

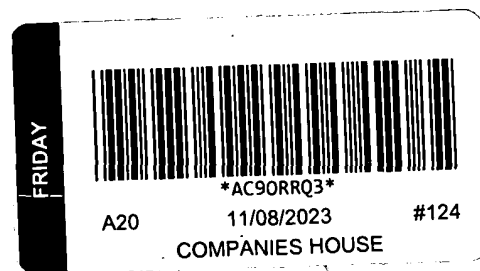
Company Registration No 04530794 (England and Wales)

HQ CAPITAL (UK) LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

UHY Hacker Young
Chartered Accountants



HQ CAPITAL (UK) LIMITED

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HQ CAPITAL (UK) LIMITED

COMPANY INFORMATION

Directors	C Rafflenbeul
Secretary	W Howell
Company number	04530794
Registered office	Quadrant House 4 Thomas More Square London E1W 1YW
Auditors	UHY Hacker Young LLP Quadrant House 4 Thomas More Square London E1W 1YW

HQ CAPITAL (UK) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The director presents the strategic report for the year ended 31 December 2022.

Review of the business

Following a record year in 2021, the activity of private markets was generally more subdued to start 2022. The recovery of the global economy post-Covid saw disruption after Russia's war of aggression against Ukraine. Global commerce was further weakened by supply chain issues, as well as commodity and energy price increases, fuelling high levels of inflation not seen for decades. While this geopolitical instability and inflation continued to dominate through year-end, there were signs of improvement. Commodity and energy prices were still very much impacted by economic uncertainty as a result of the ongoing war, however natural gas prices gradually returned to pre-war levels. The persistent high levels of inflation led to increases in benchmark interest rates by the U.S. Federal Reserve and the European Central Bank, with U.S. inflation subsequently decreasing during the fourth quarter to its lowest level in 2022.

Despite a slowdown, private equity markets remained stable for fundraising and investment activity, above the levels seen in 2020 during the height of the pandemic, while a decline in exits was noticeable.

The Group's profit of €121,392 (2021: €14,112) is inclusive of a €630,752 (2021: €630,752) amortisation of goodwill charge. The company's income and expenditure are recharged to its parent company, was in line with its activities and led to a profit of €1,459 (2021: €1,013).

Strategy and business model

The Group's and company's strategy remains unchanged. HQ Capital (UK) Limited ("HQ Capital" or "the Company") and HQ Capital (Deutschland) GmbH act as marketing agents for HQ Capital International LP. The companies have cost-plus arrangements with the parent company and as such are in line with the HQ Capital International LP business model. HQ Capital Fondsverwaltungs GmbH and HQ Capital MA Verwaltungs GmbH are General Partners of the Group's German regulated funds.

Since the company uses a cost-plus business model, great attention is given by the HQ Capital International LP management team to the expenses incurred by both offices. The expenses are monitored closely at the individual local company level and at the HQ Capital International LP corporate level.

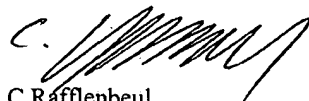
Principal risk and uncertainties facing the Group

HQ Capital International LP does not believe there is great risk facing HQ Capital and HQ Capital (Deutschland) GmbH. Due to the cost-plus arrangement noted above, HQ Capital International will continue to provide the liquidity needed to continue its operations for the foreseeable future.

Governance

Both HQ Capital and HQ Capital (Deutschland) GmbH submit unaudited quarterly financial reports to the HQ Capital International LP corporate office. They are reviewed and then included in the consolidated quarterly HQ Capital International LP Corporate Report. This report is submitted to the shareholders of HQ Capital International LP.

On behalf of the board



C Rafflenbeul

Director

S. A. 2023

HQ CAPITAL (UK) LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The director presents his report and the audited financial statements of the Group and the Company for the year ended 31 December 2022.

