 31 December 2004. Source: Factset, HgCapital.

** 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.

FINANCIAL HIGHLIGHTS continued

THE PORTFOLIO

The Trust provides investors with access to a portfolio currently comprising **27 companies** actively managed by an experienced and well-resourced Manager.

Investments are made in private companies, primarily across Northern Europe, in selected parts of the TMT, Services and Industrial sectors where the Manager is confident that value can be created through a pro-active partnership with management teams, drawing on both sector and operational expertise to drive sustainable growth. The Manager has a commitment to address environmental, social and governance issues to ensure that, by meeting the expectations of wider society as well as of customers, these businesses will be able to achieve returns that are sustainable and which will be reflected in their value.

An investment in the Trust provides exposure to a portfolio of companies with potential for strong growth in sales and profitability. The top 20 buyout investments currently account for 89% of the portfolio value. These companies currently have aggregate revenues of **£1.9 billion** and EBITDA of **£410 million** with margins of **22%**.

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

TOP 20 INVESTMENTS

as at 31 December 2014

+11% p.a.

SALES GROWTH

The average growth in sales over the last twelve months.

+9% p.a.

PROFIT GROWTH

The average growth in EBITDA over the last twelve months.

13.2x

EV TO EBITDA MULTIPLE

The average ratings multiple used to value those investments that were valued on an earnings basis.

4.5x

DEBT TO EBITDA RATIO

The average net debt to EBITDA ratio.

FINANCIAL HIGHLIGHTS continued

LONG-TERM PERFORMANCE RECORD

HISTORIC RECORD

Year ended 31 December	Net assets attributable to shareholders £'000	NAV per share p	Share price p	Revenue return/ (loss) available for shareholders £'000	Revenue return/(loss) per share[1] p	Dividends per share[2] p
2005	156,487	621.3	583.5	2,965	11.8	10.0
2006	187,135	743.0	731.0	4,519	17.9	14.0
2007	238,817	948.2	782.5	7,446	29.6	25.0
2008	234,094	929.4	668.5	7,445	29.6	25.0
2009	236,044	937.2	844.0	7,148	28.4	25.0
2010	347,993	1,118.8	1,006.0	10,053	34.0	28.0
2011	346,832	1,089.9	970.0	(645)	(2.0)	10.0
2012	437,956	1,231.5	1,016.0	10,398	32.1	23.0
2013	440,584	1,180.4	1,010.0	12,913	35.3	29.0
2014	476,918	1,277.8	1,057.5	21,933	58.8	51.0[3]

[1] Based on weighted number of shares in issue during the year.
[2] Dividend proposed in respect of reported financial year, but declared and paid in the following year.
[3] Special dividend of 19.0 pence per Ordinary share paid on 26 September 2014, and proposed dividend of 32.0 pence per Ordinary share for the year ended 31 December 2014, to be paid on 18 May 2015, subject to shareholder approval.

TEN YEAR DIVIDEND RECORD

Source: HgCapital

FINANCIAL HIGHLIGHTS continued

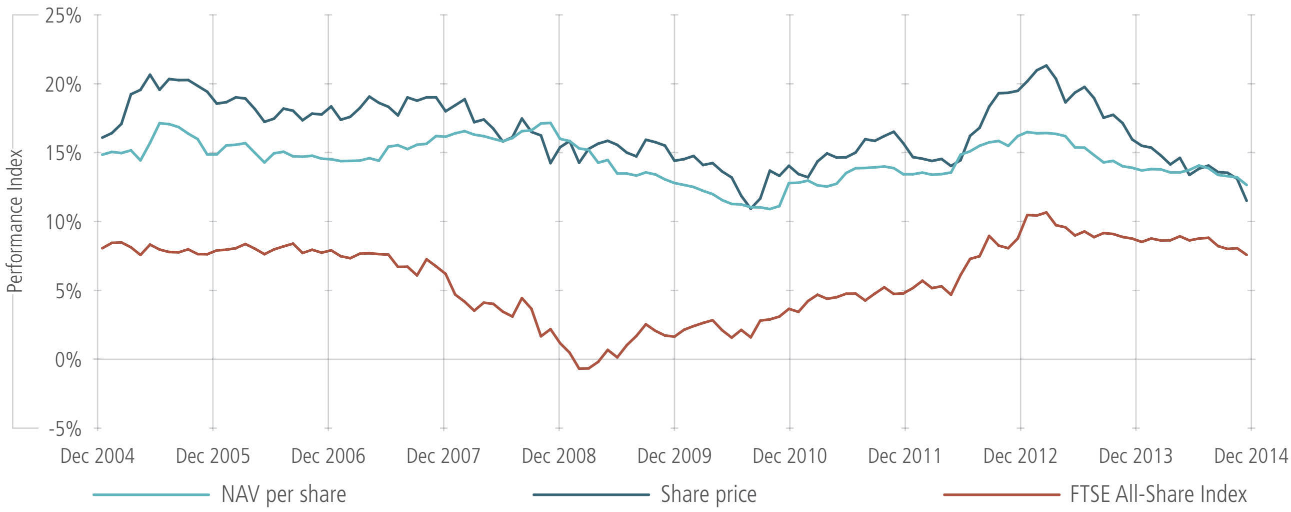
LONG-TERM PERFORMANCE RECORD

The Trust's share price has continued to outperform the FTSE All-Share Index over the long-term.

HISTORICAL TOTAL RETURN PERFORMANCE

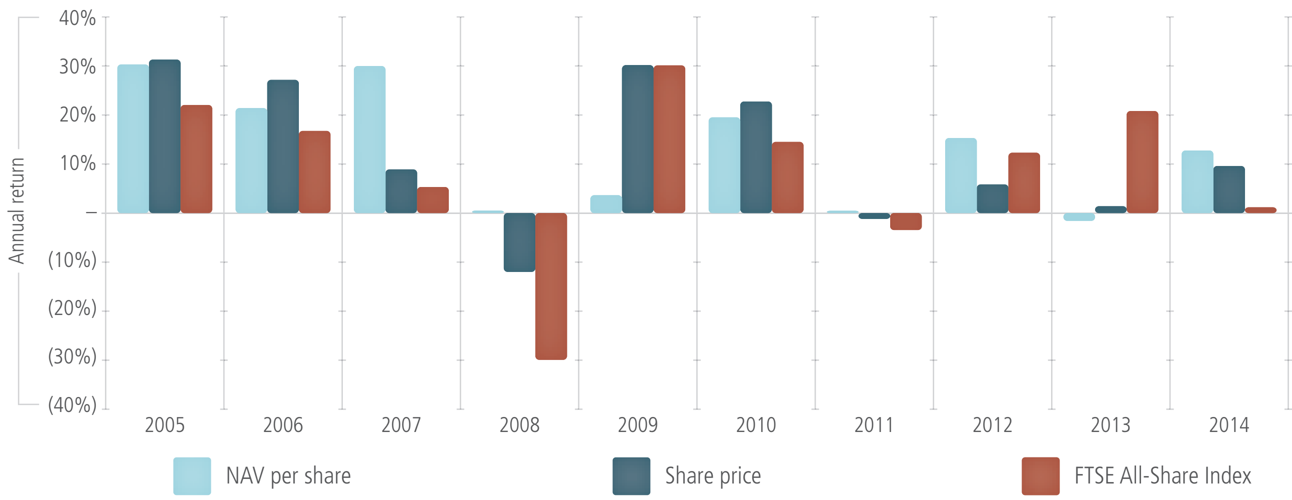
	One year % p.a.	Three years % p.a.	Five years % p.a.	Seven years % p.a.	Ten years % p.a.
NAV per share	12.8	7.9	9.0	7.0	12.7
Share price	9.6	5.6	7.4	7.3	11.5
FTSE All-Share Index	1.2	11.1	8.7	4.7	7.6
Share price performance per annum relative to the FTSE All-Share Index	8.4	(5.5)	(1.3)	2.6	3.9

TEN YEAR ROLLING TOTAL RETURN (CAGR)



Source: HgCapital, Factset

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



Source: HgCapital, Factset

THE BOARD'S STRATEGIC REPORT

CHAIRMAN'S STATEMENT

Active management across the portfolio is creating value that we believe will drive attractive returns for shareholders over the coming years

Investment activity and performance during the year

In 2014 the Manager, HgCapital, made substantial progress with the portfolio: realising cash from existing investments; working on the transformation of more recent acquisitions to grow value; and deploying cash into new opportunities. Some £83 million of capital and income was realised for the benefit of the Trust, primarily from realisations from the buyout portfolio. The largest contributor was the sale of Visma which returned a total of £41.4 million to the Trust at an investment multiple of 5.2x original cost. In addition to this, the IPO of Manx Telecom returned £13.1 million at a multiple of 2.1x original cost, and the exit of Schleich returned a further £11.9 million, at an investment multiple of 2.6x. The sale of Voyage Care and Americana were also completed in 2014. Total realisations over the course of 2014 were made at an aggregate uplift to book value (as at 31 December 2013) of £15.9 million.

The Manager has taken advantage of buoyant debt markets to re-finance a number of businesses with inexpensive debt to fund further acquisitions and, where appropriate, to return cash to the Trust.

In April 2014, we announced the realisation of our investment in Visma at a substantial uplift to its book value. However, the Board and Manager were keen to maintain our stake in this growing business and the ongoing transition of its software products to Software-as-a-Service ('SaaS'). Accordingly, we re-invested a sum similar to the realisation proceeds, but with half as a co-investment, bearing no management fees or carried interest. As part of this transaction, we received a substantial one-off dividend and we decided to pass this directly to our shareholders through a special dividend of 19 pence per share; this was announced at the interim results and paid in September.

The Manager invested £87 million from the Trust over the year, of which £63 million was deployed into five new buyouts. The Trust made a £200 million commitment to the Hg7 Fund in 2013 and made the first acquisition in relation to that commitment, of P&I, late in that year. The Trust invested in a further two businesses in 2014, with an additional investment expected to complete by May 2015. Upon completion, approximately 31% of our commitment for the Hg7 fund will have been invested. During the year the Mercury Fund, launched in 2011 to focus on lower-mid market TMT investments, deployed £13 million on behalf of the Trust into three new companies. The Trust made an original commitment of £60 million to this Fund, which is now 32% deployed. Both Hg7 and Mercury have a good pipeline of potential investment opportunities.

Consistent, long-term returns for investors are achieved by growing the store of value in the businesses in the portfolio. Revenues in the underlying buyout portfolio continued to grow strongly, with revenues in the top 20 investments (which in aggregate represent 89% of the portfolio's value) growing by 11% over 2014; this compares with growth of 9% in 2013. Profits (EBITDA) of the top 20 investments grew by 9%, the same rate of growth as the previous year. Aggregate EBITDA margins of 22% on revenue, across the top 20, show the high quality of the investment portfolio our Manager has assembled.

Across the buyout portfolio, strong EBITDA growth and improved ratings of comparable companies (used to value our investments) both contributed positively to NAV appreciation. The great majority of businesses in the portfolio grew in value, most notably IRIS, Visma, TeamSystem, Zenith Leasedrive, SimonsVoss, P&I, e-conomic and JLA. NetNames, which was previously written-down, has materially improved this year leading to an increase in valuation. Further value was added by the Manager's strategy of bringing together a series of small, independent businesses in the rather traditional car parts distribution market to create Parts Alliance, which is a nationwide distributor benefiting from increased efficiency and scale.

There has been no further material movement in the valuation of the renewable generating assets since April 2014, when the adverse effects of the retroactive changes implemented by the Spanish government were reflected in the valuations. The portfolio continues to be affected by depressed power prices in the Swedish market. The Manager sees opportunities to grow value both in the Irish Wind platform and the Swedish district heating platform. The Manager continues to pursue arbitration claims to recover losses resulting from the retrospective changes

THE BOARD'S STRATEGIC REPORT continued

CHAIRMAN'S STATEMENT

made to legislation in Spain that have affected the solar and hydro investments there.

Adverse factors over the period were political and economic uncertainty in the Eurozone and the significant fall in oil prices, which led to falls in the value of the euro, Norwegian krone and Danish krone, contributing to unrealised foreign exchange losses in the investment portfolio of £16 million. Post the year-end, currency movements have continued to affect the valuation of the non-sterling investments.

Despite this, the underlying strength of the buyout portfolio resulted in an increase in NAV per share, from 1,180.4 pence to 1,277.8 pence at 31 December 2014, after payment of a dividend in respect of 2013 of 29 pence in May 2014 and, in addition, the special dividend of 19 pence described on page 8. The Trust's share price at 31 December 2014 stood at £10.58, compared with £10.10 at the end of 2013. This represented a total return (assuming the re-investment of all historic dividends) to shareholders of 9.6%.

The Board recognises that, for many shareholders, their allocation to the Trust will be made from their equity portfolio, and probably from a broadly based equity portfolio that includes medium-sized companies comparable to the businesses in which the Trust invests. However, while listed market indices may therefore provide a guide to the performance foregone by holding shares in the Trust, they do not provide an appropriate benchmark against which to judge the short-term performance of the Trust's shares. The table on page 7 illustrates, annually over the last ten years, a lack of correlation between the Trust's performance and movements in the FTSE All-Share Index. Performance in recent years should be viewed against the strong recovery of listed markets from the financial crash, during which shares in the Trust performed relatively well. The Trust's performance relative to listed markets over longer periods remains strong because it gives exposure to an actively managed portfolio of businesses during a period of rapid development. The Board has for some years set out its view that an allocation to private equity is appropriate in the portfolio of a patient, long-term investor; the combination of low correlation with listed equity markets and a superior long-term return has had the effect that a holding of shares in the Trust, in a portfolio that otherwise matched the index, will have dampened volatility while delivering an overall return in excess of that of the index.

Proposed dividend

In line with our policy on dividends (described on page 13 under Business Model) and in order to meet the income retention rules of an investment trust, the Board is seeking shareholders' approval for a dividend of 32 pence per share (2013: 29 pence per share). This is in addition to the special dividend of 19 pence per share paid in September 2014. Thus the total of dividends in respect of 2014 will be 51 pence per share.

A table setting out the dividends paid by the Trust over the last ten years is included on page 6; this shows that the average dividend yield has been 2.7% per annum over the period. While the Trust's investment objective is expressed in terms of the total return to shareholders (including capital and dividends) the Board is also aware that many shareholders appreciate having some line of sight to the likely level of dividends they may expect. This means that, when necessary, the Board will consider declaring dividends above the level required to maintain investment trust status, to provide a degree of stability; in doing so, the Board will take into account whether it needs to retain cash for investment.

Commitments

The Trust has commitments to invest alongside three of the Manager's active funds, with the result that the rate at which cash is drawn down to fund new investment is likely to remain high. At the year-end, the Trust's outstanding commitments totalled £207 million, with the majority of these being drawn down over the next three years; at the year-end the Trust held £63 million in liquid resources to fund these investments. The relationship between commitments, liquid funds available and anticipated proceeds from selling portfolio companies is a strategic issue that the Board and Manager monitor closely. 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; when opportunities arise to increase the rate of deployment of cash through additional co-investments, or by acquiring limited partnership interests in the Manager's funds, these are considered on their merits and against this objective.

Annual General Meeting

In common with many other investment trusts, we regularly invite shareholders to vote to continue the life of the Trust. The last such vote was in 2009, in connection with the share issue we made at the time; shareholders passed a resolution extending the life of the Trust to 2015 and amending the Articles so as to provide that a continuation vote would be put forward every five years. Accordingly, the Notice of Annual General Meeting contains a resolution to extend the life of the Trust until 2020, which the Board unanimously recommends shareholders to support.

THE BOARD'S STRATEGIC REPORT continued

CHAIRMAN'S STATEMENT

The Board is also proposing amendments to the Trust's Articles. These have been recommended by our legal advisers, in order to adopt best practice for investment companies subject to the Alternative Investment Funds Manager Directive and to modernise our Articles. A summary appears on page 89.

Maintaining a good market in the Trust's shares

The Trust has continually improved the scope and clarity of 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 thus may create broader and continuing demand for the Trust's shares; as a result, the shares should trade closer to NAV. The Board believes that ensuring there is a liquid and active market in the Trust's shares also contributes to this objective; the monthly value of shares traded during 2014 averaged £13 million (2013: £10 million).

We have continued to improve the clarity of our reporting in this year's annual report, with a view to this being better co-ordinated with our website, which for many investors and analysts is now the preferred source of information about the Trust. Work is currently under way to refresh the Trust's website, helping shareholders and potential investors to gain further insights into the investment opportunity we offer.

Responsible investment

Across the investment spectrum, managers and investors are giving thought to the expectation that they act as responsible investors in the stewardship of the assets they control. The private equity market is becoming increasingly segmented, with a wide range of investment styles and approaches to value creation. HgCapital's strategy is to identify high quality businesses with significant potential and then to work with their management to enhance their revenue growth, profitability and long-term sustainability, thereby creating value for shareholders and good long-term prospects for employees. The Board and Manager have therefore given thought to the most appropriate ways for HgCapital and the Trust to adopt policies of socially responsible investment in our business. The Manager continues to develop its skills in the development of the businesses it acquires to generate growth. This includes supporting the management teams of the portfolio companies to focus on doing well for all stakeholders – employees, customers, suppliers and other partners, as well as shareholders. Part of this is to embed in the policies and practices of these businesses a recognition and awareness of environmental, social and governance issues as an element of good management that will contribute to their growth and sustainability, and which we believe will be rewarded in the ultimate proceeds of sale.

The Manager's section of this report also sets out HgCapital's approach to responsible investment.

Board and governance

Following the retirement last year of our Deputy Chairman, Peter Gale, we were very pleased to announce that Anne West had agreed to join the Board. Anne had a long and distinguished career as a fund manager in Asia and London, and was most recently the Chief Investment Officer of Cazenove Capital Management, from which she retired in 2012; this experience gives the Board additional insights into the needs of wealth managers who account for a large part of the shareholder register of the Trust.

Andrew Murison has decided that, after more than ten years on the Board of the Trust, he wishes to stand down at the next AGM. Andrew has been a valued colleague, drawing on his own experience as a venture capital manager to bring challenge and strategic thinking to the Board. On behalf of the Board, I thank him very sincerely for his contribution throughout his time as a director. In place of Mr Murison, the Board has nominated Mark Powell to act as Senior Independent Director. The Board anticipates bringing forward a new director to fill the vacancy created by Mr Murison's retirement, thus continuing to refresh the Board on a regular basis.

Prospects

The Manager sets out its views on prospects on page 31 of this report, and refers to the challenge presented by the very diverse range of economic conditions that prevail across Northern Europe.

A small number of our businesses with international operations are being adversely affected by volatility in foreign exchange or in their overseas markets. Despite these economic conditions, the Manager remains confident that it can identify sub-sectors and businesses that offer growth, even against the background of a weak economy. The Manager has a good pipeline of potential acquisitions and so 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.

The Manager's portfolio team continues to work closely with management in the underlying businesses to introduce technology, develop new business models and grow into related markets, so as to raise the sustainable levels of growth and profitability. The Manager also continues to work hard to restore value in those investments that have underperformed against original expectations, in order to prepare them for exit. Subject, of course, to market conditions, we anticipate further realisations during 2015, mainly of businesses from our older vintages. Meanwhile, HgCapital continues to work closely with the management team of each business to build value across the portfolio as a platform that will deliver attractive returns to shareholders in the Trust over the coming years.

Roger Mountford
Chairman
6 March 2015

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.

INVESTMENT POLICY

The policy of the Trust is to invest, directly or indirectly, in a portfolio of unlisted companies where the Manager believes it can add value through organic growth, operational improvements, margin expansion, reorganisation or by acquisition. The Trust seeks 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 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 where it believes that its skills can add value, but there is no policy of making allocations to sectors.

Gearing

Underlying investments 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 to 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. The Manager uses derivatives to hedge tactically with the object of protecting the 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 in place a £40 million unsecured standby bank facility with Lloyds TSB Bank plc maturing at the end of December 2015. 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 invested in the Royal London Asset Management Cash Plus fund in 2014. This deploys 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.

The Manager believes that the transition to a low-carbon economy offers opportunities for profitable investment and that its skills in the deployment of new technology, corporate design and the building of sustainable businesses can be applied in renewable power generation. In 2006 and again in 2010, the Trust committed to invest in the Hg Renewable Power Partners funds.

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.

THE BOARD'S STRATEGIC REPORT continued

THE TRUST'S RATIONALE AND 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 can work with the management of a business to support technological change and implement strategic or operational improvements. These can result in higher rates of growth in sales and enhanced profits, which are more sustainable into the future, 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 sets the investment parameters for making commitments in, or alongside, any of the Manager's funds in accordance with the investment policy. Such commitments are normally drawn down over four to five years, as investment opportunities arise. Each commitment is set at a reasonable level for the Trust to be able to fund from its own resources or from temporary borrowing. However, to mitigate the risk of being unable to fund any draw-down 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 seek to acquire a limited partnership interest in any of the Manager's funds in the 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.

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.

Valuation

The Manager is responsible for preparing valuations of each of the Trust's investments, which the Board reviews after considering analytical and performance data, and the valuation process. The valuations are carried out in accordance with the International Private Equity and Venture Capital ('IPEV') Valuation Guidelines. 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, the market prices of any listed securities and any dividends payable and expenses incurred.

THE BOARD'S STRATEGIC REPORT continued

THE TRUST'S RATIONALE AND BUSINESS MODEL

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, the minimum level of 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.

Total return performance

In the year to 31 December 2014, the Trust's NAV per share increased by 12.8%. In comparison, the FTSE All-Share Index increased by 1.2%. The Trust's Ordinary share price increased by 9.6%. All of the above assume the reinvestment of all historical dividends.

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 56. 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.

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.

THE BOARD'S STRATEGIC REPORT continued

THE TRUST'S RATIONALE AND BUSINESS MODEL

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 Board and the Audit & Valuation Committee twice each year.

The Trust is also an Alternative Investment Fund ('AIF') for the purposes of the Alternative Investment Fund Managers Directive (Directive 2011/61/EU) ('AIFMD') and the Manager has been appointed as its Alternative Investment Fund Manager ('AIFM') for the purposes of the AIFMD.

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 2013. The Board will consider the 2014 Assurance Report when issued later in March 2015.

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 risks associated with over-commitment.

At certain points in the investment cycle, the Trust may hold substantial amounts of cash awaiting investment, which it may invest in government or corporate securities, or in bank deposits, or in managed funds.

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 frequent review and regularly considers long-term cash flow projections for the Trust and the use of gearing.

The Trust has put in place a £40 million multi-currency standby facility with Lloyds TSB Bank plc, on an unsecured basis, expiring in December 2015. 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 2014.

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 men and one woman. The Board's policy is to make appointments to the Board solely on merit and, when selecting potential candidates for the Board, looks equally for the best qualified male and female candidates. The Manager has an equal opportunities policy and currently employs 65 men and 45 women on a permanent basis.

For and on behalf of the Board

Roger Mountford
Chairman of the Board
6 March 2015

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 superior 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, HGT 6 LP, HGT 7 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 MANAGER'S REVIEW continued

INTRODUCTION TO THE MANAGER

Formerly Mercury Private Equity, HgCapital became an independent firm in December 2000 and we are wholly owned by our partners.

