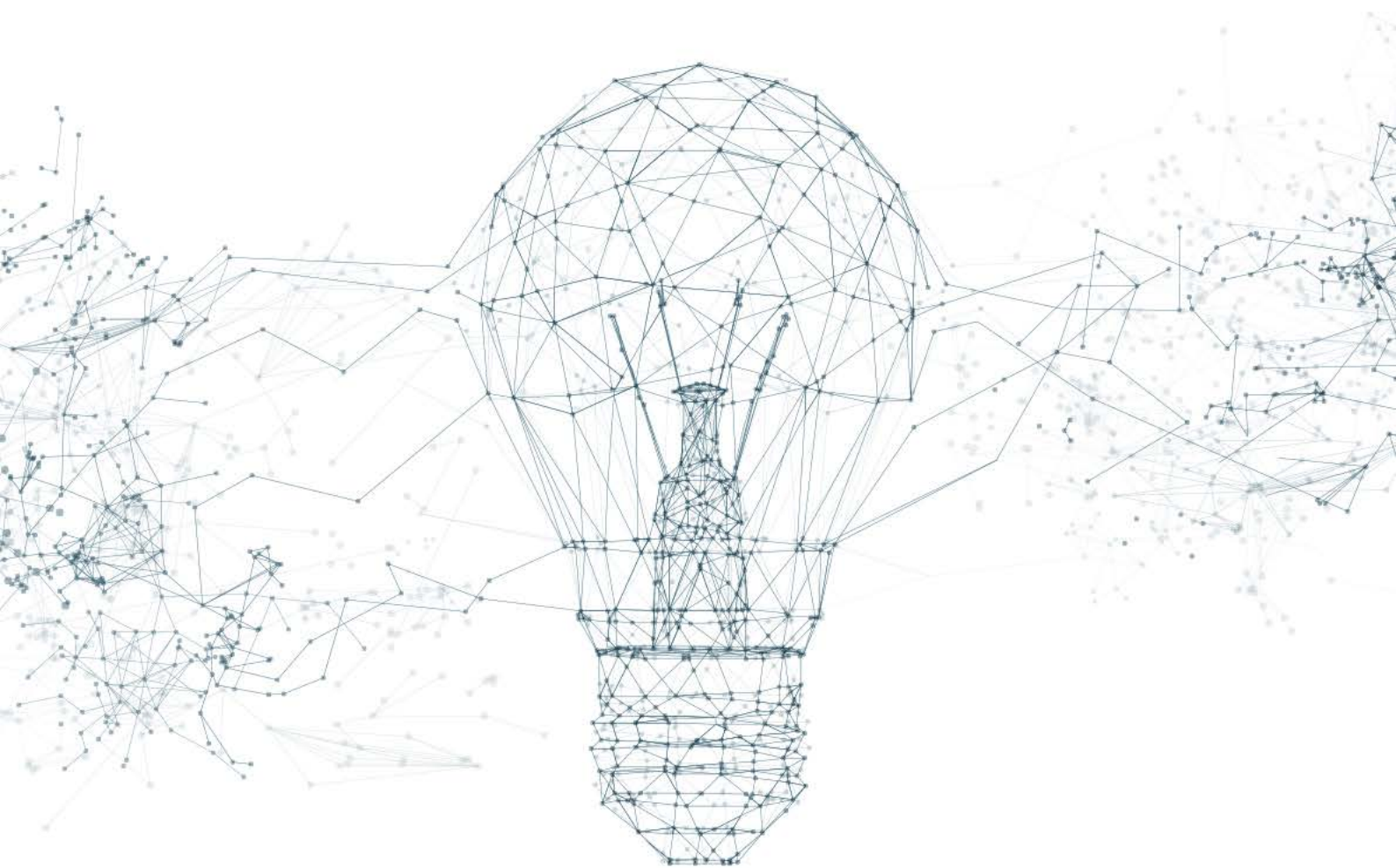


# Get connected

to a universe of software and service businesses



**Annual report and accounts**

31 December 2022



The objective of HgCapital Trust ('HGT') is to provide shareholders with consistent long-term returns in excess of the FTSE All-Share Index by investing predominantly in unquoted companies where value can be created through strategic and operational change.

## The investment opportunity



Exposure to a portfolio of >45 fast growing companies diversified by end market and geography – with enterprise values of £100 million to over £10 billion



Strategy focused on unquoted software and technology-enabled business services with resilient, recurring revenue streams



Invest alongside some of the world's largest investors in private equity, in high-growth companies sourced by Hg

Hg has managed the HGT investment portfolio since 1994

## Building businesses that change how we all do business



More than 350 employees, including c. 220 investment and portfolio management executives



Network of seasoned professionals from across industry who support management teams to create value and help businesses to achieve their full potential



Sharing of knowledge and expertise by facilitating the active collaboration of management teams across sector clusters and geographies

References in this annual report and accounts to HgCapital Trust plc have been abbreviated to 'HgCapital Trust' or 'HGT'. Hg refers to the trading name of Hg Pooled Management Limited and HgCapital LLP. Hg Pooled Management Limited is the 'Manager'.

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

References in this annual report and accounts to pounds sterling have been abbreviated to 'sterling'.

Past performance is not a reliable indicator of future results. The value of shares and the income from them can go down as well as up as a result of market and currency fluctuations and investors may not get back the amount they originally invested.



# Contents



## Strategic report

Financial and performance highlights	4
Chairman's statement	8
Hg's outlook	12
Business model and risk framework	16
Key Performance Indicators	20
Directors' duties	22
Investment objective and investment policy	25



## Hg's review

Overview	28
Responsible investment	32
Year in review	36
Investments and realisations	42
Overview of underlying investments	44
Top 20 investments	45
Other investments	56



## Financial statements

Income statement	58
Balance sheet	59
Statement of cash flow	60
Statement of changes in equity	61
Notes to the financial statements	62
Independent auditor's report	81



## Corporate governance

Directors' report	91
Directors' responsibilities statement	100
Corporate governance statement	101
Reports from the Committees of the Board	105
Directors' remuneration report	112



## Further information

AIFM Directive	116
Shareholder information	119
Notice of Annual General Meeting	126
Board, management and administration	134



Strategic report



Hg's review



Financial statements



Corporate governance



Further information



### 2022 performance at a glance

“HGT's portfolio delivered a resilient performance in the face of a challenging operating environment”

Jim Strang, Chairman, HgCapital Trust



**£2.1bn**

**Net assets**

31 December 2021: £2.0bn



**+5.4%**

**NAV per share (456.6p)**

31 December 2021: +43.9%



**£1.6bn**

**Market capitalisation**

31 December 2021: £1.9bn



**-15.1%**

**Share price (350.5p)**

31 December 2021: +39.8%



**7.0p**

**Full year dividend**

31 December 2021: 7.0p



**1.7%**

**Total ongoing charges**

31 December 2021: 1.4%



**£527m**

**Cash invested on behalf of HGT**

31 December 2021: £424m



**£404m**

**Cash returned to HGT**

31 December 2021: £271m



**£476m**

**Available liquid resources  
(23% of NAV)**

31 December 2021: £470m



**£1.2bn**

**Outstanding commitments  
(57% of NAV)**

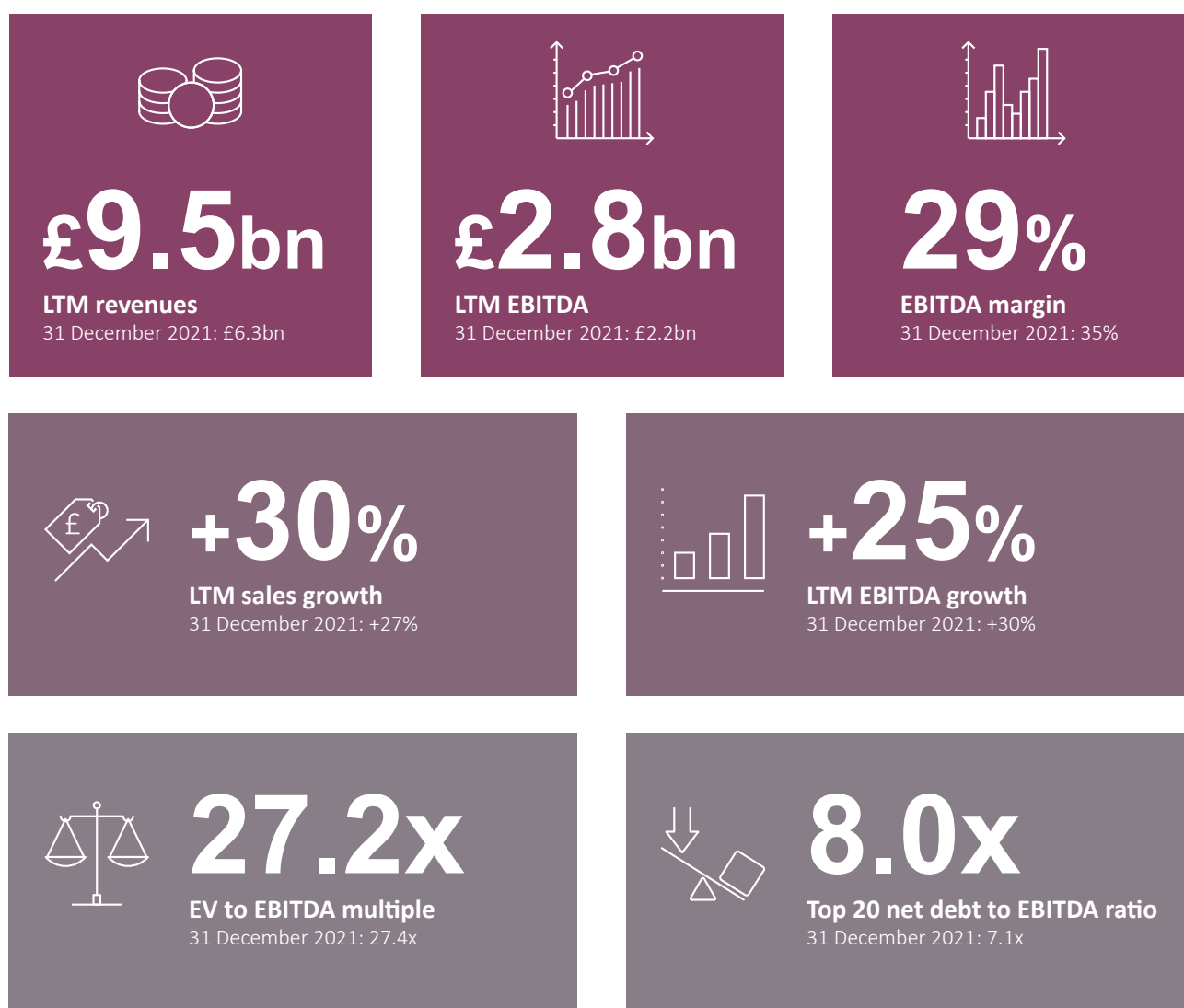
31 December 2021: £992m

Note NAV per share and share price return on a total return basis assuming all historical dividends have been re-invested, which is an Alternative Performance Measure ('APM').



## Top 20 investments (77% of portfolio value)

A snapshot as at 31 December 2022



“During a period of increased economic volatility, the resilience of the Hg portfolio has been demonstrated with valuations remaining stable and EBITDA margins close to 30%. HGT's companies are characterised by highly recurring revenues and relatively high margins, and by the ability to grow EBITDA organically by 10-15% each year. These characteristics provide exceptional resilience when the cycle swings downward and forms a stable platform for accelerating growth when market conditions recover.”

David Toms, *Head of Research, Hg*

Past performance is not a reliable indicator of future results. The value of shares and the income from them can go down as well as up as a result of market and currency fluctuations and investors may not get back the amount they originally invested.



## Financial and performance highlights

6

Strategic report

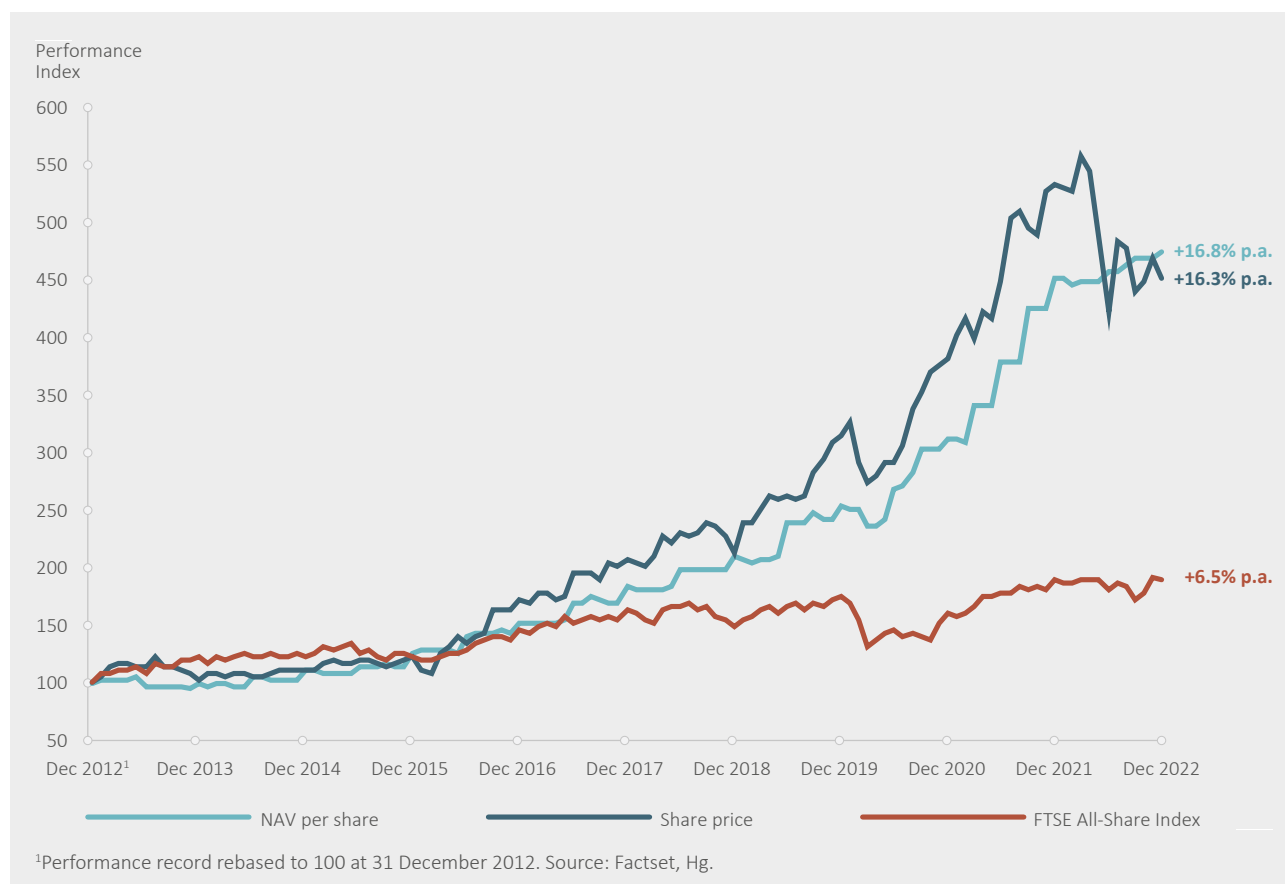
### Historical total return performance

Both HGT's share price and net asset value per share have continued to outperform the FTSE All-Share Index over the long-term.

	1 year % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.	20 years % p.a.
NAV per share	5.4	23.4	21.0	16.8	16.5
Share price	(15.1)	12.8	17.0	16.3	17.9
FTSE All-Share Index	0.3	2.3	2.9	6.5	7.6
NAV per share performance relative to the FTSE All-Share Index	5.1	21.1	18.1	10.3	8.9
Share price performance relative to the FTSE All-Share Index	(15.4)	10.5	14.1	9.8	10.3

Based on HGT's share price at 31 December 2022 and allowing for all historic dividends being reinvested, **an investment of £1,000 made 20 years ago would now be worth £26,777, a total return of 2,578%.** An equivalent investment in the FTSE All-Share Index would be worth £4,361.

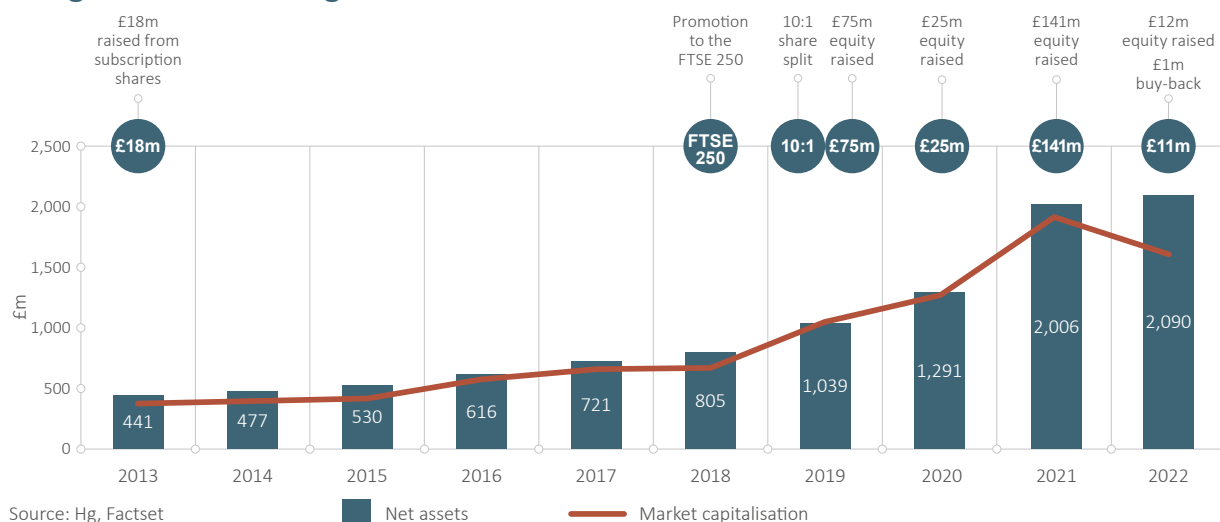
### Long-term performance – 10-year share price total return: +16.3% p.a.



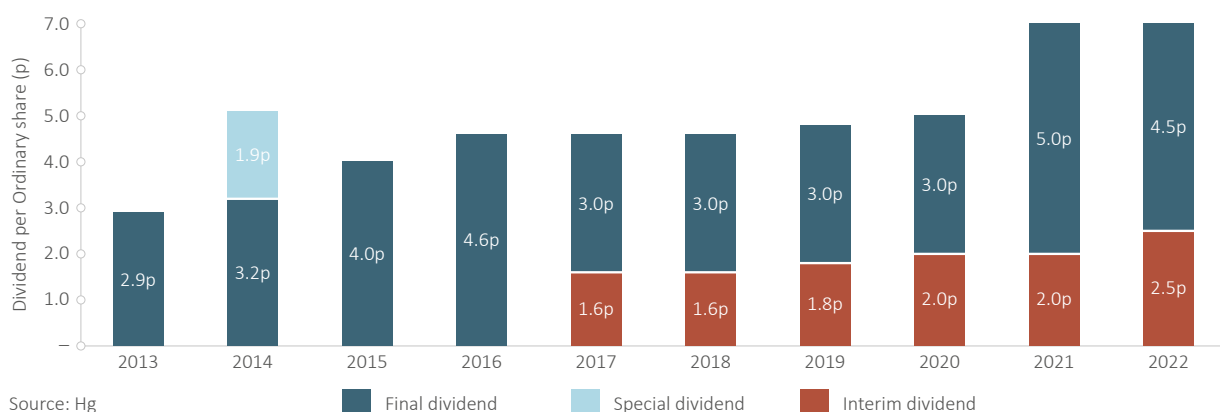
Past performance is not a reliable indicator of future results. The value of shares and the income from them can go down as well as up as a result of market and currency fluctuations and investors may not get back the amount they originally invested.

## Financial and performance highlights

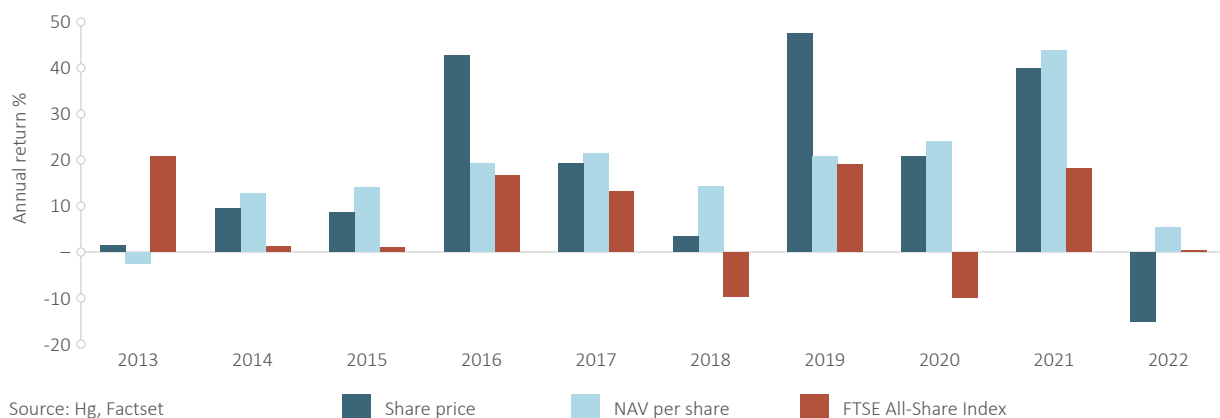
### Long-term net asset growth



### Ten-year dividend history



### Discrete annual total return performance against the FTSE All-Share Index



Past performance is not a reliable indicator of future results. The value of shares and the income from them can go down as well as up as a result of market and currency fluctuations and investors may not get back the amount they originally invested.



## Chairman's statement

8

Strategic report

“The HGT portfolio is made up of 48 individual companies, spread across eight end-market 'clusters' which are well known to Hg. These investments operate across the B2B software and technology-enabled business services sectors. As part of the long-standing investment strategy adopted by Hg, these companies typically benefit from sector leading market positions and have highly resilient and defensive business models with loyal customers and high rates of recurring revenues.”

Jim Strang, Chairman, HgCapital Trust plc



Dear Shareholder,

Last year was another year of considerable challenge and volatility both economically and geo-politically. For the first time in a number of years, rates of inflation increased dramatically on a global basis while central banks materially increased interest rates. In addition, the tragic and ongoing conflict in the Ukraine acted to exacerbate inflationary pressures, not to mention increasing levels of geo-political risk to a point not seen for a generation. Against this challenging backdrop, the HGT portfolio performed well for shareholders, although this was not reflected in the share price:

### Highlights in 2022 included:

- **5.4% NAV** per share growth on a total return basis, with net assets of £2.1 billion;
- **£527 million** of new and further investments by HGT, primarily into seven new businesses across the core investment clusters targeted by Hg;
- **£630 million** newly committed to invest alongside new Hg funds over the next three to four years;
- **£404 million** of £404 million of proceeds returned to HGT, with three full realisations at an average uplift to book value of 28%.

### Performance

The NAV of HGT increased by 5.4% over the year, reflecting the ongoing strength of the operating performance of the HGT portfolio, offset by a reduction in the valuation multiple ascribed to high-growth software assets globally. While the portfolio continued to develop very much in line with progress seen in recent years, HGT's share price declined by 15.1%.

The events of the year saw a marked change in the private equity deal making environment, notably in the second half of the year, as new investment and divestment activity significantly reduced. Despite the challenging market conditions, the strength and focus of the Hg investment model allowed significant progress to be made across the portfolio over the year. Seven new platform investments were made in 2022 with HGT's share of these deals representing a total of £527 million of capital invested. These new investments all comply with the proven Hg investment strategy which targets software and technology-enabled business services in eight specific sub-sectors or 'clusters'. As I have noted in previous reports, the Hg model is based around supporting the portfolio companies to achieve their full potential and in creating larger and more valuable businesses as a result which are much sought after in the markets they operate in. Consequently, despite the challenging market conditions, Hg was able to deliver a number of realisation events over the course of the year, returning £404 million to HGT in cash. Three full exits in the year were delivered at an average exit multiple of 3.9x cost and achieved at an average uplift of 28% to their December 2021 valuations. These exits returned considerable cash to HGT. Valuations are an area of continued focus for the Audit Valuation and Risk Committee.

Past performance is not a reliable indicator of future results. The value of shares and the income from them can go down as well as up as a result of market and currency fluctuations and investors may not get back the amount they originally invested.





At the end of the year, the HGT portfolio consisted of 48 investments, all of which conform to the Hg sector and investment strategy and in aggregate these assets have continued to perform very well. The top 20 portfolio companies (77% of the portfolio by value) generated revenue growth of 30% over the year, while associated EBITDA grew by 25%. Across the entire portfolio, three businesses were held below their investment cost at the end of the year, representing 2% of the aggregate portfolio value.

### Fundraising

Hg's success in building and creating value in the portfolio supported a new round of fundraising in the year, in which HGT participated, to support HGT's long-term NAV growth ambitions. Hg successfully raised significant capital for the Hg Saturn and Hg Genesis fund families in the year and as further funds are raised over the first half of 2023, HGT will continue to participate as Hg's largest single investor. HGT's commitments to the new Hg funds ensure that HGT maintains access to Hg's deal flow, including co-investment opportunities, in what is anticipated to be an attractive environment for new investments. HGT continues to benefit from a unique opt out clause within its underlying investment agreements with Hg, which provides a useful risk management tool for the Board in managing and optimising the HGT balance sheet.

### Balance sheet

In order to grow the NAV of our portfolio and deliver returns for shareholders, HGT operates in a continual cycle of commitment, investment and realisation of the underlying investments. This process involves continual monitoring and revision of forecasts and estimates, as they relate to the portfolio and an optimisation of the HGT balance sheet to fund these strategies.

Looking forward, as the environment seems set to remain challenging, we have looked to pull on specific levers to optimally balance future portfolio investment, cash flow management and uncertainties.

### Increase in credit facility

As part of this process, HGT uses a revolving credit facility to support the investment programme and to improve balance

sheet efficiency. In 2022, HGT increased its facility to c. £290 million and has recently secured approval with lenders for a further increase to £350 million. The upsizing of the facility will aid in the cashflow management of HGT in what seems likely to be a more uncertain deal environment and, while the total quantum of the facility is notably larger than shareholders will recall from prior years, it is very much in line with the relative sizing of the debt facility to the HGT overall balance sheet witnessed in the past.

### Share issuance and buybacks

In addition to the credit facility, HGT seeks to take advantage of opportunities to issue new shares to support the investment strategy at times when doing so would be accretive to shareholders. During 2022, HGT issued £12 million worth of new shares at a small premium to the prevailing NAV and in the third quarter of the year, the Board executed a small share buyback programme (utilising £1.4 million of cash on the balance sheet) within the guidelines of the recently updated and revised HGT discount control policy.

### HGT portfolio management

In addition to seeking to optimise the balance sheet through debt and equity capital markets, the Board also looks to take advantage of market driven opportunities to manage the portfolio construction of HGT, achieving the optimal balance of asset and vintage exposure through the Hg fund structures that contain the investments that make up the HGT portfolio. The rapidly increasing depth and sophistication of the secondary market for such private equity fund interests, provides a valuable additional tool to the Board in the management of HGT's exposure and liquidity.

As part of this process, HGT has agreed to sell c. 25% of HGT's remaining investment in Hg's Genesis 8 Fund. Hg Genesis 8, a 2017 vintage fund, has performed very strongly, and is currently valued at 3.2x invested cost, an outcome that is already above the fully realised performance of all Hg's historical funds. The proposed transaction envisages a sale to a leading secondary fund, an institutional Private Equity buyer of mature fund interests, at a price equal to 100% of Hg Genesis 8's December 2022 NAV. The pricing level achieved in this transaction provides further strong validation of the HGT valuation policy,

**“The portfolio has continued to deliver strong operating performance in the last year, despite the many and obvious challenges presented in the broader global economy. Looking forward, the environment seems set to remain challenging, however the investment model adopted by HGT and the strength of the portfolio augurs well for its continued successful development.”**



Hg's review



Financial statements



Corporate governance



Further information





## Chairman's statement

10

Strategic report

given the independent price setting provided by the buyer. The proposed transaction will generate proceeds to HGT of just over £90 million.

The Board and the Manager have also agreed to take advantage of the opportunity to reduce HGT's commitment to Hg Saturn 3 by c. 15%, in light of the significant change in the deal environment since the establishment of the fund and, in addition, the c.15% appreciation of the USD against GBP. Drawn capital to-date will be repaid pro-rata to HGT, with no negative impact on the HGT balance sheet from the proposed resizing of the fund commitment executing these steps, as HGT is simply exchanging invested NAV at par for cash.

The adjustments to the HGT investment profile not only allow for significant cash to be returned to HGT at attractive valuations but allows for increased investment flexibility ahead of what is envisaged to be an attractive period for new investment, particularly through increased exposure to co-investments where HGT has a stated goal of investing up to 10% of capital. A final benefit of these proposed adjustments is that they provide a mechanism to help manage the single

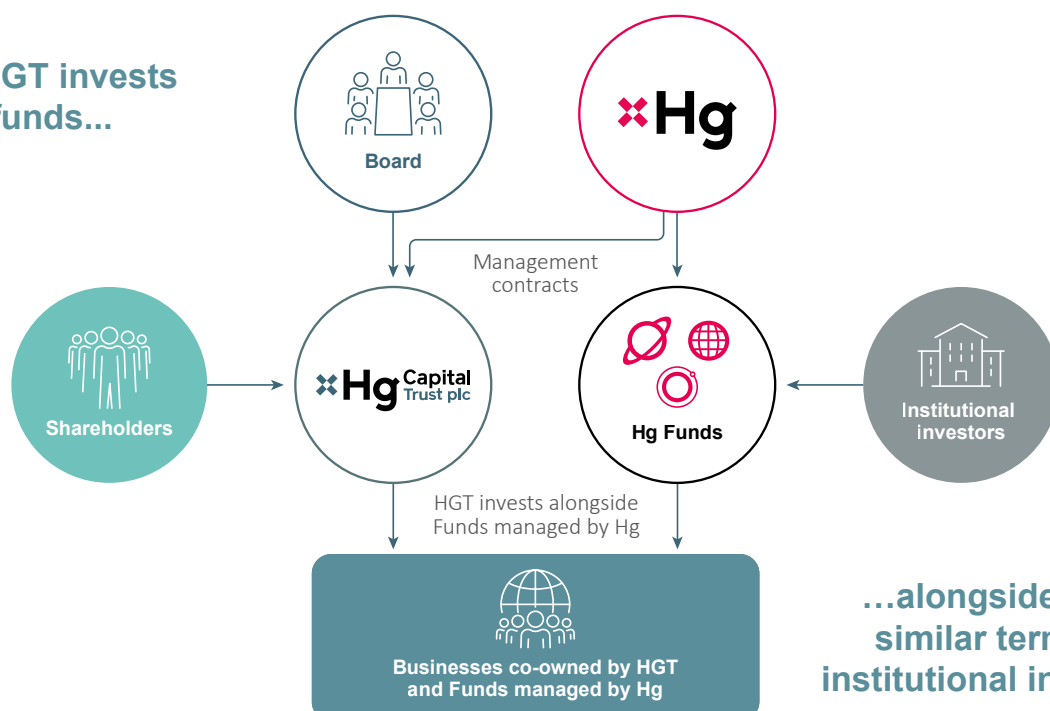
asset concentration in the largest individual investment in the portfolio, Access. We will keep shareholders informed on the progress of these transactions, subject to customary closing conditions.

### Impact and responsible investment

Your Board and the Manager, Hg, continue to increase their focus on the topics of ESG and sustainability. We share a firmly held view that not only should the financial returns to you, the shareholders, be attractive, but these must be delivered in a manner which is consistent with our responsibility to society. As a technology investor, we understand the need to ensure that those businesses in which we invest reduce their carbon footprint and contribute to tackling climate change.

Hg is, itself, independently certified as a carbon-neutral company with a UNPRI assessment of Hg's approach to responsible investment of AA++ (the highest available rating). The Board of HGT meets regularly with the Hg Responsible Investment team to ensure that Hg's work is well understood and endorsed by the Board.

### How HGT invests in Hg funds...



...alongside and on similar terms to all institutional investors



As we have previously reported, Hg launched The Hg Foundation in 2020 – a charitable initiative to provide funding and operational support to initiatives across Europe, the UK and the US. The Hg Foundation’s goal is to have an impact on the development of those skills and learning most required for employment within the technology industry, focusing on individuals who might otherwise experience barriers to access this education. This Foundation is funded by the Hg management company and its team members.

### Dividend

As noted previously, HGT aims to achieve growth in the net asset value per share and in the share price, rather than to achieve a specific level of dividend. Furthermore, the ability of HGT to pay dividends is very much influenced by the capital structures of the transactions entered into by Hg and by income received on any liquid resources held subject to investment.

As regards the current financial year, HGT will deliver a full year dividend of 7.0 pence per share (2021: 7.0 pence per share), payable in May. The Board keeps the dividend objective of HGT under regular review and will communicate, to shareholders, further guidance on the dividend when it is practicable to do so.

### Board and governance

Peter Dunscombe retired from the Board and from his role as the Chair of the Management Engagement Committee (MEC) at the AGM in May, after 8 years of service to HGT. On behalf of myself and my fellow Directors, I would like to thank Peter for his significant contribution to HGT over his tenure on the Board. HGT benefited a great deal from his experience and wise counsel.

Dr Erika Schraner joined the Board in August and has taken on Peter’s former responsibility as MEC Chair. Erika brings a great deal of relevant experience to HGT from a long and successful executive career in the technology sector, both in Europe and America, and I am sure will make a very significant contribution to HGT in the years to come. With Erika joining the Board, the composition of the Board is now equally balanced between male and female Board members. Over the course of this year, HGT will commence the process to recruit a further Director ahead of the next evolutionary step in the Board development, which will see Anne West retire in 2024. This new recruitment will be externally supported and will follow HGT’s process for adding the requisite skills to the Board to meet evolving needs. As ever, this process will be targeted to provide a wide and diverse mix of candidates to further support HGT’s progress on diversity in line with relevant guidelines.

I am pleased to report that the annual Board review process undertaken over the year and externally supported, shows the Board to be functioning very well. As part of the continuous effort to improve governance, the Board implemented a new software tool, BoardClic, to provide more objective insights into the effectiveness of the Board, by comparing the performance of the HGT Board with a large peer set. I am pleased to say that this process revealed the HGT Board to be amongst the highest scoring Boards on the platform.

### Prospects

The year ahead seems set to be as volatile and uncertain as the year that preceded it. However, HGT is well placed to be able to navigate this uncertainty. The Manager, Hg, remains focused on its clearly defined investment strategy of backing resilient growth businesses, and has a proven ability to operate in challenging markets. Testament to that is the highly successful fundraisings completed by Hg in what is a very challenging market for private equity managers. The existing portfolio is robust and continues to deliver attractive organic growth, augmented by M&A. Given these factors, the Board believes that the year ahead can be approached with a degree of confidence.

Jim Strang  
Chairman  
10 March 2023



Hg's review



Financial statements



Corporate governance



Further information



**“Increasingly, we see this environment as one of opportunity, as valuation adjustments create the opportunity to acquire businesses with attractive long-term performance.”**

David Toms, Head of Research, Hg



## Market update

We remain alert to the ongoing challenges in the broader economy from the geopolitical background, fiscal tightening, and cost increases, and are increasingly excited about the structural opportunities the current 'risk-off' environment could create for a long-term investor like Hg.