Principal activities

During the year ended 31 December 2022, HQ Capital was the parent company to HQ Capital (Deutschland) GmbH and its subsidiaries HQ Capital Fondsverwaltungs GmbH and HQ Capital MA Verwaltungs GmbH (collectively referred to as "the Group").

HQ Capital and HQ Capital (Deutschland) GmbH act as European focused marketing agents for the HQ Capital Group's investment funds in the UK, German and Nordic regions.

HQ Capital Fondsverwaltungs GmbH and HQ Capital MA Verwaltungs GmbH are General Partners of the Group's German regulated funds.

Future developments

The Group's strategy remains unchanged; please refer to the Strategic Report for further details.

Results and dividends

The results for the year are set out on page 9. The director does not recommend payment of an ordinary dividend (2021: £Nil).

Directors

The following directors have held office during the year ended 31 December 2022:

C Rafflenbeul

Auditors

The auditors, UHY Hacker Young, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Director's responsibilities

The director is responsible for preparing the Strategic Report and Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

HQ CAPITAL (UK) LIMITED

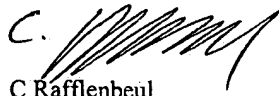
**DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

Statement of disclosure to auditor

So far as the director is aware:

- (a) there is no relevant audit information of which the Company's auditor is unaware; and
- (b) he has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

On behalf of the board



C Rafflenbeul

Director

8 August 2023

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HQ CAPITAL (UK) LIMITED**

Opinion

We have audited the financial statements of HQ Capital (UK) Limited (the 'company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated balance sheet, the Company balance sheet, the consolidated statement of changes in equity, the Company statement of changes in equity, the consolidated cash flow statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statement is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF HQ CAPITAL (UK) LIMITED**

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the financial statement. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Strategic Report and the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Director's Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Director's Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF HQ CAPITAL (UK) LIMITED**

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Group and company through discussions with directors and other management, and from our commercial knowledge and experience of the sector; and
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Company, including the Companies Act 2006, taxation legislation and data protection, anti-bribery and employment legislation.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF HQ CAPITAL (UK) LIMITED**

We assessed the susceptibility of the Group's and Company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

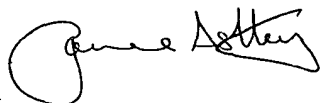
- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims.

There are inherent limitations in the audit procedures described above; any instance of non-compliance with laws and regulations and fraud which is far removed from transactions reflected in the financial statements would diminish the likelihood of detection. Furthermore, the risk of not detecting a material misstatement due to fraud is greater than the risk of not detecting one resulting from error. Fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentation, or through an act of collusion that would mitigate internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**James Astley (Senior Statutory Auditor)
for and on behalf of UHY Hacker Young
Chartered Accountants
Statutory Auditor**

.....8.August 2023

HQ CAPITAL (UK) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 €	2021 €
Turnover	2	10,731,927	9,098,145
Cost of sales		(461,676)	(471,001)
Gross profit		10,270,251	8,627,144
Administration expenses		(9,291,288)	(7,719,631)
Amortisation of goodwill	6	(630,752)	(630,752)
Other operating costs		(121,222)	(95,831)
Group operating profit	3	226,989	180,930
Investment income		1,089	64
Interest payable and similar expenses		(1,400)	(1,204)
Interest receivable and similar income		12,597	349
Profit on ordinary activities before taxation		239,275	180,139
Tax on profit on ordinary activities	5	(117,883)	(166,027)
Profit for the financial year		121,392	14,112

The profit and loss account for the current year has been prepared on the basis that all operations are continuing operations.