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

With over 100 staff in two investment offices in the UK and Germany, HgCapital has assets under management of £5.1 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 our diversified portfolio of private equity investments with minimal administrative burdens, no long-term lock-up or minimum size of investment, and with the benefit of an independent board.

Hg Pooled Management Limited was authorised as an Alternative Investment Fund Manager with effect from 22 July 2014.

SECTOR FOCUS

HgCapital's sector teams combine the domain knowledge and expertise of a trade buyer – giving them enhanced 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.

PORTFOLIO MANAGEMENT

Following each investment, our dedicated portfolio management team works to 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 staff. 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 with our focus being on outperformers and how we can best accelerate their development within the business. We believe that this is the basis of effective succession planning.

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

Investment focus

HgCapital primarily focuses on mid-market buyouts with enterprise values of between £80 million and £500 million and lower mid-market buyouts in the TMT sector between £20 million and £80 million.

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.

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.

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 opportunities 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 their 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.

Beyond the boardroom, HgCapital actively supports management teams to reach their potential through both hands-on support from the portfolio projects team as well as best practice sharing from many years of investing in similar business models. The portfolio team strives to foster a community amongst the management teams and some of the best industry thinkers to create cutting edge thinking across software, services and industrials so they can remain industry champions.

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 INVESTING

Why Responsible Investing is important to us

For HgCapital, responsible investing means growing sustainable businesses which create jobs, have low environmental impacts and are good corporate citizens whilst generating superior risk adjusted returns for the millions of pensioners and savers who are invested with our clients.

Through our investments, we look to create jobs in sectors with low carbon emissions and look to create value through revenue growth over the long-term. We want the businesses we invest in to be genuinely focused on doing well for all stakeholders (employees, customers, suppliers and other partners, as well as shareholders).

OUR RESPONSIBLE INVESTING FRAMEWORK

We have created a framework for looking at the ways the businesses we invest in can do this and how we can help them; and we use it to assess businesses both before and during our ownership.

GOVERNANCE
- Adopt anti-corruption and business ethics;
- Enjoy effective board structure and committees; and
- Use active risk management procedures.

WORKPLACE
- Be net job creators;
- Have a motivated workforce with minimum (but appropriate) turnover; and
- Comply with labour standards, health and safety.

MARKETPLACE
- Manage risks and relationships within the supply chain for reliable, stable, high quality supplies;
- Build customer satisfaction; and
- Understand and anticipate customer requirements for products with eco-efficiency or other sustainability benefits.

COMMUNITY
- By building strong links with communities, they maintain and enhance the business' social licence to operate.

ENVIRONMENT
- Comply with relevant emissions and waste regulations;
- Adopt appropriate measurement standards for environmental impact; and
- Do more with less – reduce impact on natural resources.

HOW WE INTEGRATE RESPONSIBLE INVESTING INTO OUR INVESTMENT PROCESS

Investment screening
- When considering potential new investments, we screen them against an Exclusion List, which identifies the sectors, businesses and activities in which we will not invest.
- A red flag report identifies high level concerns arising from sectors, geographies and preliminary diligence results

Diligence
- During diligence, we assess companies for compliance with relevant laws in relation to environmental, social, governance, health and safety, bribery and corruption issues.
- As part of this process, we carry out a specific review detailing risks and opportunities for improvement within our framework

Ownership
- Our Portfolio Management team works with companies to implement initiatives and new processes, and support them in realising their ambitions within and beyond our framework.

PRI Principles for Responsible Investment

A signatory to the UNPRI since 2012.

BVCA Responsible Investment Awards 2013

We received this for our Responsible Investing policy and framework.

CEMARS Certified Emissions Measurement And Reduction Scheme

Actively managing our direct footprint by reducing greenhouse gas emissions for which we have obtained CEMARS certification.

THE MANAGER'S REVIEW continued

RESPONSIBLE INVESTING: EXAMPLES

JLA – Apprenticeship scheme

Visma – Reducing paper wastage

GOVERNANCE

Anti-Corruption and Business Ethics

5 companies introduced new anti-corruption policies in 2014 following our investment

WORKPLACE

8% p.a. Percentage organic growth in employment across HgCapital's portfolio companies in 2014

27,900 People employed by HgCapital-backed companies (as at December 2014)

2,034 Jobs created in HgCapital-backed companies in 2014

Zenith Leasedrive – Sunday Times Top 100

- Zenith has secured 8th place in 2015's 'The Sunday Times Best Companies to Work For' list in the 'mid-sized' company category, after its employees took part in an independent workplace engagement survey.

JLA – Apprenticeship Scheme

- In 2011, JLA established an apprenticeship scheme to train school-leavers as engineers. Six apprentices are now fully trained and still with JLA, and seven more are in training and recruitment is taking place for the next intake.

COMMUNITY

Renewable Power Partners Community Initiative

Refurbishment and maintenance of irrigation canals in La Pobla, Spain. These canals are used to transport and supply water for irrigation purposes from which over 400 hundred farmers in the Northern Lérida Region benefit, contributing to the development of local agriculture.

A full description of HgCapital's responsible investment policy is available at www.hgcapital.com

MARKETPLACE

JLA – developed SMARTWash product

32% Reduction in water, energy and detergent usage with 'JLA Sense'

- JLA Sense absorption technology, intuitive two-touch controls and JLA's trademark industrial design and build quality all combine to give the lowest possible consumption costs and the best possible wash quality (see www.jla.com).

Visma - reducing energy consumption, paper waste and emissions for clients

- Visma's products offer improved workflow with efficient SaaS-solutions, enabling more businesses to benefit from running software over the internet on hardware which requires less energy;
- Visma offers wireless technologies to monitor electricity usage to improve the efficiency of operations;
- Visma offers a digitalised time sheet system within its products, so employees of its customers receive their payslips electronically, which reduces paper usage significantly; and
- 50% of Norway's municipalities use Visma' s financial software solutions to send electronic invoices, resulting in significant reduction in paper usage and postage (see www.visma.com).

ENVIRONMENT

Zenith Leasedrive – Carbon Neutrality

Leasedrive has achieved the CarbonNeutral® company certification and reduced its GHG emissions in accordance with The CarbonNeutral Protocol. This means Leasedrive accurately measures its carbon footprint, then commits to a reduction strategy and carbon offset programme to prove its activities will not result in an increase in greenhouse gas emissions that affect climate change.

HgCapital – Renewable energy investors

250,000 homes powered by renewable energy in Western Europe

We are the leading financial investor in onshore wind farms in Scandinavia and one of Ireland's leading independent wind-power producers. We also manage two large portfolios of large-scale solar photovoltaic plants and of small-hydro power plants in Spain.

THE MANAGER'S REVIEW continued

SECTOR SPECIALISATION

TMT

TMT, as a sector, covers a broad range of markets. Driven by our deep sector approach, HgCapital's TMT team is focused on specific sub-sectors including: vertical market application software (particularly delivered via a Software as a Service ('SaaS') model); private electronic marketplaces; B2B media information/publishing; and telecoms/datacentre operators.

Within these sub-sectors, we have invested in high quality businesses with diverse customer bases, which feature subscription-based business models generating predictable revenues and cash flows. The team regularly conducts top-down 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 advisers.

Given the breadth of opportunity in European TMT, HgCapital invests in the sector from two funds. The HgCapital 7 buyout fund targets businesses with enterprise values between £80 and £500 million. The HgCapital Mercury Fund targets smaller buyouts (between £20 and £80 million) but in exactly the same TMT sub-sectors. Investing two funds across the sector allows us to bring significant team resource to bear and provides a very comprehensive resource for the management teams that we support.

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 investment thinking concentrates much more on specific end markets or customer segments, which we believe 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.

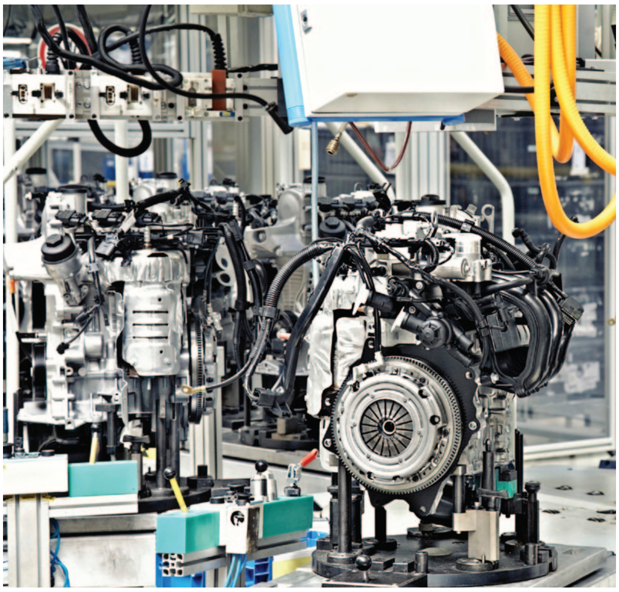
Within the Services sector, the investment themes that have attracted us have typically featured large fragmented SME customer bases, long-term and stable customer relationships, and businesses which provide business-critical services, preferably on a repeat or recurrent basis. We target businesses with leading positions within a niche, typically reflected by strong margins, and we aim to grow and scale these businesses, either organically within existing markets (selling into their customer bases) or through acquisition.

Existing investments include companies that serve a range of industries from international business expansion services to commercial laundry and adjacent services equipment distribution, but all have in common a number of characteristics including strong, stable and diverse customer bases and critical, repeated use, products.

In addition to the sectors noted above, we additionally look to use our long-term investment experience in the Healthcare sector to identify sub-sectors within Services and TMT that take advantage of technological change, a key driver of growth within the European healthcare sector.

THE MANAGER'S REVIEW continued

SECTOR SPECIALISATION



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 industrials market benefits from proven expertise and high levels of international demand for German precision-engineering, smart electronics, automotive 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: mechanical engineering; electronics for industrial networks, automation, control and testing; and smart distribution models.

Renewable Energy

In 2004, HgCapital established a dedicated renewable energy investment team and, after a period of research, raised its 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 creating industrial scale renewable energy platforms under our control, seeking to aggregate a number of assets and to deliver economies of scale.

We believe this strategy 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 as well as providing favourable inflation linkage and a hedge against fossil fuel costs. HgCapital's renewable energy investment theme is focused 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, is one of the largest financial investors in Irish onshore wind, and has a substantial portfolio of ground-mounted solar and small hydroelectricity projects in Spain. The team is comprised of nine dedicated full time investment professionals.

THE MANAGER'S REVIEW continued

CASE STUDY – VISMA

Website: www.visma.com

Sector: TMT

Geography: Nordic region

Business description

Established in 1996, Visma is a leading provider of mission-critical business Software as a Service ('SaaS'), software and outsourcing services to small and medium-sized enterprises in the Nordic region and the Netherlands. 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.

The deal

HgCapital had completed a number of SME business software investments in Northern Europe prior to Visma and was invited in by the management in response to a contested public-to-private bid from a trade player.

HgCapital worked closely with management to complete the NOK 4.3 billion (£382 million) public-to-private transaction from the Oslo Stock Exchange in May 2006.

In December 2010, HgCapital completed the partial sale of 63% of its investment in Visma to KKR, valuing the company at an enterprise value of NOK 11 billion. HgCapital retained 17% of the total business, remaining actively involved on the board and continuing to support management alongside KKR.

The investment case

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

At the time of acquisition in 2006, both organic and acquisitive revenue growth levers were identified, 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 these investments and from a number of recent acquisitions.

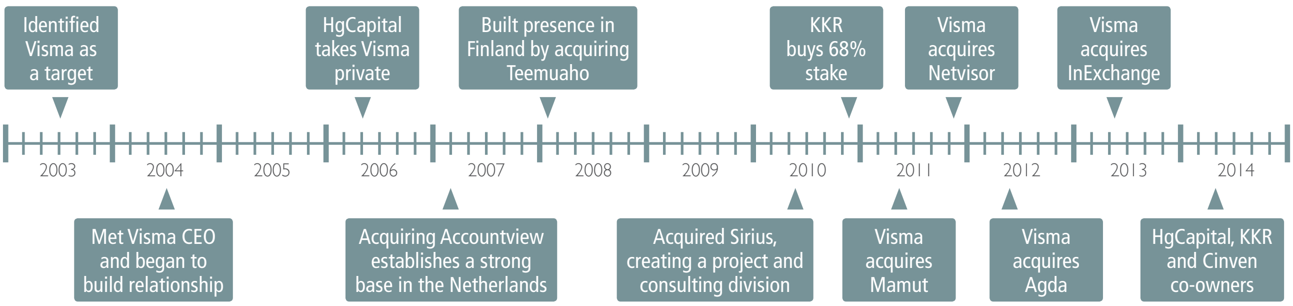
How HgCapital supported Visma

Since 2006, HgCapital and, subsequently, HgCapital and KKR have worked closely with Visma's management to grow the business. The management team had grown Visma from a small public company which they took over in 1997 and their track record was already well proven. HgCapital gave them the freedom and backing to allow them to continue to work effectively as entrepreneurial managers. HgCapital was an industry-experienced investor who understood the software business providing support to Visma in order to help the business grow.

HgCapital supported management with experienced project and strategy executives who could help implement initiatives to boost revenue growth: implementing group-wide Net Promoter Score programmes to improve customer satisfaction and enable cross-selling; converting one-time revenues to recurring subscription packages which enhance future up-sell potential, and investing in cloud-based technology. Visma has completed more than 75 bolt-on acquisitions, 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 (2012); and InExchange, the Swedish e-invoicing leader (2013). Visma is now positioned as one

THE MANAGER'S REVIEW continued

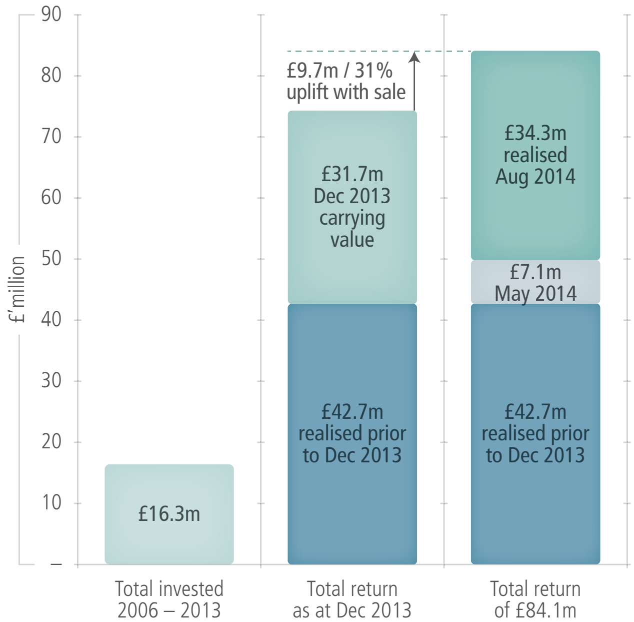
CASE STUDY – VISMA



of the leading and largest SaaS companies in Europe with over NOK 680 million of pure-SaaS revenues. Employment levels across the firm have grown from 2,512 in 2006 to 5,648 currently.

Performance improvement

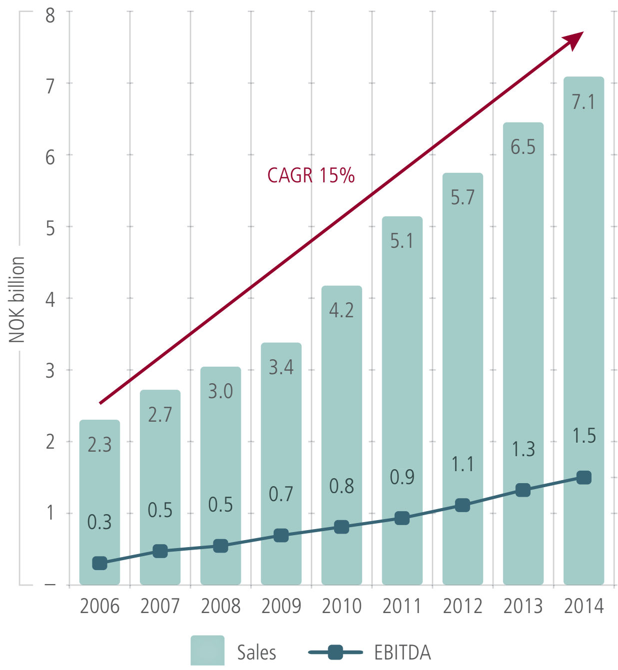
Visma's performance since 2006 has been consistently strong, which underpinned HgCapital's decision to retain a minority stake in 2010, and which provided the conviction to re-invest in the business in April 2014. Total revenues grew from NOK 2.3 billion in 2006 to NOK 7.1 billion in 2014, a compound annual growth rate of 15%; EBITDA increased from NOK 305 million in 2006 to NOK 1.5 billion in 2014, a compound annual growth rate of 22%. Over the same period, operating margins improved from 13% to 21%; employment, product innovation and R&D investment all more than doubled.



Investment return multiple of cost: **5.2x**
Gross IRR: **33% p.a.**

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

FINANCIAL PERFORMANCE



Exit and re-investment in Visma

In April 2014, majority-owner, KKR, decided to sell part of its original 2010 stake in Visma. HgCapital decided to realise the remaining stake held by its HgCapital 5 fund, generating a total return on all capital invested of 5.2x original cost and a gross IRR of 33%. HgCapital and its clients invested c. £405 million in the business for a 31% stake via its HgCapital 7 fund and substantial co-investment participation as a co-lead investor alongside KKR and Cinven. This transaction valued the business at that time at a total enterprise value of NOK 21 billion (£2.1 billion).

The re-investment in Visma reflects our conviction in the continuing strength of the business; backing a management team we know well with a strong track record of creating value for investors.

HgCapital Trust re-investment in Visma

The Trust's re-investment in Visma totalled £40 million, half via its commitment to HgCapital 7 and half by way of a co-investment which bears no fees or carried interest.

THE MANAGER'S REVIEW continued

OVERVIEW OF THE YEAR

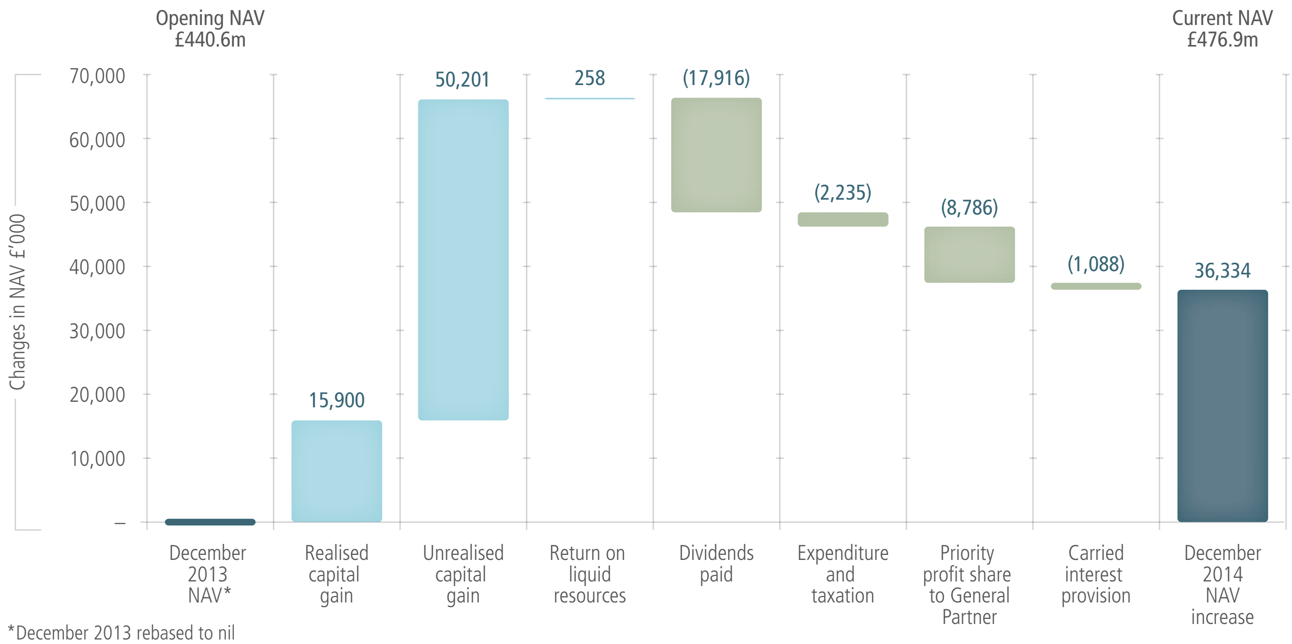
NET ASSET VALUE (NAV)

Over the course of 2014, the NAV of the Trust increased by £36.3 million, from £440.6 million to £476.9 million at the year end.

ATTRIBUTION ANALYSIS OF CURRENT MOVEMENTS IN NAV

	Revenue return £'000	Capital return £'000	Total return £'000
Opening NAV as at 1 January 2014	21,966	418,618	440,584
Realised capital and income proceeds from investment portfolio in excess of 31 December 2013 book value	10,682	5,218	15,900
Net unrealised capital and income appreciation of investment portfolio	19,571	30,630	50,201
Net realised and unrealised gains/(losses) from liquid resources	266	(8)	258
Dividends paid (final 2013 and special 2014)	(17,916)	–	(17,916)
Expenditure and taxation	(2,235)	–	(2,235)
Investment management costs:			
Priority profit share - current year charge	(8,786)	–	(8,786)
Priority profit share - net loan allocation	2,435	(2,435)	–
Carried interest - current year provision	–	(1,088)	(1,088)
Closing NAV as at 31 December 2014	**25,983**	**450,935**	**476,918**

ANALYSIS OF NAV MOVEMENTS
for the year ended 31 December 2014



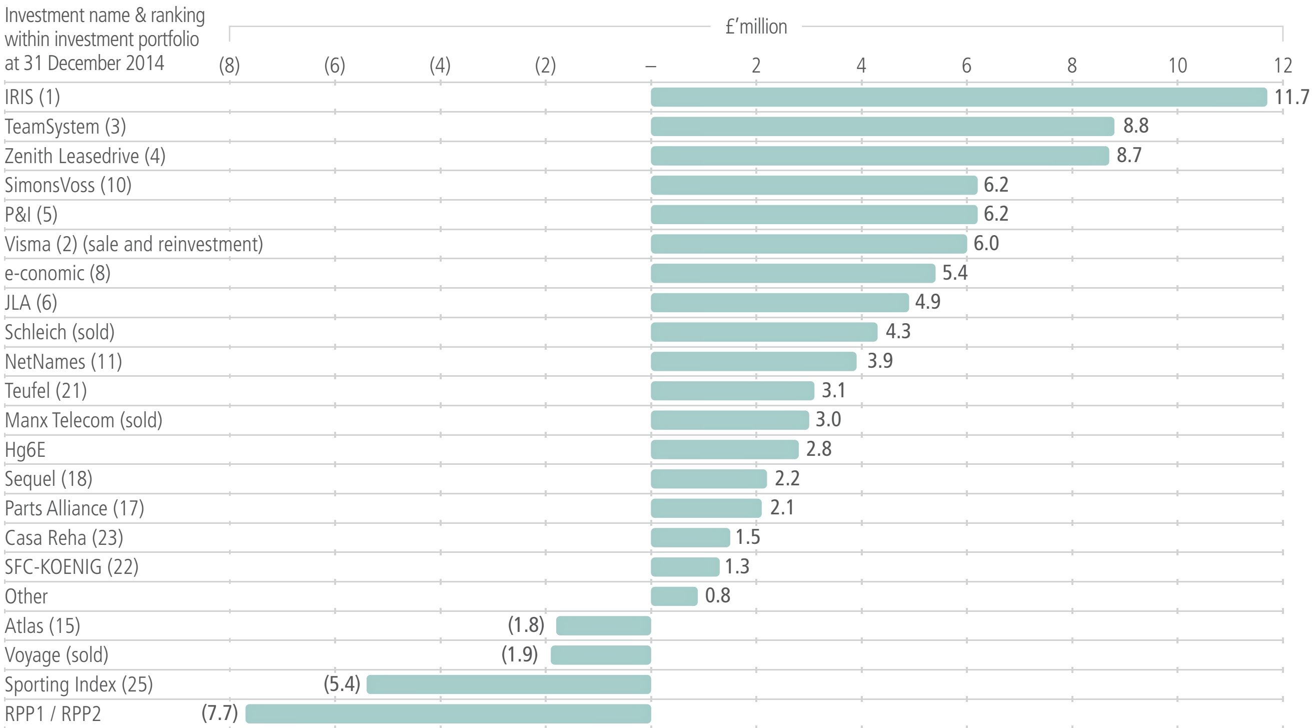
*December 2013 rebased to nil

There were a number of underlying factors contributing to the above movement in the NAV. Positive impacts on the NAV were: the revaluation of the unquoted portfolio (+£50.2 million); uplifts on the realisation of investments, compared with their carrying value at the start of the year (+£15.9 million); and the gain on liquid resources (+£0.3 million). Reductions in the NAV were caused by: the payment of dividends to shareholders (-£17.9 million); the Manager's remuneration (-£8.8 million and a -£1.1 million current year provision for future carried interest); and operating expenditure and taxation (-£2.2 million).