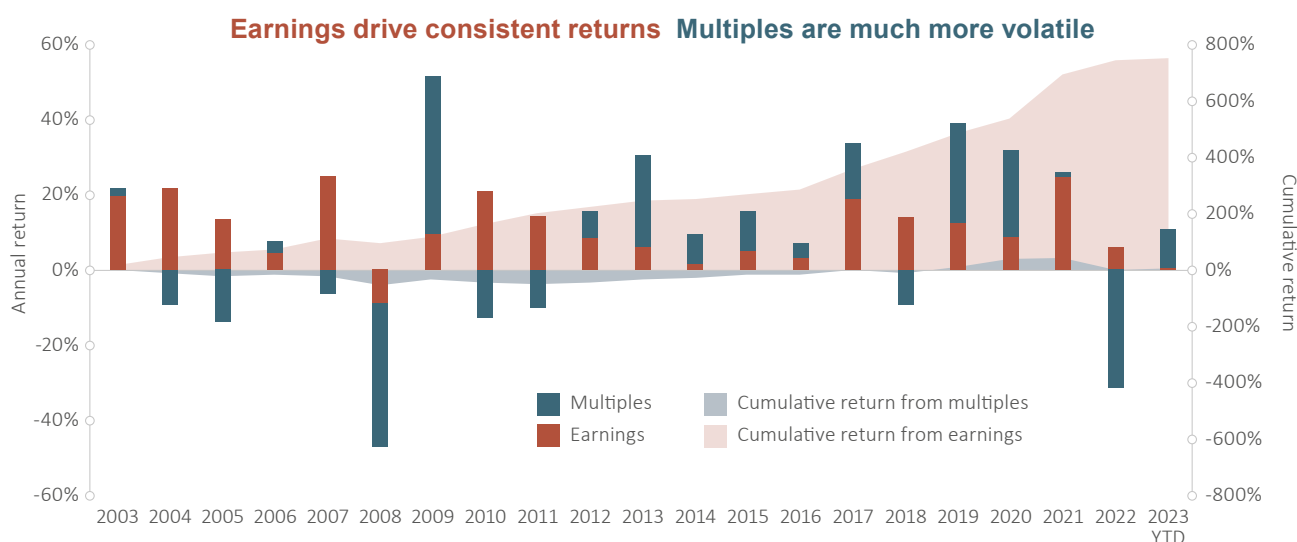
A 'typical' downturn tends to lead with multiple contraction, followed by reduced earnings, and an eventual recovery catalysed either, in recent downturns, by central bank stimulus, or historically, corporate earnings recovery. For our sector going into an economic downturn, short-term changes in value are largely a result of changes in valuation multiples; while the eventual change in earnings forecasts is typically a fraction of the change in multiple that precedes it. For example, in the 2008/9 downturn, multiples accounted for about three-quarters of the total change in value in listed software companies. Earnings typically remain very robust in comparison. Looking at the current situation, public market valuations stabilised in H2 2022, after a significant decline in H1. This is consistent with increased investor confidence around the path of interest rates over the next two years.

As important as multiples are for short-term changes in value, their relevance decreases with longer investment horizons, supplanted by the growing significance of earnings growth. We show in the graph below the relative contribution of movements in valuation multiple and earnings, to returns for major publicly listed software and services companies.

For example, if the forward Price:Earnings ratio falls from 15 to 13.5, that is a negative 10% impact on overall returns in the year, and if the forward earnings forecast were to increase from 10 to 12, that would be a positive 20% impact. The shaded backgrounds represent cumulative returns from either earnings or multiple from 2003 up until the relevant year.

Over the total 20-year period of this graph, the multiple has delivered a negligible contribution to cumulative returns (broadly, good years and bad years cancel); the c. 8x total performance is almost entirely from earnings growth which was positive in 19 of the past 20 years.

As we move into 2023, the focus shifts to earnings where we are seeing a heightened level of downgrades to expectations from public companies. Although currency (specifically the strength of the USD) is an important factor in this, the broader backdrop is less benign than prior years, and we expect to see some pressure on sales to new customers who may be more reluctant to commit to new software and services solutions. Within our portfolio, such new business revenue is a small proportion of the total; the overwhelming majority of our portfolio companies can deliver revenue growth from the existing customer base alone, via cross-sell and up-sell. The impact across the industry, and our portfolio, from 2022's price increases (which may not take full effect until 2023), also helps to moderate any pressure from delayed new customer wins. These price increases across the sector result from a



Source: Factset, Hg analysis

**“ All investments sit within Hg’s ‘sweet-spot’ in software and technology-enabled business services across eight industry verticals or ‘clusters’ and continue to show Hg’s role as one of the largest software groups in the world. ”**

Luke Finch, *Head of Client Services, Hg*



combination of ongoing long-term product innovation, and the greater value for customers of utilising software solutions in a constrained labour market (especially for higher-cost ‘white collar’ labour). This provides strong support for our ongoing view that inflation will have only a muted long-term impact on Hg investments.

A clear positive from all this is that as earnings reassert their dominance in valuation, we return to an environment where the operating performance of our portfolio once again becomes the main driver of value creation. We believe that the structural drivers of growth in our sector are, if anything, enhanced by the macro-economic shifts we see, as companies invest in technology in order to help offset wage and cost inflation.

#### Valuation environment

We believe that we are moving from an environment dominated by macro factors, back to one where sector and company performance is the key driving factor. Valuations in 2021 and the first half of 2022 were dominated by macro factors, particularly interest rate expectations. These led to ‘unprofitable software’ experiencing a much greater decline than ‘profitable software’. In the second half of 2022, all valuations (equities generally, software, and ‘unprofitable software’) saw a much more stable pattern. Throughout 2022, we also saw repeated evidence that there is still investor demand for the highest quality businesses, such as those that make up the Hg portfolio. Furthermore, the valuation environment for these businesses has been much more stable than public markets would suggest; we continue to see exits above book value, and well above public market comparators.

Our valuation process is based partly on public comparators, and similarly to our portfolio companies, the vast majority of these are profitable, established businesses. As we have shown in prior reports, such businesses have shown much more limited valuation volatility than the high-growth, low/no profit businesses that headline more often in the media.

Consistent with our previous commentary, in any quarter, there are two main factors influencing our valuations: earnings multiple change in public and private comparators, and growth in actual earnings. Our companies typically grow their EBITDA by c. 10-15% organically each year (i.e. c. 3-4% each quarter) and often double this on an ‘all in’ basis i.e. including M&A. In addition, our valuations also have to input observed private

markets comparators, which have been far less volatile than the public comparators.

The latter two factors have meant that our funds have been less exposed to public market volatility (both on the way up and the way down), as well as providing some protection against broader de-rating in the long-term. The relative pace of movements (public rating changes can be relatively rapid; earnings growth and private comparators tend to be much steadier) dictates movements in any one quarter, but over the long term, earnings growth tends to dominate.

#### Activity levels

Over 2022, Hg invested more than £7 billion, primarily into 14 new and further investments, including £527 million on behalf of HGT. All these investments sit squarely within Hg’s ‘sweet-spot’ in software and technology-enabled business services across eight industry verticals or ‘clusters’, on which we exclusively focus. This investment continues to show Hg’s role as one of the largest investment software groups in the world, whether measured as an investor, or as an industry participant.

We have commented previously that in any rolling 12 month period, the investment teams across Hg aim to make between 8 and 16 new platform investments in total across the active Hg Saturn, Hg Genesis and Hg Mercury funds, and that we also generally seek to deliver similar numbers of liquidity events (sales or partial sales of portfolio companies and refinancings) each year. We believe the pace of investment should continue at broadly this level over the medium term. However, while we continue to see many compelling opportunities, we have seen a period of reduced activity, which may continue through to the summer as seller expectations adjust and react to the macro-outlook and in particular the new interest rate environment.

From any new investments we make, there is a further flow of M&A opportunities, adding to the breadth and depth of our organic development and catalysing cross sales to existing and acquired customers. On average, our portfolio companies may acquire two to three businesses a year, meaning across a portfolio of over 45 B2B software and technology-enabled business services we would typically expect to make more than 100 M&A investments each year (and to diligence and reject many more). To give a further sense of this scale, Hg’s combined portfolio enterprise value of the businesses within Hg’s portfolio now totals to over \$120 billion at 31 December 2022.





# Business model and risk framework

The Board has a clear view of the rationale for investing in unquoted businesses where the private equity ownership model has the potential to accelerate the growth in value creation. HGT seeks to capture this upside, whilst operating within a rigorous risk management framework.

The Board believes that there is a convincing rationale for directly investing in well-researched private businesses where there is potential for substantial growth in value, notably where there is the ability to work with management to implement strategic or operational improvements.

HGT offers a simple and liquid means by which shareholders can invest in unquoted growth companies, while benefiting from an investment company's governance model.

### Business model

To achieve HGT's investment objective and within the limits set by the investment policy, HGT is an investor in unquoted businesses managed, and in most cases controlled, by the Manager. From time to time, HGT may hold listed securities in pursuit of its investment policy.

HGT is currently invested in 48 companies (as set out on page 44 of this report), ranging in size, sector and geography, providing diversification.

The Board has delegated the management of HGT's investments to Hg Pooled Management Limited (the 'Manager' or 'Hg'). Further details of the terms of the management agreement are set out on page 108 of this report. The Manager invests predominantly in unquoted software and technology-enabled business services in expanding sectors and provides portfolio management support. Hg's review on pages 27 to 56 of this report outlines how HGT's investments are managed on behalf of HGT.

Most of HGT's investments are held through special-purpose partnerships, of which it is the sole limited partner.

Periodically, HGT enters into a formal commitment to invest in businesses identified by the Manager, alongside institutional investors which invest in other Hg Limited Partnership Funds. Such commitments are normally drawn down over three to four years. The institutional investors and HGT invest on similar terms.

HGT is usually the largest investor in each business. The Board has a further objective of keeping HGT as fully invested as is practicable, while ensuring that it will have the necessary cash available when a new investment arises.

The Board, on the advice of the Manager, makes assumptions about the rate of deployment of funds into new investments and the timing and value of realisations. However, to mitigate the risk of being unable to fund any draw-down under its commitments to invest, the Board has negotiated a right to opt out, without penalty, of its obligation to fund such draw-downs, should the need arise.

HGT may also take up a co-investment opportunity, directly investing into the business alongside the respective Hg funds (in addition to the investment which it has committed to make).

Typically, HGT has no liability to pay fees on such co-investment and no carried interest incentive is payable to the Manager on realisation (currently 6% of HGT's NAV is in co-investments). HGT may also offer to acquire or sell a limited partnership interest in any of Hg's funds, in the event that an institutional investor wishes to realise or purchase its partnership interest.

The Board regularly monitors progress across all of the businesses in which it is invested as well as their valuation, the development of the Manager's investment strategy and the resources and sustainability of the business model.

### Investment trust status

As HGT is constituted as an investment trust and its shares are listed on the London Stock Exchange, it can take advantage of tax benefits available to investment trusts. This allows HGT to realise investments from its portfolio without liability to corporation tax. The Board intends to retain this status provided that it is in shareholders' interest so to do.

It is important to note that HGT, in order to qualify for continuing investment trust tax status, may retain no more than 15% of its taxable income.

### Performance

HGT's aim is to achieve returns in excess of the FTSE All-Share Index over the long term. In the year to 31 December 2022, HGT's NAV per share increased by 5.4% on a total return basis. The FTSE All-Share Index increased by 0.3% on a total return basis over the period. In 2022, the share price decreased on a total return basis by 15.1%. NAV per share has grown by 16.8% p.a. compound over the last 10 years and 16.5% p.a. compound over the last 20 years. The share price has seen broadly similar performance growing by 16.3% p.a. compound over the last 10 years and 17.9% p.a. compound over the last 20 years.

All of the above returns assume the reinvestment of all historical dividends. The Board and the Manager aim to continue to achieve consistent, long-term returns in this range.

HGT is not managed so as to achieve any short-term performance relative to any index. The Board also compares HGT's NAV and share price performance versus other comparable indices with similar characteristics.

### Dividend

The Board reviews HGT's approach to dividends on a regular basis, taking into consideration feedback from shareholders, and the evolving nature of HGT's income streams, which are driven by the investment structures Hg utilises in its various transactions. In the 2021 Annual Report, the Board stated that it regarded a 5.0 pence full year dividend as a sustainable level, absent some material shift in underlying deal structures. From time to time, the pattern of deployment and the income which arises may allow for a higher level of dividend to be supported, and 2021 was an example of this, with a full year dividend of 7.0 pence. The Board has declared a final dividend in 2022 of 4.5 pence which brings the full year dividend to 7.0 pence, after an interim dividend of 2.5 pence.

Past performance is not a reliable indicator of future results. The value of shares and the income from them can go down as well as up as a result of market and currency fluctuations and investors may not get back the amount they originally invested.



### Going concern

HGT's business activities, together with those factors likely to affect its future development, performance and financial position are described in the Board's Strategic Report and Hg's Review. The financial position of HGT, its cash flows, liquidity and borrowing facilities are described in the Strategic Report. The Directors have considered the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting and believe that HGT is well placed to manage its business risks successfully. The Directors

review cash flow projections regularly, including important assumptions about future realisations and the rate at which funds will be deployed into new investments. The Directors have a reasonable expectation that HGT will have adequate resources to continue in operational existence for at least the next 12-month period from the date of approval of this Report and to be able to meet its outstanding commitments. Accordingly, they continue to adopt the going concern basis in preparing these results.

### Longer-term viability statement

In accordance with provision 36 of the AIC Code of Corporate Governance, the Directors have assessed the prospects of HGT over a period longer than the 12 months required by the 'Going Concern' provision. The Board believes that the appropriate period over which to assess HGT's viability may vary from year to year depending on several factors, the outstanding investment commitments in particular, therefore, the Directors evaluate and decide on an annual basis. The objective of HGT is to provide shareholders with consistent, long-term and sustainable returns, and the Board believes that it should assess the viability of HGT over a minimum of five years. This year, the Directors have elected to assess HGT's viability over the five-year period ending December 2027, because the current commitments, at year end, run until 2027. The key assumption underpinning the strategic planning is that HGT's business model remains broadly unchanged and HGT continues to invest in unquoted businesses acquired by Hg.

### Assessment of prospects

The Board has assessed HGT's prospects and long-term viability, taking into account:

- HGT's position with reference to the business model (a description of which can be found on pages 14 and 15);
- the balance sheet, cash flow projections (including the key underlying assumptions), and availability of funding. In 2022, the bank facility was increased to £290 million and as at 31 December 2022, including cash on the balance sheet and the undrawn facility available at that time, HGT had available liquid resources of £476 million, 23% of the NAV. In Q1 2023, the bank facility was increased further to £350 million (see page 9).
- HGT's outstanding commitments (see page 40);
- the principal risks and uncertainties including: macro-economic, performance; regulatory; operational; financial; liquidity; and borrowing, detailed on pages 16 and 17 of the Strategic Report.

### Assessment of risks

As part of the Risk Management Framework (described on pages 105 and 106), principal and emerging risks and uncertainties are routinely subject to a comprehensive review by the Audit, Valuation and Risk Committee and the Board. Managing risk is fundamental to the delivery of HGT's strategy, and this is achieved by defining HGT's risk appetite and managing risks within that appetite, particularly those that could threaten its business model, future performance, solvency, valuation, liquidity or reputation. Of the identified risks, the following are the most important to the assessment of viability: availability of capital; underperformance of underlying portfolio companies; political and macro-economic uncertainty and its impact on the markets; and associated risks to the valuations.

### Stress testing

The Directors of HGT regularly stress test the portfolio and its cash flows and review and challenge the sensitivity of the

business model against the principal risks which are likely to have an adverse impact on HGT, including:

- A significant economic downturn, including sensitivity to equity price risk. The impact of 1x reduction in EV to EBITDA multiple applied to unquoted investments, as well as mitigating actions, details on page 76 in Note 19 to the financial statements; and
- Liquidity and insufficient funds to meet commitments. The Directors discuss updated base case and downside scenarios for cash flow projections at every Board meeting. These scenario analyses take into account pipeline activity, existing and expected commitments and the potential timings of new acquisitions and exits, and model HGT's liquid resources and available borrowing facility. The downside scenario includes assumptions around delayed deployments and realisations, and reduced valuations and models the impact this could have on HGT's liquidity. During the year, and given the persisting challenging macro-economic conditions, the Directors also considered additional stress and reverse stress tests. The reverse stress test modelled a scenario, in which HGT's liquidity would be threatened within 12 months of the date of this report, and the stress test assumptions included valuations falling by 30% and all realisations being delayed by 12 or 24 months; testing also included a scenario that modelled the Manager suffering from a significant cyber attack. The results of these tests indicated that the risk of such circumstances occurring and impacting HGT's viability remained low. More on the actions the Board took to manage liquidity, including a further increase of the bank facility and a change to commitments see page 9

### Assessment of viability

Based on the Board's assessment, the Directors have a reasonable expectation that HGT will be able to continue to operate and meet its liabilities, as they fall due, over a five year period ending December 2027.





## Principal and emerging risks and uncertainties

During 2022, the Board has continued to operate a comprehensive Risk Management Framework to assess the principal and emerging risks facing HGT. Managing risk is fundamental to the sustainable long-term delivery of HGT's strategy and this framework provides an objective context for Board decisions, as they relate to performance, capital structure, liquidity, valuation and business model.

The Risk Management Framework is dynamic and used by the Audit, Valuations and Risk Committee ('AVRC') to assess the probability and likely impact of principal risks, to ensure that HGT operates within a defined risk appetite for each category, and that focus is maintained upon those risks which require attention, prioritising mitigating actions from both HGT and Hg. The risk register is regularly stress-tested, providing assurance that the performance of HGT is insulated, as far as practical, from exogenous factors in the operating environment.

The Risk Management Framework provides the toolkit to measure and stress test HGT's business planning against a rapidly changing global backdrop. During the year, the resilience of HGT's investment model was thoroughly tested by the wider macro-economic uncertainty, as was the performance of the portfolio companies.

In the 2021 annual report, the potential effects of increasing interest rates, cost inflation and a tightening fiscal environment were discussed, and in 2022, the economies in which the majority of our portfolio companies operate, have experienced

the compounding effects of accelerating inflation, interest rate rises and a tightening of the markets for new debt and equity issuance. Against this environment, the resilience of HGT's investments and their valuations has continued to be demonstrated. However, the overall level of risk has increased, due in the main to the stresses in the macro environment.

Looking forward, the Board and AVRC anticipate that the more challenging environment is likely to cause the level of mitigated risk to remain elevated during 2023. Whilst the revenues and operations of Hg's portfolio companies are not significantly reliant upon the economies of Russia or Ukraine, heightened geo-political uncertainty in Eastern Europe is a continuing risk that has been seen to lead to broader economic impacts, including material increases in energy costs and cyber-crime. The Board and AVRC, following careful consideration, have determined that it is appropriate to accept this elevated level of risk on a temporary basis and remain confident in the resilience of the business models of the underlying portfolio investments. Further mitigating actions will be taken should the overall level of risk exceed the Board's stated risk appetite.




HGT considers the principal risks to be in four main categories:



**Investment Risk:** the risk to HGT that inappropriate investment or realisation decisions reduce the returns made.




**Financial Risk:** the risk that HGT's valuation, liquidity or resources are insufficient to allow HGT to invest.

**Operational Risk:** the risk of changing regulation: failure of Hg's processes and internal control systems and underlying portfolio performance.

**External Risk:** the risk of adverse macro-economic, regulatory or geo-political change.

**Risk trend:**  improving  
 stable  
 worsening

**Appetite:**  within  
 outside

Potential risk	Potential impact	Mitigation	Trend/Appetite
<b>Investment</b>			
<b>Performance</b> Risk that underlying portfolio companies underperform.	<ul style="list-style-type: none"> <li>Reduction in NAV</li> <li>Reduction in share price</li> <li>Reputational damage</li> </ul>	<ul style="list-style-type: none"> <li>Deployment of capital is a rigorous process determined by the Hg Investment Committee, operated by experienced investment professionals;</li> <li>Portfolio performance is reviewed regularly by Hg's Realisation Committee comprising experienced investment professionals and the HGT AVRC;</li> <li>An operational performance group interacts across the portfolio to drive performance;</li> <li>Realisations continue to be made at or above valuation.</li> </ul>	
<b>Financial</b>			
<b>Valuations</b> Risk that inaccurate valuations would lead to a misleading NAV.	<ul style="list-style-type: none"> <li>False market in HGT shares</li> <li>Reputational damage</li> <li>Reduction in share price</li> <li>Constrained access to capital</li> </ul>	<ul style="list-style-type: none"> <li>Valuations are prepared in accordance with IPEV guidelines and tested against HGT's Valuation Policy;</li> <li>The Manager's Valuation Committee, independently chaired, reviews and approves valuations quarterly;</li> <li>The auditors of both Hg funds and HGT review the valuation and methodology as part of their audit procedures;</li> <li>The AVRC reviews and cross-checks valuations against a broad range of objective valuation methodologies.</li> </ul>	
<b>Liquidity</b> Risk that insufficient liquid resources are available to make investments.	<ul style="list-style-type: none"> <li>Reputational damage</li> <li>Reduced NAV growth</li> <li>Reduced shareholder return</li> </ul>	<ul style="list-style-type: none"> <li>Borrowing structures and cash flow forecasts are considered at each HGT Board meeting;</li> <li>An additional £290 million of liquidity is available through a bank facility, which was 47% drawn at 31 December 2022;</li> <li>An opt-out facility is available across all investing funds.</li> </ul>	

## Business model and risk framework

Potential risk	Potential impact	Mitigation	Trend/Appetite
<b>Commitment</b> Risk that capacity is insufficient to underwrite future commitments to Hg funds.	<ul style="list-style-type: none"> <li>Reduced shareholder return</li> <li>Reduction in share-price</li> </ul>	<ul style="list-style-type: none"> <li>A bank facility is in place to facilitate orderly management of the balance sheet;</li> <li>There is an opt-out facility across all investing funds;</li> <li>A five year cash and commitment forecast is independently reviewed by the AVRC.</li> </ul>	
<b>Operational</b>			
<b>Regulation</b> Risk that regulation changes affect investment trust status.	<ul style="list-style-type: none"> <li>Increased corporation tax, leading to higher fees and potential impact on valuation</li> <li>Reduction in share price</li> </ul>	<ul style="list-style-type: none"> <li>The Manager monitors investment movements, forecast income and expenditure and retained income (if any) to ensure compliance with sections 1158 and 1159 of the CTA;</li> <li>Continuing investment trust status is assured by the Manager at each meeting of the Board.</li> </ul>	
<b>Regulation</b> Risk that other changes in legislation, regulation or government policy could influence the decisions of investors.	<ul style="list-style-type: none"> <li>Misunderstood or misreported regulation leading to reduced demand for shares</li> <li>Lack of adherence to regulation leading to reputational risk</li> </ul>	<ul style="list-style-type: none"> <li>Regular compliance and risk reviews are reported to the Board by the Manager's compliance team;</li> <li>Strong shareholder engagement through: <ul style="list-style-type: none"> <li>dedicated investor relations team</li> <li>corporate broker</li> <li>company secretary</li> </ul> </li> </ul>	
<b>Manager internal controls and processes</b> Risk that control weaknesses of the Manager lead to poor performance or non-compliance with regulations.	<ul style="list-style-type: none"> <li>Reputational damage</li> <li>Reduced shareholder returns</li> </ul>	<ul style="list-style-type: none"> <li>The Manager is regulated and supervised by the FCA;</li> <li>The Manager has controls in place, including those related to investment decisions; portfolio reviews; recruitment, training and promotions; financial performance and payments; protection of client assets; compliance; regulation;</li> <li>The Board of HGT and its auditors regularly review these processes and controls.</li> </ul>	
<b>Cyber security</b> Risk of cyber attack and data loss at Hg and portfolio companies.	<ul style="list-style-type: none"> <li>Loss of or lack of control over data due to cyber attacks</li> <li>Reputational damage</li> <li>Regulatory sanction</li> </ul>	<ul style="list-style-type: none"> <li>Increased investment in the portfolio cyber security team which monitors cyber security across Hg and the portfolio companies and mandates improvements;</li> <li>The GDPR Committee has successfully implemented mandatory training for all staff.</li> </ul>	
<b>External</b>			
<b>Political and macro-economic uncertainty</b> Risk arising from geo-political instability and conflict.	<ul style="list-style-type: none"> <li>Reduction in valuation of portfolio investments</li> <li>Disruption to capital markets</li> </ul>	<ul style="list-style-type: none"> <li>Hg's portfolio is diversified with a high degree of recurring revenue;</li> <li>The Manager remains focused on the various issues which may need to be addressed, including: <ul style="list-style-type: none"> <li>reduced availability of credit to fund future investments</li> <li>regulation, marketing, trade and foreign exchange movements</li> </ul> </li> <li>These are regularly monitored by the Board of HGT, considering a range of downturn scenarios in our business planning.</li> </ul>	
<b>Foreign exchange</b> Risk of foreign exchange movements affecting investments made in currencies other than Sterling.	<ul style="list-style-type: none"> <li>Reduction in shareholder returns</li> </ul>	<ul style="list-style-type: none"> <li>The Board of HGT regularly monitors currency fluctuations;</li> <li>The Hg treasury functions hedge currency exposure and actively mitigate currency risk where appropriate.</li> </ul>	
<b>Global pandemic</b> Risk of performance and investment disruption from current and future pandemic events.	<ul style="list-style-type: none"> <li>Portfolio companies suffer revenue declines</li> <li>Earnings multiples of listed companies applied to valuations might be adversely affected</li> </ul>	<ul style="list-style-type: none"> <li>Portfolio resilience is stress-tested against pandemic impacts;</li> <li>The majority of revenues are derived from subscription-based recurring revenues for non-discretionary technology-led services;</li> <li>Operational performance, valuations and investment deal flow have shown resilience to pandemic disruptions;</li> <li>All operating territories are now free from material restrictions.</li> </ul>	



### Environmental, social and governance matters

For HGT, responsible investing means growing sustainable businesses which are great employers and good corporate citizens, whilst also generating superior risk adjusted returns for our shareholders, including many pensioners and savers who invest in HGT. The Board fully supports the Manager's approach to responsible investing and the way in which Hg embedded ESG considerations throughout the investment process.

#### Environmental

Hg, the Manager, is committed to zero emissions by offsetting its entire carbon footprint, is a certified Carbon Neutral company, and has been carbon neutral since 2019. Hg also works with the portfolio companies to help measure, manage and improve their carbon emissions and energy efficiency. By seeking a controlling stake in most of Hg's investments, the Manager can make a meaningful contribution in supporting portfolio companies to promote positive environmental change.

Under listing rule 15.4.29(R), HGT, as a closed-ended investment fund, HGT is exempt from complying with the Task Force on Climate-related Financial Disclosures ('TCFD'); however, the Board fully recognises the impact climate change has on the environment and society and endorses Hg's TCFD framework and the Manager's reporting against TCFD.

**“Hg is trusted to improve the future of millions of investors by building sustainable businesses for tomorrow. These are carefully chosen words – trust, future, sustainable, tomorrow. Choosing how we do business. What this means in practice is that Hg looks to grow sustainable businesses that are great employers and good corporate citizens, whilst also generating strong returns for the millions of pensioners and savers who are invested in the Hg funds. Everyone at Hg is ultimately pulling together towards this goal.”**

Matthew Brockman, *Managing Director, Hg*

#### Climate change risks

We believe that by understanding and managing the emerging risks and opportunities that arise from climate change we can enhance our investment decisions.

#### Social

##### Social responsibility

The Board recognises that HGT has a responsibility to its shareholders, stakeholders and the wider society and HGT endorses Hg's policy to invest HGT's funds in a socially responsible manner. This includes the desire that the businesses in which Hg invests are genuinely focused on making a positive contribution to all stakeholders and the wider society. The Board believes that responsible business practices help generate superior long-term performance and as such, the Manager's responsible investment approach supports the investment philosophy of investing in growth companies and sectors, rather than turnaround or distressed investing. The Manager has a number of processes and mechanisms in place through which responsible investing is embedded across the entire investment cycle from deal screening and due diligence to ownership and exit.

Hg has been a signatory of the UN Principles for Responsible Investment (UNPRI) since 2012 and the Board has welcomed Hg's continuing commitment to set ambitious goals for various aspects of ESG matters, including social responsibility. Further details on how Hg integrates responsible investing into the investment process can be found in Hg's Responsible Investment Report 2022. The Board also fully endorses Hg's Responsible Investment Policy, which sets out Hg's approach to the identification and management of sustainability and ESG related risks and opportunities throughout investment activities, including the management of the investee companies.

#### Employees, human rights and community issues

HGT has no employees and has very limited direct impact on the environment. HGT aims to conduct itself responsibly, ethically and fairly and has sought to ensure that Hg's management of investments takes account of social, environmental and ethical factors where appropriate. The sectors the Manager invests in do not generally raise material ethical issues. Consequently, the requirement under section 414C of the Companies Act 2006 to provide information about employees, human rights and community issues, including information in respect of any of its policies in relation to these matters and their effectiveness, does not directly apply to HGT.

#### Modern slavery

HGT has no employees of its own and the Directors are satisfied that, to the best of their knowledge, its Manager complies with the provisions of the UK Modern Slavery Act 2015.



### “Hg has made ESG a portfolio company Board matter by ensuring that its portfolio companies appoint Board level ESG sponsors”

Steven Batchelor, Chief Operating Officer, Hg

#### Governance

The role of the board is to promote the long-term sustainable success of HGT, generating value for our shareholders. This includes HGT's Board overseeing the governance framework and being ultimately responsible for compliance with applicable legal and regulatory requirements, HGT's external reporting and communications with the shareholders and other stakeholders. Considering the implications of decisions on HGT's stakeholders is an integral part of the Board's decision-making process. Some of the key decisions the Board took this year, their implications on HGT's stakeholders and their outcomes are described below.

#### Purpose

The purpose of HGT is to deliver consistent long-term returns in excess of the FTSE All-Share Index by investing predominantly in unquoted companies where value can be created through strategic and operational change. HGT provides shareholders with exposure to a fast-growing network of unquoted investments and in providing access to investments not otherwise usually available to its shareholders, HGT's values focus on transparency and clarity in its reporting, constructive challenge in maintaining a strong relationship with the Manager and mitigating avoidable risk.

#### Culture

By formally identifying the important elements of HGT's culture, the Directors can assess and monitor the culture and ensure that it remains well aligned with HGT's purpose, values and strategy in the pursuance of the long-term sustainable success of HGT.

#### Diversity

The Board recognises the value of both identity and cognitive diversity to ensure that varied perspectives are considered when making decisions and to achieve that, HGT seeks to attract Directors with diverse outlooks and experience. The Board's Diversity and Inclusion Policy includes objectives and principles HGT follows when recruiting new Directors, to make sure that diversity in all its forms is encouraged and embedded in the new Director search process.

HGT is pleased to have met the target of the Hampton-Alexander Review to increase the number of women on Boards in all FTSE 350 companies and as at the date of this Report, we have 50% male and 50% female representation on our Board. We also plan to make progress to meet the targets of the Parker Review to increase the ethnic diversity of UK boards of companies in the FTSE250 by 2024 by having at least one director from an ethnic minority background. This goal will be embedded in our future searches processes.

The following new FCA rules on diversity and inclusion on company boards apply from accounting periods starting on or after 1 April 2022, and HGT will be obligated to report against these from the following year:

- At least 40% of individuals on the Board to be women;
- At least one senior Board position to be held by a woman; and
- At least one individual on the Board to be from a minority ethnic background.

The Board recognises the importance of diversity and inclusion, and decided to report against the new rules from this year on a voluntary basis, so, in accordance with Listing Rule 9 Annex 2.1, the below tables, in prescribed format, show the gender and ethnic background of the Directors as at the date of this Report (the information presented in these tables was collected on a self-reporting basis):

Gender identity or sex	No. Board members	% on the Board	No. senior positions on the Board
Men	3	50%	1
Women	3	50%	1
Not specified/prefer not to say	—	—	—

HGT is pleased to have met the target of having at least one senior Board position held by a woman, with Anne West serving as our Senior Independent Director.

Ethnic background	No. Board members	% on the Board	No. senior positions on the Board
White British or other White (including minority white groups)	6	100%	2
Mixed/Multiple Ethnic Groups	—	—	—
Asian/Asian British	—	—	—
Black/African/Caribbean/Black British	—	—	—
Other ethnic group, including Arab	—	—	—
Not specified/prefer not to say	—	—	—



## Key performance indicators

20

Strategic report

The Board reviews six separate Key Performance Indicators (KPIs) to assess the success of HGT in meeting its stated objective.

### Financial performance<sup>1</sup>

#### Objective

##### 1. NAV per Share

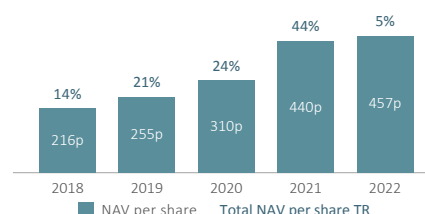
The value of the portfolio and liquid resources post costs and dividends paid:

5-year annualised return

**+21%**

5-year cumulative return

**+160%**



##### 2. Total shareholder return

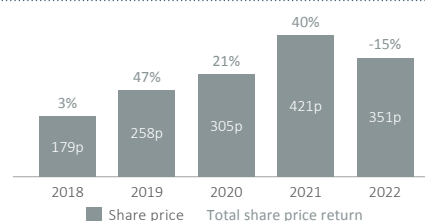
Share price total return assuming all historical dividends have been re-invested:

5-year annualised return

**+17%**

5-year cumulative return

**+119%**



##### 3. Portfolio performance

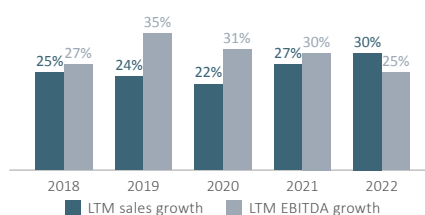
Trading performance of the top 20 portfolio companies (77% of total portfolio):

5-year average sales growth

**+26%**

5-year average EBITDA growth

**+30%**



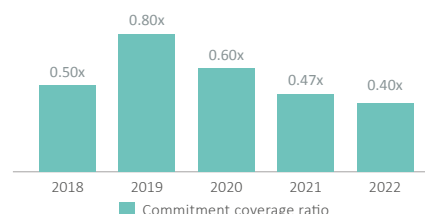
##### 4. Balance sheet

Commitment Coverage Ratio:

Sum of available liquid resources (including credit facility) divided by total commitments<sup>2</sup>

5-year average

**0.56x**



### Risk management and governance:

#### 5. Key risks

Key risks are identified via the comprehensive risk management framework and process adopted by HGT. Overall risk management is a continuous process where principal and emerging risks are identified and suitable mitigating actions agreed and tracked by the Board.

Current key risks identified by the process are 1) Impact of inflationary pressure on cost and price levels across the portfolio, 2) Increasing threat to portfolio companies and Hg from cyber attack and 3) Elevated geo-political risk and uncertainty. See pages 16 and 17.

#### 6. Governance

Ensuring strong governance and operating in a socially and environmentally responsible manner.

By implementing strong and transparent governance practices, the Board ensures, not only the effective and proper administration of HGT, but also that Hg, as manager, acts and behaves in a socially and environmentally responsible manner across all its operations.

<sup>1</sup>Alternative Performance Measure ('APM') <sup>2</sup>HGT can opt out of a new investment without penalty, should it not have the cash available to invest. Past performance is not a reliable indicator of future results. The value of shares and the income from them can go down as well as up as a result of market and currency fluctuations and investors may not get back the amount they originally invested.

## Key performance indicators

### Activities undertaken

Maintaining historic levels of growth in HGT's NAV.

The Board holds regular discussions both formally and between Board and AVRC meetings in order to monitor the performance of the portfolio. These include:

- A rigorous review of valuations
- FX and hedging
- Fees
- Cash, commitments and credit availability

Continuing to deliver consistently strong returns to shareholders.

The Board regularly reviews the marketing and IR functions of HGT with the Manager to continue to provide transparent and clear reporting. These include:

- Shareholder views
- Market performance
- Volumes and liquidity
- Share price discount to NAV

Ensuring underlying portfolio companies continue to grow at attractive rates.

The Board regularly reviews the performance of the underlying portfolio companies and meets with the deal executives to focus in detail on particular businesses and 'clusters'.



Ensuring HGT's balance sheet is optimally structured to support investment activity and future growth in NAV.

The Board holds regular meetings with Hg to review the cash, commitments and availability of credit in order to optimise the balance sheet and ensure sufficient capacity to underwrite future commitments.



Ensuring a rigorous risk management process is in place and that key risks are identified, monitored and suitable mitigating actions are undertaken.