HQ CAPITAL (UK) LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

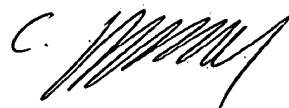
	2022	2021
	€	€
Profit for the financial year	121,392	14,112
Currency translation differences on foreign currency net investments	(23,996)	29,933
	<hr/>	<hr/>
Total comprehensive income for the year	97,396	44,045
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HQ CAPITAL (UK) LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2022

			2022		2021
	Notes	€	€	€	€
Fixed assets					
Intangible assets	6		3,153,766		3,785,402
Tangible assets	7		23,588		32,167
Investments	8		10,411		10,411
			<u>3,187,765</u>		<u>3,827,980</u>
Current assets					
Debtors	9	8,110,983		6,867,447	
Cash at bank and in hand		1,414,000		1,571,444	
			<u>9,524,983</u>	<u>8,438,891</u>	
Creditors: amounts falling due within one year	10	(1,989,788)		(1,641,307)	
			<u>7,535,195</u>	<u>6,797,584</u>	
Net current assets					
			<u>10,722,960</u>	<u>10,625,564</u>	
Total assets less current liabilities					
			<u>10,722,960</u>	<u>10,625,564</u>	
Net assets					
			<u>10,722,960</u>	<u>10,625,564</u>	
Capital and reserves					
Called up share capital	11		13,231,298		13,231,298
Profit and loss account	14		(2,435,583)		(2,556,975)
Foreign exchange reserve	14		(72,755)		(48,759)
			<u>10,722,960</u>	<u>10,625,564</u>	
Total shareholders' funds					
			<u>10,722,960</u>	<u>10,625,564</u>	

The financial statements were approved by the Director on 8 August 2023.



C Rafflenbeul
Director

Company Reg. No. 04530794

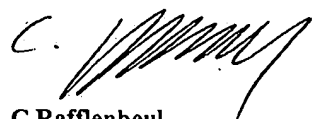
HQ CAPITAL (UK) LIMITED

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2022

	Notes	€	2022 €	€	2021 €
Fixed assets					
Investments	8		13,158,797		13,158,797
Current assets					
Debtors	9	459,637		476,960	
Creditors: amounts falling due within one year	10	(29,766)		(24,552)	
Net current assets			429,871		452,408
Total assets less current liabilities			13,588,668		13,611,205
Net assets			13,588,668		13,611,205
Capital and reserves					
Called up share capital	11		13,231,298		13,231,298
Profit and loss account	14		428,445		426,986
Foreign exchange reserve	14		(71,075)		(47,079)
Shareholders' funds			13,588,668		13,611,205

In accordance with the provisions of the Section 408 of the Companies Act 2006, the Company has not presented a profit and loss account. The profit after taxation for the Company for the year ended 31 December 2022 is €1,459 (2021: €1,013).

The financial statements were approved by the Board of Directors on 8 August 2023.



C Rafflenbeul
Director

Company Reg. No. 04530794

HQ CAPITAL (UK) LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Share Capital €	Profit & Loss Reserves €	Forex Reserves €	Total €
Year ended 31 December 2021				
Brought forward	13,231,298	(2,571,087)	(78,692)	10,581,519
Profit for the financial year	-	14,112	-	14,112
Other comprehensive loss for the year	-	-	29,933	29,933
Balance at 31 December 2021	<u>13,231,298</u>	<u>(2,556,975)</u>	<u>(48,759)</u>	<u>10,625,564</u>
Year ended 31 December 2022				
Profit for the financial year	-	121,392	-	121,392
Other comprehensive loss for the year	-	-	(23,996)	(23,996)
Balance at 31 December 2022	<u>13,231,298</u>	<u>(2,435,583)</u>	<u>(72,755)</u>	<u>10,722,960</u>

