HgCapital Trust plc

INTERIM REPORT AND ACCOUNTS

30 June 2015

HgCapital Trust plc

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

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

References in this Interim 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 Interim 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, 14, 31, 42 and 55 in this report are of the building in London occupied by HgCapital and the surrounding area.

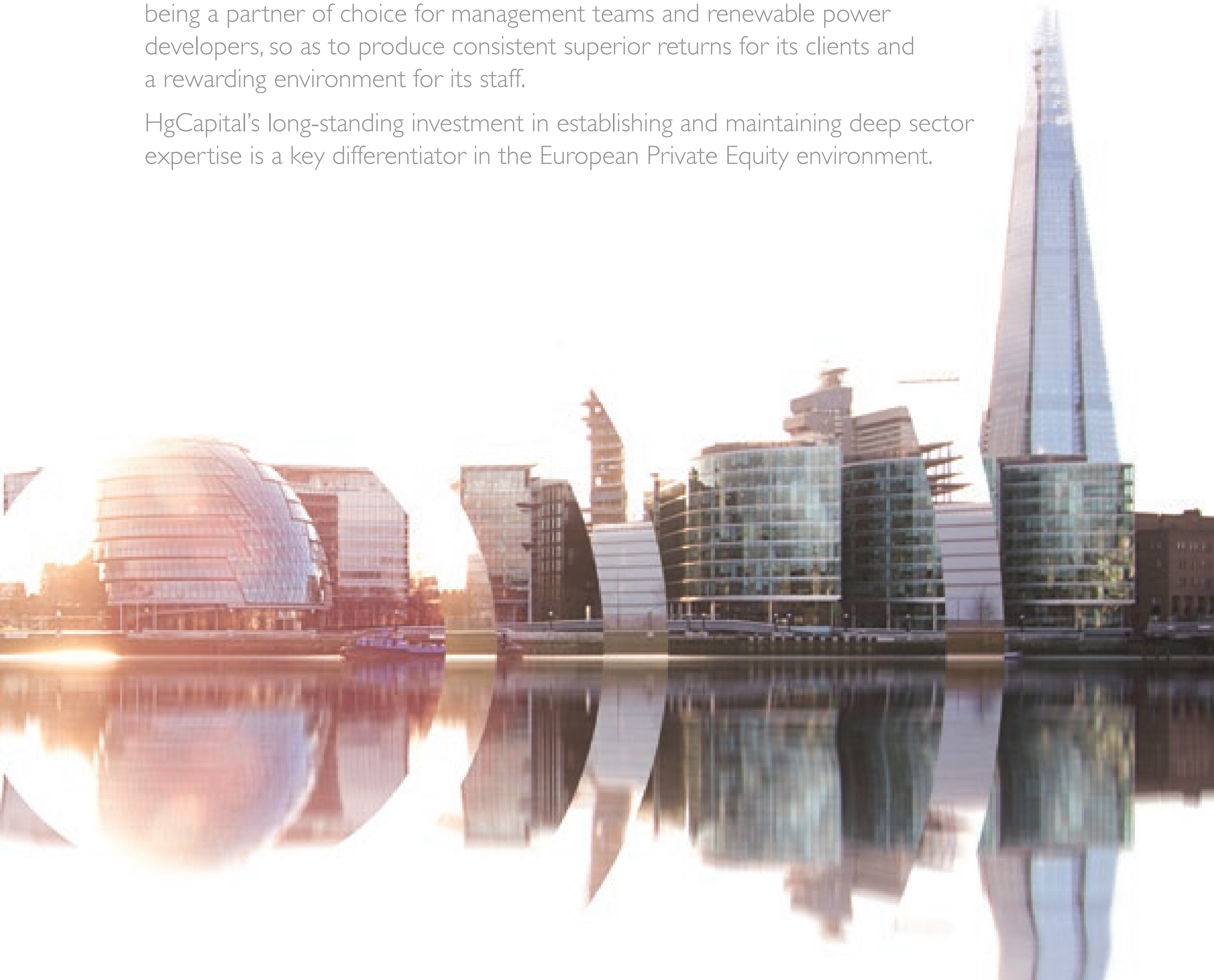
ABOUT HgCAPITAL TRUST PLC

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 a deep sector focus primarily targeting middle-market buyouts across TMT, Services and Industrials with enterprise values of between £80 million and £500 million, 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.

HgCapital is a private equity investor focused on the European mid-market, with a business model that combines deep sector specialisation with dedicated portfolio management support.

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 its clients and a rewarding environment for its staff.

HgCapital's long-standing investment in establishing and maintaining deep sector expertise is a key differentiator in the European Private Equity environment.



FINANCIAL HIGHLIGHTS

SIX MONTH NET ASSET VALUE ('NAV') PER SHARE TOTAL RETURN PERFORMANCE

GROWTH IN UNDERLYING PORTFOLIO
in local currency:

+12%

- The majority of the unrealised portfolio has seen an increase in value driven by:
  - Robust sales and profit growth;
  - Strong cash generation; and
  - Higher market ratings

ADVERSE CURRENCY IMPACT ON NAV

-4%

- Continued currency headwinds:
  - Predominantly from a weak euro as well as weak Nordic currencies

CARRIED INTEREST PROVISION
for Hg6 vintage:

-3%

- Hg6 is performing well:
  - Combination of cash returned and unrealised portfolio value leading to a balance sheet provision

RECURRING AND OTHER CHARGES

-1%

- The charges for the first six months of 2015:
  - These are the recurring operating expenses and taxation over the period

= NAV PER SHARE TOTAL RETURN

+4%

- Six months NAV per share total return performance
- Ahead of the FTSE All-Share return over the same period

FINANCIAL HIGHLIGHTS continued

NAV PER SHARE
The NAV per share at 30 June 2015 was £12.93, a total return over the half-year of:

+4%

NET ASSETS
The total NAV of the Trust at 30 June 2015 was:

£483m

SHARE PRICE
The share price at 30 June 2015 was £11.01, a total return for the period of:

+7%

MARKET CAPITALISATION
The market capitalisation of the Trust at 30 June 2015 was:

£411m

CASH INVESTED ON BEHALF OF THE TRUST
The cash invested over the period:

£40m

CASH REALISED FOR THE BENEFIT OF THE TRUST
The cash realised over the period:

£17m

NET LIQUID RESOURCES
The net liquid resources of the Trust at 30 June 2015 (5% of NAV):

£23m

OUTSTANDING COMMITMENTS
The outstanding commitments of the Trust at 30 June 2015 (35% of NAV):

£169m

TOTAL ANNUALISED ONGOING CHARGES
As at 30 June 2015:

2.1%

LONG-TERM PERFORMANCE
Annualised share price total return over the last twenty years:

+15%

FINANCIAL HIGHLIGHTS continued

THE PORTFOLIO

The Trust provides investors with access to a portfolio currently comprising **29 companies** actively managed by an experienced and well-resourced Manager.

Investments are made predominantly in unquoted companies, across Northern Europe, in selected parts of the TMT, Services and Industrial sectors where the Manager is confident that value can be created through a pro-active partnership with management teams, drawing on both sector and operational expertise to drive sustainable growth. The Manager has a commitment to address environmental, social and governance issues to ensure that, by meeting not only the needs of customers, but also the expectations of wider society, these businesses will be able to achieve returns that are sustainable and which will be reflected in their value.

An investment in the Trust provides exposure to a portfolio of companies with potential for strong growth in sales and profitability. The top 20 buyout investments currently account for 87% of the portfolio value. These companies have annual aggregate revenues of **£2.0 billion** and EBITDA of **£442 million** with margins of **22%**.

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

TOP 20 INVESTMENTS

as at 30 June 2015

SALES GROWTH

The average growth in sales over the last twelve months:

+11% p.a.

PROFIT GROWTH

The average growth in EBITDA over the last twelve months:

+10% p.a.

EV TO EBITDA MULTIPLE

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

13.7x

DEBT TO EBITDA RATIO

The average net debt to EBITDA ratio:

4.6x

FINANCIAL HIGHLIGHTS continued

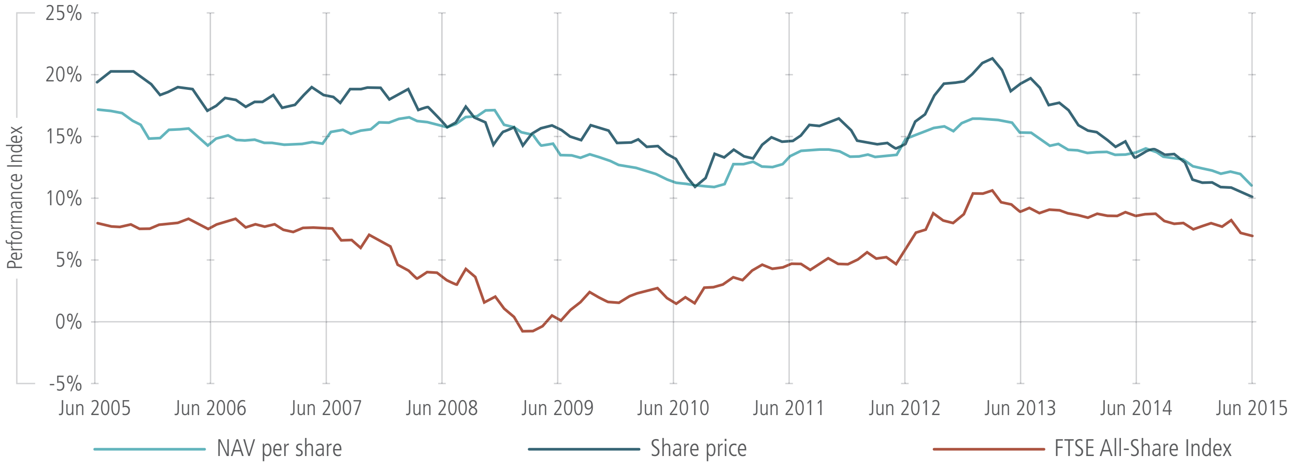
LONG-TERM PERFORMANCE RECORD

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

HISTORICAL TOTAL RETURN PERFORMANCE

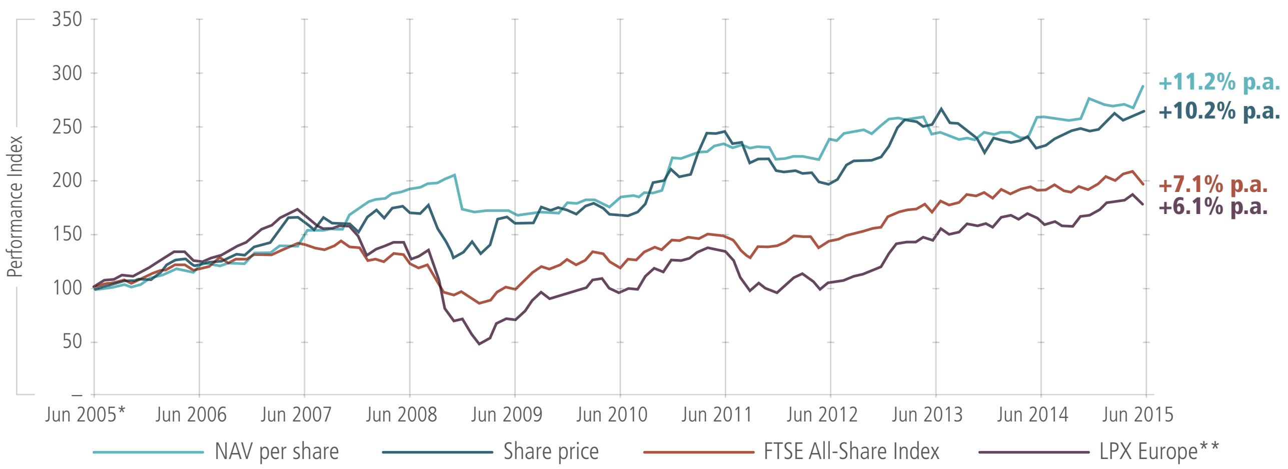
	Six months to 30 June 2015 %	One year % p.a.	Three years % p.a.	Five years % p.a.	Ten years % p.a.	Twenty years % p.a.
NAV per share	3.8	10.7	6.3	9.2	11.2	14.1
Share price	7.2	14.7	10.3	9.4	10.2	14.8
FTSE All-Share Index	3.0	2.6	11.0	10.7	7.1	7.5
Share price performance relative to the FTSE All-Share Index	4.2	12.1	(0.7)	(1.3)	3.1	7.3

TEN YEAR ROLLING TOTAL RETURN (CAGR)



Source: HgCapital, Factset.

LONG-TERM PERFORMANCE – TEN YEAR TOTAL RETURN



* Performance record rebased to 100 at 30 June 2005. Source: Factset, HgCapital.

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

CHAIRMAN'S STATEMENT

Strong trading in the underlying portfolio has driven further growth in NAV

Performance in the first half

During the period, the Trust's NAV per share (on a total return basis) achieved growth of 3.8%, rising from £12.78 at 31 December 2014 to £12.93 at 30 June 2015, after the payment of a dividend in respect of 2014 of 32 pence per share.

This appreciation reflected continuing strong growth in sales and earnings in the majority of the top 20 companies that make up 87% of our portfolio. Overall, in the last twelve months the top 20 companies saw sales growth of 11% and EBITDA growth of 10%. Growth in profits was by far the most significant source of value creation, adding some £31 million or 83 pence per share to NAV. This was further supported by higher valuation ratings for some holdings but the weakness of the Euro affected the value of ten buyout investments on translation into sterling, while two investments (Visma and e-conomic) were adversely affected by the depreciation of the Norwegian and Danish currencies respectively. The attribution analysis on page 21 of this report sets out a breakdown of the unrealised movements in the portfolio.