The HGT AVRC supports the Board in the creation of a strong risk management framework to provide a robust assessment of principal and emerging risks facing HGT.



Ensuring HGT is managed to the highest standards of governance and that HGTs affairs are conducted in a socially and environmentally responsible manner.



The Board recognises HGT's responsibility to its shareholders and the wider society and endorses Hg's policy to invest in a socially responsible manner. The Board meets regularly with the Head of ESG at Hg to monitor this.





## Directors' duties

The following pages comprise our Section 172(1) statement, which describes how the Board has, in performing its duties over the course of the year, had regard to the matters set out in Section 172(1) (a) to (f) of the Companies Act 2006 ('the Act'). Fulfilling Directors' duties under section 172(1) naturally supports HGT in achieving its investment objective and making decisions in a responsible and sustainable way. During the year, the Directors consider that they have acted in a way that they consider, in good faith, would most likely promote the long-term success of HGT for the benefit of its members as a whole, with due regard to the likely consequences of any decisions in the long term, as well as the interests of our shareholders and other stakeholders, as required by the Act. More information on how the Board fulfilled its duties under the Section 172(1) can be found in this Report:

Section 172 matter	More information can be found in the following sections:
The likely consequences of any decision in the long term	
The interests of employees	HGT is an investment trust with no employees; instead, below we describe how the Board engages with the Manager and the its key service providers
Fostering HGT's business relationships with suppliers, customers and others	 How HGT engages with its stakeholders: below
The impact of operations on the community and the environment	
Maintaining a reputation for high standards of business conduct	
Acting fairly between members of HGT	 How HGT engages with its stakeholders: below

### How HGT engages with its stakeholders

The Board seeks to understand the needs and priorities of the different stakeholder groups – and these are taken into account in Board's discussions and form part of the decision-making process. How the Board engages with each of HGT's stakeholder groups is described in the following table.

Stakeholders	Why they are important	Board engagement
Shareholders	Continued shareholder support and engagement are critical to the continuing existence of HGT and the delivery of its long-term strategy.	<p>Over the years, HGT has developed various ways of engaging with its shareholders to gain a better understanding of their needs and views. These include:</p> <ul style="list-style-type: none"> <li>• <b>Annual General Meeting (AGM):</b> At our AGMs, shareholders have the opportunity to meet the Directors and ask questions. The Board always discusses the feedback and questions it receives.</li> <li>• <b>Publications:</b> The annual and interim results presentations, as well as quarterly reports and factsheets, are available on HGT's website. Feedback and questions HGT receives from shareholders are used to help us adapt our reporting.</li> <li>• <b>Shareholder meetings:</b> The Manager regularly organises Investor Roadshows and meets with the shareholders. During 2022, the Manager held over 50 meetings with 219 current and potential investors from 96 companies. All investors are offered the opportunity to meet the Chairman and other Board members.</li> <li>• <b>Investor Relations updates:</b> At every Board meeting, the Directors receive updates on share trading activity, share price performance and any shareholders' feedback. From time to time, the Board also commissions perception studies, which draw insights from in-depth interviews with shareholders, analysts and other stakeholders. Feedback is carefully considered, and forms part of the decision-making process when Directors discuss matters such as share issuance, buybacks, fundraisings or HGT's dividend policy. The number of HGT's shareholders, including Hg's colleagues, who remain long-term holders is another way for the Board to gauge how HGT is meeting its objectives;</li> </ul>



Stakeholders	Why they are important	Board engagement
<b>Shareholders (continued)</b>	Continued shareholder support and engagement are critical to the continuing existence of HGT and the delivery of its long-term strategy.	<ul style="list-style-type: none"> <li>• <b>Working with external partners:</b> the Board engages some external providers, such as investor communications advisors, to obtain a more detailed view on specific aspects of shareholder communications, such as developing more effective ways to communicate with investors.</li> </ul>
<b>The Manager</b>	The Manager's performance is critical for HGT to deliver its investment strategy successfully and meet its objective to provide shareholders with consistent long-term returns in excess of the FTSE All-Share Index. Holding HGT's shares offers investors a liquid investment vehicle through which they gain exposure to Hg's diversified portfolio of private equity investments.	<p>Maintaining a close and constructive working relationship with the Manager is crucial as the Board and the Manager both aim to continue to achieve consistent, long-term returns in line with HGT's investment objective. Important components in the collaboration with the Manager, consistent with the Board's culture, are:</p> <ul style="list-style-type: none"> <li>• Encouraging open discussion with the Manager, adopting a tone of constructive challenge, where needed;</li> <li>• Drawing on Board Members' individual experience to provide constructive challenge and support to the Manager;</li> <li>• Willingness to make the Board Members' experience available to support the Manager in the sound, long-term development of its business, recognising that the long-term sustainability and robustness of the Manager is in the best interest of HGT's shareholders.</li> </ul>
<b>The Company Secretary, the Registrar, the Depositary, the Broker, the AIFM</b>	In order to function as an investment trust with a premium listing on the London Stock Exchange, HGT relies on a diverse range of advisers, who support it in meeting all relevant obligations.	The Board maintains regular contact with its key external service providers, both through Board and Committee meetings, as well as outside of the regular meeting cycle. Their advice, needs and views, are routinely taken into account. In addition, the Management Engagement Committee, tasked with periodic reviews of the external service providers, holds formal relationship meetings with HGT's suppliers.
<b>Lenders</b>	Availability of funding and liquidity are crucial to HGT's ability to take advantage of investment opportunities as they arise.	Considering how important the availability of funding is, HGT aims to demonstrate to lenders that it is a well-managed business and, in particular, that the Board focuses regularly and carefully on managing risk. Where appropriate, HGT remains in dialogue with its lenders about HGT's funding needs and the lenders' requirements.
<b>Institutional Investors and proxy advisers</b>	The evolving practice and support of the major institutional investors and proxy adviser agencies are important, as HGT aims to maintain its reputation for high standards of corporate governance.	The Board recognises that the views, questions from and recommendations of, many institutional investors and proxy adviser agencies provide a valuable feedback mechanism and play a part in highlighting evolving shareholders' expectations and concerns. In particular, near the time of HGT's AGM, the Chair, the Manager and the Company Secretary regularly engage with investors and proxy voting agencies to hear their views, answer questions and as a result, we adapt our disclosures, where appropriate.
<b>Regulators</b>	HGT can operate only with the approval of its regulators, who have an interest in how HGT operates in the market and treats its shareholders.	<p>HGT regularly considers how it meets various regulatory and statutory obligations and follows voluntary and best-practice guidance, while being mindful of how decisions can affect its shareholders and wider stakeholders, in the short and in the long term.</p> <p>The Conduct Committee of the Financial Reporting Council ('FRC') reviewed HGT's Interim Results and Accounts for the period ended 30 June 2021. The Directors were pleased that the regulator did not highlight a need for any significant improvements, and carefully considered the results of that review, making amendments to the subsequent Interim and Annual Report, where appropriate. Embracing this engagement with the regulator has helped to enhance HGT's quality of reporting and the Board welcomes further feedback from regulators in future.</p>



## Directors' duties

24

Strategic report

### Some of the key decisions made in 2022

Examples of the Board's principal decisions during the year, how the Board fulfilled its duties under Section 172(1) of the Act and the related engagement activities are set out below:

Key matters considered	How, in reaching these decisions, the Directors had regard to section 172(1) (a) to (f) matters and how these were influenced by, and impacted on, our stakeholders
<p><b>Commitments</b> – in April 2022, the Board increased the commitment made in 2021 to Hg's latest large-cap fund, Hg Saturn 3, from \$850 million to \$1,075 million. The Board also agreed a commitment of €500 million to Hg's latest mid-market fund, Hg Genesis 10.</p>	<p><b>S. 172 considerations – longer term consequences of decisions:</b></p> <p>Consistent with our strategy and business model, HGT periodically enters into formal commitments to invest in Hg's investment vehicles. By nature, these are longer-term decisions, and HGT's Board carefully considers HGT's liquidity projections and relevant scenario analyses, which model the investments, including the capital outlay, expected returns over a period of five to seven years, and, among others, dividend cover.</p> <p><b>Stakeholder group – shareholders:</b> This longer-term commitment cycle allows us to continue in our objective of providing shareholders with long-term returns and support the long-term growth of the NAV.</p>
<p><b>Extending HGT's credit facility</b> – in line with its approach to balance sheet management, HGT further increased its multi-currency revolving credit facility from £250 million to £290 million. This provides additional flexibility to manage our balance sheet to support the NAV growth.</p>	<p><b>S. 172 considerations – The need to foster business relationship with suppliers, customers and others:</b></p> <p>The increased banking facility will be used to support the long-term growth of HGT, helping to provide capital to invest over the coming years and ultimately, contribute to our objective of providing our shareholders with long-term returns.</p> <p><b>Stakeholder group – lenders:</b></p> <p>In taking the decision, the Board reviewed HGT's cash position and commitments, availability of investment opportunities and the funding requirements, as well as the longer-term resilience of the business, including HGT's ability to meet the loan covenants.</p>
<p><b>New appointments to the Board of HGT and long-term succession planning</b> – continued refreshing of the Board is important to ensure that the HGT's Board has the right skills, experience, and diversity to deliver our long-term strategic plans and ambition.</p>	<p><b>S. 172 considerations – maintaining a reputation for high standards of business conduct:</b></p> <p>During the year, the Nomination Committee and the Board frequently considered the need for a longer-term succession plan and the recruitment of new Non-Executive Directors following the planned departure of Peter Dunscombe at HGT's 2022 AGM.</p> <p><b>Stakeholder groups – shareholders and institutional investors, proxy voting agencies:</b></p> <p>In these discussions, the Board considered HGT's long-term strategy and ambition, the recommendations of the UK Corporate Governance Code and the Hampton-Alexander and Parker Reviews, as well as the expectations of our shareholders and institutional investors. Consequently, we enhanced the disclosures where we explain the Board's approach to Directors' tenure, diversity and our succession planning: page 110</p>

For and on behalf of the Board  
 Jim Strang  
 Chairman of the Board  
 10 March 2023



# Investment objective and investment policy

**The objective of HGT is to provide shareholders with consistent long-term returns in excess of the FTSE All-Share Index by investing predominantly in unquoted companies where value can be created through strategic and operational change.**

*During the year, the Board reviewed the Investment Policy and would like to recommend changes to the language of the Sectors and Markets section of the Policy to explain better HGT's approach to investing:*

- HGT invests in businesses, in which Hg can work collaboratively with management teams to help those businesses achieve their full potential and grow, organically and inorganically;*
- HGT's investments are focused on a range of sub-sectors within the software and technology-enabled business services in industry verticals, where the Manager can utilise the full extent of its knowledge and experience;*
- The businesses HGT invests in often operate across multiple countries but are substantially headquartered in Europe, with a minority based in North America.*

*The blackline version of the investment policy, showing the changes the Board would like to propose to our shareholders for approval at the 2023 AGM is set out in Appendix 1 to the Notice of AGM on page 133.*

## Investment policy

The policy of HGT is to invest, directly or indirectly, in a portfolio of unlisted companies where Hg believes that it can add value through increasing organic growth, generating operational improvements, driving margin expansion, reorganisation or acquisition – to achieve scale. HGT seeks to maximise its opportunities and reduce investment risk by holding a spread of businesses diversified by end-market and geography.

## Risk management

HGT has adopted formal policies to control risk arising through excessive leverage or concentration. HGT's maximum exposure to unlisted investments is 100% of the gross assets of HGT from time to time. On investment, no investment in a single business will exceed a maximum of 20% of gross assets. HGT may invest in other listed closed-ended investment funds, up to a maximum at the time of investment of 15% of gross assets.

## Sectors and markets

HGT's policy is to invest in businesses in which Hg can work collaboratively with management teams to help those businesses achieve their full potential and grow, organically and inorganically. HGT's investments are focused on a range of specific sub-sectors within the software and technology-enabled business services in industry verticals where Hg can utilise the full extent of its knowledge and experience. The businesses HGT invests in often operate across multiple

countries but are substantially headquartered in Europe, with a minority based in North America. HGT may, from time to time, invest directly in private equity funds managed by Hg where it is more economical and practical to do so.

## Leverage

Each underlying investment is usually leveraged, but no more than its own cash flow can support, in order to enhance value creation; it is impractical to set a maximum for such gearing across the portfolio as a whole. HGT commits to invest in new opportunities in order to maintain the proportion of gross assets which are invested at any time, but monitors such commitments carefully against projected cash flows.

HGT has the power to borrow and to charge its assets as security. The articles restrict HGT's ability (without shareholders' approval) to borrow to no more than twice HGT's share capital and reserves, allowing for the deduction of debit balances on any reserves.

## Hedging

Part of HGT's portfolio is located outside of the UK, predominantly in northern Europe, with a further part in businesses which operate in US dollars. HGT may therefore hold investments valued in currencies other than sterling. From time to time, HGT may put in place hedging arrangements with the objective of protecting the sterling translation of a valuation in another currency. Derivatives are also used to protect the sterling value of the cost of investment made or proceeds from realising investments in other currencies, between the exchange of contracts and the completion of a transaction.

## Commitment strategy

HGT employs a commitment strategy to ensure that its balance sheet is managed efficiently. The level of commitment is regularly reviewed by the Board and Hg.

## Liquid funds

HGT maintains a level of liquidity to ensure, as far as can be forecast, that it can participate in all investments made by Hg throughout the investment-realisation cycle. At certain points in that cycle, HGT may hold substantial amounts of cash awaiting investment. HGT may invest its liquid funds in government or corporate debt securities, or in bank deposits, in each case with an investment grade rating, or in managed liquidity funds which hold investments of a similar quality.

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.

Any material change to HGT's investment objective and policy will be made only with the approval of shareholders in a general meeting.









## Building businesses that change how we all do business

Hg is a specialist private equity investor focused on software and technology-enabled business services.

Our business model combines deep sector specialisation with dedicated operational support. Hg invests in growth companies in expanding sectors, primarily via leveraged buyouts in businesses with operations in or across Europe.

Hg's vision is to be the most sought-after private equity investor within our sector focus, being a partner of choice for management teams, to provide consistent, superior returns for HGT and our other clients, while providing a rewarding environment for Hg colleagues.

References in this annual report and accounts to the 'portfolio', 'investments', 'companies' or 'businesses' refer to a number of investments, held as:

- indirect investments by HGT through its direct investments in fund-limited partnerships (HGT LP, HGT 6 LP ('G6'), HGT 7 LP ('G7'), HGT 8 LP ('G8'), HGT Genesis 9 LP ('G9'), HGT Genesis 10 LP ('G10') HgCapital Mercury D LP ('M1'), HGT Mercury 2 LP ('M2'), HGT Mercury 3 LP ('M3'), HGT Saturn LP ('S1'), HGT Saturn 2 LP ('S2') and HGT Saturn 3 LP ('S3').

Hg Pooled Management Limited was authorised as an alternative investment fund manager with effect from 22 July 2014. Please refer to pages 116-118.

Past performance is not a reliable indicator of future results. The value of shares and the income from them can go down as well as up as a result of market and currency fluctuations and investors may not get back the amount they originally invested.



# Overview

**>25** years of investment

**>175** investments in software and technology-enabled business services

**>45** portfolio companies

HGT is the largest client of Hg and it has been managing HGT's assets since 1994, offering investors a liquid investment vehicle to gain exposure to Hg's diversified network of unquoted investments with minimal administrative burdens, no long-term lock up or minimum size of investment. HGT has the additional benefit of a Board of independent Directors and corporate governance, investing in parallel on the same financial terms as all institutional investors with Hg's funds.

Previously the private equity arm of Mercury Asset Management plc acquired by Merrill Lynch in 1997, Hg became a fully independent partnership in 2000, 100% owned and managed by its partners.

Hg has worked hard to develop a unique culture and approach – setting us apart from other investors. We are committed to building businesses that change the way we all do business, through deep sector specialisation and dedicated, strategic and operational support.

**5** investment offices in London, Munich, New York, San Francisco and Paris

**>200** highly regarded institutional investors

**>\$55bn** funds under management

## Our investments

Primarily focused on defensive growth buyouts in software and technology-enabled business services operating in specific end-market 'clusters' with enterprise values ('EVs') of £100 million to over £10 billion, growing faster than the broader economy. Hg predominantly seeks controlling equity buyout investments in businesses headquartered in Europe and North America, often with a global footprint and customer base.

## The power of the portfolio

The Hg approach and strategy creates a natural environment for knowledge-sharing, with a network effect to drive best practices and value creation initiatives. We believe in collaboration and the 'power of the portfolio'. Hg invests repeatedly in specific business models, with a dedicated Portfolio Team that has been able to develop an approach to drive value creation during Hg ownership.

**The Hg portfolio, if taken as one company, would be one of the largest and fastest-growing software companies in Europe.**



# Our team

**>350** members  
of the team

**c.220** investment and portfolio  
management executives

**>48** nationalities

Based in offices across Europe and North America, Hg has a diverse and exceptionally talented team that pride themselves on an impressive and consistent track record, generating strong returns across market cycles. This has been achieved by staying innovative, striving to constantly improve and evolving the firm whilst maintaining Hg's unique culture.



**“At Hg, our ambition is to be the employer of choice in private equity and we have a robust strategy enabling us to attract, develop and retain world class diverse talent. Everybody at Hg is accountable for contributing to our inclusive culture, and ensuring people can be their whole self at work.”**

Kerry Heaton, *Chief People Officer, Hg*



## Diversity and inclusion

Diversity and inclusion is a top priority for all of us here at Hg. We have an established D&I steering group comprising a range of individuals from across the firm of varying departments, roles and geographies with one shared aim: to make Hg an inclusive place for all, which clearly values diversity in all of its forms.

We are a proud Partner of Level20, SEO's Alternative Investment Programme, 10,000 Black Interns and LGBT Great, all of whom are not-for-profit organisations aligned around a common vision to inspire and support more under-represented groups to join our industry.

**“Diversity enables us to source deals differently, ask broader and further reaching questions and challenge the assumptions that underpin conventional thinking. This leads to better investment decisions and superior business performance: the more complex the challenge at hand, the greater the differentiation we achieve.”**

Nic Humphries, *Senior Partner, Hg*





# Investment strategy

One strategy over three funds across the size range in software and technology-enabled business services

## Mercury

Lower mid-market  
EVs: £100m–£450m

## Genesis

Mid-market  
EVs: £450m–£1.3bn

## Saturn

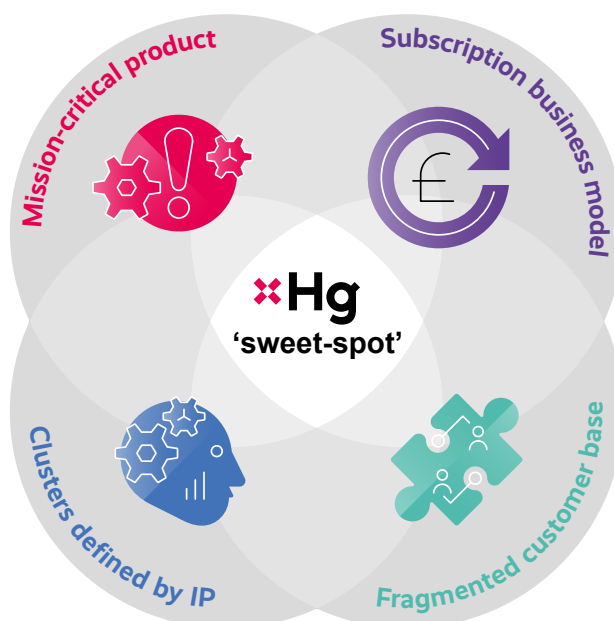
Upper mid-market  
EVs: >£1.3bn

Hg's focus on software and technology-enabled business services has developed to a collective expertise and a deep understanding of these markets and businesses. Hg is not constrained by top-down asset allocation and applies a rigorous approach when evaluating all investment opportunities. The objective is to pursue investment theses supporting long term growth, leveraging its expertise working in these sectors, implementing initiatives designed to maximise organic expansion, as well as through M&A, over typical hold periods of approximately five years.

### The Hg 'sweet-spot' business model

Hg has a clear and robust business model, focused on long-term, consistent and defensive growth, predominantly through investment in buyouts located throughout Europe and North America. We seek companies which share similar characteristics, often providing a platform for merger and acquisition ('M&A') opportunities.

We believe that such companies have the potential for significant performance improvement.



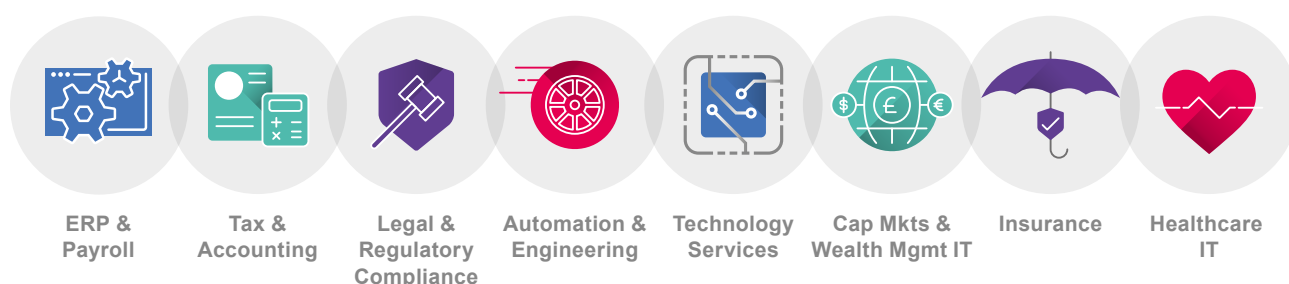
### Deep knowledge and networks within our end-market 'clusters'

Hg has a unique approach and strategy, with a focus on achieving scale in tightly defined 'clusters' of expertise. This specialisation helps us to build deep know-how.

This flexible approach means that, at any given time, the Hg portfolio is likely to comprise over 45 software and technology-enabled business services with similar characteristics, but of different sizes, end-market focus and maturity profiles.

Hg's offices in North America enhance the ability to crystallise and develop transatlantic investment opportunities, manage existing investments and make bolt-on acquisitions, as well as continue to engage with – and ultimately sell – portfolio companies to North American trade buyers.

As the US has the largest technology sector, this also helps to consolidate Hg's position as Europe's leading software investor.



# Working together

“With our focused yet scaled portfolio, we have a unique opportunity to provide deep, systematic support to management across all the key value creation levers our types of businesses offer.”

Christopher Kindt, Head of Value Creation, Hg



>50 senior Hg operational specialists

>\$30m of software cost savings for our portfolio from Hg's collective deals

c.70 C-suite and board placements led by in-house talent team over last 3 years

## Our focus

From sharing best practice and resources, through to tailored teams of technical experts, we work closely with the companies in which we invest to ensure that they gain the tools and guidance required for business success:

<b>Growth</b> Sales Marketing Pricing Customer Success & Operations	<b>Tech, Product, Cyber</b> R&D and tech platform Right-shoring Product management Cyber security	<b>Data</b> BI, warehousing, snowballs Data cleansing & enrichment ML driven optimisations Data monetisation
<b>Projects Support</b> First 100-days, onboarding Value Creation Planning PMO and governance DSP Accelerator Program	<b>Talent and Org</b> Exec search Management assessments Org design and structure CHRO topics: hiring, L&D, etc	<b>Finance and FP&amp;A</b> Reporting and analysis CFO & Finance team set-up Special projects (e.g. exit prep) ERP implementation
<b>ESG and Legal</b> Assessments & reporting Legal support, strategic projects Professionalising GC office Carbon reduction, ESG support	<b>Business Systems</b> Enterprise Systems Architecture Systems selection, vendor deals Implementation support Process design & transformation	<b>Geographic Coverage</b> UK, Europe, US In-person when needed Multi-lingual

Every company gets access to the operational experts, project execution resources, IP and third party networks, with the nature of support taking a variety of forms including:

- direct support, co-owning and driving specific initiatives to help the business deliver value more quickly;
- utilising experienced industry experts to mentor senior executives, helping them to build more scalable functions; and
- introducing management teams to their counterparts in other Hg portfolio companies which have faced comparable challenges

## Value creation

We work with our portfolio management teams to drive impact, by identifying opportunities systematically through benchmarks and diagnostics, helping prioritise and build robust value creation plans, and then establishing and executing rigorous impact projects. We do this using a large team of functional experts along with dedicated execution resources, effective IP, and a network of trusted third parties to bring additional capability and capacity.

## The Hg portfolio community and events

We view all our business management teams as a part of the Hg portfolio community, promoting a culture of working together to problem solve and innovate more rapidly. One of the most powerful ways in which we motivate change is through peer-to-peer collaboration. The Hg Portfolio Engagement team runs an extensive calendar of virtual and in person events for senior executives from across the portfolio. By bringing together the management teams of companies with similar business models, the Hg events provide attendees with invaluable unique opportunities to build connections, problem solve, and share experiences.

Over 2022, we've provided portfolio companies with a full end-to-end digital engagement experience, hosting virtual events and increasing activity on the Hg online collaboration platform, Hive.

**Hive** Hg Hg's online community for everyday collaboration

Hive, Hg's online portfolio engagement platform, enables the Hg portfolio members with a space to network with peers, and share specialist knowledge, experience and expertise.







# Responsible investment

## Why responsible investment is important to us

Hg engages in Responsible Investment because it sits right at the core of its Purpose:

Hg is trusted to improve the future of millions of investors by building sustainable businesses for tomorrow. These are carefully chosen words – trust, future, sustainable, tomorrow. Choosing how we do business.

What this means in practice is that Hg looks to grow sustainable businesses that are great employers and good corporate citizens, whilst also generating strong returns for the millions of pensioners and savers who are invested in the Hg funds. Everyone at Hg is ultimately pulling together towards this goal.

This commitment supports the backbone of Hg's investment philosophy and has helped the firm determine a focused approach, which has evolved over the last 20 years. Hg's focus is to invest exclusively in growing software and technology-enabled business services and look to ensure that both time and capital support the sustainable growth of these knowledge businesses. The businesses then contribute to society by changing and modernising how their customers work, while providing quality employment opportunities for thousands of people worldwide.

Matthew Brockman, *Managing Partner, Hg*



## Climate change

Hg recognises that climate change is at the top of the agenda for society, regulators, Hg and its investors. Acting on climate change is important and working collaboratively is critical to driving material change. Hg is a founding member of the UK network of the Initiative Climat International ('ICI') which is a network of Private Equity firms working collaboratively to tackle climate change in its industry endorsed by the UNPRI. As part of Hg's commitment to limit climate change, they have signed up to the Net Zero Asset Manager's initiative (NZAM) and set long-term and short-term targets in line with and approved

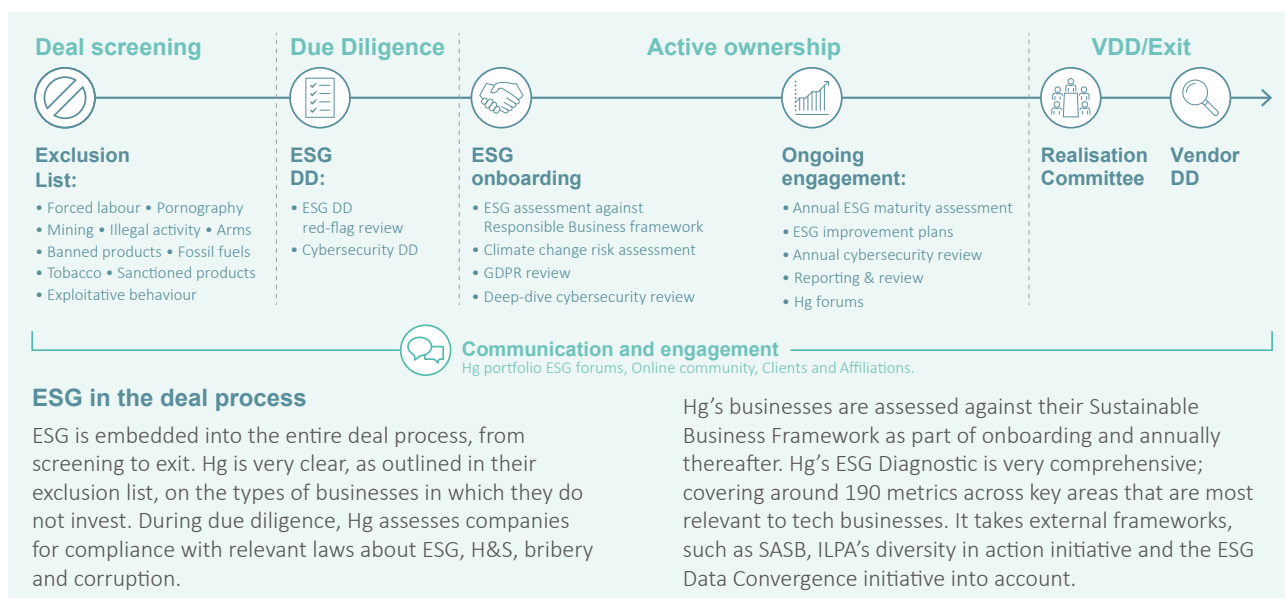
by the Science Based Targets initiative. They are targeting net zero across all portfolio companies within the next 30 years.

As for HgCapital Trust, it has no carbon footprint to report as the Trust has no employees, fleet, premises or other emission sources.



**“Over 2022, we continued to focus on delivering our ESG commitments. We are now a team of four, solely focused on supporting Hg, its portfolio companies and clients on all ESG related matters. We conducted our fifth annual ESG portfolio assessment and have seen an increase in the average ESG maturity score across these companies.”**

Caroline Löfgren, *Chief Sustainability Officer, Hg*





## About Hg

### Diversity, Equity and Inclusion ('DEI')

Hg believes that having a diverse workforce deepens its talent pool and brings a wider range of perspectives. Not only is it fundamentally the right thing to do, but Hg has also seen first-hand how diversity and inclusion ('D&I') create a virtuous cycle: the more diverse and inclusive a company is, the more each individual can add value. That translates to a greater impact for all stakeholders – investors, portfolio companies, employees and the communities in which we work and live. Hg is proud to have 38% women on the investment team and 49% women across the entire firm.

### Hg's Sustainable Business Framework

Hg's Sustainable Business Framework outlines key ESG focus areas for software and technology-enabled business services



## The Hg Foundation <sup>Hg</sup> Removing barriers to education & skills in technology

The vision of The Hg Foundation is that the tech workforce of the future harnesses the talents of all, regardless of background. To achieve this, we help under-represented groups to access high quality jobs in tech by supporting education- and employment- based programmes across the UK, Europe and the US. The Foundation is funded through a proportion of carried

interest from current and future Hg funds and a proportion of Hg's annual profits.

The Foundation's strategy over the next three years will see it increase its partnerships, commit further funds, and reach more than 20,000 learners.



**merit**  
AMERICA

THE  
TUTOR  
TRUST

**upReach**  
Transforming Social Mobility

**Generation**  
FRANCE

**SEO Career**  
Tech Developer

**I Impetus**

**cornerstone vc**

**Imperial College**  
London

**TUM**  
Technische Universität München



## Insights and case studies





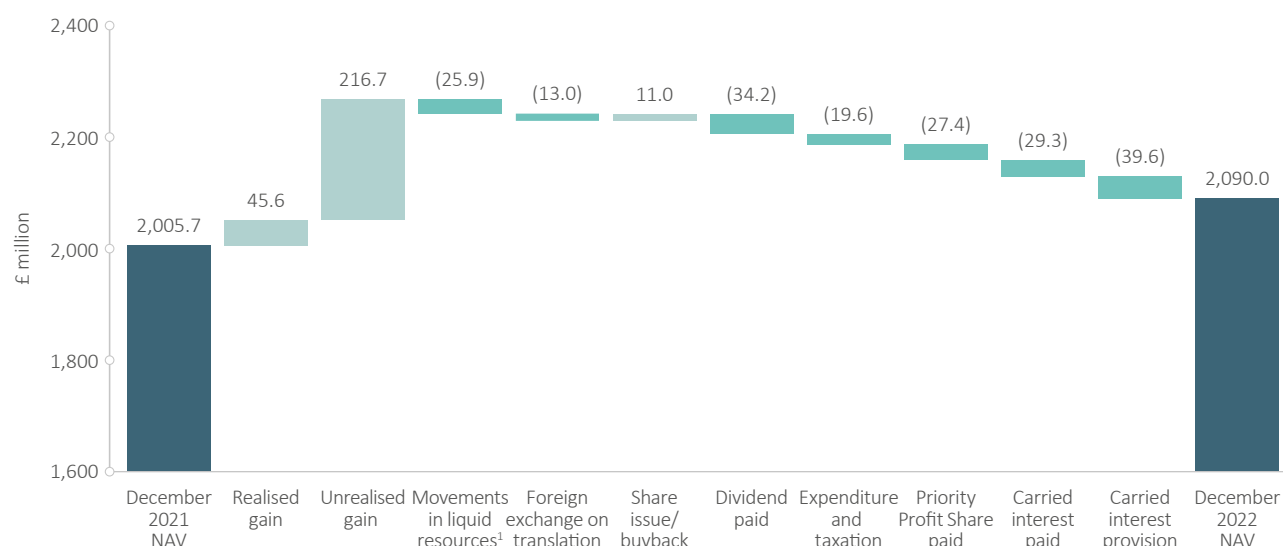
## Net asset value (NAV)

During the year, the NAV of HGT increased by £84 million, from £2.0 billion at 31 December 2021 to £2.1 billion at 31 December 2022.

### Attribution analysis of movements in NAV

	Revenue £000	Capital £000	Total £000
Opening NAV as at 1 January 2022	35,114	1,970,610	2,005,724
Realised capital and income proceeds from investment portfolio in excess of 31 December 2021 book value	14,593	31,045	45,638
Net unrealised capital and income appreciation of investment portfolio	39,641	177,037	216,678
Net realised and unrealised gains/(losses) from liquid resources and facilities	2,436	(28,381)	(25,945)
Foreign exchange on translation on non-investment balances	—	(13,003)	(13,003)
Share issue	—	12,324	12,324
Share buyback	—	(1,350)	(1,350)
Dividend paid	(34,217)	—	(34,217)
Expenditure	(17,438)	(2,152)	(19,590)
Investment management costs:			
Priority profit share — current year paid	(27,426)	—	(27,426)
Priority profit share — reallocation between capital and income	12,512	(12,512)	—
Carried interest — current year paid	—	(29,292)	(29,292)
Carried interest — current year provision	—	(39,576)	(39,576)
Closing NAV as at 31 December 2022	25,215	2,064,750	2,089,965

### Analysis of NAV movements



<sup>1</sup> Including unrealised and foreign exchange movement on liquid assets and the fund level facilities, see note 12 for more information.

