HgCapital Trust plc

ANNUAL REPORT AND ACCOUNTS

31 December 2015

HgCapital Trust plc

“The objective of the Trust is to provide shareholders with long-term returns in excess of the FTSE All-Share Index by investing predominantly 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, 3, 17, 19, 39, 61 and 115 in this report are of the building in London occupied by HgCapital and the surrounding area.

ABOUT HgCAPITAL TRUST PLC

HgCapital Trust plc was established in 1989 and is an investment trust listed on the London Stock Exchange. HgCapital was appointed Manager of the Trust in 1994 and seeks to meet the Trust's investment objective through active management of a portfolio of businesses suitable for strategic and operational transformation that will grow revenues and profits, and thus create value for shareholders. To select businesses where the Manager can add substantial value it applies a deep sector focus, primarily targeting middle-market buyouts across TMT, Services and Industrials 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 markets offer many companies with proven financial performance within their chosen industry. The Trust also invests in renewable power generating projects using proven technologies.

Investments are made predominantly in unquoted companies, across Northern Europe, 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 consistent growth.

HgCapital is one of the leading mid-market European private equity investors. The Manager is experienced and well-resourced, investing in growth companies with a strong record of returns across all economic cycles.

An investment in the Trust currently provides exposure to an active portfolio of **29 companies** with strong growth in sales and profitability. The top 20 buyout investments currently account for **87%** of the portfolio value. These companies have annual aggregate sales of **£2.3 billion** and EBITDA of **£517 million**, with EBITDA margins of **23%**.

FINANCIAL HIGHLIGHTS

The annualised share price total return over the last twenty years has been +14%.

2015 PERFORMANCE

NAV PER SHARE

The NAV per share at 31 December 2015 was £14.20, a total return over the year of:

+14%

NET ASSETS

The total NAV of the Trust at 31 December 2015 was:

£530m

SHARE PRICE

The share price at 31 December 2015 was £11.15, a total return for the year of:

+9%

MARKET CAPITALISATION

The market capitalisation of the Trust at 31 December 2015 was:

£416m

TOTAL ON-GOING CHARGES

for the year to 31 December 2015:

2.0%

DIVIDEND

Proposed final dividend, subject to shareholder approval:

40p

TOP 20 INVESTMENTS as at 31 December 2015 (87% of the portfolio value)

SALES GROWTH

over the last twelve months:

+10%

PROFIT GROWTH

over the last twelve months:

+12%

EV TO EBITDA MULTIPLE

14.5x

DEBT TO EBITDA RATIO

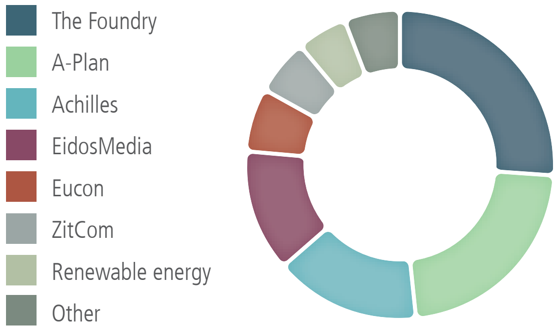
4.6x

FINANCIAL HIGHLIGHTS continued

INVESTMENT ACTIVITY IN 2015

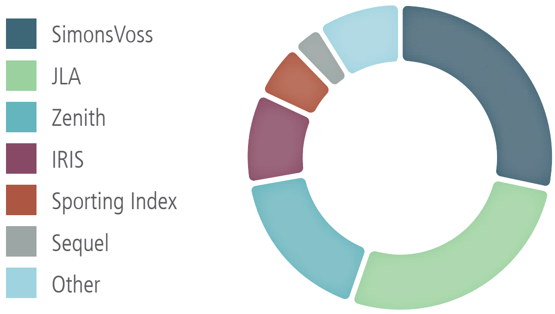
CASH INVESTED ON BEHALF OF THE TRUST

£65m



CASH REALISED FOR THE BENEFIT OF THE TRUST

£64m



BALANCE SHEET ANALYSIS as at 31 December 2015

LIQUID RESOURCES

£40m

8% of NAV

OUTSTANDING COMMITMENTS

£160m

30% of NAV

FINANCIAL HIGHLIGHTS continued

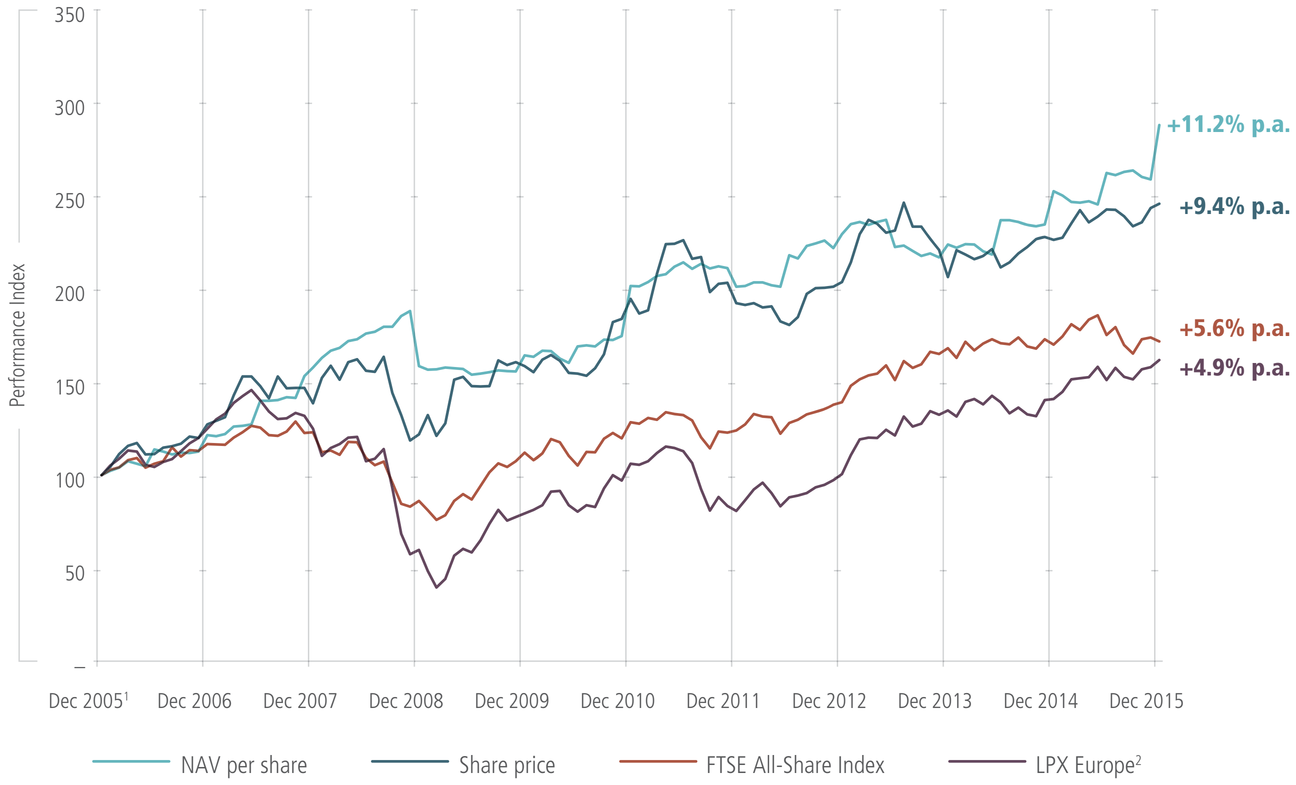
LONG-TERM PERFORMANCE RECORD

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
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
2015	530,023	1,420.0	1,115.0	17,907	48.0	40.0[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] Proposed dividend of 40 pence per Ordinary share for the year ended 31 December 2015, to be paid on 16 May 2016, subject to shareholder approval.

LONG-TERM PERFORMANCE – TEN YEAR TOTAL RETURN



[1] Performance record rebased to 100 at 31 December 2005. Source: Factset, HgCapital.
[2] 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.

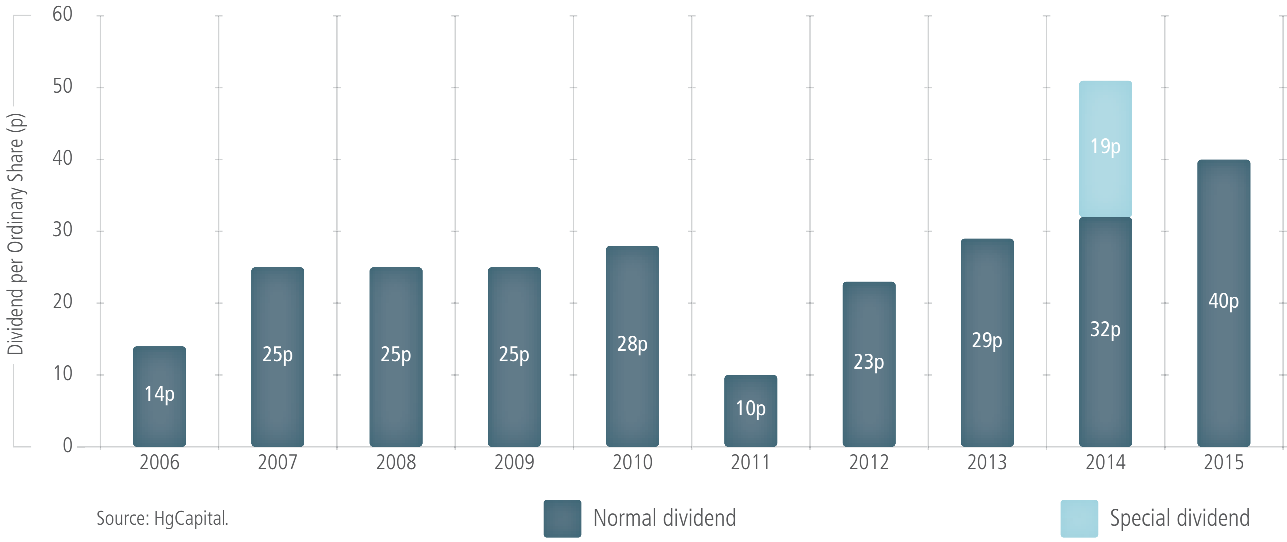
FINANCIAL HIGHLIGHTS continued

LONG-TERM PERFORMANCE RECORD

HISTORICAL TOTAL RETURN PERFORMANCE

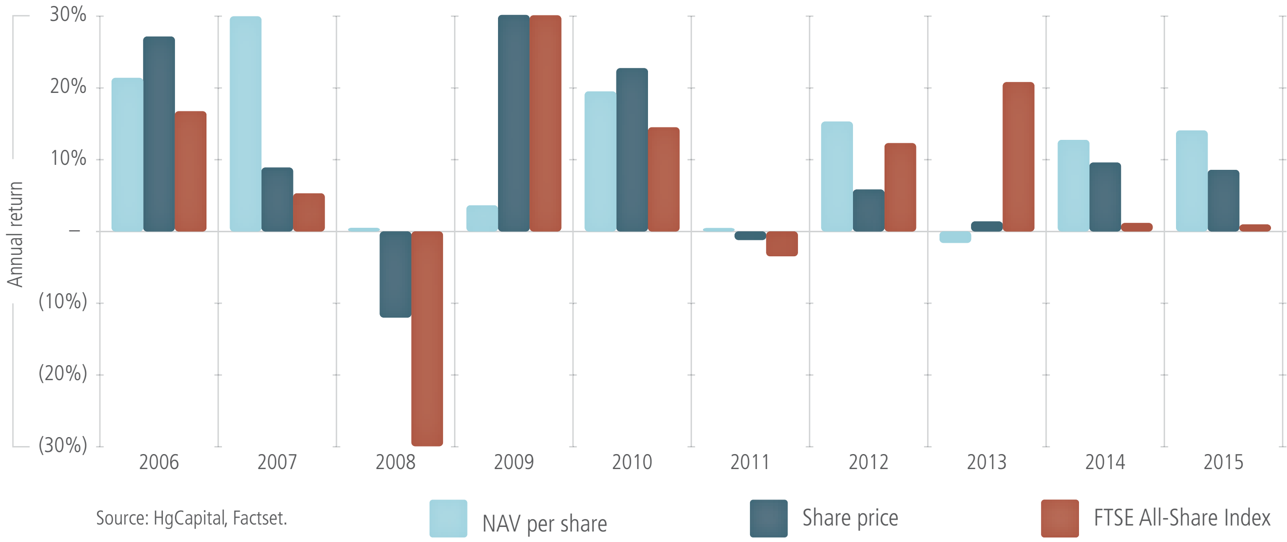
	One year % p.a.	Three years % p.a.	Five years % p.a.	Ten years % p.a.	Twenty years % p.a.
NAV per share	14.1	7.9	7.4	11.2	13.0
Share price	8.6	6.5	4.8	9.4	13.9
FTSE All-Share Index	1.0	7.3	6.0	5.6	6.7
NAV per share performance relative to the FTSE All-Share Index	13.1	0.6	1.4	5.6	6.3
Share price performance relative to the FTSE All-Share Index	7.6	(0.8)	(1.2)	3.8	7.2

TEN YEAR DIVIDEND RECORD



Source: HgCapital.

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



Source: HgCapital, Factset.

THE BOARD'S STRATEGIC REPORT

CHAIRMAN'S STATEMENT

Healthy trading in the portfolio continues to drive a strong performance in NAV growth, well ahead of the wider listed market.

NAV performance

During the year, the NAV per share grew by an impressive 14.1%, on a total return basis, to £14.20 at the year-end, with a particularly strong performance in the second half. This compared to a 1.0% return from the FTSE All-Share Index, a performance that largely reflected weakness in sectors in which the Trust has no direct exposure, such as banking, mining and oil.

There were three main contributory factors to the growth in NAV: the strong trading performance across the portfolio; realisations from the portfolio; and comparable company ratings.

The revenues of our top 20 investments (which represent 87% by value of the investment portfolio) continued to grow at 10%, in line with the average growth of 10% p.a. over the last three years. Aggregate growth in profits (EBITDA) was 12% in the year, a substantial increase over the 9% recorded in 2014. Aggregate EBITDA margins of 23% on revenue show the high quality of the investment portfolio our Manager has assembled. This accelerated profit growth reflects the success of significant investment made into the cost base of several portfolio companies over recent years, which continues in several businesses, in order to build a platform for faster growth in later years.

It was a busy year for realisations, with four businesses realised or partially realised during the year, as described on pages 34 and 35, all at uplifts to the December 2014 valuations. In the case of SimonsVoss, Sporting Index, e-conomic and JLA, these realisations completed during 2015. The Manager also agreed the sale of TeamSystem and Casa Reha towards the end of the year and those sales completed early in 2016; the exit valuation of these investments was fully reflected in the NAV at December 2015.

The NAV performance was also supported by a rise in the multiples of businesses comparable to much of our portfolio, especially in the software sector. This was offset to a small degree by weakness against sterling of the foreign currencies in which a part of the portfolio is valued. Exchange rates between sterling and these currencies (principally the euro, US dollar and Norwegian kronor) continue to be volatile, due to weakness in the European economies. Nervousness around the referendum in the UK may potentially continue to generate volatility, affecting the NAV in the year ahead.

Share price performance

The share price delivered a total return of 8.6% in the year to 31 December 2015.

While the share price performance exceeded the return on the Index by a wide margin, it was nonetheless disappointing when compared with the growth in NAV in 2015; this led to a widening of the discount to NAV at which the Trust's shares traded in the market. Global uncertainties since the year-end, and the acute "risk-off" sentiment that has fed on these fears and stimulated further falls in share prices, have since the year-end further exacerbated the disconnect between the Trust's share price and the underlying NAV performance; the NAV at December is, of course, not known to the market until the publication of these results in March.

The graphs on pages 6 and 7 show that, over the majority of periods, the Trust's shares have performed better than the All-Share Index and the LPX Index (that tracks the most actively traded private equity companies listed on a European exchange).

While many long-term investors can ride out these periods of adverse sentiment, the Board is very conscious that any period of material discount or constrained liquidity can have short-term implications for shareholders. The Board has to find the right balance between competing pressures: on the one hand, knowledge that, at the current price, the shares in the Trust represent good value against NAV and that buying-in shares would be accretive to NAV; on the other, our long-term strategic goals, responding to the expectations of investors over many years, to grow the Trust substantially and to make material commitments to each of our Manager's funds so as to keep the balance sheet as fully invested as we can, while sustaining our diversification across vintages. The Board continues to believe that, over time, discounts to NAV are minimised through delivering consistently good long-term returns, transparent reporting and the avoidance of adding risk at the Trust level.

Proposed dividend

In line with our policy on dividends, described on page 14, and in order to meet the income retention rules of an investment trust, the Board is seeking shareholders' approval for a dividend of 40 pence per share, compared with an ordinary dividend of 32 pence in 2014 (which was supplemented by a special dividend of 19 pence per share that reflected a one-off receipt from the sale of Visma in that year).

A table setting out the dividends paid by the Trust over the last ten years is included on page 7. 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,

THE BOARD'S STRATEGIC REPORT continued

CHAIRMAN'S STATEMENT

to provide a degree of stability; in doing so, the Board will take into account the extent to which it needs to retain cash for investment.

Investment activity

2015 was a busy year across the portfolio with cash flow broadly balanced: £65 million was invested and £64 million returned. The Manager made five new buyout acquisitions, investing a total of £48 million on behalf of the Trust and an additional £10 million co-investment in Achilles to support its continuing development. These are described on pages 32 and 33 and on the website.

Two portfolio companies were fully realised, raising £22 million in total. SimonsVoss was sold from our German industrial portfolio at a multiple of 1.5x original cost and the realisation of Sporting Index, a legacy investment from the Manager's consumer and leisure sector, represented the final sale from the MUST 4 fund vintage. In addition, more than £42 million was received by the Trust, mainly as a result of the recapitalisation of five highly cash-generative buyout investments; in one case, JLA, the Manager took advantage of a very attractive offer to sell a minority interest, banking with previous realisations 1.8x our original investment while retaining a 59% stake: overall, the combined return represents a multiple of 3.5x our original investment in a business that looks set to continue delivering attractive growth.

JLA was originally acquired in 2010 and is an example of a business where, even following substantial progress in developing the strategy, building a new management team and delivering excellent results, the Manager is confident that further value can be created over a holding period longer than the 4-5 years traditionally seen in private equity partnerships. A case study of our investment in JLA is set out on pages 24 and 25 of this Report. Visma, IRIS and Achilles are other examples; in total these four holdings represent around 32% of the Trust's investment portfolio. However, should an offer come forward that reflects the continuing prospects of any of these businesses the Manager will sell (as it did with TeamSystem), or sell a stake in order to bank value and reduce risk, as we did previously with Visma and more recently with JLA. In both cases the Trust retained part of its interest in these very successful businesses and, in the case of the former, took up a co-investment that bears no fees or carried interest. As the Trust is a permanent pool of capital seeking to deliver long-term returns, the Board welcomes this more flexible approach.

In addition to these highly successful investments, there now remain in the portfolio more than a dozen buyouts, representing in aggregate more than a third of the investment portfolio, that are approaching the fourth anniversary of our original purchase: the next two years could see a steady flow of realisations from these investments, as we are confident that these businesses will attract wide interest from other investors and trade buyers.

The Manager has taken advantage of a window in debt markets and the strong cash generation of underlying investments to refinance a number of businesses with low cost financing on flexible terms: this has generated cash returns to the Trust from Zenith, JLA, IRIS, Sequel and Relay.

New investments are being made alongside the HgCapital 7 and Mercury funds. The Trust made a £200 million commitment to the HgCapital 7 Fund vintage in 2013 and a £60 million commitment to the Mercury Fund vintage in 2011. Following acquisitions made in early 2016, these are now almost 60% and 45% invested respectively. Both HgCapital 7 and Mercury have a good pipeline of potential investment opportunities.

The Trust now holds sixteen buyout investments across these two most recent vintages, representing with co-investments around 36% of the investment portfolio. The Manager's sector and portfolio teams are working hard to support the management of these and earlier investments to build value that will underpin shareholder returns for several years into the future.

Funding and commitments

The Trust has commitments to invest alongside three of the Manager's active funds, with the result that the pace of new investment is likely to remain high. At the year-end, the Trust's outstanding commitments totalled £160 million (reduced to £117 million since the year-end), with the majority of this likely to be drawn down over the next two years; at the year-end, the Trust held £40 million in liquid resources to fund these investments. The Trust also has the benefit of a bank facility enabling the Board to manage the balance sheet and remain more fully invested across the cycle of commitment-investment-realisation. Late last year we agreed with Lloyds to extend the £40 million facility until June 2019, with an increase to £80 million from 31 December 2016. This will provide additional funding during a period when our cash flow projections indicate that the balance sheet will be fully invested, pending the start of realisations from the HgCapital 7 vintage. It will also give the Board confidence when deciding on the level of commitment to make to the Manager's next buyout fund, a decision we anticipate making later this year. The quality of the underlying portfolio allows the Trust to borrow on an unsecured basis, creating further flexibility, should it be needed.

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 commitment-investment-realisation cycle and taking account of changing market conditions for the purchase or sale of businesses. The Board is well aware that the Trust is a vehicle for shareholders to gain exposure to investments where the Manager's expertise in identifying businesses with potential for rapid growth in value can be expected to grow NAV faster than listed equity markets. The Board remains resolute to maintain this objective and to avoid "style drift" in our strategy and dilution to returns. When opportunities arise to take up co-investments (on which the Trust pays no fees or carried interest) in businesses we already hold, or by acquiring limited partnership interests in the Manager's funds, these are considered on their individual merits and after considering the Trust's available cash. The Trust currently has £39.8 million in co-investments across HgCapital funds.

THE BOARD'S STRATEGIC REPORT continued

CHAIRMAN'S STATEMENT

Provision for carried interest

Given the strong performance of HgCapital 6 over the year, we have significantly increased the provision for carried interest. The alignment of interest between manager and investors is achieved in private equity through payment of a carried interest, which shares the profits of the fund between the investors and the Manager, provided that a minimum return to investors is achieved first. No carried interest becomes payable until the repayment to the Trust of its invested capital plus a preferred return of 8% p.a.; a 20% interest in realised and unrealised gains then becomes payable as carried interest. There is a period after the investors' preferred return has been achieved in which the right to receive 100% of profits is credited to the carried interest until it catches up with investors; thereafter, profits are shared 80% to investors and 20% to carried interest. Although no cash is paid to the Manager until, typically, six to eight years after the first investment is made, the Board believes it is appropriate to provide for this liability progressively, from the date when the preferred return is first achieved, by recognising the amount of carried interest that would be payable if the investments in the HgCapital 6 vintage were realised at fair value at the balance sheet date. The provision for this catch-up affected returns in 2015, but at 31 December 2015 full provision had been made for carried interest earned on cumulative gains in the HgCapital 6 portfolio. Accordingly, its catch-up has been satisfied and 80% of incremental gains (and 100% of gains on co-investments) will accrue to shareholders, with the carried interest limited to 20% of gains on investments under the Trust's original commitment to the HgCapital 6 vintage.