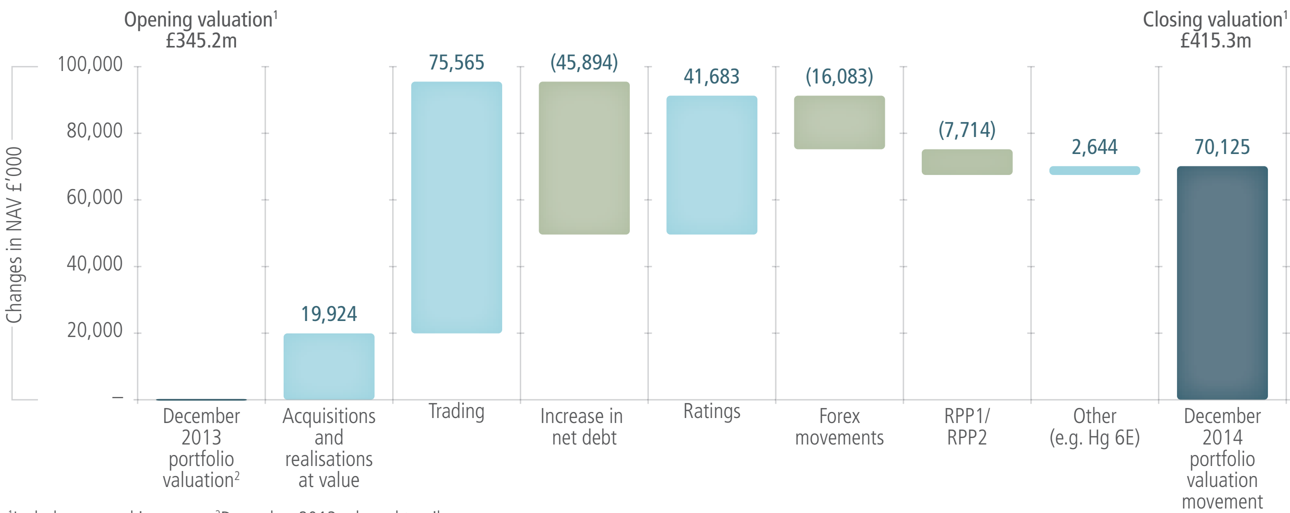
THE MANAGER'S REVIEW continued

OVERVIEW OF THE YEAR

REALISED AND UNREALISED MOVEMENTS IN INVESTMENT PORTFOLIO
for the year ended 31 December 2014



ATTRIBUTION ANALYSIS OF UNREALISED MOVEMENTS IN THE INVESTMENT PORTFOLIO[1]
for the year ended 31 December 2014



[1]Includes accrued income [2]December 2013 rebased to nil

During the year, the value of the unrealised portfolio increased by £70.1 million. The majority of the increase (+£75.6 million) relates to increases from profit growth in the underlying portfolio. Furthermore, an increase in ratings (+£41.7 million) and acquisitions made within the portfolio netted-off against the 31 December 2013 carrying value of realisations made during the year (+£19.9 million) also contributed positively. These were partially offset by decreases driven by an increase in net debt (-£45.9 million) and unfavourable foreign exchange movements (-£16.1 million). The RPP1 and RPP2 fund investments decreased by £7.7 million over the year whereas other buyout investments increased by £2.6 million, largely resulting from an increase in the valuation of Hg6E. The increase in profits resulted from organic growth as well as some of the acquisitions made within the portfolio companies. The latter were largely funded by debt, resulting in debt increases that more than offset the debt repayments achieved in the portfolio companies.

THE MANAGER'S REVIEW continued

OVERVIEW OF THE YEAR

TOP 20 PORTFOLIO TRADING PERFORMANCE
as at 31 December 2014

The Top 20 buyout investments (representing 89% of the total portfolio by value) have delivered aggregate sales growth of 11% and EBITDA growth of 9% over the last twelve months ('LTM'). This compares with both sales and EBITDA growth of 9% last year. The top 10 of these investments saw faster growth in sales of 12% and EBITDA growth of 11% over the prior equivalent period.

We have continued to see consistent strong double-digit trading performance from some of our larger companies including IRIS, Visma and JLA. In addition, some of our newer investments, including P&I and Sequel, have performed very well during our first year of ownership.

Our Software as a Services ('SaaS') businesses, such as Achilles, e-conomic and Intelliflo, have a focus on driving their recurring revenue growth, adding significant costs to improve their sales and marketing capabilities and consequently depressing short-term EBITDA.

Over the past year there has been significant value accretive M&A activity within the portfolio, including TeamSystem, Zenith Leasedrive, Ullink and Radius. For these companies there will be an emphasis over the next twelve months on integration and delivering material synergies. In the case of Ullink and Radius, the integration work and additional investment has depressed profits in the short-term but we believe the investment made will significantly improve the operating capability of these companies in the future.

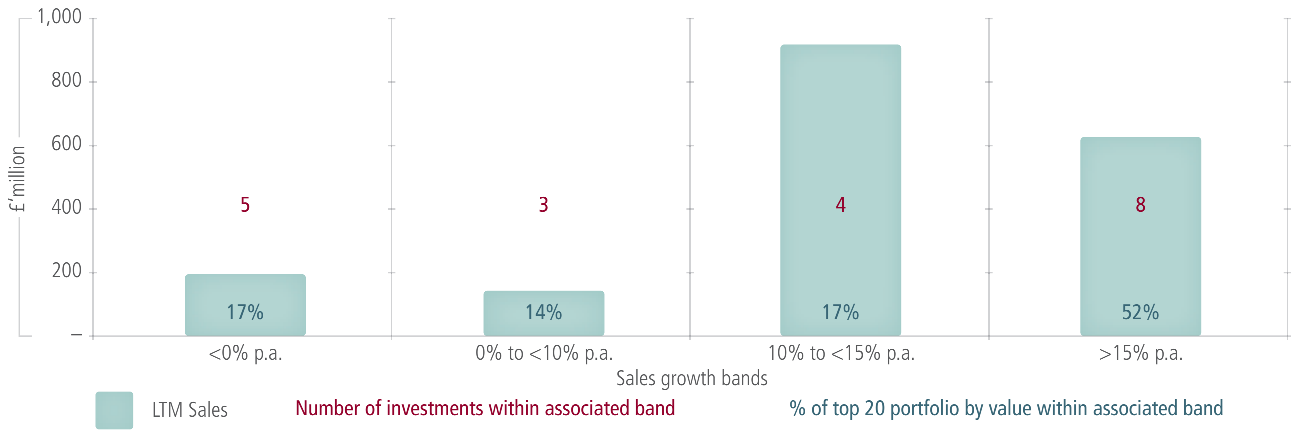
As mentioned at the half-year, we have started to see improved operational performance at NetNames and SimonsVoss and now, at the year-end, some strong trading performance coming through from Parts Alliance. This has led to the valuations of these companies being increased accordingly.

Lumesse remains in the early stages of recovery, and with a further focus on R&D and product development, it is likely that we will have to wait to see the outcome of our current work with the management to come through in the next eighteen months. Some recent and positive developments here include a re-financing and a joint venture with SalesForce.com.

Overall, we are pleased with the trading performance of the portfolio and believe the results can be further enhanced in the year ahead by active management and increasing the return on the investments we are making into these businesses.

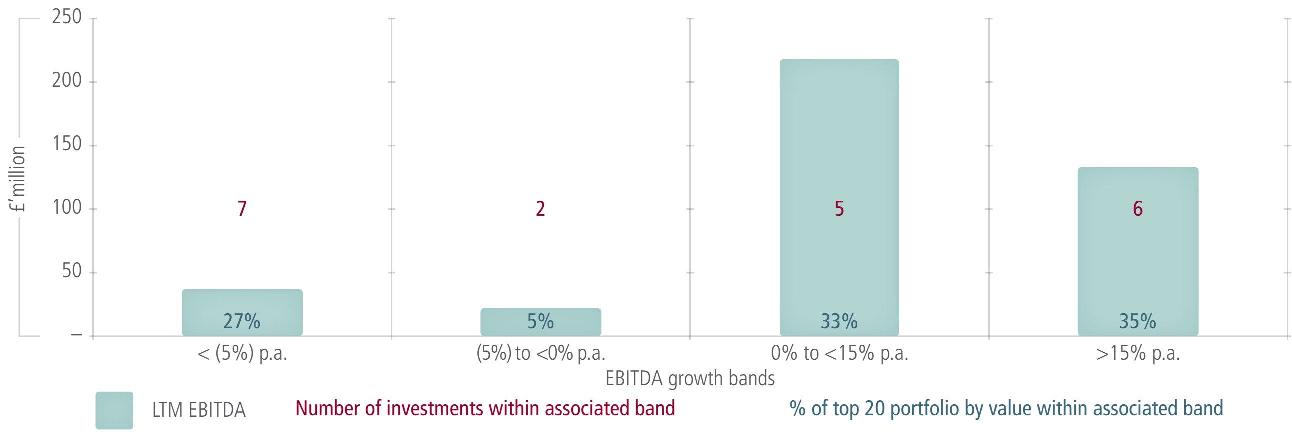
TOP 20 LTM SALES GROWTH

Exposure to £1.9 billion of sales that have grown on average at 11% over the last 12 months to December 2014



TOP 20 LTM PROFIT GROWTH

Exposure to £410 million of EBITDA that have grown on average at 9% over the last 12 months to December 2014



THE MANAGER'S REVIEW continued

OVERVIEW OF THE YEAR

VALUATION AND GEARING ANALYSIS
as at 31 December 2014

The portfolio's valuation policy is consistent 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 13.2x 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 2014, 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.

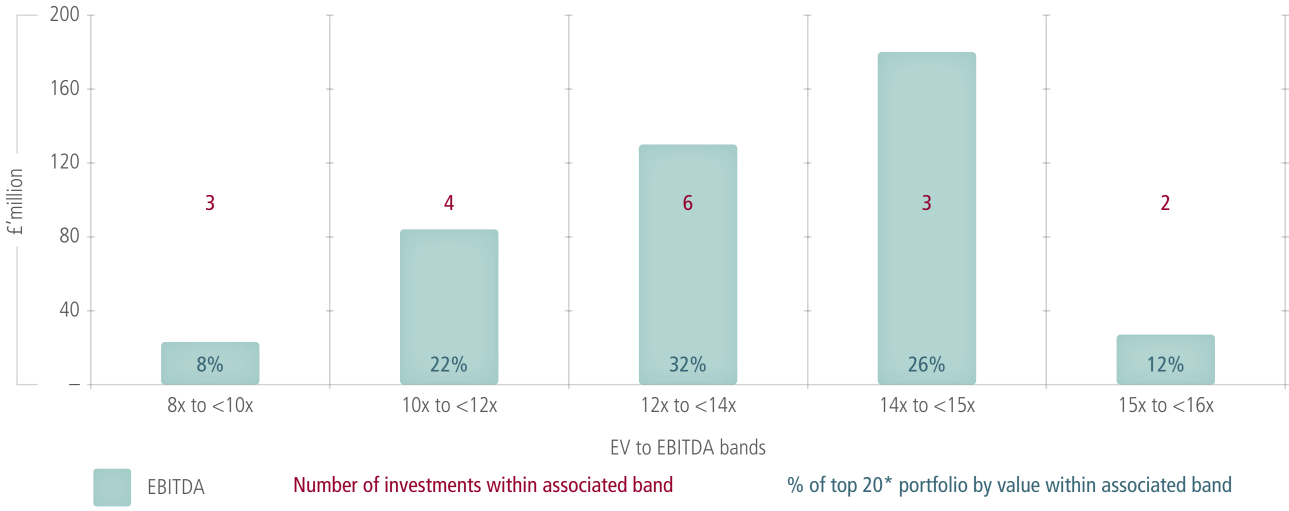
In selecting an appropriate multiple to apply to the company's earnings, we look at a basket of comparable companies, primarily from the quoted sector, but where relevant and recent, we will also use private M&A data.

The average valuation multiple has increased over the year due to both an increase in ratings in comparable businesses and also with a shift in the mix of the portfolio to higher growth businesses.

Our portfolio companies make appropriate use of gearing, with average gearing for the top 20 of 4.5x LTM EBITDA as at 31 December 2014. A number of the businesses have highly predictable earnings and free cash flows (e.g. Visma, IRIS, TeamSystem and P&I), enabling us to use debt to gear our returns.

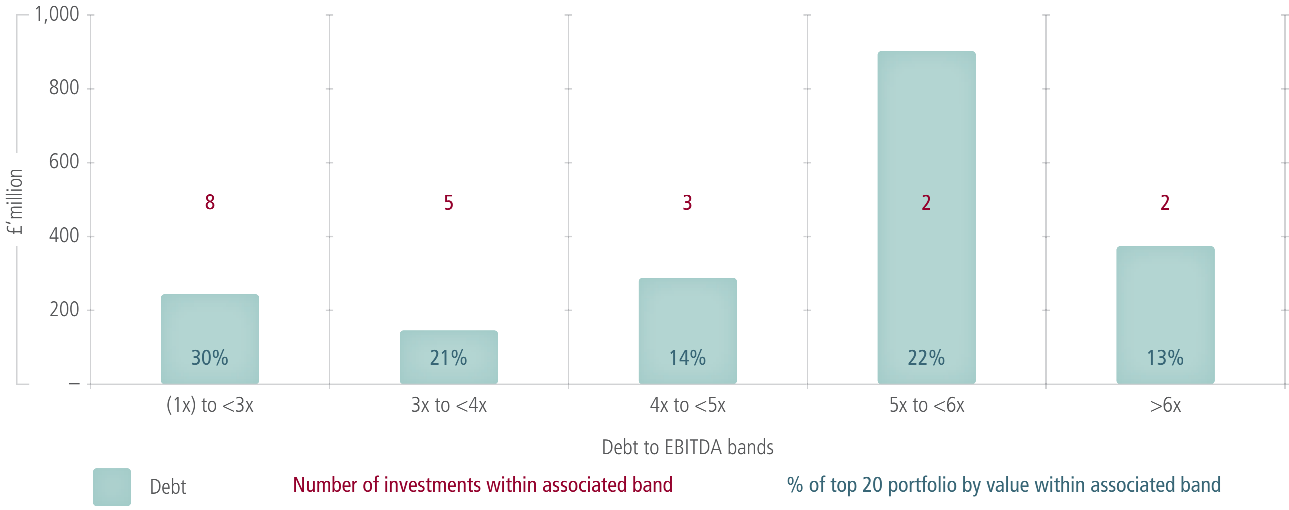
During the year, we have recapitalised JLA, Zenith Leasedrive and Radius and continue to assess opportunities to take advantage of buoyant debt markets.

TOP 20* EV TO EBITDA VALUATION MULTIPLE – Average ratings multiple of 13.2x



*Excluding two investments valued on a basis other than earnings.

TOP 20 DEBT TO EBITDA RATIO – Average debt ratio of the top 20 buyout investments of 4.5x



THE MANAGER'S REVIEW continued

OVERVIEW OF THE YEAR

OUTSTANDING COMMITMENTS OF THE TRUST

2014 ended with liquid resources of £62.9 million and outstanding commitments of £206.6 million in the funds, as listed below. The Trust also has a £40.0 million bank facility that is currently undrawn. We anticipate that the majority of these outstanding commitments will be drawn down over the next three years.

Fund	Fund vintage	Original commitment £'million	Outstanding commitments as at 31 December 2014 £'million	% of NAV	Outstanding commitments as at 31 December 2013 £'million	% of NAV
HGT 7 LP[1]	2013	200.0	146.9	30.8%	182.5	41.4%
Hg Mercury	2011	60.0	35.3	7.4%	49.5	11.2%
RPP2	2010	31.0[2]	12.3	2.6%	17.1	3.9%
HGT 6 LP	2009	285.0	9.2	1.9%	21.1	4.8%
HGT LP (Pre-Hg6 vintage)	pre-2009	120.0[3]	1.3	0.3%	6.6	1.5%
RPP1	2006	16.8[4]	1.1	0.2%	1.1	0.3%
Hg6E[5]	2009	15.0	0.5	0.1%	1.5	0.3%
Total			206.6	43.3%	279.4	63.4%
Net liquid resources			62.9	13.2%	95.5	21.7%
Net outstanding commitments unfunded by net liquid resources			143.7	30.1%	183.9	41.7%

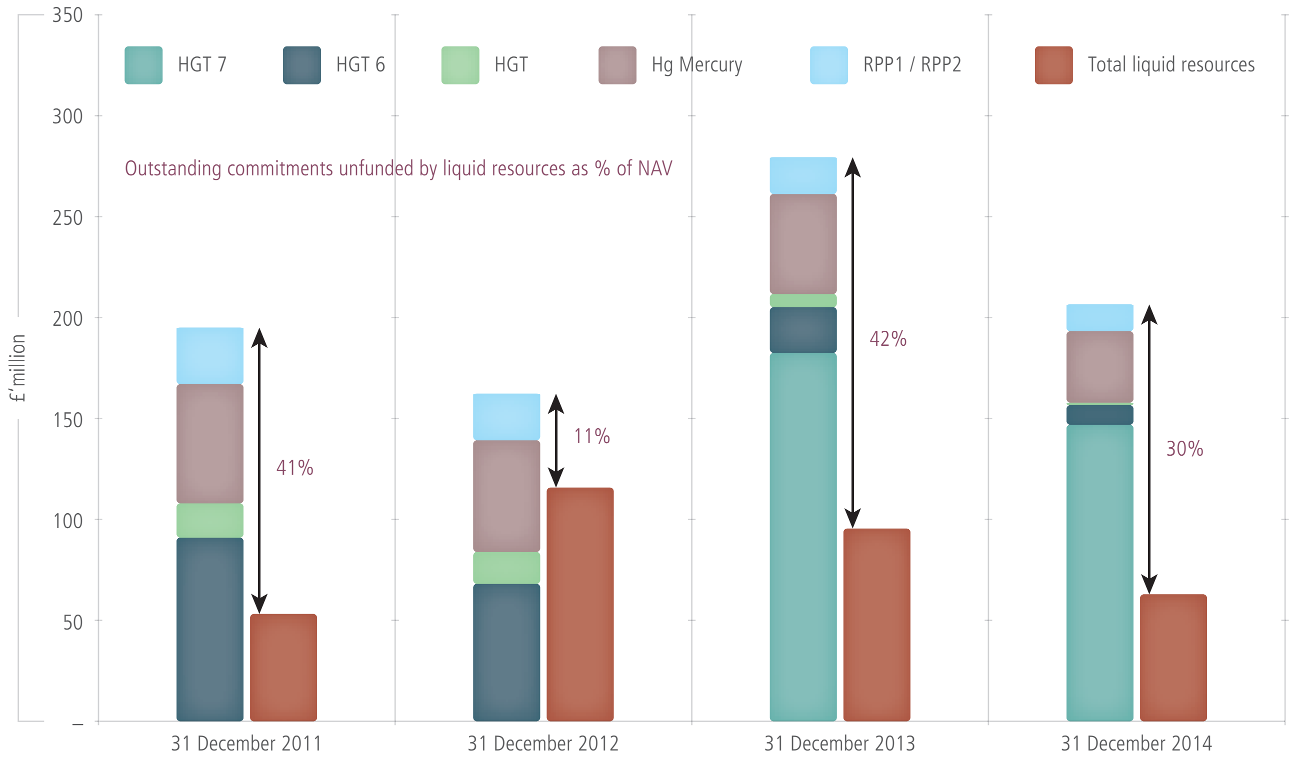
[1] HgCapital Trust plc has the benefit of an opt-out provision in its commitment to invest alongside HgCapital 7 so that it can opt out of a new investment without penalty should it not have the cash available to invest.

[2] Sterling equivalent of €40.0 million.

[3] Excluding any co-investment participations made through HGT LP.

[4] Sterling equivalent of €21.6 million.

[5] Partnership interest acquired during 2011.