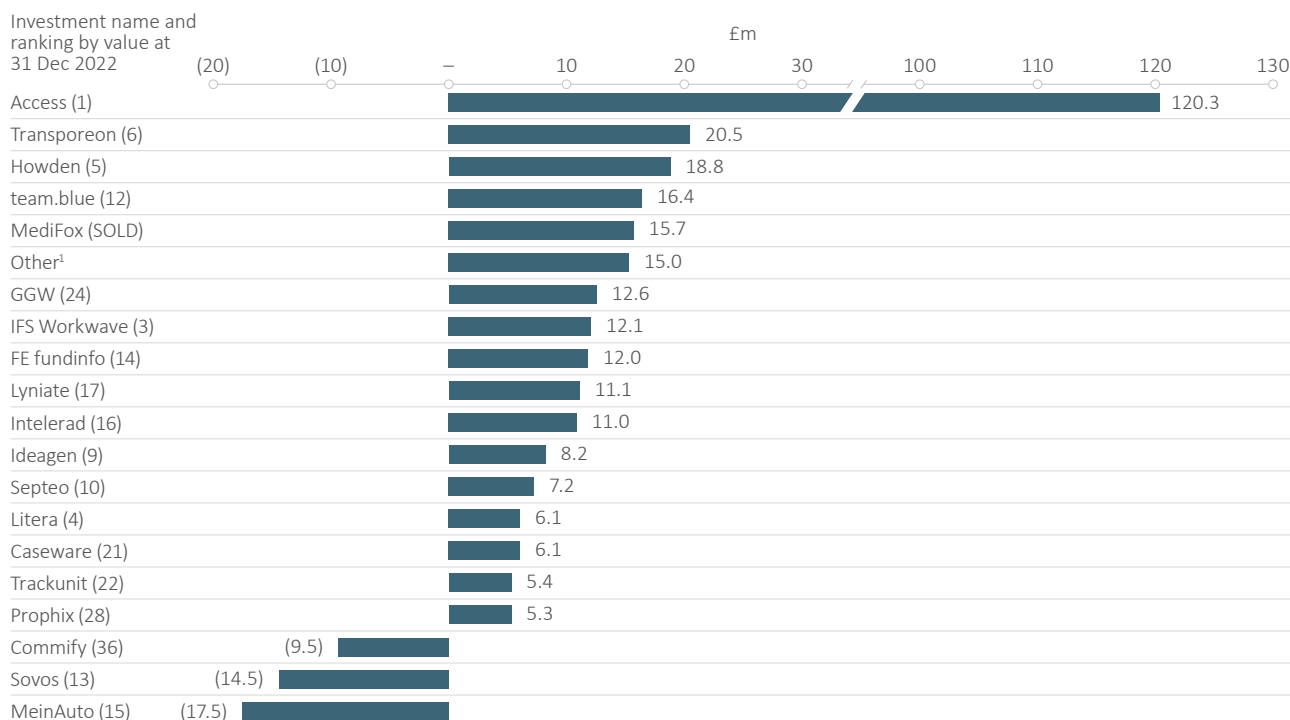
Several underlying factors contributed to the increase in NAV. Positive impacts were the £216.7 million revaluation of the unquoted portfolio and uplifts of £45.6 million on the realisation of investments, compared with their carrying value at the start of the year. Shares issued during the year

contributed a further £12.3 million and a share buyback of £1.4 million decreased the NAV.

Reductions in NAV included: the payment of £34.2 million of dividends to shareholders and a £39.6 million increase in the provision for future carried interest.

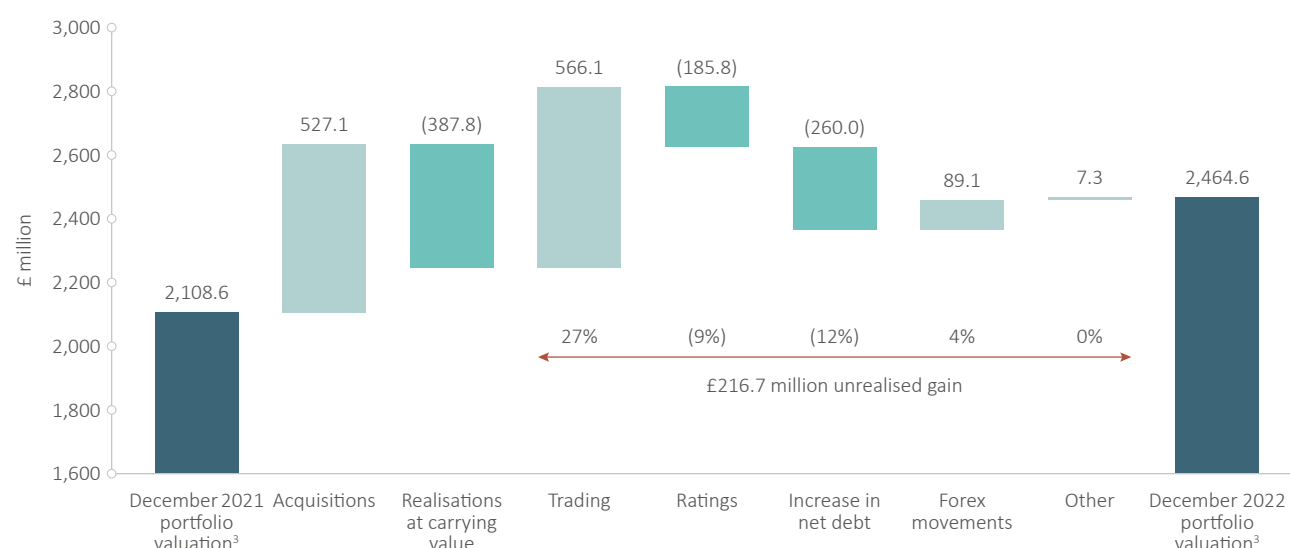
Past performance is not a reliable indicator of future results. The value of shares and the income from them can go down as well as up as a result of market and currency fluctuations and investors may not get back the amount they originally invested.

## Realised and unrealised movements in the value of investments



<sup>1</sup> Other includes movements across portfolio companies not shown.

## Attribution analysis of movements in the value of investments<sup>2</sup>



<sup>2</sup> Including accrued income and excluding carried interest provision. <sup>3</sup> Before the deduction of the carried interest provision and fund level facilities.

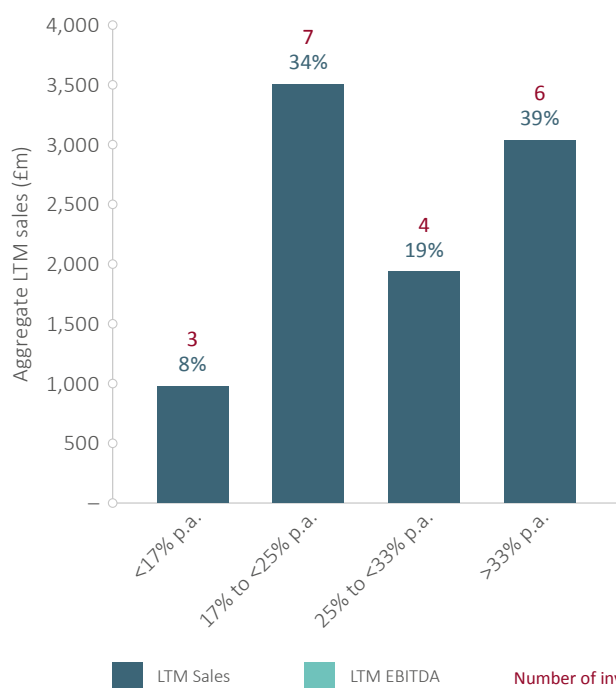
During the year, the value of the unrealised investments increased by £216.7 million, before the provision for carried interest. The majority of the increase, £566.1 million, relates to increases from profit growth in the underlying investments. A decrease in valuation multiples reduced the value of investments by £185.8 million.

Acquisitions net of realisations at carrying value of £139.3 million increased the value further and positive currency movements of £89.1 million increased the value of the unrealised portfolio. An increase in net debt of £260.0 million contributed negatively to the unrealised portfolio.

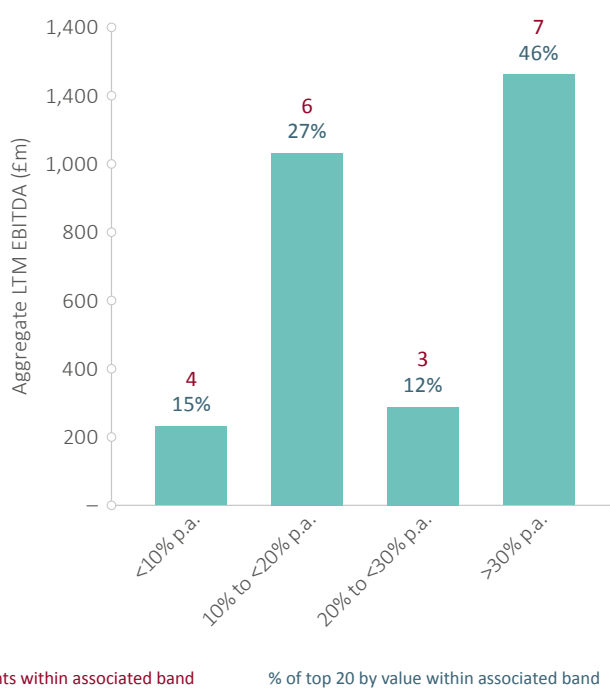


## Top 20 portfolio trading performance

### LTM sales growth: +30%



### LTM EBITDA growth: +25%



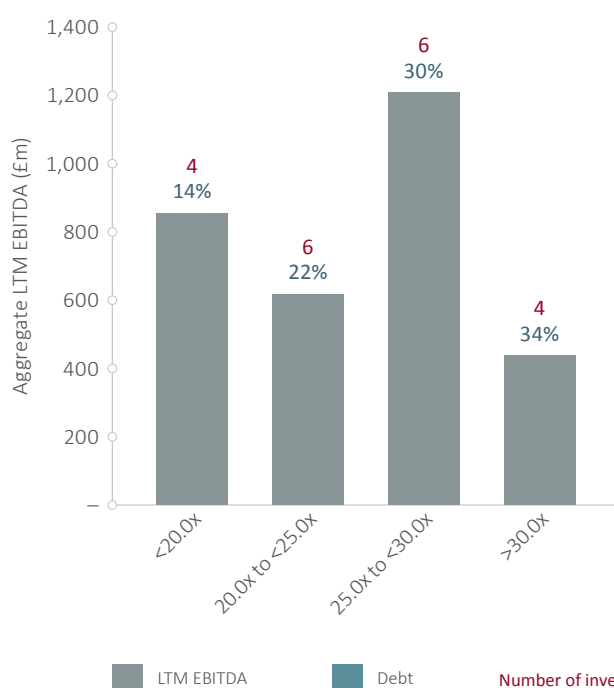
- The top 20 investments, representing 77% of portfolio value, have delivered sales growth of 30% and EBITDA growth of 25% over the last 12 months ('LTM');
- 100% of the top 20 companies within the portfolio achieved double-digit sales growth;
- 85% of the top 20 companies by value delivered double-digit EBITDA growth over the last 12 months;

- This robust trading performance in a challenging macro-environment reflects the resilient nature of HGT's portfolio companies and the mission-critical services they provide for their customers;
- Litera, Howden, Access, FE fundinfo, insightsoftware and recently-acquired IFS Workwave reported particularly strong trading.

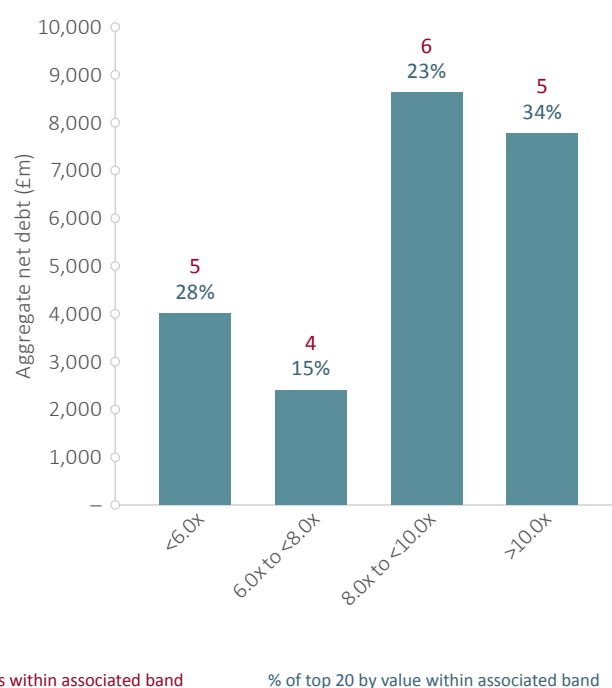
Please note: All figures are as at 31 December 2022 and refer to the top 20 investments, representing 77% of the value of HGT's investments.

## Top 20 valuation and net debt analysis

### EV to EBITDA valuation multiples: 27.2x



### Net debt to EBITDA ratios: 8.0x



- Net debt comprises both structural gearing as well as revolving credit facilities used to finance accretive bolt-on acquisitions;
- EV/EBITDA multiples are used to fair value the majority of HGT's portfolio companies, in accordance with IPEV Valuation guidelines;
- Multiples are derived with reference to comparable companies – both listed and private – and relevant M&A transactions;
- The average uplift to carrying value achieved on realisations during 2022 was 28%. No investments were realised below carrying value as at 31 December 2021;

- HGT's portfolio companies make appropriate use of gearing, with a weighted average net debt for the top 20 of 8.0x LTM EBITDA (7.1x at 31 December 2021);
- Many of the companies have highly predictable, strong earnings growth and are very cash generative, enabling us to use debt to reduce their cost of capital and improve returns on the equity we hold;
- Portfolio companies typically employ hedging strategies to reduce their exposure to increases in interest rates.

Please note: All figures are as at 31 December 2022 and refer to the top 20 investments, representing 77% of the value of HGT's investments







## Outstanding commitments of HGT

At 31 December 2022, HGT had available liquid resources of £476 million and had outstanding commitments of £1.2 billion, as listed below. We anticipate the majority of these outstanding commitments will be drawn down over the next three to four years (2023–27) and are likely to be partly financed by cash flows from future realisations. Additionally, to mitigate the risk of being unable to fund any draw-down under its commitments to invest alongside Hg's funds, the Board has negotiated a right to opt out, without penalty, of HGT's obligation to fund such commitments, where it does not have the funds to do so or certain other conditions exist. HGT also has access to a £290 million bank facility which was 47% drawn as at 31 December 2022.

Fund	Fund vintage	Original commitment £million <sup>1</sup>	Outstanding commitments as at 31 December 2022		Outstanding commitments as at 31 December 2021	
			£million	% of NAV	£million	% of NAV
S3	2022	893.7 <sup>2</sup>	612.6	29.3	627.5	31.3
G10	2022	443.6 <sup>3</sup>	359.4	17.2	—	—
HGT	Various	103.9 <sup>4</sup>	102.1	4.9	92.3	4.6
S2	2020	332.5 <sup>5</sup>	26.8	1.3	67.8	3.4
S1	2018	150.0	25.1	1.2	15.9	0.8
M3	2020	102.0 <sup>6</sup>	22.8	1.1	64.0	3.2
G8	2018	350.0	20.3	1.0	51.5	2.6
G9	2020	319.4 <sup>7</sup>	18.0	0.9	66.2	3.3
M1	2011	60.0	3.3	0.2	3.3	0.2
M2	2017	80.0	2.2	0.1	1.8	0.1
G7	2013	200.0	0.8	—	1.0	—
Asper RPP I	2006	19.2 <sup>8</sup>	0.6	—	0.6	—
<b>Total</b>			<b>1,194.0</b>	<b>57.2</b>	<b>991.9</b>	<b>49.5</b>
Liquid resources			323.1	15.5	371.5	18.5
Undrawn Bank facility			153.2	7.3	98.9	4.9
<b>Net outstanding commitments unfunded by liquid resources</b>			<b>717.7</b>	<b>34.4</b>	<b>521.5</b>	<b>26.1</b>

<sup>1</sup> Excluding any co-investment participations made through HGT LP.

<sup>2</sup> Sterling equivalent of \$1,075 million.

<sup>3</sup> Sterling equivalent of €500 million.

<sup>4</sup> Sterling equivalent of \$125 million of junior debt.

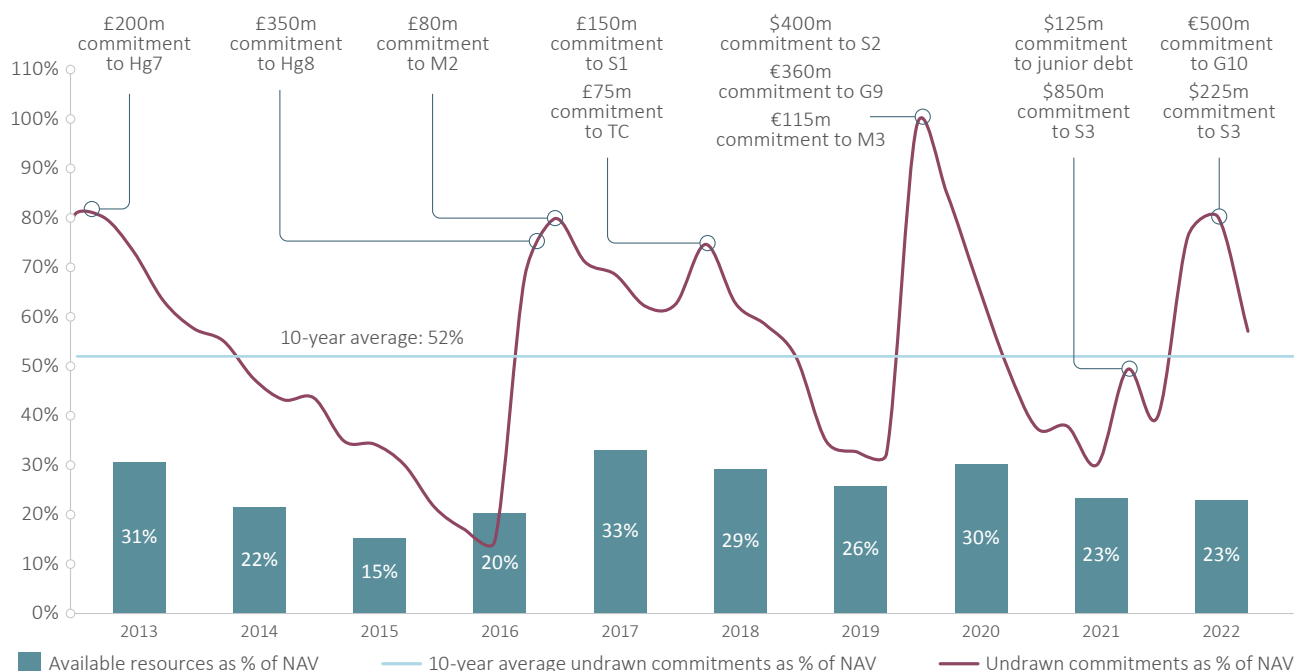
<sup>5</sup> Sterling equivalent of \$400 million.

<sup>6</sup> Sterling equivalent of €115 million.

<sup>7</sup> Sterling equivalent of €360 million.

<sup>8</sup> Sterling equivalent of €21.6 million.

## Outstanding commitments and available resources as % of NAV



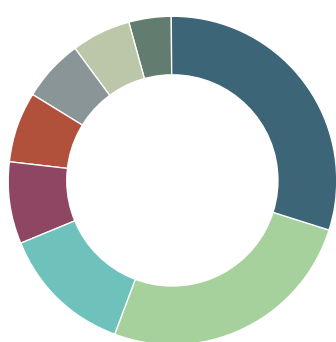
## Year in review

### Investment portfolio of HGT

Fund limited partnerships	Residual cost £000	Total valuation <sup>1</sup> £000	Portfolio value %
<b>Primary funds:</b>			
HGT 8 LP	189,502	602,786	26.6
HGT 8 LP – Provision for carried interest	—	(106,990)	(4.7)
HGT Saturn 2 LP	254,245	365,724	16.2
HGT Saturn 2 LP – Provision for carried interest	—	(20,579)	(0.9)
HGT Genesis 9 LP	281,115	359,611	16.0
HGT Genesis 9 LP – Provision for carried interest	—	(11,548)	(0.5)
HGT Saturn 3 LP	271,284	266,936	11.8
HGT Saturn LP	128,444	258,170	11.5
HGT Saturn LP – Provision for carried interest	—	(29,918)	(1.3)
HGT LP	167,903	218,857	9.7
HGT Mercury 2 LP	49,663	134,857	6.0
HGT Mercury 2 LP – Provision for carried interest	—	(23,142)	(1.0)
HGT Mercury 3 LP	73,066	92,673	4.1
HGT 7 LP	22,709	85,128	3.8
HGT 7 LP – Provision for carried interest	—	(17,022)	(0.8)
HGT Genesis 10 LP	74,300	80,394	3.6
HgCapital Mercury D LP	2,316	9,545	0.4
HgCapital Mercury D LP – Provision for carried interest	—	(1,955)	(0.1)
<b>Total primary funds</b>	<b>1,514,547</b>	<b>2,263,527</b>	<b>100.5</b>
<b>Other holdings:</b>			
Other <sup>2</sup>	4,751	(10,101)	(0.5)
<b>Total other holdings</b>	<b>4,751</b>	<b>(10,101)</b>	<b>(0.5)</b>
<b>Total investments net of carried interest provision</b>	<b>1,519,298</b>	<b>2,253,426</b>	<b>100.0</b>

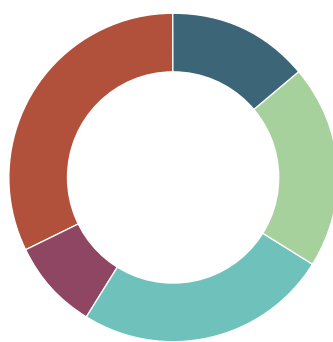
<sup>1</sup>Includes accrued income of £133,534,000 and the carried interest provision as referenced but before the deduction of the fund level facilities of £367,383,000.

<sup>2</sup>Includes HGT currency hedges.



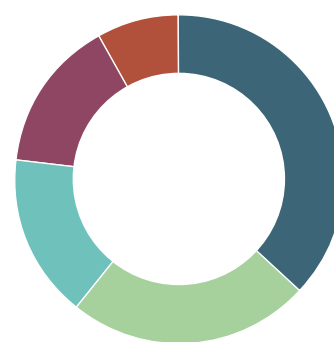
#### Hg 'cluster' by value

- 30% ERP & Payroll
- 26% Tax & Accounting
- 13% Legal & Regulatory Compliance
- 8% Capital Markets & Wealth Management IT
- 7% Healthcare IT
- 6% Technology Services
- 6% Insurance
- 4% Automation & Engineering



#### Investment vintage by value

- 14% 2022
- 20% 2021
- 25% 2020
- 9% 2019
- 32% pre-2019



#### Geographic spread by value

- 37% UK
- 24% North America
- 16% Scandinavia
- 15% Germany
- 8% Other Europe



# Investments

Over the course of the year, Hg invested a total of £7 billion on behalf of its clients, with HGT's share being £527 million, including £21 million in co-investment (free of fees and carried interest).

Our investments are generated by establishing and developing relationships with companies over the longer term and typically pursuing opportunities where we have a strong relationship with a founder or management team. By doing this, we believe that we can invest in the very best businesses within our chosen 'clusters' which share similar underlying business model characteristics.

## Investments made during the year

Company	Cluster	Location	Cost £000
IFS Workwave	ERP & Payroll	Scandinavia	133,551
Ideagen	Legal & Regulatory Compliance	UK	69,182
Waystone	Legal & Regulatory Compliance	UK	38,449
LucaNet	Tax & Accounting	Germany	15,649
Pirum	Capital Markets & Wealth Management IT	UK	13,928
TrustQuay	Capital Markets & Wealth Management IT	UK	8,970
Fonds Finanz	Insurance	Germany	8,309
New investments			288,038
Access	ERP & Payroll	UK	141,480
team.blue	Tech Services	Benelux	26,783
Howden	Insurance	UK	19,456
Lyniate	Healthcare IT	North America	13,461
P&I	ERP & Payroll	Germany	8,349
Argus	Capital Markets & Wealth Management IT	UK	5,656
Norstell	Healthcare IT	North America	4,678
Other <sup>1</sup>			19,174
Follow-on investments			239,037
Total investments on behalf of HGT			527,075

<sup>1</sup>Other investments and realisations includes immaterial transactions in relation to the remaining portfolio.



# Realisations

Over the course of the year, Hg has returned a total of £4 billion to its clients, including £404 million to HGT.

Hg has seen some significant exits with an uplift to their December 2021 carrying value and we will continue to assess further opportunities to return cash proceeds to our clients, including HGT.

## Realisations made during the year

Company	Cluster	Exit route	Proceeds <sup>1</sup> £000
MediFox	Healthcare IT	Trade sale	47,740
ITM8	Tech Services	Trade sale	32,642
Register	Tech Services	Secondary sale	16,293
<b>Full realisations</b>			<b>96,675</b>
Access	ERP & Payroll	Recapitalisation	232,235
Visma	Tax & Accounting/ERP & Payroll	Refinancing	32,045
Intelerad	Healthcare IT	Recapitalisation	27,719
Lyniate	Healthcare IT	Recapitalisation	19,796
P&I	ERP & Payroll	Refinancing	11,482
Argus	Capital Markets & Wealth Management IT	Refinancing	11,222
Other <sup>2</sup>			2,500
<b>Partial realisations</b>			<b>336,999</b>
<b>Total proceeds from realisations</b>			<b>433,674</b>
Carried interest paid to the Manager			(29,292)
<b>Total proceeds from realisations received by HGT</b>			<b>404,382</b>

<sup>1</sup>Includes gross revenue received of £23.1 million during the year ended 31 December 2022.

<sup>2</sup>Other investments and realisations includes immaterial transactions in relation to the remaining portfolio.














## Overview of the underlying investments

held through HGT's limited partnerships

Investments (in order of value)	Fund	Sector	Location	Vintage	Residual cost £000	Total valuation <sup>1</sup> £000	Portfolio value %	Cum. Value %
1	Access	S3/G8/HGT	ERP & Payroll	UK	2018	180,509	339,096	13.9
2	Visma	G7/S1/S2/HGT	Tax & Accounting/ERP & Payroll	Scandinavia	2020	88,441	202,743	8.2
3	IFS Workwave	S3/HGT	ERP & Payroll	Scandinavia	2022	133,551	145,635	5.9
4	Litera	G8/G9	Legal & Regulatory Compliance	N.America	2019	28,999	108,363	4.4
5	Howden	S2/HGT	Insurance	UK	2021	60,940	108,257	4.4
6	Transporeon	G8/HGT	ERP & Payroll	Germany	2019	41,993	106,581	4.3
7	IRIS	S1	Tax & Accounting/ERP & Payroll	UK	2018	36,380	87,531	3.6
8	P&I	G7/S1/HGT	ERP & Payroll	Germany	2020	44,156	86,809	3.5
9	Ideagen	G10/G9/M3	Legal & Regulatory Compliance	UK	2022	74,434	82,655	3.4
10	Septeo	G9	Legal & Regulatory Compliance	France	2020	38,545	74,489	3.0
11	insightsoftware	S2/HGT	Tax & Accounting	N.America	2021	57,494	72,349	2.9
12	team.blue	G10/G8	Tech Services	Benelux	2018	43,304	66,374	2.7
13	Sovos	S2/HGT	Tax & Accounting	N.America	2020	54,455	63,977	2.6
14	FE fundinfo	M2/G9	Capital Mkts & Wealth Mgmt IT	UK	2017	26,154	60,392	2.5
15	MeinAuto	G8	Automation and Engineering	Germany	2017	33,967	54,822	2.2
16	Intelerad	G8	Healthcare IT	N.America	2020	15,978	52,532	2.1
17	Lyniate	M2/M3/HGT	Healthcare IT	N.America	2018	19,260	47,724	1.9
18	Norstella	M2/G9/HGT	Healthcare IT	N.America	2021	29,274	45,969	1.9
19	Argus Media	S1/HGT	Capital Mkts & Wealth Mgmt IT	UK	2020	27,384	45,047	1.8
20	Azets	G7/HGT	Tax & Accounting	UK	2016	20,966	44,767	1.8
21	Caseware	G8	Tax & Accounting	N.America	2020	28,612	40,049	1.6
22	Trackunit	G9	Automation and Engineering	Scandinavia	2021	26,593	37,464	1.5
23	Waystone	S2	Legal & Regulatory Compliance	UK	2022	38,449	36,896	1.5
24	GGW	M2/M3	Insurance	Germany	2020	12,761	34,868	1.4
25	Citation	G8	Tech Services	UK	2020	21,998	33,225	1.3
26	Benevity	S2/HGT	ERP & Payroll	N.America	2021	32,124	30,013	1.2
27	Gen II	G9	Capital Mkts & Wealth Mgmt IT	N.America	2020	19,921	29,813	1.2
28	Prophix	G9	Tax & Accounting	N.America	2021	17,139	28,889	1.2
29	Project CH	S2	Tax & Accounting	Germany	2021	18,439	24,415	1.0
30	HHA	G9	Healthcare IT	N.America	2021	24,035	24,133	1.0
31	Riskalyze	M3/HGT	Capital Mkts & Wealth Mgmt IT	N.America	2021	15,868	21,947	0.9
32	DEXT	S1/HGT	Tax & Accounting	UK	2021	15,620	21,379	0.9
33	Revalize	G9	ERP & Payroll	N.America	2021	18,686	21,135	0.9
34	TeamSystem	G8	Tax & Accounting/ERP & Payroll	Italy	2021	14,250	20,793	0.8
35	LucaNet	G9	Tax & Accounting	Germany	2022	15,649	17,993	0.7
36	Commify	M1/HGT	Tech Services	UK	2017	4,080	17,123	0.7
37	smartTrade	M2/HGT	Capital Mkts & Wealth Mgmt IT	France	2020	18,821	16,302	0.7
38	Serrala	G9	Tax & Accounting	Germany	2021	23,086	15,057	0.6
39	Geomatikk	M2/HGT	Tech Services	Scandinavia	2021	11,392	14,580	0.6
40	Pirum	M3/HGT	Capital Mkts & Wealth Mgmt IT	UK	2022	13,928	14,280	0.6
41	F24	M2/HGT	Tech Services	Germany	2020	10,458	13,590	0.6
42	Silverfin	M2/HGT	Tax & Accounting	Benelux	2019	10,046	12,834	0.5
43	Auvesy	M3	Automation and Engineering	Germany	2021	8,204	12,109	0.5
44	Mitrtech	G7/HGT	Legal & Regulatory Compliance	N.America	2017	3,328	10,841	0.4
45	Fonds Finanz	M3	Insurance	Germany	2022	8,309	9,845	0.4
46	TrustQuay	M3	Capital Mkts & Wealth Mgmt IT	UK	2022	8,970	9,156	0.4
47	Bright	M3	ERP & Payroll	Ireland	2021	6,529	8,186	0.3
48	Project DS	M3	ERP & Payroll	Benelux	2022	2,676	3,138	0.1
Total buyout investments (48)					1,506,155	2,476,165	100.5	
Other					13,142	(11,584)	(0.5)	(0.5)
Total all investments					1,519,297	2,464,581	100.0	

<sup>1</sup>Including accrued income of £133,534,000, but before a deduction for the provision for carried interest of £211,155,000 and fund level facilities of £367,383,000. Note that the investments held at fair within the Balance Sheet on page 59 exclude accrued income but include the deduction for carried interest and the fund level facilities.



## Top 20 investments

representing 77% of the value of HGT's investments



Strategic report

45

Hg's review



Financial statements



Corporate governance



Further information

Investments are held through limited partnerships, of which HGT is the sole limited partner. HGT invests alongside other clients of Hg. Typically, HGT's holding forms part of a much larger majority interest held by Hg's clients in buyout investments in companies with an enterprise value ('EV') of between £100 million and over £10 billion.

Hg's review generally refers to each transaction in its entirety, apart from the tables detailing HGT's participation or where it specifically says otherwise.

Past performance is not a reliable indicator of future results. The value of shares and the income from them can go down as well as up as a result of market and currency fluctuations and investors may not get back the amount they originally invested.





## 01 access

a leading provider of mission-critical, integrated business-management software to SME's in the UK and APAC

Investment date	June 2018
Location	UK
Cluster	ERP & Payroll
Website	theaccessgroup.com
Hg clients' total equity:	41.3%
Unrealised value (£000):	339,096
% of NAV:	16.2%

### Business description

Founded in 1991, the Access Group ('Access') is a leading Enterprise Resource Planning ("ERP") business, providing a range of horizontal and industry-specific software solutions to SME and mid-market customers in Australia, Ireland and the UK. With its portfolio spanning Finance, HR, and Payroll, as well as Recruiting, Hospitality, Health & Social Care, Legal, Not for Profit, and Education sectors, Access' software helps over 60,000 businesses and not-for-profit organizations to work efficiently.

Hg initially partnered with Access in 2018, and further invested in 2020 and 2022, to continue supporting them in their geographical and product portfolio expansion, as well as their cloud strategy.

### Performance

Access has traded well since our investment, with bookings momentum remaining strong throughout FY22. Growth remains robust, with the business seeing over 20% organic recurring revenue growth in FY22. With the partial exit, refinancing and reinvestment in the business in 2022, this has led to HGT's valuation of its stake in Access rising by £120.3 million over the year.

## 02 VISMA

a leading provider of mission-critical business software to SMEs and the public sector in the Benelux and Nordic regions

Investment date	August 2020
Location	Scandinavia
Cluster	Tax & Accounting/ERP & Payroll
Website	visma.com
Hg clients' total equity:	54.8%
Unrealised value (£000):	202,743
% of NAV:	9.7%

### Business description

Visma is a leading provider of mission-critical business software to SMEs and the public sector in the Benelux and Nordic regions. The company provides the following services to approximately 1.4 million paying customers: accounting; resource planning and payroll software; and transaction process outsourcing, such as debt collection and procurement services.

### Performance

Since 2006, Visma has acquired numerous companies, strengthening organic growth from innovation in new products, as well as margin improvement from operating leverage as it continues to transition to SaaS. Visma is now positioned as one of the leading and largest SaaS companies in Europe.



## 03 IFS WORKWAVE™

a software vendor for organisations who want to differentiate on service

Investment date	July 2022
Location	Scandinavia
Cluster	ERP & Payroll
Website	ifs.com
Hg clients' total equity:	29.8%
Unrealised value (£000):	145,635
% of NAV:	7.0%

### Business description

IFS is a leading provider across multiple sectors including Service Management, Enterprise Asset Management (EAM) and Enterprise Resource Planning (ERP) for five core asset-intensive verticals. WorkWave is a leading provider of Field Service Management solutions to appointment-centric verticals, primarily in North America.

IFS and WorkWave's suite of products empower companies in its target verticals to reach their full potential in their 'moments of service' through scalable, cloud-based software solutions that support every stage of a business life cycle, including marketing, sales, service delivery, customer interaction and financial transactions.

### Performance

In July 2022, Hg completed a significant minority investment, alongside EQT and TA Associates, in IFS and WorkWave. The investment has made a positive start with IFS continuing to increase recurring revenues through its focus on transitioning from perpetual to multi-year term licences, while Workwave reported strong organic growth in revenue. Whilst new to the portfolio, this holding has seen an uplift in HGT's valuation of £12.1 million since investment.

## 04 LITERA

a scaled legal-tech platform helping lawyers focus on what matters

Investment date	May 2019
Location	North America
Cluster	Legal & Regulatory Compliance
Website	litera.com
Hg clients' total equity:	92.3%
Unrealised value (£000):	108,363
% of NAV:	5.2%

### Business description

Litera is a leading provider of legal workflow and workspace technology worldwide. Litera's software empowers users across the legal industry to generate, review and distribute high-quality content quickly and securely, from any device. Today, Litera supports thousands of document-intensive organisations across the globe, helping them to satisfy the complex demands of clients and regulators, using innovative technologies such as AI and machine learning, to support them.

### Performance

Litera continues to perform well, reporting strong organic growth in earnings and acquiring three companies in 2022, and maintains an active pipeline of potential acquisitions. The valuation of HGT's investment in Litera increased by £6.1 million during the year.





## 05 Howden Group Holdings

a leading tech-enabled international insurance distribution group

Investment date	March 2021
Location	UK
Cluster	Insurance
Website	howdengroup.com
Hg clients' total equity:	22.6%
Unrealised value (£000):	108,257
% of NAV:	5.2%

### Business description

Founded in 1994 and headquartered in London, UK, Howden Group Holdings ('Howden') is the largest European headquartered insurance intermediary, serving an international client base. Howden is a tech-enabled insurance distributor, which facilitates the provision of B2B insurance through its core activities of retail insurance broking, speciality and reinsurance broking and managed agency underwriting.

### Performance

Howden remains active in terms of M&A, having completed numerous acquisitions during 2022. In June, Howden agreed to acquire TigerRisk, a large and fast-growing US-based reinsurance broker. Combined with strong trading performance over the year, notably from broking and underwriting divisions, led to an increase in the valuation of HGT's stake by £18.8 million.

## 06 TRANSPOREON

a European SaaS logistics connectivity platform

Investment date	March 2019
Location	Germany
Cluster	ERP & Payroll
Website	transporeon.com
Hg clients' total equity:	75.3%
Unrealised value (£000):	106,581
% of NAV:	5.1%

### Business description

Transporeon is a leading cloud-based logistics network and transport management software platform for road freight in Europe. Over 100,000 users across 100 countries use Transporeon's software-as-a-service solutions and platform for freight sourcing, carrier assignment, time slot management, visibility and market intelligence.