Reporting to shareholders

The Trust has continually sought to improve the scope and clarity of reporting to shareholders. 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, thereby helping to close the discount to NAV. 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. Although our website has won awards, we and the Manager decided that further enhancement was desirable; in 2015 we launched a new website, with more information, helping shareholders and potential investors to gain further insights into the investment opportunity we offer, in a site that is easier to navigate. The Board and Manager are always ready to consider suggestions for improving the scope and quality of our reporting.

Prospects

The Manager's outlook is set out on page 37 of this report, and refers to the uncertainties presented by volatility in equity markets and concerns about macro-economic conditions. Despite this, the Manager remains confident that its focus on specific business models can identify businesses that offer strong risk-adjusted returns, even against the background of a weak global economy. The Manager's pipeline of potential acquisitions include a well-balanced range of opportunities across sectors and geographies. Three new buyout investments have already been announced this year and we anticipate further investment activity during 2016. In addition, the Manager is proactively planning exits for 2016 and beyond. The types of companies in which the Trust holds investments are attractive to a range of potential buyers and we would expect to see further realisations over the next year.

The Board recognises that, for many shareholders, their allocation to the Trust will probably be made from a broadly based equity portfolio. The Board has for some years set out its view that an allocation to private equity is appropriate in the investment portfolio of a patient, long-term investor. The Trust's performance relative to listed markets over longer periods remains strong because it gives exposure to a portfolio of businesses under active, hands-on management as they undergo rapid development or transformation. The total return to shareholders over the last twenty years that HgCapital has managed the Trust was 14% p.a., some 7% p.a. above the All-Share Index. £1,000 invested in the Trust twenty years ago would be worth £13,483 today, compared with £3,675 invested over the same period in the All-Share Index (assuming reinvestment of all historic dividends). In the low-interest rate environment of the last decade, the total return to shareholders has been 9.4% p.a., nearly 4% p.a. ahead of the Index.

Healthy trading in portfolio companies continues to drive strong NAV growth well ahead of the wider listed market, but returns to shareholders have been affected by volatility in equity markets. If macro-economic conditions continue to give rise to concern, then some of the businesses in the portfolio may be affected; however, it is our belief that the business models of the great majority of the companies in which we are invested mean they will continue to prosper even against economic headwinds. Given our confidence in the Manager, we believe there is currently an exceptional opportunity for long-term investors to acquire exposure to a portfolio of high quality, growth companies managed by HgCapital, which has an established and successful track record of creating value for shareholders.

Roger Mountford
Chairman
4 March 2016

THE BOARD'S STRATEGIC REPORT continued

THE TRUST'S INVESTMENT OBJECTIVE AND INVESTMENT POLICY

The Investment Objective of the Trust is to provide shareholders with long-term returns in excess of the FTSE All-Share Index by investing predominantly 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. These companies operate in a range of countries, but there is no policy of making allocations to specific countries or markets. Investments are made 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 no more than twice the Trust's share capital and reserves, allowing for the deduction of debit balances on any reserves (without shareholder approval).

Hedging

The Trust offers exposure to a range of businesses predominantly operating in Europe. 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.

In December 2015, the Trust extended the £40 million unsecured standby bank facility with Lloyds Bank plc, which had been due to mature at the end of the year, for a further three and a half years to 30 June 2019. At the end of December 2016, the facility will increase to £80 million. 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 debt 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, the Trust is invested in the Royal London Asset Management Cash Plus Fund. This deploys funds awaiting investment in private equity deals in a highly liquid portfolio of cash, deposits, money market instruments and short-dated government 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 endorsed the Manager's policies to invest the Trust's funds in a socially responsible manner, as set out on page 20. 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 investment activity to ensure they are compatible with these 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 material 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'S STRATEGIC REPORT continued

THE TRUST'S RATIONALE AND BUSINESS MODEL

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

RATIONALE

The Board believes that there is a convincing rationale for investing in well-researched private businesses where there is potential for growth in value, especially where the Manager 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 pension schemes - especially if they intend to de-risk over time - or wealth managers, open-ended funds, charities 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 substantially 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.

THE BOARD'S STRATEGIC REPORT continued

THE TRUST'S RATIONALE AND BUSINESS MODEL

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 absolute returns over the long-term and the Trust is not managed so as to reflect short-term movements in any 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; publishing valuations that are carefully reviewed and consistently prepared; and avoiding additional risk at the Trust level.

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 Review. 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 of the Annual Report 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 5 and 30. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Long-term viability statement

In accordance with provision C.2.2 of the 2014 revision of the UK Corporate Governance Code, the Directors have assessed the prospects of the Trust over a longer period than the twelve months required by the 'Going Concern' provision. The Board believes that the appropriate period over which to assess the Trust's viability may vary from year to year, depending on a number of factors, notably its outstanding investment commitments, which currently run until approximately 2018. However, the Board believes that it should assess the viability of the Trust over a minimum of five years and, accordingly, has elected this year to assess the Trust's viability over the five year period ending December 2020.

In their assessment, the Directors have considered the Trust's position with reference to the business model, the balance sheet, cash flow projections, availability of funding and the Trust's contractual commitments. This has been undertaken alongside a detailed review of the principal risks and uncertainties associated with the Trust including: performance; regulatory; operational; financial; liquidity; and borrowing, as detailed on pages 11 to 16 of the Strategic Report. The Directors recognise the importance of its close working relationship with the Manager and regularly monitor and review the strategy, risks and associated internal controls of the Manager.

Based on this assessment, the Directors of the Trust confirm that they expect the Company will continue to operate and meets its liabilities, as they fall due, during the five years ending December 2020.

THE BOARD'S STRATEGIC REPORT continued

THE TRUST'S RATIONALE AND BUSINESS MODEL

NAV and trading in the Trust's shares

The Directors of the Board value the portfolio and publish 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 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 both a discount and a premium to the NAV.

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 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.

Dividends

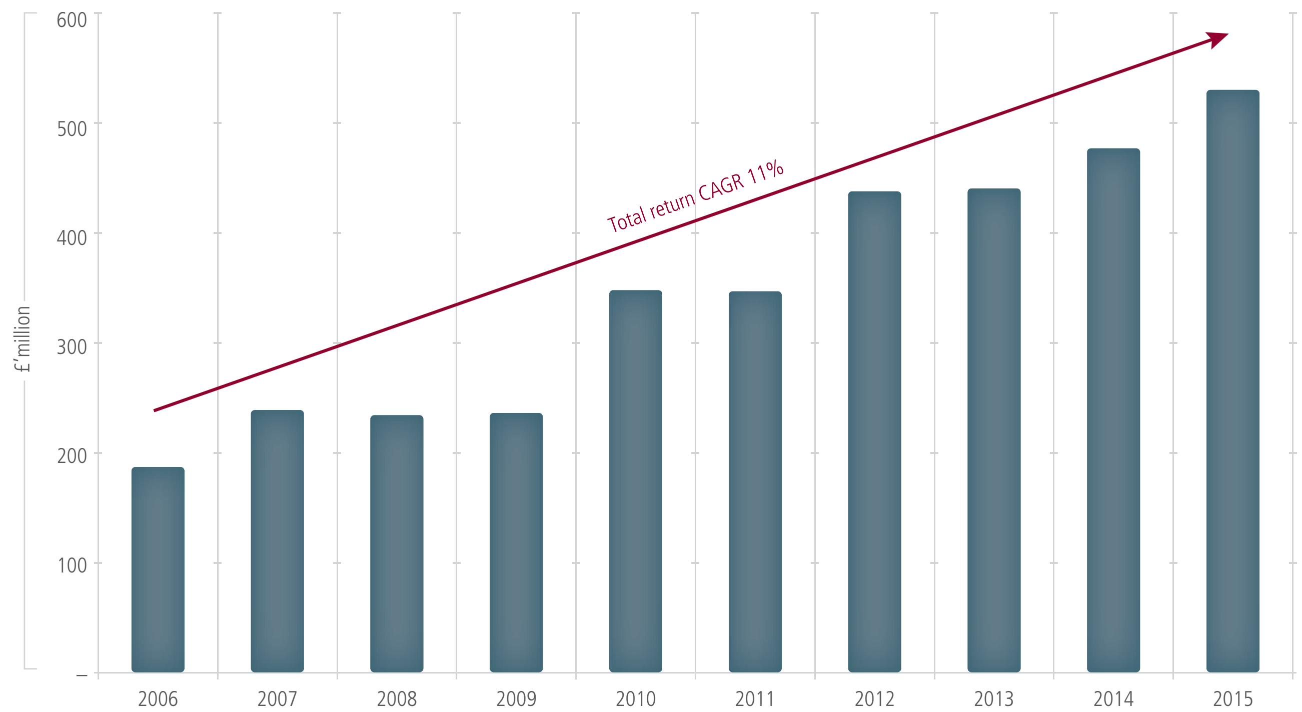
The Board does not structure the Trust's balance sheet or underlying investments in order to deliver any target level of dividend. To maintain the Trust's status as an investment trust, annual net revenue retained, after dividend distributions in respect of that financial year, may not exceed 15% of 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.

Performance

In the twelve months to 31 December 2015, the Trust's NAV per share increased by 14.1% on a total return basis. In comparison, the FTSE All-Share Index increased by 1.0%. The total return of the Trust's share price was 8.6%. All of the above assume the reinvestment of all historical dividends.

LONG-TERM NET ASSET VALUE GROWTH

as at 31 December



THE BOARD'S STRATEGIC REPORT continued

THE TRUST'S RATIONALE AND BUSINESS MODEL

Key performance indicators

At each Board meeting the Directors conduct 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 17 to 60. 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 policy 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 the likelihood of this risk occurring is low. The Manager monitors investment movements, the level and type of forecast income and expenditure, and the amount of retained income (if any) to ensure that the provisions of Sections 1158 and 1159 of CTA are not breached. The Trust's compliance with the conditions for retaining investment trust status are reported to the Board at each meeting.

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

Operational

In common with most other investment trust companies, the Trust has no employees. The Trust therefore relies upon the services provided by third parties and is dependent upon the internal control systems of the Manager and the Trust's other service providers. The security of the Trust's assets, dealing procedures, accounting records and maintenance of regulatory and legal requirements, depend on the effective operation of these systems. These are regularly tested and monitored and an internal control report, which includes an assessment of risks, together with procedures to mitigate such risks, is prepared by the Manager and reviewed by the 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 2014. The Board will consider the 2015 Assurance Report when issued later in March 2016.

THE BOARD'S STRATEGIC REPORT continued

THE TRUST'S RATIONALE AND BUSINESS MODEL

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 long-term borrowing by the Trust, as this would add risk without any certainty of enhancing returns, but anticipates making tactical use of bank borrowing from time to time, in order to remain more fully invested.

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 extended and increased its multi-currency standby facility with Lloyds Bank plc to 30 June 2019, as described on page 11. The Directors believe the borrowing facility gives the Board further flexibility in managing the Trust's resources, without adding undue risk. The facility was undrawn as at 31 December 2015.

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 four 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 71 men and 44 women on a permanent basis.

For and on behalf of the Board

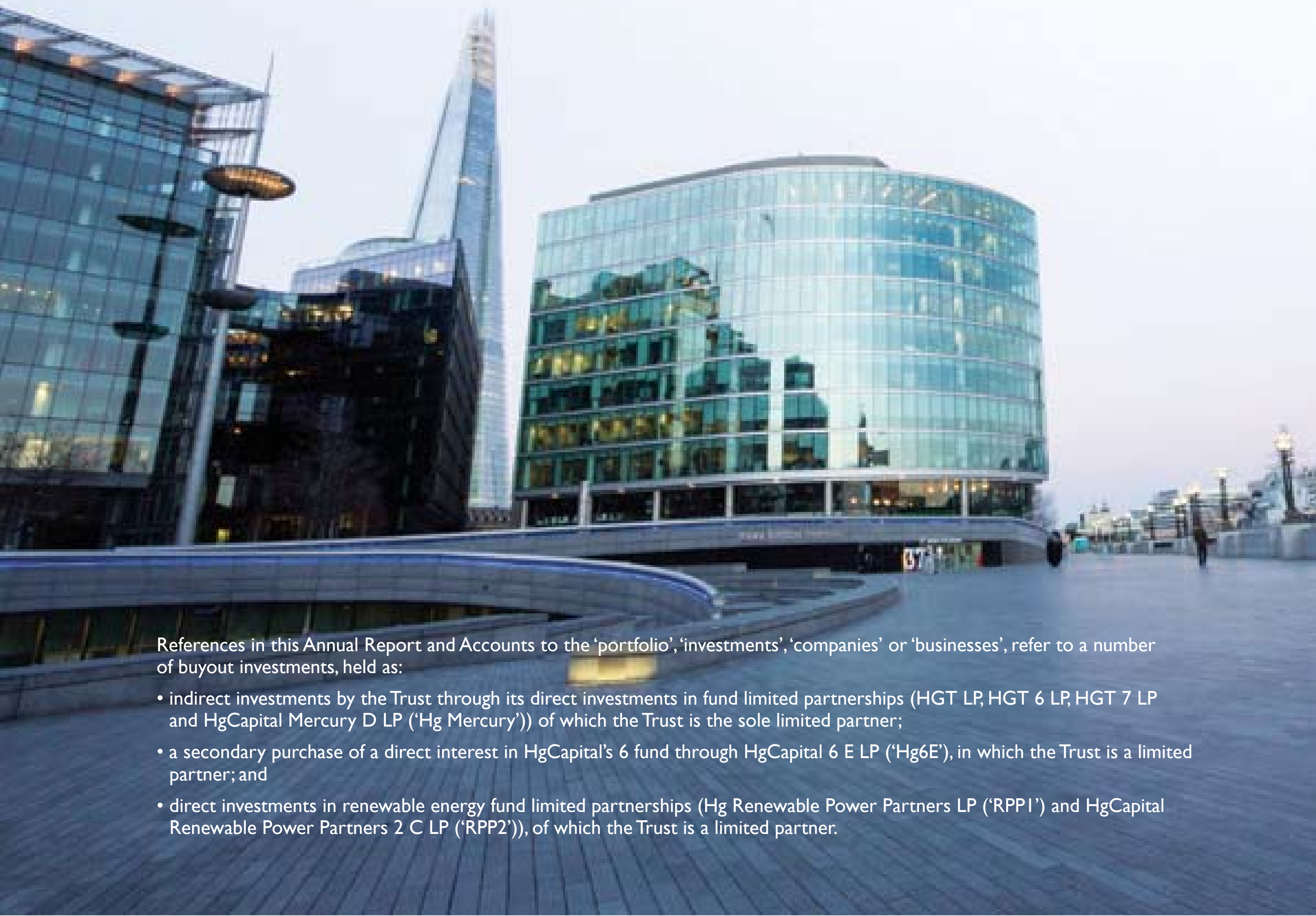
Roger Mountford
Chairman of the Board
4 March 2016

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 buyout investments, held as:

- indirect investments 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;
- a secondary purchase of a direct interest 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 (Hg Renewable 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

OVERVIEW

INTRODUCTION TO THE MANAGER

HgCapital Trust plc is the largest client of HgCapital, which was appointed Manager in 1994. The Trust 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 and associated corporate governance.

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 over £5 billion serving a range of highly regarded institutional investors, including private and public pension funds, charitable endowments, insurance companies and family offices.

Hg Pooled Management Limited was authorised as an Alternative Investment Fund Manager with effect from 22 July 2014. For further details, refer to pages 102 to 105.

INVESTMENT STRATEGY

HgCapital primarily focuses on mid-market buyouts across the TMT, services and industrials sectors, with enterprise values ("EV") of between £80 million and £500 million and lower mid-market buyouts in the TMT sector with enterprise values 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 specialist infrastructure through renewable power generating projects across Western Europe.

These markets offer a high volume of companies with proven financial performance and strong market positions.

HgCapital's investment strategy provides investors with access to the substantial majority of private equity opportunities within our target size range and across our chosen geographies.

Clear investment criteria

HgCapital applies a rigorous 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 across our sectors that share similar characteristics, such as: high levels of recurring or contracted revenues, a product or service that is business-critical but typically low spend; low customer concentration, high customer loyalty and low sensitivity to market cycles, often providing a platform for mergers and acquisitions ("M&A") opportunities. We believe that these companies 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.

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; systematically identifying the most attractive growth sub-sectors and business models of the European mid-market; and through repeated investment in them, deal flow is optimised and returns improved.

Geographic 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.

Active 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.

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 Management Team as well as best practice sharing from many years of investing in similar business models. The Portfolio Management 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.

THE MANAGER'S REVIEW continued

OVERVIEW

OUR PEOPLE

HgCapital succeeds through superior insights into new and emerging dynamics in the economy. Developing these insights requires profound understanding of technology, markets and business practices. To this end we employ best-in-class talent to identify and execute investment opportunities and accelerate value realisation during ownership.

This specialisation - both in investment selection and portfolio management - requires significant resources and we have built a business employing over 110 staff, including more than 65 investment and other professionals. Investing primarily in European businesses, many of which have a global footprint, 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, nineteen years' experience in private equity management.

Positioning ourselves as a best in class recruiter

HgCapital's recruitment and selection processes are rigorous and agile, which, along with our vibrant culture, allow us to attract and hire the best talent in our industry. 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 a focus on outperformers and how we can best accelerate their development within the business. We believe that this is the basis of effective succession planning.

Employee engagement

Our people are highly motivated by, and committed to, delivering outstanding value to our clients and our portfolio company leadership teams. They are engaged by their work, our values and the opportunity to grow to their full potential within HgCapital.

Our values have evolved over many years and are embodied in our working culture and these are aligned with our performance review and compensation structures.

Developing future leaders

We are explicit about the behaviours we wish to encourage at HgCapital, and have aligned training, coaching, performance feedback and incentives to our values.

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

> "With experienced people and an approach that focuses on delivering value, we believe we have the capability and commitment to deliver strong investment returns to investors."

THE MANAGER'S REVIEW continued

RESPONSIBLE INVESTING

WHY RESPONSIBLE INVESTMENT IS IMPORTANT TO US

For HgCapital, responsible investing means growing sustainable businesses which are great employers, 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 quality jobs in sectors with low carbon emissions and 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). We firmly believe that businesses that behave this way generate superior long term performance.

OUR RESPONSIBLE INVESTING FRAMEWORK

We have created a framework for looking at the ways the businesses we invest in can address responsible investing and how we can help them and we use it to assess businesses both before investment 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 and health and safety.

MARKETPLACE

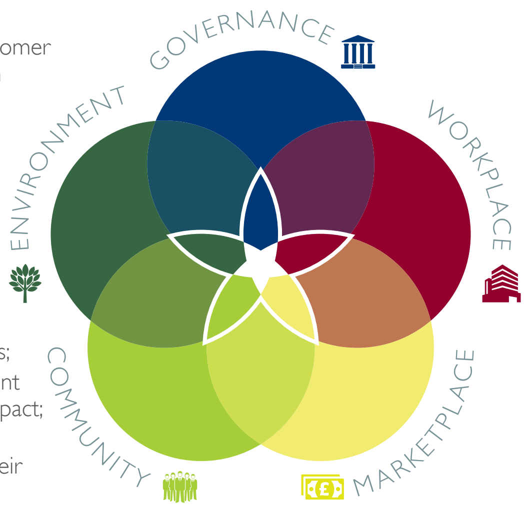
- Manage risks and relationships within the supply chain for reliable, stable, high quality supplies;
- Build customer satisfaction; and
- Understand and anticipate customer requirements for products with eco-efficiency or other sustainability benefits.

COMMUNITY

- Build strong links with the communities in which our businesses operate.

ENVIRONMENT

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

At the 2015 Private Equity Awards, HgCapital won the Corporate Citizenship award, which recognises best practice in corporate social governance.

We actively collaborate with a number of organisations on Responsible Investment and share best practice in this area.

INVEST EUROPE

IIGCC

BVCA

Green Investment Bank

THE MANAGER'S REVIEW continued

RESPONSIBLE INVESTING: EXAMPLES


QUNDIS – Plant-For-The-Planet


EidosMedia – The Pangea Foundation

GOVERNANCE

Anti-corruption and business ethics

We require all companies in the portfolio to have anti-bribery policies in place within six months of acquisition.

Cyber Security

Eleven companies attended the HgCapital IT Directors Forum to share best practice on cyber security management.

WORKPLACE

4% p.a.[1] Percentage organic growth in employment across HgCapital's portfolio companies in 2015

18,738[1] People employed by HgCapital-backed companies (as at December 2015)

793[1] Jobs created in HgCapital-backed companies in 2015

Zenith: Sunday Times Top 100

Zenith achieved a place in 'The Sunday Times Best Companies to Work For' list in the 'mid-sized' company category for the second year running, after its employees took part in an independent workplace engagement survey.

Visma: Junior Achievement Scheme

Visma is working to strengthen the link between education and industry through partnering with the Junior Achievement Scheme, a provider of education programmes for entrepreneurship and financial literacy.

COMMUNITY

QUNDIS: Plant-for-the-Planet

QUNDIS is supporting the Plant-for-the-Planet initiative, a charity which aims to plant 1,000 billion trees worldwide by 2020, to tackle climate change and reduce CO_2. Plant-for-the-Planet encourages as many children as possible to fight for their future and currently has 30,000 children, between the ages of 9-12, who are Ambassadors for Climate Justice, with a goal of inspiring 1 million children to take up this role by 2020. As part of this initiative, in 2016 QUNDIS will be organising a Plant-for-the-Planet Academy, a forum which seeks to create awareness and engagement around environmental issues.

EidosMedia: The Pangea Foundation

EidosMedia has partnered with The Pangea Foundation in India since 2012 on several projects. Their collaboration has facilitated the creation of eight credit and savings co-operatives among women in the villages. Pangea also runs self-help groups and a microcredit programme for income generating activities.

MARKETPLACE

QUNDIS: Enabling energy efficiency

More than 6 million flats are equipped with QUNDIS Heat Cost Allocators or Heat Meters in more than 30 countries. If tenants can actively manage their consumption, the energy and heating costs are reduced by up to 20%. As a result, 4.5 million tons of CO_2 are saved every year.

Achilles: Supply Chain Mapping

Achilles Supply Chain Mapping allows companies to gain visibility of their extended supply chains and view supplier information beyond first tier suppliers. It enables suppliers to demonstrate transparency and better engage with their value chains. This gives businesses:

- early warning about supply chain convergence, highlighting potential single points of failure;
- information to mitigate supply chain risk;
- awareness of the inter-dependencies in a supply chain; and
- insight into the possible impact of global events (e.g. natural disasters) on the supply chain.

Achilles' Supply Chain Mapping is being used by Nestlé as part of its responsible sourcing programme as a cost-effective, time-efficient and secure online process to trace their ingredients back to the farm or plantation.

ENVIRONMENT

Zenith – Carbon reduction

Average CO_2 emissions for cars ordered on Zenith's salary sacrifice car schemes this year are just 99g/km (124.6g/km in 2014[2]).

Zenith's salary sacrifice schemes incentivise the lowest emitting cars. Alternatively-fuelled cars now account for 12% of all Zenith's salary sacrifice car scheme orders (2% in 2014[2]).

Ian Hughes, commercial director for Zenith, commented: "As the tax regime continues to incentivise low CO_2 emitting cars and manufacturers are advancing their technology, through hybrids and electric cars in particular, we are continuing to see significant falls in emissions each year. Drivers and companies are also benefitting from improved fuel economy and lower fuel bills."