A majority of our top 20 companies achieved growth in value, with strong appreciation in IRIS, JLA, P&I, and Zenith Leasedrive. While small provisions were needed against the value of a small number of investments, it was also pleasing to see that there has been continuing improvement in trading at Teufel, and consequently further recovery in its valuation, which had previously been written down; this follows hard work by both the management and the Manager's portfolio and sector teams.

The Manager's aim is to build our portfolio of investments and add value to it. In order to provide an incentive to deliver such value, the Manager and its executives, via a Founder Partner, participate in long-term incentive schemes for each vintage. As set out on page 87 of the 2014 Annual Report, the Founder Partner becomes entitled to a share of the profits in each fund, known as "carried interest", once all invested capital and an agreed preferred rate of return (in our case 8% p.a.) has been returned in cash. The success of the Manager's Hg6 vintage resulted in a provision for carried interest being made at the end of 2014. The continuing strong progress of these investments in the first half of 2015 has resulted in a substantial increase of £11.6 million in the carried interest provision, held against the value of the portfolio, to £12.7 million. As explained in note 7(c) to the financial statements, the provision is based on the amount of carried interest that would be payable on the assumption that investments held in this vintage are realised for cash on 30 June 2015 at their current valuation (about £277 million). In future years, as further appreciation in the value or realisations of these assets above their current carrying value are achieved, in excess of further increases in the preferred return, the provision should increase accordingly.

Returns to shareholders

During the period, the Trust's share price outpaced the growth in net asset value, closing at £11.01 on 30 June 2015 to give a total return of 7.2% in the first half, versus a 3.0% total return from the FTSE All Share Index. We always emphasise that investment in private equity should be viewed over a long time horizon that reflects the nature of the investments made: over such longer periods the Trust has delivered a compound annual share price total return of 9.4% p.a. over the last five years, 10.2% p.a. over ten years and 14.8% p.a. over twenty years.

Revenue

Net investment income credited to our revenue account was unusually high in the first half of 2014 due to receipt of a one-off dividend from Visma which we paid out as a special dividend in September last year. Compared with normal levels of net interest in prior years, the return after expenses in the first half of 2015 was strong at 26.6 pence per share. Shareholders should note that our revenue return in any period can be affected by valuations: the Trust's return from investment income in the first half of 2015 should therefore not be relied on as a guide to the net return likely to be reported for the year as a whole.

Investment activity

The Manager was active in making new acquisitions in the half year, investing £40 million on behalf of the Trust, mostly into new buyouts. The largest of these was the acquisition of The Foundry, a leading creator of software for use in complex imaging for the cinema and computer aided design. Other new investments drew on the Manager's expertise in the insurance and automotive sectors in the UK and Germany.

Only one full realisation, generating proceeds of nearly £4 million, was made in the half-year: Sporting Index, a legacy Consumer & Leisure asset that was first acquired in 2005; this was ultimately not a good investment but its realisation, at 50% above carrying value, demonstrates the persistence of the Manager in working to preserve and rebuild value in its less successful investments.

Some £14 million in cash was received from further distributions, mainly arising from the recapitalisation of Zenith Leasedrive, a very cash-generative business, and from renewable energy projects. Late in June we announced that agreement had been reached to sell SimonsVoss, to a trade buyer, subject to regulatory approval, and an estimated £19 million in cash proceeds will be received on completion.

CHAIRMAN'S STATEMENT continued

Investment strategy

For some time, the Board has been discussing with the Manager how the Trust, as a permanent pool of capital, can remain as fully invested as possible, while also having the resources and flexibility to participate in all the Manager's deals. At the same time, as the Manager describes in their review, they have developed their thinking about holding those investments that demonstrate continuing prospects for value creation for longer than the 3-5 years that has traditionally been the norm in private equity. This longer perspective is very appropriate for the Trust and the Board has been keen to adjust its thinking and its modus operandi with the Manager. For example, two years ago we agreed a new policy allowing the Manager to invest the Trust's funds in co-investments alongside our new acquisitions. Last year, the Board agreed to participate with a substantial co-investment in the new holding structure for Visma, an example of the kind of business whose potential for ongoing growth, both organic and through acquisitions, justifies continuing investment. Recently, the Board has agreed to extend this policy to accommodate more flexibility in taking up co-investments in businesses with good prospects, already controlled by the Manager, at times when the Trust has resources available. The twin aims of these developments are to participate in the success of strong businesses to the maximum and to manage the Trust's balance sheet efficiently, keeping it more fully invested across the investment cycle.

Transparent reporting to shareholders

The Board and Manager remain committed to comprehensive and transparent reporting to shareholders. A further step has been achieved with the launch of a completely redesigned website earlier this month. We hope that shareholders, and those considering investment in the Trust, will find this helpful. We welcome any feedback or suggestions for further improvement in our communications.

A particular feature of our reporting has been to enable shareholders to look through the Trust and see in some detail the portfolio of businesses in which we are currently invested. This is, of course, only possible where investments are made directly into businesses, rather than through funds. We also publish case studies that describe selected investments from the time they are first acquired, through the changes in strategy or operations put in place, acquisitions and divestments, to ultimate realisation. This level of disclosure gives shareholders the opportunity to make their own judgement on the strategies adopted in HgCapital Trust and the risk and return in our portfolio. With the growing differentiation among private equity managers in their approach and style, and varying strategies between one private equity trust and another, this level of disclosure should assist investors to make a well informed selection based on fundamentals rather than focusing solely on relative discounts.

Prospects and risks

Most businesses in our buyout portfolio are trading well, with sales and profits growing materially faster than the markets in which they operate. However, recovery is still fragile in most economies and so our portfolio must retain some vulnerability to a downturn. The weakness against sterling of the other European currencies in which many of our investments are denominated, although mitigated by taking on debt in the relevant currency, continues to be a potential source of risk.

The Manager has a strong pipeline of investment opportunities, across all its sectors, which may lead to acquisitions over the balance of the year and into 2016. At 30 June 2015 the Trust's outstanding commitments to invest stood at £169 million. Almost 70% of this commitment is to invest in the Hg7 vintage, the majority of which will be invested over the next couple of years. In our planning we assume that the Trust will invest at a pace of about £20 million per quarter. Following completion of the sale of SimonsVoss we will have estimated liquid funds of more than £41 million and a bank facility, currently undrawn, of a further £40 million. The Board is confident that it will be able to manage the Trust's balance sheet efficiently while continuing to meet all capital drawdowns as they occur; any risk is further mitigated by the "opt-out" which the Trust has in relation to its commitment to HgCapital 7.

Meanwhile, the Trust is enjoying the fruits of growth in sales and profits across the great majority of the portfolio, progressively building value for the benefit of shareholders. Major institutions continue to diversify their portfolios, in many cases adding an allocation to private equity to their listed equities to achieve higher returns than listed markets. The Board maintains its view that an allocation to private equity should be considered by smaller institutions and private investors, and that a listed vehicle such as HgCapital Trust is ideal for gaining that exposure efficiently.

Roger Mountford
Chairman
20 August 2015

INTERIM MANAGEMENT REPORT AND RESPONSIBILITY STATEMENT

Interim management report

The important events that have occurred during the period under review are described in the Chairman's statement and in the Manager's review, which also include the key factors influencing the financial statements.

The Directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 31 December 2014. A detailed explanation of the risks summarised below can be found on pages 13 and 14 of the 2014 Annual Report which is available at www.hgcapitaltrust.com.

Performance risk

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

Regulatory risk

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.

Operational risk

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

Financial risks

The Trust's investment activities expose it to a variety of financial risks that include valuation risk, liquidity risk, market price risk, credit risk, foreign exchange risk and interest rate risk.

Liquidity risk

The Trust, by the very nature of its investment objective, predominantly invests in companies whose shares are not traded on a market. The Manager has the benefit of control over most of the companies but to realise its investment would require negotiation of a sale to a purchaser or a flotation on the stock market, which might not be achievable at the Directors' published valuation.

Borrowing risk

The Board and the Manager agree that prudent use of borrowing to fund acquisitions can increase rates of return to shareholders. Businesses held in the underlying portfolio usually utilise bank borrowing at levels that can be serviced from the cash flows generated within that business.

Responsibility statement

The Directors confirm that to the best of their knowledge:

- The condensed set of financial statements has been prepared in accordance with the Statement on Half-yearly Financial Reports issued by the UK Accounting Standards Board and gives a true and fair view of the assets, liabilities, financial position and profit of the Trust;
- The Interim Management Report (incorporating the Chairman's Statement and the Manager's Review) includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Trust during that period; and any changes in the related party transactions described in the last annual report that could do so. There were no related party transactions during the period.

This interim financial report was approved by the Board of Directors on 20 August 2015 and the responsibility statement was signed on its behalf by Roger Mountford, Chairman.

Roger Mountford
Chairman
20 August 2015

THE TRUST'S INVESTMENT OBJECTIVE AND INVESTMENT POLICY

INVESTMENT OBJECTIVE

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

INVESTMENT POLICY

The policy of the Trust is to invest, directly or indirectly, in a portfolio of unlisted companies where the Manager believes it can add value through organic growth, operational improvements, margin expansion, reorganisation or by acquisition. The Trust seeks to spread investment risk through appropriate diversification. The Trust's maximum exposure to unlisted investments is 100% of the gross assets of the Trust from time to time. At the time of acquisition, no single investment in an unlisted company, whether made directly or indirectly, will exceed a maximum of 15% of gross assets. The Trust may invest in other listed closed-ended investment funds up to a maximum at the time of acquisition of 15% of gross assets.

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

Sectors and markets

The Trust invests primarily in companies whose operations are headquartered or substantially based in Europe. 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 to no more than, broadly, twice the aggregate of the Trust's paid up share capital and reserves (without shareholder approval).

Hedging

The Trust offers exposure to a range of businesses operating in the UK, the Eurozone and the Nordic region. The Trust does not strategically hedge investments back into sterling. The Manager uses derivatives to hedge tactically with the object of protecting the sterling value of the acquisition cost of investments made or proceeds from realising investments in other currencies.

Liquid funds

The Trust maintains a level of liquidity to ensure, so far as can be forecast, that it can participate in all investments made by the Manager throughout the investment/realisation cycle. When appropriate the Trust negotiates a standby bank facility to provide funds for investment.

The Trust currently has in place a £40 million unsecured standby bank facility with Lloyds TSB Bank plc maturing at the end of December 2015. The Trust can draw on this facility to meet short-term needs, for example, between making an investment and receiving the proceeds from a realisation. At certain points in the investment cycle the Trust may hold substantial cash awaiting investment. The Trust may invest its liquid funds in government or corporate securities, or in bank deposits, in each case with an investment grade rating, or in managed funds that hold investments of a similar quality. To this end, we invested in the Royal London Asset Management Cash Plus fund in 2014. This deploys funds awaiting investment in private equity deals in a highly liquid portfolio of cash, UK gilts, covered bonds, sovereign bonds and index-linked securities.

If there is surplus capital and conditions for new investment appear to be unfavourable, the Board will consider returning capital to shareholders, probably through the market purchase of shares.

Socially responsible investment

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

THE TRUST'S RATIONALE AND BUSINESS MODEL

RATIONALE

The Board believes that there is a convincing rationale for investing in well-researched private businesses where there is potential for growth in value, especially where the Manager can work with the management of a business to support technological change and implement strategic or operational improvements. These can result in higher rates of growth in sales and enhanced profits, which are more sustainable into the future, offering investors capital gains on realisation.

Many large institutional investors have been making an allocation to private equity funds for decades, each time committing to a 10-12 year closed end fund, investing time to select a manager and negotiate complex and lengthy limited partnership agreements and then assuming the burdens of administration, monitoring and accounting that these vehicles impose. In return, the best managers have delivered better performance than most investors have received from their listed equity, bond, hedge fund and property portfolios. This long-term commitment may not be practical for 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 12 to the financial statements).

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

In addition, the Trust has invested in renewable power generating projects, an area where the Manager has developed its skills and built a specialist team.

Comparators

For most shareholders, their investment in the Trust represents a small allocation of funds that would otherwise be invested in UK equities. The Manager's aim is to achieve returns in excess of the FTSE All-Share Index over the long-term but the Trust is not managed so as to reflect short-term movements in the Index. To assess the Manager's performance relative to other private equity managers, the Board regularly compares the Trust's NAV and share price performance against a basket of peers listed on the London Stock Exchange and against the UK and pan-European indices of listed private equity companies published by LPX.

Priorities as a listed investment company

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

THE TRUST'S RATIONALE AND BUSINESS MODEL continued

Valuation

The Manager is responsible for preparing valuations of each of the Trust's investments, which the Board reviews after considering analytical and performance data, and the valuation process. The valuations are carried out in accordance with the International Private Equity and Venture Capital ('IPEV') Valuation Guidelines. Further information can be found at www.privateequityvaluation.com.

NAV and trading in the Trust's shares

The Board values the portfolio and publishes the Trust's NAV as at 30 June and 31 December. Following these dates, the NAV figure is published monthly, after adjustment for realisations and movements in foreign exchange, the market prices of any listed securities and any dividends payable and expenses incurred.

The Trust's shares trade on the London Stock Exchange at prices that are independent of the Trust's NAV but reflect the NAV and expectations of future changes in it. The shares have traded at a discount to the NAV and, at times, at a premium to it.