THE 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	219,184	252,240	60.7%
2	HGT LP	65,944	65,164	15.7%
3	HGT 7 LP	47,553	50,512	12.2%
	Total primary mid-cap buyout funds	**332,681**	**367,916**	**88.6%**
	Primary small-cap buyout funds:			
4	HgCapital Mercury D LP	19,475	21,859	5.3%
	Total primary small-cap buyout funds	**19,475**	**21,859**	**5.3%**
	Secondary mid-cap buyout funds:			
5	HgCapital 6 E LP	9,523	13,327	3.2%
	Total secondary mid-cap buyout funds	**9,523**	**13,327**	**3.2%**
	Total buyout funds	**361,679**	**403,102**	**97.1%**
	Renewable energy funds:			
6	HgCapital Renewable Power Partners 2 C LP	20,212	9,506	2.3%
7	HgRenewable Power Partners LP	6,052	2,721	0.6%
	Total renewable energy funds	**26,264**	**12,227**	**2.9%**
	Total	**387,943**	**415,329**	**100.0%**

THE MANAGER'S REVIEW continued

PORTFOLIO ANALYSIS

Sector by value of primary buyout portfolio

- 62% TMT
- 23% Services
- 10% Industrials
- 4% Healthcare
- 1% Consumer & Leisure

Geographic spread by value of primary buyout portfolio

- 52% UK
- 17% Nordic Region
- 17% Germany
- 9% Italy
- 3% France
- 1% Switzerland
- 1% Republic of Ireland

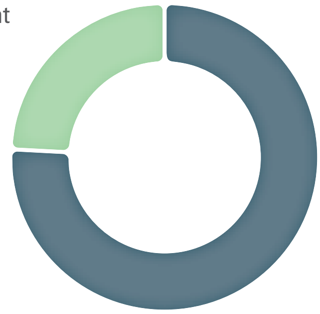
Investment vintage by value of primary buyout portfolio

- 16% 2014
- 27% 2013
- 5% 2012
- 16% 2011
- 25% 2010
- 11% pre 2010

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

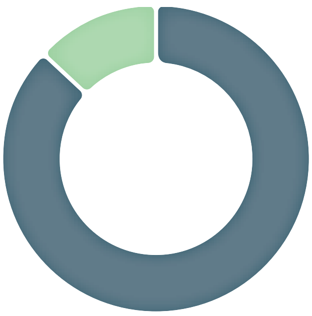
- 76% Above
- 24% Below

*Representing aggregate realised proceeds and unrealised valuations of an investment



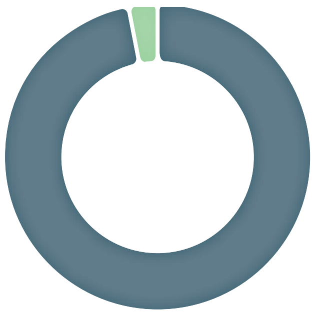
Net assets by class

- 87% Unquoted
- 13% Cash & other assets



Deal type by value

- 97% Buyout
- 3% Renewable Energy



THE MANAGER'S REVIEW continued

OUTLOOK

PROSPECTS

Within Northern Europe, the broader macro-economic environment remains challenging and there is a divided picture in terms of relative economic performance across the region. For example, the UK – which is the region's most mature private equity market – was also the strongest performing economy in the developed world throughout 2014. In contrast, during the same period, Finland experienced a triple dip recession with perhaps the most challenging economic environment seen for a generation. Overall, however, we believe that we can continue to generate attractive returns for our clients over the medium-term, maintaining caution and discipline in our investment approach.

Whilst investing in this environment will, of course, be challenging; we strongly believe that we can continue to select and invest in sub-sectors that are growing materially faster than the broader economy; typically on the basis of internal proprietary research we have generated over a number of years. This sub-sector focused approach also enables HgCapital to help identify the most attractive companies in these segments, with a view to developing long-term relationships which can, in due course, create potentially attractive opportunities for investment. For example, the first investment in the HgCapital 7 Fund was completed in the fast-growing but strongly protected SME software segment, which HgCapital had researched and subsequently invested in since 2002. P&I is a European leader in the payroll software sector, which exhibits strong profitability and cash generation.

The vast majority of investments completed over the last eighteen months were generated on a proprietary basis and, consistent with this, we have typically avoided full auction processes, especially given the pressure to complete deals and assess management teams in the relatively short timeframes that auctions create. This situation is also somewhat reminiscent of the buoyant investment environment we witnessed from 2005 to 2008, prior to the financial crash. However, just as we were able to invest in a number of robust, resilient but high quality businesses during that period (including Achilles, Visma and SLV), we think that the recent investments we have completed can also generate comparable risk-adjusted returns. The initial signs do appear positive; although it still remains early in the gestation of their investment period with HgCapital.

We often refer to our investment into the cost base of our portfolio companies in order to drive future growth potential and the corresponding impact on earnings. Despite this, the unrealised portfolio trading performance remains robust with average EBITDA growth of 9% over the last twelve months. Some of the larger investments in the portfolio, including IRIS, Visma and JLA, have seen consistently strong double-digit growth over 2014 which continues to drive NAV appreciation. Absent a material reduction in market ratings we expect strong trading performance across the portfolio to continue to drive NAV growth.

Finally, we also believe that there will be further opportunities during the course of the year to continue to realise investments from within the portfolio, just as we have done consistently across market cycles. We are confident that we have invested in attractive businesses that are inherently liquid and therefore also have the ability to be sold to a trade buyer (e.g. Epyx), a financial buyer (e.g. Schleich), or alternatively listed on the public market (e.g. Manx Telecom).

ACTIVITY SINCE THE YEAR-END

In December 2014, the Services team announced an investment in A-Plan Insurance, a UK-based, independent insurance broker. This transaction is subject to FCA approval. On completion, which is expected by May 2015, the Trust's share of this investment is estimated to be £15.3 million.

Founded in 1963, Oxfordshire based A-Plan provides products, including SME commercial, motor and home, and high net worth insurance, from a wide range of insurers. The Company currently operates 73 branches nationwide, and serves over 580,000 policyholders.

The acquisition of A-Plan represents the third new investment completed by the Services team in the last eighteen months, underlining the team's ability to find high quality businesses and develop relationships with their management teams over the long-term. A-Plan has a strong fit with HgCapital's investment strategy, through its high level of recurring revenues, loyal customer base and sector-leading customer advocacy, achieved through excellent service. This is the fourth investment from the HgCapital 7 Fund, and following completion, the Fund will be approximately 31% invested.

THE MANAGER'S REVIEW continued

INVESTMENTS

£87 million invested by the Trust in 2014, primarily in five new buyouts

Over the course of 2014, £782 million was deployed on behalf of HgCapital clients with the Trust's share being £87.0 million.

In February, the Mercury Fund completed 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.

In March, HgCapital invested in Ullink, a leading global provider of electronic trading applications and connectivity to the financial community. Subsequently, in September 2014, Ullink completed the acquisition of NYFIX and Metabit from NYSE Technologies. The Trust's share of this combined investment was £10.0 million.

In July, the Mercury team completed an investment in Sequel Business Solutions, a leading software and service provider to the Lloyd's of London insurance market. The Trust contributed a total of £4.4 million.

In August, HgCapital completed the re-investment in Visma, a leading software and BPO services business in the Nordic region, following a decision by KKR to sell part of its majority holding in the group. HgCapital has invested £409 million for our clients' stake in Visma, valuing the business at a total enterprise value of NOK 21 billion (£2.1 billion). HgCapital is a co-lead investor in the new ownership structure, alongside KKR and Cinven, which each holds 31%, with the balance of shares being held by the management team. Cinven committed capital to the business for the first time. The Trust contributed a total of £40.0 million to the re-investment in Visma.

The Mercury team deployed further capital in December with the public-to-private acquisition of Allocate Software plc, a leading provider of workflow software to the healthcare sector. The Trust has contributed £6.2 million.

As part of a consolidation strategy, the Services team completed the acquisition of Zenith in February 2014 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 (acquired in December 2013) began operating as a single entity. The Trust deployed a total of £9.7 million net of a rebate received, following a refinancing of the combined business. The Trust's share of the acquisition cost of the combined business was £24.0 million.

The Trust has also participated in further small investments in the buyout and renewable energy funds.

Please also refer to more detailed information on our investments on pages 35 to 56.

INVESTMENTS MADE DURING THE YEAR*

Company	Sector	Geography	Activity	Cost £'000
Visma	TMT	Nordic Region	Business software and services provider to SMEs	40,000
Ullink	TMT	France	Provider of trading software to financial services	10,034
Allocate Software	TMT	UK	Provider of workforce and risk management software	6,240
Sequel Business Solutions	TMT	UK	Insurance software and services provider	4,414
Relay Software	TMT	Republic of Ireland	Software provider to the insurance industry	2,158
New investments				62,846
Zenith Leasedrive	Services	UK	Merger	9,661
RPP1 and RPP2	Renewable energy	Europe	Further capital calls	3,828
e-conomic	TMT	Nordic Region	Bolt-on acquisition	2,891
P&I	TMT	Germany	Residual share acquisition	2,331
HgCapital 6 E	Fund	Europe	Further capital calls	1,000
Other investments				4,405
Further investments				24,116
Total on behalf of the Trust				86,962

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

THE MANAGER'S REVIEW continued

REALISATIONS

£83 million returned to the Trust during 2014

In 2014, HgCapital has returned a total of £540 million to its clients, including £82.9 million to the Trust, primarily from the realisations of five buyout investments.

In February, we announced the completion of 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 at 31 December 2013.

Americana, a UK-based apparel company, was sold in February to EMERAM Capital Partners, a Munich-based private equity fund. Americana had been written down to zero in June 2013 and the proceeds of this sale have so far returned £0.6 million to the Trust, with a further £0.4 million retained in the business which is expected to be received by the Trust in 2017.

The sale of Schleich, a toy manufacturer headquartered in Germany, to Ardian, the French Private Equity Firm, completed in July. The cash proceeds of this transaction were £11.9 million for the Trust, representing an uplift of £4.3 million over the carrying value at 31 December 2013. This realisation equated to an investment multiple of 2.6x cost and a gross IRR of 14% p.a.

In September, we completed the sale of Voyage Care to Partners Group and Duke Street Capital/Tikehau. Upon completion, in September 2014, the Trust received proceeds of £8.4 million.

In August, HgCapital completed the sale of Visma, a leading software and BPO services business in the Nordic region. The proceeds of this transaction have returned £34.3 million to the Trust, in addition to a £7.1 million dividend received in May 2014, representing an uplift of £9.7 million over the carrying value at 31 December 2013. Over the life of the investment to date, the Trust has received total proceeds of £84.1 million, representing an investment multiple of 5.2x and a gross IRR of 33% p.a.

In addition to these realisations, the Trust received further proceeds of £7.6 million from other buyout and renewable energy investments.

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
Visma	TMT	Secondary sale	701	41,382	40,681	9,726
Manx Telecom	TMT	IPO	3,274	13,067	9,793	2,954
Schleich	Consumer & Leisure	Secondary sale	4,650	11,924	7,274	4,325
Voyage Care	Healthcare	Secondary sale	15,336	8,386	(6,950)	(1,934)
Americana	Consumer & Leisure	Secondary sale	4,257	571	(3,686)	571
Full realisations			28,218	75,330	47,112	15,642
JLA	Services	Refinancing	–	4,500	4,500	–
RPP1 and RPP2	Renewable energy	Distribution received	1,363	1,767	404	–
HgCapital 6 E LP	Fund	Distribution received	644	644	–	–
Other			33	697	664	258
Partial realisations			2,040	7,608	5,568	258
Total realisations on behalf of the Trust			30,258	82,938	52,680	15,900

[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 2014.
[3] Realised proceeds including gross revenue received, in excess of historic costs.
[4] Realised proceeds including gross revenue received, in excess of 31 December 2013 book value.

THE MANAGER'S REVIEW continued

OVERVIEW OF THE UNDERLYING INVESTMENTS HELD THROUGH FUND LIMITED PARTNERSHIPS

	Investments (in order of value)	Fund	Sector	Location	Year of investment	Residual cost £'000	Total valuation[2] £'000	Portfolio value %	Cum. value %
1	IRIS	HGT 6	TMT	UK	2011	25,598	44,669	10.8%	10.8%
2	Visma	HGT 7/HGT[1]	TMT	Nordic Region	2014	40,000	36,338	8.7%	19.5%
3	TeamSystem	HGT 6	TMT	Italy	2010	24,432	33,673	8.1%	27.6%
4	Zenith Leasedrive	HGT 6	Services	UK	2013	23,986	32,672	7.9%	35.5%
5	P&I	HGT 7/HGT[1]	TMT	Germany	2013	22,101	28,223	6.8%	42.3%
6	JLA	HGT 6	Services	UK	2010	12,224	20,442	4.9%	47.2%
7	Achilles	HGT	TMT	UK	2008	5,218	20,054	4.8%	52.0%
8	e-conomic	HGT 6	TMT	Nordic Region	2013	14,387	19,951	4.8%	56.8%
9	Radius	HGT 6	Services	UK	2013	17,966	19,146	4.6%	61.4%
10	SimonsVoss	HGT 6	Industrials	Germany	2010	11,961	17,630	4.2%	65.6%
11	NetNames	HGT 6	TMT	UK	2011	14,249	14,376	3.5%	69.1%
12	Lumesse	HGT 6	TMT	UK	2010	22,135	13,634	3.3%	72.4%
13	QUNDIS	HGT 6	Industrials	Germany	2012	12,540	13,146	3.2%	75.6%
14	Ullink	HGT 7	TMT	France	2014	10,034	10,173	2.4%	78.0%
15	Atlas	HGT	Services	UK	2007	12,930	10,149	2.4%	80.4%
16	Frösunda	HGT 6	Healthcare	Nordic Region	2010	14,296	9,822	2.4%	82.8%
17	Parts Alliance	HGT 6	Services	UK	2012	6,595	6,696	1.6%	84.4%
18	Sequel Business Solutions	Mercury	TMT	UK	2014	4,414	6,583	1.6%	86.0%
19	Allocate Software	Mercury	TMT	UK	2014	6,240	6,499	1.6%	87.6%
20	Intelliflo	Mercury	TMT	UK	2013	4,014	5,148	1.2%	88.8%
21	Teufel	HGT 6	Industrials	Germany	2010	10,508	4,186	1.0%	89.8%
22	SFC-KOENIG	HGT	Industrials	Switzerland	2008	5,829	4,043	1.0%	90.8%
23	Casa Reha	HGT	Healthcare	Germany	2008	8,990	3,804	0.9%	91.7%
24	Relay Software	Mercury	TMT	Rep of Ireland	2014	2,158	2,531	0.6%	92.3%
25	Sporting Index	HGT	C&L[3]	UK	2005	8,027	2,510	0.6%	92.9%
26	Mainio Vire	HGT 6	Healthcare	Nordic Region	2011	8,307	1,869	0.5%	93.4%
27	Valueworks	Mercury	TMT	UK	2012	2,649	1,098	0.3%	93.7%
	Non-active investments[4] (3)	HGT 6/HGT				368	710	0.2%	93.9%
	Total buyout investments (30)					352,156	389,775	93.9%	
	Other buyout investments	Hg 6E				9,523	13,327	3.2%	97.1%
	Renewable energy	RPP1/RPP2	Renewable energy			26,264	12,227	2.9%	100.0%
	Total all investments					387,943	415,329	100.0%	

[1] Investment through HGT 7 LP and co-investment participation through HGT LP
[2] Including accrued income
[3] Consumer and Leisure
[4] Residual ownerships in holding company structures, following earlier realisations of underlying operating company groups, awaiting liquidation and final proceeds

THE MANAGER'S REVIEW continued

THE TOP 20 BUYOUT INVESTMENTS
representing 89% of the total portfolio

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's clients in buyout investments in companies with an enterprise value ('EV') of between £20 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

Headquartered in Berkshire, IRIS is a leading provider of business critical software and services to the UK accountancy market and payroll applications to key business segments, including the UK general practitioners' market.

Over half of all UK accountancy firms rely on IRIS to run their business, and its SME software is used by over 38,500 SMEs and payroll bureaux across a number of sectors, including 50% of UK GP practices and a growing number of UK retailers. 18% of UK businesses pay their employees via IRIS payroll solutions. Additionally over 100,000 SMEs 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, driven by consistent regulatory updates and additional features as part of their subscription. 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 strong 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. IRIS has always been at the forefront of providing the most innovative products to its customers, and will continue to invest in new technology to meet all of its customers' needs.

What has been achieved?

IRIS has been successful in broadening its addressable market by expanding its offering, both by organic product development and by acquisition. The company has also successfully established a Cloud Division in London to sell Software as a Service ('SaaS') products to UK accountants and SMEs and further investment is being made here to support the long-term growth potential of this area.

How is it performing?

The business is performing very well and continues to invest significantly in new product development and into its Cloud Division. IRIS saw double digit revenue and EBITDA growth over the last year.

How will we crystallise value?

IRIS would be an attractive acquisition target to a financial buyer due to its strong organic growth, margins, cash conversion and recurring revenue. It would also be a strong strategic fit with a number of trade players.

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	44,669

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 Nordic countries 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 advisers. The company enjoys high levels of predictable recurring revenue resulting from a subscription payment model.

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

We decided to re-invest in 2014 as we believe the business still continues to exhibit attractive organic and acquisitive revenue growth, together with opportunities for margin improvement.

How do we intend to create value?

Visma has consistently exceeded our investment plans. In April 2014, following a decision by majority owner KKR to sell part of its original 2010 stake in Visma, HgCapital decided to sell its remaining stake, generating a total return between 2006 and 2014 of 5.2x original cost and a gross IRR of 33%. HgCapital and its clients are re-investing £409 million in the business for a 31% stake via the HgCapital 7 fund and co-investment participation as a co-lead investor alongside KKR and Cinven, valuing the business at a total enterprise value of NOK 21 billion (£2.1 billion). The re-investment in Visma reflects our conviction in the continuing strength of the business; backing a management team we know well with a strong track record of creating value for investors.

What has been achieved?

Since HgCapital's first investment in 2006, Visma has acquired over 75 companies, 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 (2012); and InExchange, a 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, with over NOK 680 million of pure-SaaS revenues.

How is it performing?

Year-to-date performance has seen strong organic growth in revenue and EBITDA. SaaS growth remained strong across the group at c.37% over the previous year. SaaS now accounts for c.12% of total revenue. £/NOK foreign exchange movements over 2014 have had a negative effect on the translation of the year-end valuation into sterling.

How will we crystallise value?

As already evidenced, Visma has a scale and growth profile which makes it an attractive target to large private equity groups. It could also be an attractive IPO candidate.

Website: www.visma.com

Original enterprise value: NOK 21 billion

HgCapital clients' total equity: 31.3%

Visma – 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	Nordic region	Aug 2014	40,000	36,338

3. TeamSystem

Business description

TeamSystem is a leading provider of business critical, regulatory-driven software products to accountants, labour professionals and SMEs in Italy. Headquartered in Pesaro, the company has a large and diversified base of c.185,000 customers. It has 27 offices across Italy and employs over 1,700 people.

Why did we invest?

HgCapital sought to apply its experience in more mature markets of business-critical back office software (in the Nordic region, UK and Germany) to a leader in a less developed market. Italy is characterised by a high level of frequently changing regulation and lower penetration of dedicated purpose software.

TeamSystem's business is highly predictable and protected due to its mission-critical nature, low churn and a large, fragmented customer base.

How do we intend to create value?

Alongside organic growth, management has increased its cross-selling 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 was identified at acquisition.

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.

In 2013, TeamSystem completed its debt refinancing through the issue of a public bond, lowering borrowing costs and providing financial flexibility.

The focus on M&A has led to the completion of eleven acquisitions, most recently the acquisitions of ACG from IBM and Il Sole Software in a carve-out from its parent company. These acquisitions significantly increase TeamSystem's presence in the SME and professional services markets, and it is considering further product-led M&A targets.

How is it performing?

Notwithstanding the difficult economic environment in Italy, TeamSystem continues to win market share and grow. The business has achieved improved single-digit organic growth in sales and profits against a backdrop of the Italian economy which continues to contract. Synergies from recent acquisitions should enhance EBITDA growth going forward.

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	33,673

4. Zenith Leasedrive

Business description

Zenith Leasedrive is the largest independent vehicle leasing business in the UK. It was formed in March 2014 through the merger of Zenith Vehicle Contracts and the Leasedrive Group. Headquartered in Leeds, with full-service operations in both Solihull and Wokingham, the combined group has over 500 employees and provides end-to-end automotive solutions focused on contract hire, short-term hire and fleet management services to customers across the UK. The company operates a fleet of over 64,000 vehicles and focuses on serving blue-chip customers, principally as sole supplier.

Why did we invest?

Zenith Leasedrive displays a number of the investment characteristics targeted by HgCapital. It has strong core profitability aligned with double-digit revenue growth, high cash flow conversion and offers a low ticket, business-essential service to a largely fragmented customer base with a high customer retention rate. In addition to growing its core contract hire fleet, we believe substantial growth can be achieved in the emerging salary-sacrifice marketplace in the UK. The merger was driven by the highly complementary nature of the two businesses and the potential to create significant economies of scale as a larger group.

How do we intend to create value?

In addition to supporting core customer growth, there is the opportunity for significant improvement in operating and financing efficiency through the enhanced scale afforded by the merger. This platform should also enable further strategic M&A, where HgCapital's experience in buy-and-build and the company's flexible capital structure makes Zenith Leasedrive a compelling acquirer. We have the benefit of a highly experienced Chairman, Jon Walden. HgCapital had the opportunity to work with Jon at Epyx, where he was Chairman, and his experience of building Lex, the largest UK vehicle leasing business, gave us insight and confidence on the opportunities that the sector offers.

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 investments on page 32). At the beginning of March, Zenith and Leasedrive began operating as a single entity.

HgCapital is supporting management to drive the value of the investment through looking at potential bolt-on acquisition opportunities and improving operational and financial efficiency.

How is it performing?

Whilst it is early days under HgCapital's ownership, the combined business saw strong double-digit revenue and EBITDA growth over 2014. A combination of both new and recurring contracts will further drive revenue growth.

How will we crystallise value?

We believe that Zenith Leasedrive will be an attractive opportunity for a range of buyers once HgCapital has delivered its growth and efficiency plan for the business.

Website: www.leasedrive.com
www.zenith.co.uk

Original enterprise value: £337 million

HgCapital clients' total equity: 65.2%

Zenith Leasedrive – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
Services	UK	Dec 2013	23,986	32,672

5. 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 more than 15,000 customers. The business offers software for the management of payroll, workforce, time management and human capital management.

It typically serves "Mittelstand" businesses with 200 – 5,000 employees, across a range of 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 it 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 in the European payroll and transactional HR sector for leading, innovative players. We will support P&I's continued development of its new product offerings, supported by continuous operational improvements. There are potential M&A opportunities in the relatively fragmented HR management systems, payroll, time management and expenses market.

What has been achieved?

With HgCapital's support, P&I is currently focused on strengthening its financial and operating reporting as well as defining the company's forward business plan, including internationalisation and M&A strategy.

How is it performing?

P&I is performing well and has seen double-digit revenue and EBITDA growth over the year.

This has been driven by strong sales to both existing and new customers with growth in high margin revenue streams leading to margin expansion.

How will we crystallise value?

We believe that the combination of growing high recurring revenues, 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: €438 million

HgCapital clients' total equity: 84.5%

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	22,101	28,223

6. 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 serves via its Circuit brand.

JLA has recently extended its offering into kitchen and medical equipment, which is typically used by its existing customers, as well as the supply of detergents. Further additions to JLA's offering are planned.

Why did we invest?

JLA enjoyed strong operating performance, including sustained organic growth through the period 2007–2009.

It has a diverse customer base that 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 market and similar service functions.

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 ten small bolt-on acquisitions have been completed. The business now has a dedicated M&A team and the pipeline for further acquisitions is under development.

How is it performing?

JLA has continued to experience year-on-year organic sales growth rates of 7–9% driven by growth in the core rental and Circuit divisions, which has been supported by the implementation of innovative sales initiatives. Going forward, the investment in the catering division and continuing transition of customers to a rental model should affect margins positively.

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	20,442

7. 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 search, 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 a subscription-based network business model with significant recurring revenue streams. It is a leading company 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 industries.

What has been achieved?

HgCapital's work with the management, on internal process projects including pricing, back-office management and sales practices, have increased revenue growth. The business has made substantial investment in a new global technology platform and is migrating existing schemes to this, in 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?

With the considerable transformation of the business that is underway, Achilles is experiencing lower than trend revenue growth year-on-year. Significant investment in the company's 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.