HQ CAPITAL (UK) LIMITED**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Share Capital €	Profit & Loss Reserves €	Forex Reserves €	Total €
Year ended 31 December 2021				
Brought forward	13,231,298	425,973	(77,012)	13,580,259
Profit for the year	-	1,013	-	1,013
Other comprehensive loss for the year	-	-	29,933	29,933
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2021	13,231,298	426,986	(47,079)	13,611,205
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Year ended 31 December 2022				
Profit for the year	-	1,459	-	1,459
Other comprehensive loss for the year	-	-	(23,996)	(23,996)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2022	13,231,298	428,445	(71,075)	13,588,668
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HQ CAPITAL (UK) LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	€	2022	€	€	2021	€
Cash (outflow)/inflow from operating activities	12		(68,945)			1,153,886	
Taxation paid			(90,287)			(129,205)	
Interest paid			(1,400)			(1,204)	
Net cash (outflow)/inflow from operating activities			(160,632)			1,023,477	
Investing activities							
Purchase of tangible fixed assets		(9,409)			-		
Purchase of investments		-			(1,316)		
Interest received		12,597			349		
Net cash used in investing activities		3,188			(967)		
Net cash outflow from financing activities							
(Decrease)/increase in cash			(157,444)			1,022,510	
Cash and cash equivalents at beginning of year			1,571,444			548,934	
Cash and cash equivalents at end of year			1,414,000			1,571,444	

HQ CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

HQ Capital (UK) Limited, a company limited by shares, is a private limited company incorporated in England & Wales and has its registered office at Quadrant House, 4 Thomas More Square, London, E1W 1YW.

The Group has adopted the accounting policies set out below in preparation of the financial statements. All of these policies have been applied consistently throughout the year unless otherwise stated.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

1.2 Going concern

The Group derives the majority of its income through recharging expenses, plus a mark-up, to the Company's immediate parent. Accordingly, the Group is dependent on the immediate parent company's support for its continuing existence. HQ Capital's director has received confirmation from the parent company that the parent company has the ability and the intention to support the Group for the foreseeable future. Therefore the director has prepared the Group's financial statements on the basis that it is a going concern.

1.3 Basis of consolidation

The consolidated accounts incorporate the accounts of the Company and its subsidiary undertakings and have been prepared by using the principles of acquisition accounting, which includes the results of the subsidiaries from their dates of acquisition. Intra-group sales, profits and balances are eliminated fully on consolidation.

1.4 Turnover

Turnover represents amounts receivable for expenses recharged (net of VAT) and fee income from funds for which the Group acts as a limited partner.

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

1.5 Intangible fixed assets and amortisation

Intangible fixed assets are stated at cost less amortisation. Amortisation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Software - 25% straight line basis

Goodwill is amortised over the period which the Director estimates will represent its useful economic life. The Director is of the opinion that the useful economic life of the goodwill is 20 years from the date of acquisition of the business.

HQ CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (continued)

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Furniture and fittings - 25% straight line basis

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Investments

In the Parent Company financial statements, investments in subsidiaries are initially measured at cost, including directly attributable acquisition costs, and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

HQ CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (continued)

1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Consolidated Profit and Loss Account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred taxation

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Consolidated Profit and Loss Account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.10 Foreign currency translation

The functional currency of HQ Capital (UK) Limited is Pound Sterling (£), however the functional currency of the subsidiaries is the Euro. The Euro has been chosen as the presentation currency for the Group in order to minimise foreign exchange effects on the financial statements.

Monetary assets and liabilities denominated in foreign currencies are translated into euros at the rates of exchange ruling at the balance sheet date; non-monetary assets and share capital are translated at the historic transaction rate. Transactions in foreign currencies are recorded at the rate ruling at the transaction date. All differences are taken to profit and loss account.

The results of the Groups' operations are translated at the average rate of exchange during the year and the balance sheet at the rate ruling at the balance sheet date. Exchange differences are reported in the Consolidated Statement of Comprehensive Income.

1.11 Financial assets

The Group and Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the balance sheet when the Group and Company becomes party to the contractual provisions of the instrument.

HQ CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (continued)

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

1.12 Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease.

HQ CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (continued)

1.15 Judgements and key sources of estimation uncertainty

The preparation of the financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates, and for management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant are:

Impairment of investments

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset. Both external and internal sources of information are considered when concluding if there is any indication an asset may be impaired.