### Performance

In December 2022, Hg announced the sale of Transporeon to Trimble, a US industrial technology company, at an uplift of 25% to the 31 December 2021 valuation of HGT's holding. The transaction is expected to close in the first half of 2023, subject to customary closing conditions including regulatory approvals. This equated to a £20.5 million increase in HGT's holding in the business over 2022.



## 07 IRIS

a leading transatlantic provider of business-critical software solutions for accountants and their end-customers

Investment date	September 2018
Location	UK
Cluster	Tax & Accounting/ERP & Payroll
Website	iris.co.uk
Hg clients' total equity:	65.0%
Unrealised value (£000):	87,531
% of NAV:	4.2%

### Business description

IRIS serves over 100,000 customers and three million users in the Accountancy, Education, HR and SME payroll/book-keeping segments, across both the UK and North America. The company delivers a suite of established and trusted software solutions which provide business critical systems of record with frequent regulatory and compliance driven updates. Accountants are increasingly the hub looking after their SME clients' data and interfacing with governments on their behalf. IRIS enables accountants to deliver both regulatory compliance services and value-added 'Client Accounting Services' to improve SME's planning and performance.

### Performance

IRIS consistently delivers strong organic revenue growth, driven by mid-single digit secular growth and cross-sell and upsell initiatives into a highly loyal base, and expansion into North America through M&A (comprises c. 25% of revenues today). Over 2022, a decline in public ratings, used in the valuation process, has led to a small decrease in HGT's position in IRIS.

## 08 P&I PURE HR

a provider of integrated software for HR management to the German and European Mittelstand

Investment date	March 2020
Location	Germany
Cluster	ERP & Payroll
Website	pi-ag.com
Hg clients' total equity:	64.4%
Unrealised value (£000):	86,809
% of NAV:	4.2%

### Business description

Founded in 1968, P&I is a leading provider of integrated software solutions for human resources management to the German and European Mittelstand. The business delivers payroll, core HR, human capital management, time and attendance as well as analytics to 15,000 customers across DACH and 11 further European countries via an integrated and highly automated private cloud-based platform.

### Performance

P&I continued to develop positively during 2022, driven by its ongoing transition to a SaaS model and an acceleration of new customer wins on the back of further product innovations. As a result, HGT's valuation of its investment in P&I increased by £3.6 million during the year.





# 09 Ideagen

a leading provider of compliance software solutions to organisations operating within highly regulated industries

Investment date	July 2022
Location	UK
Cluster	Legal & Regulatory Compliance
Website	Ideagen.com
Hg clients' total equity:	84.3%
Unrealised value (£000):	82,655
% of NAV:	4.0%

Business description

Founded in 1993 and headquartered in Nottingham, UK, Ideagen’s software helps companies comply with regulation, manage risk and keep people safe. It is a leader in the over \$30 billion regulatory and compliance software sector, serving highly regulated industries such as life sciences, healthcare, banking and finance and insurance. Ideagen has a global footprint with hubs across UK, US, Middle East, Australia and Southeast Asia, and its wide portfolio of solutions are used by over 10,000 customers globally.

Performance

Following an agreement to merge with ProcessMap, a leading environmental, health and safety software platform provider, Ideagen was positively revalued, increasing the carrying value of HGT’s investment by £8.2 million.

# 10 septeo

a leading provider of software solutions and IT services dedicated to legal, real estate and IT professionals

Investment date	December 2020
Location	France
Cluster	Legal & Regulatory Compliance
Website	septeo.fr
Hg clients' total equity:	59.4%
Unrealised value (£000):	74,489
% of NAV:	3.6%

Business description

Septeo is a leading provider of legal software for notaries, law firms, corporate legal and HR departments, bailiffs, real estate professionals and accountants in France, Belgium, Canada and the US. Constituting several complementary companies and founded in 1988, The Septeo Group now has over 22,000 clients and more than 150,000 users, served by over 2,400 employees.

Performance

Septeo continues to trade well, with EBITDA ahead of budget due to a combination of top-line growth and margin improvement driven by a higher share of recurring revenues and increased operational efficiency. The value of HGT’s investment increased by £7.2 million over 2022.





# 11 insightsoftware

a leading provider of financial reporting, analytics and performance management software

Investment date	September 2021
Location	North America
Cluster	Tax & Accounting
Website	insightsoftware.com
Hg clients' total equity:	44.0%
Unrealised value (£000):	72,349
% of NAV:	3.5%

## Business description

insightsoftware is a leading provider of financial reporting, analytics and performance management software. Formed in 2018, insightsoftware has built a suite of software products across financial reporting, budgeting and planning, close and consolidation, operations, tax, disclosure and equity management. Today, more than 32,000 customers worldwide rely on these products to provide them with increased productivity, visibility, accuracy and compliance across their organisations in real time.

## Performance

insightsoftware continues to make good progress in transitioning its revenues from license to subscription, while M&A remains on plan. HGT's valuation of the business increased by £3.3 million during the year.

# 12 team.blue

a leading provider of mass hosting services for SMEs and entrepreneurs across 15 European countries

Investment date	March 2019
Location	Benelux
Cluster	Tech Services
Website	team.blue
Hg clients' total equity:	41.1%
Unrealised value (£000):	66,374
% of NAV:	3.2%

## Business description

team.blue provides digital presence solutions (domains, websites, ecommerce & marketing software, hosting services) to over 2.5 million SMEs and Sohos in Europe. Team.blue has presence in 16 European countries and segment leading positions in nine of those.

## Performance

In July, Hg announced a further investment in team.blue to fund expansion in its product offering of online solutions, as well as increase its local presence across more countries in Europe via M&A. Reflecting the impact of both continued organic growth and value-accretive M&A, the value of HGT's investment in team.blue increased by £16.4 million in 2022.





## 13 SOVOS

a leading provider of tax compliance solutions

Investment date	September 2020
Location	North America
Cluster	Tax & Accounting
Website	sovos.com
Hg clients' total equity:	57.1%
Unrealised value (£000):	63,977
% of NAV:	3.1%

### Business description

Sovos is a leading global provider of tax compliance software solutions that helps customers manage an increasingly complex end-to-end tax determination and regulatory reporting process. Its solutions manage all aspects of the tax compliance process from tax calculation, forms completion, ultra-high volume filing, to secure funds transfer to state and local revenue departments.

### Performance

Sovos has seen rapid growth since our initial investment driven by a combination of organic and inorganic growth. Hg has continued to invest in the business to drive organic returns, and to integrate recent acquisitions which have led to some anticipated temporary compression of EBITDA margins. Over the year, the valuation of HGT's stake decreased by £14.5 million.

## 14 FE fundinfo

a facilitator of more efficient investing, through trusted, insightful information

Investment date	November 2018
Location	UK
Cluster	Cap Mkts & Wealth Mgmt IT
Website	fundinfo.com
Hg clients' total equity:	68.6%
Unrealised value (£000):	60,392
% of NAV:	2.9%

### Business description

FE fundinfo is a leading provider of data, analytics software and infrastructure for the global funds industry, facilitating the distribution of retail funds and investment decision-making by banks, asset and wealth managers. The business connects fund managers and fund distributors and enables them to share and act on trusted, insightful data.

### Performance

Initially formed via three Hg-led acquisitions (the merger of FE, fundinfo and F2C), the business has also executed on more than five M&A deals under Hg's ownership, with four strategic M&A deals between 2020 and 2022, most notably a strategic acquisition of Fundsquare in 2022. Recent closed acquisitions are performing well, contributing to an increase in the value of HGT's investment of £12.0 million during 2022.





## 15 MeinAuto Group

a leading online retailer for new cars in Germany

Investment date	December 2017
Location	Germany
Cluster	Automation & Engineering
Website	meinauto.de
Hg clients' total equity:	80.5%
Unrealised value (£000):	54,822
% of NAV:	2.6%

### Business description

MeinAuto Group ('MeinAuto') provides customers with easy access to automotive subscriptions via end-to-end online journeys. It is transforming the traditional approach of vehicle retailing, from an offline service to an integrated digital delivery model. MeinAuto Group was established following Hg's investment in both MeinAuto.de and Athletic Sport Sponsoring, both leading B2C online platforms for car and mobility subscriptions, and Mobility Concept, the leading OEM-and bank-independent fleet leasing provider to B2B customers in Germany.

### Performance

MeinAuto continues to execute on increasing customer reach, additional partnerships and brand marketing. Despite continuing global supply chain disruption, MeinAuto continued to show robust trading and good growth during 2022, outperforming sector growth at stable margins. However, a decline in public ratings used in the valuation process resulted in a decrease of £17.5 million in HGT's stake over the year.

## 16 Intelrad

a leading provider of medical imaging software and services for the healthcare industry

Investment date	February 2020
Location	North America
Cluster	Healthcare IT
Website	Intelrad.com
Hg clients' total equity:	51.6%
Unrealised value (£000):	52,532
% of NAV:	2.5%

### Business description

Founded in 1999, Intelrad is a leading global provider of enterprise workflow and medical imaging software solutions that enhance productivity and information accessibility for radiologists, enabling faster and more accurate diagnoses. Headquartered in Montreal, Canada, Intelrad employs over 700 staff across the globe and serves a customer base of more than 1,500 healthcare organisations, including radiology groups, imaging centres, health systems and life science companies.

### Performance

In August, Hg completed a partial sale of Intelrad to TA Associates ('TA'), a leading global growth private equity firm, at an uplift of 26% to the 31 December 2021 carrying value of HGT's investment. Combined with positive trading, this contributed to an increase of £11.0 million for HGT's stake in the company over 2022.



Strategic  
review

53

Hg's review



Financial statements



Corporate governance



Further information



## 17 LYNIATE

a global leader in healthcare interoperability and data liquidity solutions

Investment date	October 2018
Location	North America
Cluster	Healthcare IT
Website	lyniate.com
Hg clients' total equity:	80.2%
Unrealised value (£000):	47,724
% of NAV:	2.3%

### Business description

Headquartered in Boston, USA, Lyniate is a global leader in healthcare interoperability and data liquidity solutions. Their software serves public and private hospitals, health systems, Health Information Exchanges, OEM vendors, public health departments and federal government organisations.

### Performance

In January 2022, Hg completed a successful refinancing of Lyniate with the Hg Mercury 3 Fund investing alongside Hg Mercury 2. This investment will help continue to build a unique and strategically important global champion in healthcare software. Lyniate continues to perform, resulting in an increase of £11.1 million in the valuation of HGT's stake during the year.

## 18 norstella™

uniting market-leading companies that all have a shared goal of improving patient access

Investment date	September 2021
Location	North America
Cluster	Healthcare IT
Website	Norstella.com
Hg clients' total equity:	19.4%
Unrealised value (£000):	45,969
% of NAV:	2.2%

### Business description

Norstella was formed following the merger of MMIT Evaluate and Pharma Intelligence (Citeline, previously part of Informa). Each of its brands (Evaluate, MMIT, Panalgo, The Dedham Group, Citeline) delivers must-have answers for critical strategic and commercial decision-making. By combining the efforts of each organization under Norstella, they can offer breadth of expertise, cutting-edge data solutions and expert advisory services alongside advanced technologies such as real-world data, machine learning and predictive analytics.

### Performance

Following the completion of the merger of MMIT Evaluate and Pharma Intelligence in October 2022, Norstella continues to see double-digit sales and earnings growth and HGT's stake in the combined business was valued at £46.0 million at year-end.



## 19 argus

**a producer of price assessments and analysis of international energy and other commodity markets**

Investment date	January 2020
Location	UK
Cluster	Cap Mkts & Wealth Mgmt IT
Website	argusmedia.com
Hg clients' total equity:	24.7%
Unrealised value (£000):	45,047
% of NAV:	2.2%

### Business description

Founded in 1970, Argus is an independent media organisation headquartered in London with 22 offices in the world's principal commodity trading and production centres. Argus produces price assessments and analysis of international energy and other commodity markets, and offers bespoke consulting services and industry-leading conferences.

### Performance

In June, Hg completed the refinancing of Argus Media, returning capital to investors including HGT. The business continues to trade well, driven by growth in subscription revenues, as well as a strong recovery in conference revenues post-pandemic. During the course of 2022, the value of HGT's investment increased by £2.2 million.

## 20 AZETS

**an international accounting, tax, audit, advisory and business services group**

Investment date	October 2016
Location	UK
Cluster	Tax & Accounting
Website	azets.com
Hg clients' total equity:	82.3%
Unrealised value (£000):	44,767
% of NAV:	2.1%

### Business description

Azets (formerly Cogital Group) is an international accounting, tax, audit, advisory and business services group that delivers a personal experience, both digitally and in person. With over 7,300 people across their office network, they help companies and organisations of all shapes and sizes, public sector enterprises and high net-worth private clients achieve their personal and business ambitions.

### Performance

To-date, Azets has successfully executed on its M&A plan to consolidate business critical professional services companies across the UK and Nordics, adding over 85 businesses to the group, and creating a strong platform for future growth. Following the integration of these businesses, the company is trading well, with EBITDA growth outpacing revenues, and contributing to an increase of £3.9 million in the value of HGT's investment during 2022.





## HGT's investment portfolio by cluster

### ERP & Payroll

>18 years

IRIS

TeamSystem®

IFS WORKWAVE™

revalize

access

VISMA

Bright

benevity

P&I  
PURE HR

### Tax & Accounting

>18 years

VISMA

IRIS

SOVOS

LucaNet

AZETS

Prophix®

SERRALA

Bright

silverfin

TeamSystem®

insightsoftware

caseware.

### Legal & Regulatory Compliance

>15 years

LITERA

The Citation Group

septeo  
INNOVATING FOR SMART SOLUTIONS

Ideagen

ProcessMAP

waystone

### Automation & Engineering

>14 years

AUVESY-MDT

MeinAuto  
Group

Trackunit

revalize

Geomatikk

### Technology Services

>12 years

Commify

F24

The Citation Group

team.blue

### Capital Mkts and Wealth Mgmt IT

>9 years

riskalyze

pirum

smartTrade

TrustQuay

Gen II  
Well-run funds.

argus

FE fundinfo

waystone

### Insurance

>8 years

Howden Group Holdings

fonds finanz



GOSSLER, GOBERT & WOLTERS GRUPPE  
SEIT 1758

### Healthcare IT

>7 years

LYNIATE

norstella™

HHAExchange

Intelerad.



## Financial statements



Strategic report



H&S review

57

Financial statements



Corporate governance



Further information



# Income statement

for the year ended 31 December 2022

	Notes	Revenue return		Capital return		Total return	
		2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000
Gains on investments and liquidity funds	13	—	—	95,678	566,130	95,678	566,130
Losses on priority profit share calls	5(b)	—	—	(12,512)	(7,821)	(12,512)	(7,821)
Net income	4	41,756	47,433	—	—	41,756	47,433
Other expenses	6(a)	(7,153)	(5,703)	—	—	(7,153)	(5,703)
<b>Net return before finance costs and taxation</b>		<b>34,603</b>	<b>41,730</b>	<b>83,166</b>	<b>558,309</b>	<b>117,769</b>	<b>600,039</b>
Finance costs	6(b)	(10,285)	(5,094)	—	—	(10,285)	(5,094)
<b>Net return before taxation</b>		<b>24,318</b>	<b>36,636</b>	<b>83,166</b>	<b>558,309</b>	<b>107,484</b>	<b>594,945</b>
Taxation	9	—	192	—	—	—	192
<b>Net return after taxation</b>		<b>24,318</b>	<b>36,828</b>	<b>83,166</b>	<b>558,309</b>	<b>107,484</b>	<b>595,137</b>
<b>Basic and diluted return per ordinary share</b>	<b>10(a)</b>	<b>5.32p</b>	<b>8.49p</b>	<b>18.18p</b>	<b>128.70p</b>	<b>23.50p</b>	<b>137.19p</b>

The total return column of this statement represents HGT'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 comprehensive income has been presented.

The movements in reserves are set out in note 21 to the financial statements.

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued during the year.

The following notes form part of these financial statements.

# Balance sheet

as at 31 December 2022

	Notes	2022 £000	2021 £000
Fixed asset investments			
Investments at fair value through profit or loss:			
Unquoted investments	12	1,752,509	1,678,008
<b>Total fixed asset investments</b>		<b>1,752,509</b>	<b>1,678,008</b>
Current assets — amounts receivable after one year:			
Accrued income on fixed assets	14	133,534	102,166
Current assets — amounts receivable within one year:			
Debtors	14	22,628	8,090
Investments at fair value through profit or loss:			
Liquidity funds	15	270,524	277,049
Uninvested capital in limited partnerships	12(a)	239	160
Cash at bank	16	52,315	94,280
<b>Total current assets</b>		<b>479,240</b>	<b>481,745</b>
Creditors — amounts falling due within one year	17	(4,345)	(2,887)
<b>Net current assets</b>		<b>474,895</b>	<b>478,858</b>
Creditors — amounts falling due after one year	18	(137,439)	(151,142)
<b>Net assets</b>		<b>2,089,965</b>	<b>2,005,724</b>
Capital and reserves:			
Called-up share capital	20	11,443	11,382
Share premium account	21	372,224	359,971
Capital redemption reserve	21	1,258	1,248
Capital reserve — unrealised	21	505,463	712,188
Capital reserve — realised	21	1,175,712	885,821
Revenue reserve	21	23,865	35,114
<b>Total equity shareholders funds</b>		<b>2,089,965</b>	<b>2,005,724</b>
<b>Net asset value per ordinary share</b>	<b>10(b)</b>	<b>456.6p</b>	<b>440.5p</b>
<b>Ordinary shares in issue at 31 December</b>		<b>457,728,500</b>	<b>455,279,808</b>

The financial statements of HgCapital Trust plc (registered number 01525583) on pages 57–80 were approved and authorised for issue by the Board of Directors on 10 March 2023 and signed on its behalf by:

Jim Strang, *Chairman*

Richard Brooman, *Director*

The following notes form part of these financial statements.





# Statement of cash flows

for the year ended 31 December 2022

	Notes	2022 £000	2021 £000
Net cash outflow from operating activities	7	(70,622)	(2,088)
Investing activities:			
Purchase of fixed asset investments	12	(527,075)	(424,336)
Proceeds from the sale of fixed asset investments		410,536	279,628
Proceeds from fund level refinancing		187,714	90,180
Purchase of liquidity funds	15	(215,787)	(195,200)
Redemption of liquidity funds	15	220,500	57,490
Net cash inflow/(outflow) from investing activities		75,888	(192,238)
Financing activities:			
Drawdown of loan facility	18	138,779	152,481
Repayment of loan facility	18	(152,482)	—
Servicing of finance		(10,285)	(5,094)
Equity dividends paid	11	(34,217)	(21,660)
Proceeds from issue of shares		10,974	141,231
Net cash (outflow)/inflow from financing activities		(47,231)	266,958
(Decrease)/increase in cash and cash equivalents in the year	16	(41,965)	72,632
Cash and cash equivalents at 1 January	16	94,280	21,648
Cash and cash equivalents at 31 December	16	52,315	94,280

The following notes form part of these financial statements.



# Statement of changes in equity

for the year ended 31 December 2022

	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 1 January 2021		10,400	219,722	1,248	240,712	798,988	19,946	1,291,016
Net return after taxation		—	—	—	471,476	86,833	36,828	595,137
Contributions of equity net of transaction costs		982	140,249	—	—	—	—	141,231
Equity dividends paid	11	—	—	—	—	—	(21,660)	(21,660)
<b>At 31 December 2021</b>		<b>11,382</b>	<b>359,971</b>	<b>1,248</b>	<b>712,188</b>	<b>885,821</b>	<b>35,114</b>	<b>2,005,724</b>
At 1 January 2022		11,382	359,971	1,248	712,188	885,821	35,114	2,005,724
Net return after taxation		—	—	—	(206,725)	289,891	24,318	107,484
Contributions of equity net of transaction costs		71	12,253	—	—	—	—	12,324
Share buyback		(10)	—	10	—	—	(1,350)	(1,350)
Equity dividends paid	11	—	—	—	—	—	(34,217)	(34,217)
<b>At 31 December 2022</b>		<b>11,443</b>	<b>372,224</b>	<b>1,258</b>	<b>505,463</b>	<b>1,175,712</b>	<b>23,865</b>	<b>2,089,965</b>

The following notes form part of these financial statements.





# Notes to the financial statements

## 1. Principal activity

The principal activity of HGT is investment. HGT is an investment company as defined by section 833 of the Companies Act 2006 and an investment trust under sections 1158 and 1159 of the Corporation Tax Act 2010 ('CTA 2010') and is registered as a company in England and Wales under number 01525583, 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'), issued in July 2022. All of HGT's operations are of a continuing nature.

After making enquiries, the Directors have a reasonable expectation that HGT will have adequate resources to continue in operational existence for the next 12-month period from the date of approval of this report. Accordingly, they continue to adopt the going-concern basis in preparing these financial statements.

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

## 3. Organisational structure and accounting policies

### Partnerships where HGT is the sole limited partner

HGT entered into eleven separate partnership agreements with general and founder partners in May 2003 (subsequently revised in January 2009), January 2009, July 2011, March 2013, December 2016, February 2017, January 2018, February 2020, December 2021 and April 2022; at each point, an investment-holding limited partnership was established to carry on the business of an investor, with HGT being the sole limited partner in these entities.

The purpose of these partnerships, HGT LP, HGT 6 LP, HGT 7 LP, HGT 8 LP, HgCapital Mercury D LP, HGT Mercury 2 LP, HGT Saturn LP, HGT Saturn 2 LP, HGT Genesis 9 LP, HGT Mercury 3 LP, HGT Saturn 3 LP and HGT Genesis 10 LP (together the 'primary buyout funds'), is to hold all of HGT's investments in primary buyouts. Under the partnership agreements, HGT made capital commitments into the primary buyout funds, with the result that HGT now holds direct investments in the primary buyout funds and an indirect investment in the fixed-asset investments which 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 table of investments on page 42. The underlying investments which are held indirectly are included in the overview of investments on page 44.

HGT does not have control over the operating, financial or governance activities of the limited partnerships in which it is the sole limited partner. The general partner of these partnerships has the day to day control and ultimate decision making powers over the activities of these partnerships. As a result, these limited partnerships are not consolidated in the financial statements.

### Partnerships where HGT is a minority limited partner

In July 2011, HGT acquired a direct secondary investment in HgCapital 6 E LP ('Hg 6 E LP'), one of the partnerships which comprise the Hg 6 Fund, in which HGT is now a limited partner *pari passu* with other limited partners. This is a direct investment in the Hg 6 E LP Fund.

HGT also entered into partnership agreements with other limited partners, with the purpose of investing in renewable energy projects, by making capital commitments in Asper Renewable Power Partners LP ('Asper RPP I LP'). This is a direct investment in the renewable funds, as shown on the balance sheet and in the table of investments on page 42.

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

### Priority profit share and carried interest under the primary buyout limited partnership agreements

Under the terms of the primary buyout fund limited partnership agreements ('LPAs'), each general partner (see note 5) is entitled to appropriate, as a first charge on the net income of the funds, an amount equivalent to its priority profit share ('PPS'). HGT 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 by a capital call from HGT. Such loans are recoverable from the general partner only by an appropriation of net income until net income is earned. At the HGT level such a call is expensed in the capital column as these amounts are not recoverable (see note 5(b)). Furthermore, under the primary buyout funds' LPAs, each founder partner (see note 5(c)) 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 allocated to HGT, when the right to these returns is established.

## Notes to the financial statements

### 3. Organisational structure and accounting policies continued

Accordingly, HGT's entitlement to net income and net capital gains is shown in the appropriate lines of the income statement. Notes 4, 5 and 10 to the financial statements disclose the gross income and gross capital gains of the primary buyout funds and also reflect the proportion of net income and capital gains in the buyout funds which has 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, where there is insufficient income PPS is charged as an unrealised depreciation to the capital return on the income statement.

The carried-interest payments made from net income and capital gains are charged to the revenue and capital account respectively on the income statement.

#### Investment income and interest receivable

As stated above, all income that is recognised by the primary buyout funds, net of PPS, is allocated to HGT and recognised when the right to this income is established. Income from Hg 6 E LP and the renewable energy funds would normally consist of income distributions and these distributions are recognised as income in the financial statements of HGT when the right to such distribution is established.

The accounting policies below apply to the recognition of income by the primary buyout funds, prior to allocation between the Partners:

Interest income on non-equity shares and fixed income securities is recognised on a time apportionment basis so as to reflect the effective yield when it is probable that it will be realised. Dividends receivable on unlisted equity shares where there is no ex-dividend date and on non-equity shares are brought into account when the right to receive payment is established.

Income from listed equity investments, including taxes deducted at source, is included in revenue by reference to the date on which the investment is quoted ex-dividend. Where dividends are received in the form of additional shares rather than cash dividends, the equivalent of the cash dividend is recognised as the income in the revenue account and any excess in the value of the shares received over the amount of the cash dividend is recognised in the capital reserve – realised.

#### Expenses

All expenses are accounted for on an accruals basis. All administrative expenses are charged wholly to the revenue account.

#### Dividend

Dividend distributions to shareholders are recognised as a liability in the year that they are approved unconditionally.

#### Current and other non-current assets

Financial assets and financial liabilities are recognised in HGT's balance sheet when HGT becomes a party to the contractual provisions of the instrument. Trade receivables are stated at nominal value. Appropriate allowances for estimated irrecoverable amounts are recognised in the revenue return on the income statement.

Cash comprises current accounts held with banks.

#### Foreign currency

The functional and presentation currency is pounds sterling, reflecting the economic environment in which HGT predominantly operates. All transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the dates of such transactions and the resulting exchange differences are taken to the capital reserve – realised or revenue, as appropriate. Foreign currency assets and liabilities at the balance sheet date are translated into sterling at the exchange rates ruling at that date and the resulting exchange differences are taken to the capital reserve – unrealised or revenue as appropriate.

#### Taxation

Income taxes represent the sum of the tax currently payable, withholding taxes suffered and deferred tax. Tax is charged or credited in the income statement. Deferred tax is recognised on all timing differences at the reporting date. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

#### Investments

The principle applied is that investments should be reported at 'fair value', in accordance with Sections 11 and 12 of FRS 102 and the International Private Equity and Venture Capital ('IPEV') Valuation Guidelines, March 2022 edition. Where relevant, HGT applies the policies stated below to the investments held by the primary buyout funds, in order to determine the fair value of its investments in these limited partnerships.

Purchases of investments are recognised on a trade date basis. Sales of investments held through the primary buyout funds are recognised at the trade date of the disposal. Sales from the investments in Hg 6 E LP and the renewable energy funds would normally consist of capital distributions and these distributions are recognised as a realisation when the right to such distribution is established. Proceeds are measured at fair value, which is regarded as the proceeds of sale less any transaction costs.





### 3. Organisational structure and accounting policies continued

**Quoted:** Quoted investments are held at fair value, which is deemed to be their bid price.

**Unquoted:** Unquoted investments are also held at fair value and are valued using the following guidelines:

- (i) the level of maintainable earnings or revenue and an appropriate earnings or revenue multiple, unless (iii) is required;
- (ii) where more appropriate, investments can be valued based on other methodologies, including using their net assets or discounted cash flows, rather than on their earnings or revenue; and
- (iii) appropriate fair value movements are made against all individual valuations where necessary to reflect unsatisfactory financial performance or a fall in comparable ratings.

**Debt:** The investments are valued using discounted cash flows, considering the impact of changes in the credit risk of the portfolio company and changes to the market rates of return on fair value.

**Limited partnership funds:** these are investments that are set up by a manager in which HGT has a direct investment, but is not the sole limited partner and does not hold a majority share. These investments are valued at fair value, based on the Manager's valuation after any adjustment required by the Directors.

**Liquidity funds:** these are short-term investments made in a combination of fixed and floating rate securities and are valued at the current fair value as determined by the manager of the fund. They can be realised at short notice.

**Derivative financial instruments:** derivative financial instruments are held at fair value and are valued using quoted market prices for financial instruments traded in active markets, or dealer price quotations for financial instruments that are not actively traded.

Both realised and unrealised gains and losses arising on fixed asset investments, financial assets and liabilities and derivative financial instruments, are taken to the capital reserves.

#### Capital reserves

##### Capital reserve – realised

The following are accounted for in this reserve:

- (i) gains and losses on the realisation of investments;
- (ii) attribution of gains to the founder partners for carried interest;
- (ii) losses on investments where there is little prospect of realisation or recovering any value;
- (iv) realised exchange differences of a capital nature; and
- (v) expenses, together with the related taxation effect, charged to this reserve in accordance with the above policies.

##### Capital reserve – unrealised

The following are accounted for in this reserve:

- (i) increases and decreases in the valuation of investments held at the year-end;
- (ii) increases and decreases in the valuation of the loans to general partners; and
- (iii) unrealised exchange differences of a capital nature.

#### Share capital

Ordinary shares issued are recognised based on the proceeds or fair value received, with the excess of the amount received over their nominal value being credited to the share premium account. Direct issue costs are deducted from equity.

#### Critical accounting estimates and key sources of estimation uncertainty

The preparation of these financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

The estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key accounting estimate is in respect of the determination of the fair value of financial assets classified as fair value through profit or loss (FVTPL). The methodology used in determining fair values is disclosed above. An attribution analysis of movements in the fair value of investments can be found on page 36 and an analysis of the trading performance and valuation and gearing analysis of the top 20 buyout investments by value can be found from pages 46 to 55. A sensitivity analysis to equity price risk can be found in note 19.

## Notes to the financial statements

### 4. Income

	Revenue return	
	2022 £000	2021 £000
<b>Total net income comprises:</b>		
Interest	31,289	44,954
Dividend	10,467	2,479
<b>Total net income</b>	<b>41,756</b>	<b>47,433</b>

All income that is recognised by the primary buyout funds, net of PPS, is allocated to HGT and recognised when the right to this income is established. This income and PPS is analysed further below.

	Revenue return	
	2022 £000	2021 £000
<b>Income from investments held by the primary buyout funds</b>		
Unquoted investment income	43,767	52,862
Dividend Income	10,467	2,479
Other investment income:		
Unquoted investment income	—	8
Liquidity funds income	2,336	648
<b>Total investment income</b>	<b>56,570</b>	<b>55,997</b>
<b>Total other income</b>	<b>100</b>	<b>—</b>
<b>Total income</b>	<b>56,670</b>	<b>55,997</b>
<b>Priority profit share charge against income:</b>		
Current year – HGT Genesis 9 LP	(4,498)	(1,440)
Current year – HGT 8 LP	(4,323)	(3,946)
Current year – HGT Genesis 10 LP	(1,917)	—
Current year – HGT Mercury 3 LP	(1,693)	—
Current year – HGT Saturn LP	(1,425)	(1,388)
Current year – HGT LP	(549)	(82)
Current year – HGT 7 LP	(228)	(400)
Current year – HGT Mercury 2 LP	(194)	(1,154)
Current year – HgCapital Mercury D LP	(86)	(154)
Current year – HGT Saturn 2 LP	(1)	—
<b>Total priority profit share charge against income (note 5(a))</b>	<b>(14,914)</b>	<b>(8,564)</b>
<b>Total net income</b>	<b>41,756</b>	<b>47,433</b>







## Notes to the financial statements

### 5. Priority profit share and carried interest

The information below relates to the primary buyout funds and has been included as additional information:

	Revenue return	
	2022 £000	2021 £000
<b>(a) Priority profit share payable to general partners</b>		
Priority profit share payable:		
Current year amount	27,426	16,385
Less: Current year loans advanced to general partners (note 5(b))	(12,512)	(8,153)
Add: Prior year loans recovered from general partners (note 5(b))	—	332
Current year charge against income	14,914	8,564
<b>Total priority profit share charge against income</b>	<b>14,914</b>	<b>8,564</b>

The priority profit share payable on the primary buyout funds rank as a first appropriation of net income from investments held in these partnerships respectively and is deducted prior to such income being attributed to HGT in its capacity as a Limited Partner. The net income of the primary buyout funds earned during the year, after the deduction of the priority profit share, is shown on the income statement.

The terms of the above priority profit share arrangements during 2022 were:

Primary buyout fund partnership	Priority profit share
HGT Genesis 10 LP	1.75% on the fund commitment during the investment period
HGT Mercury 3 LP	1.75% on the fund commitment during the investment period
HGT 8 LP	1.5% of original cost of investments in the fund, less the original cost of investments which have been realised or written off
HGT Genesis 9 LP	1.5% of original cost of investments in the fund, less the original cost of investments which have been realised or written off
HGT Mercury 2 LP	1.5% of original cost of investments in the fund, less the original cost of investments which have been realised or written off
HGT 7 LP	1.5% of original cost of investments in the fund, less the original cost of investments which have been realised or written off
HgCapital Mercury D LP	1.5% of original cost of investments in the fund, less the original cost of investments which have been realised or written off
HGT Saturn 3 LP	1.0% on the fund commitment during the investment period
HGT Saturn 2 LP	0.75% on invested capital
HGT Saturn LP	1.0% on invested capital
HGT LP	1.0% on invested capital excluding co-investment

	Capital return	
	2022 £000	2021 £000
<b>(b) Priority profit share loans to general partners within the underlying limited partnerships</b>		
Movement on loans to general partners:		
Losses on current-year loans advanced to general partners	(12,512)	(8,153)
Gains on prior-year loans recovered from general partners	—	332
<b>Total losses on priority profit share loans advanced to general partners</b>	<b>(12,512)</b>	<b>(7,821)</b>

In years in which the funds described in note 5(a) have not yet earned sufficient net income to satisfy the priority profit share, the entitlement is carried forward to the following years. The priority profit share is payable quarterly in advance, even if insufficient net income has been earned. Where the cash amount paid exceeds the net income, an interest free loan is advanced to the general partner by these primary buyout funds, which is funded via a loan from HGT. Such loan is only recoverable from the general partner by an appropriation of net income, until sufficient net income is earned, no value is attributed to this loan and hence an unrealised capital loss is recognised and reversed if sufficient income is subsequently generated.

## Notes to the financial statements

### 5. Priority profit share and carried interest continued

	Capital return	
	2022 £000	2021 £000
(c) Carried interest to founder partners		
Carried interest charge against capital gains:		
Current year charge against realised capital gains	29,292	32,472
Current year charge against unrealised capital gains	39,576	90,063
Total carried-interest charge against capital gains	68,868	122,535

The carried interest payable ranks as a first appropriation of capital gains, after preferred return, on the investments held in the primary buyout funds, limited partnerships established solely to hold HGT's investments, and is deducted prior to such gains being paid to HGT in its capacity as a Limited Partner. The net amount of capital gains of the primary buyout funds during the year, after the deduction of carried interest, is shown in the income statement.

The details of the carried interest contracts, disclosed in the Directors' report on page 96, state that carried interest is payable once a certain level of repayments have been made to HGT. Based on the repayments made during 2022, £29,292,000 (2021: £32,472,000) of carried interest was paid in respect of the current financial year. If the investments in HGT 7 LP, HGT 8 LP, HGT Genesis 9, HGT Saturn LP, HGT Saturn 2 LP, HgCapital Mercury D LP and HGT Mercury 2 LP are realised at the current fair value and then distributed to Partners, an amount of £211,154,825 will be payable to the Founder Partner (2021: £171,578,957 payable to the Founder Partner) and therefore the Directors have made a provision for this amount (see note 12). No provision is required in respect of HGT's investment in the other fund limited partnerships, because they are still in their investment period.

### 6. Other expenses

	Revenue return	
	2022 £000	2021 £000
(a) Operating expenses		
Registrar, management and administration fees	1,660	1,544
Directors remuneration (note 8)	367	342
Legal and other administration costs <sup>1</sup>	4,994	3,702
	7,021	5,588
Fees payable to HGT's auditor in relation to HGT:		
Audit fees <sup>2</sup>	132	115
Total fees payable to HGT's auditor	132	115
Total other expenses	7,153	5,703

<sup>1</sup>Includes employer's National Insurance contributions of £44,000 (2021: £38,000).

<sup>2</sup>The audit fee is inclusive of VAT at the rate of 20%. In addition to the audit fees payable to the auditor in relation to HGT, audit fees payable to the auditor in respect of the audit of the primary buyout funds were £91,000 (2021: £78,000).