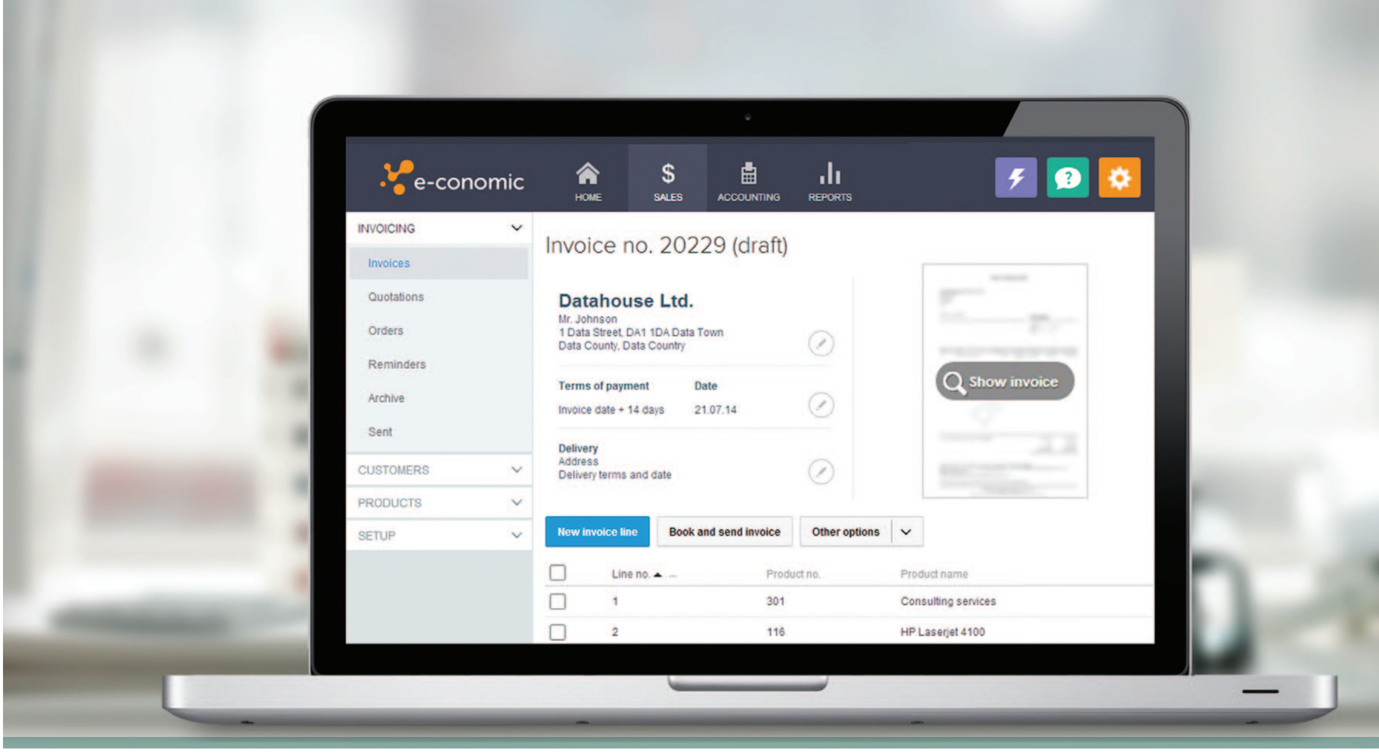
Website: www.achilles.com

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	20,054



8. e-conomic

Business description

Founded in 2001 in Copenhagen, e-conomic is a leading European SaaS accounting solutions provider for SMEs. It has over 85,000 customers for its core product e-conomic; over 25,000 customers from the acquisition of Speedledger (www.speedledger.se); and over 290,000 sign-ups for its freemium invoicing, expenses and accounting-lite product, Debitoor (www.debitoor.com). The company operates with its e-conomic product in its core home market of Denmark and serves customers in various other European countries, including Norway, Sweden, Spain and Germany. Debitoor is used by customers in over 50 countries, with the largest customer base in Germany and Spain. e-conomic's products enable its customers to perform their accounting at a reasonable price, more efficiently and with greater flexibility through the internet, allowing real time collaboration with their accountants. Through the open API, over 150 app partners have integrated their solutions (CRM, payroll, webshop, etc.) into e-conomic to offer SMEs everything they need to run their business. Speedledger is closely integrated with the customer's online banking through strong partnerships with leading Swedish banks.

Why did we invest?

e-conomic operates an attractive business model with recurring revenues and a broad and loyal customer base, which consists mainly of small businesses with 0-100 employees, as well as more than 4,000 accountancy practices of all sizes. The SME SaaS sector is expected to continue to grow strongly in the coming years, due to increasing SaaS penetration; HgCapital will support e-conomic's management to capitalise on this opportunity.

How do we intend to create value?

As the expected growth of the SME SaaS bookkeeping market unfolds over the next 5+ years, HgCapital plans to support e-conomic's management in its expansion into further EU countries (and potentially further afield) by both organic growth and acquisition. The fast growing 'freemium' product, Debitoor, is expected to lead this expansion strategy.

What has been achieved?

HgCapital has supported e-conomic in a number of projects including: strengthening the management team; building its internationalisation strategy; forming partnerships outside Scandinavia including, in July 2014, an equity investment into CE Consulting, a network of accountants in Spain, and the acquisition in October 2014 of Speedledger, a Swedish SaaS accounting firm.

How is it performing?

e-conomic continues to report strong revenue growth, driven by both increasing numbers of new customers and larger spend per current client. However, as envisaged in HgCapital's initial business plan, profits have been materially held back in the medium-term by continued investment into the business to build the platform for further growth. We expect to see the impact of this investment come through in the next 12-18 months.

How will we crystallise value?

The 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.com

Original enterprise value: DKK 634 million

HgCapital clients' total equity: 83.4%

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	14,387	19,951

9. Radius

Business description

Radius was established by merging Nair & Co. (acquired in August 2013) with High Street Partners (HSP) in April 2014. The company provides tailored solutions for fast growing companies that are looking to expand into international markets. Radius sets up the required international entities and integrates legal, accounting, payroll, tax and human resources services to ease the process of international expansion. It is headquartered in Bristol, and has nearly 800 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 Radius 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.

Radius has all the characteristics that HgCapital looks for in an investment: it is a provider of mission critical services to a fragmented customer base, benefiting from a repeat revenue model and utilising a scalable technology platform to generate high margins.

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. Further M&A opportunities to expand the service offering or global scope of the business as well as potential product extensions have been identified.

Additionally, we see a significant opportunity for the business to be re-rated following fundamental improvements in the business model and processes.

What has been achieved?

HgCapital is working with Radius to strengthen management, processes and systems, evaluate M&A opportunities, support integration and review professional services billing.

How is it performing?

Radius has continued to grow through a period of substantial change, with the integration progressing as planned. The rate of revenue growth in the first half of 2015's financial year (March year-end) slowed due to lower activity levels, but Q3 underlying revenue growth of 12% gives us confidence in a robust second-half performance. We have invested in the infrastructure of the newly merged group, to yield operational improvements, and synergies have begun to materialise with more still to come in the next financial year.

How will we crystallise value?

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

Website: www.radiusworldwide.com

Original enterprise value: $280 million

HgCapital clients' total equity: 82.0%

Radius – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
Services	UK	Aug 2013	17,966	19,146

10. SimonsVoss

Business description

SimonsVoss is a European leader in the development, manufacture and marketing of electronic battery-powered locking and access control systems, mainly for public, commercial and residential buildings.

SimonsVoss has a proven track record of developing state-of-the-art applications with a pipeline of innovative new products. Revenues primarily originate in Germany, with an increasing number of sales in international markets.

Why did we invest?

Operating in a niche segment with considerable technological expertise, the company's robust trading through the recession saw it thrive in a depressed market, with EBITDA growing by an average of 12% p.a. between 2005 and 2013. 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, whilst reducing production costs.

How do we intend to create value?

Having rebuilt and grown the sales teams, SimonsVoss is looking to continue to drive its market share in Germany as well as expansion in adjacent geographic markets such as France, Benelux, Denmark and Sweden, as well as Asia. This is supported by new, innovative products including: passive technology, digital door fittings, and compact readers.

Additionally, SimonsVoss is integrating products with building technology solutions of large OEMs (e.g. Siemens) which will further drive demand. 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 and management have been strengthened with a focus on pushing growth through new customer groups, distribution channels and geographic markets.

How is it performing?

After a healthy start in the first half of 2014, trading in the second half was disappointing, due to weaker macro trends (new construction levels) and public spending cuts. 2015 is expected to be better, driven by good sales momentum in Germany and other markets, in combination with strong margins.

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: 93.2%

SimonsVoss – Trust's underlying investment through HGT 6 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
Industrials	Germany	Jun 2010	11,961	17,630

11. NetNames

Business description

NetNames is one of the leading European providers of online brand protection and internet domain name management services. The company provides outsourced management of companies' key online intellectual property assets – their domains and online brands.

The on-line channel is becoming increasingly important for companies' corporate and marketing activities, NetNames offers a single point of contact for protection of brands across all online environments and management of internet domain names in all jurisdictions. The company offers a level of automation, 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 sector, fundamentally driven by increasing corporate internet usage and a growing appreciation of the value of online brands. 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 CEO, 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 to improve customer satisfaction, are under way. 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. Investment into branding and marketing is showing early positive signs, and M&A to broaden the international footprint and customer base of the business has been successfully executed.

How is it performing?

NetNames saw strong double-digit EBITDA growth in the 2014 financial year (to June 2014). In the period June – December 2014 this momentum has continued with revenue growth being delivered through an efficient, largely fixed cost base; our valuation of the company has increased accordingly.

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. Its 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: £146 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	Dec 2011	14,249	14,376

12. Lumesse

Business description

Lumesse is a leading European provider of strategic HR software (for recruiting, talent management and learning) to medium and large enterprises. It operates in 16 countries with around 700 employees. The business operates a subscription-based model (more than 60% of total revenue) with a consulting element.

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 as this product segment takes share from traditional 'on premises' based software products. 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 over the past two years.

Supported by HgCapital, management initiated a strategic review in 2014 in order to bring the business back to growth. This has led to a partnership with Salesforce.com to build an HR talent platform.

How is it performing?

The operating performance in 2014 was below the previous year and has been characterised by the impact of the changes the business is undergoing. Key recurring revenues products continue to see growth whilst services continue to decline. Bespoke learning content services have seen some recovery over the period.

We believe that the continued reorganisation of the business in 2015 will improve current performance in the medium-term and that the fundamentally healthy 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 attracted 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	22,135	13,634

13. QUNDIS

Business description

QUNDIS is a leading provider of sub-metering devices in Germany and Italy, within the independent measurement service provider segment. It also has meaningful presences in other countries, including Russia, Turkey, France and Spain. Further internationalisation plays an important part of the value creation in QUNDIS.

The company was created in 2008 from the merger of QVEDIS (previously part of Siemens) and KUNDO SystemTechnik and currently has c.270 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, driven by continuous upgrades to higher technology meters; the remainder are based on new installations, driven by increasing market regulation.

How do we intend to create value?

HgCapital is supporting management in its expansion strategy. This includes building on QUNDIS' technological expertise and further establishing a presence in emerging sub-metering markets in adjacent European countries. Further value will be created through: cost efficiencies; smart metering solutions; and the need to address energy savings.

What has been achieved?

Management has been strengthened and internal processes have been improved. The company consolidated its current production facilities into a single modern production site in 2013, allowing for additional capacity to drive international growth and profitability through increased efficiency. Furthermore, a highly advanced gateway solution has been developed for a great range of applications and superior product features compared to the competition, which will come to the market in the first half of 2015.

How is it performing?

2014 was a disappointing year for QUNDIS as re-organisation, including consolidation of the productions sites and re-designed processes, affected delivery times: this problem has since been resolved. Political turmoil in Russia and Turkey also affected performance. Through the broadening of its customer base in the core markets of Germany and Italy, the company is becoming less exposed to political instability in other markets.

How will we crystallise value?

There has been a strong appetite from a number of strategic buyers looking to diversify their product portfolio. Also, the large market opportunity, robust business model, the positioning as a leading solution provider in the sub metering sector and the associated market opportunities will drive interest from financial investors looking for assets in this 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	12,540	13,146

14. Ullink

Business description

Ullink is a leading global provider of electronic trading applications and connectivity to the financial community.

Founded in 2001, Ullink has grown quickly to become a global provider of multi-asset trading technology and infrastructure for buy-side and sell-side market participants.

Ullink's clients include over 150 of the world's top-tier banks from 39 countries and ranges from tier 1 global sell-side brokers to regional niche specialists across Europe, North America and Asia Pacific. The business is headquartered in France, although c. 60% of staff and c. 90% of revenue are outside the country.

Why did we invest?

Capital markets software has been a strong focus for the TMT team since 2002 and Ullink has been known to the team since 2009. This investment is in line with HgCapital's proven sector-focused approach of investing in leading global providers of vertical market application software. Ullink shares the core characteristics that HgCapital looks for: it provides an excellent platform for growth with a subscription revenue model across a diversified client base.

How do we intend to create value?

Ullink has a consistent track record of strong organic growth. Ullink has differentiated itself by offering a more modern and flexible trading system at a lower total cost of ownership. HgCapital will help the business accelerate its high rate of organic growth driven by increased new customer wins resulting from investment into the sales and marketing functions. We also believe there is an opportunity to consolidate smaller competitors in electronic trading. The acquisition of NYFIX and Metabit, completed in September 2014, was a significant step forward in this consolidation. The acquisition has given the business a broad international footprint and offers substantial upsell opportunities in the combined customer base as well as efficiencies in the cost base and shared infrastructure.

What has been achieved?

The above acquisition was transformative for Ullink and more than doubled the revenue of the business. Since then, the management team has been focused on the integration of the three businesses.

Hans Gieskes joined the company as Chairman in January 2015. Hans has substantial experience as CEO and chairman of public and private equity backed businesses.

How is it performing?

Ullink performed in line with its budgeted revenue growth. EBITDA growth was below budget due to increased investment in sales and marketing and additional senior management.

The NYFIX and Metabit acquisitions that recently completed have performed in line with expectations.

How will we crystallise value?

Ullink has the potential to become an industry champion. The financial profile is very attractive, with high levels of recurring revenue and organic growth, a scalable cost base and a high rate of cash conversion. We believe the company will be an attractive acquisition for both trade and financial buyers.

Website: www.ullink.com

Original enterprise value: $329 million

HgCapital clients' total equity: 63.8%

Ullink – Trust's underlying investment through HGT 7 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
TMT	France	Mar 2014	10,034	10,173

15. 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 benefits from long-term growth trends: a growing need for skill and competency training as an ageing workforce retires and increased scrutiny on health and safety compliance.

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-term contracts.

How do we intend to create value?

The plan is to increase share of revenue from key accounts and to win business outside its core geography (North Sea) 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 training products.

What has been achieved?

Management has been strengthened across the business, evolving Atlas into a market-driven customer-oriented organisation. Average contract values have risen and innovation has been applied to the products sold and to the processes behind them.

Atlas has also strengthened its business model, through long-term contracts with international safety organisations to deliver health and safety training programmes. It is building subscription revenues through 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?

2014 saw the sales mix skew further towards delivery of high margin proprietary content and recurring Minimum Industry Safety Training ('MIST') mandatory worker testing services. The company has made good progress in replacing the contribution from historic large contracts with new wins and is building and converting its strong pipeline.

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	12,930	10,149

16. Frösunda

Business description

Frösunda is one of the leading Swedish providers of care for individuals with learning disabilities, severe physical disabilities, and psychological / behavioural issues. Frösunda offers personal assistance, elderly care, schools and youth rehabilitation. Frösunda is driven by strong humanistic values and the goal of offering its customers the highest possible quality of life.

Headquartered in Solna, Sweden, Frösunda employs around 8,500 staff and cares for around 2,500 people across Sweden.

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 enjoys 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. HgCapital is supporting Frösunda in continuing to focus on quality care combined with operational flexibility.

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?

HgCapital has been working hard with the management team further to optimise performance and maintain profitable growth against a background of political change. In September 2014, the Individual and Family business in Norway was successfully divested, with the consideration used to pay down debt.

How is it performing?

Frösunda's revenue growth in 2014 has been strong. However, EBITDA was flat, against a background of increasing margin pressure.

How will we crystallise value?

The role of privately-owned companies in welfare provision is a closely-monitored political topic in Sweden and continues to be uncertain. However, we would expect Frösunda to have multiple roads to exit, potentially through one of the large Swedish healthcare conglomerates, another financial buyer, or to come to market via an IPO.

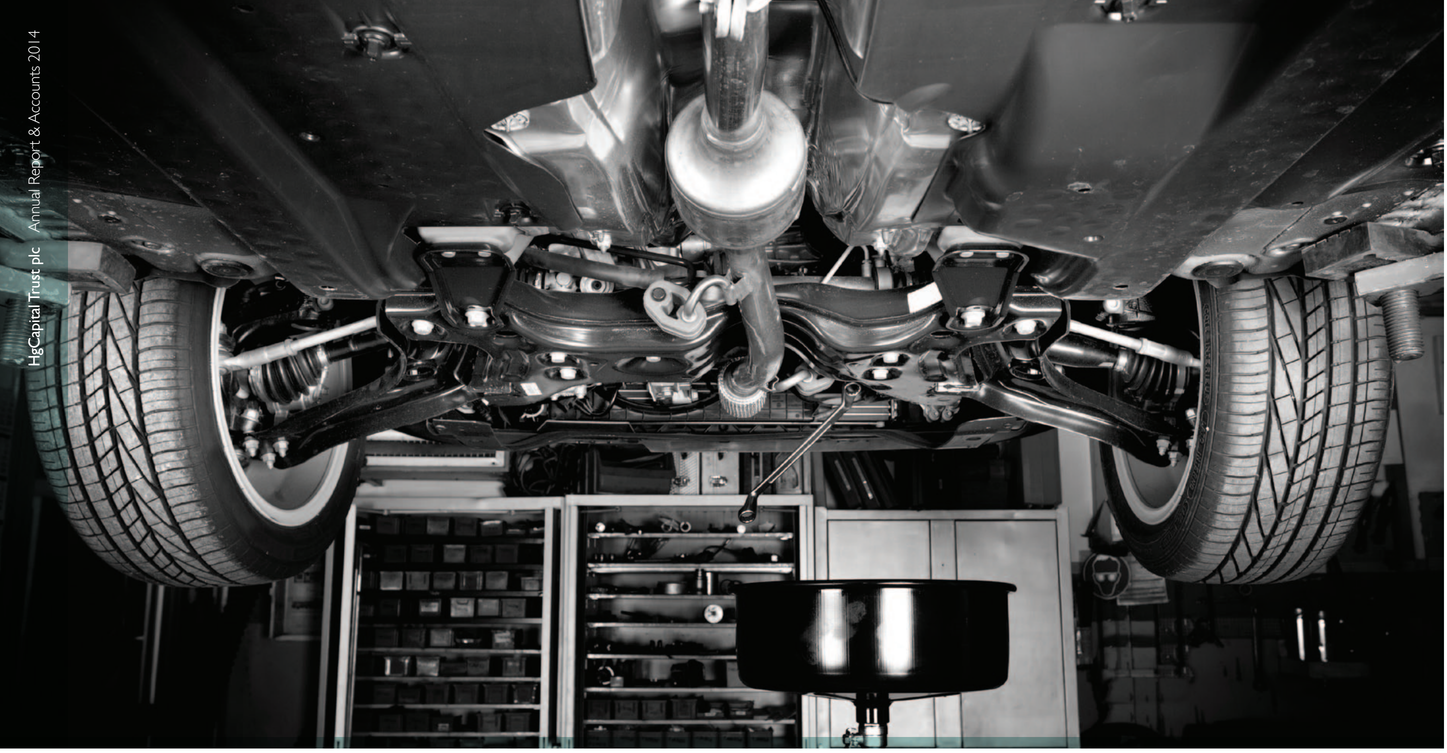
Website: www.frosunda.se

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	9,822



17. Parts Alliance

Business description

Parts Alliance is a UK buying group for after-market car parts distributors and currently consists of twelve parts distributors. We have so far completed nine acquisitions and continue to be 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 £5.2 billion UK car parts market is amongst the most fragmented in Europe with c. 1,400 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. £44 million of client capital. All of the previous owners have reinvested between 10% and 40% of their proceeds in the opportunity; as a result, we take some comfort that the founder/key man risk in these transactions has been mitigated and that they have confidence 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?

In addition to M&A, the management team is focused on growing sales and improving the online offering. There is also an emphasis on professionalising the group's business processes. This includes improving gross margins through pricing and category management and implementing EBITDA margin improvements by increased efficiencies, as well as harmonising the management information systems.

How is it performing?

Despite a challenging market for the sector, the group has demonstrated resilient trading. Investment in the cost base of the group depressed short-term profits over the first two years of ownership; however, we are starting to see the value of this investment come through in its improved trading performance.

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 to private equity investors.

Website: www. thepartsalliance.com

Original enterprise value: £44 million

HgCapital clients' total equity: 78.3%

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	6,595	6,696

18. Sequel Business Solutions

Business description

Sequel Business Solutions ('Sequel') is a leading software and services provider to Lloyd's of London and the broader London insurance market. It was founded in 1993 and has since grown to become one of the leading insurance and reinsurance software specialists in the UK. Sequel has an attractive customer base, comprising some of the most highly respected companies in the commercial insurance sector, which rely on Sequel's core platform, Eclipse, to run and optimise their operations. The company also provides innovative, web-based software solutions for related work streams such as risk analytics (Sequel Impact).

The company has offices in London and Spain, and employs c.150 staff.

Why did we invest?

The Mercury team approached the management of Sequel at the start of 2014, following broad research into the insurance software market. They were impressed by the clarity of Sequel's strategy and the quality of its customer base and software platforms. The company stands out in its marketplace for its independence and investment in innovation and focus; these position it very well to continue to be the supplier of choice for underwriters and brokers.

Given the mission critical nature of its product, Sequel has an established position in an attractive and growing end-user market with a loyal, high-recurring customer base. It has a solid core product set and strong track record of delivery, which differentiates it from its competitors.

How do we intend to create value?

HgCapital intends to support Sequel in developing its outbound sales and marketing in an effort to bring in a wider customer base. We also intend to assist management in developing international sales as Sequel customers expand their operations globally, and in generating incremental recurring revenue growth from the company's new web-based products.

What has been achieved?

Since acquisition, HgCapital has strengthened Sequel's management team with the appointment of a new Chairman and a Business Development Director. We are working closely with the company to: increase the speed of transition to recurring software revenue; assess the opportunity for international expansion; and build a pipeline of M&A opportunities.

How is it performing?

Over the course of 2014, Sequel has seen strong revenue and EBITDA growth, primarily driven by robust performance in the first half of the year within the Consultancy division.

How will we crystallise value?

Given its strategic position at the heart of the commercial insurance software market, we believe that a focused and growing commercial insurance software specialist such as Sequel will be an attractive asset for both trade and financial buyers.