The Board has not attempted to manage any discount through repurchase of shares. The Board believes that discounts to NAV are minimised through consistently good long-term returns, transparent reporting, rigorous valuation and avoidance of risk at the Trust level.

Dividends

The Board does not structure the Trust's balance sheet or underlying investments in order to deliver any target level of dividend. To maintain the Trust's status as an investment trust, annual net revenue retained, after dividend distributions in respect of that financial year, may not exceed 15% of the annual total taxable income. The total taxable income for a financial year might be higher or lower than the net income reported in the income statement. The level of the net revenue varies from year to year according to the level of the Trust's liquid funds and the short-term interest rates that can be earned on them, and the structure of the buyouts held at the time; net revenue is also affected by the valuation of accrued, but unpaid, interest on shareholder loans to investee companies. Accordingly, the minimum level of dividends may vary from year to year. Where possible, the Trust has elected to 'stream' its income from interest-bearing investments as dividends that will be taxed in the hands of shareholders as interest income; this reduces the tax charge payable by the Trust.

Going concern

The Trust's business activities, together with the factors likely to affect its future development, performance and financial position are described in the Board's Strategic Report and the Manager's Report in the Annual Report. The financial position of the Trust, its cash flows, liquidity and borrowing facilities are described in this Strategic Report. In addition, note 19 to the financial statements 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 page 24. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Performance

In the six months to 30 June 2015, the Trust's NAV per share increased by 3.8% on a total return basis. In comparison, the FTSE All-Share Index increased by 3.0%. The total return of the Trust's shares was 7.2%. All of the above assume the reinvestment of all historical dividends.

Key performance indicators

Each Board meeting conducts a detailed review of the portfolio and reviews trading results and ratios to understand the impact on the Trust of the trading performance of the individual portfolio holdings. The KPIs used to measure the progress and performance of the Trust over time and which are comparable to those reported by other investment trusts include NAV per share, share price, total return per share, average monthly trading volumes and cash flow. Further information on KPIs and the Trust's progress against these can be found in the Chairman's statement on pages 8 to 9 and the Manager's review on pages 14 to 41. 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.

For and on behalf of the Board

Roger Mountford
Chairman of the Board
20 August 2015

THE MANAGER'S REVIEW

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

Our business model combines deep sector specialisation with dedicated portfolio management support. HgCapital invests primarily in growth companies in expanding sectors via leveraged buyouts and in renewable energy-generating projects across Europe.

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

References in this Interim 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 an 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 (HgRenewable Power Partners LP ('RPP1') and HgCapital Renewable Power Partners 2 C LP ('RPP2')), of which the Trust is a limited partner.

THE MANAGER'S REVIEW continued

OVERVIEW

INTRODUCTION TO THE MANAGER

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

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

With over 100 staff in two investment offices in the UK and Germany, HgCapital has assets under management of £5.4 billion serving a range of highly regarded institutional investors, including private and public pension funds, charitable endowments, insurance companies and family offices.

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

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

SECTOR FOCUS

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

This deep sector focus is channelled through a rigorous, research-based investment process; this process systematically identifies 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.

PORTFOLIO MANAGEMENT

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

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

EMPLOYEE ENGAGEMENT

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

Positioning ourselves as a best in class recruiter

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

Improving our ability to identify talent

We have strengthened our talent identification processes with our focus being on outperformers and how we can best accelerate their development within the business. We believe that this is the basis of effective succession planning.

Developing future leaders

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

THE MANAGER'S REVIEW continued

THE MANAGER'S STRATEGY AND TACTICS

INVESTMENT FOCUS

HgCapital primarily focuses on mid-market buyouts across the TMT, services and industrials sectors, with enterprise values 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.

EUROPEAN FOCUS

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

The renewable energy investments are focused on the UK, Ireland, the Nordic region and Spain.

All investments are managed by specialist, dedicated sector and portfolio management teams located in London and Munich who work with a common purpose and culture, applying consistent processes.

CLEAR INVESTMENT CRITERIA

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

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

We target situations where our specialist knowledge and skills can make a real difference in supporting management to grow industry champions.

BROAD COVERAGE

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

ACTIVE PORTFOLIO MANAGEMENT

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

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

DEEP RESOURCES

HgCapital's practice of employing specialisation – both in investment selection and portfolio management – requires significant resources. Accordingly, we have built a deeply resourced business employing over 100 staff, including more than 65 investment and other professionals.

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

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

THE MANAGER'S REVIEW continued

RESPONSIBLE INVESTING

WHY RESPONSIBLE INVESTMENT IS IMPORTANT TO US

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

Through our investments we look to create 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.

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

OUR RESPONSIBLE INVESTING FRAMEWORK

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

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

ENVIRONMENT

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

HOW WE INTEGRATE RESPONSIBLE INVESTING INTO OUR INVESTMENT PROCESS

Investment screening

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

Diligence

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

Ownership

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

PRI Principles for Responsible Investment

A signatory to the UNPRI since 2012.

Responsible Investment Awards 2015

We received this for our Responsible Investing policy and framework.

CEMARS Certified Emissions Measurement And Reduction Scheme

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

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

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

THE MANAGER'S REVIEW continued

SECTOR SPECIALISATION

Industrials

HgCapital's Industrials Team is focused on partnering with growth businesses, in particular in the German market, which is characterized by a large number of highly successful, family-owned businesses (the "Mittelstand"). We have earned a reputation as a preferred partner for many Mittelstand companies, as a result of supporting the management of a number of these hidden champions to scale into international businesses.

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

Thematic research within this sector has been concentrated over many years on the characteristics that define the strongest industrial production and distribution businesses and on the potential opportunities and challenges that will impact these businesses as they grow. As a result, we focus on investing in the following industrial sub-sectors: mechanical engineering; electronics for industrial networks, automation, control and testing; and smart distribution models.

Renewable Energy

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

We believe this strategy presents an attractive investment opportunity, which is estimated to require significant capital investment over the medium-term. Technological advances and the increased scale of the industry have increased the cost competitiveness of renewable energy, as well as providing favourable inflation linkage and a hedge against fossil fuel costs. HgCapital's renewable energy investment theme is focused on the most efficient technologies and best resourced sites, requiring the least regulatory support and resulting in the lowest costs for the consumer.

Investment is at an industrial scale to reduce intrinsic costs and create strategic value. HgCapital is one of the leading owners of onshore wind farms in Scandinavia, is one of the largest financial investors in Irish onshore wind, and has a substantial portfolio of ground-mounted solar and small hydroelectricity projects in Spain.

THE MANAGER'S REVIEW continued

OVERVIEW OF THE PERIOD

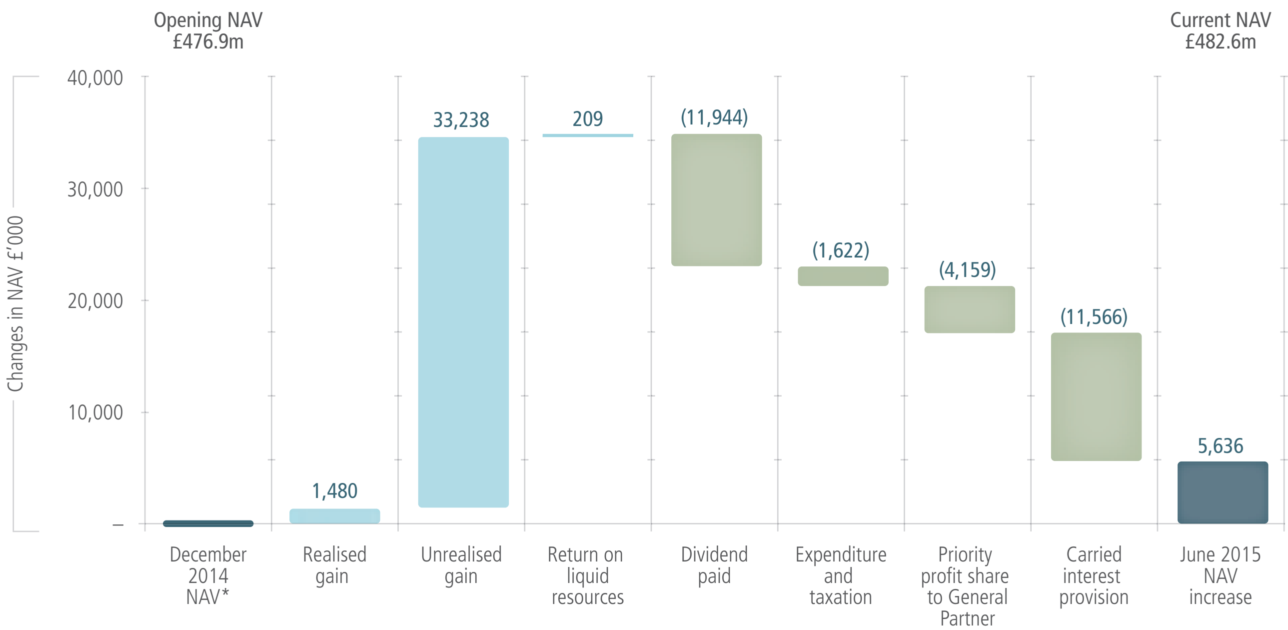
NET ASSET VALUE (NAV)

Over the first half of 2015, the NAV of the Trust increased by £5.7 million, from £476.9 million to £482.6 million at 30 June 2015.

ATTRIBUTION ANALYSIS OF CURRENT MOVEMENTS IN NAV

	Revenue return £'000	Capital return £'000	Total return £'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 / (less than) 31 December 2014 book value	1,686	(206)	1,480
Net unrealised capital and income appreciation of investment portfolio	13,193	20,045	33,238
Net realised and unrealised gains from liquid resources	201	8	209
Dividend paid	(11,944)	–	(11,944)
Expenditure and taxation	(1,622)	–	(1,622)
Investment management costs:			
Priority profit share - current year charge	(4,159)	–	(4,159)
Priority profit share - net loan allocation	627	(627)	–
Carried interest - current year provision	–	(11,566)	(11,566)
Closing NAV as at 30 June 2015	**23,965**	**458,589**	**482,554**

ANALYSIS OF NAV MOVEMENTS
for the period ended 30 June 2015



*December 2014 rebased to nil

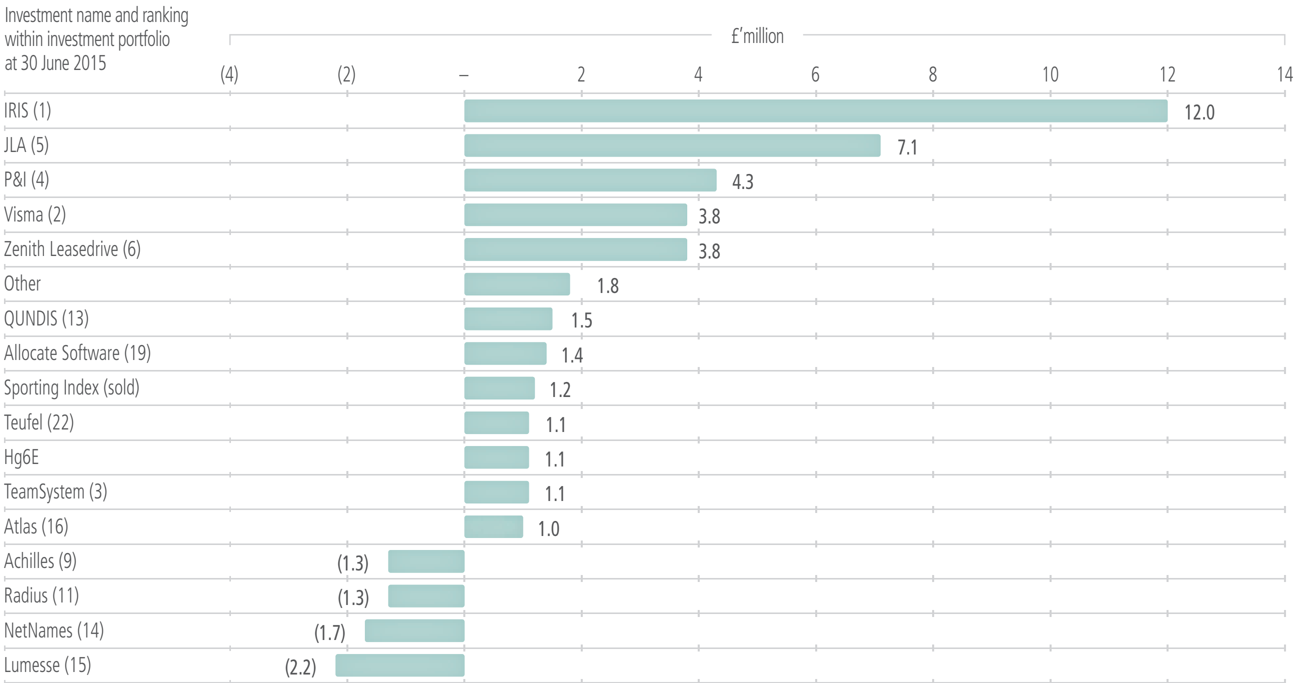
There were a number of underlying factors contributing to the above movement in the NAV. Positive impacts on the NAV were: the revaluation of the unquoted portfolio (+£33.2 million) and uplifts on the realisation of investments, compared with their carrying value at the start of the year (+£1.5 million). Reductions in the NAV were caused by: the payment of a dividend to shareholders (-£11.9 million); the Manager's remuneration (-£4.2 million and a -£11.6 million increase in the provision for future carried interest); and operating expenditure and taxation (-£1.6 million).