2 Turnover Segmental Analysis

	2022	2021
	€	€
<i>United Kingdom</i>		
Marked up expenses recharged	35,629	26,207
<i>Rest of Europe</i>		
Marked up expenses recharged	7,877,573	7,559,000
Fees for acting as limited partner	373,645	409,149
Other fee income	2,445,080	1,103,789
	<u>10,731,927</u>	<u>9,098,145</u>

HQ CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3	Operating profit		
	Group	2022	2021
		€	€
	The operating profit is stated after charging:		
	Amortisation of intangible fixed assets	631,636	642,811
	Depreciation on tangible fixed assets	17,988	33,850
	Operating lease rentals	69,796	56,663
		<u>631,636</u>	<u>642,811</u>
		2022	2021
		€	€
	HQ Capital (UK) Ltd's auditors' remuneration		
	Fees payable to the auditor for the audit of the annual accounts	26,643	22,677
	Fees payable to the auditor for the provision of non-audit services:		
	Taxation compliance	2,898	2,617
	Accountancy and regulatory compliance	1,355	1,221
	Company secretarial assistance	600	535
		<u>31,496</u>	<u>27,050</u>
	HQ Capital (Deutschland) GmbH auditors' remuneration		
	Fees payable to the auditor for the audit of the annual accounts	49,000	47,000
	Fees payable to the auditor for the provision of non-audit services:		
	Taxation compliance	16,000	13,000
	Accountancy and regulatory compliance	10,000	10,000
		<u>75,000</u>	<u>70,000</u>

HQ CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4	Employees Group	2022 €	2021 €
	Wages and salaries	7,029,850	5,656,445
	Social security costs	462,581	540,661
	Pensions	72,575	72,575
		<u>7,565,006</u>	<u>6,269,681</u>

Number of employees

The average monthly number of employees (including directors) during the year was:

	2022 Number	2021 Number
Administrative	<u>34</u>	<u>31</u>

Directors' and key management personnel

	2022 €	2021 €
Emoluments for qualifying services:		
HQ Capital (UK) Limited	-	-
HQ Capital (Deutschland) GmbH	2,592,359	1,973,000
HQ Capital Fondsverwaltungs GmbH	-	-
HQ Capital MA Verwaltungs GmbH	-	-
	<u></u>	<u></u>

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for the highest paid director	<u>1,219,669</u>	<u>1,200,242</u>
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HQ CAPITAL (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

5 Taxation Group	2022	2021
	€	€
UK corporation tax for the year	239	236
Non-UK taxation: current year	117,644	165,791
	<hr/>	<hr/>
Current tax charge	117,883	166,027
	<hr/>	<hr/>
Total tax charge	117,883	166,027
	<hr/> <hr/>	<hr/> <hr/>
Factors affecting the tax charge for the year:		
Profit on ordinary activities before tax	239,275	180,139
	<hr/> <hr/>	<hr/> <hr/>
Loss on ordinary activities multiplied by the standard rate of UK corporation tax of 19% (2021: 19%)	45,462	34,226
Effects of:		
Non-deductible	399	1,165
Other taxation adjustments	(47,820)	10,793
Depreciation add back	119,843	119,843
	<hr/>	<hr/>
Current tax charge	117,883	166,027
	<hr/> <hr/>	<hr/> <hr/>

HQ CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

6 Intangible fixed assets Group

	Software €	Goodwill €	Total €
Cost			
At 1 January 2022 and 31 December 2022	50,302	12,615,032	12,665,334
Amortisation			
At 1 January 2022	49,405	8,830,527	8,879,932
Charge for the year	884	630,752	631,636
At 31 December 2022	50,289	9,461,279	9,511,568
Net book values			
At 31 December 2022	13	3,153,753	3,153,766
At 31 December 2021	897	3,784,505	3,785,402

HQ CAPITAL (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****7 Tangible fixed assets
Group**