	Revenue return	
	2022 £000	2021 £000
(b) Finance costs		
Interest paid	6,638	1,677
Non-utilisation fees and other expenses	3,265	2,279
Arrangement fees	382	1,138
Total finance costs	10,285	5,094



## Notes to the financial statements

### 7. Cash flow from operating activities

Reconciliation of net return before finance costs and taxation to net cash flow from operating activities	2022 £000	2021 £000
Net return before finance costs and taxation	117,769	600,039
Gains on investments held at fair value and liquidity funds	(151,812)	(657,515)
Carried interest paid	(29,292)	(32,472)
Increase in carried interest provision	39,576	90,063
Increase in accrued income from liquidity funds	(2,336)	(648)
Increase in accrued income and other debtors	(45,906)	(29,775)
Increase in creditors	1,458	1,717
(Increase)/decrease in uninvested capital	(79)	26,311
Taxation (paid)/received	—	192
Net cash outflow from operating activities	(70,622)	(2,088)

### 8. Directors' remuneration

The aggregate remuneration of the Directors for the year to 31 December 2022 was £366,767 (2021: £341,750). Further information on the Directors' remuneration is disclosed in the Directors' remuneration report on pages 112–115.

### 9. Taxation

In the opinion of the Directors, HGT 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 reported in the capital return during the year. To the extent possible, HGT will elect to designate all of the proposed dividend (see note 11) as an interest distribution to its shareholders. This distribution is treated as a tax deduction against taxable income in the revenue return and results in a reduction of corporation tax being payable by HGT at 31 December 2022.

The rate of corporation tax in the UK for a company was 19% during the year (2021: tax rate of 19%). However, the tax charge in the current and previous year was lower than the standard and effective tax rate, owing largely to the reduction in corporation tax from the interest distribution noted above. The effect of this and other items affecting the tax charge is shown in note 9(b) below.

	Revenue return	
	2022 £000	2021 £000
(a) Analysis of charge in the year		
Current tax:		
UK corporation tax	4,226	6,583
Income streaming relief	(2,174)	(6,476)
Income not subject to tax	(2,052)	—
Prior year adjustment	—	(192)
Tax losses brought forward	—	(107)
Current revenue tax charge/(credit) for the year	—	(192)
Deferred tax:		
Reversal of timing differences	—	—
Total deferred tax charge for the year (note 9(c))	—	—
Total taxation charge/(credit)	—	(192)

## Notes to the financial statements

### 9. Taxation continued

	Revenue return	
(b) Factors affecting tax charge/(credit) for the year	2022 £000	2021 £000
Net revenue return before taxation	24,318	36,636
UK corporation tax charge at 19% thereon (2021: 19%)	4,620	6,961
Effects of:		
Tax relief from interest distribution	(2,174)	(6,476)
Income not subject to tax	(2,052)	—
Tax relief from expenses allocated to capital	(394)	(378)
Prior year tax adjustment	—	(192)
Tax losses brought forward	—	(107)
Total differences	(4,620)	(7,153)
Total taxation charge/(credit)	—	(192)

There is no deferred taxation to be recognised (2021: £nil).

### 10. Return and net asset value per ordinary share

	Revenue return		Capital return	
(a) Basic and diluted return per ordinary share	2022	2021	2022	2021
Amount (£000):				
Net return after taxation	24,318	36,828	83,166	558,309
Weighted average number of ordinary shares (000):				
Weighted average number of ordinary shares in issue	457,352	433,799	457,352	433,799
Basic and diluted return per ordinary share (pence)	5.32	8.49	18.18	128.70

The basic and diluted EPS are the same as HGT does not have dilutive financial instruments.

	Capital return	
(b) Net asset value per ordinary share	2022	2021
Amount (£000):		
Net assets	2,089,965	2,005,724
Number of ordinary shares (000):		
Number of ordinary shares in issue	457,729	455,280
Net asset value per ordinary share (pence)	456.6	440.5



## 11. Dividends on ordinary shares

	Record date	Payment date	2022 £000	2021 £000
Interim Dividend of 2.5p for the year ended 31 December 2022	22/9/2022	24/10/2022	11,453	—
Final Dividend of 5.0p for the year ended 31 December 2021	17/3/2022	13/5/2022	22,764	—
Interim Dividend of 2.0p for the year ended 31 December 2021	16/9/2021	27/10/2021	—	8,832
Final Dividend of 3.0p for the year ended 31 December 2020	29/4/2021	27/5/2021	—	12,828
<b>Total equity dividends paid</b>			<b>34,217</b>	<b>21,660</b>

The proposed final dividend of 4.5 pence per ordinary share for the year ended 31 December 2022 is subject to approval by the shareholders at the annual general meeting and has not been included as a liability in these financial statements. The total dividends payable in respect of the financial year, which form the basis of the retention test as set out in Section 1159 of the CTA 2010, are set out below:

	2022 £000	2021 £000
Revenue available for distribution by way of dividend for the year	24,318	36,828
Interim Dividend of 2.5p for the year ended 31 December 2022	(11,453)	(8,832)
Proposed final dividend of 4.5p for the year ended 31 December 2022 (based on 457,728,500 ordinary shares in issue at 31 December 2022)	(20,598)	(22,764)
<b>(Distributions in excess of revenue)/Undistributed revenue for Section 1159 purposes*</b>	<b>(7,733)</b>	<b>5,232</b>

\*Distributions in excess of revenue are financed by the revenue reserve

## 12. Fixed asset investments

	2022 £000	2021 £000
Investments held at fair value through profit or loss:		
Unquoted investments held in HGT 8 LP	561,653	697,719
Unquoted investments held in HGT Saturn 2 LP	365,120	336,397
Unquoted investments held in HGT Genesis 9 LP	351,805	281,995
Unquoted investments held in HGT Saturn 3 LP	266,936	—
Unquoted investments held in HGT Saturn LP	223,767	265,810
Unquoted investments held in HGT LP	197,337	141,477
Unquoted investments held in HGT Mercury 2 LP	131,862	160,471
Unquoted investments held in HGT Mercury 3 LP	89,586	34,621
Unquoted investments held in HGT Genesis 10 LP	77,688	—
Unquoted investments held in HGT 7 LP	69,292	74,914
Unquoted investments held in HgCapital Mercury D LP	6,102	12,711
Other <sup>1</sup>	(10,101)	311
<b>Total fixed asset investments gross of carried interest provision</b>	<b>2,331,047</b>	<b>2,006,426</b>
Carried interest provision (note 5(c))	(211,155)	(171,579)
Fund level facilities <sup>2</sup>	(367,383)	(156,839)
<b>Total fixed asset investments</b>	<b>1,752,509</b>	<b>1,678,008</b>
Total fixed asset investments consist of:		
Fund limited partnerships	1,752,509	1,678,008

<sup>1</sup>Includes HGT currency hedges and direct investments.

<sup>2</sup>Lines of credit sit below the fund structure and are used to fund portfolio M&A and return cash to investors. The facilities are unsecured, with no recourse to HGT or the underlying funds and are repaid from future realised proceeds, the proportion of which will depend on the loan to value ratio at that time. Since the debt sits below the funds the interest is shown as an unrealised loss against the HGT investments.



## Notes to the financial statements

### 12. Fixed asset investments continued

	2022 £000	2021 £000
Opening valuation as at 1 January	1,678,008	1,024,116
Opening unrealised appreciation - investments	(913,518)	(339,497)
Opening carried interest provision	171,579	81,516
Opening fund level facilities	156,839	59,771
Opening book cost as at 1 January	1,092,908	825,906
Movements in the year:		
Additions at cost	527,075	424,336
Disposals - proceeds	(410,536)	(279,628)
- realised gains on sales	309,850	122,294
Closing book cost of investments	1,519,297	1,092,908
Add: closing unrealised appreciation - investments	811,750	913,518
Less: closing carried interest provision	(211,155)	(171,579)
Less: Fund level facilities <sup>1</sup>	(367,383)	(156,839)
Closing valuation of investments at 31 December	1,752,509	1,678,008

<sup>1</sup>Lines of credit sit below the fund structure and are used to fund portfolio M&A and return cash to investors. The facilities are unsecured, with no recourse to HGT or the underlying funds and are repaid from future realised proceeds, the proportion of which will depend on the loan to value ratio at that time. Since the debt sits below the funds the interest is shown as an unrealised loss against the HGT investments.

The investments above include investments in companies that are indirectly held by HGT through its investment in the primary buyout funds as set out in note 3 on page 62, and investments in fund limited partnerships in Hg 6 E LP and Asper Renewable Power Partners LP. The net assets attributable to partners at 31 December 2021, being the date of the last audited balance sheet, of these primary buyout funds were £160,470,729 (HGT LP), £74,913,702 (HGT 7 LP), £12,711,183 (HgCapital Mercury D LP), £697,719,123 (HGT 8 LP), £141,477,484 (HGT Mercury 2 LP), £265,809,605 (HGT Saturn LP), £336,396,955 (HGT Saturn 2 LP) and £281,994,927 (HGT Genesis 9 LP).

#### a) Uninvested capital in limited partnerships

Uninvested capital in the limited partnerships relates to cash held in the underlying limited partnerships as a result of timing differences before an investment or after a realisation. Cash held at the fund level at the 31 December 2022 was £0.2 million (2021: £0.2 million).





## Notes to the financial statements

### 13. Gains on investments and liquidity funds

		Capital return	
		2022 £000	2021 £000
Realised:			
Realised gains/(losses)	- fixed asset investments	309,850	122,294
	- liquidity funds	(1,072)	236
	- foreign exchange gains/(losses)	9,232	(1,234)
	- aborted deal fees	(76)	(1,991)
	- loan facility	1,249	—
		319,183	119,305
Carried interest charge against realised capital gains (note 5(c))		(29,292)	(32,472)
Net realised gains		289,891	86,833
Unrealised:			
Unrealised (losses)/gains	- fixed asset investments	(101,768)	574,021
	- foreign exchange on investments	(22,235)	1,861
	- liquidity funds	(3,076)	(1,015)
	- aborted deal fees	(2,076)	42
	- foreign exchange on loan facility	(2,652)	1,339
		(131,807)	576,248
Carried interest charge against unrealised capital gains (note 5(c))		(39,576)	(90,063)
Fund level facilities <sup>1</sup>		(22,830)	(6,888)
Net unrealised (losses) / gains		(194,213)	479,297
Total gains		95,678	566,130

<sup>1</sup>Lines of credit that sit below the fund structure which are used to fund portfolio M&A and return cash to investors. The facilities are unsecured, with no recourse to HGT or the underlying funds and are repaid from future realised proceeds, the proportion of which will depend on the loan to value ratio at that time. Since the debt sits below the funds the interest is shown as an unrealised loss against the HGT investments.

Page 36 of the Manager's Review contains an analysis of all material realised and unrealised movements in value of individual investments held as fixed asset investments, in accordance with paragraph 28 and 29 of the 'SORP'.

### 14. Debtors and accrued income

	2022 £000	2021 £000
Amounts receivable after one year:		
Accrued income on fixed assets	133,534	102,166
Amounts receivable within one year:		
Prepayments and other debtors	22,628	8,090
Total amounts receivable within one year	22,628	8,090
Total debtors	156,162	110,256

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

### 15. Liquidity funds

	2022 £000	2021 £000
Investments held at fair value through profit or loss:		
Opening valuation	277,049	139,470
Purchases at cost	215,787	195,200
Redemptions	(220,500)	(57,490)
Movement in unrealised capital losses	(3,076)	(1,015)
Movement in accrued income	2,336	648
Realised capital (losses)/gains	(1,072)	236
Closing valuation	270,524	277,049

## Notes to the financial statements

### 16. Movement in net debt

	2022 £000	2021 £000
Analysis and reconciliation of net funds:		
Net funds at 1 January	(56,862)	21,648
Change in cash	(41,965)	72,632
Change in debt due after one year	15,106	(152,481)
Other non-cash changes	(1,403)	1,339
Net (debt)/funds at 31 December	(85,124)	(56,862)
Net funds comprise:		
Cash	52,315	94,280
Debt due after one year	(137,439)	(151,142)

### 17. Creditors – amounts falling due within one year

	2022 £000	2021 £000
Accruals	4,345	2,887
Total creditors	4,345	2,887

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

### 18. Bank facility

	2022 £000	2021 £000
Opening valuation	151,142	—
Draw on loan facility	136,127	152,481
Repayment of loan facility	(151,233)	—
Unrealised foreign exchange (gains)/losses	2,652	(1,339)
Realised foreign exchange gains/losses	(1,249)	—
Total loan facility	137,439	151,142

In December 2021 the facility was increased from £200,000,000 to £250,000,000. This was further increased to £290,625,000 in November 2022. Under the facility agreement, HGT is liable to pay interest on any drawn amount at LIBOR plus a margin of 3.25%. A commitment fee of 1.15% is liable on any undrawn commitment. The term of this facility is four years. The facility was 47% drawn as at the end of the year.

### 19. Financial risk

The following disclosures relating to the risks faced by HGT are provided in accordance with sections 11 and 12 of FRS 102. The reference to investments in this note is in relation to the underlying investments in HGT LP, HGT 6 LP, HGT 7 LP, HGT 8 LP, HGT Genesis 9 LP, HGT Genesis 10 LP HgCapital Mercury D LP, HGT Mercury 2 LP, HGT Mercury 3 LP, HGT Saturn LP, HGT Saturn 2 LP and HGT Saturn 3 LP as described in note 3 on page 62.

#### Financial instruments and risk profile

HGT's investment objective is to achieve long-term capital appreciation by indirectly investing in unquoted companies. It does this through its investments in fund partnerships, mostly in the UK and Europe. Additionally, HGT holds UK Government securities, cash, liquidity funds and items such as debtors and creditors arising directly from its operations. In pursuing its investment objective, HGT is exposed to a variety of risks that could result in either a reduction of HGT's net assets or a reduction in the profits available for distribution by way of dividends. Valuation risk, market risk (comprising currency risk and interest rate risk), liquidity risk and credit risk, and the Directors' approach to the management of them, are described below. The Board and Hg coordinate HGT's risk management. The objectives, policies and processes for managing the risks, and the methods used to manage the risks, that are set out below, have not changed from the previous accounting period.

**19. Financial risk continued****Valuation risk**

HGT's exposure to valuation risk arises mainly from movements in the value of the underlying investments (held through fund partnerships), the majority of which are unquoted. A breakdown of HGT's portfolio is given on page 41 and a breakdown of the most significant underlying investments is given on page 44. In accordance with HGT's accounting policies, the investments in fund limited partnerships are valued by reference to their underlying unquoted investments, which are valued by the Directors following the IPEV Valuation Guidelines. Page 74 includes details of the most significant assumptions included in the valuations. HGT does not hedge against movements in the value of these investments, apart from foreign exchange movements as explained below, though the borrowing arranged to fund these investments is normally denominated in the currency in which the business is operating and valued (see page 76). HGT has exposure to interest rate movements, through bank deposits and liquidity funds.

In the opinion of the Directors, the diversified nature of HGT's investments significantly reduces the risks of investing in unquoted companies.

FRS 102 requires HGT to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy, within which the fair value measurement is categorised in its entirety, is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes an 'observable' input requires significant judgement by the Board. The Board considers observable data relating to investments actively traded in organised financial markets, in which case fair value is generally determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date, without adjustment for transaction costs necessary to realise the asset.

The following table analyses, within the fair value hierarchy, the fund's financial assets (by class) measured at fair value at 31 December 2022.

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Investments held at fair value through profit and loss:				
Unquoted investments				
- Investment in HGT 8 LP	—	—	561,653	561,653
- Investment in HGT Saturn 2 LP	—	—	365,120	365,120
- Investment in HGT Genesis 9 LP	—	—	351,805	351,805
- Investment in HGT Saturn 3 LP	—	—	266,936	266,936
- Investment in HGT Saturn LP	—	—	223,767	223,767
- Investment in HGT LP	—	—	197,337	197,337
- Investment in HGT Mercury 2 LP	—	—	131,862	131,862
- Investment in HGT Mercury 3 LP	—	—	89,586	89,586
- Investment in HGT Genesis 10 LP	—	—	77,688	77,688
- Investment in HGT 7 LP	—	—	69,292	69,292
- Investment in HgMercury D LP	—	—	6,102	6,102
- Other investments <sup>1</sup>	—	(10,177)	76	(10,101)
- Liquidity funds	—	270,524	—	270,524
- Carried interest provision	—	—	(211,155)	(211,155)
- Fund level refinancing	—	—	(367,383)	(367,383)
- Uninvested capital in limited partnerships	—	—	239	239
As at 31 December 2022	—	260,347	1,762,925	2,023,272

<sup>1</sup>Includes HGT currency hedges and other direct investments.



## Notes to the financial statements

### 19. Financial risk continued

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Investments held at fair value through profit and loss:				
Unquoted investments				
- Investment in HGT 8 LP	—	—	697,719	697,719
- Investment in HGT Saturn 2 LP	—	—	336,397	336,397
- Investment in HGT Genesis 9 LP	—	—	281,995	281,995
- Investment in HGT Saturn LP	—	—	265,810	265,810
- Investment in HGT Mercury 2 LP	—	—	160,471	160,471
- Investment in HGT LP	—	—	141,477	141,477
- Investment in HGT 7 LP	—	—	74,914	74,914
- Investment in HGT Mercury 3 LP	—	—	34,621	34,621
- Investment in Hg Mercury D LP	—	—	12,711	12,711
- Investment in Hg 6 E LP	—	—	311	311
- Liquidity funds	—	277,049	—	277,049
- Carried interest provision	—	—	(171,579)	(171,579)
- Fund level facilities	—	—	(156,839)	(156,839)
- Uninvested capital in limited partnerships	—	—	160	160
As at 31 December 2021	—	277,049	1,678,168	1,955,217

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include government securities and actively traded listed equities. HGT does not adjust the quoted bid price of these investments.

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

Investments classified within level 3 have significant unobservable inputs. Level 3 instruments include private equity and corporate debt securities. As observable prices are not available for these securities, the Board has used valuation techniques to derive the fair value. In respect of unquoted instruments, or where the market for a financial instrument is not active, fair value is established by using recognised valuation methodologies, in accordance with IPEV Valuation Guidelines. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

There were no transfers of assets from level 1 to level 2 or 3, level 2 to level 1 or 3 and level 3 to level 1 or 2.

The following table presents the movement in level 3 investments for the year ended 31 December 2022 by class of financial instrument.

Total investments in limited partnerships	2022 £000	2021 £000
Unquoted investments:		
Opening balance	1,678,008	1,024,116
Purchases	527,075	424,336
Realisations at 31 December 2021 valuation	(379,491)	(198,150)
Unrealised appreciation of fixed asset investments	177,037	614,837
Movement in net carried interest provision	(39,576)	(90,063)
Fund level refinancing	(210,544)	(97,068)
Closing unrealised valuation of level 3 investments	1,752,509	1,678,008

#### Equity price risk

Equity price risk is the risk of a fall in the fair value of HGT's ownership interests (comprising equities and shareholder loans) held by HGT indirectly through its direct investments in fund limited partnerships. The Board revalues each investment on a quarterly basis. The Board manages the risks inherent in HGT's investment activities by ensuring full and timely access to relevant information from Hg. The Board meets regularly and at each meeting reviews the trading performance of the principal underlying investments. If there appears to the Board to be a fair value movement in value between regular valuations, it can revalue the investment. The Board also monitors Hg's compliance with HGT's investment objective and investment policy.

**19. Financial risk continued**

For unquoted equity investments, the market risk variable is deemed to be the multiples applied to a maintainable earnings figure to calculate the individual investment valuations within each of the primary buyout funds; borrowing is then deducted to arrive at a valuation of the net equity held by HGT. These multiples are largely based on the historic trading multiples of comparable businesses and therefore there is a potential impact on the valuation of unquoted investments of a fall in global equity markets. Hg's best estimate of the effect on the net assets of HGT due to a 1x reduction in the multiples applied to calculate the enterprise value of all unquoted investments, with all other variables held constant, is as follows:

	2022		2021	
	£000	NAV per ordinary share Pence	£000	NAV per ordinary share Pence
Sensitivity to equity price risk:				
1x reduction in EV to EBITDA multiple applied to unquoted investments				
Change in the value of unquoted investments	(163,413)	(35.7)	(129,215)	(28.4)

A fall in the value of unquoted investments could be mitigated to some degree by a reduction in the provision for carried interest (£211 million at 31 December 2022), but only in funds where an adjustment for carried interest is required (Hg Genesis 7, Hg Genesis 8, Hg Genesis 9, Hg Saturn, Hg Saturn 2, Mercury 1 and Mercury 2, see note 5(c) or on page 67). Hg's best estimate of the impact on the carried interest provision of the above change in value of unquoted investments is a reduction in the provision of £14,880,000, 3.3 pence per ordinary share (2021: £14,336,000, 3.1 pence per ordinary share). There are likely to be other correlations (either positive or negative) between the assumptions and other factors. Other inputs, such as the earnings of individual investments within the primary buyout funds are likely to have a significant impact on the value of unquoted investments. See page 46 of the Manager's report for an analysis of the portfolio trading performance as at 31 December 2022. The Board regularly stress tests the NAV.

**Credit risk**

Credit risk is the risk of financial loss in the event that any of HGT's market counterparties fail to fulfil their contractual obligations to HGT. HGT's financial assets (excluding fixed asset investments) that are subject to credit risk, were neither impaired nor overdue at the year-end. HGT's cash balances were held with the Royal Bank of Scotland International and amounts not required for day-to-day use were invested in liquidity funds managed by Royal London Asset Management which are rated AAA by Fitch. Foreign exchange forward contracts and options are held with counterparties which have credit ratings which the Board considers to be adequate. The Board regularly monitors the credit quality and financial position of these market counterparties. The credit quality of the above mentioned financial assets was deemed satisfactory.

**Market risk**

The fair value of future cash flows of a financial instrument held by HGT may fluctuate due to changes in market prices of comparable businesses. This market risk may comprise: currency risk (see below), interest rate risk and/or equity price risk (see above). The Board of Directors reviews and agrees policies for managing these risks. Hg assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk across all of HGT's investments on an ongoing basis.

**Currency risk and sensitivity**

HGT is exposed to currency risk as a result of investing in fund partnerships which invest in companies that operate and are therefore valued in currencies other than sterling. The value of these assets in sterling, being HGT's functional currency, can be significantly influenced by movements in foreign exchange rates. Borrowing raised to fund each acquisition in such companies is normally denominated in the currency in which the business is operating and valued, thus limiting HGT's exposure to the value of its investments, rather than the gross enterprise value. From time to time, HGT is partially hedged against movements in the value of foreign currency against sterling where a movement in exchange rate could affect the value of an investment, as explained below. Hg monitors HGT's exposure to foreign currencies and reports to the Board on a regular basis. The following table illustrates the sensitivity of the revenue and capital return for the year in relation to HGT's year-end financial exposure to movements in foreign exchange rates against sterling. The rates represent the range of movements against sterling over the current year for the currencies listed, and are considered the best estimate for movements looking forward.

In the opinion of the Directors, the sensitivity analysis below may not be representative of the year as a whole, since the level of exposure changes as HGT's holdings change through the purchase and realisation of investments to meet HGT's objectives.

## Notes to the financial statements

### 19. Financial risk continued

	2022				2021			
	Revenue return NAV per ordinary share		Capital return NAV per ordinary share		Revenue return NAV per ordinary share		Capital return NAV per ordinary share	
	£000	Pence	£000	Pence	£000	Pence	£000	Pence
Highest value against sterling during the year:								
Danish krone	(308)	(0.7)	(2,306)	(5.0)	(1)	—	(15)	—
Euro	(2,548)	(5.6)	(37,866)	(82.7)	(15)	—	(197)	—
Norwegian krone	—	—	(6,826)	(14.9)	—	—	(7,817)	(17.0)
US dollar	(386)	(0.8)	(81,500)	(178.1)	(147)	—	(21,296)	(47.0)
CAD dollar	(145)	(0.3)	(8,428)	(18.4)	(93)	—	(6,075)	(13.0)
	(3,387)	(7.4)	(136,926)	(299.1)	(256)	(0.5)	(35,400)	(77.7)
Lowest value against sterling during the year:								
Danish krone	45	0.1	335	0.7	352	0.8	4,526	9.9
Euro	371	0.8	5,519	12.1	2,934	6.4	39,735	87.3
Norwegian krone	—	—	8,962	19.6	—	—	9,653	21.2
US dollar	371	0.8	78,347	171.2	79	0.2	11,546	25.4
CAD dollar	270	0.6	15,650	34.2	56	0.1	3,652	8.0
	1,057	2.3	108,813	237.8	3,421	7.5	69,112	151.8

At 31 December 2022, the following rates were applied to convert foreign denominated assets into sterling: Danish krone (8.3817); euro (1.1271); New Zealand dollar (1.9020); Norwegian krone (11.8498); US dollar (1.2029) and CAD dollar (1.6299).

#### Hedging

At times, HGT uses derivative financial instruments such as forward foreign currency contracts and option contracts to manage the currency risks associated with its underlying investment activities. The contracts entered into by HGT are denominated in the foreign currency of the geographic areas in which HGT has significant exposure against its reporting currency. The contracts are used for hedging and the fair values thereof are recorded in the balance sheet as investments held at fair value. Unrealised gains and losses are taken to capital reserves. At the balance sheet date, there was £10.2 million in outstanding derivative financial instruments (2021: nil).

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

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

#### Interest rate risk and sensitivity

HGT has exposure to interest rate movements as this may affect the fair value of funds awaiting investment, interest receivable on liquid assets and managed liquidity funds, and interest payable on borrowings. HGT has little immediate direct exposure to interest rates on its fixed assets, as the majority of the underlying investments are fixed rate loans or equity shares that do not pay interest. Therefore, HGT's revenue return is not materially affected by changes in interest rates.

However, funds awaiting investment have been invested in managed liquidity funds and, as stated above, their valuation is affected by movements in interest rates. The sensitivity of the capital return of HGT to movements in interest rates has been based on the UK base rate. With all other variables constant, a 0.25% decrease in the UK base rate should increase the capital return in a full year by about £675,000 (2020: £690,000) with a corresponding decrease if the UK base rate were to increase by 0.25%. In the opinion of the Directors, the above sensitivity analyses may not be representative of the year as a whole, since the level of exposure changes as investments are made and realised throughout the year.

#### Liquidity risk

Investments in unquoted companies, which form the majority of HGT's investments, may not be as readily realisable as investments in quoted companies, which might result in HGT having difficulty in meeting its obligations. Liquidity risk is currently not significant as 15% of HGT's net assets at the year-end are liquid resources and, in addition, HGT has a c.£290 million multi-currency bank facility which had £153 million undrawn capacity at the year end. The Board gives guidance to Hg as to the maximum amount of HGT's resources that should be invested in any one company. Please refer to HGT's Investment Policy on page 25.



## 19. Financial risk continued

### Currency and interest rate exposure

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

	2022				2021			
	Fixed and floating rate £000	Non interest- bearing £000	Total £000	Total %	Fixed and floating rate £000	Non interest- bearing £000	Total £000	Total %
Sterling	323,078	366,027	689,105	29.9	371,489	373,425	744,914	34.2
Euro	—	586,069	586,069	25.5	—	537,380	537,380	24.7
Norwegian krone	—	181,595	181,595	7.9	—	213,002	213,002	9.8
US dollar	—	659,602	659,602	28.7	—	454,933	454,933	20.9
Danish krone	—	37,681	37,681	1.6	—	61,627	61,627	2.8
CAD dollar	—	147,070	147,070	6.4	—	165,447	165,447	7.6
Total	323,078	1,978,044	2,301,122	100.0	371,489	1,805,814	2,177,303	100.0

The fixed and floating rate assets consisted of cash and liquidity funds, of which the underlying investments are a combination of fixed and floating rate. The non-interest-bearing assets represent the investments held in fund limited partnerships, gross of the provision for carried interest and short term debtors.

### Capital management policies and procedures

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

HGT's capital at 31 December 2022 comprised:

	2022 £000	2021 £000
Equity:		
Equity share capital	11,443	11,382
Share premium	372,224	359,971
Capital redemption reserve	1,258	1,248
Retained earnings and other reserves	1,705,040	1,633,123
Total capital	2,089,965	2,005,724

With the assistance of Hg, the Board monitors and reviews the broad structure of HGT's capital on an ongoing basis. This review covers:

- the projected level of liquid funds (including access to bank facilities);
- the desirability of buying back equity shares, either for cancellation or to hold in treasury, balancing the effect (if any) this may have on the discount at which shares in HGT are trading against the advantages of retaining cash for investment;
- the opportunity to raise funds by an issue of equity shares; and
- the extent to which revenue in excess of that which is required to be distributed should be retained, while maintaining its status under Section 1158 of the CTA 2010.

HGT's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.



## Notes to the financial statements

### 20. Called-up share capital

	2022		2021	
	No. 000	£000	No. 000	£000
Ordinary shares of 2.5p each:				
Allotted, called up and fully paid:				
At 1 January	455,280	11,382	416,000	10,400
Issues of ordinary shares	2,850	71	39,280	982
Purchase of own shares	(401)	(10)	—	—
At 31 December	457,729	11,443	455,280	11,382
Total called-up share capital	457,729	11,443	455,280	11,382

While HGT no longer has an authorised share capital, the Directors will still be limited as to the number of shares they can at any time allot, as the Companies Act 2006 requires that Directors seek authority from shareholders for the allotment of new shares. Share issue costs incurred during the year were £124,488 (2021: £1,426,573). Total proceeds received from the issuance of shares during the year were £12,324,312 (2021: £141,230,750).

### 21. Share premium account and reserves

	Share premium account £000	Capital redemption reserve £000	Capital reserve unrealised £000	Capital reserve realised £000	Revenue reserve £000
As at 1 January 2022	359,971	1,248	712,188	885,821	35,114
Issues of ordinary shares	12,253	—	—	—	—
Purchase of own shares	—	10	—	—	(1,350)
Transfer on disposal of investments	—	—	(278,805)	278,805	—
(Losses)/gains on liquidity funds	—	—	(3,076)	(1,072)	—
(Losses)/gains on aborted deal fees	—	—	(2,076)	(76)	—
Foreign exchange (loss)/gain on loan facility	—	—	(2,652)	1,249	—
Net movement on sale of fixed asset investments	—	—	—	31,045	—
Net movement in unrealised appreciation of fixed asset investments	—	—	177,037	—	—
Foreign exchange gain/(loss) on fixed asset investments	—	—	(22,235)	—	—
Foreign exchange gain/(loss) on portfolio facilities	—	—	(22,830)	—	—
Foreign exchange gain/(loss) on cash balances	—	—	—	9,232	—
Dividends paid	—	—	—	—	(34,217)
Net revenue return	—	—	—	—	24,318
Net loans advanced to General Partners	—	—	(12,512)	—	—
Carried interest	—	—	(39,576)	(29,292)	—
As at 31 December 2022	372,224	1,258	505,463	1,175,712	23,865

**22. Commitment in fund partnerships and contingent liabilities**

Fund	Original <sup>1</sup> commitment	Outstanding at 31 Dec	
	£000	2022 £000	2021 £000
HGT Saturn 3 LP	893,674 <sup>2</sup>	612,618	—
HGT Genesis 10 LP	443,616 <sup>3</sup>	359,424	—
HGT LP	103,916 <sup>4</sup>	102,082	92,285
HGT Saturn 2 LP	332,530 <sup>5</sup>	26,839	67,835
HGT Saturn LP	150,000	25,100	15,944
HGT Mercury 3 LP	102,032 <sup>6</sup>	22,814	64,033
HGT 8 LP	350,000	20,335	51,499
HGT Genesis 9 LP	319,404 <sup>7</sup>	18,024	66,162
HgCapital Mercury D LP	60,000 <sup>8</sup>	3,265	3,265
HGT Mercury 2 LP	80,000	2,152	1,849
HGT 7 LP	200,000 <sup>8</sup>	771	992
Asper RPP I LP	19,200 <sup>9</sup>	612 <sup>10</sup>	581
Total outstanding commitments		1,194,036	991,983

<sup>1</sup> HGT has the benefit of an opt-out provision in connection with its commitments to invest alongside Hg Genesis 8, Hg Mercury 2, Hg Saturn, Hg Saturn 2, Hg Genesis 9, Hg Mercury 3 and Hg Saturn 3 allowing it to opt out of its obligation to fund draw-downs under its commitments, without penalty, where certain conditions exist.

<sup>2</sup> Sterling equivalent of \$1,075,000,000.

<sup>3</sup> Sterling equivalent of €500,000,000.

<sup>4</sup> Sterling equivalent of \$125,000,000 of junior debt.

<sup>5</sup> Sterling equivalent of \$400,000,000.

<sup>6</sup> Sterling equivalent of €115,000,000.

<sup>7</sup> Sterling equivalent of €360,000,000.

<sup>8</sup> 7.6% of the £60 million to the Mercury 1 Fund, 12.4% of the original £200 million to the HgCapital 7 Fund, 0.45% of the original £350 million to the HgCapital 8 Fund have subsequently been cancelled, as the Manager deemed that it was unlikely to be required.

<sup>9</sup> Sterling equivalent of €21,640,000.

<sup>10</sup> Sterling equivalent of €692,000 (2021: €692,000).

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

Key agreements, related party transactions and ultimate controlling party

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

HGT has no ultimate controlling party.

HGT's related parties are its Directors. Fees paid to HGT's Board are disclosed in the Directors' Remuneration Report on pages 112 to 115 and employer's National Insurance contributions are disclosed in note 6(a). There are no other identified related parties at the year-end, and as of 10 March 2023.

**24. Post balance sheet events****Secondary transactions**

In March 2023, HGT entered into an agreement with a single secondary counterparty to sell c25% of its commitment to Hg Genesis 8 (HGT 8 LP), reducing HGT's investment in the vehicle. The purchase price is 100% of the net asset value at 31 December 2022, adjusted for subsequent capital calls and distributions and will generate proceeds of c. £90 million. Proceeds will be paid in two instalments, with the first payable on 31 March 2024, and the second instalment payable on 31 March 2025.

**Revolving credit facility**

In March 2023, HGT agreed to increase the size of its revolving credit facility from c. £290 million at 31 December 2022 to £350 million. As of the date of publication of this report, 10 March 2023, the full £350 million was undrawn.



# Independent auditor's report

to the members of HgCapital Trust plc



Strategic report



Hg's review

81

Financial statements



Corporate governance



Further information



### Opinion – Our opinion on the financial statements is unmodified

We have audited the financial statements of HgCapital Trust plc (the 'Company') for the year ended 31 December 2022, which comprise the Income Statement, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 HGT's affairs as at 31 December 2022 and of its net return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### 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 as applied to listed public interest entities, 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

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease or continue as a going concern.

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluation of the Company's cashflow forecast prepared by management including the assumptions used and level of headroom available. This also included considering the robustness of the forecasts to potential changes in underlying assumptions.
- Obtaining an understanding of how management has assessed the impact of events or conditions that may cast significant doubt on the company's ability to continue as a going concern.
- Availability and nature of its liquid resources, the appropriateness of key assumptions used in the preparation of the future cashflow forecasts and the Company's ability to opt out of future investment commitments if required.

- Assessing the company's ability to repay the revolving credit facility which was renewed on 4 November 2022.
- Reviewed the sensitivity analysis prepared by management to assess how the Company's cash position will react under extreme pressure and challenged management on the impact to the forecast from potential changes in assumptions.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Company's business model including effects arising from macro-economic uncertainties such as inflation and global supply chain risks which may impact on the valuation of investments, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements 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 Company'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.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

## Independent auditor's report

### Our approach to the audit

#### Overview of our audit approach

Overall materiality: £20,650,000, which represents 1% of the Company's net assets.

Key audit matters were identified as:

- Valuation of unquoted investments (same as previous year)
- Occurrence of investment income (same as previous year)

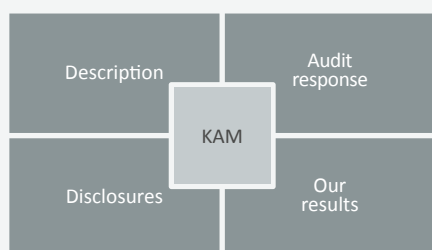
Our auditor's report for the year ended 31 December 2021 included no key audit matters that have not been reported in our current year's report.