HgCapital: Renewable energy investors

300,000 Homes powered by renewable energy in Western Europe.

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

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

[1]Figures exclude Mainio Vire and Frösunda. [2]Source: Society of Motor Manufacturers & Traders figures published in April 2015.

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 is currently investing in the sector from two funds. The HgCapital 7 buyout fund targets businesses with enterprise values between £80 million and £500 million. The HgCapital Mercury Fund targets smaller buyouts (enterprise values between £20 million 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 approach 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 small and medium-sized enterprise ("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 including commercial laundry and catering equipment distribution, automotive leasing, international business expansion services and distribution of insurance, all of which have common characteristics including stable and diverse customer bases; critical, repeated use products; and a strong value proposition with a high level of customer service.

In addition to the sectors noted above, we 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 within Europe and in particular in the German market, which is characterised 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 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 a specific niche market, with the opportunity to scale further. Our thematic research within this sector has been concentrated over many years on the characteristics that define a strong industrial investment. As a result, we have developed certain themes that we regard as particularly attractive: Aftermarket companies; product champions/niche manufacturers; c-part specialists; and smart distribution models.

Those themes are overlaid with specific industrial sub-sectors where we have a strong understanding.

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 affording the benefits of this in procurement, attracting higher quality management teams, and creating strategic value. HgCapital is one of the leading owners of onshore wind farms in Scandinavia, has investments in Scandinavian district heating, 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 MANAGER'S REVIEW continued

CASE STUDY – JLA

> The active support from HgCapital has accelerated our growth through numerous value-added projects and M&A. We look forward to our continued partnership driving future value growth.
>
> Stephen Baxter, CEO of JLA

Website: www.jla.com

Sector: Services

Geography: UK

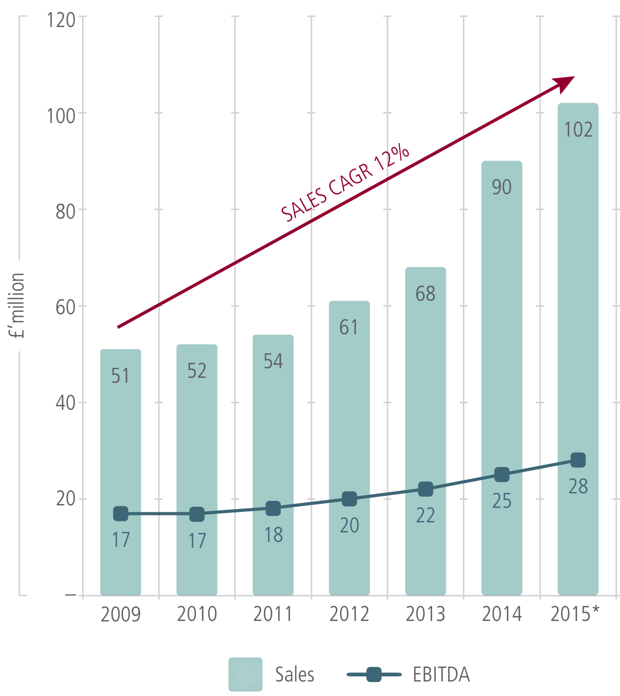
Business description

Founded in Yorkshire in 1973, JLA is one of the UK's leading providers of commercial laundry and catering equipment on a contracted basis. JLA operates across a diverse sector base offering customers a fully inclusive machine supply and service proposition under the name of Total Care. In addition, the company provides customers with supplementary products and services (e.g. service contracts, compliance and safety service solutions, equipment sales and consumables). The company's services are typically provided under eight-year contracts to customers who require laundry or catering equipment as a "mission-critical" part of their operations.

The investment

JLA had been known to HgCapital for some time. Originally described as a 'washing machine distributor', JLA had enjoyed strong operating performance, including sustained organic growth through the period 2007–2009 and displayed many of the business model characteristics that we look for. The team worked hard with the founder and the management team to complete the acquisition in March 2010, valuing the company at an enterprise value of £150 million.

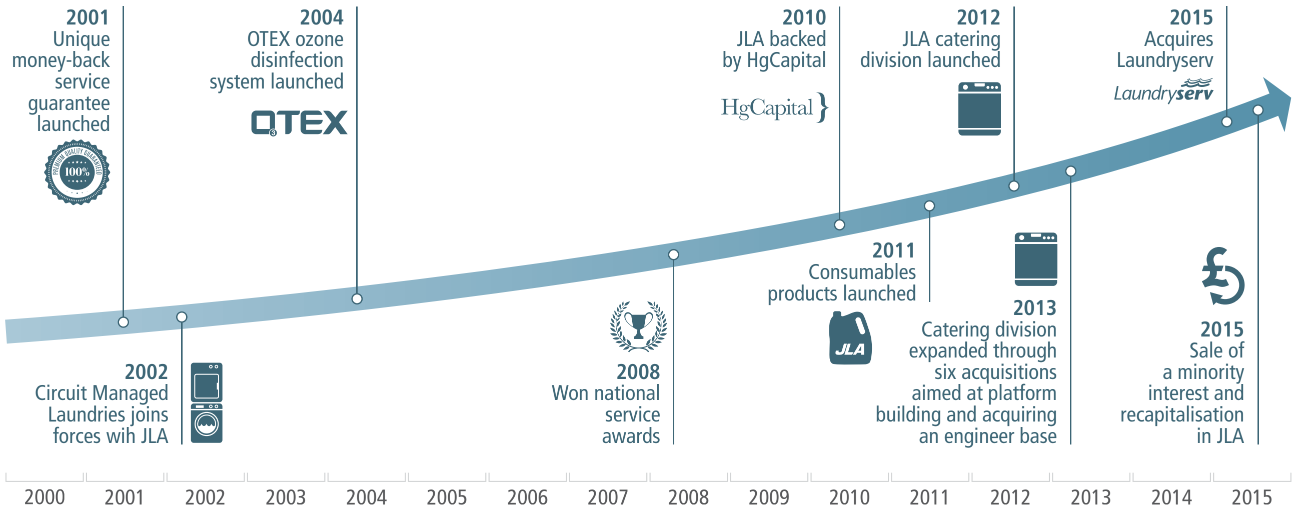
FINANCIAL PERFORMANCE



*Does not include the impact of the Laundryserv acquisition.

THE MANAGER'S REVIEW continued

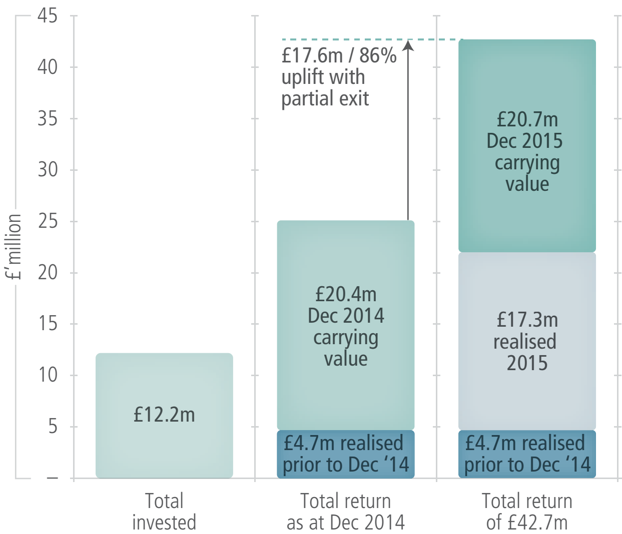
CASE STUDY – JLA



The investment case

JLA has a diverse customer base that considers laundry and catering as a mission-critical part of their day-to-day business. With a high proportion of customers on long-term contracts (representing a high level of revenues and a greater proportion of profits), the company has an attractive business model, characterised by a high level of recurring revenues and future revenue visibility.

We saw the opportunity to grow the core Total Care division through the professionalisation of sales and marketing. Whilst initially focusing on the laundry division, there were good prospects to expand JLA's services across other industry verticals and increase regional coverage.



Investment return multiple of cost: 3.5x
Gross IRR: 25% p.a.

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

How HgCapital has supported JLA

We worked alongside management to increase the benefit of selling new products and services through JLA's existing sales force and service network.

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 of smaller laundry and kitchen equipment companies have been completed, all funded out of free cash flow.

In 2011, the company introduced a detergent range to accompany the machinery it leased, and in 2012, expanded its white goods reach, sourcing and leasing equipment such as dishwashers. This expanded offering continued into other catering equipment such as prime cooking and refrigeration. Catering equipment now represents a third of JLA's overall revenues.

The business now has a dedicated M&A team and the pipeline for further acquisitions is under development. We plan to continue to make further bolt-on acquisitions, both in the laundry and catering markets.

Performance improvement

JLA's performance has been consistently strong with organic sales growth of 7-9% year-on-year. Sales doubled between 2009 and 2015 to £102 million. Over the same period, EBITDA has increased from £17 million to £28 million, a compound annual growth rate of 12%.

Partial exit and recapitalisation

In December 2015 HgCapital completed the recapitalisation and the sale of a minority interest in JLA to a group of institutional investors, returning £116 million to HgCapital 6 clients, including £17.3 million of cash proceeds to the Trust, and retained 59% of the equity in the company. These transactions, together with previous realisations, took the total cash return to 1.8x the original investment. The combined return represents an investment multiple of 3.5x over JLA's holding period to date.

THE MANAGER'S REVIEW continued

OVERVIEW OF THE YEAR

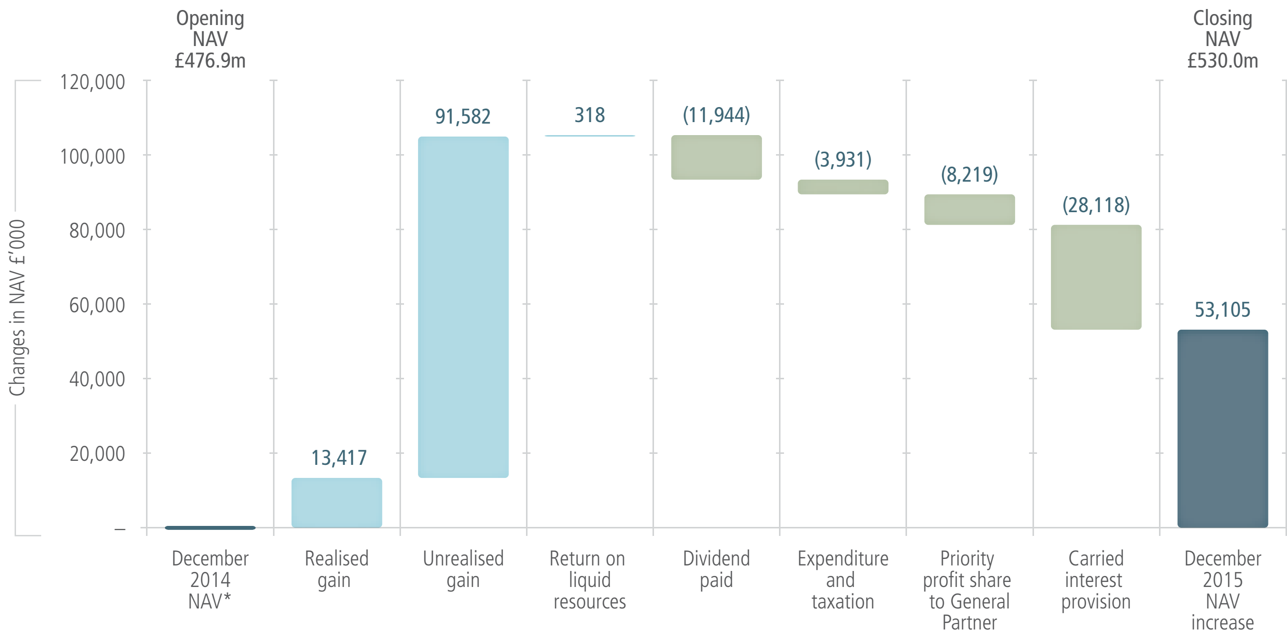
NET ASSET VALUE (NAV)

During the year, the NAV of the Trust increased by £53.1 million, from £476.9 million to £530.0 million at 31 December 2015.

ATTRIBUTION ANALYSIS OF CURRENT MOVEMENTS IN NAV

	Revenue £'000	Capital £'000	Total £'000
Opening NAV as at 1 January 2015	25,983	450,935	476,918
Realised capital and income proceeds from investment portfolio in excess of 31 December 2014 book value	4,990	8,427	13,417
Net unrealised capital and income appreciation of investment portfolio	25,778	65,804	91,582
Net realised and unrealised gains from liquid resources	309	9	318
Dividend paid	(11,944)	–	(11,944)
Expenditure and taxation	(3,931)	–	(3,931)
Investment management costs:			
Priority profit share - current year charge	(8,219)	–	(8,219)
Priority profit share - net loan allocation	(1,020)	1,020	–
Carried interest - current year provision	–	(28,118)	(28,118)
Closing NAV as at 31 December 2015	**31,946**	**498,077**	**530,023**

ANALYSIS OF NAV MOVEMENTS
for the year ended 31 December 2015



*December 2014 rebased to nil

There were a number of underlying factors contributing to the above increase in the NAV. Positive impacts on the NAV were the revaluation of the unquoted portfolio (+£91.6 million) and uplifts on the realisation of investments compared with their carrying value at the start of the year (+£13.4 million).

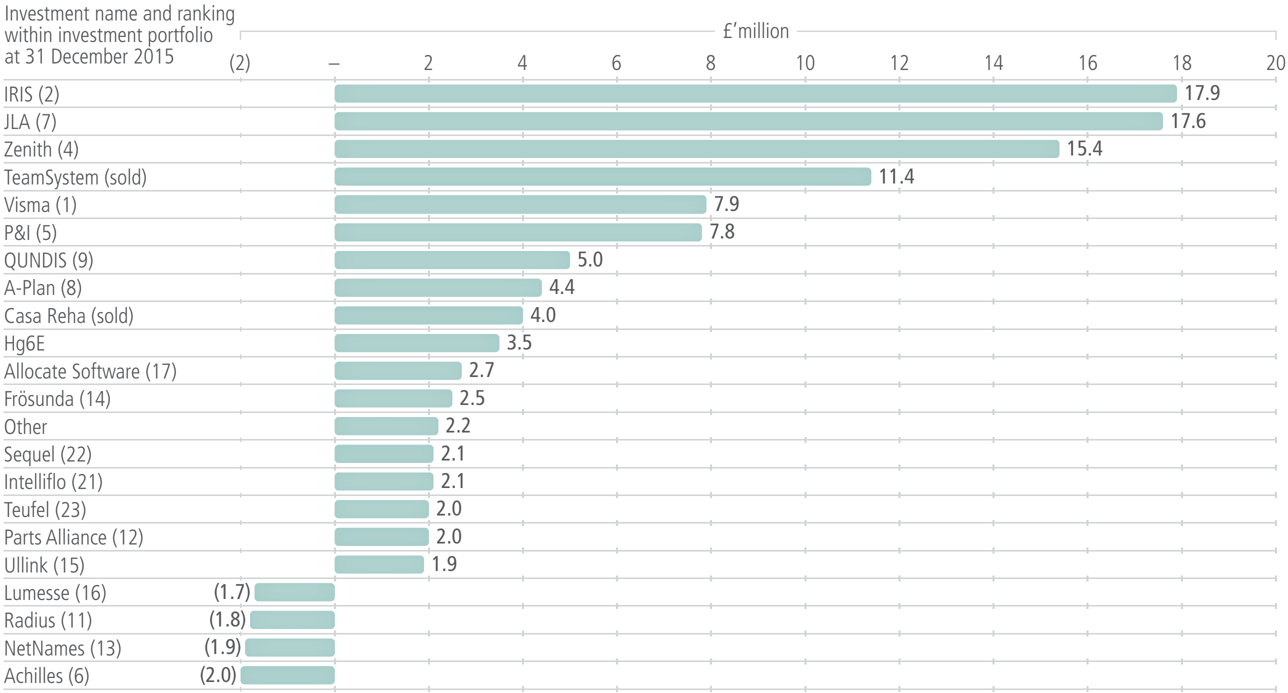
Reductions in the NAV were caused by: the payment of a dividend to shareholders (-£11.9 million); the Manager's remuneration (-£8.2 million and a -£28.1 million increase in the provision for future carried interest); and operating expenditure and taxation (-£3.9 million).

THE MANAGER'S REVIEW continued

OVERVIEW OF THE YEAR

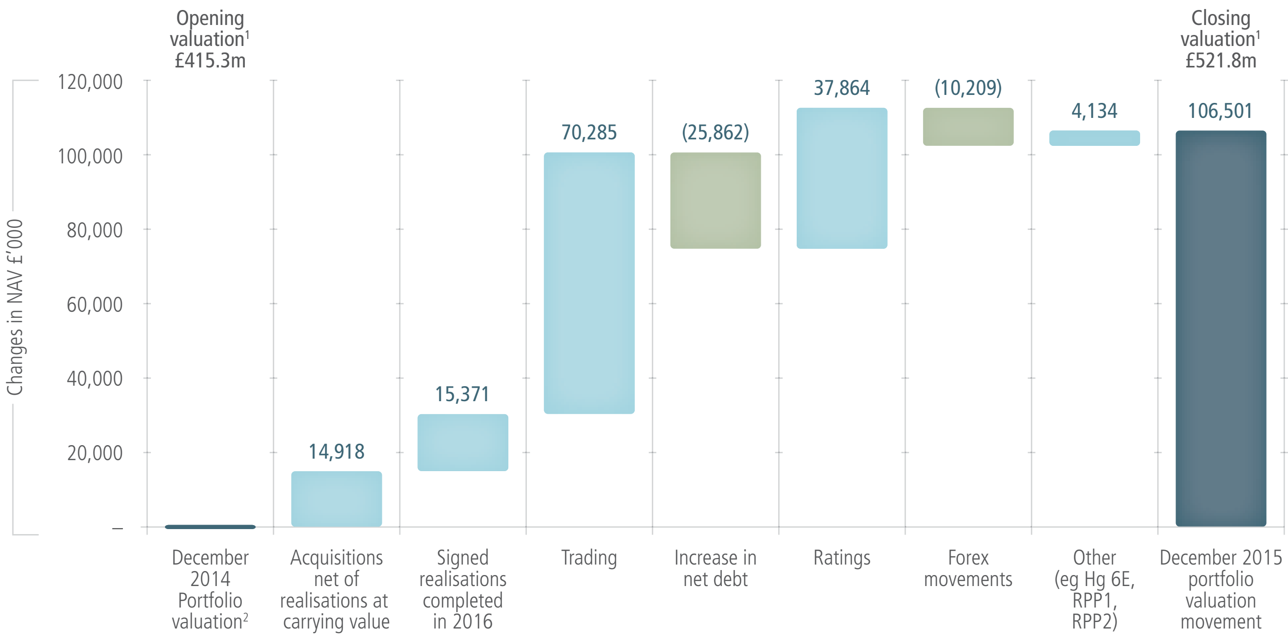
REALISED AND UNREALISED MOVEMENTS IN INVESTMENT PORTFOLIO

for the year ended 31 December 2015



ATTRIBUTION ANALYSIS OF MOVEMENTS IN THE INVESTMENT PORTFOLIO[1]

for the year ended 31 December 2015



[1] Including accrued income and excluding carried interest provision [2] December 2014 rebased to nil

During the year, the value of the unrealised portfolio increased by £106.5 million, excluding the provision for carried interest. The majority of the increase (£70.3 million) relates to increases in profits in the underlying portfolio. The other main driver of the increase in unrealised value came from improved ratings, reflecting the positive re-rating for comparable businesses (both listed and M&A), most notably in our software businesses.

These were partially offset by decreases driven by an increase in net debt (-£25.9 million) resulting from refinancing that returned cash to the Trust, and unfavourable foreign exchange movements (-£10.2 million).

THE MANAGER'S REVIEW continued

OVERVIEW OF THE YEAR

TOP 20 PORTFOLIO TRADING PERFORMANCE
as at 31 December 2015

The top 20 buyout investments (representing 87% of the total portfolio by value) have delivered strong sales growth of 10% and EBITDA growth of 12% over the last twelve months ('LTM').

We are pleased with the performance of the portfolio and, in particular, some of the larger companies. Profits across the portfolio have grown at a faster rate than revenues as the investment made into the cost base of a number of our portfolio companies in previous periods bears fruit. Over the past three years the top 20 have grown consistently at an average of 10% p.a. for both sales and EBITDA. The business model characteristics of our portfolio companies give us confidence that this level of growth can be achieved consistently going forward.

We continue to see very robust trading performance from Visma, IRIS, TeamSystem and P&I in our TMT portfolio and Parts Alliance, Radius, JLA and Zenith in the Services sector. QUNDIS, a German based industrial company, has also seen improved operational performance in 2015.

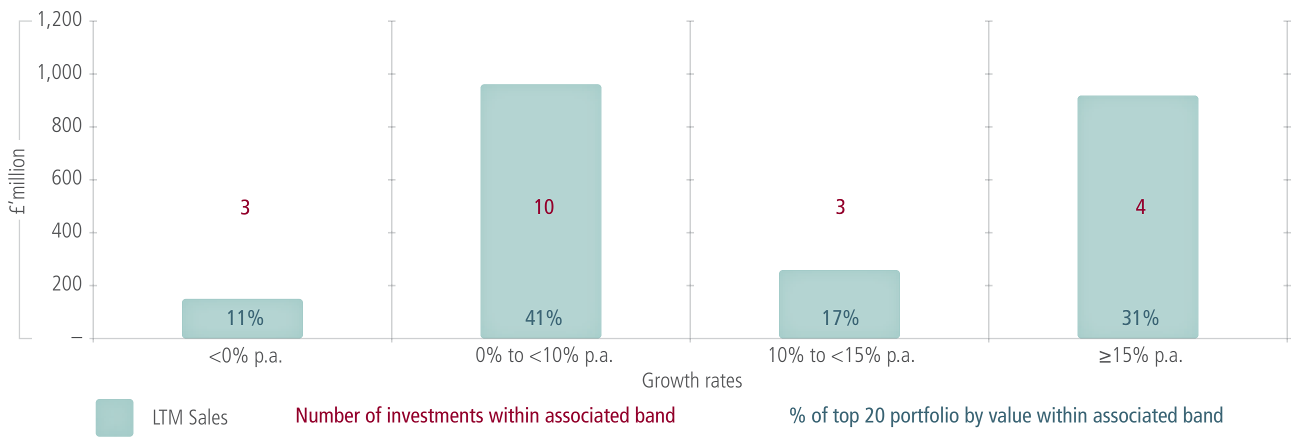
In total, 61% of the top 20 saw double-digit earnings growth over 2015.

We continue to invest materially into the cost base of a number of our portfolio companies, including Ullink, Achilles, Sequel, The Foundry and Intelliflo to: further strengthen management; improve sales and marketing capabilities; and make other operational improvements, consequently depressing short-term EBITDA and valuations. We expect to see the benefit of this investment driving profitability in future years.