Website: www.sequel.com

Original enterprise value: £64 million

HgCapital clients' total equity: 57.4%

Sequel Business Solutions – Trust's underlying investment through HgCapital Mercury D LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
TMT	UK	July 2014	4,414	6,583

19. Allocate Software

Business description

HgCapital acquired Allocate Software plc in a public-to-private transaction from the Alternative Investment Market ('AIM') at the end of 2014.

Allocate Software is a leading provider of complex workforce and risk management software to healthcare and other regulated industries. Its core product is used for workforce rostering and associated compliance workflows such as monitoring and reporting on safe staffing levels. Allocate's products address a clear and increasingly pressing need for improved staff efficiency, patient safety, and regulatory compliance. The business is a leader in its segments in the UK and Sweden and has a strong and growing position in Australia. The core mission of Allocate is to enable its customers to deploy the right people at the right place at the right time.

Why did we invest?

Allocate has many of the characteristics that HgCapital looks for in an investment: a leader in its sector with strong growth potential, with a large and engaged client base, and a significant and predictable proportion of repeat business.

How do we intend to create value?

HgCapital will support Allocate's management team in delivering continued development and sustainable growth of its product portfolio and in improving operational effectiveness. HgCapital will also support Allocate's management to identify potential bolt-on acquisitions and exploring further international growth beyond its existing markets. Further, there are a number of direct opportunities for collaboration between Allocate and other technology businesses within HgCapital's existing investment portfolio which will provide the potential for additional growth.

What has been achieved?

The Mercury team is working alongside Allocate's management to develop a detailed operational blueprint to deliver the investment plan.

How is it performing?

Allocate reported organic revenue growth in the financial year to 31 May 2014 of 8% with EBITDA growth of 44%. This robust performance has continued in the second half of 2014.

How will we crystallise value?

Allocate operates in a valuable, niche market and we would expect this to attract both trade and financial buyers. An IPO might also be an option.

Website: www.allocatesoftware.com

Original enterprise value: £93 million

HgCapital clients' total equity: 80%

Allocate Software – Trust's underlying investment through HgCapital Mercury D LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
TMT	UK	Dec 2014	6,240	6,499

20. Intelliflo

Business description

Intelliflo is a leading UK SaaS provider of front and back office software solutions to SME IFAs, wealth managers, adviser networks, insurance/life companies and brokers. The business combines a decade-long track record in the UK market, with a best in class SaaS product and significant capability created by investment ahead of the Retail Distribution Review (RDR). Over 11,000 individual financial intermediaries and administrators use Intelliflo's software on a daily basis to manage front and back-office workflows and to respond quickly to consumer and regulatory needs.

Why did we invest?

This investment continues HgCapital's strategy of partnering with great management teams in market-leading vertical application software companies.

Intelliflo has an attractive, scalable business model with a high component of recurring subscription revenues and strong, organic recurring revenue growth. There is the possibility of significant value creation through market share gains and cross-selling of new modules to existing customers.

How do we intend to create value?

We have identified initiatives to improve sales and marketing processes, improve retention, accelerate product release cycles, reduce support costs and optimise pricing. HgCapital further intends to maximize the potential of the business by expanding Intelliflo's product suite by new module development and partnership with complementary third party vendors.

What has been achieved?

The Mercury team has worked with the management team to implement a value growth plan across a number of areas, including: investment in sales and marketing capability, including a new inbound marketing platform; implementing best-in-class SaaS practices in technology development and operations; and strengthening Board capabilities.

How is it performing?

Intelliflo's revenue has been broadly stable since acquisition, reflecting a shift in revenue mix to more valuable recurring subscription revenue. Significant investment into sales and marketing is impacting short-term EBITDA. We believe that, over the medium-term, this investment and increases in recurring revenues will drive significant growth in profit and equity value.

How will we crystallise value?

Given the combination of Intelliflo's end-user base, strong SaaS technology and natural positioning for cross-selling, the business should be attractive to a number of parties, including both UK and international trade and financial buyers.

Website: www.intelliflo.com

Original enterprise value: £43 million

HgCapital clients' total equity: 57.9%

Intelliflo – Trust's underlying investment through HgCapital Mercury D LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
TMT	UK	July 2013	4,014	5,148

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 limited 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. The Trust committed €21.6 million to the Fund. 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 committed €40 million to the Fund. The second fund's platforms are:

- **Swedish onshore wind** (Vasa Vind: www.vasavind.se): two operating projects of 96MW; three projects in pre-construction totalling 318MW; and a development business with a pipeline of over 700MW;
- **Irish onshore wind** (Invis Energy: www.invisenergy.ie): two operating project of 88MW; one 65MW project in construction; four projects in pre-construction totalling 142MW; and a development pipeline of over 240MW;
- **Swedish district heating** (Vasa Värme): three operating systems totalling 58MW;
- **Spanish mini-hydro** (Ondina): two operating portfolios of 120MW.

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

How is it performing?

A portfolio of high quality projects have been built on time and on budget and operational performance is ahead of investment case. However, valuations have been impacted materially by retroactive changes in Spain and depressed power prices in Sweden.

There are opportunities to grow significant value both in the Irish wind platform and the Swedish district heating platform.

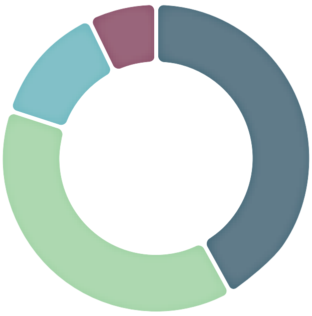
How will we crystallise value?

HgCapital is developing groups of projects based on the platforms shown in the table below. These platforms can then be refinanced efficiently or sold as portfolios of closely related projects to industry buyers or financial investors.

DIVERSIFICATION BY VALUE OF INVESTMENTS

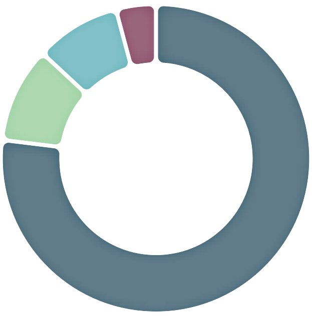
Geography

- 42% Ireland
- 38% Sweden
- 12% Spain
- 8% UK



Resource

- 78% Onshore wind
- 10% District Heating
- 9% Solar
- 3% Hydro



PRINCIPAL INVESTMENTS BY PLATFORM

	Total valuation £'000
Irish Onshore Wind	5,056
Swedish Onshore Wind	2,636
Swedish District Heating	1,213
Spanish Hydro	380
Other	221
RPP2 Fund	9,506
Spanish Solar	1,085
UK Onshore Wind*	902
Swedish Onshore Wind	672
Other	62
RPP1 Fund	2,721
Total renewable energy investments	12,227

* Primarily deferred consideration from sale of development assets in 2013.

FINANCIAL STATEMENTS

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Revenue return 2014 £'000	Revenue return 2013 £'000	Capital return 2014 £'000	Capital return 2013 £'000	Total return 2014 £'000	Total return 2013 £'000
Gains/(losses) on investments, government securities and liquidity funds	13	–	–	34,752	(18,701)	34,752	(18,701)
Losses on priority profit share loans advanced to General Partners	5(b)	–	–	(2,435)	(1,449)	(2,435)	(1,449)
Net income	4	24,168	16,682	–	–	24,168	16,682
Other expenses	6(a)	(1,734)	(3,323)	–	–	(1,734)	(3,323)
Net return/(loss) before finance costs and taxation		22,434	13,359	32,317	(20,150)	54,751	(6,791)
Finance costs	6(b)	(455)	(482)	–	–	(455)	(482)
Net return/(loss) from ordinary activities before taxation		21,979	12,877	32,317	(20,150)	54,296	(7,273)
Taxation (charge)/credit on ordinary activities	9(a)	(46)	36	–	–	(46)	36
Net return/(loss) from ordinary activities after taxation attributable to reserves		**21,933**	**12,913**	**32,317**	**(20,150)**	**54,250**	**(7,237)**
Return/(loss) per Ordinary share	**10(a)**	**58.76p**	**35.34p**	**86.58p**	**(55.14)p**	**145.34p**	**(19.80)p**

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 62 to 80 form part of these financial statements.

BALANCE SHEET

AS AT 31 DECEMBER 2014

	Notes	2014 £'000	2013 £'000
Fixed asset investments			
Investments held at fair value:			
Unquoted at Directors' valuation	12	361,018	295,960
Total fixed asset investments		361,018	295,960
Current assets – amounts receivable after one year:			
Accrued income on fixed assets	14	54,311	49,244
Current assets – amounts receivable within one year:			
Debtors	14	632	1,907
Government securities and liquidity funds	15	59,859	83,121
Cash	16	3,021	12,708
Total current assets		117,823	146,980
Creditors – amounts falling due within one year	17	(1,923)	(2,356)
Net current assets		115,900	144,624
Net assets		**476,918**	**440,584**
Capital and reserves:			
Called up share capital	20	9,331	9,331
Share premium account	21	120,368	120,368
Capital redemption reserve	21	1,248	1,248
Capital reserve – realised	21	353,378	326,197
Capital reserve – unrealised	21	(33,390)	(38,526)
Revenue reserve	21	25,983	21,966
Total equity shareholders' funds		**476,918**	**440,584**
Net asset value per Ordinary share	**10(b)**	**1,277.8p**	**1,180.4p**
Ordinary shares in issue at 31 December		37,324,698	37,324,698

The financial statements on pages 58 to 80 were approved and authorised for issue by the Board of Directors on 6 March 2015 and signed on its behalf by:

Roger Mountford, Chairman

Richard Brooman, Director

The notes on pages 62 to 80 form part of these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £'000	2013 £'000
Net cash inflow from operating activities	7	16,875	5,078
Servicing of finance		(455)	(482)
Taxation received/(paid)		289	(1,212)
Capital expenditure and financial investment:			
Purchase of fixed asset investments	12	(86,962)	(79,968)
Proceeds from the sale of fixed asset investments	12	57,752	52,113
Net cash outflow from capital expenditure and financial investment		(29,210)	(27,855)
Financing activities:			
Proceeds from issue of share capital		–	18,045
(Repayment of)/proceeds from loan facility		(1,184)	1,421
Equity dividends paid	11	(17,916)	(8,180)
Net cash (outflow)/inflow from financing activities		(19,100)	11,286
Net cash outflow before management of liquid resources		(31,601)	(13,185)
Management of liquid resources:			
Purchase of government securities and liquidity funds	15	(62,552)	(153,375)
Sale/redemption of government securities and liquidity funds	15	84,466	173,401
Net cash inflow from management of liquid resources		21,914	20,026
(Decrease)/increase in cash and cash equivalents in the year	**16**	**(9,687)**	**6,841**
Cash and cash equivalents at 1 January	16	12,708	5,867
Cash and cash equivalents at 31 December	**16**	**3,021**	**12,708**

The notes on pages 62 to 80 form part of these financial statements.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 December 2013		9,331	120,368	1,248	287,671	21,966	440,584
Net return from ordinary activities		–	–	–	32,317	21,933	54,250
Equity dividends paid	11	–	–	–	–	(17,916)	(17,916)
At 31 December 2014	**20, 21**	**9,331**	**120,368**	**1,248**	**319,988**	**25,983**	**476,918**
At 31 December 2012		8,908	102,746	1,248	307,821	17,233	437,956
Issue of Ordinary shares	20	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

The notes on pages 62 to 80 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 each point an investment holding limited partnership was 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. The underlying investments that are held indirectly are included in the overview of investments on page 34.

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 under the primary buyout limited partnership agreements

Under the terms of the primary buyout fund limited partnership agreements ('LPAs'), each general partner (see note 23) 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, each founder partner (see note 23) 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 the 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 the 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 UK government securities. Cash comprises current accounts held with banks.

Foreign currency

All transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the dates of such transactions and the resulting exchange differences are taken to the capital reserve – realised. Foreign currency assets and liabilities at the balance sheet date are translated into sterling at the exchange rates ruling at that date and the resulting exchange differences are taken to the 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 less 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, investments are valued based on the level of maintainable earnings or revenue and an appropriate earnings or revenue multiple, unless (iv) is required;

(iii) where more appropriate, investments can be valued based on other methodologies, including using their net assets or discounted cash flows, rather than to their earnings or revenue; 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.

Liquidity funds: These are short-term investments made in a combination of fixed and floating rate securities and are valued at the current fair value as determined by the manager of the fund.

Government securities: These are short-term investments made in fixed rate UK government securities and are valued at the current fair 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 the 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 2014 £'000	Revenue return 2013 £'000
Income from investments held by HGT LP, HGT 6 LP, HGT 7 LP and HgCapital Mercury D LP:		
UK unquoted investment income	9,099	11,546
Foreign unquoted investment income	13,620	10,911
Foreign dividend income	7,093	–
Other investment income:		
UK unquoted investment income	441	710
Interest from government securities less amortisation of premium	(99)	(482)
Liquidity funds income	329	–
Total investment income	30,483	22,685
Total other income	36	72
Total income	**30,519**	**22,757**
Priority profit share charge against income:		
Current year - HGT 6 LP	(3,105)	(4,641)
Current year - HGT 7 LP	(2,059)	–
Current year - HGT LP	(1,155)	(1,434)
Current year - HgCapital Mercury D LP	(32)	–
Total priority profit share charge against income	**(6,351)**	**(6,075)**
Total net income	**24,168**	**16,682**
Total net income comprises:		
Dividend	7,093	–
Interest	17,058	16,629
Non-interest income	17	53
Total net income	**24,168**	**16,682**

5. Priority profit share and carried interest

(a) Priority profit share payable to General Partners	Revenue return 2014 £'000	Revenue return 2013 £'000
Priority profit share payable:		
Current year amount	8,786	7,524
Less: Current year loans advanced to General Partners	(2,435)	(1,449)
Current year charge against income	6,351	6,075
Total priority profit share charge against income	**6,351**	**6,075**

NOTES TO THE FINANCIAL STATEMENTS continued

5. Priority profit share and carried interest continued

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 87.

The terms of the above priority profit share arrangements during 2014 were:

Fund partnership	Fee per year
HGT LP	1.5% on the value of investments in fund
HGT 6 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 19 November 2013)
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	1.5% 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 19 November 2013)
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

(b) Priority profit share loans to General Partners	Capital return 2014 £'000	Capital return 2013 £'000
Movements on loans to General Partners:		
Losses on current year loans advanced to General Partners	(2,435)	(1,449)
Total losses on priority profit share loans advanced to General Partners	(2,435)	(1,449)

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.

NOTES TO THE FINANCIAL STATEMENTS continued

5. Priority profit share and carried interest continued

(c) Carried interest to Founder Partners	Capital return 2014 £'000	2013 £'000
Carried interest provision:		
Current year amount provided	1,088	–
Total carried interest charge against capital gains (note 13)	**1,088**	**–**

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.

The details of the carried interest contracts, disclosed in the Directors' report on page 87, states that carried interest is payable once a certain level of repayments have been made to the Trust. Based on the repayments, no carried interest was payable in respect of the current or prior financial year. However, if the investment in HGT6 LP is realised at the current fair value and then repaid to the Trust, an amount of £1,088,000 will be payable to the Founder Partner and therefore the Directors have made a provision for this amount.

6. Other expenses

(a) Operating expenses	Revenue return 2014 £'000	2013 £'000
Custodian, management and administration fees	537	529
Directors' remuneration (note 8)	215	187
Share of aborted deal fees	336	1,965
Legal and other administration costs	551	535
	1,639	3,216
Fees payable to the Trust's auditor in relation to the Trust and Fund Limited Partnerships:		
Audit fees	61	58
Tax compliance services	31	35
Other non-audit services	3	14
Total fees payable to the Trust's auditor	95	107
Total other expenses	**1,734**	**3,323**

(b) Finance costs	Revenue return 2014 £'000	2013 £'000
Interest paid	31	22
Non-utilisation fees and other expenses	424	460
Total finance costs	**455**	**482**

NOTES TO THE FINANCIAL STATEMENTS continued

7. Cash flow from operating activities

Reconciliation of net return/(loss) before finance costs and taxation to net cash flow from operating activities	2014 £'000	2013 £'000
Net return/(loss) before finance costs and taxation	54,751	(6,791)
Add back: (Gains)/losses on investments held at fair value	(35,840)	18,701
Increase/(decrease) in carried interest provision	1,088	(2,728)
Amortisation of premium on government securities	1,618	4,432
Increase in accrued income from liquidity funds	(278)	–
Increase in prepayments, accrued income and other debtors	(3,958)	(8,746)
(Decrease)/increase in creditors	(506)	210
Net cash inflow from operating activities	**16,875**	**5,078**

8. Directors' remuneration

The aggregate remuneration of the Directors for the year to 31 December 2014 was £215,000 (2013: £186,777).
Further information on the Directors' remuneration is disclosed in the Directors' remuneration report on pages 96 and 97.

9. Taxation on ordinary activities

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 reflected in the capital return during 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 in the revenue return and results in a reduction of corporation tax being payable by the Trust at 31 December 2014.

The standard rate of corporation tax in the UK for a large company changed from 23% to 21% with effect from 1 April 2014, implying an effective pro-rata tax rate for the current year of 21.5% (2013: 23.25%). However, the tax charge in the current and prior year was lower than the standard effective pro-rata tax rate, largely due to the reduction in corporation tax from the interest distribution noted above. The effect of this and other items affecting the tax charge is shown in note 9(b) below.

	Revenue return	
(a) Analysis of charge/(credit) in the year	2014 £'000	2013 £'000
Current tax:		
UK corporation tax	2,737	2,696
Income streaming relief	(2,568)	(2,515)
Prior year adjustment	(180)	(287)
Current revenue tax credit for the year (note 9(b))	(11)	(106)
Deferred tax:		
Reversal of timing differences	57	70
Total deferred tax charge for the year (note 9(c))	57	70
Total taxation charge/(credit) **on ordinary activities**	**46**	**(36)**

NOTES TO THE FINANCIAL STATEMENTS continued

9. Taxation on ordinary activities continued

(b) Factors affecting current tax credit for the year	Revenue return 2014 £'000	Revenue return 2013 £'000
Net revenue return on ordinary activities before taxation	**21,979**	**12,877**
UK corporation tax charge at 21.5% thereon (2013: 23.25%)	4,725	2,993
Effects of:		
Tax relief from interest distribution	(2,568)	(2,515)
Non-taxable investment income	(1,706)	(503)
Taxable income not recognised in revenue return	72	362
Income taxed in prior years	(95)	(165)
Prior year excess operating expenses utilised in current year	(259)	–
Disallowed expenses	–	9
Tax in relation to the prior year	(180)	(287)
Total differences	(4,736)	(3,099)
Current revenue tax credit for the year (note 9(a))	**(11)**	**(106)**

(c) Deferred tax	Revenue return 2014 £'000	Revenue return 2013 £'000
Deferred tax:		
Movement in taxable income not recognised in revenue return	57	70
Prior year adjustment for excess operating expenses	(259)	–
Prior year excess operating expenses utilised in current year	259	–
Total deferred tax charge for the year (note 9(a))	57	70
Deferred tax recoverable:		
Recoverable deferred tax at 31 December	624	694
Deferred tax charge for the year	(57)	(70)
Recoverable deferred tax at end of year (note 14)	567	624

Deferred tax assets of £567,000 (2013: £624,000) are recognised in respect of the net amounts of taxable income that have not yet been recognised in the revenue return.

NOTES TO THE FINANCIAL STATEMENTS continued

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

(a) Return/(loss) per Ordinary share	Revenue return 2014	Revenue return 2013	Capital return 2014	Capital return 2013
Amount (£'000):				
Return/(loss) from ordinary activities after taxation	21,933	12,913	32,317	(20,150)
Number of Ordinary shares ('000):				
Weighted average number of shares in issue	37,325	36,543	37,325	36,543
Return/(loss) per Ordinary share (pence)	**58.76**	**35.34**	**86.58**	**(55.14)**

(b) Net asset value per Ordinary share	Capital return 2014	Capital return 2013
Amount (£'000):		
Net assets	476,918	440,584
Number of Ordinary shares ('000):		
Number of Ordinary shares in issue	37,325	37,325
Net asset value per Ordinary share (pence)	**1,277.8**	**1,180.4**

11. Dividends on Ordinary shares

	Record date	Payment date	2014 £'000	2013 £'000
Special dividend of 19.0p during the year ended 31 December 2014	5 September 2014	26 September 2014	7,092	–
Dividend of 29.0p for the year ended 31 December 2013	4 April 2014	16 May 2014	10,824	–
Dividend of 23.0p for the year ended 31 December 2012	5 April 2013	15 May 2013	–	8,180
Total equity dividends paid			**17,916**	**8,180**

The proposed dividend of 32.0 pence per Ordinary share for the year ended 31 December 2014 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:

	2014 £'000
Revenue available for distribution by way of dividend for the year	21,933
Special dividend of 19.0p for the year ended 31 December 2014 based on 37,324,698 Ordinary shares in issue	(7,092)
Proposed dividend of 32.0p for the year ended 31 December 2014 (based on 37,324,698 Ordinary shares in issue at 31 December 2014)	(11,944)
Undistributed revenue for Section 1159 purposes*	2,897

*Undistributed revenue comprises 12.3% of the estimated total taxable income of £23,471,000.

NOTES TO THE FINANCIAL STATEMENTS continued

12. Fixed asset investments

	2014 £'000	2013 £'000
Investments held at fair value through profit and loss:		
Investments held in HGT 6 LP Unquoted investments	212,406	171,123
Investments held in HGT LP Unquoted investments	54,458	74,825
Investments held in HGT 7 LP Unquoted investments	47,955	15,158
Investments held in HgCapital Mercury D LP Unquoted investments	20,645	6,765
Other investments held by the Trust Unquoted investments	25,554	28,089
Total fixed asset investments	361,018	295,960
Total fixed asset investments consist of:		
Fund limited partnerships	361,018	295,960

		2014 £'000	2013 £'000
Opening valuation as at 1 January		295,960	286,026
Add back: opening unrealised depreciation – investments		35,279	7,795
Opening book cost as at 1 January		331,239	293,821
Movements in the year:			
Additions at cost		86,962	79,968
Disposals	– proceeds	(57,752)	(52,113)
	– realised gains on sales	27,494	9,563
Closing book cost of investments		387,943	331,239
Less: closing unrealised depreciation	– investments	(26,925)	(35,279)
Closing valuation of investments as at 31 December		361,018	295,960

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 62, 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. Gains/(losses) on investments, government securities and liquidity funds

		Capital return 2014 £'000	Capital return 2013 £'000
Realised:			
Realised gains/(losses) on sales	– fixed asset investments	27,494	9,563
	– liquidity funds	19	–
	– government securities	(332)	(732)
Net realised gains		**27,181**	**8,831**
Unrealised:			
Change in unrealised gains/(losses)	– fixed asset investments	8,354	(27,484)
	– liquidity funds	10	–
	– government securities	295	(48)
		8,659	(27,532)
Carried interest charge against capital gains (note 5(c))		(1,088)	–
Net unrealised gains/(losses)		**7,571**	**(27,532)**
Total gains/(losses)		**34,752**	**(18,701)**

14. Debtors and accrued income

	2014 £'000	2013 £'000
Amounts receivable after one year:		
Accrued income on fixed assets	54,311	49,244
Amounts receivable within one year:		
Taxation recoverable	–	109
Deferred tax recoverable (note 9(c))	567	624
Accrued income on government securities	–	1,056
Prepayments and other accrued income	65	69
Other debtors	–	49
Total amounts receivable within one year	632	1,907
Total debtors	**54,943**	**51,151**

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

NOTES TO THE FINANCIAL STATEMENTS continued

15. Government securities and liquidity funds

	2014 £'000	2013 £'000
Investments held at fair value through profit and loss:		
Opening valuation	83,121	108,359
Purchases at cost	62,552	153,375
Sales and redemptions	(84,466)	(173,401)
Movement in unrealised capital gains/(losses)	305	(48)
Amortisation of premium on acquisition	(1,618)	(4,432)
Accrued income	278	–
Realised capital losses	(313)	(732)
Closing valuation	59,859	83,121

16. Movement in net funds

	2014 £'000	2013 £'000
Analysis and reconciliation of net funds:		
Change in cash	(9,687)	6,841
Net funds at 1 January	12,708	5,867
Net funds at 31 December	3,021	12,708
Net funds comprise:		
Cash	3,021	12,708

The prior year cash amount includes £9,915,000 held by the fund limited partnerships in which the Trust is the sole limited partner.