	Fixtures and fittings €
Cost	
At 1 January 2022	288,950
Addition	9,409
Disposals	(2,826)
	<hr/>
At 31 December 2022	295,533
	<hr/>
Depreciation	
At 1 January 2022	256,783
Charge for the year	17,988
Eliminated on disposal	(2,826)
	<hr/>
At 31 December 2022	271,945
	<hr/>
Net book value	
At 31 December 2022	23,588
	<hr/> <hr/>
At 31 December 2021	32,167
	<hr/> <hr/>

**8 Fixed asset investments
Group**

	Investments in unlisted companies €
At 1 January 2022	10,411
Additions	-
Disposals	-
	<hr/>
At 31 December 2022	10,411
	<hr/> <hr/>

Company

	Shares in subsidiary undertakings €
At 1 January 2022 and 31 December 2022	13,158,797
	<hr/> <hr/>

HQ CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

8 Fixed asset investments (continued)

The Company's subsidiary undertakings and investment holdings at 31 December 2022 are as follows:

Name	Registered office	Class of shares held	% of equity capital held
<i>Held directly:</i>			
HQ Capital (Deutschland) GmbH	Am Pilgerrain 15, 61352 Bad Homburg vor der Höhe, Germany	Ordinary	100.0%
<i>HQ Capital (Deutschland) GmbH is the sole owner of the following companies:</i>			
HQ Capital Fondsverwaltungs GmbH	Richard-Strauss-Str. 24, 81677 München, Germany	Ordinary	100.0%
HQ Capital MA Verwaltungs GmbH	Am Pilgerrain 17, 61352 Bad Homburg v. d. Höhe, Germany	Ordinary	100.0%

HQ Capital (Deutschland) GmbH is the limited partner of the following companies:

Name	Registered office	Class of shares held	% of equity capital held
US Buyout Private Equity Management GmbH & Co. KG Nr 1	Richard-Strauss-Str. 24, 81677 München	Ordinary	50.0%
US Buyout Private Equity Management GmbH & Co. KG Nr 2	Richard-Strauss-Str. 24, 81677 München	Ordinary	33.3%
Marble House Access Select Private Equity Management GmbH & Co KG	Richard-Strauss-Str. 24, 81677 München	Ordinary	25.0%
Marble House Secondary Plus Management GmbH & Co KG	Richard-Strauss-Str. 24, 81677 München	Ordinary	32.9%

HQ Capital (Deutschland) GmbH does not exercise control or significant influence over the companies' operations, therefore they have not been consolidated into the Group accounts.

HQ CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

9 Debtors

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Trade debtors	943,920	449,389	-	-
Other debtors	44,585	19,756	10,236	5,277
Amount owed by group undertakings	7,087,147	6,381,598	449,401	471,683
Prepayments and accrued income	35,331	16,704	-	-
	<u>8,110,983</u>	<u>6,867,447</u>	<u>459,637</u>	<u>476,960</u>

10 Creditors: amounts falling due within one year

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Trade creditors	78,731	69,221	502	530
Other creditors	940,257	1,059,869	-	-
Corporation tax	64,418	36,822	-	-
Accruals and deferred income	906,382	475,395	29,264	24,022
	<u>1,989,788</u>	<u>1,641,307</u>	<u>29,766</u>	<u>24,552</u>

11 Share capital

	2022	2021
	€	€
Allotted, called up and fully paid:		
Equity: 9,661,416 Ordinary shares of £1 each (2021: 9,661,416)	<u>13,231,298</u>	<u>13,231,298</u>

Ordinary shares have attached to them full voting rights

HQ CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

12 Reconciliation of profit to net cash inflow/(outflow) from operating activities

	2022 €	2021 €
Profit for the year after tax	121,392	14,112
Taxation charged	117,883	166,027
Depreciation charges	17,988	33,850
Amortisation charges	631,636	642,811
Increase in debtors	(1,243,536)	(428,526)
Increase in creditors	320,885	694,824
Interest receivable	(12,597)	(349)
Interest payable	1,400	1,204
Foreign exchange (gains)/losses	(23,996)	29,933
Net cash (outflow)/inflow from operating activities	<u>(68,945)</u>	<u>1,153,886</u>

13 Analysis of changes in net funds – Group

	1 January 2022 €	Cash flow 31 December 2022 €	€
Cash at bank in hand	<u>1,571,444</u>	<u>(157,444)</u>	<u>1,414,000</u>

HQ CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

14 Reserves

Called up share capital represents the nominal value of shares that have been issued.