THE MANAGER'S REVIEW continued

OVERVIEW OF THE PERIOD

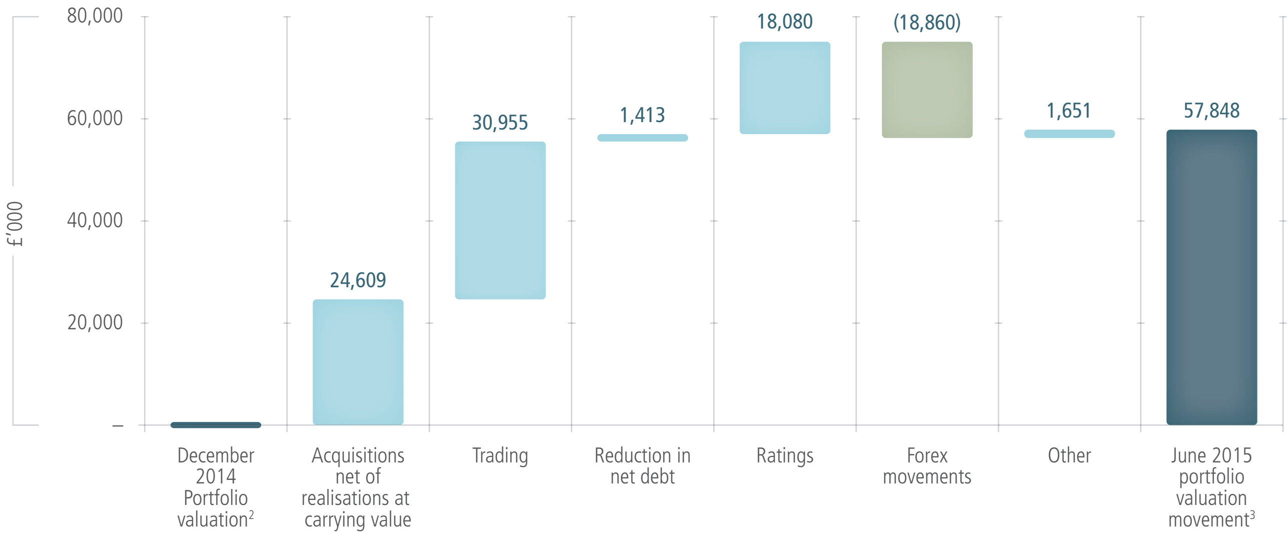
REALISED AND UNREALISED MOVEMENTS IN INVESTMENT PORTFOLIO

for the period ended 30 June 2015



ATTRIBUTION ANALYSIS OF UNREALISED MOVEMENTS IN THE INVESTMENT PORTFOLIO[1]

for the period ended 30 June 2015



[1] Includes accrued income [2] December 2014 rebased to nil [3] Excluding carried interest provision

During the period, the value of the unrealised portfolio increased by £57.8 million, excluding the provision for carried interest. The majority of the increase (£31.0 million) relates to increases from profit growth in the underlying portfolio. Other positive contributions were from acquisitions made within the portfolio netted-off against the 31 December 2014 carrying value of realisations made during the year (+£24.6 million); an increase in ratings (+£18.1 million) and reduction in net debt (£1.4 million). These were partially offset by decreases driven by unfavourable foreign exchange movements (-£18.9 million). Other buyout investments increased by £1.7 million, largely resulting from an increase in the valuation of Hg6E. The increase in profits resulted from organic growth as well as some of the acquisitions made within the portfolio companies.

THE MANAGER'S REVIEW continued

OVERVIEW OF THE PERIOD

TOP 20 PORTFOLIO TRADING PERFORMANCE
as at 30 June 2015

The Top 20 buyout investments (representing 87% of the total portfolio by value) have delivered aggregate sales growth of 11% and EBITDA growth of 10% over the last twelve months ('LTM').

We are pleased with the performance of the majority of the portfolio and, in particular, some of the larger companies.

We have continued to see consistent strong double-digit trading performance from some of our larger companies including IRIS and P&I from our TMT portfolio and JLA and Zenith Leasedrive within the Services sector. These four businesses represent 30% of the Trust's portfolio value. Whilst it is early days for Allocate and A-Plan, both of these companies have had a good start to their life under HgCapital ownership.

Our Software-as-a-Service ('SaaS') businesses, such as Achilles, e-conomic (now part of Visma) and Intelliflo, have a focus on driving their recurring revenue growth, adding significant costs to improve their sales and marketing capabilities and consequently depressing short-term EBITDA, to capture much higher growth going forward.

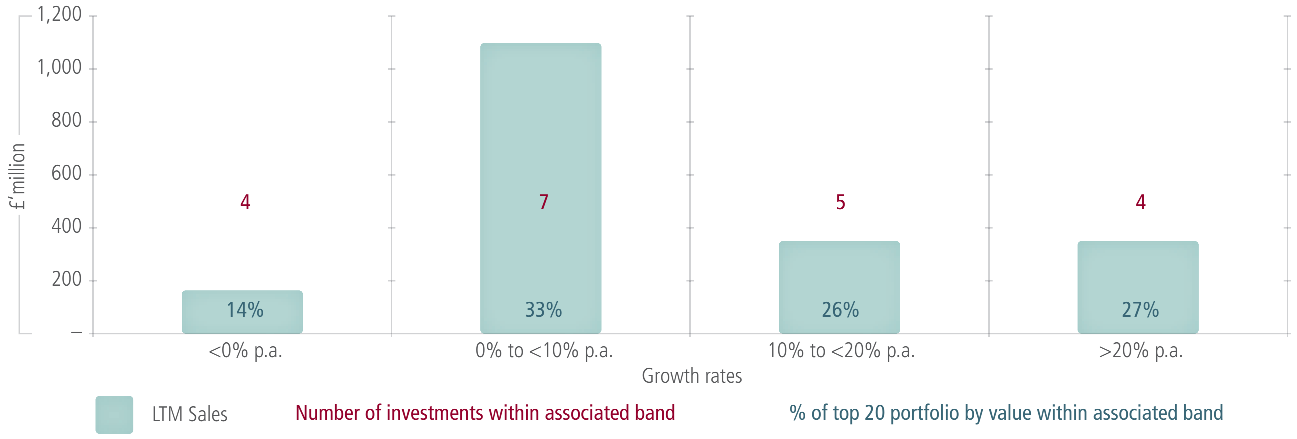
The significant M&A activity within the portfolio that we reported on during 2014 has started to deliver synergies for both TeamSystem and Zenith Leasedrive. We continue to invest in Ullink and Radius as part of the integration work and believe that this will lead to significant improvements in the operating capability of these companies going forward. Short-term profits have been depressed as a result.

We continue to work hard with the management team at Lumesse to recover value whilst NetNames has been affected by a sterling cost base with predominantly euro revenues. This has been reflected in the valuations of these companies.

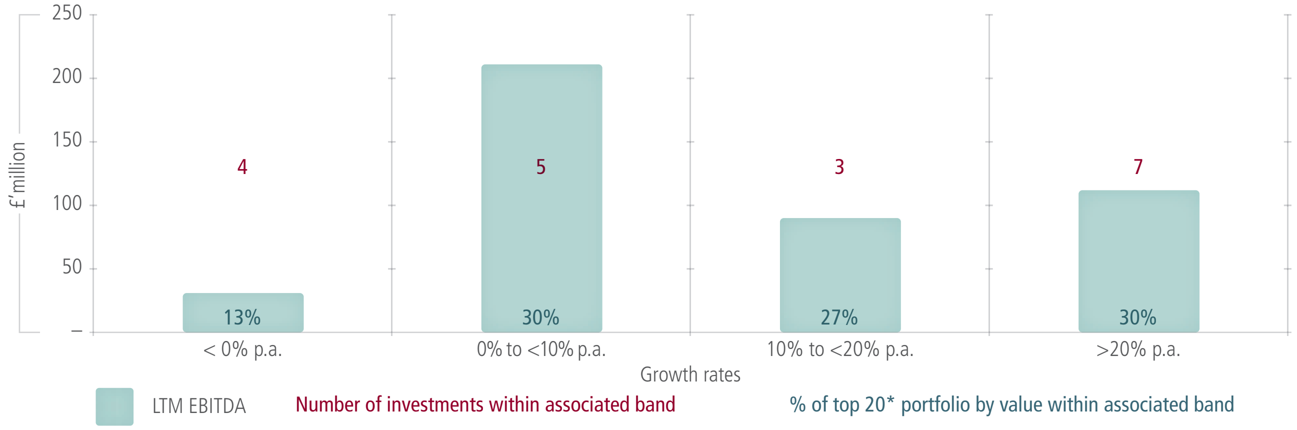
There has been some improved operational performance at QUNDIS and Teufel and this has led to the valuations of these companies being increased accordingly.

With strong earnings growth and cash generation across the portfolio, we believe that this will continue to drive equity value in our investments.

TOP 20 LTM SALES GROWTH
Exposure to £2.0 billion of sales that have grown on average at 11% over the last twelve months to June 2015



TOP 20* LTM PROFIT GROWTH
Exposure to £442 million of EBITDA that have grown on average at 10% over the last twelve months to June 2015



*Excluding one investment valued on a basis other than earnings.

THE MANAGER'S REVIEW continued

OVERVIEW OF THE PERIOD

VALUATION AND GEARING ANALYSIS

as at 30 June 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 13.7x EBITDA.

We continue to take a considered and prudent approach in determining the level of maintainable earnings to use in each investment valuation. The majority of the portfolio is valued using the LTM earnings to 31 May 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.

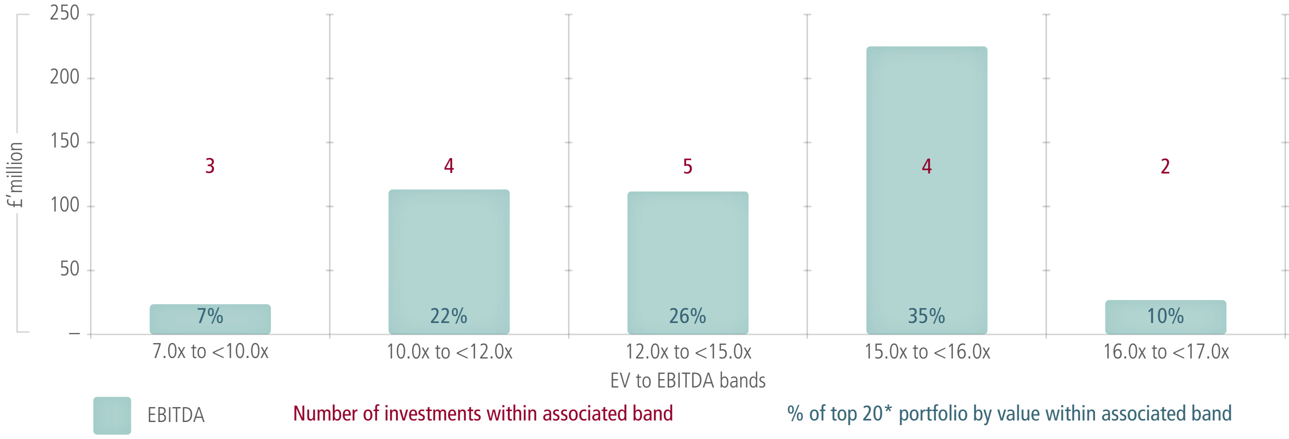
In selecting an appropriate multiple to apply to the company's earnings, we look at a basket of comparable companies, primarily from the quoted sector, but where relevant and recent, we will also use M&A data.

The average valuation multiple has increased over the period due to both an increase in ratings in comparable businesses and also with a 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.

Our portfolio companies make appropriate use of gearing, with average gearing for the top 20 of 4.6x LTM EBITDA as at 30 June 2015. A number of the businesses have highly predictable earnings and free cash flows (e.g. IRIS, Visma, TeamSystem, P&I, JLA and Zenith Leasedrive), enabling us to use debt to gear our returns.

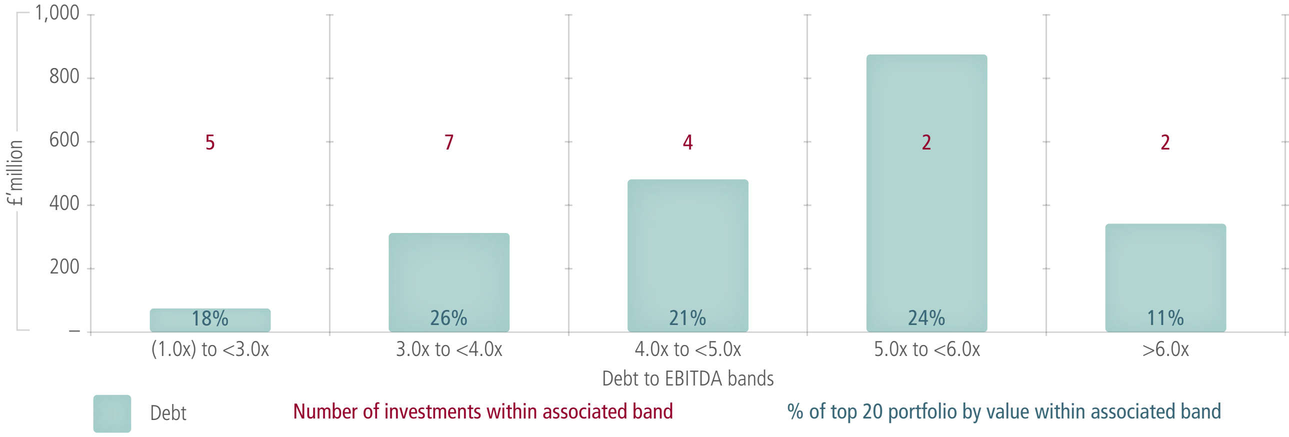
Over the past six months, we have recapitalised Zenith Leasedrive returning 45% of the original investment made and we will continue to assess opportunities to take advantage of the buoyant debt markets.