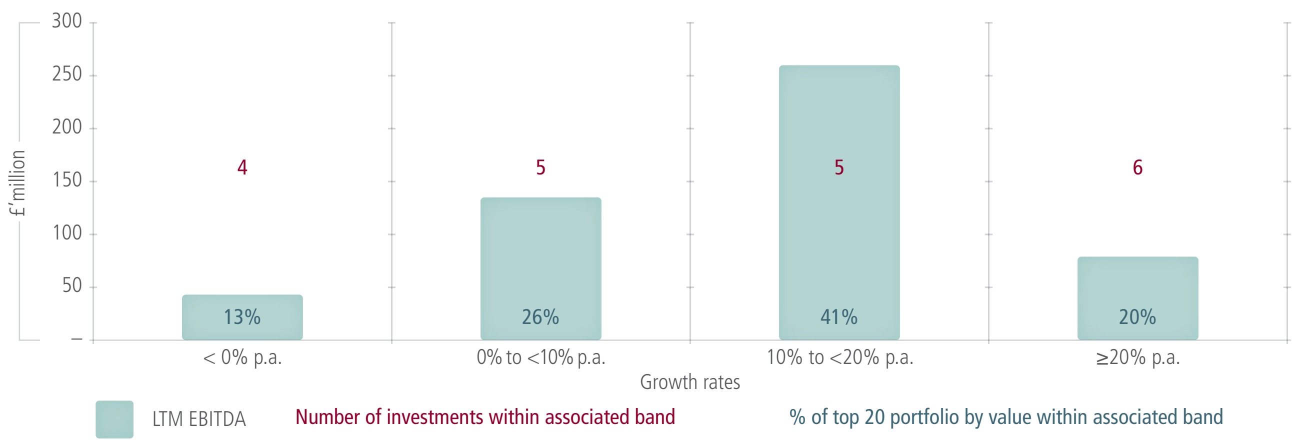
Similarly, many of our TMT companies, including IRIS, Visma and P&I, are focused on investing in a shift towards 'cloud-based' recurring revenues, temporarily holding back earnings but building businesses that should achieve a premium rating at exit.

We fundamentally believe that the benefit of investment into our portfolio companies will be long-term, high, sustainable growth, as we have delivered before, and that this will position them well for future exits.

TOP 20 LTM SALES GROWTH: +10%



TOP 20 LTM PROFIT GROWTH: +12%



THE MANAGER'S REVIEW continued

OVERVIEW OF THE YEAR

VALUATION AND GEARING ANALYSIS
as at 31 December 2015

The portfolio's valuation policy is applied consistently, using the IPEV Valuation Guidelines. Our valuation of each company has produced an average EBITDA multiple for the top 20 buyout investments of 14.5x.

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 2015, 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 a 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 M&A data.

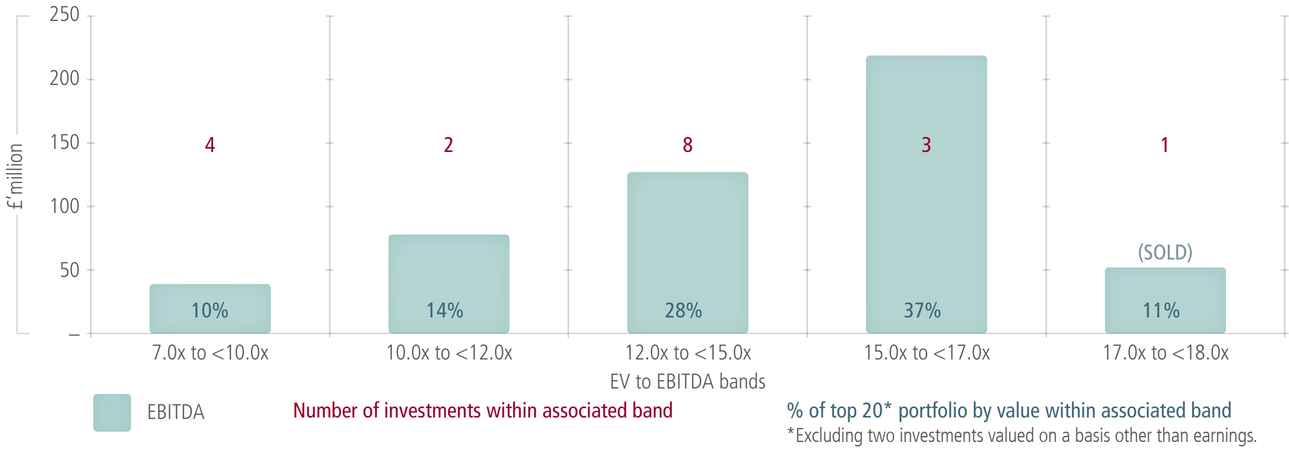
The average valuation multiple has risen over the year due to both increased comparable business ratings and the continued shift in the mix of the portfolio to higher growth businesses, in particular in the TMT sector where we hold a number of companies with substantial opportunities to grow their SaaS business.

2015 saw public markets stagnate, with many of their constituent sectors significantly decreasing in value. The listed software sub-sector, however, grew strongly over the year. This was further underpinned by M&A activity; for example, our sale of TeamSystem, which was announced in December 2015, at a multiple in excess of 17x EBITDA.

Our portfolio companies make appropriate use of gearing, with an average for the top 20 of 4.6x LTM EBITDA. Many of our businesses have highly predictable, strong earnings growth and are highly cash generative, enabling us to use debt to gear our returns.

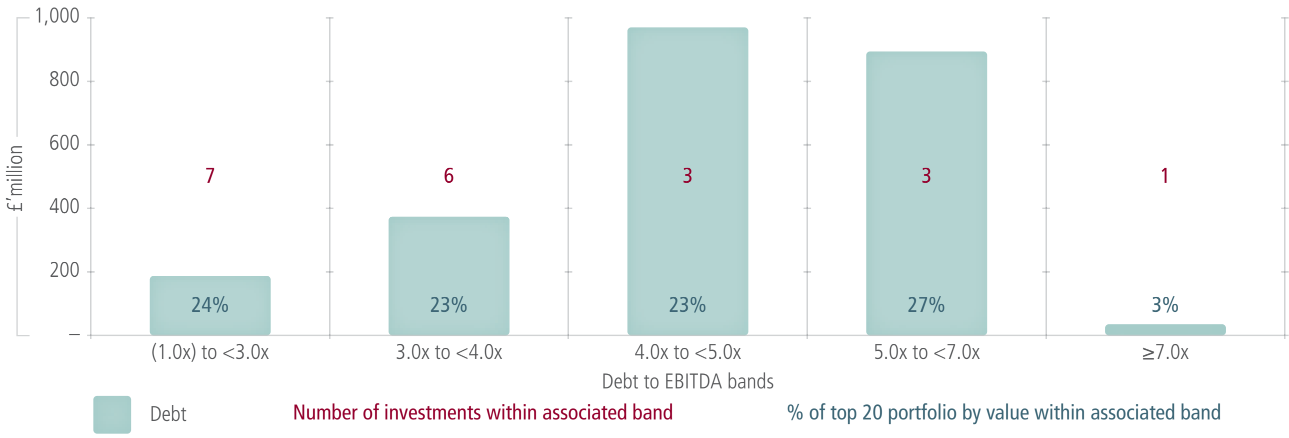
Over the past twelve months we have taken advantage of the buoyant debt markets providing low cost financing on flexible terms for businesses with these characteristics. During this period, we recapitalised Zenith, IRIS, JLA, Sequel and Relay, returning £32.5 million to the Trust and subsequently, P&I in the first quarter of 2016, returning a further £12.6 million.

TOP 20* EV TO EBITDA VALUATION MULTIPLE: 14.5x



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

TOP 20 DEBT TO EBITDA RATIO: 4.6x



THE MANAGER'S REVIEW continued

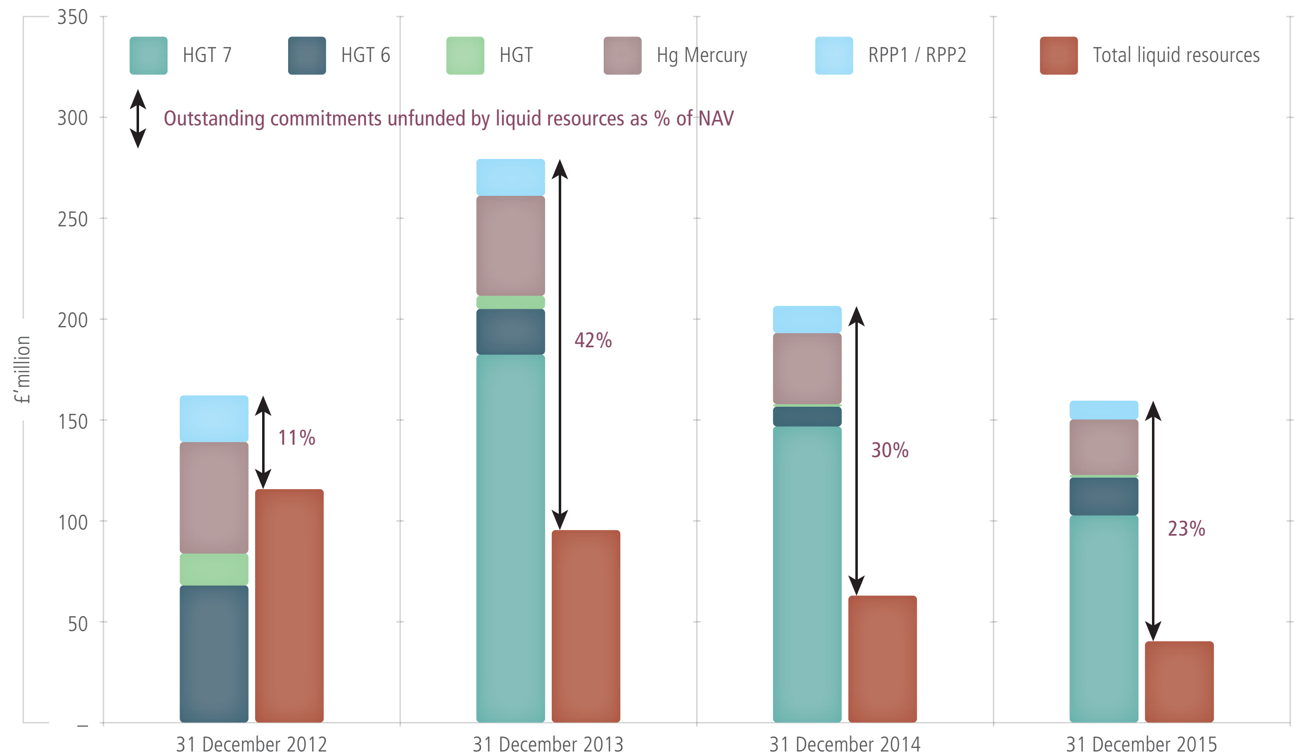
OVERVIEW OF THE YEAR

OUTSTANDING COMMITMENTS OF THE TRUST

2015 ended with liquid resources of £40.3 million, supported by an undrawn bank facility of £40.0 million. Outstanding commitments as at 31 December 2015 were £159.6 million as listed below. We anticipate that the majority of these outstanding commitments will be drawn down over the next two to three years and are likely to be partly financed by future cash flows from portfolio realisations. The Trust additionally has the benefit of an opt-out provision in its commitment to invest alongside HgCapital 7, so that it can opt out of new investments without penalty, should it not have the cash available to invest.

Fund	Fund vintage	Original commitment £'million	Outstanding commitments as at 31 December 2015 £'million	Outstanding commitments as at 31 December 2015 % of NAV	Outstanding commitments as at 31 December 2014 £'million	Outstanding commitments as at 31 December 2014 % of NAV
HGT 7 LP	2013	200.0	102.8	19.4%	146.9	30.8%
Hg Mercury	2011	60.0	27.5	5.2%	35.3	7.4%
HGT 6 LP	2009	285.0	17.9	3.4%	9.2	1.9%
RPP2	2010	29.5[1]	8.2	1.5%	12.3	2.6%
HGT LP (Pre-HgCapital 6 vintage)	pre-2009	120.0[2]	1.3	0.2%	1.3	0.3%
RPP1	2006	15.9[3]	1.0	0.2%	1.1	0.2%
Hg6E[4]	2009	15.0	0.9	0.2%	0.5	0.1%
Total			**159.6**	**30.1%**	**206.6**	**43.3%**
Liquid resources			40.3	7.6%	62.9	13.2%
Net outstanding commitments unfunded by liquid resources			**119.3**	**22.5%**	**143.7**	**30.1%**

[1] Sterling equivalent of €40.0 million.
[2] Excluding any co-investment participations made through HGT LP.
[3] Sterling equivalent of €21.6 million.
[4] Partnership interest acquired during 2011.



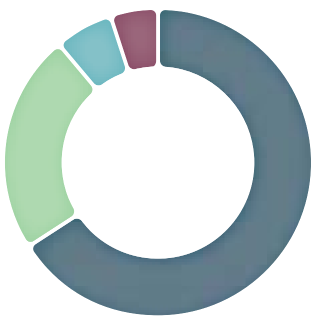
THE MANAGER'S REVIEW continued

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	194,232	273,265	55.5%
	HGT 6 LP – Provision for carried interest	-	(27,758)	(5.7%)
2	HGT 7 LP	87,717	107,624	21.8%
3	HGT LP	67,528	78,599	16.0%
	Total primary mid-cap buyout funds	349,477	431,730	87.6%
	Primary small-cap buyout funds:			
4	HgCapital Mercury D LP	24,784	33,774	6.9%
	Total primary small-cap buyout funds	24,784	33,774	6.9%
	Secondary mid-cap buyout funds:			
5	HgCapital 6 E LP	7,481	14,684	3.0%
	HgCapital 6 E LP – Provision for carried interest	-	(1,448)	(0.3%)
	Total secondary mid-cap buyout funds	7,481	13,236	2.7%
	Total buyout funds	381,742	478,740	97.2%
	Renewable energy funds:			
6	HgCapital Renewable Power Partners 2 C LP	23,163	12,459	2.5%
7	HgRenewable Power Partners LP	4,724	1,425	0.3%
	Total renewable energy funds	27,887	13,884	2.8%
	Total investments net of carried interest provision	409,629	492,624	100.0%

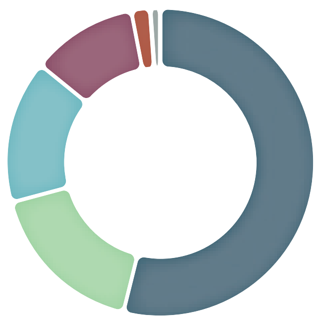
Sector by value[1] of primary buyout portfolio

- 66% TMT
- 23% Services
- 6% Industrials
- 5% Healthcare



Geographic spread by value[1] of primary buyout portfolio

- 54% UK
- 17% Germany
- 15% Nordic Region
- 11% Italy
- 2% France
- 1% Switzerland

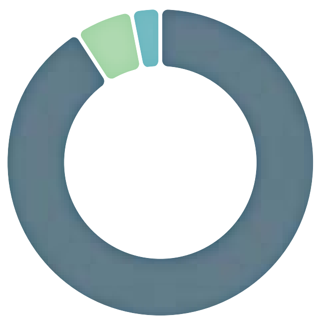


Investment vintage by value[1] of primary buyout portfolio

- 11% 2015
- 19% 2014
- 20% 2013
- 6% 2012
- 15% 2011
- 29% pre 2011[2]

Deal type by value[1]

- 91% Buyout
- 6% Buyout – small-cap
- 3% Renewable Energy



[1]Excluding carried interest provision [2]Of which, 11% was sold after the year end

THE MANAGER'S REVIEW continued

INVESTMENTS IN 2015

Over the course of the year, £521 million was invested on behalf of our clients, with the Trust's share being £65 million.

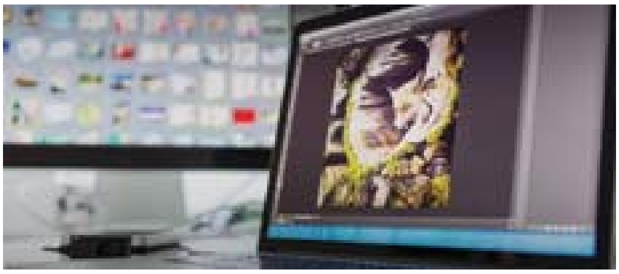
The vast majority of our investments are generated by establishing and developing relationships with companies in our chosen segments over the longer-term and typically pursuing opportunities where we have a strong relationship with a founder or management team. By doing this, we believe that we can invest in the very best businesses within our chosen sub-sectors.

We continue to look for businesses that share similar underlying business model characteristics such as: high levels of recurring revenues; a product or service that is business-critical but typically low spend; low customer concentration; and low sensitivity to market cycles. This is a theme that runs through many of our new investments and we believe that these types of companies will remain in high demand.

INVESTMENTS

The Foundry
The Foundry is a leading provider of award-winning software used globally by creative professionals. We have known the company for several years and this investment shares many of the characteristics that we look for, providing an excellent platform for growth across a diversified client base, with a commitment to innovation.

A-Plan
A-Plan is a leading UK insurance broker. The company is a strong fit with our investment strategy, through its high level of recurring revenues, strong customer loyalty and sector-leading customer advocacy, achieved through excellent service.



EidosMedia
EidosMedia is a leading global provider of digital publishing solutions based in Milan. The investment from HgCapital will enable EidosMedia to consolidate its position in digital publishing solutions within the news media and financial sectors, while continuing to work on a new generation of products that offer unprecedented power and flexibility in digital content management and delivery.

Achilles
In September, the Trust made a further investment into Achilles, a UK-headquartered platform providing a cloud-based service enabling networks of buyers to collect and validate supplier information. The Trust's investment is to support the further growth of Achilles and as a co-investment is free of fees and carried interest.

Further details on the top 20 largest investments as at 31 December 2015 can be found on pages 40 to 59.

THE MANAGER'S REVIEW continued

INVESTMENTS IN 2015

Eucon
Eucon is a leading provider of automotive parts pricing data and insurance claims management services based in Germany. This investment results from considerable sector work undertaken in recent years in automotive information and software and follows prior investments in the automotive space including: Epyx; Parts Alliance; and Zenith.

Zitcom
Zitcom and ScanNet are two leading Danish hosting and cloud solutions providers. This investment is a continuation of HgCapital's considerable experience in SME technology businesses in the wider Nordic region. The acquisition by Zitcom of ScanNet completed post year-end.

INVESTMENTS SINCE THE YEAR-END

An estimated further £46 million invested on behalf of the Trust since 31 December 2015

Sovos Compliance
Sovos Compliance is a leading global provider of regulatory tax compliance software, headquartered in Boston, USA. Having tracked the company for several years, HgCapital assumed majority ownership from Vista Equity Partners, which has retained a significant minority stake in the company, working alongside the management team. HgCapital will support Sovos in its European expansion. The Trust has co-invested alongside its core HgCapital 7 participation.

Citation
Citation is one of the UK's leading providers of Health & Safety, HR, Employment Law and ISO services to SMEs. The Services Team has followed the company for several years and continues their strategy of investing leading technology-enabled professional services providers in regulatory-driven and fast growing niches.

Kinapse
Kinapse is a UK-headquartered leading global provider of advisory, capability building and operational services to the life sciences industries, focused on regulatory compliance and quality. This fits with HgCapital's strategy of investing in regulatory-driven services.

ScanNet
The ScanNet acquisition was made alongside Zitcom (described above). The combination of these two businesses will create a business with a leading position in the managed hosting markets for SMEs in Denmark.

THE MANAGER'S REVIEW continued

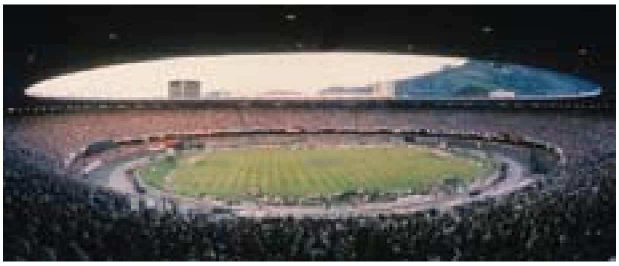
REALISATIONS IN 2015

Over the course of the year, HgCapital has returned a total of £395 million to its clients, including £64 million to the Trust.

It was a very active year for realisations. We have made several references to 'frothy' markets over the year and this has helped inform our approach to selling investments whilst also carefully considering our appetite for selling versus holding onto businesses for longer, as demonstrated by the sale of a minority stake in JLA, which completed in December 2015. We have also taken advantage of buoyant debt markets over 2015 by recapitalising investments where we have good visibility of their future earnings, returning significant cash proceeds to our clients, including the Trust, and we will continue to assess further opportunities here.

FULL EXITS

SimonsVoss
SimonsVoss, a European leader in innovative electronic battery-powered locking and access control systems headquartered in Germany, was sold to Allegion plc, a listed global security products and solutions provider. The Trust realised cash proceeds representing an uplift of 3% over the carrying value of the Trust at 31 December 2014.



Sporting Index
Sporting Index is a UK-based premier sports spread betting and outsourced sports trading services company. This company was one of our legacy Consumer and Leisure investments and we worked hard to recover value. The sale was made at an uplift of 47% over its carrying value at 31 December 2014.

PARTIAL EXIT

e-conomic
In an all share transaction, e-conomic, a Scandinavian SaaS accounting solutions provider, was sold to Visma, a leading provider of business software and outsourcing services to SMEs in the Nordic region and in which the Trust already holds a substantial interest. The Trust has retained a stake in e-conomic's international business and Debitoor.

PARTIAL EXIT AND RECAPITALISATION

JLA
HgCapital completed the sale of a minority interest to a group of institutional investors and the recapitalisation of JLA, a leading UK provider of business-critical asset maintenance services to SMEs. These transactions, together with previous realisations, returned in total 1.8x of the original investment, with HgCapital retaining about 59% of the equity in the company. The combined return represents an investment multiple of 3.5x.

Further detail on the top 20 largest investments as at 31 December 2015 can be found on pages 40 to 59.

THE MANAGER'S REVIEW continued

REALISATIONS IN 2015

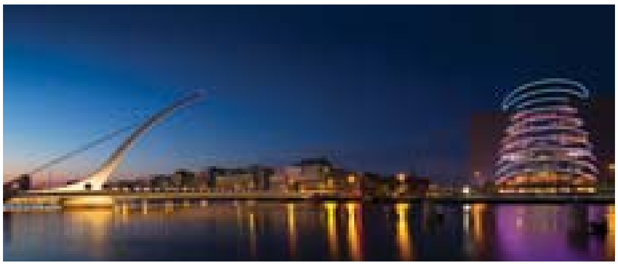
RECAPITALISATIONS

Zenith

In April, we recapitalised Zenith, on the back of its strong trading performance, just over a year into our ownership of the business. The cash realised on behalf of the Trust represented a return to date of 45% on the original investment made.

IRIS

IRIS, a leading UK provider of business-critical software and services to the UK accountancy market, was recapitalised over the period with the cash proceeds to the Trust representing a 46% return on the original investment made, a portion of which was received in 2016.



Sequel Business Solutions

In November, the Mercury Team completed the recapitalisation of Sequel, the leading provider of applications software to the Lloyd's of London insurance market. The cash realised on behalf of the Trust represented a return to date of 49% on the original investment.

Relay Software

The recapitalisation of Relay, a leading provider of software and connectivity to insurance brokers and underwriters in Ireland, represented a return to date of 25% on the original investment.