17. Creditors - amounts falling due within one year

	2014 £'000	2013 £'000
Provision for carried interest (note 5(c))	1,088	–
Taxation payable	169	–
Loan facility (note 18)	237	1,421
Sundry creditors	429	935
Total creditors	1,923	2,356

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

NOTES TO THE FINANCIAL STATEMENTS continued

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 was initially available for three years before it was extended during August 2014 to 31 December 2015. Under the facility agreement, the Trust is liable to pay interest on any drawn amount at LIBOR plus a margin of 2.0%. A commitment fee of 0.9% 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 to provide short-term funds to facilitate acquisitions. 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, the Trust's indirect share of amounts drawn via HgCapital Mercury D LP, was £237,000.

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 62.

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 UK government securities, cash, liquidity funds 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 and a breakdown of the most significant underlying investments is given on page 34. In accordance with the Trust's accounting policies, the investments in fund limited partnerships are valued by reference to their 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, though the borrowing arranged to fund these investments is normally denominated in the currency in which the business is operating. The Trust has exposure to interest rate movements, through bank deposits, UK government securities and liquidity funds.

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.

	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	–	–	54,458	54,458
– Investment in HGT 6 LP	–	–	212,406	212,406
– Investment in HGT 7 LP	–	–	47,955	47,955
– Investment in HgCapital Mercury D LP	–	–	20,645	20,645
– Investment in Hg 6 E LP	–	–	13,327	13,327
– Investment in Hg RPP LP	–	–	2,721	2,721
– Investment in Hg RPP2 LP	–	–	9,506	9,506
– Liquidity funds	–	59,859	–	59,859
Other assets:				
Accrued income	–	–	54,311	54,311
As at 31 December 2014	**–**	**59,859**	**415,329**	**475,188**

	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

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 2014 by class of financial instrument.

	Accrued income on investments 2014 £'000	Investments in limited partnerships 2014 £'000	Total 2014 £'000
Unquoted investments:			
Opening balance	49,244	295,960	345,204
Purchases	–	86,962	86,962
Realisations at 31 December 2013 valuation	(14,504)	(52,534)	(67,038)
Total gains for the year included in the income statement	19,571	30,630	50,201
Closing unrealised valuation of level 3 investments	**54,311**	**361,018**	**415,329**
Total gains for the year included in the income statement for investments held at the end of the year	19,858	8,752	28,610

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
Sensitivity to equity price risk:			
Unquoted investments	±10%	±41,533	±111.3

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 liquidity funds managed by Royal London Asset Management. 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. Borrowing raised to fund each acquisition in such companies is normally denominated in the currency in which the business is operating, thus limiting the Trust's exposure to the equity value of its investments. From time to time, the Trust is partially hedged against movements in the value of foreign currency against sterling where a movement in exchange rate could affect the value of an investment, 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 sterling. 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 (8.8914)	–	–	1,579	4.2
Euro (1.1912)	1,888	5.0	9,439	25.3
Norwegian krone (9.8809)	–	–	6,656	17.8
Swedish krona (10.5090)	402	1.1	1,185	3.2
Swiss franc (1.4485)	109	0.3	172	0.5
US dollar (1.5522)	7	–	81	0.2
	2,406	6.4	19,112	51.2
Lowest value against sterling during the year:				
Danish krone (9.5952)	–	–	–	–
Euro (1.2886)	–	–	–	–
Norwegian krone (11.7561)	–	–	(202)	(0.5)
Swedish krona (12.2226)	(3)	–	(10)	–
Swiss franc (1.5522)	(3)	–	(5)	–
US dollar (1.7170)	(137)	(0.4)	(1,622)	(4.4)
	(143)	(0.4)	(1,839)	(4.9)

At 31 December 2014, the following rates were applied to convert foreign denominated assets into sterling: Danish krone (9.5952); euro (1.2886); Norwegian krone (11.6906); Swedish krona (12.2062); Swiss franc (1.5493); and US dollar (1.5593).

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, managed liquidity funds, and interest payable on borrowings. The Trust has little immediate direct exposure to interest rates on its fixed assets, as the majority of the underlying investments 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 managed liquidity funds and, as stated above, their 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 £100,000, 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 more than 13% 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 further details refer to The Trust's Investment Policy on page 11.

Currency and interest rate exposure

The Trust's financial assets that are subject to currency and interest rate risk are analysed below:

	2014					2013				
	Fixed rate £'000	Floating rate £'000	Non-interest-bearing £'000	Total £'000	Total %	Fixed rate £'000	Floating rate £'000	Non-interest-bearing £'000	Total £'000	Total %
Sterling	–	2,993	247,321	250,314	52.3	84,177	10,891	156,577	251,645	56.9
Euro	–	28	138,567	138,595	29.0	–	1,817	112,529	114,346	25.9
Norwegian krone	–	–	36,338	36,338	7.6	–	–	31,656	31,656	7.2
Danish krone	–	–	19,951	19,951	4.2	–	–	11,653	11,653	2.6
US dollar	–	–	19,147	19,147	4.0	–	–	19,409	19,409	4.4
Swedish krona	–	–	9,822	9,822	2.1	–	–	10,641	10,641	2.4
Swiss franc	–	–	4,042	4,042	0.8	–	–	2,739	2,739	0.6
Total	**–**	**3,021**	**475,188**	**478,209**	**100.0**	84,177	12,708	345,204	442,089	100.0

Short-term debtors and creditors, which are excluded, are mostly denominated in sterling, the functional currency of the Trust. The floating rate assets consisted of cash. The non interest-bearing assets represent the investment portfolio held in fund limited partnerships and liquidity funds. The underlying investments held by the liquidity funds are a combination of fixed and floating rate investments.

Through its investment into the HgCapital Mercury D LP fund, the Trust had outstanding borrowings of £237,000 (note 17 and 18) at the year-end (2013: £1,421,000). 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:

	2014 £'000	2013 £'000
Equity:		
Equity share capital	9,331	9,331
Share premium	120,368	120,368
Capital redemption reserve	1,248	1,248
Retained earnings and other reserves	345,971	309,637
Total capital	476,918	440,584

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. Called-up share capital

	2014		2013	
	No. '000	£'000	No. '000	£'000
Ordinary shares of 25p each:				
Allotted, called-up and fully paid:				
At 1 January	37,325	9,331	35,564	8,890
Issued following exercise of subscription rights	–	–	1,761	441
At 31 December	37,325	9,331	37,325	9,331
Subscription shares of 1p each:				
Allotted, called-up and fully paid:				
At 1 January	–	–	1,761	18
Conversion into Ordinary shares upon exercise of subscription rights	–	–	(1,761)	(18)
At 31 December	–	–	–	–
Total called-up share capital	37,325	9,331	37,325	9,331

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 2014	120,368	1,248	326,197	(38,526)	21,966
Transfer on disposal of investments	–	–	22,276	(22,276)	–
(Losses)/gains on government securities and liquidity funds	–	–	(313)	305	–
Net gain on sale of fixed asset investments	–	–	5,218	–	–
Net movement in unrealised appreciation of fixed asset investments	–	–	–	30,630	–
Dividends paid	–	–	–	–	(17,916)
Net return for the year after taxation	–	–	–	–	21,933
Loans advanced to General Partners	–	–	–	(2,435)	–
Carried interest provision	–	–	–	(1,088)	–
As at 31 December 2014	120,368	1,248	353,378	(33,390)	25,983

22. Commitment in fund partnerships and contingent liabilities

Fund	Original commitment £'000	Outstanding at 31 Dec 2014 £'000	Outstanding at 31 Dec 2013 £'000
HGT 7 LP[1]	200,000	146,948	182,477
HgCapital Mercury D LP	60,000	35,335	49,547
Hg RPP2 LP	31,041[2]	12,247[3]	17,100
HGT 6 LP	285,029	9,227	21,101
HGT LP[4]	120,000	1,261	6,579
Hg RPP LP	16,793[5]	1,070[6]	1,147
Hg 6 E LP	15,000	486	1,485
Total outstanding commitments		206,574	279,436

[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 €15,782,000 (2013: €20,555,000)

[4] With effect from 21 October 2011, £12.0 million of the commitment was cancelled, followed by £9.0 million on 31 March 2013 and £4.7 million on 1 August 2014. These amounts represent 10.0%, 7.5% and 3.9% respectively of the original £120 million loan commitment to the Hg5 fund.

[5] Sterling equivalent of €21,640,000

[6] Sterling equivalent of €1,378,000 (2013: €1,378,000)

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

HgCapital acts as Manager of the Trust through a management agreement and indirectly participates through fund limited partnership agreements as the general partners and, alongside a number of HgCapital's executives (past and present), as the founder partners of the fund partnerships in which the Trust invests. In addition, HgCapital acts as secretary and administrator of the Trust.

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 2014 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 of £415 million (including accrued income) 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 independently by the Manager, Hg Pooled Management Limited, and are subject to challenge by the Trust'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 design and implementation of the controls around the valuation of investments at the Manager, Hg Pooled Management Limited, to determine whether appropriate controls are in place; • We tested the valuations by critically assessing the methodology applied and the reasonableness of the underlying assumptions and judgements. We evaluated significant inputs to the valuations and agreed these to supporting documentation such as earnings, revenue and capital structure information provided by the underlying businesses, and market multiples, comparable companies and net asset values used by management in the valuations, analysing year on year movements and testing their arithmetical accuracy; • We determined whether 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 valuations and forecast information which included future plans of the businesses; and • We determined whether the valuations were carried out in accordance with International Private Equity and Venture Capital (IPEV) guidelines.
The ownership of investments The Trust holds investments in fund limited partnerships (£415 million including accrued income) and a liquidity fund (£60 million). There is a risk that these investments may not be held in the name of the Trust or its limited fund partnerships.	• We tested the design and implementation of the controls around the ownership of investments at the Manager, Hg Pooled Management Limited, to determine whether appropriate controls are in place at the Manager to maintain accurate records of investment holdings; • We evaluated the existence and ownership of the fund limited partnerships held by Trust by verifying the proportion held through independent confirmations from the General Partner and where applicable agreeing the units held to share certificates or registers; • We evaluated the existence and ownership of the liquidity fund held by the Trust by obtaining an independent confirmation from the fund's manager to verify the holdings at the year-end; and • We reviewed and assessed the internal controls reports of the custodian and Manager.

INDEPENDENT AUDITOR'S REPORT

Risk	How the scope of our audit responded to the risk
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 determine whether 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 whether 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 (AIC SORP); and • We tested the completeness of the revenue recognised by recalculating the revenue in accordance with the underlying agreements and determining whether the recognition of revenue is in line with the requirements of FRS 5 "Reporting the substance of transactions".

The description of risks above should be read in conjunction with the significant issues considered by the Audit and Valuation Committee as discussed on page 94.

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 £8.8 million (2013: £13.2 million), which is set at approximately 2% of net asset value. This is a change of approach from the prior year where we used materiality of 3% of net asset value. We have changed the percentage following emerging market practice and changing investor expectations.

We agreed with the Audit and Valuation Committee that we would report to the Committee all audit differences in excess of £176,000 (2013: £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, Hg Pooled Management Limited.

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 returns adequate for our audit have not been received from branches not visited by us; or
- the Trust's financial statements are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT

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.

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
6 March 2015

CORPORATE GOVERNANCE

DIRECTORS' REPORT

The Directors present the Annual Report and Accounts of HgCapital Trust plc (the 'Trust') (Reg. No. 1525583) for the year ended 31 December 2014.

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. 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

As at 31 December 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 58. The total return for the year after taxation, was £54,250,000 (2013: total loss of £7,237,000) of which the revenue return was £21,933,000 (2013: revenue return of £12,913,000).

The Directors recommend the payment of a dividend of 32.0 pence per Ordinary share for the year ended 31 December 2014 (2013: 29.0 pence). Subject to approval of this dividend at the forthcoming annual general meeting ('AGM'), it will be paid on 18 May 2015 to shareholders on the register of members at the close of business on 7 April 2015.

Ongoing charges calculation

For the year to 31 December 2014, the Trust's ongoing charges calculation was 2.3% (2013: 2.0%).

The calculation is based on the ongoing charges expressed as a percentage of the average published (monthly for the Trust) ordinary shareholders' NAV over the relevant year. The ongoing charges, in accordance with guidelines issued by The Association of Investment Companies ('AIC'), are the annualised expenses that are operational and recurring by nature and specifically excludes, amongst others, the expenses and gains or losses relating to the acquisition or disposal of investments, performance related fees, taxation and financing charges.

The Trust's ongoing charges consist of its operating expenses (excluding the share of aborted deal fees), and current year priority profit share payable, as described in notes 5 and 6 to the financial statements.

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, 2009, 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 2014.

CORPORATE GOVERNANCE continued

DIRECTORS' REPORT

The Trust's Board of Directors

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. Details of the current Directors are noted below:

Roger Mountford
(Chairman of the Board)

Aged 66, 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 Allied Domecq Pension Fund and is a member of the Church of England Pensions Board. He serves on the Advisory Board of VenCap International plc, a manager in the global venture capital market. He is a government appointed Director of High Speed Two (HS2) Limited and is a member of the Council of the London School of Economics.

Richard Brooman
(Chairman of the Audit & Valuation Committee)

Aged 59, 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 the Senior Independent 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)

Aged 65, 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.

Andrew Murison
(Senior Independent Director)

Aged 66, 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. Mr Murison will retire from the Board at the forthcoming AGM.

Mark Powell

Aged 69, Mark Powell was appointed to the Board in 2010. He spent his executive 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 co-opted member of the Investment Committee of the Church of England Pensions Board and is a Trustee of several charities.

Anne West

Aged 64, Anne West was appointed to the Board on 14 May 2014. She spent 23 years at Cazenove Capital Management, rising to Chief Investment Officer, before retiring on 5 December 2012. Until the end of 2012, she was a Director of the Private Wealth Management division. During her executive career, she specialised in Asia and emerging markets, as well as working as Head of Global Equities.

She also serves on the board of The Scottish Oriental Smaller Companies Trust plc and is a member of the Investment and Valuation Committees for Oxford University Endowment and the Investment Committee for the Battle against Cancer Investment Trust (BACIT).

Information on the Board of Directors

All Directors are members of the Audit & Valuation, Nomination and Management Engagement Committees; further details are provided in the Corporate Governance Statement on page 92. 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.

As noted earlier, Peter Gale retired as a Director at the Company's AGM held on 13 May 2014. The Board recognises the outstanding contribution Mr Gale made to the Trust during his tenure and we thank him for his service as a member of the Board.

CORPORATE GOVERNANCE continued

DIRECTORS' REPORT

Mrs West was appointed to the Board with effect from 14 May 2014, and in accordance with the Articles of Association, a resolution to elect Mrs West will be proposed at the forthcoming AGM.

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

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 will offer himself for re-election at this year's AGM. In accordance with the Articles of Association, Mr Brooman will also offer himself for re-election at this year's AGM.

The Board has considered the performance of Mr Mountford and Mr Brooman 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 Brooman

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

Substantial interests

As at 31 December 2014, 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*	% of voting rights
Schroders plc	5,609,769	15.0%
Prudential plc	4,406,039	11.8%
Oxfordshire County Council Pension Fund	1,934,500	5.2%
Mr and Mrs Armitage	1,383,865	3.7%
Royal London Asset Management (CIS) Limited	1,290,200	3.5%

As at 3 March 2015, 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*	% of voting rights
Schroders plc	5,609,769	15.0%
Prudential plc	4,479,500	12.0%
Oxfordshire County Council Pension Fund	1,934,000	5.2%
Mr and Mrs Ian Armitage	1,383,865	3.7%
Royal London Asset Management (CIS) Limited	1,290,200	3.5%

* Notifications are required where an investor reaches the 3% threshold and for every 1% increase or decrease thereafter. The above holdings may therefore not be wholly accurate statements of the actual investor holdings at 31 December 2014 and at 3 March 2015.

In addition to their direct holdings in HgCapital funds, the partners and staff of HgCapital also invest via the Trust. As at 31 December 2014, the partners and staff of HgCapital owned 1,307,273 shares (3.5% of the total voting rights).

CORPORATE GOVERNANCE continued

DIRECTORS' REPORT

ANALYSIS OF REGISTERED ORDINARY SHAREHOLDERS AS AT 31 DECEMBER 2014

By type of holder	Number of shares	% of total 31 Dec 2014	% of total 31 Dec 2013	Number of holders	% of total 31 Dec 2014	% of total 31 Dec 2013
Nominee companies	36,616,348	98.10	96.74	609	72.16	69.90
Direct private investors	465,331	1.24	1.54	193	22.86	24.80
Others	243,019	0.66	1.72	42	4.98	5.30
Total	37,324,698	100.00	100.00	844	100.00	100.00

By size of holding	Number of shares	% of total 31 Dec 2014	% of total 31 Dec 2013	Number of holders	% of total 31 Dec 2014	% of total 31 Dec 2013
1 – 5,000	748,118	2.00	1.78	629	74.53	69.02
5,001 – 50,000	2,128,959	5.70	6.62	128	15.17	18.39
50,001 – 100,000	1,939,665	5.20	7.25	25	2.96	4.53
over 100,000	32,507,956	87.10	84.35	62	7.34	8.06
Total	37,324,698	100.00	100.00	844	100.00	100.00

Investment management and administration

During 2014, the Trust's assets were managed by Hg Pooled Management Limited and HgCapital LLP (the latter being manager of HGT 6 LP until 30 June 2014, when Hg Pooled Management Limited became the Manager); both trade as HgCapital.

The Trust pays a priority profit share in respect of its commitment to invest alongside the HgCapital 6, HgCapital Mercury and HgCapital 7 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 normally 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 permanently written off.

Under the previous arrangements, implemented in January 2009, the Trust pays a priority profit share of 1.5% per annum on the current value of the HGT LP portfolio, excluding any co-investment participations and investments in other collective investment funds.

Under incentive schemes, in which the executives of HgCapital participate alongside HgCapital, carried interest is payable in order to provide an incentive to deliver good performance.

For the Trust's investment alongside the HgCapital 6, HgCapital Mercury and HgCapital 7 funds, the carried interest arrangements are identical to that which applies to all other investors in these funds. Under these arrangements, carried interest is payable based on 20% of the aggregate profits, but is only payable after the repayment to the Trust of its invested capital and it has received a preferred return, based on 8% per annum, calculated daily, on the aggregate of its net cumulative cash flows in each fund and such preferred return amount that is capitalised annually.

The previous incentive scheme introduced in May 2003 remains in place but only in respect of the Trust's investments in HGT LP. 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.

No priority profit share or carried interest will apply to any co-investment made alongside HgCapital 6, HgCapital Mercury and HgCapital 7, in excess of the Trust's pro-rata commitment. Thus, the co-investments made by the Trust in P&I and Visma, do not entitle the Manager to any priority profit share or carried interest.

HgCapital has also been appointed as secretary and administrator of the Trust for a fee equal to 0.1% p.a. of the NAV.

CORPORATE GOVERNANCE continued

DIRECTORS' REPORT

Continued appointment of the Manager

The Board has concluded that it is in shareholders' interests that HgCapital should continue as Manager of the Trust on the existing terms. The Board considers the arrangements for the provision of investment management and other services to the Trust on an ongoing basis and a formal review is conducted annually.

As part of this review, the Board considered the quality and continuity of the Manager's personnel, succession planning, sector and geographic coverage, investment process and the results achieved to date. The Board also considered the Manager's ongoing commitment to the promotion of the Trust's shares.

The principal contents of the agreement with the Manager have been set out in the previous section. Having considered the terms of this agreement and those of other private equity investment trust companies, the Board considers that the terms of the agreement represent an appropriate balance between cost and incentivisation of the Manager.

Donations

The Trust made no political or charitable donations during the 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 Wednesday 13 May 2015 at 10 a.m. Light refreshments will be available from 9.30 a.m. Notice of the AGM is given on pages 106 to 109. 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 and its shareholders. The Directors 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 2015.

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 2016 or eighteen 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 25 pence 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 2014.

The authority gives the Directors, for the period until the conclusion of the AGM in 2015, the necessary authority to allot securities up to a maximum nominal amount of £6,158,575, or what was at 31 December 2013 approximately 66% of the issued Ordinary share capital of the Trust. Of this amount, £3,079,287, 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.

The Directors are proposing to renew the general authority to allot shares at the 2015 AGM. The authority to allot will be on broadly the same terms as the resolution passed at the 2014 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 25 pence 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 25 pence 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 2016 or, if earlier, 13 August 2016. The Directors have no present intention to allot new Ordinary shares; however, they 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 2014.

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:

CORPORATE GOVERNANCE continued

DIRECTORS' REPORT

(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 in 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

(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.

Changes to Articles of Association

As part of the arrangements to comply with the Alternative Investment Fund Managers Directive ('AIFMD'), the Trust's Articles of Association have been reviewed to ensure that they are in line with best practice. A number of amendments have been recommended by the Trust's legal adviser, and these will be put forward at the AGM as a Special Resolution, as described on page 107.

Regulations implementing the AIFMD came into force in the UK on 22 July 2013. The Board is proposing to make amendments to the Company's Articles of Association in response to the AIFMD Regulations coming into force. These amendments relate to the calculation of the Company's net asset value, the provision of information to new or existing investors, the procedures in place for valuing the Company's assets and the method by which the annual report and accounts are prepared. Such amendments will have no bearing on current practice and simply articulate the minimum requirements of the AIFMD Regulations. The Board is also proposing an amendment, pursuant to which it may allow, should the need arise and subject to applicable laws, a depositary to discharge its strict liability for the loss of certain of the Company's assets in situations where such a discharge is commercially necessary.

Certain other amendments are proposed to allow for the use of different distribution channels for the payment of dividends, to clarify the right to cease sending payment to shareholders, to account for situations in which a person becomes entitled to a share by "operation of law" and to reflect the fact that there are not currently any Subscription Shares in issue whilst retaining flexibility to issue Subscription Shares in the future.

The Shareholders are asked to note that a limited number of other changes have been made in connection with the foregoing amendments which are minor, technical, drafting, clarifying or inconsequential in nature.