TOP 20* EV TO EBITDA VALUATION MULTIPLE – Average ratings multiple of 13.7x



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

TOP 20 DEBT TO EBITDA RATIO – Average debt ratio of the top 20 buyout investments of 4.6x



THE MANAGER'S REVIEW continued

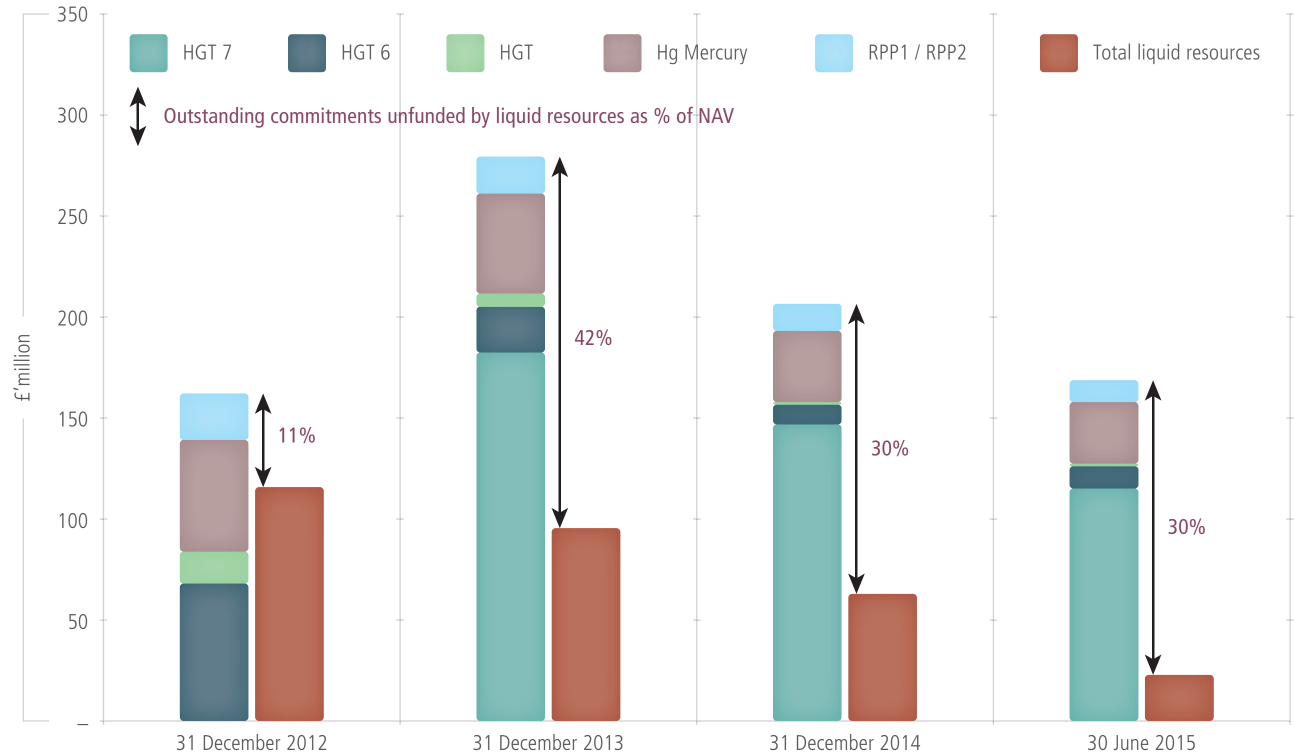
OVERVIEW OF THE PERIOD

OUTSTANDING COMMITMENTS OF THE TRUST

The period ended with liquid resources of £22.8 million supported by an undrawn bank facility of £40.0 million. Outstanding commitments as at 30 June were £168.8 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 a new investment without penalty, should it not have the cash available to invest.

Fund	Fund vintage	Original commitment £'million	Outstanding commitments as at 30 June 2015 £'million	Outstanding commitments as at 30 June 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	115.1	23.9%	146.9	30.8%
Hg Mercury	2011	60.0	30.5	6.3%	35.3	7.4%
HGT 6 LP	2009	285.0	10.6	2.2%	9.2	1.9%
RPP2	2010	28.3[1]	9.8	2.0%	12.3	2.6%
HGT LP (Pre-Hg6 vintage)	pre-2009	120.0[2]	1.3	0.3%	1.3	0.3%
RPP1	2006	15.3[3]	0.9	0.2%	1.1	0.2%
Hg6E[4]	2009	15.0	0.6	0.1%	0.5	0.1%
Total			168.8	35.0%	206.6	43.3%
Net liquid resources			22.8	4.7%	62.9	13.2%
Net outstanding commitments unfunded by net liquid resources			146.0	30.3%	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

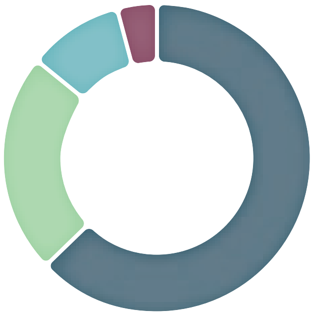
	Fund limited partnerships	Residual cost £'000	Total valuation £'000	Portfolio value %
	Primary mid-cap buyout funds:			
1	HGT 7 LP	82,227	90,116	19.6%
2	HGT 6 LP	211,489	263,563	57.2%
	HGT 6 LP – Provision for carried interest	–	(12,096)	(2.6%)
3	HGT LP	57,529	66,134	14.3%
	Total primary mid-cap buyout funds	**351,245**	**407,717**	**88.5%**
	Primary small-cap buyout funds:			
4	HgCapital Mercury D LP	23,769	27,837	6.1%
	Total primary small-cap buyout funds	**23,769**	**27,837**	**6.1%**
	Secondary mid-cap buyout funds:			
5	HgCapital 6 E LP	9,032	13,924	3.0%
	HgCapital 6 E LP – Provision for carried interest	–	(558)	(0.1%)
	Total secondary mid-cap buyout funds	**9,032**	**13,366**	**2.9%**
	Total buyout funds	**384,046**	**448,920**	**97.5%**
	Renewable energy funds:			
6	HgCapital Renewable Power Partners 2 C LP	4,724	1,503	0.3%
7	HgRenewable Power Partners LP	21,206	10,100	2.2%
	Total renewable energy funds	**25,930**	**11,603**	**2.5%**
	Total investments net of carried interest provision	**409,976**	**460,523**	**100.0%**

THE MANAGER'S REVIEW continued

PORTFOLIO ANALYSIS

Sector by value*
of primary buyout portfolio

- 63% TMT
- 23% Services
- 10% Industrials
- 4% Healthcare



Geographic spread by value*
of primary buyout portfolio

- 54% UK
- 18% Germany
- 16% Nordic Region
- 8% Italy
- 2% France
- 1% Switzerland
- 1% Republic of Ireland

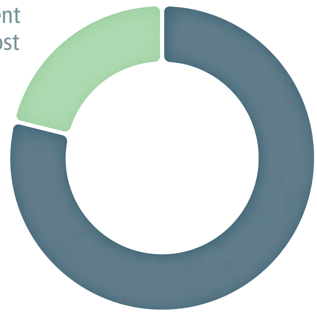
Investment vintage by value*
of primary buyout portfolio

- 9% 2015
- 15% 2014
- 23% 2013
- 5% 2012
- 16% 2011
- 32% pre 2011

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

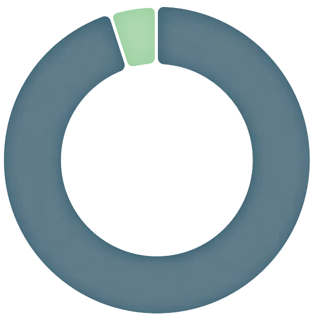
- 79% Above
- 21% Below

Representing aggregate realised proceeds and unrealised valuations of an investment



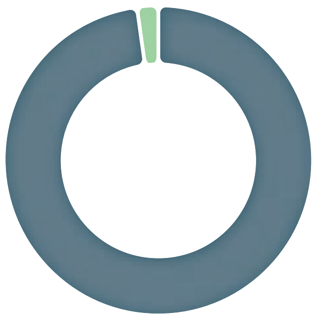
Net assets by class

- 95% Unquoted
- 5% Cash & other assets



Deal type by value*

- 98% Buyout
- 2% Renewable Energy



*Excluding carried interest provision

THE MANAGER'S REVIEW continued

OUTLOOK

PROSPECTS

Across Northern Europe, the economic picture remains relatively mixed. There has been a sustained improvement across a number of geographies during the period, especially in the Eurozone, although there is some evidence that the UK (the fastest growing economy in the developed world during 2014) may now be slowing.

Currency movements have continued to impact the HgCapital portfolio and the NAV of the Trust. Sterling has continued to strengthen against the euro and the Nordic currencies, adversely affecting the valuations of our non-sterling assets.

This relative uncertainty in the macro-economic environment is ongoing and we believe it is more important than ever to focus on our chosen sub-sectors and ensure that we carefully identify, research and develop our intrinsic understanding of those segments of the market which we think will materially out-perform the wider European economy.

HgCapital's sub-sectors have out-performed the broader market by two to three times during the last twelve months in terms of their relative organic growth rates. Beyond this, by developing and tracking relationships with companies in these segments very closely over the longer-term – for over three and a half years on average prior to acquisition – we believe that we can invest in the very best businesses within our chosen sub-sectors. By investing in these companies we have continued to deliver robust revenue and EBITDA growth in the last twelve months, which will in turn drive further NAV appreciation and should enable us to produce strong, risk-adjusted returns across market cycles.

We have also continued to develop our thinking around the broader management of the portfolio and maximising returns for clients, especially around hold versus sell decisions on an asset by asset basis. For example, we will consider holding for longer those investments which offer predictable growth and appreciation; we may take advantage of a strategic premium or window of opportunity to realise other assets.

Within the portfolio we have a number of fast growing businesses that share similar underlying 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. These types of business are in high demand as observed by transactions in both the M&A and IPO markets.

During the remainder of the year, we intend to continue to realise investments within the portfolio, across different fund vintages, just as we have done consistently across market cycles. We are confident that we have invested in attractive businesses that have the ability to be sold to a trade buyer (e.g. SimonsVoss), a financial buyer (e.g. Schleich), or alternatively listed on a public market (e.g. Manx Telecom).

We will continue to assess opportunities to take advantage of the buoyant debt markets by recapitalising investments so as to return further cash to the Trust, as we have recently in the case of Zenith Leasedrive, returning 45% of our original investment.

Both our main buyout fund and our Mercury TMT fund have a strong pipeline of potential investment opportunities and we would expect to deploy further capital over the next six months.

THE MANAGER'S REVIEW continued

INVESTMENTS

£40 million invested by the Trust during the first six months of 2015

The first six months of 2015 have seen a reasonably high level of investment activity with a total of £391 million deployed on behalf of HgCapital clients, with the Trust's share being £40.5 million.

In April 2015, the Services team completed the acquisition of A-Plan, a leading UK insurance broker. This investment represents the third new platform investment completed by the Services team in the last two years, underlining the team's ability to find high quality businesses and develop relationships with their management over the long term. A-Plan was a strong fit with HgCapital's investment strategy, through its high level of recurring revenues, strong customer loyalty and sector-leading customer advocacy, achieved through excellent service. The Trust has contributed a total of £14.6 million to this investment.

The Mercury team maintained the strong momentum of 2014 with a new investment in May 2015 into Eucon, a leading provider of automotive parts pricing data and insurance claims management services. The Trust's share of this investment was £4.4 million. This investment, based in Germany, 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 Leasedrive. HgCapital also has considerable experience in the insurance sector having invested in Relay Software, Sequel Business Solutions and A-Plan in the last twelve months.

In May, the TMT team completed an investment in The Foundry, a leading provider of award-winning software used globally by creative professionals. HgCapital has known the company for several years and this investment shares many of the characteristics that HgCapital looks for, providing an excellent platform for growth across a diversified client base, with a commitment to innovation. The Foundry is the fourth investment by HgCapital funds in the European software sector in the past year, following the acquisitions of Sequel, Allocate Software and Eucon. A total of £20.1 million was deployed on behalf of the Trust in this investment.

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

INVESTMENTS MADE DURING THE PERIOD*

Company	Sector	Geography	Activity	Cost £'000
The Foundry	TMT	UK	Innovative software provider to creative professionals	20,101
A-Plan	Services	UK	Independent insurance broker	14,573
Eucon	TMT	Germany	Provider of automotive parts pricing data	4,408
New Investments				39,082
RPP2 Fund	Renewable energy	Europe	Further capital calls	1,379
Other investments				4
Further Investments				1,383
Total investments on behalf of the Trust				**40,465**

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

THE MANAGER'S REVIEW continued

REALISATIONS

£17 million returned to the Trust during the first six months of 2015

Over the first six months of 2015, HgCapital has returned a total of £117 million to its clients, including £17.3 million to the Trust.