REALISATIONS SINCE THE YEAR-END

An estimated further £59 million returned to the Trust post 31 December 2015

TeamSystem

TeamSystem, a leading provider of business-critical, regulatory driven software products to accountants, HR professionals and SMEs in Italy, was sold to Hellman & Friedman LLC. On completion, this transaction resulted in an uplift of 34% (£11.4 million) over the carrying value of the Trust at 31 December 2014. The sale proceeds are fully reflected in the December 2015 valuation.

P&I

The Munich TMT Team have completed the recapitalisation of P&I with cash proceeds realised on behalf of the Trust. This represents a 60% return on the original investment made in December 2013.

Casa Reha

Casa Reha, a leading private German provider of elderly care services, was sold to Euronext-listed Korian. The Trust's cash proceeds on completion represent an uplift of 104% (£4.0 million) over the carrying value of the Trust at 31 December 2014. The sale proceeds are fully reflected in the December 2015 valuation.

THE MANAGER'S REVIEW continued

SUMMARY OF INVESTMENT AND REALISATION ACTIVITY

INVESTMENTS MADE DURING THE YEAR[1]

Company	Sector	Geography	Activity	Cost £'000
The Foundry	TMT	UK	Innovative software provider to creative professionals	17,177
A-Plan	Services	UK	Independent insurance broker	14,573
EidosMedia	TMT	Italy	Provider of digital publishing solutions	8,414
Eucon	TMT	Germany	Provider of automotive parts pricing data	4,408
ZitCom	TMT	Nordic region	Hosting and cloud solutions provider	3,771
New Investments				48,343
Achilles	TMT	UK	Cloud-based validation supplier	10,000
RPP1 and RPP2	Renewable energy	Europe	Further capital calls	3,478
Other investments				3,668
Further Investments				17,146
Total investments on behalf of the Trust				65,489

REALISATIONS MADE DURING THE YEAR[1]

Company	Sector	Exit route	Proceeds[2] £'000
SimonsVoss	Industrials	Trade sale	18,180
Sporting Index	Consumer & Leisure	Trade sale	3,699
Full realisations			21,879
JLA	Services	Refinancing and minority sale	17,345
Zenith	Services	Refinancing	10,774
IRIS	TMT	Refinancing	6,239
Sequel	TMT	Refinancing	2,162
HgCapital 6 E LP	Fund	Distribution received	1,691
RPP1 Fund	Renewable energy	Distribution received	1,272
Other			2,625
Partial realisations			42,108
Total realisations on behalf of the Trust			63,987

[1] The numbers in this table relate to the Trust's share of underlying transactions. [2] Includes gross revenue received during the year-ended 31 December 2015.

THE MANAGER'S REVIEW continued

OUTLOOK

2015 was a busy and productive year at HgCapital. In last year's results we commented on our confidence in the portfolio and this has been borne out with strong trading performance in the portfolio during the year and a number of realisations over the period for good value. We believe both trends are set to continue.

The latter part of 2015 saw the signed exits of both Casa Reha and TeamSystem (both of which completed in 2016) alongside the partial realisation of JLA; all at attractive uplifts to the December 2014 carrying value. During the year we completed a total of four realisations and five recapitalisations across the entire HgCapital portfolio and we see a number of further opportunities to return capital during 2016.

Given heightened ratings and a relatively buoyant market for realisations, we are continuing our focus on returning capital to our investors. To this end, a reasonable amount of thought and work is also going into our exit planning for the rest of 2016 and beyond.

The start to 2016 has seen an extended period of equity market volatility. This, combined with continued speculation on the future growth of China and renewed concerns in relation to the state of the macro-economic environment, has led to a sense of broader uncertainty ahead of the remainder of 2016.

In this type of market environment, we think the clarity of our investment strategy confers a number of clear advantages to a disciplined buyer. Specifically, we continue to focus on businesses that provide a business-critical product or service, to a fragmented customer base, benefiting from strong contracted or recurring revenues; this should enable us to identify opportunities with the appropriate business model to generate strong risk-adjusted returns for our clients. Companies with these characteristics will eventually provide attractive opportunities for sale to both trade and financial buyers.

Four of our most recent investments, EidosMedia, Sovos Compliance, Kinapse and Citation, are all very clearly differentiated by their predictability and resilience across market cycles. We remain disciplined in terms of the sourcing of our new investments; deliberately and pro-actively pursuing those opportunities where we have built many years of knowledge of the business and a strong relationship with a founder or management team. Citation, for example, was closely tracked by our Services Team for over four years prior to our acquisition of the business in February 2016. Following this investment, HgCapital 7 is almost 60% invested. We will continue to build our medium-term pipeline over the next six months.

The portfolio has continued to trade strongly, delivering double digit revenue and EBITDA growth over the course of the last twelve months. As we enter a period of potential economic and political uncertainty, it is worth remembering that HgCapital's portfolio grew revenues and profits every year throughout the last financial crisis between 2008 and 2010: we believe that the current portfolio is even stronger.

> "The strong trading performance of our portfolio companies, combined with further opportunities in the medium term to realise investments at attractive valuations, will continue to drive value for shareholders."
>
> Nic Humphries, Managing Partner of HgCapital

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[5] £'000	Portfolio value %	Cum. value %
1	Visma[1]	HGT 7/HGT 6/HGT	TMT	Nordic Region	2014	53,659	62,894	12.1%	12.1%
2	IRIS	HGT 6	TMT	UK	2011	25,598	56,376	10.8%	22.9%
3	TeamSystem (sold)	HGT 6	TMT	Italy	2010	24,432	45,078	8.6%	31.5%
4	Zenith	HGT 6	Services	UK	2013	16,245	37,293	7.1%	38.6%
5	P&I[2]	HGT 7/ HGT	TMT	Germany	2013	22,101	35,993	6.9%	45.5%
6	Achilles[3]	HGT	TMT	UK	2008	15,218	28,061	5.4%	50.9%
7	JLA	HGT 6	Services	UK	2010	3,511	20,678	4.0%	54.9%
8	A-Plan	HGT 7	Services	UK	2015	14,573	19,013	3.6%	58.5%
9	QUNDIS	HGT 6	Industrials	Germany	2012	12,540	18,180	3.5%	62.0%
10	The Foundry	HGT 7	TMT	UK	2015	17,177	17,514	3.4%	65.4%
11	Radius	HGT 6	Services	UK	2013	17,966	17,378	3.3%	68.7%
12	Parts Alliance	HGT 6	Services	UK	2012	10,495	12,557	2.4%	71.1%
13	NetNames	HGT 6	TMT	UK	2011	14,249	12,503	2.4%	73.5%
14	Frösunda	HGT 6	Healthcare	Nordic Region	2010	14,296	12,309	2.4%	75.9%
15	Ullink	HGT 7	TMT	France	2014	10,034	12,071	2.3%	78.2%
16	Lumesse	HGT 6	TMT	UK	2010	22,135	11,904	2.3%	80.5%
17	Allocate Software	Mercury	TMT	UK	2014	5,890	8,849	1.7%	82.2%
18	EidosMedia	HGT 7	TMT	Italy	2015	8,414	8,669	1.7%	83.9%
19	Atlas	HGT	Services	UK	2007	12,542	8,117	1.6%	85.5%
20	Casa Reha (sold)	HGT	Healthcare	Germany	2008	8,990	7,770	1.5%	87.0%
21	Intelliflo	Mercury	TMT	UK	2013	4,014	7,227	1.4%	88.4%
22	Sequel	Mercury	TMT	UK	2014	2,252	6,503	1.2%	89.6%
23	Teufel	HGT 6	Industrials	Germany	2010	10,799	6,477	1.2%	90.8%
24	SFC KOENIG	HGT	Industrials	Switzerland	2008	5,829	4,750	0.9%	91.7%
25	Eucon	Mercury	TMT	Germany	2015	4,408	4,361	0.8%	92.5%
26	Zitcom	Mercury	TMT	Nordic Region	2015	3,771	3,822	0.7%	93.2%
27	Mainio Vire	HGT 6	Healthcare	Nordic Region	2011	8,307	3,012	0.6%	93.8%
28	Relay	Mercury	TMT	Rep of Ireland	2014	1,800	2,580	0.5%	94.3%
29	Valueworks	Mercury	TMT	UK	2012	2,649	432	0.1%	94.4%
	Non-active investments[4] (4)	HGT 6/HGT				367	891	0.1%	94.5%
	Total buyout investments (33)					374,261	493,262	94.5%	
	Other buyout investments	Hg6E				7,481	14,684	2.8%	97.3%
	Renewable energy	RPP1/RPP2	Renewable energy			27,887	13,884	2.7%	100.0%
	Total investments					409,629	521,830	100.0%	

[1] Investment through HGT 7 LP, HGT 6 LP (following sale of e-conomic) and co-investment participation through HGT LP.
[2] Investment through HGT 7 LP and co-investment participation through HGT LP.
[3] Investment and co-investment participation through HGT LP.
[4] Residual ownerships in holding company structures, following earlier realisations of underlying operating company groups, awaiting liquidation and final proceeds.
[5] Including accrued income but before the provision for carried interest of £29,206,000.

THE MANAGER'S REVIEW continued

THE TOP 20 BUYOUT INVESTMENTS
representing 87% of the total gross portfolio

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

Business description

Visma is a leading provider of mission-critical business software and outsourcing services to SMEs 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 serving 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.

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 have re-invested £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 EV 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 our first investment in 2006, Visma has acquired over 85 companies, notably: Mamut ASA, a provider of ERP software to small customers in Norway (2011); Netvisor, a provider of Software as a Service ('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 1.0 billion of pure-SaaS revenues. Visma completed the acquisition of e-conomic, a leading European SaaS accounting solutions provider to SMEs, based in Denmark, in July 2015.

How is it performing?

Performance during 2015 has seen strong organic growth in revenue and EBITDA. SaaS growth remained robust, growing at c.31% organically in the key SMB division over the previous year. SaaS currently accounts for c.16% of total revenue. £/NOK foreign exchange movements over 2015 have had a material negative effect on the translation of the period-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 candidate for an initial public offering ("IPO").

Website: www.visma.com

Original enterprise value: NOK 21 billion

HgCapital clients' total equity: 36.5%

Visma – Trust's underlying investment through HGT 7 LP, HGT 6 LP and co-investment through HGT LP

Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
TMT	Nordic Region	Aug 2014	53,659	62,894

2. 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 proportion 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 the potential for organic growth 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. In addition we think there is substantial upside by developing or acquiring SaaS products to target adjacent markets.

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 to sell SaaS products to UK accountants and SMEs and has invested in an HR software business, to broaden its offering to cover all of an SME's back office needs. In August 2015, IRIS was recapitalised on the back of its strong trading performance.

How is it performing?

The business is performing well with strong organic revenue growth in all of the company's divisions. The Cloud Division continues to receive significant investment as we believe this is an attractive market with long term growth potential.

IRIS is on track to deliver double digit core revenue and EBITDA growth in year-ending April 2016.

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 represent a strong strategic fit with a number of trade players.

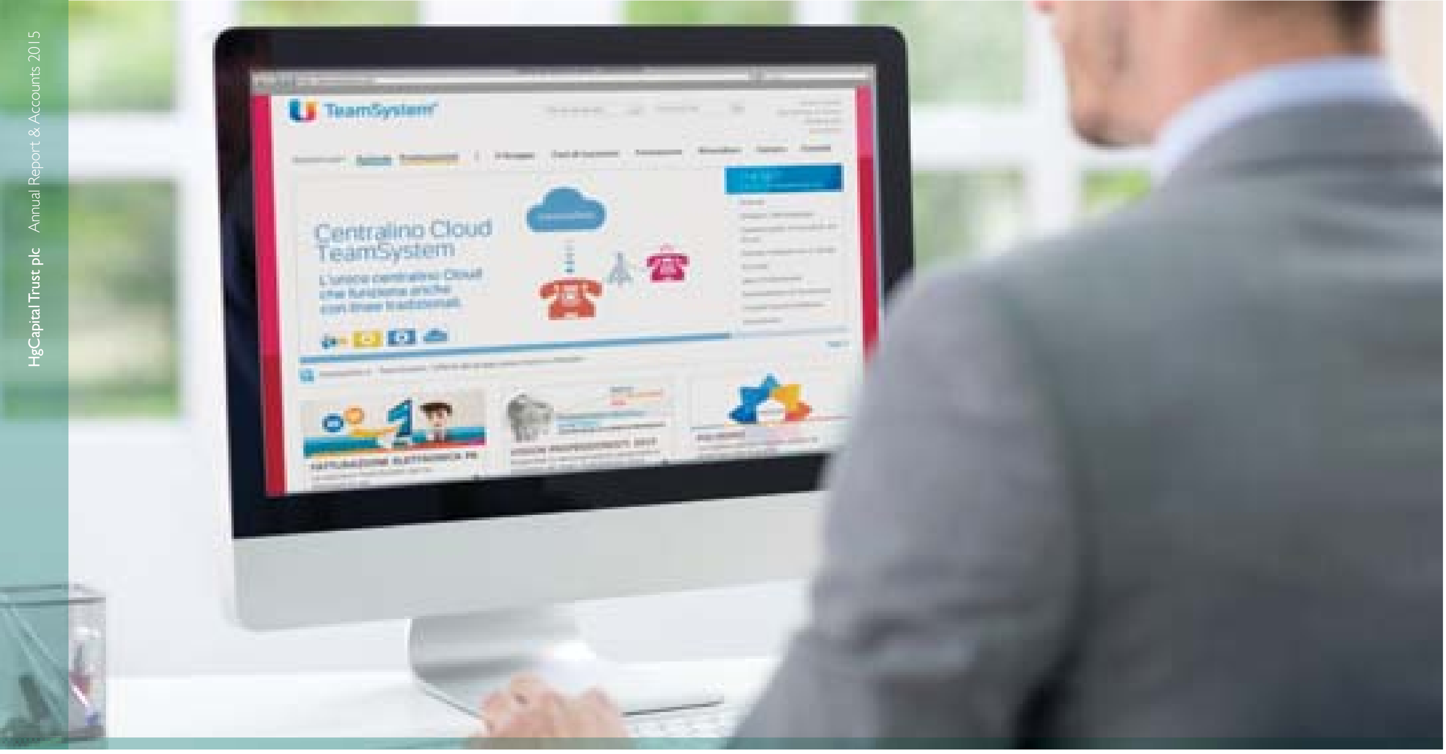
Website: www.iris.co.uk

Original enterprise value: £425 million

HgCapital clients' total equity: 74.1%

IRIS – Trust's underlying investment through HGT 6 LP

Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
TMT	UK	Dec 2011	25,598	56,376



3. TeamSystem

Business description

TeamSystem is a leading provider of business-critical, regulatory driven software products to accountants, HR 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. In December 2015 HgCapital agreed to sell TeamSystem to Hellman and Friedman. As part of the deal, HgCapital will roll over a small minority stake in the business and retain a seat on the board.

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 is highly predictable due to its business-critical nature, strong customer loyalty 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, a revised product strategy, cash collection and working capital improvement, 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 for M&A.

The focus on M&A has led to the completion of eleven acquisitions, most recently in 2014, 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?

TeamSystem continues to win market share and grow. The business has achieved 7% organic growth in sales over 2014 to 2015, despite a weak macro-economic backdrop, as the benefits from synergies from the 2014 acquisitions started to come through. TeamSystem's cloud offering continues to gain traction, generating high double-digit growth.

The long-term market outlook is positive as management implements a number of successful initiatives to further drive growth, and continues the integration of Il Sole and ACG.

How will we crystallise value?

In March 2016, HgCapital completed the sale of a majority interest in TeamSystem to Hellman & Friedman. This transaction resulted in cash proceeds to the Trust of £39.0 million, representing an uplift of 34% (£11.4 million) over the carrying value of £33.7 million in the NAV of the Trust at 31 December 2014, when combined with the stake of £6.1 million retained in the business.

Website: www.teamsystem.com

Original enterprise value: €562 million

HgCapital clients' total equity: 46.2%

TeamSystem – Trust's underlying investment through HGT 6 LP

Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
TMT	Italy	Sep 2010	24,432	45,078

4. Zenith

Business description

Zenith 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 80,000 vehicles and focuses on serving blue-chip customers, principally as sole supplier.

Why did we invest?

Zenith has strong core profitability aligned with double-digit revenue growth and high cash flow conversion. It offers a 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 a compelling acquirer.

What has been achieved?

Leasedrive was acquired by HgCapital in December 2013, and we subsequently completed the acquisition of Zenith in February 2014. At the beginning of March 2014, Zenith and Leasedrive began operating as a single entity. The integration of the two companies has gone well with significant synergies realised.

In April 2015, Zenith was recapitalised on the back of its strong trading performance, returning c. 45% of the original investment made to clients.

HgCapital continues to support management to drive the value of the investment through potential bolt-on acquisition opportunities and by improving operational and financial efficiency.

How is it performing?

The integration of Zenith and Leasedrive is now complete and has delivered synergies in line with expectations. The combined business has continued to see strong revenue and EBITDA growth into 2016 and is ahead of budget on both metrics as we approach Zenith's year-end.

How will we crystallise value?

We believe that the combination of largely contracted growth, high cash flow conversion and a proven platform for M&A will make Zenith an attractive opportunity for both trade and financial buyers.

Website: www.zenith.co.uk

Original enterprise value: £337 million

HgCapital clients' total equity: 65.2%

Zenith – Trust's underlying investment through HGT 6 LP

Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
Services	UK	Dec 2013	16,245	37,293

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 almost 400 people 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; strong customer loyalty; and a significant share of recurring revenues, driven by on-going regulatory changes.

P&I is highly rated among its customers for the quality of its products. The organisation (particularly the sales force) is effective and highly efficient.

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, including the addition of further Human Capital Management functionality, and the strengthening of their recurring revenue base by cross-selling their cloud service technology (P&I Big Data) into their customer base. Furthermore, we see 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 has recently acquired a Swiss payroll vendor, Soreco HR. HgCapital is additionally focused on strengthening P&I's financial and operating reporting, as well as defining the company's forward business plan.

In 2016, we completed the recapitalisation of P&I, returning to clients 60% of the original investment made in December 2013.

How is it performing?

P&I continues to perform well and has seen double-digit growth over the last year. This has been driven by strong sales to both existing and new customers with growth in high margin revenue streams (e.g. licence, maintenance and Big Data) leading to margin expansion. In addition, P&I has made significant progress in shifting its customer base to its cloud service technology, P&I Big Data, which is expected to further improve efficiency and scalability for both P&I and customers.

How will we crystallise value?

We believe that the combination of an increase in 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	Investment date	Residual cost £'000	Unrealised value £'000
TMT	Germany	Dec 2013	22,101	35,993

6. 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?

We have made a significant investment into the business focused on the development of their technology, processes and sales to support global growth.

During the course of 2015, Achilles raised a further £40 million of equity to continue to significantly enhance the global scalability and competitive positioning of the business.

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 reduced profits in the short-term 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. It could also be an attractive IPO candidate.

Website: www.achilles.com

Original enterprise value: £75 million

HgCapital clients' total equity: 63.0%

Achilles – Trust's underlying investment and co-investment through HGT LP

Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
TMT	UK	Jul 2008	15,218	28,061

7. 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 extended its offering into catering 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 large 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 good visibility of forward revenues.

How do we intend to create value?

HgCapital is working alongside management to increase the benefit of selling new products and services through JLA's existing sales force and service network.

In addition, we plan to continue to make further bolt-on acquisitions, both in the laundry and catering markets.

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 of smaller laundry and kitchen equipment companies have been completed, all funded out of free cash flow.

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 Total Care and Circuit divisions, which has been supported by the expansion into the catering sector, which now comprises c.25% of group revenue. Going forward, the investment in the catering division and continuing transition of customers to the Total Care offering should affect margins positively.

How will we crystallise value?

In December, HgCapital completed the recapitalisation of JLA and the sale of a minority interest to a group of institutional investors, returning £17.3 million of cash proceeds to the Trust. These transactions, together with previous capital realisations, have delivered a 1.8x multiple on original investment whilst retaining 59% of the equity in the company.

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. We believe that the long-term recurring nature of contracts coupled with strong customer loyalty will support an attractive exit rating.

Website: www.jla.com

Original enterprise value: £150 million

HgCapital clients' total equity: 58.8%

JLA – Trust's underlying investment through HGT 6 LP

Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
Services	UK	Mar 2010	3,511	20,678

8. A-Plan

Business description

A-Plan is a leading UK-based distributor of motor and household insurance policies to SMEs and individuals. It also specialises in a number of high net worth and commercial niches, and in providing policies for foreign speaking customers.

The company currently operates over 70 high street branches nationwide, and serves over 580,000 policyholders.

Why did we invest?

The Services Team identified the insurance broking sub-sector as attractive for potential investment in 2011, as it is characterised by businesses with high levels of recurring revenues, providing a non-discretionary purchase for customers, with high cash flows and opportunities for bolt-on M&A. A-Plan was identified as part of this market mapping exercise, and had been tracked by the Services Team for three years prior to our investment in the business. The company has a personal, service-oriented approach leading to best-in-class levels of customer satisfaction driving high retention rates and low customer acquisition costs due to a high referral rate.

How do we intend to create value?

HgCapital intends to support A-Plan's experienced management through organic growth of its current business volumes in the existing branches and assisting with the roll-out of new branches. There are additionally potential opportunities for further growth through selective M&A and new product lines.

What has been achieved?

On-going and future projects include: sales and marketing initiatives such as direct mail campaigns and improved technology; strengthening of the management team; and development of the M&A capability.

How is it performing?

A-Plan continues to perform in line with plan in all key areas with revenue and EBITDA growth verses prior year of 11% and 10% respectively. Principal KPIs are also in line with budget, with c.80% renewal rates and 8% new business growth.

How will we crystallise value?

A-Plan appeals to many buyer groups, including a trade or financial buyer. The company could also be of interest to yield investors or, when it reaches critical size, an IPO might be feasible.

Website: www.aplan.co.uk

Original enterprise value: £270 million

HgCapital clients' total equity: 72.2%

A-Plan – Trust's underlying investment through HGT 7 LP

Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
Services	UK	Apr 2015	14,573	19,013

9. QUNDIS

Business description

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

The company was created in 2008 from the merger of QVEDIS (previously part of Siemens) and KUNDO SystemTechni. It 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 better technology meters and more advanced read-out solutions; the remainder are based on new installations, driven by increasing market regulation across Europe.

How do we intend to create value?

HgCapital is supporting management in its expansion strategy. This includes building on QUNDIS' technological expertise in the area of remote, cloud-based read-out solutions and further establishing and strengthening QUNDIS' presence in emerging sub-metering markets in adjacent European countries. Further value will be created through: cost efficiencies; smart metering solutions; and the growing demand to effectively address energy savings.

What has been achieved?

Management has been strengthened and internal processes have been improved. The company consolidated its production facilities into a single modern 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 with the competition.

How is it performing?

2015 was an encouraging year for QUNDIS. It has further broadened its customer base in the core markets of Germany and Italy and has built strong platforms to exploit the markets in France and Spain. Furthermore, it has established itself has a clear technology leader, providing some of the most advanced read-out solutions in the industry. Political turmoil in the large potential markets of Russia and Turkey is still holding back QUNDIS' full potential. A broadening of the customer base in the core markets of Germany and Italy is lessening exposure 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	Investment date	Residual cost £'000	Unrealised value £'000
Industrials	Germany	May 2012	12,540	18,180

(C) 2015 Big Machine Records, LLC. Image courtesy of Ingenuity Studios.