The full terms of the proposed amendments to the Articles and a paper explaining the amendments in further detail will also be available for inspection at the place of the forthcoming Annual General Meeting for at least 15 minutes before and during that Annual General Meeting.

Continuation of the Trust

In 2009 shareholders passed a resolution extending the life of the Trust to 2015 and amending the Articles of Association so as to provide that a continuation vote would be proposed every five years. Resolution 9 continues this cycle.

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
6 March 2015

CORPORATE GOVERNANCE continued

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

The Directors are responsible for preparing the Annual Report and Accounts 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
6 March 2015

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. All of the Directors are deemed to be independent of the Manager. In the Board's opinion, Mr Mountford continues to qualify as independent, despite his length of service, as he is independent of the Manager and free from any business or other relationships that could materially interfere with the exercise of his judgment.

Mr Mountford is a member of the Church of England Pensions Board, and 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 Murison served as Senior Independent Director ('SID') of the Trust, providing an alternative channel for shareholder communications. Mr Murison is not offering himself for re-election at the forthcoming AGM. The Board has nominated Mark Powell to act as SID with effect from the conclusion of the AGM.

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 2014 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 or her 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 conflict 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 is undertaken by 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'). IPES Depositary (UK) Limited has been appointed as depositary. 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 2014, Mr Brooman was the Chairman of the Audit & Valuation Committee (and his report can be found on pages 94 and 95), Mr Dunscombe was Chairman of the Management Engagement Committee and Mr Mountford was Chairman of 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. The terms of reference of the Management Engagement Committee were expanded during the year in order to add specific duties relevant to the implementation of the AIFMD and to reflect the role of the Management Engagement Committee in undertaking reviews of the Trust's third party service providers. 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 2014, 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 or her involvement with the Trust. It was agreed that each Director had demonstrated sufficient commitment to discharging his or her 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 2014 AGM.

Mrs West, who was appointed as a Director in 2014, was one of a number of candidates recommended to the Board; she was interviewed by all Directors before her appointment. No recruitment consultant was engaged on this occasion.

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 2014, compared with the number they were eligible to attend.

Mr Peter Gale retired from the Board on 13 May 2014, Mr Peter Dunscombe joined the Board on 1 January 2014, and Mrs Anne West joined the Board on 14 May 2014.

NUMBER OF MEETINGS ATTENDED/ ELIGIBLE TO ATTEND

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

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 2014 and up to the date of this report, and will continue to do so in the year ending 31 December 2015.

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 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 'Guidance on Risk Management, Internal Control and related Financial and Business Reporting'. HgCapital reports to the Trust on its review of internal controls 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 its 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 and CAS.

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.

The Chairman of the Board, the Chairman of the Audit & Valuation Committee, and the Chairman of the Management Engagement 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 AND VALUATION COMMITTEE REPORT

Dear Shareholder,

I am pleased to report to you on the range of matters which the Audit and Valuation Committee has considered during 2014, the key risks and judgement areas and the decisions applied. 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 Gale ceased to be a member of the Committee, on his retirement from the Board on 13 May 2014, and Mr Dunscombe and Mrs West joined the Committee on their appointment to the Board of the Trust on 1 January 2014 and 14 May 2014 respectively.

All of the members of the Committee, whose biographies are included on page 85, have recent and relevant financial experience, as a result of their involvement in financial services and other industries. I am a chartered accountant with considerable 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 2014

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;
- Key risks pertinent to the Trust and the Board, including risk concentration and the impact of risk combination;
- Liquidity and cash flow, including cash management;
- Tax risks in the various jurisdictions in which the underlying investments are held;
- The planning, reporting and findings of the audit;
- Legal and regulatory change and compliance;
- The impact of foreign exchange movements on the NAV;
- Auditor rotation requirements and timing of auditor rotation; and
- Preparation of the Annual Report and Accounts and Interim Statements.

2015 Action Plan

A number of similar matters will be considered again in 2015, 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 will attract some attention during 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 valuation guidelines, considered comparable companies and questioned the Manager closely about the performance of the underlying businesses.

CORPORATE GOVERNANCE continued

AUDIT AND 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, Depositary 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, initiating further investigations, as it sees fit to assess the effectiveness of the systems of control; and
- matters of compliance are under proper review. The Board and the Committee has direct access to the Compliance Officer at the Manager and the Board 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 93.

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. This will be kept under review, recognising that guidelines indicate the requirement for an audit tender by 2017. 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 its 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 are safeguarded; such measures include ensuring that separate engagement teams conduct the audits for the Trust and the Manager and its funds. The Committee has considered the independence and objectivity of the auditor, paying particular attention to 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 regard to these and all other relevant factors, the Audit and Valuation Committee recommended to the Board that, subject to shareholder approval at the 2015 AGM, Deloitte LLP be reappointed as the independent auditor of the Trust for the forthcoming year.

Following completion of the external audit, the Committee considers feedback on the conduct of the audit from the Manager.

The external auditor is invited to attend all Audit and 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 other third party providers.

Yours sincerely
Richard Brooman
Chairman, Audit and Valuation Committee
6 March 2015

CORPORATE GOVERNANCE continued

DIRECTORS' REMUNERATION REPORT

Statement from the Chairman of the Board

This Directors' Remuneration Report for the year ended 31 December 2014, 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.

The shareholder vote on the Director's Remuneration Report is, as previously, an advisory vote, whilst the Directors' Remuneration Policy is subject to a binding vote. A resolution to approve the Remuneration Policy was proposed at the Annual General Meeting of the Trust held on 13 May 2014. The resolution was passed and the Remuneration Policy detailed below will apply until it is next put to shareholders for renewal of that approval, which must be at intervals of not more than three years or if it is proposed to amend the Remuneration Policy, in which event shareholder approval for the new Remuneration Policy will be sought.

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. The Board acknowledged that there had been a noticeable increase in the time spent by the Directors in the last year as a result of the consideration of co-investment opportunities, an increase in governance and regulation, and director recruitment; however, it was agreed that it did not believe the fees of the Directors should be increased at that time.

Policy on Directors' Remuneration

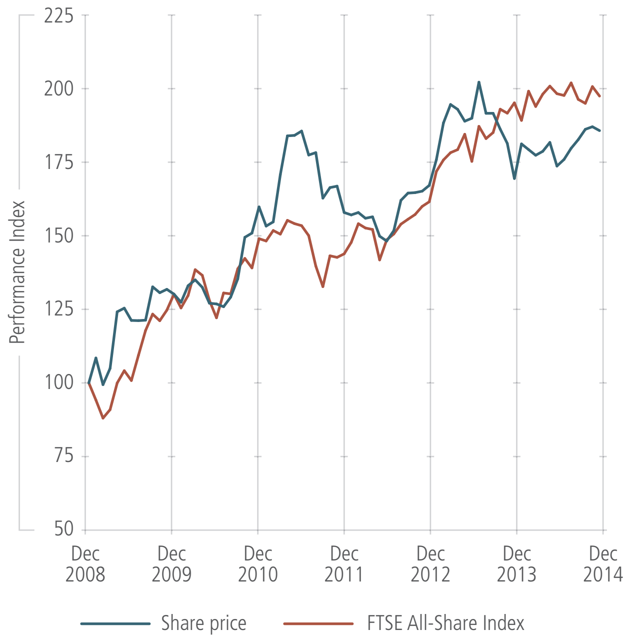
The Trust has no employees other than its Directors, who are all non-executive and independent of the Manager. The Secretary provides a comparison of the Directors' remuneration with other investment trusts of similar size and/or mandate. This comparison, together with consideration of any change in 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.

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, 99.96% of votes were in favour of the Directors' Remuneration Report, with 0.04% voting against and 99.93% of votes were in favour of the Directors' Remuneration Policy, with approximately 0.07% voting against, showing significant shareholder support.

Annual Remuneration Report

Share price performance from 31 December 2008 to 31 December 2014



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:

Directors' remuneration	Total remuneration 2014 £	2013 £
Roger Mountford (Chairman)	50,000	49,000
Richard Brooman (Chairman of the Audit & Valuation Committee)	40,000	39,000
Peter Dunscombe (Chairman of the Management Engagement Committee) (appointed 1 January 2014)	35,000	–
Andrew Murison	30,000	29,500
Mark Powell	30,000	29,500
Anne West (appointed 14 May 2014)	18,962	–
Peter Gale (retired 13 May 2014)	11,038	29,500
Piers Brooke (retired 8 May 2013)	–	10,277
Total remuneration	215,000	186,777

The above information has been audited.

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.

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

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 their 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.

	2014	2013	change %
Total Directors' remuneration (£'000)	215	187	15%[1]
Total dividend paid or declared (£'000)	19,036	10,824	76%

[1] The normalised remuneration during the prior year, adjusted for the retirement of Piers Brooke, was £206,000, implying a current year increase of 4%.

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:

No. Ordinary shares	2014	2013
Richard Brooman	1,840	1,840
Peter Dunscombe	2,000	n/a
Peter Gale	n/a	12,834
Roger Mountford	15,018	14,447
Andrew Murison	13,153	13,153
Mark Powell	3,000	3,000
Anne West	20,000	n/a

The above information has been audited.

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 2014 and the date of this report.

On behalf of the Board

Roger Mountford
Chairman of the Board
6 March 2015

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ('AIFMD')

Pursuant to Article 23(1) of the AIFMD, Hg Pooled Management Limited as Manager of the Trust, makes available the following information to the existing shareholders of the Trust in order to supplement and update (where relevant) the information provided to them before they invested.

Please note that where the Manager has determined that the required information is already detailed elsewhere in the Annual Report and Accounts (as defined below) or other available source documents, this supplemental disclosure contains a reference to such source documents. Where the Manager has determined that the required information has not been provided to shareholders, this supplemental disclosure contains the relevant details.

Status and legal form

The Company is an EU Alternative Investment Fund ('AIF'), being a public limited company incorporated in England and Wales and listed on the London Stock Exchange. The Company's registered office is 2 More London Riverside, London SE1 2AP.

Investment Policy and risk management

The investment objective, policy and strategy of the Trust and the Manager are set out in The Trust's Investment Objective and Investment Policy (page 11) and The Manager's Review (page 17) sections of the 31 December 2014 Annual Report and Accounts.

The Trust is subject to the UK Listing Authority listing rules and as such, any change to the Trust's investment policy can only be made with the approval of shareholders in a general meeting.

The principal risks associated with the Trust's investment policy are set out in The Trust's Rationale and Business Model (page 13) section and the Financial Risk section (page 74; note 19) of the notes to the financial statements in the Annual Report and Accounts. The Manager is responsible for risk management functions and has procedures in place to evaluate, monitor and mitigate the risks faced by the Trust. The Manager's risk management function is reviewed by the Board and the Audit and Valuation Committee in order to ensure that the best processes are in place and properly followed.

Manager

Hg Pooled Management Limited is the manager of the Trust, its registered office being 2 More London Riverside, London SE1 2AP. The Manager is a limited company and is authorised and regulated (FRN 122466) by the Financial Conduct Authority ('FCA'). The Manager was authorised to manage AIFs for the purpose of the AIFMD with effect from 22 July 2014. The Manager has been appointed to manage the Trust pursuant to an agreement dated 14 January 2009 as amended and restated on 22 July 2014 (the 'Management Agreement') to include appropriate provisions relating to AIFMD.

The Manager has sole responsibility for managing the Trust, including investigating and negotiating any potential investments and making investment decisions for the Trust (subject to the Investment Policy). The Manager has delegated certain administration and investment support services to HgCapital LLP, its parent undertaking. In addition, HgCapital LLP is appointed as an investment adviser to the Manager.

The Manager's duties under the Management Agreement are owed to the Trust as a whole and not directly to the shareholders, whether individually or in groups.

The Manager maintains appropriate additional own funds to meet its regulatory capital requirements under the AIFMD, including in relation to professional liability risks.

Depositary

The Trust has appointed IPES Depositary (UK) Limited (the 'Depositary'), whose registered office is at 10 Lower Grosvenor Place, London SW1W 0EN, as the depositary in relation to the Trust under an agreement dated 22 July 2014 (the 'Depository agreement').

The Depositary is authorised and regulated (FRN 610203) by the FCA and is responsible for verifying ownership of the Trust's investments (on the basis of evidence provided by the Manager) and maintaining a register of such as well as cash monitoring of the Trust's bank accounts and oversight as required by the Manager. The Depositary's duties under the Depositary agreement are owed to the Trust as a whole and not directly to the shareholders, whether individually or in groups.

Auditor

The Trust has appointed Deloitte LLP, whose registered office is at Hill House, 1 Little New Street, London EC4A 3TR as auditor.

The auditor's duties are to carry out the annual audit of the Trust. The auditors are primarily responsible for evaluating the application of the Trust's accounting policies and the review of the financial statements.

The agreement between the Trust and Deloitte for the provisions of audit services to the Trust does not include any specific rights for shareholders.

Legal Adviser

The Manager has appointed Herbert Smith Freehills LLP, whose registered office is at Exchange House, 12 Primrose Street, London EC2A 2HS as the Trust's legal adviser.

The agreement between the Manager and Herbert Smith Freehills LLP does not include any specific rights for shareholders.

Prime Broker

The Trust does not have a prime broker.

Legal relationship with shareholders

The rights of the shareholders are governed by the Trust's Articles of Association, the relevant provisions of the Companies Act 2006, the UK Listing Authority listing rules and the disclosure and transparency rules of the FCA.

The Articles of Association may only be amended by special resolution of the shareholders.

As at 31 December 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 the Called up share capital (page 79; note 20) section of the notes to the financial statements in the Annual Report and Accounts. Shares are not offered on an ongoing basis but may be bought or sold through

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ('AIFMD')

continued

a stockbroker, financial intermediary, or one of the share dealing services detailed in the Shareholder Information section of the Annual Report and Accounts (page 100).

The Trust is incorporated under the laws of England and Wales. As such, the courts of England and Wales will have jurisdiction to hear and determine any proceeding, and to settle any dispute, in accordance with English law, which may arise out of a shareholder's shareholding in the Trust. Consequently, for shareholders residing outside that jurisdiction it may not be possible to effect service of process in an alternative jurisdiction or enforce any judgement obtained against the Trust in an alternative jurisdiction.

Leverage

The aggregate amount of borrowing shall not exceed an amount equal to twice the aggregate of:

(a) the amount paid up, or credited as paid up, on the share capital of the Trust (excluding any share capital presented as debt); and

(b) the total of any credit balance on the distributable and undistributable reserves of the Trust's group, but excluding amounts attributable to outside shareholders in subsidiary undertakings of the Trust and deducting any debit balance on any reserve.

The Trust has in place a £40 million multi-currency standby facility with Lloyds TSB Bank plc on an unsecured basis, expiring in December 2015. Please refer to The Trust's Investment Objective and Investment Policy (page 11) section of the Annual Report and Accounts for further details.

Valuation policy and procedure

The Manager's valuation policy is to value investments in accordance with the International Private Equity and Venture Capital ('IPEV') guidelines (December 2012 edition). The Trust has an Audit and Valuation Committee which reviews these valuations and provides oversight of the valuation process and methodology. Please see The Trust's Rationale and Business Model (page 11) section of the Annual Report and Accounts for further details.

Liquidity management

As the Trust is closed-ended with no redemptions, its liquidity management is limited to ensuring it has the ability to meet the commitments made to its investments. A number of levers are available in order to manage the Trust's liquidity profile. In particular, an opt-out provision has been negotiated in its commitments to the Hg7 (and previously Hg6) buyout fund permitting it to opt-out of any new investment if a drawdown commitment is due and it does not have sufficient liquidity to meet that commitment. A proportion of the assets of the Trust is normally maintained in liquid readily realisable form (cash, money market instruments and gilts) to meet drawdown needs so that although the opt-out arrangement has been in place since 2009 it has not to date been invoked. In addition, a borrowing facility has been arranged pursuant to which additional temporary facilities of up to £40 million are available (as referred to in the Leverage section above) if required. For further details, refer to The Trust's Rationale and Business Model (page 14) section of the Annual Report and Accounts.

Fees, charges and expenses

For details of the fees payable by the Trust to the Manager in relation to its investment activities within the underlying fund partnerships, please refer to the Priority profit share and carried interest (page 65; note 5) section of the notes to the financial statements in the Annual Report and Accounts.

In relation to the management of the Trust, the Manager is also entitled to receive £5,000 per quarter for its activities as the Manager of the Trust and 0.025% of the NAV of the Trust per quarter for its activities as administrator.

The Trust also incurs fees in the form of depositary fees, bank fees, marketing fees, legal fees, auditors' fees and other fees. It is not possible to provide a maximum fee payable due to the nature of these amounts.

Fair treatment of shareholders and Preferential Treatment

The Manager is committed to treating shareholders fairly in accordance with UK company law. No preferential rights have been granted to any shareholder. The Manager and the Board of the Trust will not enter into any preferential arrangements which would lead to a material disadvantage to other shareholders.

Remuneration disclosure

The Manager adopted an AIFMD compliant remuneration policy on 1 July 2014. The principles of this policy are to structure staff incentivisation in a manner consistent with and promoting sound and effective risk management and not to encourage excessive risk taking. This policy applies to both the Manager and to HgCapital LLP, its parent undertaking. In accordance with the FCA guidance on the AIFMD remuneration code, this policy applies to the first full performance period after AIFMD authorisation and it would therefore be unhelpful to provide disclosure of the remuneration for the period to 31 December 2014 as this would not provide a proper basis for comparison.

Reporting and updates

The Trust's historic performance has been disclosed to shareholders in its Annual Report and Accounts, the most recent one covering the year up to 31 December 2014 (and being sent to all shareholders).

Any further information about the Trust's risk profile and risk management, any material changes to the liquidity arrangements, the proportion of assets subject to special arrangements arising from liquidity and the maximum permitted leverage will be provided via the Trust's Annual Report and Accounts and on the Trust's website at www.hgcapitaltrust.com.

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 interim report published

With effect from 7 November 2014, companies with shares admitted to trading on a regulated market in the EU were no longer required to publish quarterly interim management statements ("IMSs"). The European Commission had recognised that the obligation to prepare IMSs was a burden for many small and medium sized companies without being necessary for investor protection.

Dividend

The dividend proposed in respect of the year ended 31 December 2014 is 32.0 pence per share.

Ex-dividend date (shares transferred without dividend)	2 April 2015
Record date (last date for registering transfers to receive the dividend)	7 April 2015
Last date for registering DRIP instructions (see below)	24 April 2015
Dividend payment date	18 May 2015

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 re-investment plan ('DRIP')

Shareholders may request that their dividends be used to purchase further shares in the Trust.

Dividend re-investment 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 re-investment do not need to re-apply. The last date for registering for this service for the forthcoming dividend is 24 April 2015.

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 £30. In addition, stamp duty, currently 0.5%, is payable on purchases. There is no need to open an account in order to deal. Real-time dealing is available during market hours. In addition, there is a convenient facility to place your order outside of market hours.

Up to 90 day limit orders are available for sales. To access the service log on to www.computershare.com/dealing/uk.

Shareholders should have their Shareholder Reference Number ('SRN') available. The SRN appears on share certificates. A bank debit card will be required for purchases.

Telephone share dealing

Please note this service is, at present, only available to shareholders resident in the UK and Ireland. The commission is 1% plus a standard charge of £35. 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.

SHAREHOLDER INFORMATION continued

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 capital gains made within the portfolio. When investors sell all or part of their holdings, they may be liable to CGT. For the tax years 2014/15 and 2015/2016, the first £11,000 per annum of such gains from all sources is exempt.

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

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

Investments held in ISAs 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.

Legal advice obtained by the Trust 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, typically 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 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 have an equity interest 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 re-investment, 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 61 listed private equity companies, with market capitalisation of c.€42 billion of which c.€18 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 1,300 pence and the share price was 1,170 pence, the discount would be 10.0%.

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 2014, shareholders' funds were £476,918,000 and there were 37,324,698 Ordinary shares in issue; the NAV was therefore 1,277.8 pence 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 1,365 pence and the NAV were 1,300 pence, the premium would be 5%.

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 all historic dividends have been 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.

EBITDA
Earnings Before Interest, Tax, Depreciation and Amortisation.

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 annualised 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 their 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 rate of return 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 adviser.

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 Wednesday 13 May 2015 at 10.00 am to consider the following business:

Ordinary resolutions

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 2014, 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 declare a dividend of 32.0 pence per share.
4. To elect Mrs A West as a Director.
5. To re-elect Mr R Mountford as a Director.
6. To re-elect Mr R Brooman as a Director.
7. To re-appoint Deloitte LLP as independent Auditor to the Company.
8. To authorise the Audit and Valuation Committee of the Board to determine the independent Auditor's remuneration.
9. THAT the Company continue in existence as an investment trust for a further five year period.
10. 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 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 2016, 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.

Special resolutions

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

11. THAT in substitution for the Company's existing authority to make market purchases of Ordinary shares of 25 pence 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 25 pence;

    (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 immediately 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);

NOTICE OF ANNUAL GENERAL MEETING continued

(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 2016 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 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 10 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 10 by way of rights issue only) in favour of the holders of Ordinary shares on the register of members at such record dates as the Directors may determine where the equity securities respectively attributable to the interests of the Ordinary shareholders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary shares held or deemed to be held by them on any such record dates, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter; and

(b) the allotment (otherwise than pursuant to subparagraph (a) of this Resolution 12) 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 10 above, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the Directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

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

14. THAT with effect from the end of the Annual General Meeting the Company's Articles of Association produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

By order of the Board
Hg Pooled Management Ltd
Secretary
6 March 2015

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 11 May 2015 (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 10am on 11 May 2015.
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 11 May 2015 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 11 May 2015 ('the specified time') shall be disregarded in determining the rights of any person to attend or vote at the AGM. If the AGM is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned AGM. If, however, the AGM is adjourned for a longer period then, to be so entitled, shareholders must be entered on the Company's register of members at the time which is 48 hours before the time fixed for the adjourned AGM or, if the Company gives notice of the adjourned AGM, at the time specified in that notice.
11. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for this meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual, which is available to download from the Euroclear website (www.euroclear.com/CREST). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

    In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual.

    The message, regardless of whether it constitutes the appointment or an amendment of a proxy or to an

NOTICE OF ANNUAL GENERAL MEETING continued

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 6 March 2015 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. A copy of the new Articles of Association showing all the changes to the current Articles of Association are available for inspection at the Company's registered office at 2 More London Riverside, London, SE1 2AP for at least 15 minutes prior to and during the AGM.

19. 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.

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

Peter Gale (retired 13 May 2014)

Andrew Murison

Mark Powell

Anne West (appointed 14 May 2014)

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

Hg Pooled Management Limited[1]
2 More London Riverside
London
SE1 2AP

Telephone: 020 7089 7888
www.hgcapital.com

Secretary and administrator

Hg Pooled Management Limited[1]
2 More London Riverside
London
SE1 2AP

Telephone: 020 7089 7888
www.hgcapital.com

Depositary

IPES Depositary (UK) Limited[1,2]
10 Lower Grosvenor Place
London
SW1W 0EN

Registrar

Computershare Investor Services PLC[1]
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

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

Stockbroker

Numis Securities Ltd[1]
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. This 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] Authorised and regulated by the Financial Conduct Authority.

[2] Appointed as from 22 July 2014.

www.hgcapitaltrust.com