The sale of Sporting Index, a UK based premier sports spread betting and outsourced sports trading services company, completed in April 2015. This company was one of our legacy Consumer and Leisure investments and we worked hard to recover value. The Trust received proceeds of £3.7 million, an uplift of 50% to its carrying value at 31 December 2014.

In April 2015, we recapitalised Zenith Leasedrive, on the back of its strong trading performance, just over a year into our ownership of the combined businesses. The cash realised on behalf of the Trust totalled £10.8 million. This represents a return to date of 45% on the original investment made.

In addition to these realisations, the Trust received further proceeds of £2.8 million from other buyout and renewable energy investments.

REALISATIONS MADE DURING THE PERIOD[1]

Company	Sector	Exit route	Cost £'000	Proceeds[2] £'000	Cumulative gain/(loss)[3] £'000	Current year gain/(loss)[4] £'000
Sporting Index	Consumer & Leisure	Secondary sale	8,026	3,699	(4,327)	1,227
Full realisations			8,026	3,699	(4,327)	1,227
Zenith Leasedrive	Services	Refinancing	7,741	10,774	3,033	–
Hg RPP Fund	Renewable energy	Distribution received	1,472	1,272	(200)	–
Other			772	1,169	397	253
HgCapital 6 E LP	Fund	Distribution received	421	421	–	–
Partial realisations			10,406	13,636	3,230	253
Total realisations on behalf of the Trust			18,432	17,335	(1,097)	1,480

[1] The numbers in this table relate to the Trust's share of underlying transactions.
[2] Includes gross revenue received during the period ended 30 June 2015.
[3] Realised proceeds including gross revenue received, in excess of historic costs.
[4] Realised proceeds including gross revenue received, in excess of 31 December 2014 book value.

POST-PERIOD REALISATIONS

Estimated further £19 million to be returned to the Trust post 30 June 2015

In July, the TMT team completed the sale of the core Scandinavian business of e-conomic 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, in an all share transaction. e-conomic is a leading European SaaS accounting solutions provider to SMEs, based in Denmark. As a result, approximately 12% of the Trust's current NAV (£59.5 million) will be invested in Visma, which will then be our largest holding. The Trust will retain a stake in e-conomic's international business and Debitoor, an invoicing and accounting-lite solution with over 320,000 sign-ups, through its commitment to HgCapital 6.

The sale of SimonsVoss, a European leader in innovative electronic battery-powered locking and access control systems headquartered in Germany, to Allegion plc, a global security products and solutions provider, was announced in June 2015. The Trust will realise cash proceeds of approximately £18.6 million on completion of the transaction, subject to regulatory approval (expected September 2015). This represents an uplift of £1.0 million (6 pence per share) over the carrying value of £17.6 million in the NAV of the Trust at 31 December 2014.

The effect of these post-period exits has been reflected in the June valuation.

THE MANAGER'S REVIEW continued

OVERVIEW OF THE UNDERLYING INVESTMENTS HELD THROUGH FUND LIMITED PARTNERSHIPS

	Investments (in order of value)	Fund	Sector	Location	Year of investment	Residual cost £'000	Total valuation[2] £'000	Portfolio value %	Cum. value %
1	IRIS	HGT 6	TMT	UK	2011	25,598	56,677	12.0%	12.0%
2	Visma[1]	HGT 7/ HGT	TMT	Nordic Region	2014	40,000	40,149	8.5%	20.5%
3	TeamSystem	HGT 6	TMT	Italy	2010	24,432	34,747	7.3%	27.8%
4	P&I[1]	HGT 7/ HGT	TMT	Germany	2013	22,101	32,519	6.9%	34.7%
5	JLA	HGT 6	Services	UK	2010	12,224	27,527	5.8%	40.5%
6	Zenith Leasedrive	HGT 6	Services	UK	2013	16,245	25,701	5.4%	45.9%
7	The Foundry	HGT 7	TMT	UK	2015	20,101	20,118	4.3%	50.2%
8	e-conomic	HGT 6	TMT	Nordic Region	2013	14,380	19,326	4.1%	54.3%
9	Achilles	HGT	TMT	UK	2008	5,218	18,794	4.0%	58.3%
10	SimonsVoss	HGT 6	Industrials	Germany	2010	11,961	18,189	3.8%	62.1%
11	Radius	HGT 6	Services	UK	2013	17,966	17,832	3.8%	65.9%
12	A-Plan	HGT 7	Services	UK	2015	14,573	15,174	3.2%	69.1%
13	QUNDIS	HGT 6	Industrials	Germany	2012	12,540	14,686	3.1%	72.2%
14	NetNames	HGT 6	TMT	UK	2011	14,249	12,636	2.7%	74.9%
15	Lumesse	HGT 6	TMT	UK	2010	22,135	11,431	2.4%	77.3%
16	Atlas	HGT	Services	UK	2007	12,542	10,519	2.2%	79.5%
17	Frösunda	HGT 6	Healthcare	Nordic Region	2010	14,296	9,798	2.1%	81.6%
18	Ullink	HGT 7	TMT	France	2014	10,034	9,229	2.0%	83.6%
19	Allocate Software	Mercury	TMT	UK	2014	6,000	7,663	1.6%	85.2%
20	Parts Alliance	HGT 6	Services	UK	2012	6,648	7,392	1.6%	86.8%
21	Sequel	Mercury	TMT	UK	2014	4,414	6,793	1.4%	88.2%
22	Teufel	HGT 6	Industrials	Germany	2010	10,508	5,312	1.1%	89.3%
23	Intelliflo	Mercury	TMT	UK	2013	4,014	5,199	1.1%	90.4%
24	SFC KOENIG	HGT	Industrials	Switzerland	2008	5,829	4,928	1.0%	91.4%
25	Eucon	Mercury	TMT	Germany	2015	4,408	4,449	0.9%	92.3%
26	Casa Reha	HGT	Healthcare	Germany	2008	8,990	4,391	0.9%	93.2%
27	Relay	Mercury	TMT	Rep of Ireland	2014	2,284	2,839	0.6%	93.8%
28	Mainio Vire	HGT 6	Healthcare	Nordic Region	2011	8,307	1,878	0.4%	94.2%
29	Valueworks	Mercury	TMT	UK	2012	2,649	894	0.2%	94.4%
	Non-active investments[3] (3)	HGT 6/HGT				368	860	0.2%	94.6%
	Total buyout investments (32)					375,014	447,650	94.6%	
	Other buy-out investments	Hg6E				9,032	13,924	2.9%	97.5%
	Renewable energy investments	RPP1/RPP2	Renewable energy			25,930	11,603	2.5%	100.0%
	Total gross investments[2]					409,976	473,177	100.0%	

[1] Investment through HGT 7 LP and co-investment participation through HGT LP.
[2] Including accrued income but before the provision for carried interest.
[3] Residual ownerships in holding company structures, following earlier realisations of underlying operating company groups, awaiting liquidation and final proceeds.

THE MANAGER'S REVIEW continued

THE TOP 10 BUYOUT INVESTMENTS
representing 62% of the total gross portfolio

Buyout investments are held through limited partnerships of which HgCapital Trust plc is the sole limited partner. The Trust invests alongside other clients of HgCapital. Typically, the Trust's holding forms part of a much larger majority interest held by HgCapital's clients in buyout investments in companies with an enterprise value ('EV') of between £20 million and £500 million. The Manager's Review generally refers to each transaction in its entirety, apart from the tables detailing the Trust's participation or where it specifically says otherwise.

1. IRIS

Business description

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

Over half of all UK accountancy firms rely on IRIS to run their business, and its SME software is used by over 38,500 SMEs and payroll bureaux across a number of sectors, including 50% of UK GP practices and a growing number of UK retailers. 18% of UK businesses pay their employees via IRIS payroll solutions. Additionally over 100,000 SMEs subscribe to IRIS's cloud solutions to run their business.

Why did we invest?

HgCapital has been an investor in IRIS since 2004, retaining a minority stake following its sale and merger with CSH in 2007, and becoming a majority investor again in 2011 when we separated the two businesses. IRIS is one of the earliest examples of our focus on business critical software firms operating in attractive, predictable end-markets. IRIS operates a business model with a high 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 Software as a Service ('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 in London to sell SaaS products to UK accountants and SMEs, has invested in an HR software business to broaden its offering to cover all of an SME's back office needs, and further investment is being made here to support the long-term growth potential of this area.

How is it performing?

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

How will we crystallise value?

IRIS would be an attractive acquisition target to a financial buyer due to its strong organic growth, margins, cash conversion and recurring revenue. It would also 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: 68.8%

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	56,677

2. 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.

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

How do we intend to create value?

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

What has been achieved?

Since HgCapital's first investment in 2006, Visma has acquired over 85 companies, notably: Mamut ASA, a provider of ERP software to small customers in Norway (2011); Netvisor, a provider of SaaS based ERP software to the Finnish small customer segment (2011); Agda, a Swedish provider of payroll software to SMEs (2012); and InExchange, a Swedish e-invoicing leader (2013). These deals strengthened organic growth from innovation in new products as well as driving margin improvement through a re-organisation of Visma's internal processes. Visma is now positioned as one of the leading and largest SaaS companies in Europe, with over NOK 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?

Year-to-date performance has seen good organic growth in revenue and EBITDA. SaaS growth remained strong across the group at c.37% over the previous year. SaaS (prior to the purchase of e-conomic) accounted for c.14% of total revenue. £/NOK foreign exchange movements over 2015 have had a 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 IPO candidate.

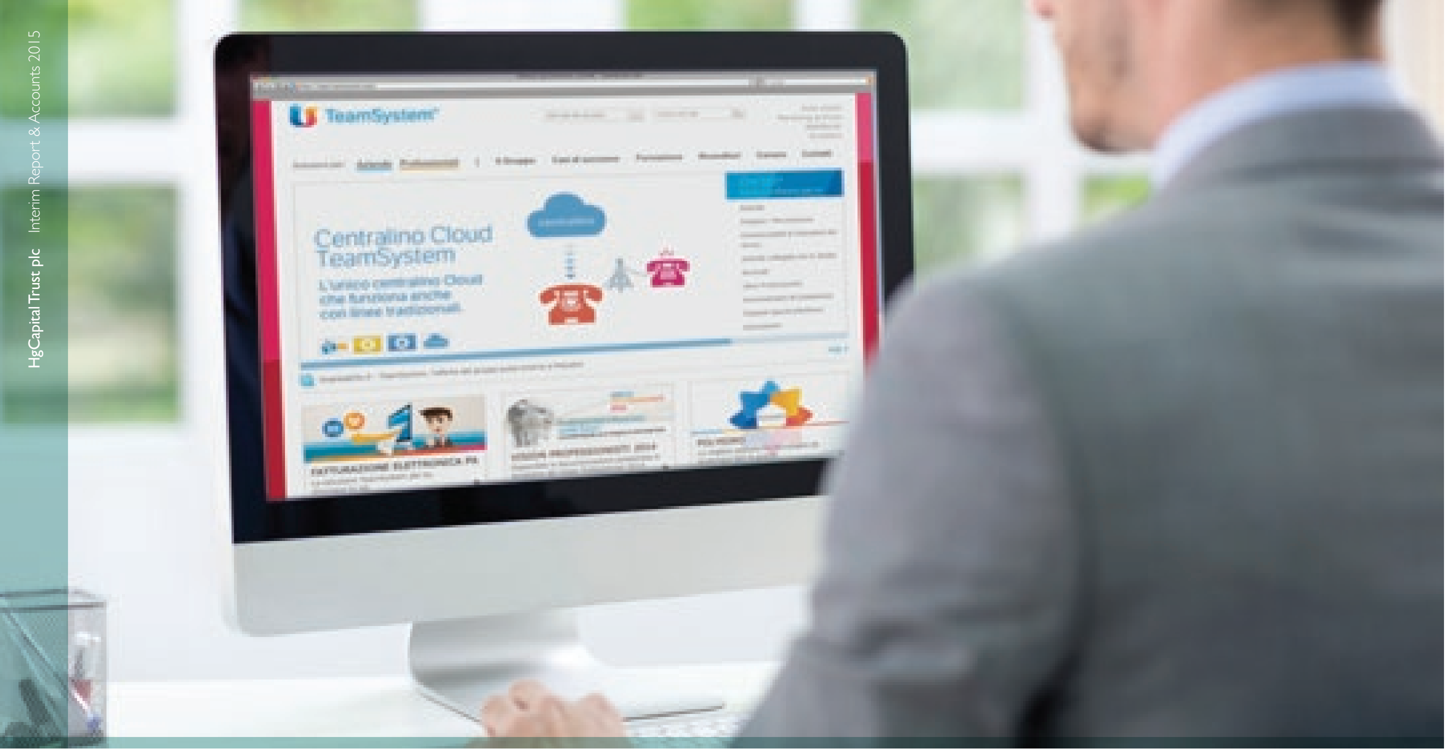
Website: www.visma.com

Original enterprise value: NOK 21 billion

HgCapital clients' total equity: 31.3%

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

Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
TMT	Nordic Region	Aug 2014	40,000	40,149



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.

Why did we invest?

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

TeamSystem's business is highly predictable due to its mission-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, product development, investment in the M&A process and sourcing new ways to grow the micro-SME customer base.

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

Notwithstanding the difficult economic environment in Italy, TeamSystem continues to win market share and grow. The business has achieved improved double-digit growth in sales and profits into 2015 as the benefits from synergies as a result of the 2014 acquisitions have started to come through.

How will we crystallise value?