10. The Foundry

Business description

The Foundry is a leading global developer of computer graphics, high-end visual effects ("VFX") and 3D design software for the design, visualisation and entertainment industries. The company was founded in 1996 and is headquartered in London, with offices in Manchester, Los Angeles and Silicon Valley; it has more than 2,000 customers in over 100 countries and employs c. 270 people.

The firm has set the de facto standard in the film post-production VFX space with its NUKE product. In 2012, the company acquired MODO, a 3D modelling product that gained the company access to the gaming and design segments. Since the acquisition, The Foundry has grown MODO significantly by funding development projects in the design sector.

Why did we invest?

HgCapital has known the company for several years and this investment is in line with our sector-focused approach of investing in leading global providers of vertical market application software. The Foundry shares many of the characteristics that we look for, providing an excellent platform for growth across a diversified client base and a commitment to innovation.

The Foundry is rich in intellectual property and positioned well against favourable segment trends that could allow for an upside return to be achieved through a number of new business initiatives. We see potential from continuing to leverage world-class products in new segments.

How do we intend to create value?

HgCapital will work closely with the management team to help the business accelerate its high rate of organic growth, in particular the on-going development of disruptive technologies driving creative control and production efficiency. HgCapital will also work with The Foundry, with the aim of identifying value accretive M&A to support the business and its management in building a global software champion.

What has been achieved?

In December 2015 we appointed a new CEO and CFO, who are both well equipped to lead the business in its next phase of growth. We are currently working with management to implement new price models and launch a number of specialist products for the industrial design sector.

How is it performing?

In 2015 The Foundry saw strong double digit growth in the core product NUKE. MODO had a more challenging year, with billings on target but revenue recognition impacted by a number of large customer-funded development projects.

How will we crystallise value?

We believe The Foundry will be an attractive acquisition target to both trade and financial buyers, given its robust organic revenue growth, high EBITDA margins and large market share.

Website: www.thefoundry.co.uk

Original enterprise value: £200 million

HgCapital clients' total equity: 82.9%

The Foundry – Trust's underlying investment through HGT 7 LP

Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
TMT	UK	May 2015	17,177	17,514

11. Radius

Business description

Radius was established by merging Nair & Co. with High Street Partners. 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 over 900 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?

Our 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. We have a demonstrable track record of identifying and working with leading technology-enabled service companies to achieve sustainable growth.

Radius has all the characteristics that we look 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 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 the management team, 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. In the year-to-date, the third quarter of the 2016 financial year saw recurring revenues 6% ahead of prior year on an organic basis. We also completed a small acquisition in Brazil to aid our delivery in this complex jurisdiction. We have invested in the infrastructure of the merged group, to yield operational improvements, and synergies continue to materialise, with more still to come in the next financial year. As a result of this investment for growth, the valuation continues to be impacted in the short-term.

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	17,378

12. Parts Alliance

Business description

The Parts Alliance is a UK buying group for aftermarket car parts distributors. It currently consists of twelve parts distributors and a central organisation which acts as a "virtual head office" supplying the distributors with a full suite of central services such as national sales and marketing, IT, and procurement. To date, we have completed the acquisition of ten distributors in the group and we continue to be in active discussions with the owners of several further companies. Our intention is to build a strong national player 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. 1,500 participants, and is characterised by greater levels of owner-management. We believe several market, regulatory and commercial catalysts will encourage consolidation of this sector in both the UK and Europe, which will offer a number of interesting investment opportunities and exit options. So far, we have invested c. £70 million of client capital with all of the previous owners reinvesting between 10% and 20% of their proceeds; 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 investment in three ways:

i) improving gross margin with better procurement, category management and more effective pricing;

ii) building EBITDA margin by improving productivity, performance management and customer segmentation; and

iii) 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, and an emphasis on professionalising the group's business processes. This includes: improving gross margins through pricing and category management; implementing EBITDA margin improvements by increased efficiencies; and harmonising management information systems.

How is it performing?

Despite a challenging market for the sector, the group has demonstrated resilient trading since our first investment in 2012. Whilst investment in the cost base has depressed profits in the short term, Parts Alliance is now benefiting from scale and experiencing strong organic growth in its core markets.

How will we crystallise value?

We believe the national footprint created by the roll-up of the Parts Alliance will appeal to potential US and European trade parties. Moreover, the fragmented nature of the market and the roll-out model inherent in a branch-based business model should additionally appeal to financial sponsors and trade buyers alike. This is evidenced by recent M&A activity in the sector.

Website: www.thepartsalliance.com

Original enterprise value: £44 million

HgCapital clients' total equity: 77.9%

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	10,495	12,557

13. 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 online channel is increasingly important for companies' corporate and marketing activities. NetNames offers a single point of contact for brand protection 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 has 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 growth acceleration 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.

What has been achieved?

The management team has been strengthened with a new CEO, COO and CFO and a number of new second-tier managers. These changes have 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 has continued to show satisfactory levels of organic growth in revenue and EBITDA on a constant currency basis. However, 2015 saw the business significantly impacted by the weakening of the euro against sterling and this could continue to be a challenge for the remainder of NetNames' financial year. A number of financial and strategic initiatives are underway to mitigate exposure to these fluctuations going forward, including alignment of the cost base to reflect the mix of revenues by currency.

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, intellectual property 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	12,503

14. Frösunda

Business description

Frösunda is one of the leading Swedish providers of care for individuals with learning disabilities, severe physical disabilities or psychological / behavioural issues. It 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 9,000 staff and cares for approximately 2,500 people across Sweden.

Why did we invest?

Frösunda 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 maintain profitable growth against the background of political change. We are reviewing small potential add-ons in existing business areas.

What has been achieved?

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 was flat in 2015 as the business focused internally on operations and improving efficiency which meant that EBITDA grew substantially, and ahead of budget, despite continuing margin pressure, especially in Assistance.

How will we crystallise value?

The role of privately-owned companies in welfare provision is a closely-monitored political topic in Sweden and the future 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 by coming to market via an IPO, given sentiment towards healthcare assets following the IPOs of Capio and Attendo.

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	12,309

15. 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. 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 HgCapital since 2002 and the TMT Team has followed Ullink since 2009. This investment is in line with HgCapital's sector-focused approach of investing in leading global providers of vertical market application software. Ullink shares many of the core characteristics that HgCapital looks for: an excellent platform for growth; a subscription revenue model; and a diversified client base.

How do we intend to create value?

Ullink has differentiated itself by offering a more modern and flexible trading system at a lower cost of ownership. HgCapital will help the business accelerate its strong organic growth, through 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, with the acquisition of NYFIX and Metabit in September 2014 a significant step forward. The acquisition has given the business a broad international footprint and offers substantial up-sell opportunities in the combined customer base as well as efficiencies in the cost base and shared infrastructure.

What has been achieved?

The acquisition of NYFIX and Metabit 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 and realising the strategic value of the combination.

A new senior management team was appointed during the year. Didier Bouillard has joined as CEO and Graham Howell as CFO. Bertrand Sciard has also moved from interim CEO to Chairman.

How is it performing?

The NYFIX acquisition has been well integrated into Ullink and its performance has substantially improved in comparison to that prior to acquisition.

Investment was made in late 2015 into sales and research and development to drive increased revenue growth in 2016. We anticipate seeing the benefit of this with stronger revenue and EBITDA growth. Ullink is highly cash generative and we therefore expect net debt to continue to reduce.

How will we crystallise value?

Ullink has a financial profile that 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	12,071

16. 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 online 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-selling 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 business has performed behind expectations; however, operating performance has stabilised in 2015 compared with the previous year, as the professional service business (which was the main reason for the negative trend) has plateaued. Key recurring revenues products continue to see growth.

We believe that the reorganisation of the business in late 2015 (which will continue in some areas into 2016) 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	11,904

17. Allocate Software

Business description

HgCapital invested in Allocate Software plc through 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 the healthcare and other regulated industries. Allocate's mission is to be the leading international provider of SaaS healthcare workforce management software, delivering enhanced value for healthcare systems through significant savings and improved outcomes.

Its core product is used for workforce rostering and associated compliance (e.g. 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.

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?

A member of the Mercury Team was seconded into the business full time for the initial part of the investment period to support the company in its development of a detailed bottom-up operational 'blueprint' for delivery of the investment plan.

In September 2015, Dr Sati Sian was appointed CEO. Dr Sian brings over 30 years of global experience in the healthcare information, software and services sectors. With Dr Sian, the board of Allocate has completed a revised business planning process which we expect to accelerate growth in the business over the coming years.

The business has also completed an initiative to increase the level of recurring revenue: they reached c.70% of the total in the 2015 financial year, up from c.50% at the time of investment.

How is it performing?

Allocate reported organic revenue growth in the financial year to 31 May 2015 of 12%. The growth continued to the calendar year end, with 11% revenue growth for the period to December, and recurring revenue growing significantly ahead of this.

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	5,890	8,849

18. EidosMedia

Business description

EidosMedia is a leading global provider of digital publishing solutions. EidosMedia's digital publishing platform, Méthode, is used daily by 30,000 journalists across more than 600 titles globally to create, customise and deliver content across print and web media channels. This software enables real-time creation and customisation of various media (text, images and video), media workflow management, and cross-media publishing. Headquartered in Milan, EidosMedia serves a global client base, with a focus on Western Europe and the US, with more than 80% of its revenues being generated outside of Italy.

Why did we invest?

EidosMedia displays many of the business model characteristics that we look for: it has a strong global position, providing high quality, business-critical software; a loyal customer base; a track record of consistent year-on-year revenue and EBITDA growth, prior to and through the global downturn; and a talented management team who remain committed to the business.

How do we intend to create value?

HgCapital will work alongside EidosMedia's management team to explore growth through targeted M&A; a shift to a more recurring revenue model; further customer wins in the media and financial services Content Management market; expansion to new client verticals; and through cross-selling of new products in the media market.

What has been achieved?

Having completed the acquisition in December, EidosMedia is new to the portfolio and HgCapital will be working hard alongside the management to help the company achieve its potential. We have spent significant time since the acquisition getting to know the broader EidosMedia team better and creating alignment on the key drivers of value creation with the management team.

How is it performing?

Acquired in early December 2015, it is early days for this investment and trading remains on plan.

How will we crystallise value?

EidosMedia could be sold to a strategic buyer looking to acquire a leading Content Management Software system.

Website: www.eidosmedia.com

Original enterprise value: €125 million

HgCapital clients' total equity: 91.7%

EidosMedia – Trust's underlying investment through HGT 7 LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
TMT	Italy	Dec 2015	8,414	8,669

19. Atlas

Business description

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

Why did we invest?

The O&G learning market is large and benefits from long-term 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?

While the overall O&G market faced significant headwinds in 2015, Atlas has been able to continue growing. 2015 saw the sales mix skew further towards delivery of high margin proprietary content and technology-enabled learning tools. These initiatives further help to embed Atlas' proposition within its customers. The company has also continued to make good progress in replacing the contribution from historic large contracts with new wins.

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: 61.8%

Atlas – Trust's underlying investment through HGT LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
Services	UK	Nov 2007	12,542	8,117

20. Casa Reha

Business description
Founded in 1995, Casa Reha is one of the leading German providers of care services for the elderly and plays an important role in addressing the ageing population and the increasing demand for the delivery of tailored care. The company has a demonstrable track record of operating and opening care homes while simultaneously developing resident-focused services. The Company's current portfolio consists of 70 nursing homes with more than 4,000 employees and cares for c. 10,000 elderly residents. Seven new facilities, with a total capacity of 900 beds, are on course to reach full utilisation, while the company has a portfolio of projects that will deliver a further 782 beds.

Why did we invest?
Casa Reha operates in a highly fragmented market with multiple opportunities for expansion through organic and acquisitive growth, partly as a result of a market supply and demand imbalance. The business benefits from a good team of motivated managers in an industry characterised by weak management. With strong earnings visibility the business is cash-positive in nature and does not require high capital expenditure or working capital to grow.

How do we intend to create value?
Overall, the original investment drivers played out, but a number of factors adversely affected the company's financial performance including: economic conditions leading to a lower than expected number of homes opening between 2009 and 2010; the introduction of a minimum wage leading to increased permanent staffing costs; a shortage of skilled staff leading to higher agency costs; and a management team that did not sufficiently address these.

What has been achieved?
HgCapital has worked closely with the company to rebuild the management team including a new CEO and CFO. A new quality control system was implemented under our ownership and the portfolio team has helped support management with a number of projects to reduce the use of agency staff, and to improve personnel cost management, better recruitment and staff retention levels.

How is it performing?
Casa Reha traded well and in line with our expectations in the run-up to the sale to Korian (see below).

How will we crystallise value?
The sale of Casa Reha to Euronext-listed Korian, was announced in November 2015. On completion in 2016, the Trust received cash proceeds of £7.8 million. This sale represented an uplift of 104% (£4.0 million) over the carrying value of £3.8 million in the NAV of the Trust at 31 December 2014.

Website: www.casa-reha.de

Original enterprise value: €301 million

HgCapital clients' total equity: 46.1%

Casa Reha – Trust's underlying investment through HGT LP

Sector	Location	Date of investment	Residual cost £'000	Unrealised value £'000
Healthcare	Germany	Jan 2008	8,990	7,770

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

- **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 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;
- **Swedish district heating** (Vasa Värme: www.vasavarme.se): three operating systems totalling 58MW;
- **Spanish mini-hydro** (Ondina): two operating portfolios of 120MW.
- **UK solar** (REI: www.reigroup.co.uk): 41 sites totalling 2.3MW.

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 has been built on time and on budget and operational performance is ahead of the investment case. However, valuations have been materially reduced by retroactive tariff 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.

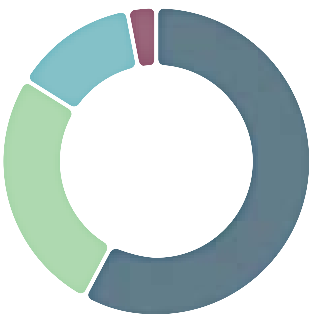
How will we crystallise value?

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

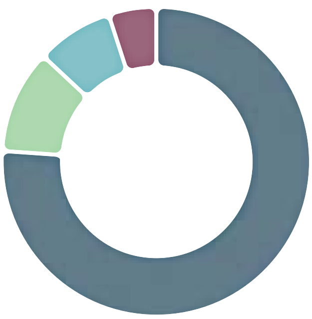
Geography

- 58% Ireland
- 26% Sweden
- 13% Spain
- 3% UK



Resource

- 76% Onshore wind
- 11% Solar
- 8% District Heating
- 5% Hydro



PRINCIPAL INVESTMENTS BY PLATFORM

	Total valuation £'000
Irish Onshore Wind	7,942
Swedish Onshore Wind	2,236
Swedish District Heating	1,084
Spanish Hydro	669
UK Solar	349
Other	179
RPP2 Fund	12,459
Spanish Solar	1,097
Swedish Onshore Wind	170
Other	158
RPP1 Fund	1,425
Total renewable energy investments	13,884

FINANCIAL STATEMENTS

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Revenue return 2015 £'000	Revenue return 2014 £'000	Capital return 2015 £'000	Capital return 2014 £'000	Total return 2015 £'000	Total return 2014 £'000
Gains on investments, government securities and liquidity funds	13	–	–	46,122	34,752	46,122	34,752
Gains/(losses) on priority profit share loans recovered from/(advanced to) General Partners	5(b)	–	–	1,020	(2,435)	1,020	(2,435)
Net income	4	21,838	24,168	–	–	21,838	24,168
Other expenses	6(a)	(2,560)	(1,614)	–	–	(2,560)	(1,614)
Net return before finance costs and taxation		19,278	22,554	47,142	32,317	66,420	54,871
Finance costs	6(b)	(1,023)	(575)	–	–	(1,023)	(575)
Net return from ordinary activities before taxation		18,255	21,979	47,142	32,317	65,397	54,296
Taxation on ordinary activities	9(a)	(348)	(46)	–	–	(348)	(46)
Net return from ordinary activities after taxation attributable to reserves		**17,907**	**21,933**	**47,142**	**32,317**	**65,049**	**54,250**
Return per Ordinary share	**10(a)**	**47.98p**	**58.76p**	**126.30p**	**86.58p**	**174.28p**	**145.34p**

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 66 to 84 form part of these financial statements.

BALANCE SHEET

AS AT 31 DECEMBER 2015

	Notes	2015 £'000	2014 £'000
Fixed asset investments			
Investments at fair value through profit and loss:			
Unquoted investments	12	428,462	359,930
Total fixed asset investments		428,462	359,930
Current assets – amounts receivable after one year:			
Accrued income on fixed assets	14	64,162	54,311
Current assets – amounts receivable within one year:			
Debtors	14	707	632
Investments at fair value through profit and loss:			
Government securities and liquidity funds	15	30,835	59,859
Cash	16	9,512	3,021
Total current assets		105,216	117,823
Creditors – amounts falling due within one year	17	(3,655)	(835)
Net current assets		101,561	116,988
Net assets		**530,023**	**476,918**
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 – unrealised	21	14,023	(33,390)
Capital reserve – realised	21	353,107	353,378
Revenue reserve	21	31,946	25,983
Total equity shareholders' funds		**530,023**	**476,918**
Net asset value per Ordinary share	**10(b)**	**1,420.0p**	**1,277.8p**
Ordinary shares in issue at 31 December		37,324,698	37,324,698

The financial statements on pages 62 to 84 were approved and authorised for issue by the Board of Directors on 4 March 2016 and signed on its behalf by:

Roger Mountford, Chairman

Richard Brooman, Director

The notes on pages 66 to 84 form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £'000	2014 £'000
Net cash inflow from operating activities	7	11,390	17,284
Investing activities:			
Purchase of fixed asset investments	12	(65,489)	(86,962)
Proceeds from the sale of fixed asset investments	12	43,070	57,752
Purchase of government securities and liquidity funds	15	(31,559)	(62,552)
Sale/redemption of government securities and liquidity funds	15	60,796	84,466
Net cash inflow/(outflow) from investing activities		6,818	(7,296)
Financing activities:			
Proceeds from/(repayment of) loan facility		1,250	(1,184)
Servicing of finance		(1,023)	(575)
Equity dividends paid	11	(11,944)	(17,916)
Net cash outflow from financing activities		(11,717)	(19,675)
Increase/(decrease) in cash and cash equivalents in the year	**16**	**6,491**	**(9,687)**
Cash and cash equivalents at 1 January	16	3,021	12,708
Cash and cash equivalents at 31 December	**16**	**9,512**	**3,021**

The notes on pages 66 to 84 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

		Non-distributable				Distributable		
	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve – unrealised £'000	Capital reserve – realised £'000	Revenue reserve £'000	Total £'000
At 31 December 2014		9,331	120,368	1,248	(33,390)	353,378	25,983	476,918
Net return from ordinary activities		–	–	–	47,413	(271)	17,907	65,049
Equity dividend paid	11	–	–	–	–	–	(11,944)	(11,944)
At 31 December 2015	20, 21	**9,331**	**120,368**	**1,248**	**14,023**	**353,107**	**31,946**	**530,023**
At 31 December 2013		9,331	120,368	1,248	(38,526)	326,197	21,966	440,584
Net return from ordinary activities		–	–	–	5,136	27,181	21,933	54,250
Equity dividends paid	11	–	–	–	–	–	(17,916)	(17,916)
At 31 December 2014	20, 21	**9,331**	**120,368**	**1,248**	**(33,390)**	**353,378**	**25,983**	**476,918**

The notes on pages 66 to 84 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'), and is registered as a public company in England and Wales under number 1525583 with its registered office at 2 More London Riverside, London SE1 2AP.

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'), including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ('SORP'), dated November 2014. 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. 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 report and accounts, however, certain presentational amendments have been made to comply with the requirements of FRS 102.

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 31. The underlying investments that are held indirectly are included in the overview of investments on page 38.

Partnerships where the Trust is a minority limited partner

In July 2011, the Trust acquired a direct secondary investment in HgCapital 6 E LP ('Hg6E LP'), one of the partnerships that comprise the HgCapital 6 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 31.

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 31.

Priority profit share and other operating expenses, payable by partnerships in which the Trust is a minority limited partner, are recognised as unrealised losses in the capital return section of the income statement and are not separately disclosed within other expenses.

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.

NOTES TO THE FINANCIAL STATEMENTS continued

3. Organisational structure, manager arrangements and accounting policies continued

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.

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 ('IAS 39') 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. They can be realised at short notice.

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	
	2015 £'000	2014 £'000
Income from investments held by HGT LP, HGT 6 LP, HGT 7 LP and HgCapital Mercury D LP:		
UK unquoted investment income	17,536	9,099
Foreign unquoted investment income	13,129	13,620
Foreign dividend income	–	7,093
Other investment income:		
UK unquoted investment income	103	441
Interest from government securities less amortisation of premium	–	(99)
Liquidity funds income	263	329
Total investment income	31,031	30,483
Total other income	46	36
Total income	**31,077**	**30,519**
Priority profit share charge against income:		
Current year - HGT 7 LP	(3,793)	(2,059)
Current year - HGT 6 LP	(3,120)	(3,105)
Current year - HgCapital Mercury D LP	(1,725)	(32)
Current year - HGT LP	(601)	(1,155)
Total priority profit share charge against income	**(9,239)**	**(6,351)**
Total net income	**21,838**	**24,168**
Total net income comprises:		
Interest	21,799	17,058
Dividend	–	7,093
Non-interest income	39	17
Total net income	**21,838**	**24,168**

5. Priority profit share and carried interest

	Revenue return	
(a) Priority profit share payable to General Partners	2015 £'000	2014 £'000
Priority profit share payable:		
Current year amount	8,219	8,786
Less: Current year loans advanced to General Partners	–	(2,435)
Add: Prior year loans recovered from General Partners	1,020	–
Current year charge against income	9,239	6,351
Total priority profit share charge against income	**9,239**	**6,351**

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 91.

The terms of the above priority profit share arrangements during 2015 were:

Fund partnership	Fee per year
HGT 7 LP	1.75% on the fund commitment during the investment period
HgCapital Mercury D LP	1.75% on the fund commitment during the investment period
HGT 6 LP	1.5% of original cost of investments in the 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)
HGT LP	1.5% on the value of investments in fund (excluding co-investments)

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 the 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 Renewable Power Partners 2 C LP	1.25% of lesser of value or cost of investments (previously 1.64% of the fund commitment during the investment period that ended on 27 May 2015 and was subsequently extended to 31 December 2015)
Hg Renewable Power Partners LP	1.5% of original cost of investments in the 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)

(b) Priority profit share loans to General Partners	Capital return 2015 £'000	 2014 £'000
Movements on loans to General Partners:		
Losses on current year loans advanced to General Partners	–	(2,435)
Gains on prior year loans recovered from General Partners	1,020	–
Total gains/(losses) on priority profit share loans recovered from/(advanced to) General Partners	**1,020**	**(2,435)**

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 2015 £'000	Capital return 2014 £'000
Carried interest provision:		
Current year amount provided	28,118	1,088
Total carried interest charge against capital gains (note 13)	**28,118**	**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 91, 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 investments in HGT6 LP and HgCapital 6 E LP are realised at the current fair value and then distributed to Partners, an amount of £29,206,000 will be payable to the Founder Partner and therefore the Directors have made a provision for this amount. The provision, as at 31 December 2014, of £1,088,000 that was previously included in Creditors on the balance sheet, has been reclassified as a provision against the investment (see the Investment Portfolio on page 31 and notes 12, 17 and 19) and the relevant balances as at 31 December 2014 have been restated accordingly. No provision is required in respect of the Trust's investment in the other fund limited partnerships.