We performed a risk-based substantive audit focused on the valuation of investments at the year-end and investment income recognised during the year. There were no significant changes in the scope of the audit from the prior year.

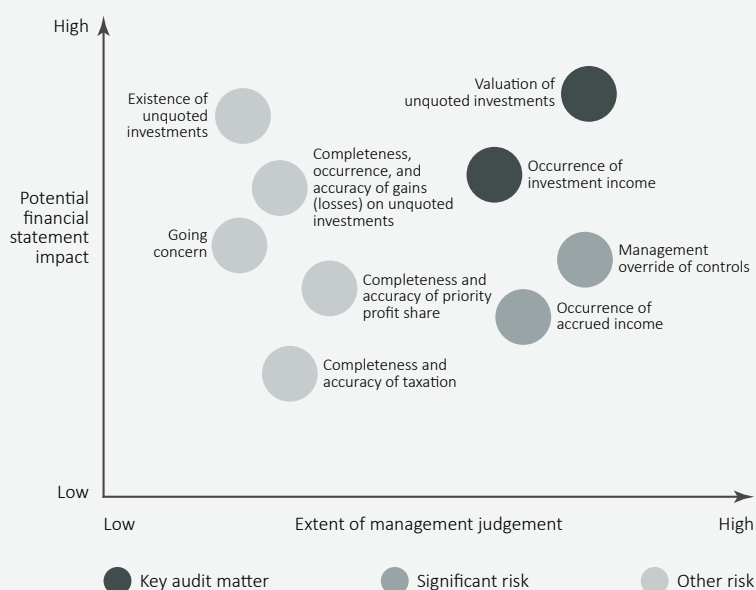


### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



#### Key Audit Matter: Valuation of unquoted investments

We identified valuation of unquoted investments as one of the most significant assessed risks of material misstatement due to error.

Providing long-term returns to the Company's shareholders is the primary objective sought by the Company in investing predominantly in unquoted companies through limited partnerships managed by its Investment Manager. Consequently, unquoted investments are the largest asset class in the financial statements representing 84% (2021: 84%) of the Company's net assets of £2.1 billion (2021: £2 billion).

Valuations of unquoted investments are subjective and have

a high degree of estimation and uncertainty as they are derived using market-based valuation approaches. This involves applying a multiple obtained from comparable listed companies and market transactions to maintainable earnings or revenue of investee companies.

The key judgements in these models include selection of appropriate multiples, any adjustments to observable market data and their relevant weighting.

The subjective nature and complexity inherent in the valuation process introduces a risk that the fair value measurements of these unquoted investments may not be appropriate.





## Independent auditor's report



### How our scope addressed the matter

In responding to the key audit matter, we performed the following audit procedures:

- Attended the Audit, Valuations & Risk Committee meetings during the year where we observed the committee's review and challenge of unquoted investment valuations and received updates on portfolio performance from Hg Pooled Management ("Hg").
- Conducted procedures to satisfy ourselves of the qualifications and expertise of Hg to prepare investment valuations for the company.
- Performed a detailed walkthrough to understand the investments valuation process.
- Assessed the design and implementation of the processes and controls in place at Hg.
- Tested the arithmetical accuracy of the valuations model used and allocation of value based on the Company's capital structure.
- Assessed the appropriateness of the accounting policy valuation methodologies used to be in line with the requirements of FRS 102 and guidance provided by the provisions of the IPEV valuations guidelines. This included review of the basis of construction of comparable multiples and the data used to prepare this. We discussed these with Hg and engaged our valuation specialist from Grant Thornton's valuation team to review the process.
- Involved valuation specialist from Grant Thornton's valuations team to corroborate and challenge key assumptions and judgements included within management's valuation models of the investments selected in our sample. The valuations team specifically focused on:
  - The composition and completeness of the basket of comparable companies and baskets derived by Hg.
  - Determining the reasonableness of the transaction multiples used in the valuations and whether these represent appropriate comparable transactions.
  - Determining whether the discounts/premiums applied to average market multiples are reasonable.
  - Assessing any other factors which may impact the fair value of an investment such as the performance of the investee company.
- Agreed, on a sample basis, data input into valuation models to supporting information received from portfolio companies. This included testing of historic and forecast performance data obtained against audited financial statements where available as well as testing any material adjustments to normalise earnings.
- Checked growth rate adjustment made to the support information received from portfolio companies. Ensured that those adjustments were in line with valuation methodology.
- Substantive approach to test the completeness of the carried interest due and payable to the founding partner through review of management calculations in line with the underlying agreements.
- Substantive testing of debt instruments in underlying limited partnerships (LPs) were performed including:
  - Conducted procedures to satisfy ourselves of the qualifications and expertise of management expert engaged to carryout investment valuations.
  - Assessed the appropriateness of the valuation methodologies used and ensure compliance with the provisions of both the IPEVC valuation guidelines and FRS 102.
  - Agreed the terms and conditions of the investments used as input to the valuation to the underlying agreements.
  - Involved valuation specialist from Grant Thornton's valuation team to check the appropriateness of the valuation approach.
  - Assessed the yield and changes made to source data and market indices.

### Relevant disclosures in the Annual Report and Accounts 2022

- The Company's accounting policy on valuation of unquoted investments is shown in Note 3 'Organisation structure and accounting policies' to the financial statements and related disclosures are included in Note 12' Fixed asset investments'; and
- The Audit, Valuations & Risk Committee identified valuation of unquoted investments as a significant issue in its report on page 105 where the committee also described the action that it has taken to address this issue.

### Our results

Our audit work did not identify any material misstatements in relation to the valuation of unquoted investments.

## Independent auditor's report

### Key Audit Matter: Occurrence of investment income

We identified occurrence of investment income as one of the most significant assessed risks of material misstatement due to fraud.

The Company is subject to Investment Trust Company (ITC) regulations and as a result is required to allocate investment returns between revenue and capital. Investment income is a

significant component of the Income Statement and during the year the Company has recognised net income of £41.7 million (2021: £47.4 million) in revenue returns. Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

### How our scope addressed the matter

In responding to the key audit matter, we performed the following audit procedures:

- Assessed the design and implementation effectiveness of controls in relation to revenue recognised from investments to determine whether the controls in place are appropriate.
- Assessed the appropriateness and accuracy of allocation of income between revenue and capital in compliance with the company's accounting policies and AIC's SORP.
- Checked the accounting policy against the requirements of FRS 102 and their consistent application to ensure consistency. Specifically looking at revenue recognised from underlying investment limited partnerships being the significant stream of revenue.
- Ensured that there were no transactions considered as those falling outside the normal course of business. This is covered

as a part of testing journal entries as explained under our response to management override of control risk.

- Substantive testing of all significant income streams from the portfolio. This included verification of income on investments as a part of our work on investment valuations as well as checking calculations of priority profit share charged against income.
- Tested interest income recognised on debt securities on a sample basis by recalculating the accrued income and agreeing key inputs such as principals and rates to loan agreements. We also performed an impairment assessment for accrued income by considering the performance of the underlying investments. We have checked dividend income substantively by tracing the income to source.

### Relevant disclosures in the Annual Report and Accounts 2022

- The Company's accounting policy on revenue recognition is shown in Note 3 'Organisation structure and accounting policies' to the financial statements and related disclosures are included in Note 4 'Income'.

### Our results

Our testing did not identify any material misstatements relating to the occurrence of the investment income recognised during the year.





## Independent auditor's report

### Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

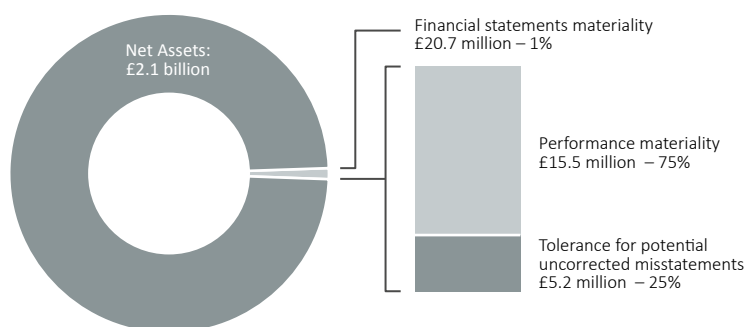
Materiality was determined as follows:

Materiality measure	Company
<b>Materiality for financial statements as a whole</b>	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.
<b>Materiality threshold</b>	£20,650,000 which is 1% of the Company's net assets.
<b>Significant judgements made by auditor in determining the materiality</b>	We considered net assets as the most appropriate benchmark as it is the Company's primary performance measure for internal and external reporting and is the measure most relevant to the stakeholders of the Company. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2021. We performed an annual benchmark exercise of materiality applied across the listed investment entities and considering the market trend we have taken the decision to change the percentage from 2% to 1%.
<b>Performance materiality used to drive the extent of our testing</b>	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
<b>Performance materiality threshold</b>	£15,488,000 which is 75% of financial statement materiality.
<b>Significant judgements made by auditor in determining the performance materiality</b>	Our performance materiality threshold was set based on our risk assessment combined with an assessment of the Company's overall control environment (including at the service organisation). Specifically, our judgement to select 75% was driven by the audit team's experience in previous audits, the quality of information received, the qualification and experience of management and the absence of any significant issues (or adjustments) identified in the past.
<b>Specific materiality</b>	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
<b>Specific materiality</b>	We determined a lower level of specific materiality for the following areas: <ul style="list-style-type: none"> <li>• Net income, finance costs, priority profit share and taxation in the revenue return column of the income statement; and</li> <li>• Related party transactions including Directors' remuneration.</li> </ul>
<b>Communication of misstatements to the Audit, Valuations and Risk Committee</b>	We determine a threshold for reporting unadjusted differences to the Audit, Valuations and Risk Committee.
<b>Threshold for communication</b>	£1,033,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

## Independent auditor's report

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

### Overall materiality



### An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the Company's business and in particular matters related to:

- Obtained understanding of the Company and its control environment and assessed the risk of material misstatement;
- Obtained understanding of the relevant controls in place at the third-party service organisation. This included documenting the nature and design effectiveness of internal controls at the Investment Manager (Hg Pooled Management Ltd);
- Audit of the financial information of the Company was undertaken using the financial statement materiality (full-scope audit);
- Identified valuation of unquoted investments and occurrence of investment income as key audit matters and the procedures performed in respect of these have been included in the key audit matters section of our report; and
- There have been no changes in the scope of current year's audit from the scope of the audit in prior year.

### 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 annual report. 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 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 themselves. 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.

### Our opinions on other matters prescribed by the Companies Act 2006 are unmodified

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.





## Independent auditor's report

### Matters on which we are required to report under the Companies Act 2006

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 or the directors' report.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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 and the part of the directors' remuneration report to be audited 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.

### Corporate governance statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- The directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified as set out on page 103;
- The directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate as set out on page 101;
- The director's statement on whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as set out on page 103;
- The directors' statement on fair, balanced and understandable as set out on page 102;
- The board's confirmation that it has carried out a robust assessment of the emerging and principal risks as set out on page 103;
- The section of the annual report that describes the review of the effectiveness of risk management and internal control systems as set out on page 101; and
- The section describing the work of the Audit, Valuations & Risk Committee as set out on page 105.

### Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement on page 100, 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 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 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.

### Irregularities, including fraud, are instances of non-compliance with laws and regulations

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company and the industry in which it operates. We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors and management. We determined that the most significant laws and regulations were United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006, the Association of Investment Companies (AIC) Statement of Recommended Practice (SORP) 'Financial Statements of Investment Trust Companies and Venture Capital Trusts', the AIC Code of Corporate Governance, sections 1158 to 1164 of the Corporation Tax Act 2010 and the Listing Rules of the Financial Conduct Authority (the 'FCA');



## Independent auditor's report

- We enquired of the directors and management to obtain an understanding of how the Company is complying with those legal and regulatory frameworks and whether there were any instances of non-compliance with laws and regulations and whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of the minutes of the Company's Board and Audit, Valuations & Risk Committee meetings;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included an evaluation of the risk of management override of controls. Audit procedures performed by the engagement team in connection with the risks identified included:
  - Evaluation of the design and implementation of controls that management has put in place to prevent and detect fraud;
  - Testing journal entries, including manual journal entries processed at the year-end for financial statements preparation and journals with unusual account combinations; and
  - Challenging the assumptions and judgements made by management in its significant accounting estimates.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement leader's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - Understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
  - Knowledge of the industry in which the Company operates;
  - Understanding of the legal and regulatory frameworks applicable to the Company.
- We obtained understanding of the Company, as registered as a company in England and Wales, its activities as an investment company as defined by section 833 of the Companies Act 2006 and an investment trust under sections 1158 and 1159 of the Corporation Tax Act 2010 and design effectiveness of its control environment.

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

### Other matters which we are required to address

Following the recommendation of the Audit, Valuations & Risk Committee, we were appointed by the Board and approved at the Annual General Meeting on 10 May 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 5 years, covering the years ended 31 December 2017 to 31 December 2022.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit, Valuations & Risk Committee.

### 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.

*Grant Thornton UK LLP*

William Pointon  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London  
10 March 2023





## Corporate governance





## Directors' report

The Directors present the Annual Report and Accounts of HgCapital Trust plc (HGT) (registered number 1525583) for the year ended 31 December 2022. The Corporate Governance Report forms part of this Directors' Report. Information about future developments and important events since the year end are included in the Chairman's statement.

HGT is an investment company, as defined in section 833 of the Companies Act 2006, and qualifies as an investment trust under sections 1158 and 1159 of the Corporation Tax Act 2010. HGT has received confirmation from HMRC that it has been accepted as an approved investment trust, with effect from 1 January 2012, provided that it continues to meet the eligibility conditions for section 1158 and the ongoing requirements for approved companies in the Investment Trust (Approved Company) (Tax) Regulations 2011.

### HGT's Board of Directors

As at the date of this Report, six non-executive Directors, all of whom are considered to be Independent, serve on HGT's Board. In line with the recommendations of the AIC Corporate Governance Code, all Directors will stand for election or re-election at the forthcoming AGM.

### The role of the Board

The role of the board is to promote the long-term sustainable success of HGT, generating value for our shareholders while having regard to the interests of our other stakeholders, the HGT's reputation, and impact HGT might have on local communities and the environment. In performing this role, the Board sets and monitors the delivery of HGT's strategy, which remains aligned with HGT's purpose and the investment objective, and is supported by the culture. The Board also oversees HGT's risk management and internal controls systems and ensures that HGT has adequate resources, and is led by a Board with the right mix of talent, skills and experience for HGT to continue in its objective to deliver consistent returns for our shareholders, now and in the longer-term.

The general powers of the Directors are set out in Article 103 of HGT's Articles of Association, which provides that the business of HGT shall be managed by the Board, which may exercise all the powers of HGT, subject to any limitations imposed by applicable legislation, the Articles and any directions given by special resolution of the shareholders of HGT. The rules concerning the appointment and replacement of Directors are also set out in the Articles and the Companies Act 2006. The Articles can be amended by shareholders at a General Meeting.

### The governance framework

To operate efficiently and give the right level of attention and consideration to the relevant matters, the Board delegates authority to its Board Committees: the Audit, Risk & Valuation Committee; the Nomination Committee; and the Management Engagement Committee. The Committee Chairs formally report to the Board on their Committees' activities after every meeting. The schedule of Matters Reserved for the Board sets

out areas reserved for Board decisions, and Committees' Terms of Reference describe the role and responsibilities of the Board Committees, all of which can be found on HGT's website here.

When they first join the Board, the Directors receive a tailored induction, and the Board has a structured learning programme in place. The Directors also have continued access to the advice and services of the Company Secretary and other advisers and can seek independent professional advice, when required.

### Board activities

The Board and its Committees met regularly in 2022, as well as on ad hoc basis, when required by business needs. Meeting agendas combined a balance of regular standing items, such as reports on current portfolio trading and HGT's financial position, including forward looking cash flows, liquid resources and outstanding commitments, and topical items, such as the increase of HGT's borrowing facility or new investment commitments. The Board recognises the importance of understanding and considering the views and interests of all HGT's stakeholders, and this forms a crucial component of directors' discussion and decision-making. Some of the key decisions the Board took in 2022, as well as an explanation of how a consideration of our stakeholders' interests was part of that process is described on page 24.

Throughout the year, the Board also considers the need for any additional learning sessions and in 2022, a number of sessions took place outside of the usual Board meeting cycle. The Board received a more in-depth presentations on ESG; cyber risk; liquidity options; and cash flows and investment commitments.

### Culture

By formally identifying the important elements of HGT's culture, the Directors can assess and monitor the culture and ensure that it remains well aligned with HGT's purpose, values and strategy in the pursuance of the long-term sustainable success of HGT.

The culture of an externally managed investment trust is the product of the Board's and the Manager's values, diversity and behaviours and the way the Board and the Manager interact with one another and other stakeholders.

Behaviours and processes that underpin HGT's culture are considered as part of the annual review of the Manager, the strategic planning, the annual evaluation of Board effectiveness and in reporting to stakeholders – thus embedding consideration of stakeholders' interests, long-term perspective, maintaining reputation for fairness and high standards of governance, corporate reporting and business conduct more generally in HGT's culture and processes.

The Directors seek to sustain a culture which contributes to achieving the purpose of HGT, consistent with its values and strategy. Elements of HGT's culture include:

- Encouraging open and timely discussion within the Board and with the Manager, allowing time and space for original and innovative thinking;
- Ensuring that the interests of shareholders and the Manager (and its other clients) are well aligned, adopting a tone of constructive challenge, balanced when those interests are not fully congruent by robust negotiation of the Manager's terms of engagement;



Strategic report



Hg's review



Financial statements

91

Corporate governance



Further information



- Drawing on Board Members' individual experience to support the Manager in its monitoring and driving improvements in the portfolio companies, for the benefit of all of the Manager's clients;
- Willingness to make the Board Members' experience available to support the Manager in the long-term development of its business and resources, recognising that the long-term health of the Manager is in the interests of shareholders in HGT;
- Appreciating that the asset class, as well as the individual businesses in which HGT invests, is not well understood by all shareholders, adopting a policy of maximum transparency, consistent with the commercial interests of the portfolio companies;
- Willingness to use all available means to communicate with shareholders and potential investors, meet shareholders and consider their views;
- Acceptance that the prime purpose of HGT is to provide an efficient vehicle through which shareholders gain exposure to a well-managed, concentrated and leveraged portfolio and that the Board should not seek to add further investment risk.

A healthy corporate culture contributes to the long-term success of HGT. The following observable outcomes may be indicative of the Directors' success in embedding a healthy corporate culture in HGT's processes and policies and actively promoting it through their behaviours:

- Continued support for HGT's shares and good, consistent trading performance;
- The breadth and quality of the share register, including willingness of shareholders to maintain their holdings over the long term rather than trade them short term;
- The extent to which Hg colleagues are willing to be long-term shareholders in HGT;
- Recognition of the transparency and clarity of reporting |(and content disclosed on its website); and
- Recognition of the quality of HGT's shares as an investment by the number of broker recommendations as a long-term hold.

### Annual Board evaluation

The Directors consider the evaluation of the Board, its Committees and themselves to be an important aspect of corporate governance, and evaluations are undertaken annually. The evaluation undertaken in 2022 was facilitated externally by an independent consultant, Mr Toby Lapage-Norris of Trusted Advisors Partnership Limited ('TAP'); TAP also facilitated HGT's last externally-facilitated Board evaluation in the early 2020, otherwise, the Directors confirm that TAP has no other connection to HGT.

### The process and results

The Directors first completed a tailored questionnaire, Mr Lapage-Norris then met individually with each of the Board members, the key members of the Hg team and sought the feedback of the Company Secretary; the review included both, quantitative and qualitative elements. The evaluation focused

on key areas to assess the effectiveness of the Board and its committees and identify possible areas for improvement, including: the Board's structure, capabilities and performance; quality of the Board's discussions, in particular the balance between visions, strategy risk and governance, and the relationship with the Manager.

The results of the evaluation indicated that the Board and its Committees continued to work well, focus on the important matters and maintained an effective working relationship with the Manager and the Directors felt that the Board was of the right size, and had an appropriate range of skills and expertise.

Reflecting on the meetings, the Chairman regularly takes into account feedback from the Directors on the effectiveness of the Board meetings throughout the year, not just whenever the Board is undergoing its annual evaluation – a quick pulse survey is sent following each scheduled meeting to gauge whether the Board focused on the most important matters, whether there was a good balance between challenging and supporting the Manager and, among others, the Board members are invited to comment on any items that were handled particularly well (or not) in the meeting. The Directors' feedback continues being taken into account as the Chairman, with the assistance of the Company Secretary and the Manager, plans and structures meeting agendas.

In as much as the evaluation concluded that the Board and meetings remain effective, the Directors are keen to continue refining the governance framework, and the Boards' processes, adapting and improving, where appropriate. The Board discussed the results of the external evaluation process and agreed a number of actions to implement over the following year, including:

1. Remain more forward looking, taking into consideration the challenges of the current economic climate and the possible impacts on the portfolio firms and their valuations;
2. Enhance formal and informal engagement mechanisms with shareholders; and
3. Continue to consider ESG and understand the possible impact of new developments, such as the FCA's consultation on Sustainability Disclosure Requirements and investment labels.

The Board has started to implement changes to address these actions, and, among others, given the current macro-economic situation, the Audit, Valuations and Risk Committee now receives updates on risk at every meeting.

As part of the evaluation process, the Board also reflected on the actions that arose from last year's evaluation. Those actions and how they were addressed included:

1. Continuing to refine the meetings to use the Board's time in a way that is the most impactful, increasing focus on discussions and planning 'teach in' sessions for a deep dive on topical matters-the annual Board calendar was reviewed and re-structured to help manage the meeting time more effectively, and more time is spent on discussion as opposed to presentations to the Board. In addition to Board meetings, the Directors regularly join ad hoc learning sessions to deep-dive on topical matters (Board activities: page 91).

## Directors' report

2. Where possible, meet with more investee companies – the Board had the opportunity to hear from, and meet, the investee companies at the HGT Capital Markets Day, the Directors are also invited to join the Manager's AGM.
3. Continuing to focus on the key priorities for HGT, including finalising the commitments and ongoing work on HGT's non-financial KPIs – the Board continued to consider these, in particular, at the Board strategy session held in November 2021.

### Conflicts of interests

The Directors declare all actual or potential conflict of interest to the Board, which has the authority to approve such situations. A register of the matters so approved is maintained and reviewed at each meeting of the Board. The Directors advise the Board as soon as they become aware of any possible conflicts of interest. In the event that a Director has a relevant conflict of interest they would not be party to discussions or decisions on the matter on which they are conflicted. The Board can, however, confirm that it has not been necessary to exclude any Director from the consideration of Board or Committee matters on such basis at any time during the year.

### Directors' indemnity

HGT has maintained appropriate Directors' liability insurance cover throughout the year. HGT's Articles take advantage of statutory provisions to indemnify the Directors against certain liabilities owed to third parties, even where such liability arises from conduct amounting to negligence or breach of duty or breach of trust.

In addition, under the terms of appointment of each Director, HGT has agreed, subject to the restrictions and limitations imposed by statute and by HGT's Articles, to indemnify each Director against all costs, expenses, losses and liabilities incurred in the execution of his or her office as Director or otherwise in relation to such office. Save for such indemnity provisions in HGT's Articles and in the Directors' terms of appointment, there are no qualifying third party indemnity provisions in force.

### Stewardship

The exercise of voting rights attached to HGT's underlying investments lies with Hg. Hg has a policy of active portfolio management and ensures that significant time and resource are dedicated to every investment, with Hg executives and Operating Partners typically being appointed to investee company Boards, in order to ensure the application of active, results-orientated corporate governance.

### Results and dividend

The Board reviews HGT's approach to dividends on a regular basis, taking into consideration feedback from shareholders and the evolving nature of HGT's income streams, which are driven by the investment structures Hg utilises in its various transactions.

The Board regards 5.0 pence as a sustainable level, absent some material shift in underlying deal structures. The Board is declaring a full year dividend of 7.0 pence in respect of 2022. From time to time, the pattern of deployment and the income which may arise may allow for a higher level of dividend to be supported. It is important to note that HGT, in order to qualify for investment trust tax status, can only retain a maximum of 15% of the income.

The total return after taxation for the year was £107,484,000 (2021: £595,137,000) of which the revenue return was £24,318,000 (2021: revenue return of £36,828,000). Following payment of an interim dividend of 2.5 pence per ordinary share in October 2022, the Directors recommend the payment of a final dividend of 4.5 pence per ordinary share for the year ended 31 December 2022, making a total of 7.0 pence (2021: 7.0 pence). Subject to the approval of this dividend at the forthcoming Annual General Meeting (AGM), it will be paid on 22 May 2023 to shareholders on the register of members at the close of business on 24 March 2023.

### Greenhouse gas emissions

HGT has no greenhouse gas emissions to report from the operations of HGT, and does not have responsibility for any other emissions producing sources or energy consumed reportable under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 or the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, implementing the UK Government's policy on Streamlined Energy and Carbon Reporting. Hg has been carbon neutral since 2019 – more information on HGT's and Hg's approach to environmental matters and sustainability can be found here: page 18.

As an investment company, HGT is not required to report against the TCFD framework, however, understanding and managing climate-related risks and opportunities based on the TCFD's recommendations is a fundamental part of Hg's Sustainability Policy and Hg does report against the TCFD framework.

### Substantial interests

HGT receives notices from shareholders who have interests in 3% or more of the total voting rights of HGT. The table below shows this information as at 31 December 2022. No changes were notified to HGT following the year end of 31 December 2022 to 10 March 2023, being the latest practicable date prior to the publication of this Report.

In addition to their direct holdings in Hg funds, the partners and staff of Hg also hold shares in HGT.







# The Board of Directors



**Jim Strang**

Chairman of the Board and the Nomination Committee

**Appointed:** March 2018  
**Age:** 51

**Career:** Jim has spent over 20 years in the private equity industry and most recently served as Chairman EMEA and Managing Director at Hamilton Lane. Jim's career in private equity encompasses a wide range of experience gained across multiple transactions, market cycles and global markets. Before entering the private equity industry, Jim served as a strategy consultant at Bain & Company, working extensively with private equity clients across the world on numerous projects. Before this, he worked as a UK equities fund manager, focusing on growth investments in the UK and assisting in the management of several Investment Companies.



**Richard Brooman**

Chairman of the Audit, Valuations and Risk Committee

**Appointed:** October 2007  
**Age:** 67

**Career:** Richard qualified as a chartered accountant with Price Waterhouse. He held senior operational and financial positions at Mars, going on to become Chief Financial Officer at the global consumer healthcare business of SmithKline Beecham. Moving to the SME sector, he became Group Finance Director of VCI plc and subsequently Chief Financial Officer of Sherwood International plc, both mid-cap businesses listed on the London Stock Exchange. Until recently, Richard was also the Deputy Chairman of Invesco Perpetual UK Smaller Companies Investment Trust plc and the Senior Independent Director of DiscoverIE Group plc.



**Pilar Junco**

Non-executive Director

**Appointed:** July 2020  
**Age:** 48

**Career:** Pilar is a Managing Partner and Chief Client Officer at AltamarCAM Partners, a leading solutions provider for private markets. She heads AltamarCAM's client teams and internationalisation initiatives for the firm. Before joining AltamarCAM, she worked in London at Blackstone for over 13 years, where most recently she acted as a Senior Managing Director and head of non-US (EMEA and APAC) private wealth management and retail business.

### Relevant skills and experience and reasons for re-election:

Jim brings a wide range of private equity experience, both at the individual investment level and also from structuring and developing programmes of private equity investments which meet the needs of a large, diverse and sophisticated mix of global investors. Furthermore, his experience in working with private equity managers, while at Bain & Company, and his Investment Company experience gained during his tenure as UK equity fund manager provide a highly relevant and broad mix of skills to HGT.

### Relevant skills and experience and reasons for re-election:

Richard has comprehensive experience of financial and risk management in two leading global companies and of both acquisitions and disposals of businesses. This has provided a strong basis for assessing, and, where appropriate, challenging the financial and risk management framework of not only HGT, but also companies across a wide range of industries. Richard takes the lead in scrutinising the valuation of each company in the portfolio prepared by Hg.

### Relevant skills and experience and reasons for re-election:

Pilar has a wealth of industry knowledge in private equity and brings to the board recent and relevant experience in leading international expansion and strategic planning. She provides the board with insights into M&A activity, investment in international private equity and into institutional and retail/HNW investors.

### Other appointments:

Non-Executive Director at the Business Growth Fund plc; Senior Adviser to the Private Equity Group (PEG) at Bain & Company; Senior Adviser at Hamilton Lane; Senior Adviser at CVC Capital Partners and a Fellow at London Business School.

### Other appointments:

Trustee at British Youth Opera; Governor of Merchant Taylors' School.

### Other appointments:

Board Member at AltamarCAM Partners; Trustee at Action Against Hunger (Spain).

## Directors' report



**Erika Schraner**  
Chair of the Management  
Engagement Committee

**Appointed:** August 2022  
**Age:** 55

**Career:** Most recently, Erika's executive career included a role of a partner, UK M&A Integration Leader & TMT M&A Advisory / Delivering Deal Value Leader at PwC in London. Prior to that, Erika held a number of senior professional services roles with Ernst & Young in Silicon Valley where ultimately she became a partner and the Americas' Operational Transaction Services leader for the Technology sector. Before that, Erika worked at IBM, Symantec Corporation and CSC/DXC Technology in the USA. Erika also served as a board member at Kevian Capital Management LLC and an advisory board member at FreeOn Ltd and eBoomerang Inc. Erika also served on the Board of Aferian Plc as a Non-Executive Director until 2022.

### Relevant skills and experience and reasons for election:

Erika has held a number of senior leadership roles in global organizations with a career spanning 25 years in Silicon Valley, UK and Europe, in Fortune 500 Technology companies and the Big 4 professional services firms, she therefore contributes a wealth of technology, software and digital expertise, as well as extensive experience in M&A, deal value creation, realisations, and finance. Erika has also brings in relevant experience having been an investor in early-stage companies.

### Other appointments:

Erika is a non-executive director and chair of the nomination committee at JTC Group plc. Erika is also a non-executive director of Bytes Technology Group plc, Pod Point Group Holdings plc and Videndum plc, where she chairs the audit committee.



**Guy Wakeley**  
Non-executive Director

**Appointed:** March 2018  
**Age:** 52

**Career:** Guy serves as the Chief Executive of Reconomy Group Limited, a company focused on the circular economy and providing recycling, compliance and re-use services to help companies improve their ESG outcomes. Previously, Guy was Chief Executive of Equiniti Group plc, the FTSE 250 provider of processing, share-dealing and payment platforms and services to some of the biggest UK and US businesses. Guy joined the board of Equiniti in 2014 and served as the CEO until January 2021. He was an FCA-approved person, with control function responsibilities for Equiniti's regulated functions in the UK, as well as president of Equiniti's US trust company bank. Guy is also a chartered engineer.

### Relevant skills and experience and reasons for re-election:

As the CEO of Equiniti, Guy led the company's flotation on the main market of the London Stock Exchange. Guy's professional interests lie in harnessing technology to transform service delivery. He specialises in the interplay among financial services, regulation and data security. He brings to the board relevant and recent experience in international M&A, technology disruption and large-scale operational leadership and transformation.

### Other appointments:

Chief executive of Reconomy Group Limited, Fellow of the Royal Institution of Chartered Surveyors and Member of the CBI's Public Services Strategy Board.



**Anne West**  
Senior Independent Director

**Appointed:** May 2014  
**Age:** 72

**Career:** Anne joined HGT's board following a long career as an equity investment manager, initially in Hong Kong. She spent 23 years at Cazenove Capital Management, one of the UK's largest wealth managers, rising to Chief Investment Officer. As manager of the investment teams, she was responsible for leading the firm's strategy on asset allocation, including diversification into private markets using listed vehicles, such as HGT. She was also responsible for communication of investment views and policy to wealth managers and clients and introduced investment risk management tools to portfolio construction.

### Relevant skills and experience and reasons for re-election:

Anne's experience in asset allocation and equity markets provides the board with insights into the decision-making processes of many of HGT's wealth management shareholders and potential investors. She also brings her knowledge of investing in emerging markets, especially in Asia, as well as expertise gained through her directorships of investment trust companies and until 2022, Anne served as a Non-Executive Director of ScotGems plc.

### Other appointments:

Director of The Scottish Oriental Smaller Companies Trust plc.

All Board members are Independent Non-Executive Directors. Chairman of the Board was considered independent on appointment.



## Directors' report

### Investment management and administration

HGT entered into an amended and restated Management Agreement with HGT's investment manager, Hg Pooled Management Limited (Hg), in May 2015. In 2022, HGT's assets were managed by Hg. HGT pays a priority profit share in respect of either its commitments to or invested capital alongside Hg funds on the same terms as those payable by all institutional investors in these funds as listed below:

Primary buyout fund partnership	Priority profit share
HGT Genesis 10 LP	1.75% on the fund commitment during the investment period
HGT Mercury 3 LP	1.75% on the fund commitment during the investment period
HGT 8 LP	1.5% of original cost of investments in the fund, less the original cost of investments which have been realised or written off
HGT Genesis 9 LP	1.5% of original cost of investments in the fund, less the original cost of investments which have been realised or written off
HGT Mercury 2 LP	1.5% of original cost of investments in the fund, less the original cost of investments which have been realised or written off
HGT 7 LP	1.5% of original cost of investments in the fund, less the original cost of investments which have been realised or written off
HgCapital Mercury D LP	1.5% of original cost of investments in the fund, less the original cost of investments which have been realised or written off
HGT Saturn 3 LP	1.0% on the fund commitment during the investment period
HGT Saturn 2 LP	0.75% on invested capital
HGT Saturn LP	1.0% on invested capital
HGT LP	1.0% on invested capital excluding co-investment

For HGT's investment alongside the Hg Genesis 6, Hg Mercury 1, Hg Genesis 7, Hg Mercury 2, Hg Mercury 3, Hg Genesis 8, Hg Genesis 9, Hg Genesis 10, Hg Saturn 2 and Hg Saturn 3 funds, the carried interest arrangements are identical to that which applies to all limited partners in these funds. Under these arrangements, carried interest is payable based on 20% of the aggregate profits, but only after the repayment to HGT of its invested capital and a preferred return, based on 8% p.a., calculated daily, on the aggregate of its net cumulative cash flows in each fund and such preferred return amount which is capitalised annually. Carried interest in HGT Transition Capital will be calculated in the same way.

For HGT's investment alongside the Hg Saturn fund, carried interest is payable based on 12% of the aggregate profits, payable after the repayment to HGT of its invested capital and a preferred return based on 8% p.a. If a preferred return of 12% p.a. is achieved, carried interest of 20% of aggregate profits is payable.

No priority profit share or carried interest will apply to any co-investment made alongside those funds in excess of HGT's pro-rata commitment. Thus, the co-investments made by HGT in P&I, Azets, Mitrastech, Commify, Transporeon, Argus Media, Norstella, smartTrade, Geomatikk, F24, Silverfin, Benevity, insightsoftware, Riskalyze, DEXT, Lyniate, Pirum and IFS do not entitle Hg to any priority profit share or carried interest. No compensation would be due to Hg on termination of the agreement.

Hg has also been appointed as administrator of HGT for a fee equal to 0.1% p.a. of the NAV.

Link Company Matters Limited was appointed as Company Secretary on 13 May 2015.

### Continuing appointment of the Manager

The Board keeps the performance of Hg under continual review, and the Management Engagement Committee carries out an annual review of the Manager's performance and the terms of the Management Agreement. The outcome of this review can be found in the Management Engagement Committee Report on page 108.

### Calculation of ongoing charges

For the year to 31 December 2022, HGT's ongoing charges were calculated as 1.7% (31 December 2021: 1.4%). The calculation is based on the ongoing charges expressed as a percentage of the average monthly NAV over the relevant year. The ongoing charges, in accordance with guidelines issued by The Association of Investment Companies ('AIC'), are the annualised expenses which are operational and recurring by nature and specifically exclude, among others, the expenses and gains or losses relating to the acquisition or disposal of investments, performance related fees (such as carried interest), taxation and financing charges.