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

Website: www.teamsystem.com

Original enterprise value: €562 million

HgCapital clients' total equity: 50.0%

TeamSystem – Trust's underlying investment through HGT 6 LP

Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
TMT	Italy	Sep 2010	24,432	34,747

4. 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 both its customers and the market for the quality of its products. The organisation (particularly the sales force) is very well managed 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 (HCM) functionality, and the strengthening of their recurring revenue base by cross-selling their new product 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 Switzerland based 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.

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. license, maintenance and Big Data) leading to margin expansion.

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	32,519

5. JLA

Business description

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

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

JLA has recently extended its offering into 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 high proportion of customers in long-term contracts (representing a high level of revenues and a greater proportion of profits), there are attractive recurring revenues and a high level of forward revenue visibility.

How do we intend to create value?

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

In addition, 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 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?

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 should support an attractive exit rating.

Website: www.jla.com

Original enterprise value: £150 million

HgCapital clients' total equity: 81.7%

JLA – Trust's underlying investment through HGT 6 LP

Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
Services	UK	Mar 2010	12,224	27,527

6. Zenith Leasedrive

Business description

Zenith Leasedrive is the largest independent vehicle leasing business in the UK. It was formed in March 2014 through the merger of Zenith Vehicle Contracts and the Leasedrive Group.

Headquartered in Leeds, with full-service operations in both Solihull and Wokingham, the combined group has over 500 employees and provides end-to-end automotive solutions focused on contract hire, short-term hire and fleet management services to customers across the UK. The company operates a fleet of over 80,000 vehicles and focuses on serving blue-chip customers, principally as sole supplier.

Why did we invest?

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

How do we intend to create value?

In addition to supporting core customer growth, there is the opportunity for significant improvement in operating and financing efficiency through the enhanced scale afforded by the merger. This platform should also enable further strategic M&A, where HgCapital's experience in buy-and-build and the company's flexible capital structure makes Zenith Leasedrive a compelling acquirer.

What has been achieved?

Leasedrive was acquired 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. To date, the integration of the two companies has gone well with significant synergies realised.

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 combined business has continued to see strong double-digit revenue and EBITDA growth into 2015. Despite a competitive environment, Zenith Leasedrive has won some very large new customers over the last six months which will continue to drive further growth.

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 Leasedrive an attractive opportunity for both trade and financial buyers.

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

Original enterprise value: £337 million

HgCapital clients' total equity: 65.2%

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

Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
Services	UK	Dec 2013	16,245	25,701

7. 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 through funded 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 HgCapital's proven sector-focused approach of investing in leading global providers of vertical market application software. The Foundry shares many of the characteristics that HgCapital looks 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 ongoing 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?

The current focus is the future strategy, and the portfolio team are working with management on the business plan. It is likely that this will explore pricing mechanisms and marketing channels.

How is it performing?

The Foundry has seen strong double-digit revenue growth over the last twelve months and we are currently making significant investment in the business to drive future growth.

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.

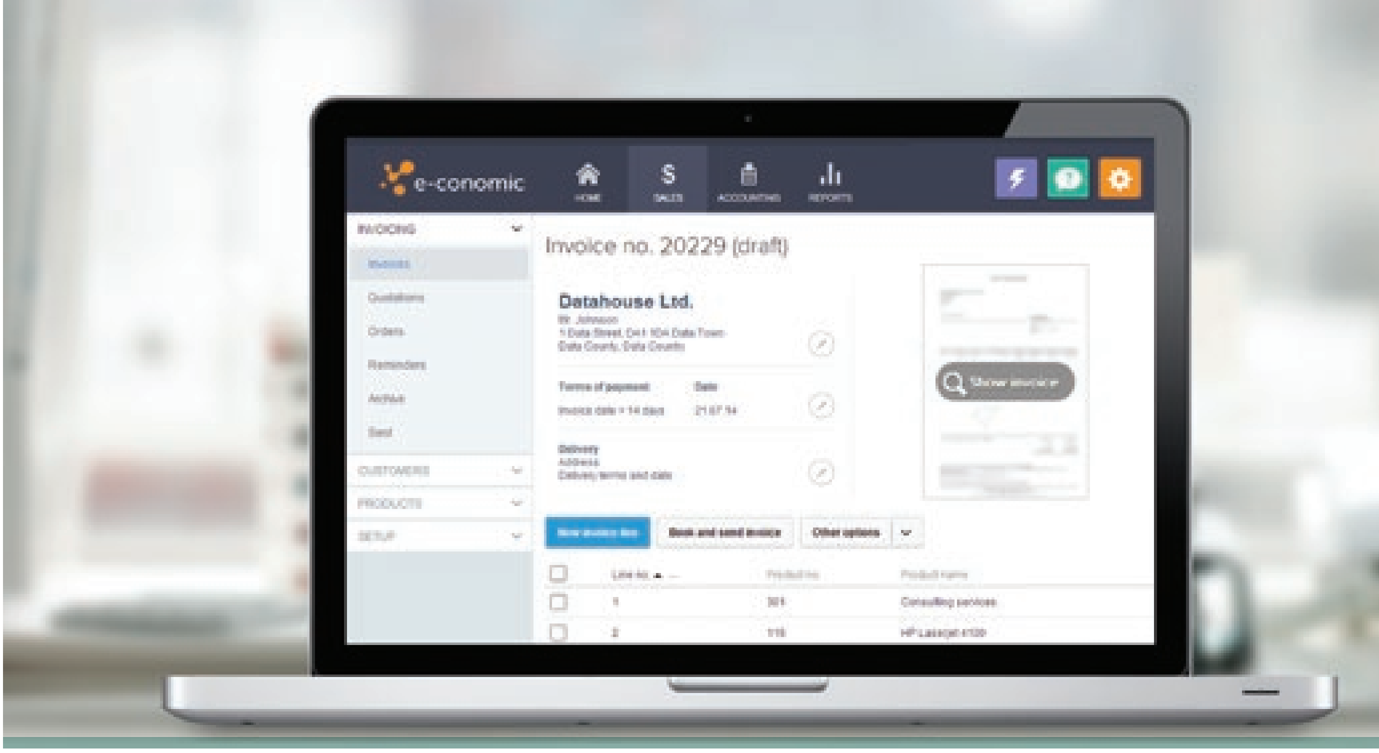
Website: www.thefoundry.co.uk

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	20,101	20,118



8. e-conomic

Business description

Founded in 2001 in Copenhagen, e-conomic is a leading European SaaS accounting solutions provider for SMEs. It has over 90,000 customers for its core product e-conomic; over 25,000 customers from the acquisition of Speedledger (www.speedledger.se); and over 320,000 sign-ups for its freemium invoicing, expenses and accounting-lite product, Debitoor (www.debitoor.com).

The company operates with its e-conomic product in its core home market of Denmark and serves customers in various other European countries, including Norway, Sweden, Spain and Germany. Debitoor is used by customers in over 50 countries, with the largest customer base in Germany and Spain. e-conomic's products enable its customers to perform their accounting at a reasonable price, more efficiently and with greater flexibility through the internet, allowing real time collaboration with their accountants. Speedledger is closely integrated with its customer's online banking through strong partnerships with leading Swedish banks.

Why did we invest?

e-conomic operates an attractive business model with recurring revenues and a broad and loyal customer base, which consists mainly of small businesses with up to100 employees, as well as more than 4,000 accountancy practices of all sizes. The SME SaaS sector is expected to continue to grow strongly in the coming years, due to increasing SaaS penetration; HgCapital will support e-conomic's management to capitalise on this opportunity.

How do we intend to create value?

As the expected growth of the SME SaaS bookkeeping market unfolds over the next few years, HgCapital plans to support e-conomic's management in its expansion by both organic growth and acquisition.

What has been achieved?

HgCapital has supported e-conomic in a number of projects including: strengthening the management team; building its internationalisation strategy; forming partnerships outside Scandinavia including the acquisition in October 2014 of Speedledger, a Swedish SaaS accounting firm.

How is it performing?

e-conomic continues to report strong double-digit revenue growth, driven by both increasing new customers and larger spend per current client. However, as originally envisaged, profits have continued to be materially held back in the medium-term by sustained expenditure on resources to build the platform for further growth. We expect to see the impact of this investment come through in the next 12 months.

How will we crystallise value?

In July 2015, the TMT team completed the sale of the core Scandinavian business of e-conomic to Visma, in an all-share deal. The Trust will retain a stake in e-conomic's international business and Debitoor.

Website: www.e-conomic.com

Original enterprise value: DKK 634 million

HgCapital clients' total equity: 83.4%

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

Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
TMT	Nordic Region	Aug 2013	14,380	19,326

9. 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 material investment into the business focused on the development of their technology, processes and sales to support global growth.

This investment has significantly enhanced 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. An IPO is also a possibility.

Website: www.achilles.com

Original enterprise value: £75 million

HgCapital clients' total equity: 63.0%

Achilles – Trust's underlying investment through HGT LP

Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
TMT	UK	Jul 2008	5,218	18,794

10. SimonsVoss

Business description

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

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

Why did we invest?

Operating in a niche segment with considerable technological expertise, the company's robust trading through the recession saw it thrive in a depressed market, with EBITDA growing by an average of 12% p.a. between 2005 and 2013. The business continues to grow in Germany and internationally, as well as into attractive new product segments. SimonsVoss has an established in-house R&D function aiming for a constant expansion of its innovative product range, whilst reducing production costs.

How do we intend to create value?

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

Additionally, SimonsVoss is integrating products with building technology solutions of large OEMs (e.g. Siemens) which will further drive demand. Profitability should improve through higher volumes and various operational efficiencies.

What has been achieved?

During HgCapital's involvement, SimonsVoss has developed away from a single-product focused company into a solution provider in electronic access control, offering a comprehensive product family in order to address proactively new technology trends and to push internationalisation.

The Board and management have been strengthened with a focus on pushing growth through new customer groups, distribution channels and geographic markets.

How is it performing?

SimonsVoss is forecasting sales growth of 6% for 2015 with an increase in profit margins due to operating leverage.

How will we crystallise value?

In June 2015, we announced the sale of SimonsVoss to Allegion plc, a global security products and solutions provider. The Trust will realise cash proceeds of approximately £18.6 million on completion of the transaction, which is subject to regulatory approval (expected September 2015). This represents an uplift of £1.0 million (6 pence per share) over the carrying value of £17.6 million in the NAV of the Trust at 31 December 2014.

Website: www.simons-voss.com

Original enterprise value: €113 million

HgCapital clients' total equity: 93.2%

SimonsVoss – Trust's underlying investment through HGT 6 LP

Sector	Location	Investment date	Residual cost £'000	Unrealised value £'000
Industrials	Germany	Jun 2010	11,961	18,189

FINANCIAL STATEMENTS

INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2015

		Revenue return			Capital return			Total return		
		Six months ended		Year ended	Six months ended		Year ended	Six months ended		Year ended
	Notes	30.6.2015 £'000 (unaudited)	30.6.2014 £'000 (unaudited)	31.12.2014 £'000 (audited)	30.6.2015 £'000 (unaudited)	30.6.2014 £'000 (unaudited)	31.12.2014 £'000 (audited)	30.6.2015 £'000 (unaudited)	30.6.2014 £'000 (unaudited)	31.12.2014 £'000 (audited)
Gains on investments, government securities and liquidity funds net of carried interest provision		–	–	–	8,281	4,869	34,752	8,281	4,869	34,752
Losses on priority profit share loans advanced to General Partners	7(b)	–	–	–	(627)	(1,330)	(2,435)	(627)	(1,330)	(2,435)
Net income	6	11,548	22,591	24,168	–	–	–	11,548	22,591	24,168
Other expenses	8(a)	(1,121)	(875)	(1,734)	–	–	–	(1,121)	(875)	(1,734)
Net return before finance costs and taxation		10,427	21,716	22,434	7,654	3,539	32,317	18,081	25,255	54,751
Finance costs	8(b)	(196)	(247)	(455)	–	–	–	(196)	(247)	(455)
Net return from ordinary activities before taxation		10,231	21,469	21,979	7,654	3,539	32,317	17,885	25,008	54,296
Taxation charge on ordinary activities	10	(305)	(144)	(46)	–	–	–	(305)	(144)	(46)
Net return from ordinary activities after taxation attributable to reserves		**9,926**	**21,325**	**21,933**	**7,654**	**3,539**	**32,317**	**17,580**	**24,864**	**54,250**
Return per Ordinary share	**11(a)**	**26.59p**	**57.13p**	**58.76p**	**20.51p**	**9.48p**	**86.58p**	**47.10p**	**66.61p**	**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.

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 47 to 53 form part of these financial statements.