6. Other expenses

(a) Operating expenses	Revenue return 2015 £'000	Revenue return 2014 £'000
Custodian, management and administration fees	549	537
Directors' remuneration (note 8)	203	215
Share of aborted deal fees	989	336
Legal and other administration costs	655	431
	2,396	1,519
Fees payable to the Trust's auditor in relation to the Trust and Fund Limited Partnerships:		
Audit fees	64	61
Tax compliance services	32	31
Other non-audit services	68	3
Total fees payable to the Trust's auditor	164	95
Total other expenses	**2,560**	**1,614**

Share of aborted deal fees includes a provision for on-going transactions that had not completed at the balance sheet date.

(b) Finance costs	Revenue return 2015 £'000	Revenue return 2014 £'000
Interest paid	–	31
Non-utilisation fees and other expenses	383	424
Arrangement fees	640	120
Total finance costs	**1,023**	**575**

Arrangement fees of £120,000 that were included in legal and other administration costs in 2014; have been reclassified as finance costs and the relevant balances have been restated accordingly.

NOTES TO THE FINANCIAL STATEMENTS continued

7. Cash flow from operating activities

Reconciliation of net return before finance costs and taxation to net cash flow from operating activities	2015 £'000	2014 £'000
Net return before finance costs and taxation	66,420	54,871
Add back: gains on investments held at fair value	(74,240)	(35,840)
Increase in carried interest provision	28,118	1,088
Amortisation of premium on government securities	–	1,618
Increase in accrued income from government securities and liquidity funds	(204)	(278)
Increase in prepayments, accrued income and other debtors	(9,825)	(3,958)
Increase/(decrease) in creditors	761	(506)
Taxation received	360	289
Net cash inflow from operating activities	**11,390**	**17,284**

8. Directors' remuneration

The aggregate remuneration of the Directors for the year to 31 December 2015 was £203,000 (2014: £215,000). Further information on the Directors' remuneration is disclosed in the Directors' remuneration report on pages 100 and 101.

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 2015.

The standard rate of corporation tax in the UK for a large company changed from 21% to 20% with effect from 1 April 2015, implying an effective pro-rata tax rate for the current year of 20.25% (2014: 21.5%). 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 in the year	2015 £'000	2014 £'000
Current tax:		
UK corporation tax	3,806	2,737
Income streaming relief	(3,024)	(2,568)
Prior year adjustment	(333)	(180)
Current revenue tax charge/(credit) for the year	449	(11)
Deferred tax:		
(Origination)/reversal of timing differences	(101)	57
Total deferred tax (credit)/charge for the year (note 9(c))	(101)	57
Total taxation charge on ordinary activities	**348**	**46**

NOTES TO THE FINANCIAL STATEMENTS continued

9. Taxation on ordinary activities continued

(b) Factors affecting current tax charge for the year	Revenue return 2015 £'000	Revenue return 2014 £'000
Net revenue return on ordinary activities before taxation	**18,255**	**21,979**
UK corporation tax charge at 20.25% thereon (2014: 21.5%)	3,697	4,725
Effects of:		
Tax relief from interest distribution	(3,024)	(2,568)
Non-taxable investment income	–	(1,706)
Impact of change in tax rates	8	34
Prior year excess operating expenses utilised in current year	–	(259)
Prior year tax adjustment	(333)	(180)
Total differences	(3,349)	(4,679)
Total taxation charge on ordinary activities	**348**	**46**

(c) Deferred tax	Revenue return 2015 £'000	Revenue return 2014 £'000
Deferred tax:		
Movement in taxable income not recognised in revenue return	(101)	57
Prior year adjustment for excess operating expenses	–	(259)
Prior year excess operating expenses utilised in current year	–	259
Total deferred tax (credit)/charge for the year (note 9(a))	(101)	57
Deferred tax recoverable:		
Recoverable deferred tax at 31 December	567	624
Deferred tax credit/(charge) for the year	101	(57)
Recoverable deferred tax at end of year (note 14)	668	567

Deferred tax assets of £668,000 (2014: £567,000) are recognised at a rate of 20% (2014: 20.25%) in respect of the net amounts of taxable income that have not yet been recognised in the revenue return, but are expected to be recognised in the revenue return for the accounting period ending 31 December 2016, during which the corporation tax rate will be 20%.

NOTES TO THE FINANCIAL STATEMENTS continued

10. Return and net asset value per Ordinary share

(a) Return per Ordinary share	Revenue return 2015	Revenue return 2014	Capital return 2015	Capital return 2014
Amount (£'000):				
Return from ordinary activities after taxation	17,907	21,933	47,142	32,317
Number of Ordinary shares ('000):				
Weighted average number of shares in issue	37,325	37,325	37,325	37,325
Return per Ordinary share (pence)	**47.98**	**58.76**	**126.30**	**86.58**

(b) Net asset value per Ordinary share	Capital return 2015	Capital return 2014
Amount (£'000):		
Net assets	530,023	476,918
Number of Ordinary shares ('000):		
Number of Ordinary shares in issue	37,325	37,325
Net asset value per Ordinary share (pence)	**1,420.0**	**1,277.8**

11. Dividends on Ordinary shares

	Record date	Payment date	2015 £'000	2014 £'000
Dividend of 32.0p for the year ended 31 December 2014	7 April 2015	18 May 2015	11,944	–
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
Total equity dividends paid			**11,944**	**17,916**

The proposed dividend of 40.0 pence per Ordinary share for the year ended 31 December 2015 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:

	2015 £'000
Revenue available for distribution by way of dividend for the year	17,907
Proposed dividend of 40.0p for the year ended 31 December 2015 (based on 37,324,698 Ordinary shares in issue at 31 December 2015)	(14,930)
Undistributed revenue for Section 1159 purposes*	**2,977**

*Undistributed revenue comprises 13.5% of the estimated total taxable income of £21,996,000.

NOTES TO THE FINANCIAL STATEMENTS continued

12. Fixed asset investments

	2015 £'000	2014 £'000
Investments held at fair value through profit and loss:		
Unquoted investments held in HGT 6 LP	235,441	212,406
Unquoted investments held in HGT 7 LP	100,654	47,955
Unquoted investments held in HGT LP	62,387	54,458
Unquoted investments held in HgCapital Mercury D LP	30,618	20,645
Other unquoted investments held by the Trust	28,568	25,554
Total fixed asset investments gross of carried interest provision	**457,668**	**361,018**
Carried interest provision (note 5(c))	(29,206)	(1,088)
Total fixed asset investments	**428,462**	**359,930**
Total fixed asset investments consist of:		
Fund limited partnerships	**428,462**	**359,930**

		2015 £'000	2014 £'000
Opening valuation as at 1 January		359,930	295,960
Add back: opening unrealised depreciation – investments		26,925	35,279
Add back: opening carried interest provision		1,088	–
Opening book cost as at 1 January		387,943	331,239
Movements in the year:			
Additions at cost		65,489	86,962
Disposals	– proceeds	(43,070)	(57,752)
	– realised (losses)/gains on sales	(733)	27,494
Closing book cost of investments		409,629	387,943
Add: closing unrealised appreciation	– investments	48,039	(26,925)
Less: closing carried interest provision		(29,206)	(1,088)
Closing valuation of investments as at 31 December		**428,462**	**359,930**

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 66, 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 2015 £'000	Capital return 2014 £'000
Realised:			
Realised (losses)/gains on sales	– fixed asset investments	(733)	27,494
	– liquidity funds	462	19
	– government securities	–	(332)
Net realised (losses)/gains		**(271)**	**27,181**
Unrealised:			
Unrealised gains/(losses)	– fixed asset investments	74,964	8,354
	– liquidity funds	(453)	10
	– government securities	–	295
		74,511	8,659
Carried interest charge against capital gains (note 5(c))		(28,118)	(1,088)
Net unrealised gains		**46,393**	**7,571**
Total gains		**46,122**	**34,752**

14. Debtors and accrued income

	2015 £'000	2014 £'000
Amounts receivable after one year:		
Accrued income on fixed assets	64,162	54,311
Amounts receivable within one year:		
Deferred tax recoverable (note 9(c))	668	567
Prepayments and other accrued income	39	65
Total amounts receivable within one year	707	632
Total debtors	**64,869**	**54,943**

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

	2015 £'000	2014 £'000
Investments held at fair value through profit and loss:		
Opening valuation	59,859	83,121
Purchases at cost	31,559	62,552
Sales and redemptions	(60,796)	(84,466)
Movement in unrealised capital (losses)/gains	(453)	305
Amortisation of premium on acquisition	–	(1,618)
Accrued income	204	278
Realised capital gains/(losses)	462	(313)
Closing valuation	**30,835**	**59,859**

16. Movement in net funds

	2015 £'000	2014 £'000
Analysis and reconciliation of net funds:		
Change in cash	6,491	(9,687)
Net funds at 1 January	3,021	12,708
Net funds at 31 December	**9,512**	**3,021**
Net funds comprise:		
Cash	**9,512**	**3,021**

Cash includes £1,214,000 held by the fund limited partnerships in which the Trust is the sole limited partner.

17. Creditors - amounts falling due within one year

	2015 £'000	2014 £'000
Taxation payable	978	169
Loan facility (note 18)	1,487	237
Sundry creditors	1,190	429
Total creditors	**3,655**	**835**

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. In December 2015, the facility was extended by a further three and a half years to 30 June 2019. In addition, the facility was increased to £80,000,000, with an additional £40,000,000 available from 31 December 2016. Under the facility agreement, the Trust is liable to pay interest on any drawn amount at LIBOR plus a margin of 2.25% to 2.50%, dependent on the loan to value ratio. A commitment fee of 0.95% p.a. is liable on any undrawn commitment and a ticking fee of 0.30% p.a. is liable on the increase of £40,000,000 during 2016 only. The facility was undrawn as at the end of the year.

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 £1,487,000.

19. Financial risk

The following disclosures relating to the risks faced by the Trust are provided in accordance with International Financial Reporting Standard 7, '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 31 and a breakdown of the most significant underlying investments is given on page 38. 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.

IAS 39 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 6 LP	–	–	235,441	235,441
– Investment in HGT 7 LP	–	–	100,654	100,654
– Investment in HGT LP	–	–	62,387	62,387
– Investment in HgCapital Mercury D LP	–	–	30,618	30,618
– Investment in Hg 6 E LP	–	–	14,684	14,684
– Investment in Hg RPP2 LP	–	–	12,459	12,459
– Investment in Hg RPP LP	–	–	1,425	1,425
– Liquidity funds	–	30,835	–	30,835
– Carried interest provision	–	–	(29,206)	(29,206)
Other assets:				
Accrued income	–	–	64,162	64,162
As at 31 December 2015	**–**	**30,835**	**492,624**	**523,459**

	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 6 LP	–	–	212,406	212,406
– Investment in HGT LP	–	–	54,458	54,458
– 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 RPP2 LP	–	–	9,506	9,506
– Investment in Hg RPP LP	–	–	2,721	2,721
– Liquidity funds	–	59,859	–	59,859
– Carried interest provision	–	–	(1,088)	(1,088)
Other assets:				
Accrued income	–	–	54,311	54,311
As at 31 December 2014	**–**	**59,859**	**414,241**	**474,100**

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 2015 by class of financial instrument.

	Accrued income on investments 2015 £'000	Investments in limited partnerships 2015 £'000	Total 2015 £'000
Unquoted investments:			
Opening balance	54,311	359,930	414,241
Purchases	–	65,489	65,489
Realisations at 31 December 2014 valuation	(15,927)	(34,643)	(50,570)
Total gains for the year included in the income statement	25,778	65,804	91,582
Movement in carried interest provision	–	(28,118)	(28,118)
Closing unrealised valuation of level 3 investments	**64,162**	**428,462**	**492,624**
Total gains for the year included in the income statement for investments held at the end of the year	28,638	44,687	73,325

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%	±49,262	±132.0

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 Royal Bank of Scotland and amounts not required for day-to-day use were invested in liquidity funds managed by Royal London Asset Management which are rated AAA by Fitch. Foreign exchange forward contracts and options are held with counterparties which have credit ratings which 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 on-going 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 and are therefore valued 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 and valued, thus limiting the Trust's exposure to the value of its investments rather than the gross value. 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 (9.4705)	–	–	1,555	4.2
Euro (1.2727)	2,109	5.7	8,952	24.0
Norwegian krone (11.2839)	–	–	6,906	18.5
Swedish krona (11.9933)	170	0.5	274	0.7
Swiss franc (1.2897)	296	0.8	388	1.0
US dollar (1.4642)	–	–	116	0.3
	2,575	7.0	18,191	48.7
Lowest value against sterling during the year:				
Danish krone (10.7486)	–	–	(1,304)	(3.5)
Euro (1.4405)	(1,854)	(5.0)	(7,873)	(21.1)
Norwegian krone (13.2635)	–	–	(725)	(1.9)
Swedish krona (13.6341)	(417)	(1.1)	(674)	(1.8)
Swiss franc (1.5513)	(101)	(0.3)	(132)	(0.4)
US dollar (1.5884)	–	–	(1,253)	(3.4)
	(2,372)	(6.4)	(11,961)	(32.1)

At 31 December 2015, the following rates were applied to convert foreign denominated assets into sterling: Danish krone (10.1254); euro (1.3568); Norwegian krone (13.0460); Swedish krona (12.4259); Swiss franc (1.4754); and US dollar (1.4739).

Portfolio hedging

At times, the Trust uses derivative financial instruments such as forward foreign currency contracts and option contracts to manage the currency risks associated with its underlying investment activities. The contracts entered into by the Trust are denominated in the foreign currency of the geographic areas in which the Trust has significant exposure against its reporting currency. The contracts are designated as a hedge and the fair values thereof are recorded in the balance sheet as investments held at fair value. Unrealised gains and losses are taken to capital reserves. At the balance sheet date, there were no outstanding derivative financial instruments.

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

NOTES TO THE FINANCIAL STATEMENTS continued

19. Financial risk continued

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

Interest rate risk and sensitivity

The Trust has exposure to interest rate movements as this may affect the fair value of funds awaiting investment, interest receivable on liquid assets and 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 £50,000, 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 8% 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:

	2015				2014			
	Fixed and floating rate £'000	Non-interest-bearing £'000	Total £'000	Total %	Floating rate £'000	Non-interest-bearing £'000	Total £'000	Total %
Sterling	39,546	224,071	263,617	49.5	62,852	186,374	249,226	52.3
Euro	–	167,399	167,399	31.4	28	138,567	138,595	29.0
Norwegian krone	–	44,228	44,228	8.3	–	36,338	36,338	7.6
Danish krone	801	22,488	23,289	4.4	–	19,951	19,951	4.2
US dollar	–	17,378	17,378	3.3	–	19,147	19,147	4.0
Swedish krona	–	12,309	12,309	2.3	–	9,822	9,822	2.1
Swiss franc	–	4,751	4,751	0.8	–	4,042	4,042	0.8
Total	40,347	492,624	532,971	100.0	62,880	414,241	477,121	100.0

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

Through its investment into the HgCapital Mercury D LP fund, the Trust had outstanding borrowings of £1,487,000 (note 17 and 18) at the year-end (2014: £237,000). 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:

	2015 £'000	2014 £'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	399,076	345,971
Total capital	530,023	476,918

With the assistance of the Manager, the Board monitors and reviews the broad structure of the Trust's capital on an on-going 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

	2015		2014	
	No. '000	£'000	No. '000	£'000
Ordinary shares of 25p each:				
Allotted, called-up and fully paid:				
At 1 January	37,325	9,331	37,325	9,331
At 31 December	37,325	9,331	37,325	9,331
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 unrealised £'000	Capital reserve realised £'000	Revenue reserve £'000
As at 1 January 2015	120,368	1,248	(33,390)	353,378	25,983
Transfer on disposal of investments	–	–	9,160	(9,160)	–
(Losses)/gains on government securities and liquidity funds	–	–	(453)	462	–
Net gain on sale of fixed asset investments	–	–	–	8,427	–
Net movement in unrealised appreciation of fixed asset investments	–	–	65,804	–	–
Dividend paid	–	–	–	–	(11,944)
Net return for the year after taxation	–	–	–	–	17,907
Loans recovered from General Partners	–	–	1,020	–	–
Carried interest provision	–	–	(28,118)	–	–
As at 31 December 2015	120,368	1,248	14,023	353,107	31,946

22. Commitment in fund partnerships and contingent liabilities

Fund	Original commitment £'000	Outstanding at 31 Dec 2015 £'000	Outstanding at 31 Dec 2014 £'000
HGT 7 LP[1]	200,000	102,765	146,948
HgCapital Mercury D LP	60,000	27,540	35,335
HGT 6 LP	285,029	17,860	9,227
Hg RPP2 LP	29,481[2]	8,219[3]	12,247
HGT LP[4]	120,000	1,261	1,261
Hg RPP LP	15,949[5]	1,016[6]	1,070
Hg 6 E LP	15,000	940	486
Total outstanding commitments		159,601	206,574

[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 €11,152,000 (2014: €15,782,000).

[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 commitment to the HgCapital 5 fund.

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

[6] Sterling equivalent of €1,378,000 (2014: €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 acted as Secretary until 12 May 2015 (from which date the Board appointed Capita Company Secretarial Services Limited to act as Secretary) and acts as Administrator of the Trust.

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HgCAPITAL TRUST PLC

Opinion on financial statements of HgCapital Trust plc

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 2015 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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 Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 – "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Trust

As required by the Listing Rules we have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting and the directors' statement on the longer-term viability of the Trust contained within the strategic report on page 13. We have nothing material to add or draw attention to in relation to:

- the Directors' confirmation on page 13 that they have carried out a robust assessment of the principal risks facing the Trust, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on page 15 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Trust's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the Directors' explanation on page 13 as to how they have assessed the prospects of the Trust, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Trust will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. 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.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Trust and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

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.

The risks identified below are the same risks as identified in the prior year.

Risk	How the scope of our audit responded to the risk
The valuation of unquoted investments The valuation of unquoted investments of £493 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, including valuation method, market multiples and comparable companies. For further information see note 3 and note 12 of the financial statements.	• We assessed the design and implementation of the controls around the valuation of investments at the Manager, Hg Pooled Management Limited, to determine whether appropriate controls were in place; • 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 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.

INDEPENDENT AUDITOR'S REPORT

Risk	How the scope of our audit responded to the risk
The ownership of investments The Trust holds investments in fund limited partnerships (£493 million including accrued income) and a liquidity fund (£31 million), held through various investment holding companies. There is a risk that these investments may not be held in the name of the Trust or its limited fund partnerships and any error in the holdings could impact the Trust's net asset value. For more details see note 3 of the financial statements.	• We assessed the design and implementation of the controls round 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 agreed the underlying investments held by agreeing the units held to share certificates or registers held by the registrar; • 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 Manager where a number of the share certificates are held.
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 and revenue recognised by the Trust as earned by the limited partnerships may be inaccurate. For more details see note 3 and note 4.	• We assessed 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 financial reporting standards.

The description of risks above should be read in conjunction with the significant issues considered by the Audit and Valuation Committee discussed on page 98.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these 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 £10.6 million (2014: £8.8 million), which is 2% (2014: 2%) of net asset value because it is the main measure used by the Trust in reporting results and by analysts and investors.

We agreed with the Audit and Valuations Committee that we would report to the Committee all audit differences in excess of £212,000 (2014: £176,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Valuations 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 entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

The scope of our audit of the Trust was 100% and 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.

INDEPENDENT AUDITOR'S REPORT

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

We have nothing to report in respect of these matters.

Directors' remuneration

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

Corporate Governance Statement

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the Trust's compliance with certain 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 Valuations 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). 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 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
4 March 2016

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 2015.

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 on-going requirements for approved companies in the Investment Trust (Approved Company) (Tax) Regulations 2011.

Capital structure

As at 31 December 2015 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 62. The total return after taxation for the year, was £65,049,000 (2014: £54,250,000) of which the revenue return was £17,907,000 (2014: revenue return of £21,933,000).

The Directors recommend the payment of a dividend of 40.0 pence per Ordinary share for the year ended 31 December 2015 (2014: 32.0 pence). Subject to approval of this dividend at the forthcoming annual general meeting ('AGM'), it will be paid on 16 May 2016 to shareholders on the register of members at the close of business on 8 April 2016.

Calculation of on-going charges

For the year to 31 December 2015, the Trust's on-going charges were calculated as 2.0% (2014: 2.3%).

The calculation is based on the on-going charges expressed as a percentage of the average published (monthly for the Trust) ordinary shareholders' NAV over the relevant year. The on-going 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 (such as carried interest), taxation and financing charges.

The Trust's on-going 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 2015.

CORPORATE GOVERNANCE continued

DIRECTORS' REPORT

The Trust's Board of Directors

The Board of HgCapital Trust plc currently consists of five 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 67, 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 60, 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, Deputy Chairman 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 66, Peter Dunscombe was, until mid-2011, Head of Pensions Investments at the BBC Pension Trust and was previously joint managing director at Imperial Investments Ltd. He is currently a member of the investment committees of The Pensions Trust, Reed Elsevier Pension Fund, St James Place plc and the Nuffield Foundation and is also a director of Murray International Trust plc and GCP Student Living plc.

Mark Powell
(Senior Independent Director)

Aged 70, Mark Powell was appointed to the Board in 2010. He spent his entire career in investment management and retired as Chairman of Rathbone Brothers Plc in 2011. He is a former Chairman of the Association of Private Client Investment Managers and Stockbrokers (now the Wealth Managers Association) and member of the Takeover Panel. He is a Trustee of several charities.

Anne West

Aged 65, Anne West 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 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 94. All Directors are non-executive.

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

As noted earlier, Andrew Murison retired as a Director at the Company's AGM held on 13 May 2015. The Board recognises the outstanding contribution Mr Murison made to the Trust during his tenure and we thank him for his service as a member of the Board.

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 Powell and Mr Dunscombe will also offer themselves for re-election at this year's AGM.

As outlined on page 94, the Board considered in detail the composition of the Board. The Board confirms that the performance of each of the Directors seeking re-election continues to be effective and demonstrates commitment to the role, and the Board believes that it is therefore in the best interests of shareholders that these Directors be re-elected. The Directors also believe that the Board includes an appropriate balance of skills, experience and knowledge.

CORPORATE GOVERNANCE continued

DIRECTORS' REPORT

Substantial interests

As at 31 December 2015, 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	5,121,458	13.7%
Prudential plc	4,699,857	12.6%
Oxfordshire County Council Pension Fund	1,934,000	5.2%
Royal London Asset Management (CIS) Limited	1,290,200	3.5%

As at 29 February 2016, 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	5,225,424	13.9%
Prudential plc	4,699,857	12.6%
Oxfordshire County Council Pension Fund	1,934,000	5.2%
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 2015 and at 29 February 2016.