The Profit and loss account includes all current and prior period retained profits and losses.

The Foreign exchange reserve reflects all current and prior period translation differences arising on translation to the presentation currency.

15 Financial commitments

At 31 December 2022, the Group was committed to making the following payments under non-cancellable operating leases expiring as follows:

	Land and buildings	
	2022	2021
	€	€
Within one year	24,355	29,428
Two to five years	10,790	2,800
	<u>35,145</u>	<u>32,228</u>

16 Financial risk management

Market risk

The majority of the Group's fees are earned from group or related parties therefore the Group's exposure is limited.

Foreign currency risk

The majority of the Group's transactions are denominated in Euros, therefore overall exposure is considered to be low. The gains and losses arising from the Group's exposures are recognised in the profit and loss account.

Credit risk

The majority of the Group's fees are earned from group or related parties therefore third party exposure is limited.

Liquidity risk

The objective of the Group in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The Group expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the Group has the ability to source finance from the wide HQ Capital Group.

HQ CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

17 Related party transactions Group and Company

The Company's income is generated via recharging expenditure, plus a 5% mark up to its parent company. During the year the Company invoiced HQ Capital International LP €35,629 (2021: €26,207). At the year end the Company had a €449,401 (2021: €471,683) debtor balance with HQ Capital International LP.

The majority of HQ Capital (Deutschland) GmbH's income is generated via recharging expenditure, plus a 7% mark up to HQ Capital group companies. During the year HQ Capital (Deutschland) GmbH invoiced HQ Capital Private Equity Management (Cayman) LP €7,877,573 (2021: €7,558,986) and at the year end the Company had a €5,320,361 (2021: €5,059,358) debtor balance with that related party.

During the year, HQ Capital (Deutschland) GmbH received €156,688 (2021: €173,455) from US Buyout Private Equity Management GmbH & Co KG Nr 1 and Nr 2, companies which have HQ Capital (Deutschland) GmbH as one of their limited partners. At the year end the balance owed between the entities was €Nil (2021: €Nil).

During the year, HQ Capital (Deutschland) GmbH received €48,208 (2021: €58,453) from Marble House Access Select Private Equity Management GmbH & Co KG Munich, a company which has HQ Capital (Deutschland) GmbH as one of its limited partners. At the year end the balance owed between the entities was €Nil (2021: €19,484).

During the year, HQ Capital (Deutschland) GmbH received €168,749 (2021: €177,241) from Marble House Secondary Plus Management GmbH & Co KG Munich, a company which has HQ Capital (Deutschland) GmbH as one of its limited partners. At the year end the balance owed between the entities was €Nil (2021: €177,241).

During the year, HQ Capital Fondsverwaltungs GmbH received €761,648 (2021: €776,403) from various LIQID and HQ Capital Products. At year-end the balance owed between the parties was €Nil (2021: €11,900).

18 Control

The immediate parent company is HQ Capital International LP, an entity registered in State of Delaware. HQ Capital International LP is the most senior company preparing group accounts. The majority partner is HQ Capital GmbH & Co. KG, a German entity, which is 100% owned by HQ Holding GmbH & Co. KG. HQ Holding GmbH & Co. KG in itself has no single controlling party.

On 24 March 2023, 60% of HQ Capital GmbH & Co. KG was acquired by LFPI A Sàrl. LFPI A Sàrl in itself has no single controlling party.