BALANCE SHEET

AS AT 30 JUNE 2015

	Notes	30.6.2015 £'000 (unaudited)	30.6.2014 £'000 (unaudited)	31.12.2014 £'000 (audited)
Fixed asset investments				
Investments at fair value through profit and loss:				
Unquoted investments		396,389	311,898	359,930
Total fixed asset investments		396,389	311,898	359,930
Current assets – amounts receivable after one year:				
Accrued income on fixed assets		64,134	65,573	54,311
Current assets – amounts receivable within one year:				
Debtors		675	1,210	632
Investments at fair value through profit and loss:				
Government securities and liquidity funds		18,942	70,503	59,859
Cash		3,836	6,350	3,021
Total current assets		87,587	143,636	117,823
Creditors – amounts falling due within one year		(1,422)	(910)	(835)
Net current assets		86,165	142,726	116,988
Net assets		**482,554**	**454,624**	**476,918**
Capital and reserves:				
Called up share capital		9,331	9,331	9,331
Share premium account		120,368	120,368	120,368
Capital redemption reserve		1,248	1,248	1,248
Capital reserve – unrealised		(19,896)	(39,358)	(33,390)
Capital reserve – realised		347,538	330,568	353,378
Revenue reserve		23,965	32,467	25,983
Total equity shareholders' funds		**482,554**	**454,624**	**476,918**
Net asset value per Ordinary share	**11(b)**	**1,292.9p**	**1,218.0p**	**1,277.8p**
Ordinary shares in issue at 30 June / 31 December	11(b)	37,324,698	37,324,698	37,324,698

The financial statements on pages 42 to 53 were approved and authorised for issue by the Board of Directors on 20 August 2015 and signed on its behalf by:

Roger Mountford, Chairman

Richard Brooman, Director

The notes on pages 47 to 53 form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Notes	Six months ended 30.6.2015 £'000 (unaudited)	Six months ended 30.6.2014 £'000 (unaudited)	Year ended 31.12.2014 £'000 (audited)
Net cash inflow from operating activities	9	212	5,686	16,875
Servicing of finance		(196)	(247)	(455)
Taxation received		113	289	289
Investing activities:				
Purchase of fixed asset investments		(40,465)	(24,727)	(86,962)
Proceeds from the sale of fixed asset investments		12,279	13,484	57,752
Net cash outflow from capital expenditure and financial investment		(28,186)	(11,243)	(29,210)
Financing activities:				
Repayment of loan facility		(237)	(1,421)	(1,184)
Equity dividends paid		(11,944)	(10,824)	(17,916)
Net cash outflow from financing activities		(12,181)	(12,245)	(19,100)
Net cash outflow before management of liquid resources		(40,238)	(17,760)	(31,601)
Management of liquid resources:				
Purchase of government securities and liquidity funds		(43)	(26,500)	(62,552)
Sale/redemption of government securities and liquidity funds		41,096	37,902	84,466
Net cash inflow from management of liquid resources		41,053	11,402	21,914
Increase/(decrease) in cash and cash equivalents in the period		**815**	**(6,358)**	**(9,687)**
Cash and cash equivalents at 1 January		3,021	12,708	12,708
Cash and cash equivalents at 30 June / 31 December		**3,836**	**6,350**	**3,021**

The notes on pages 47 to 53 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Notes	Share capital £'000	Non-distributable Share premium account £'000	Capital redemption reserve £'000	Capital reserve – unrealised £'000	Distributable 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		–	–	–	13,494	(5,840)	9,926	17,580
Equity dividends paid	4	–	–	–	–	–	(11,944)	(11,944)
At 30 June 2015		**9,331**	**120,368**	**1,248**	**(19,896)**	**347,538**	**23,965**	**482,554**
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	4	–	–	–	–	–	(17,916)	(17,916)
At 31 December 2014		9,331	120,368	1,248	(33,390)	353,378	25,983	476,918

The notes on pages 47 to 53 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 25. The underlying investments that are held indirectly are included in the overview of investments on page 30.

Partnerships where the Trust is a minority limited partner

In July 2011, the Trust made a direct secondary investment in HgCapital 6 E LP ('Hg6 E LP'), one of the partnerships that comprise the Hg6 Fund, in which the Trust is now a limited partner alongside other limited partners. This is a direct investment in the HgCapital 6 E LP Fund, as shown on the balance sheet and in the investment portfolio on page 30.

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 30.

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 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 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 6, 7, and 9 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.

4. Dividends

A dividend of 32.0 pence per share (£11,944,000) was paid on 18 May 2015 in respect of the year ended 31 December 2014 (year ended 31 December 2013: dividend of 29.0 pence per share; £10,824,000). In addition, a special dividend of 19.0 pence per share (£7,092,000) was paid on 26 September 2014. It is intended that dividends will be declared and paid annually in respect of each accounting period.

5. Issued share capital

Whilst the Trust no longer has an authorised share capital, the Directors will still be limited as to the number of shares they can at any time allot as the Companies Act 2006 requires that Directors seek authority from the shareholders for the allotment of new shares.

	Six months ended 30.6.2015 (unaudited)		Six months ended 30.6.2014 (unaudited)		Year ended 31.12.2014 (audited)	
	No. '000	£'000	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	37,325	9,331
At 30 June / 31 December	37,325	9,331	37,325	9,331	37,325	9,331

6. Income

	Revenue return		
	Six months ended		Year ended
	30.6.2015 £'000 (unaudited)	30.6.2014 £'000 (unaudited)	31.12.2014 £'000 (audited)
Income from investments held by HGT LP, HGT 6 LP, HGT 7 LP and HgCapital Mercury D LP:			
UK unquoted investment income	9,571	3,140	9,099
Foreign unquoted investment income	5,308	15,047	13,620
Foreign dividend income	–	7,093	7,093
Other investment income:			
UK unquoted investment income	–	441	441
Interest from government securities less amortisation of premium	–	(90)	(99)
Liquidity funds income	172	83	329
Total investment income	15,051	25,714	30,483
Total other income	29	25	36
Total income	**15,080**	**25,739**	**30,519**
Priority profit share charge against income:			
Current year - HGT 6 LP	(1,598)	(1,531)	(3,105)
Current year - HgCapital Mercury D LP	(996)	–	(32)
Current year - HGT 7 LP	(631)	(937)	(2,059)
Current year - HGT LP	(307)	(680)	(1,155)
Total priority profit share charge against income	**(3,532)**	**(3,148)**	**(6,351)**
Total net income	**11,548**	**22,591**	**24,168**
Total net income comprises:			
Dividend	–	7,093	7,093
Interest	11,523	15,481	17,058
Non-interest income	25	17	17
Total net income	**11,548**	**22,591**	**24,168**

NOTES TO THE FINANCIAL STATEMENTS continued

7. Priority profit share and carried interest

(a) Priority profit share payable to General Partners	Revenue return Six months ended 30.6.2015 £'000 (unaudited)	30.6.2014 £'000 (unaudited)	Year ended 31.12.2014 £'000 (audited)
Priority profit share payable:			
Current year amount	4,159	4,478	8,786
Less: Current year loans advanced to General Partners	(627)	(1,330)	(2,435)
Current year charge against income	3,532	3,148	6,351
Total priority profit share charge against income	3,532	3,148	6,351

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.

(b) Priority profit share loans to General Partners	Capital return Six months ended 30.6.2015 £'000 (unaudited)	30.6.2014 £'000 (unaudited)	Year ended 31.12.2014 £'000 (audited)
Movements on loans to General Partners:			
Losses on current year loans advanced to General Partners	(627)	(1,330)	(2,435)
Total losses on priority profit share loans advanced to General Partners	(627)	(1,330)	(2,435)

In years in which the funds described in note 7(a) have not yet earned sufficient net income to satisfy the priority profit share, the entitlement is carried forward to the following years. The priority profit share is payable quarterly in advance, even if insufficient net income has been earned. Where the cash amount paid exceeds the net income, an interest free loan is advanced to the general partner by these primary buyout funds, which is funded via a loan from the Trust. Such loan is only recoverable from the general partner by an appropriation of net income. Until sufficient net income is earned, no value is attributed to this loan and hence an unrealised capital loss is recognised and reversed if sufficient income is subsequently generated.

(c) Carried interest to Founder Partners	Capital return Six months ended 30.6.2015 £'000 (unaudited)	30.6.2014 £'000 (unaudited)	Year ended 31.12.2014 £'000 (audited)
Carried interest provision:			
Current year amount provided	11,566	–	1,088
	11,566	–	1,088

The carried interest payable to the Founder Partners 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, as set out on page 87 of the Annual Report, states that carried interest is payable once a certain level of cash repayments have been made to the Trust, whereas carried interest on HGT LP is based on its NAV. Based on the current repayments to date in each individual partnership and the value of HGT LP, no carried interest was payable in respect of the current or prior financial year.

NOTES TO THE FINANCIAL STATEMENTS continued

7. Priority profit share and carried interest continued

However, in order to assess the fair value of the investments, the Board will consider whether any carried interest provision is required at each reporting period. A provision will be required if the aggregate of all realisations achieved to date by a fund and the implied realisation amount generated, if all unrealised investments in that fund are realised in cash at 30 June 2015 at their current valuation, will trigger a carried interest amount payable to the Founder partner of that fund at that date. The above calculation for the HGT6 LP and Hg6E investments implies that an amount of £12,654,000 will become payable and therefore the Directors have increased the provision against the investment by a further £11,566,000. 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 25) and the relevant balances as at 31 December have been restated accordingly.

8. Other expenses

(a) Operating expenses	Revenue return Six months ended 30.6.2015 £'000 (unaudited)	 30.6.2014 £'000 (unaudited)	 Year ended 31.12.2014 £'000 (audited)
Custodian and administration fees	282	263	537
Other administration costs	839	612	1,197
	1,121	875	1,734

(b) Finance costs	Revenue return Six months ended 30.6.2015 £'000 (unaudited)	 30.6.2014 £'000 (unaudited)	 Year ended 31.12.2014 £'000 (audited)
Interest paid	6	28	31
Non-utilisation fees and other expenses	190	219	424
	196	247	455

Priority profit shares 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 in the above operating expenses.

9. Cash flow from operating activities

Reconciliation of net return before finance costs and taxation to net cash flow from operating activities	Six months ended 30.6.2015 £'000 (unaudited)	 30.6.2014 £'000 (unaudited)	Year ended 31.12.2014 £'000 (audited)
Net return before finance costs and taxation	18,081	25,255	54,751
Add back: Gains on investments held at fair value	(19,847)	(4,869)	(35,840)
Increase in carried interest provision	11,566	–	1,088
Amortisation of premium on government securities	–	1,473	1,618
Increase in accrued income from liquidity funds	(128)	–	(278)
Increase in prepayments, accrued income and other debtors	(9,809)	(15,968)	(3,958)
Increase/(decrease) in creditors	349	(205)	(506)
Net cash inflow from operating activities	**212**	**5,686**	**16,875**

NOTES TO THE FINANCIAL STATEMENTS continued

10. Taxation

Taxation for the six month period is charged at 21% to 31 March 2015 and 20% from 1 April 2015 (31 December 2014: 21.5%), representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the six month period.

In the opinion of the Directors, the Trust has complied with the requirements of Section 1158 and Section 1159 of the CTA 2010 and will therefore be exempt from corporation tax on any capital gains made in the year. The Trust expects to designate all of any dividend declared in respect of this financial year as an interest distribution to its shareholders. This distribution is treated as a tax deduction against taxable income, resulting in no corporation tax being payable by the Trust on the interest income designated as a dividend.

11. Return and net asset value per Ordinary share

	Revenue return			Capital return		
	Six months ended		Year ended	Six months ended		Year ended
(a) Return per Ordinary share	30.6.2015 (unaudited)	30.6.2014 (unaudited)	31.12.2014 (audited)	30.6.2015 (unaudited)	30.6.2014 (unaudited)	31.12.2014 (audited)
Amount (£'000):						
Return from ordinary activities after taxation	9,926	21,325	21,933	7,654	3,539	32,317
Number of Ordinary shares ('000):						
Weighted average number of shares in issue	37,325	37,325	37,325	37,325	37,325	37,325
Return per Ordinary share (pence)	**26.59**	**57.13**	**58.76**	**20.51**	**9.48**	**86.58**

	Capital return		
	Six months ended		Year ended
(b) Net asset value per Ordinary share	30.6.2015 (unaudited)	30.6.2014 (unaudited)	31.12.2014 (audited)
Amount (£'000):			
Net assets	482,554	454,624	476,918
Number of Ordinary shares ('000):			
Number of Ordinary shares in issue	37,325	37,325	37,325
Net asset value per Ordinary share (pence)	**1,292.9**	**1,218.0**	**1,277.8**

NOTES TO THE FINANCIAL STATEMENTS continued

12. Commitment in fund partnerships and contingent liabilities

Fund	Original commitment £'000	Outstanding at 30.6.2015 £'000 (unaudited)	30.6.2014 £'000 (unaudited)	31.12.2014 £'000 (audited)
HGT 7 LP[1]	200,000	115,106	171,491	146,948
HgCapital Mercury D LP	60,000	30,525	46,968	35,335
HGT 6 LP	285,029	10,563	10,072	9,227
Hg RPP2 LP	28,339[2]	9,831[3]	14,306	12,247
HGT LP[4]	120,000	1,261	6,579	1,261
Hg RPP LP	15,331[5]	917[6]	1,104	1,070
Hg 6 E LP	15,000	556	530	486
Total outstanding commitments		**168,759**	**251,050**	**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 €13,876,000 (30 June 2014: €17,865,000, 31 December 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 loan commitment to the Hg5 fund.

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

[6] Sterling equivalent of €1,294,000 (30 June 2014: €1,378,000, 31 December 2014: €1,378,000).

13. Publication of non-statutory accounts

The financial information contained in this half-yearly financial report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information for the six months ended 30 June 2015 and 30 June 2014 has not been audited. The information for the year ended 31 December 2014 has been extracted from the latest published audited financial statements, which have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under section 498 (2) or (3) of the Companies Act 2006.

14. Annual results

The Board expects to announce the results for the year ending 31 December 2015 in March 2016. The Annual Report should be available by the end of March 2016, with the Annual General Meeting being held in May 2016.

BOARD, MANAGEMENT AND ADMINISTRATION

Board of Directors

Roger Mountford (Chairman)

Richard Brooman
(Chairman of the Audit
& 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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Independent auditor

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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.

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