In addition to their direct holdings in HgCapital funds, the partners and staff of HgCapital also hold Ordinary Shares in the Trust. As at 31 December 2015, the partners and staff of HgCapital owned 1,851,690 shares (5.0% of the total voting rights).

ANALYSIS OF REGISTERED ORDINARY SHAREHOLDERS AS AT 31 DECEMBER 2015

	Number	% of total		Number	% of total	
By type of holder	of shares	31 Dec 2015	31 Dec 2014	of holders	31 Dec 2015	31 Dec 2014
Nominee companies	36,757,159	98.48	98.10	749	77.62	72.16
Direct private investors	327,980	0.88	1.24	178	18.44	22.86
Others	239,559	0.64	0.66	38	3.94	4.98
Total	37,324,698	100.00	100.00	965	100.00	100.00

	Number	% of total		Number	% of total	
By size of holding	of shares	31 Dec 2015	31 Dec 2014	of holders	31 Dec 2015	31 Dec 2014
1 – 5,000	871,122	2.33	2.00	747	77.41	74.53
5,001 – 50,000	2,173,931	5.82	5.70	131	13.58	15.17
50,001 – 100,000	1,787,046	4.79	5.20	24	2.49	2.96
over 100,000	32,492,599	87.06	87.10	63	6.52	7.34
Total	37,324,698	100.00	100.00	965	100.00	100.00

CORPORATE GOVERNANCE continued

DIRECTORS' REPORT

Investment management and administration

During 2015, the Trust's assets were managed by Hg Pooled Management Limited.

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% p.a. 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% p.a. 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% p.a. 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% p.a., 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 5, 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, Visma and Achilles, do not entitle the Manager to any priority profit share or carried interest.

HgCapital has also been appointed as administrator of the Trust for a fee equal to 0.1% p.a. of the NAV. Capita Company Secretarial Services Limited ('Capita') replaced HgCapital as secretary on 13 May 2015.

Continued appointment of the Manager

The Board considers the arrangements for the provision of investment management and other services to the Trust on an on-going 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 on-going 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.

Following its review, the Board has concluded that it is in shareholders' interests that HgCapital should continue as Manager of the Trust on the existing terms.

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 Monday 9 May 2016 at 11 a.m. Light refreshments will be available from 10.30 a.m. Notice of the AGM is given on pages 112 to 115. 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 12, as set out in the Notice of Meeting.

Authority to buy back shares

The Directors' authority to buy back shares was renewed at last year's AGM and will expire at the end of the AGM in 2016.

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 10 in the Notice of AGM. This authority, unless renewed, will expire at the conclusion of the AGM in 2017 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.

CORPORATE GOVERNANCE continued

DIRECTORS' REPORT

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 2015.

The authority gives the Directors, for the period until the conclusion of the AGM in 2016, the necessary authority to allot securities up to a maximum nominal amount of £6,158,575, or what was at 31 December 2014 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 2016 AGM. The authority to allot will be on broadly the same terms as the resolution passed at the 2015 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 on-going 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 2017 or, if earlier, 9 August 2017. 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 2015.

The Directors are proposing a resolution to renew the general power to allot shares for cash without complying with the pre-emption rights in the Companies Act 2006 in certain circumstances. In light of the ABI guidelines referred to above, this authority will permit the Directors to allot:

(a) Ordinary shares up to a nominal amount of £6,158,575 (or 24,634,300 Ordinary shares of 25 pence each) representing two-thirds of the Trust's existing Ordinary share capital 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.

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
Roger Mountford, Chairman
4 March 2016

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
4 March 2016

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 2014, 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 2015, 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 five 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.

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.

Mr Powell serves as Senior Independent Director ('SID') of the Trust, providing an alternative channel for shareholder communications.

Proceedings of the Board

The Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. Strategic issues and all operational matters of a material nature are determined by the Board.

The Board met formally six times during 2015 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.

CORPORATE GOVERNANCE continued

CORPORATE GOVERNANCE STATEMENT

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.

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 or she 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 and Valuation Committee, the Management Engagement Committee and the individual Directors. The Senior Independent Director leads the evaluation of the Chairman. 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 and independently. 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 administrator to the Trust. 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 2015, Mr Brooman was the Chairman of the Audit & Valuation Committee (and his report can be found on pages 98 and 99), Mr Dunscombe was Chairman of the Management Engagement Committee (and his report can be found on page 96) 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.

CORPORATE GOVERNANCE continued

CORPORATE GOVERNANCE STATEMENT

Management Engagement Committee

Dear Shareholder,

I am pleased to report to you on the range of matters which the Management Engagement Committee has considered during 2015.

The Committee has continued to support the Board in fulfilling its oversight responsibilities, by conducting an appraisal of the Manager's performance, and keeping under review 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, our primary focus 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. We also consider matters such as the Manager's governance framework and succession planning. Following our review, we have recommended the Manager's continued appointment to be in the best interests of all shareholders.

We also undertake reviews of the Trust's third party appointments on a 3-5 yearly basis depending on the importance of the appointment, with a view to making recommendations to the Board in respect of these appointments. During 2015, we agreed that the Trust would be best served through the role of Company Secretary being directly appointed by the Board. We carefully considered three company secretarial services providers. Following our review, we recommended Capita Company Secretarial Services to fulfil this role and the Board approved the appointment in May 2015.

We also led the review of legal services providers to the Trust. We appointed a sub-Committee, including myself, to conduct the interviews and evaluation. We approached six legal services providers from which we shortlisted three legal firms. We met with each provider and evaluated their proposals against the Trust's requirements. Subsequently, the Board approved our recommendation to appoint Dickson Minto as the Trust's legal adviser in October 2015.

Yours sincerely

Peter Dunscombe
Chairman, Management Engagement Committee
4 March 2016

Attendance record

The table below summarises the Directors' attendance at meetings of the Board and its committees, held in the year to 31 December 2015, compared with the number they were eligible to attend.

NUMBER OF MEETINGS ATTENDED/ ELIGIBLE TO ATTEND

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

Nomination Committee

The Nomination Committee meets when necessary to select and propose suitable candidates for appointment. The Board has noted the recommendation in the AIC Code of Corporate Governance that when looking for a new Chairman, the Nomination Committee should not be chaired by the incumbent. 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 2015, 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 or herself for re-appointment at the 2015 AGM.

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 2015 and up to the date of this report, and will continue to do so in the year ending 31 December 2016.

As part of the Board's responsibility for the internal control system, an on-going process has been established in conjunction with HgCapital and Capita Asset Services ('Capita') 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, Capita 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 Capita.

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 which may be 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 2015, 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 and 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 Murison ceased to be a member of the Committee, on his retirement from the Board on 13 May 2015.

All of the members of the Committee, whose biographies are included on page 89, 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 2015

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, with particular focus on investment risk when co-investment opportunities arise;
- Liquidity and cash flow, including cash and balance sheet management, ultimately leading to the extension of the facility with Lloyds;
- Tax risks and regulatory changes in the various jurisdictions in which the underlying investments are held;
- The planning, reporting and findings of the audit;
- Significant accounting issues, including accounting for carried interest, and the impact of the revised Investment Trust SORP and FRS 102;
- Legal and regulatory change and compliance, including Common Reporting Standard ('CRS') and Long-Term Viability Statement;
- The impact of foreign exchange movements on the NAV;
- Auditor rotation requirements and timing of any audit tender;
- The provision of services to the Trust, outsourced to third party providers; and
- Preparation of the Annual Report and Accounts and Interim Statements.

2016 action plan

A number of similar matters will be considered again in 2016, 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. The Committee will also consider the impact of the Common Reporting Standard. Additionally, 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 interim statements 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 and 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. Board members have direct access to the Compliance Officer at the Manager and the Board receives a report from the Compliance Officer 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 97.

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 2016 AGM, Deloitte LLP be re-appointed 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 annually 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
4 March 2016

CORPORATE GOVERNANCE continued

DIRECTORS' REMUNERATION REPORT

Statement from the Chairman of the Board

This Directors' Remuneration Report for the year ended 31 December 2015, 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 Directors' Remuneration Report is, as previously, an advisory vote, whilst the Directors' Remuneration Policy is subject to a binding vote. The Remuneration Policy was approved by shareholders at the 2014 AGM and it is intended that this policy will continue for the year ending 31 December 2016 and subsequent years. In accordance with the regulations, an ordinary resolution to approve the Directors' Remuneration Policy will be put to shareholders at least once every three years. An ordinary resolution for the approval of this remuneration report will be put to members at the forthcoming AGM.

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

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

During the year under review, the whole Board met once during the year to consider the Directors' Remuneration Policy and annual fees. In order to reflect the increased time committed by Directors, with effect from 1 July 2015, the remuneration of the Directors was increased as follows:

- Mr Mountford (Chairman of the Board): from £50,000 to £55,000 per annum;
- Mr Brooman (Chairman of the Audit and Valuation Committee): from £40,000 to £42,000 per annum;
- Mr Dunscombe (Chairman of the Management Engagement Committee): from £35,000 to £38,000 per annum;
- All other Directors: from £30,000 to £32,000 per annum.

Policy on Directors' Remuneration

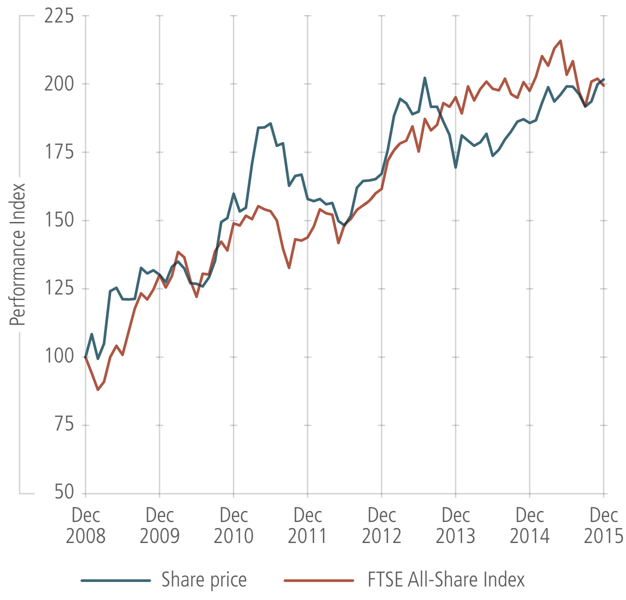
The Trust has no employees other than its Directors, who are all non-executive and independent of the Manager. The Secretary provides a comparison of the Directors' remuneration with other investment trusts of similar size and/or mandate. This comparison, together with consideration of any change in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

The remuneration of the Directors is determined within the limits set out within the Trust's Articles of Association and the total aggregate annual fees payable to the Directors in respect of any financial period shall not exceed £300,000.

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, 99.97% of votes were in favour of the Directors' Remuneration Report, with 0.03% voting against. At the 2014 AGM, 99.93% of votes were in favour of the Directors' Remuneration Policy, with 0.07% voting against, showing significant shareholder support.

Annual Remuneration Report

Share price performance from 31 December 2008 to 31 December 2015



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 2015 £	2014 £
Roger Mountford (Chairman)	52,500	50,000
Richard Brooman (Chairman of the Audit & Valuation Committee)	41,000	40,000
Peter Dunscombe (Chairman of the Management Engagement Committee)	36,500	35,000
Andrew Murison (retired 13 May 2015)	11,038	30,000
Peter Gale (retired 13 May 2014)	–	11,038
Mark Powell	31,000	30,000
Anne West	31,000	18,962
Total remuneration	203,038	215,000

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 97 of the Trust'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 98 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.

	2015	2014	change %
Total Directors' remuneration (£'000)	203	215	(6%)[1]
Total dividend paid or declared (£'000)	14,930	19,036	(22%)

[1]The normalised remuneration during the year, adjusted for the retirement of Andrew Murison, was £223,000, 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	2015	2014
Richard Brooman	1,840	1,840
Peter Dunscombe	4,000	2,000
Roger Mountford	15,367	15,018
Mark Powell	5,000	3,000
Anne West	20,000	20,000

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 2015 and the date of this report.

On behalf of the Board

Roger Mountford
Chairman of the Board
4 March 2016

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 section (page 11) and The Manager's Review section (page 17) of the 31 December 2015 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 section (page 12) and the Financial Risk section (page 79; 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 9th Floor, No.1 Minster Court, Mincing Lane, London EC3R 7AA, 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.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ('AIFMD')

continued

Auditor

The Trust has appointed Deloitte LLP, whose registered office is at 2 New Street Square, London EC4A 3BZ, 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 Dickson Minto W.S., whose registered office is at 16 Charlotte Square, Edinburgh EH2 4DF as the Trust's legal adviser.

The agreement between the Manager and Dickson Minto W.S. does not include any specific rights for shareholders.

Prime Broker

The Trust does not retain 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 2015, 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 Ordinary share capital (page 83; note 20) section of the notes to the financial statements in the Annual Report and Accounts. Shares are not offered on an on-going basis but may be bought or sold through a stockbroker, financial intermediary, or one of the share dealing services detailed in the Shareholder Information section of the Annual Report and Accounts (page 106).

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 Bank plc (increasing to £80 million from 31 December 2016) on an unsecured basis, expiring on 30 June 2019. Please refer to The Trust's Investment Objective and Investment Policy section (page 11) 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. 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 section (page 12) of the Annual Report and Accounts
for further details.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ('AIFMD')

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 HgCapital 7 (and previously HgCapital 6) buyout fund permitting it to opt-out of any new investment if a draw-down 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, gilts and a managed liquidity fund) to meet draw-down 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 (increasing to £80 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 12) 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 section (page 66; note 3) 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 and the Board are 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 does not directly employ any staff and instead HgCapital LLP, which also acts as investment adviser and provides administrative services to the Manager, provides personnel to the Manager to fulfil roles within investment committee, portfolio review committee and the control and risk functions (the "Relevant Functions") and perform other activities of the Manager. Personnel carrying out the Relevant Functions or who are senior management of the Manager are referred to below as "Identified Staff". The table below sets out the disclosures required under AIFMD in relation to the proportion of remuneration attributable to work done for the Trust during the year ended 31 December 2015.

	2015 £
Fixed remuneration paid to Identified Staff	313,000
Variable remuneration paid to Identified Staff	96,000
Aggregate remuneration paid to Identified Staff who are senior management of the Manager	73,000
Aggregate remuneration paid to Identified Staff who have a material impact on the risk profile of the Trust by reason of performing Relevant Functions	336,000
Carried interest paid by the Trust to Identified Staff	–

The number of Identified Staff for the year was nineteen. Please note that there was no carried interest paid in respect of the Trust during the year.

In accordance with the FCA's guidance on the AIFMD remuneration code, the information above relates only to the financial year of the Trust ended 31 December 2015. As this is the first full financial year following the Manager's variation of permission to act as an AIFM under the AIFMD (which took effect from 22 July 2014) and adoption of the remuneration policy, it would not be useful to provide a remuneration disclosure for the previous financial year of the Trust because it would not provide a meaningful basis for like-for-like comparison. Comparative data will be provided in coming years.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ('AIFMD')

continued

Remuneration policy

The Manager has ensured that all remuneration is directly aligned with the specific requirements of the AIFMD.

The Manager's remuneration policy (which also applies directly to HgCapital LLP) seeks to avoid conflicts of interest by ensuring that:

- It comprises an appropriate mix of fixed and variable remuneration that encourages staff to make a positive contribution to the AIFs;
- It is consistent with the objectives of the Manager;
- The assessment of performance is set in a multi-year framework appropriate to the life-cycle of the AIF in order to ensure that the assessment process is based on longer term performance;
- It is under the oversight of a remuneration committee with one independent member;
- It contains measures to promote effective risk management;
- It applies a carried interest model which (a) aligns the interests of staff involved in investment management with the risks of the AIFs and investors in the AIFs; and (b) does not incentivise inappropriate risk taking; and
- It does not pay out remuneration for future potential revenues that are not certain.

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 ended 31 December 2015 (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
September	• Interim figures announced and interim report published

Dividend

The dividend proposed in respect of the year ended 31 December 2015 is 40 pence per share.

Ex-dividend date (shares transferred without dividend)	7 April 2016
Record date (last date for registering transfers to receive the dividend)	8 April 2016
Last date for registering DRIP instructions (see below)	22 April 2016
Dividend payment date	16 May 2016

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 0370 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 0370 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 22 April 2016.

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 a bank.

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 0370 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 0370 703 0084.

These services are offered on an execution only basis and subject to the applicable terms and conditions. This is not a recommendation to buy, sell or hold shares in HgCapital Trust plc. Shareholders who are unsure of what action to take should obtain independent financial advice. Share values may go down as well as up which may result in a shareholder receiving less than he/she originally invested.

SHAREHOLDER INFORMATION continued

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 year 2015/2016, the first £11,100 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.

Taxation of dividends

With effect from 6 April 2016, the 10% tax credit on dividends has been replaced with an individual annual tax allowance of £5,000 across all dividend income, above which there is a tax liability. For further information, please visit the HMRC.gov.uk website. For queries about your own tax position, please speak to an independent tax advisor.

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

An ordinary resolution was approved by shareholders at the Annual General Meeting in May 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.

Common Reporting Standard

With effect from 1 January 2016, new tax legislation under The OECD ('Organisation for Economic Co-operation and Development') The Common Reporting Standard for Automatic Exchange of Financial Account Information ('The Common Reporting Standard') is being introduced.

The legislation will require investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. As an affected company, HgCapital Trust plc will have to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders, and corporate entities.

All new shareholders, excluding those whose shares are held in CREST, are entered onto the share register from 1 January 2016 will be sent a certification form for the purposes of collecting this information.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information, information for account holders: https://www.gov.uk/government/publications/exchange-of-information-account-holders

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:

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 life span 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 aggregate market capitalisation of c.€47 billion, of which c.€18 billion are London-listed companies (source: LPEQ February 2016). 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 1,400 pence and the share price was 1,260 pence, the discount would be 10%.

NAV (net asset value per share)
This is the value of the Trust's assets attributable to one Ordinary share. It is calculated by dividing 'shareholders' funds' by the total number of Ordinary shares in issue. For example, as at 31 December 2015, shareholders' funds were £530,023,000 and there were 37,324,698 Ordinary shares in issue; the NAV was therefore 1,420.0 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 1,470 pence and the NAV were 1,400 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 preferred return.

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 investment.

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 advisor.

Notice is hereby given that the Annual General Meeting (the 'AGM') of HgCapital Trust plc will be held at the Company's registered office at 2 More London Riverside, London SE1 2AP, on Monday 9 May 2016 at 11.00 am to consider the following business:

Ordinary resolutions

To consider and, if thought fit, pass resolutions 1 to 9 as ordinary resolutions.

1. To receive the Report of the Directors, the Strategic Report and the Financial Statements for the year ended 31 December 2015, 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 40.0p per share.
4. To re-elect Mr R Mountford as a Director.
5. To re-elect Mr P Dunscombe as a Director.
6. To re-elect Mr M Powell as a Director.
7. To re-appoint Deloitte LLP as independent Auditor to the Company.
8. To authorise the Directors to determine the independent Auditor's remuneration.
9. 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 9 August 2017, 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 10, 11, and 12 as special resolutions.

10. THAT in substitution for the Company's existing authority to make market purchases of Ordinary shares of 25p in the Company ('Ordinary shares'), the Company be and it is hereby authorised in accordance with Section 701 of the Companies Act 2006 (the 'Act') to make market purchases of Ordinary shares (within the meaning of Section 693 of the Act) provided that:
    (i) the maximum number of Ordinary shares hereby authorised to be purchased is 5,594,972;
    (ii) the minimum price which may be paid for an Ordinary share shall be 25p;
    (iii) the maximum price payable by the Company for each Ordinary share is the higher of:
       (a) 105% of the average of the mid-market quotations of the Ordinary shares in the Company for the five business days prior to the date on which such share is contracted immediately to be purchased; and
       (b) the higher of the price of the last independent trade and the highest current independent bid as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buyback programmes and stabilisation of financial instruments (No.2233/2003);
    (iv) the authority hereby conferred shall expire at the end of the next annual general meeting of the Company or, if earlier, on 9 November 2017 unless previously renewed, varied or revoked by the Company in general meeting; and

NOTICE OF ANNUAL GENERAL MEETING continued

(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.

11. 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 9 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 9 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 11) 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 9 above, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the Directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

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

By order of the Board
Roger Mountford
Chairman

4 March 2016

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 5 May 2016 (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 0370 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 11.00 am on 5 May 2016.
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 5 May 2016 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 5 May 2016 ('the specified time') shall be disregarded in determining the rights of any person to attend or vote at the AGM. If the AGM is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned AGM. If, however, the AGM is adjourned for a longer period then, to be so entitled, shareholders must be entered on the Company's register of members at the time which is 48 hours before the time fixed for the adjourned AGM or, if the Company gives notice of the adjourned AGM, at the time specified in that notice.
11. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for this meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual, which is available to download from the Euroclear website (www.euroclear.com/CREST). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

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

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

NOTICE OF ANNUAL GENERAL MEETING continued

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 4 March 2016 are 37,324,698.

13. In accordance with Section 319A of the Act, the Company must cause any question relating to the business being dealt with at the AGM put by a shareholder attending the meeting to be answered. No such answer need be given if:

(a) to do so would:

(i) interfere unduly with the conduct for the AGM, or

(ii) involve the disclosure of confidential information;

(b) the answer has already been given on a website in the form of an answer to a question; or

(c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

14. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under Section 527 of the Act, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Act. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under Section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Act to publish on a website.

15. Members satisfying the thresholds in Section 338 of the Act may require the Company to give, to members of the Company entitled to receive notice of the AGM, notice of a resolution which those members intend to move (and which may properly be moved) at the AGM. A resolution may properly be moved at the AGM unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous or vexatious. The business which may be dealt with at the AGM includes a resolution circulated pursuant to this right. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by the Company not later than 6 weeks before the date of the AGM.

16. Members satisfying the thresholds in Section 338A of the Act may request the Company to include in the business to be dealt with at the AGM any matter (other than a proposed resolution) which may properly be included in the business at the AGM.

A matter may properly be included in the business at the AGM unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the AGM.

17. A copy of this Notice of Annual General Meeting and, if applicable, any member's statements, member's resolutions or member's matters of business received by the Trust after the date of this notice will be available on the Company's website: www.hgcapitaltrust.com

18. The terms and conditions of appointment of non-executive Directors will be available for inspection at the registered office of the Company during usual business hours on any weekday (except Saturdays and public holidays) until the date of the AGM and at the place of the AGM for a period of fifteen minutes prior to and during the meeting.

None of the Directors has a contract of service with the Company.

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

BOARD, MANAGEMENT AND ADMINISTRATION

Board of Directors

Roger Mountford (Chairman)

Richard Brooman
(Chairman of the Audit
and Valuation Committee)

Peter Dunscombe
(Chairman of the Management
Engagement Committee)

Mark Powell
(Senior Independent Director)

Andrew Murison (retired 13 May 2015)

Anne West

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Secretary

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Administrator

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Depositary

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Registrar

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Bristol
BS99 6ZZ

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

Stockbroker

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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.

* Authorised and regulated by the Financial Conduct Authority.

www.hgcapitaltrust.com