HGT's ongoing charges consist of its current year priority profit share payable of £27.4 million and operating expenses of £7.2 million as described in notes 5 and 6 to the financial statements respectively. The average monthly NAV for the year to 31 December 2022 was £2.0 billion.

## Directors' report

Substantial interests (as at 31 December 2022)	Ordinary shares <sup>1</sup>	% of voting rights
Schroders plc	41,598,090	9.09
M&G plc	22,534,903	4.92
Rathbone Investment Management Ltd	22,208,518	4.85
Oxfordshire County Council Pension Fund	19,340,000	4.22

<sup>1</sup> Notifications are required where an investor reaches the 3% threshold and for every 1% increase or decrease thereafter. The above holdings may therefore not be wholly accurate statements of the actual investor holdings at 31 December 2022.

There have been no changes to the major interests in HGT's shares disclosed to HGT between 31 December 2022 and 10 March 2023.

In addition to their direct holdings in Hg funds, the partners and staff of Hg also hold shares in HGT. As at 31 December 2022, the Partners and staff of Hg owned 12,862,534 shares; 2.8% of the total voting rights (2021: 11,558,720 shares; 2.5% of the total voting rights).

### Financial instruments

HGT had no outstanding derivative contracts at 31 December 2022. Note 19 to the financial statements describes the financial risk management objectives and HGT's exposures to credit risk and liquidity risk.

### Risk management and objectives

HGT is subject to various risks in pursuing its objectives. The nature of these risks and the controls and policies in place used to minimise these risks are further detailed in the following sections:

### Capital structure

As at 31 December 2022, HGT had 457,728,500 ordinary shares of 2.5 pence each in issue, with no shares held in Treasury. Each ordinary share has one voting right attached to it. The total number of voting rights in HGT at this date was therefore 457,728,500.

### Transfer of shares and voting rights

There are no restrictions concerning the transfer of securities in HGT; no special rights with regard to control attached to securities; no restrictions on voting rights; no agreements between holders of securities regarding their transfer known to HGT; and no agreements to which HGT is a party which might change or fall away on a change of control or trigger any compensatory payments for Directors following a successful takeover bid.

## Buyback and issue of shares

### Purchase of shares

At the AGM held on 10 May 2022, the Directors were given power to buyback 68,246,443 shares (being 14.99% of the HGT's existing share capital) and this authority will expire at the 2023 AGM. In 2022, using available cash on the balance sheet within the guidelines of the recently updated and revised HGT discount control policy, HGT purchased 401,308 Ordinary Shares in October 2022 (representing 0.1 % of the issued share capital as at 17 October 2022), with a nominal value of £10,033 and at a total cost of £1,349,578 (and at a £3.3630 price per share). The bought back shares have subsequently been cancelled. As at 31 December 2022, HGT has the remaining authority to buyback further 67,845,135 Ordinary Shares.

### Issue of shares

Pursuant to the authority to issue new shares granted by HGT shareholders at the 2021 AGM, in November 2021 HGT applied to the Financial Conduct Authority for a block listing of 21,032,500 ordinary shares of 2.5 pence each and the blocklisting became effective on 16 November 2021. A general authority to allot new shares (or to grant rights over shares) was given to the Directors at HGT's AGM in 2021. The authority gives the Directors, for the period until the conclusion of the AGM in 2022, the necessary authority to allot securities up to a maximum nominal amount of £3,466,318, and 41,599,981 shares could be issued on non-pre-emptive basis. Pursuant to that authority, in March 2022, HGT issued a total of 2,850,000 new ordinary shares of 2.5 pence each on non-pre-emptive basis at a price of £4.368 (aggregate nominal value of £71,250) to new and existing shareholders, raising £12,324,488 in aggregate. As at 31 December 2022, HGT has a remaining block listing authority of 11,069,980.

At the AGM held on 10 May 2022, HGT was granted authority to allot up to 45,527,981 Ordinary shares on a non-pre-emptive basis. No new Ordinary shares were issued pursuant to this authority, which is due to expire at HGT's forthcoming AGM on 17 May 2023.



Strategic report



Hg's review



Financial statements

97

Corporate governance



Further information



## Directors' report

### Annual General Meeting (AGM)

The AGM of HGT will be held at 2 More London Riverside, London SE1 2AP on 17 May 2023 at 11 a.m. and all shareholders are invited to attend and vote, in person or by proxy.

The Notice of the AGM: page 126.

How the Board engages with our shareholders: page 22

The Notice of the AGM sets out the business of the meeting, with any item not of an entirely routine nature explained below. Separate resolutions are proposed in respect of each substantive issue. Proxy voting figures will be available to shareholders after the AGM. The Board is of the opinion that the passing of all resolutions being put to the AGM would be in the best interests of HGT and its shareholders. The Directors therefore recommend that shareholders vote in favour of all resolutions as set out in the Notice of Meeting as they intend to do in respect of their own shareholdings.

### Authority of Directors to allot shares

A general authority to allot new shares (or to grant rights over shares) was given to the Directors at HGT's AGM in 2022. The authority gives the Directors, for the period until the conclusion of the AGM in 2023, the necessary authority to allot securities up to a maximum nominal amount of £3,793,998 or what was, at 31 December 2021, approximately 33.33% of the issued Ordinary share capital of HGT.

The Directors are proposing to renew the general authority to allot shares at the 2023 AGM.

The Board considers it appropriate that the Directors should be granted ongoing authority to allot shares in the capital of HGT up to a maximum nominal amount of £3,814,404, representing approximately 33.33% of HGT's ordinary share capital. The power will last until the conclusion of the AGM in 2024. The Directors will continue to consider further potential share issues, providing that market conditions permit. This power will be exercised only if, in the opinion of the Directors, it would be in the best interests of shareholders as a whole.

### Disapplication of pre-emption rights

A general power to disapply the pre-emption rights set out in Section 561 of the Companies Act 2006 was granted to the Directors at the AGM in 2022. The Directors are proposing a resolution to renew and extend, subject to the passing of the resolution to allot shares, the Directors' authority to allot equity securities for cash without pre-emption rights applying in certain circumstances. This resolution will authorise the Directors, until the date falling 15 months after the date of the passing of the resolution or, if earlier, the conclusion of the next annual general meeting of HGT, to issue ordinary shares for cash, without pre-emption rights applying, of up to an aggregate nominal value of £1,144,321, representing approximately 10% of HGT's issued ordinary share capital as at the date of the Notice.

No issuance of ordinary shares without pre-emption rights will be made at a price less than the prevailing net asset value per ordinary share at the time of issue. This power will be exercised only if, in the opinion of the Directors, it would be in the best interests of shareholders as a whole.

### Authority to buy back shares

The Directors' authority to buy back shares was renewed at last year's AGM and will expire at the end of the AGM in 2023. The Directors are proposing to renew the authority at the forthcoming AGM, as set out in Resolution 16 in the Notice of Meeting, and are seeking authority to purchase up to 14.99% of the issued share capital. This authority, unless renewed, will expire at the conclusion of the AGM in 2024 or if earlier, 15 months from the passing of the resolution. The authority will be used where the Directors consider it to be in the best interests of shareholders.

Purchases of ordinary shares will only be made through the market for cash at prices below the prevailing NAV per ordinary share. Under the Listing Rules of the Financial Conduct Authority, the maximum price which can be paid for each ordinary share is the higher of: (a) 105% of the average of the mid-market quotations of the ordinary shares in HGT for the five business days prior to the date on which such share is contracted to be purchased; and (b) the higher of the price of the last independent trade and the highest current independent bid for an ordinary share. The minimum price that may be paid will be the nominal value of such ordinary share, being 2.5 pence. Any shares purchased under this authority will be either be cancelled or held in treasury at the discretion of the Board for future re-sale in appropriate market conditions.

### Changes to the Investment Policy

The Board is proposing a resolution to amend HGT's investment policy to more accurately describe the sectors and markets in which the Manager invests and explain that:

- a) HGT invests in businesses, in which Hg can work collaboratively with management teams to help those business achieve their full potential and grow, organically and inorganically;
- b) HGT's investments are focused on a range of sub-sectors within the software and technology-enabled business services in industry verticals, where the Manager can utilise the full extent of its knowledge and experience;
- c) The businesses HGT invests in often operate across multiple countries but are substantially headquartered in Europe, with a minority based in North America.

The blackline version of the investment policy, showing the changes the Board would like to propose to our shareholders for approval at the 2023 AGM is set out in Appendix 1 to the Notice of AGM on page 133.



## Directors' report

### Changes to Articles of Association

As reported in the Remuneration Report on page 126, the Board would like to seek shareholders' approval to increase the limit on the aggregate annual limit on Directors' fees by 7% to £480,000 at the forthcoming AGM. Directors' fees have increased over time, reflecting the growing amount of time they devote to the business of HGT, mainly driven by a significant increase in the scale and complexity of the business, as well as material and incremental increases in regulation, increased frequency of reporting (with the introduction of the quarterly valuations) and greatly increased number of meetings. On page 110, we set out our succession plan, through which the Board aims to facilitate the succession of two of the longest serving members of the Board, the SID, Anne West, and the Chairman of the AVRC, Richard Brooman. Given the seniority of these positions and the critical role they play in the governance of HGT, these transitions will be accomplished over a period of two years through to the AGM of HGT in May 2025. As in previous years, the Board does not intend to increase remuneration significantly year on year, and we propose to increase the cap in the Articles to have sufficient headroom between the limit on total remuneration and the actual remuneration paid in any one year. With the expected changes to the Board's composition, the number of Directors on the Board will temporarily increase at the end of 2023 and 2024. We then expect that the HGT Board will return to being comprised of six Directors in 2025.

Copies of the Articles of HGT, including a version marked to show the amendments from the existing Articles, will be available for inspection at the venue of the AGM, from 15 minutes before the meeting, until the conclusion of the AGM.

### Disclosure of information to auditors

Each of the persons who is a Director at the date of approval of this Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which HGT's auditor is unaware; and
- the Director has taken all the steps that they ought to have taken as a Director in order to make them aware of any relevant audit information and to establish that HGT's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

### Donations

HGT made no political or charitable donations during the year (2022: nil).

### Post balance sheet events

### Financial instruments

HGT had no outstanding derivative contracts at 31 December 2022. Note 19 to the financial statements describes the financial risk management objectives and HGT's exposures to credit risk and liquidity risk.

### Listing Rule 9.8.4R

Certain information is required to be included in the Annual Financial Report by Listing Rule 9.8.4. The following table provides references to where this information can be found in this Annual Report. If a requirement is not shown, it is not applicable to HGT.

Section	Listing Rule requirement	Location
7	Details of an allotment for cash of equity securities made during the year	Directors' Report (page 97 – Authority of Directors to allot shares)

On behalf of the Board  
Jim Strang  
Chairman  
10 March 2023





## Directors' responsibility statement

in respect of the annual report and accounts

# Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102, the Financial Reporting Standard applicable in the UK and Ireland.

Under company law the Directors must not approve the financial statements, unless they are satisfied that they give a true and fair view of the state of affairs of HGT and of the profit or loss of HGT for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed;
- assess HGT's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate HGT or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain HGT's transactions and disclose with reasonable accuracy at any time the financial position of HGT and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether

due to fraud or error, and have responsibility for taking such steps as are reasonably open to them to safeguard the assets of HGT and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statements that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on HGT's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Responsibility statement

The Directors of HGT, whose names are shown on pages 94–95 of this Report, each confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of HGT taken as a whole; and
- the Strategic Report and Hg's Review include a fair review of the development and performance of the business and the position of HGT, together with a description of the principal risks and uncertainties that it faces.

The Directors consider the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and the information provided to shareholders is sufficient to allow them to assess HGT's position, performance, business model and strategy.

On behalf of the Board

Jim Strang

*Chairman*

10 March 2023



# Corporate governance statement

This Corporate Governance Statement forms part of the Directors' Report

### Statement of compliance

Throughout the year HGT has complied with the Principles and Provisions of the AIC Code of Corporate Governance (AIC Code), except for provisions related to maintaining a separate Remuneration Committee.

By reporting against the AIC Code, HGT meets the obligations of the UK Corporate Governance Code (the UK Code), and reports against additional AIC Code Provisions that are of specific relevance to HGT as an investment company. The Board considers that reporting against the Principles and Provisions of the AIC Code, which have been endorsed by the Financial Reporting Council, provides more relevant information to its shareholders. The AIC Code is available on the AIC website ([theaic.co.uk](http://theaic.co.uk)). An explanation of how the Board applies the principles of the AIC Code can be found in the sections of this Report as highlighted below:

AIC Code	Principle	Evidence of compliance/explanation of departure from the AIC Code
<b>A</b>	A successful company is led by an effective Board, whose role is to promote the long-term sustainable success of HGT, generating value for shareholders and contributing to wider society.	Both the Board and Hg agree that responsible business practices help to generate superior performance in the long-term. Hg has embedded its approach of responsible investing into the whole spectrum of the investment process and takes an active interest in how the portfolio companies manage environmental, social, and governance (ESG) issues.
<b>B</b>	The Board should establish HGT's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All Directors must act with integrity, lead by example and promote the desired culture.	The purpose of HGT is to deliver consistent, long-term returns in excess of the FTSE All-Share Index to our shareholders by investing predominantly in unquoted companies, where value can be created through strategic and operational change.
<b>C</b>	The Board should ensure that the necessary resources are in place for HGT to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	HGT's objective is to deliver consistent, long-term returns to our shareholders; therefore, one of the measures which the Board considers is total return per share and revenue return per share, as well as long-term performance against the FTSE All-Share Index:  The Directors regularly consider HGT's position with reference to the business model, the balance sheet, cash flow projections, availability of funding and HGT's contractual commitments.
<b>D</b>	In order for HGT to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties.	
<b>E</b>	Principle E from the UK Code has been deleted with agreement of the FRC	Principle E of the UK Code describes the Board's responsibilities for workforce policies and practices – HGT does not have any employees, therefore, this principle is not relevant to us.





## Corporate governance statement

AIC Code	Principle	Evidence of compliance/explanation of departure from the AIC Code
F	The chair leads the Board and is responsible for its overall effectiveness in directing HGT. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive Board relations and the effective contribution of all non-executive Directors, and ensures that Directors receive accurate, timely and clear information.	<p>The Chairman, independent on appointment, leads the Board by presiding over Board meetings and ensuring that Board debates are balanced, open and inclusive, and promote behaviours and attributes which make up our culture. The Chairman ensures that the Board is provided with information of appropriate quality and form, in a timely manner. The responsibilities of the Chairman and the Senior Independent Director (SID) have been agreed by the Board and are available on HGT's website.</p> <p>The annual evaluation of the Board's effectiveness always considers the performance of the Chairman. The Directors, led by the SID, have concluded that the Chairman has fulfilled his role and supports and promotes the effective functioning of the Board.</p>
G	The Board should consist of an appropriate combination of Directors (and, in particular, independent non-executive Directors) such that no one individual or small group of individuals dominates the Board's decision making.	During the year under review, the Board comprised only independent non-executive Directors.
H	Non-executive Directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold the Manager and third party service providers to account.	The Board considers the required time commitment annually. During the year under review, all Directors continued to devote a sufficient amount of time to the business of HGT. All Directors share their experience and guidance with the Manager, and, where appropriate, challenge Hg's thinking or assumptions both through their contributions in meetings and outside of the usual meeting cycle. The Management Engagement Committee regularly assesses the performance of all third-party service providers.
I	The Board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	<p>The Board's responsibilities are set out in the schedule of Matters Reserved for the Board, and certain responsibilities are delegated to the Board Committees.</p> <p>The Directors have access to the advice of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Directors regularly receive updates and guidance on regulatory matters and governance best practice from the Company Secretary, and have access to independent advisers, as necessary.</p>
J	Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	The Nomination Committee, comprising independent non-executive Directors, is responsible for identifying and recommending to the Board the appointment of new Directors. Any new Board appointment is subject to a formal and rigorous process and the details of this process are always disclosed in our Annual Reports. HGT's Diversity and Inclusion Policy sets out the principles and commitments the Board follows when making new appointments, including how the Directors ensure that any new appointment will add to the diversity of experience, skill, gender, social and/or ethnic backgrounds. HGT also has a Board Members' Tenure and Reappointments Policy, explaining our approach to tenure and reappointments of the Chairman and the Board members.

## Corporate governance statement

AIC Code	Principle	Evidence of compliance/explanation of departure from the AIC Code
<b>K</b>	The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.	The Board maintains a skills matrix which maps the key skills needed now and in future and is used to inform the role description for any new appointments and the Nomination Committee regularly considers the tenure of each of the Board members as well as the average tenure of the Board.
<b>L</b>	Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each Director continues to contribute effectively.	The Directors consider the evaluation of the Board, its Committees and themselves to be an important aspect of corporate governance, and evaluations are undertaken annually.
<b>M</b>	The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of external audit functions and satisfy itself on the integrity of financial and narrative statements.	The Audit, Valuations and Risk Committee supports the Board in fulfilling its oversight responsibilities by reviewing audit quality and external auditor's performance, objectivity and independence. The Committee also reviews the integrity and content of the Financial Statements, including the ongoing viability of HGT.
<b>N</b>	The Board should present a fair, balanced and understandable assessment of HGT's position and prospects.	The Audit, Valuations and Risk Committee supports the Board in assessing that HGT's accounts present a fair, balanced and understandable assessment of HGT's position and prospects.
<b>O</b>	The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks HGT is willing to take in order to achieve its long-term strategic objectives.	The Audit, Valuations and Risk Committee supports the Board through its independent oversight of the financial reporting process, including the financial statements, management of risk framework and internal controls, as well as the procedures for monitoring compliance, among other matters.
<b>P</b>	Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success.	The Directors are all non-executive and independent of Hg, only receive Directors' fees, no element of their remuneration is related to performance, and are not eligible for bonuses, share options or long-term performance incentives. While there is no requirement under HGT's Articles of Association or letters of appointment for Directors to hold shares in HGT, most Directors do.
<b>Q</b>	A formal and transparent procedure for developing a remuneration policy should be established. No Director should be involved in deciding their own remuneration outcome.	Directors' remuneration is reviewed annually, within the limits of the Remuneration Policy and HGT's Articles of Association. The Board as a whole is responsible for deciding the level of fees paid to the non-executive Directors and the Chairman, with each Director abstaining from voting on his or her individual remuneration.
<b>R</b>	Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	Because there are no performance related elements of the Directors' remuneration, there is very little scope for the exercise of discretion or judgement. Any fee increases, if one is proposed, are carefully considered and the Board takes into account the time required for it to fulfil its duties, peers and benchmarking data, overall Company performance and wider economic context. The Board feels that maintaining a separate Remuneration Committee would add very little value, therefore, this remains an area of non-compliance with provisions related to maintaining a separate Remuneration Committee. The Board as a whole reports on remuneration matters.







## Corporate governance statement

The following Reports from the Committees of the Board form part of the Corporate Governance Statement.

### Board committees

The Board has delegated several areas of responsibility to its committees. The composition of the Board's committees was considered by the Nomination Committee during the year and as part of the annual evaluation process. It was felt that it was appropriate that every non-executive Director should be a member of all committees. The Chairman of the Board's membership of the Audit, Valuations and Risk Committee remains, in the Directors' opinion, appropriate and adds value to the Committee's debate.

Each of the Directors is considered independent of Hg, having had no previous or current connection with the Manager, other than in his or her capacity as a Director of HGT, and is considered to be independent in mind and judgement. Mr Brooman has served on HGT's Board for a period longer than nine years, and in May 2023, Ms West's tenure will reach nine years. The reasons the Board continues to deem them independent, and their longer tenure complementary to the Board's composition, are set out on page 110. A succession plan for both of their roles is in place.

The Board and its Committees meet on a regular basis during the year, and attendance is shown in the table below:

### Number of meetings attended/eligible to attend

	Richard Brooman	Peter Dunscombe <sup>1</sup>	Pilar Junco	Jim Strang	Guy Wakeley	Anne West	Erika Schraner <sup>2</sup>
Board	6/6	3/3	6/6	6/6	6/6	6/6	2/2
AVRC	6/6	3/3	6/6	6/6	6/6	6/6	2/2
MEC	2/2	—/—	2/2	2/2	2/2	2/2	1/1
Nomination	1/1	1/1	1/1	1/1	1/1	1/1	—/—

<sup>1</sup> Peter retired at the 2022 AGM on 10 May 2022    <sup>2</sup> Erika was appointed to the Board on 1 August 2022

During the year (and excluding the regular learning sessions which happen outside of the usual meeting cycle and are in addition to the meetings listed above), the Board met 25 times. In addition to the regular meetings detailed above, the Board also held a Strategy session and eight ad hoc, shorter meetings of a Committee of the Board. A sub-committee of the Audit, Valuations and Risk Committee, the Quarterly Valuations Committee, also meet once this year to consider the quarterly valuations.



# Audit, Valuations and Risk Committee report

### Membership of the Audit, Valuations and Risk Committee

Richard Brooman	Chairman
Peter Dunscombe (retired on 10 May 2022)	Member
Pilar Junco	Member
Erika Schraner (joined 1 August 2022)	Member
Jim Strang	Member
Guy Wakeley	Member
Anne West	Member

### Key responsibilities:

- Scrutinising and, where appropriate, challenging the valuations of unquoted investments as proposed by the Manager;
- Reviewing the integrity and content of the financial information provided to shareholders, including the annual financial statements and the ongoing viability of HGT;
- Reviewing HGT's and the Manager's risk management systems and internal controls;
- Monitoring compliance and reviewing the processes for compliance with laws, regulations and any applicable ethical codes of practice
- Appointing an external auditor, approving its remuneration and monitoring the extent of any proposed non-audit services;
- Assessing the external auditor's effectiveness, objectivity and independence; and
- Reviewing the performance and quality of the audit work by the external auditor.

### Chairman's introduction

The Committee aims to serve the interests of our shareholders and other stakeholders through its independent oversight of the financial reporting process, including the financial statements, the system of internal control and management of risk, the appointment and ongoing review of the quality of the work and independence of HGT's external Auditor, as well as procedures for monitoring compliance. The Committee recognizes that, through its interactions with the Board, the Manager and the external Auditor, it plays a key role in facilitating a high-quality audit.

In addition to the usual agenda, which encompasses all of the Committee's key responsibilities, this year the AVRC focused in particular on monitoring the appropriateness and robustness of the valuations and the valuation methodology in light of uncertain and volatile economic environment. The Committee also continued to consider the resilience of the portfolio firms, the Manager, and HGT itself through increased scrutiny of their liquidity and funding needs, particularly in the context of the rising cost of debt. At the same time, the Committee increased its oversight of risk monitoring and risk management, and, in the latter part of the year, considered carefully the changing

risk environment in general and HGT's risk score, appetite and tolerance specifically at every meeting since HGT's overall level of risk first exceeded the Board's risk appetite (as reported in HGT's Interim Report published in September 2022). The risk register was regularly stress-tested and the Manager implemented a number of actions to mitigate, where possible, some of those exogenous factors in the operating environment. Following careful consideration, the Board and the AVRC, have determined that it is appropriate to accept this elevated level of risk on a temporary basis and they remain confident in the resilience of the business models of the underlying portfolio investments.

In 2022, the UK Government published its response to the consultation on strengthening the UK's audit, corporate reporting and corporate governance systems. The Committee considered the Government's proposals and examined the possible impact on HGT. The Committee remains committed to upholding high standards of corporate governance and will continue to review any developments, and where appropriate, implement changes to meet the new requirements. In doing so, the Committee will consider whether HGT's shareholders could benefit from HGT adopting any of the new recommendations that will not apply to HGT on voluntary basis.

### Membership of the Committee

The Terms of Reference and the composition of the Committee are reviewed regularly. HGT's Chairman is a member of the Committee, as permitted by the AIC Code of Corporate Governance. This is considered appropriate and beneficial, given Dr Strang's in-depth understanding of the private equity sector and his financial expertise. During the year, Peter Dunscombe retired from the Board at HGT's AGM in May 2022 and Dr Erika Schraner, who brings her extensive knowledge of the technology sector and financial experience, joined the Board and the Committee in August 2022. I am a chartered accountant and all of the members of the Committee have recent and relevant financial experience across a broad range of sectors and areas of practice. As a whole, the Committee has competence relevant to the private equity sector.

### Activities during the year

Below, we explain how the Committee discharged its duties by focusing on the following matters:

### Risk management and internal controls

During the year, the Committee reviewed the risk management and internal controls in order to ensure that:

- HGT's risk management system remains appropriate and effective. The review process is explained in more detail below.
- the annual assessment of the emerging and principal risks facing HGT, which are described on pages 16 and 17 of this Report, is robust and includes those risks which would threaten HGT's business model, future performance, reputation, solvency or liquidity.
- the accounting and internal control systems of HGT, Hg, the Depositary and other service providers are adequate.





## Reports from the Committees of the Board

- Hg sets the appropriate 'control culture' by communicating the importance of internal control and risk management, both internally and across its portfolio, ensuring that all relevant employees have a good understanding of their roles and responsibilities.
- the systems put in place by Hg (specifically accounting and internal control systems) meet legal and regulatory requirements, and that further investigations are initiated, where appropriate, to assess the effectiveness of the systems of control.
- matters of compliance are under proper review; the Directors regularly review the relevant policies and have direct access to the Compliance Officer at Hg and receive a report every six months, confirming that HGT's affairs have been conducted in compliance with the applicable regulations.

In accordance with the FRC's guidance on Risk Management, Internal Control and Related Financial and Business Reporting, the Committee regularly reviews the effectiveness of HGT's processes for mapping and monitoring risks and there is an ongoing process, carried out in conjunction with Hg, to identify, evaluate and manage HGT's significant, and emerging risks. As part of this ongoing review process, the Committee considers:

- the nature and acceptable scale of the risks which HGT faces in the context of its overall investment objective;
- the likelihood and the potential impact on HGT's investment objective of such risks materialising;
- HGT's ability to reduce the likelihood and impact of the principal and emerging risks it has identified;
- the acceptability of the net risk after mitigation;
- the process and operation of relevant controls;
- the effectiveness and relative costs and benefits of particular controls;
- the impact on HGT of the values, culture and style of the Manager;
- the extent to which third parties are responsible for the effective operation of relevant controls.

The Committee also recognises the value in undertaking periodic and more fundamental reviews of HGT's systems and processes to ensure that they continue to evolve as the business grows in size and complexity and as the external environment changes. The Committee reviews the Risk Register on a regular basis. In the first half of 2022, the UK economy experienced the compounding effects of supply chain difficulties, accelerating inflation, interest rate rises and a tightening of the markets for new debt and equity issuance. The risk management framework provides the toolkit to measure and stress test HGT's business planning against such a rapidly changing global backdrop.

Controls relating to the identified risks, covering financial, operational, compliance and risk management, are embedded in the operations of Hg and those of other outsourced service providers, and as such, are being monitored and reported on by Hg's Compliance function and other service providers. Every six months, Hg reports to the Committee on its review of internal controls, with verbal updates provided at each AVRC meeting. During the year, HGT has not identified any significant failings or weaknesses in the internal control systems.

### Whistleblowing and anti-bribery and anti-corruption policies

The Committee regularly reviews the whistleblowing procedures and anti-bribery and anti-corruption policies of Hg. The Manager's employees are able to raise concerns in confidence and anonymously and there is a process in place for a proportionate and independent investigation and follow-up actions, should any reports be made. The Board receives periodic updates on whether any reports have been made.

### Internal audit function

The Committee considers annually whether an internal audit function should be established. As HGT is an investment company with no employees, the Committee again concluded that it remained appropriate for HGT to rely on the internal controls implemented by Hg and other third-party providers, with no need for a separate internal audit function.

### Financial reporting

The Committee considers in detail the annual report and accounts and the interim statements. A key focus in its work on the Annual Report and Accounts is to ensure that the financial statements are fair, balanced and understandable – and provide the information necessary for shareholders to assess HGT's position and performance, business model and strategy.

In its evaluation of HGT's accounts and whether they present a fair, balanced and understandable assessment of HGT's position and prospects, the Committee considers, among others, whether:

- the information is deemed to be free of bias, reasonable and impartial and it does not omit important elements.
- there is a good level of consistency between the front and back sections of the reports and the same conclusions can be drawn from reading the two sections independently.
- the key judgements referred to in the narrative reporting are consistent with the disclosures in the back end of the reports and correspond with the risks that the external auditor would include in their report.
- there is there a clear and cohesive framework and the important messages are highlighted throughout the document.

The Committee reviews any significant accounting or financial reporting judgements, taking into account industry practice, as well as any guidance from the external Auditor. This year, when the Committee reviewed the annual report and accounts, it did not identify any major concerns. The principal issue identified during the audit process and discussed by the Committee was the valuation of unquoted investments, in particular the valuation methodologies, judgement and estimations. During the year under review, the Manager recommended a change to the valuation methodology and further details of the steps taken by the Committee to review the valuations are disclosed below. Other areas which the Committee focused on included:

- consistent and transparent disclosure and presentation of information on portfolio performance and, in particular, the key financial highlights;
- revenue recognition;
- management override of controls;

## Reports from the Committees of the Board

- the prevailing uncertainty and volatility of the economic conditions, including any impacts on the investee companies. This was also considered specifically when undertaking the going concern assessment (which can be found on page 15) and a review of the longer-term viability statement (page 15) the Committee advises the Board on; and
- the calculation and amount of carried interest.

The Committee also reviewed HGT's dividend objective, as well as making recommendations to the Board on both the interim and the final dividends, as always, in the context of the rules pertaining to dividends payable by investment trusts.

### Valuations

The Committee has a sub-committee tasked with considering the quarterly valuations (the QVC), in addition to the rigorous annual and half-yearly valuations review undertaken by this Committee. The Committee carefully considers the methodology and the integrity of the recommended valuations of each of HGT's investments prepared by Hg and reviews analytical and performance data, as well as the valuation process itself. The Committee reviews the supporting materials and where appropriate, requests further information from the Manager. The valuations are carried out in accordance with the International Private Equity and Venture Capital (IPEV) Valuation Guidelines. In 2022, the valuation methodology was slightly refined to better embrace current macro-economic and geopolitical conditions and the impact of the pandemic on transactions and multiples. The amendment, in line with the IPEV guidelines, meant slightly accelerating the rate of decrease in the weighting of relevant transaction multiples and increasing advancing the timing of the application of market multiples. Except for that change to the methodology, the Manager confirmed that the valuations had been performed consistently with previous years, remain in line with published industry guidelines, and do take into account the latest available information about investee companies and current market data.

### External audit

HGT's external Auditor, Grant Thornton UK LLP (Grant Thornton), was appointed by shareholders as the independent Auditor at HGT's AGM in 2017, following a full audit tender process. The Committee expects to carry out the next tender process in, or before, 2026 in respect of the audit for the year ending 31 December 2027. Therefore, HGT remains compliant with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

In accordance with professional guidelines on rotation of audit partners, the audit for the year ended 31 December 2021 was the last led by Marcus Swales as the senior statutory auditor, a role he fulfilled since 2017, and the audit for the year ended 31 December 2022 has been led by Sam Pointon as the new senior statutory auditor.

During the year, the Committee reviewed the Auditor's terms of engagement and the audit plan. As part of their review of the external audit plan, the Committee considered the major risk areas identified by Grant Thornton and discussed the

level of materiality that the Auditor might set. The materiality level was re-set from 2% to 1% of net assets. The Committee also assessed Grant Thornton's performance, considered its remuneration and whether its continued appointment was in the best interests of HGT and its shareholders.

The Committee also reviewed its Non-Audit Services Policy, which helps to ensure that the Auditor's independence and objectivity are not impaired. In 2022, Grant Thornton did not provide any non-audit services to HGT. The details of the remuneration for services provided by the Auditor are set out in Note 6 to the financial statements. The AVRC also takes into account a breakdown of the fees and nature of services GT provides to HGT's investee companies and the auditor confirmed that it monitored these fees on an on-going basis for any potential conflict of interests.

### Review of the effectiveness of the audit

Grant Thornton is invited to attend and present at the Committee meetings, and the Auditor also meets with the Committee and its Chairman without the Hg team present. In order to form a view on audit quality and the effectiveness of the external audit process, the Committee considers its own observations, interactions with the Auditor, the feedback from key Hg Management personnel, as well as the FRC's Audit Quality Inspection and Supervision Report, which set out the FRC's findings on key matters relevant to audit quality at GT. Every year the Committee also conducts a formal evaluation of the effectiveness of the audit process via a tailored questionnaire, focused on four key areas of performance, and completed by all members of the Committee and the key members of the Hg team. The Committee, to form its view on how the auditor performed, considers: the robustness of the audit process; quality of delivery; quality of reporting; and quality of people and service. The Committee also takes into account the Auditor's technical competence, its understanding of HGT's business and the wider PE sector, and whether it demonstrates an appropriate level of scepticism and challenge. Following this comprehensive review, the Committee was satisfied that Grant Thornton had carried out its duties in a diligent and professional manner and provided a high level of service. Consequently, the Committee proposed to the Board that a resolution to reappoint Grant Thornton as HGT's Auditor be put to shareholders at the 2023 AGM.

Richard Brooman  
*Chairman, Audit, Valuations and Risk Committee*  
10 March 2023



Strategic report



Hg's review



Financial statements

107

Corporate governance



Further information



# Management Engagement Committee report

### Membership of the Management Engagement Committee

Peter Dunscombe (retired 10 May 2022)	Chair
Erika Schraner (appointed 1 August 2022)	Chair
Richard Brooman	Member
Pilar Junco	Member
Jim Strang (acted as interim Chair between 10 May and 1 August 2022)	Member
Guy Wakeley	Member
Anne West	Member

### Key responsibilities:

- Monitor and evaluate the performance of the Manager;
- Review the Manager's compliance with HGT's investment policy;
- Review the terms of the Management Agreement;
- Review the level and method of the remuneration of the Manager, including the methodology of the annual management and performance fees;
- Consider the merit of obtaining an independent appraisal of the Manager's services;
- Monitor the performance of other service providers (except for that of the external auditor), including their remuneration as well as compliance with the terms of their respective agreements.

### Chair's introduction

On behalf of the Committee, I am pleased to present our Report for the year ending 31 December 2022. The Committee supports the Board in fulfilling its oversight responsibilities, primarily through its comprehensive review of the Manager's performance, as well as review and oversight of other key third party service providers. Every year, the Committee completes a thorough review of the Manager, based on the interactions with Hg throughout the year and receives formal presentations on the key aspects of the Manager's operations, strategy and goals at the annual Board Strategy session. The Committee members also decide on formal, periodic reviews of other third-party service providers. Aiming to formally review the performance of each of the providers every few years, and the key providers annually, the Committee holds formal review meetings, discusses and evaluates performance and whether or not their appointments continue to serve HGT and its shareholders.

### Chair of the MEC Transition

I had the pleasure to join the Board and to assume the role of the Chair of the MEC in August 2022, after Peter Dunscombe, who chaired the Committee, retired in May earlier that year. In the interim period, Jim Strang acted as the Chair of the MEC. Peter, Jim and I worked together through the transition, helping me to embed myself into the role, understand the service providers' unique value-add, their people and past performances. We discussed the plan for the annual review meetings which was reviewed at the mid-year MEC committee meeting and which execution I then led in the Autumn.

### Review of the Manager

When reviewing the Manager's performance in providing investment management and other services to HGT, the Committee considers a number of different factors, which include: the quality and continuity of Hg's team; Hg's succession plans; sector and geographic coverage; investment processes; results achieved to date; and strategy and goals for the future. The Committee also considers the Manager's culture and evaluates the way in which the Manager's partners, executives and other members of the team are remunerated and incentivised. Furthermore, the Committee reviews the Manager's ESG strategy, objectives and progress. When periodically reviewing the terms of the management agreement, the Committee also considers the remuneration arrangements and the methodology underpinning the annual management and performance fees. In addition, the Committee also takes into account the Manager's ongoing commitment to promoting HGT and engaging with HGT's shareholders and other key stakeholders. Following its review, the Committee agreed that the continued appointment of the Manager remains in the best interests of HGT and its shareholders.

### Reviews of other service providers

The Committee has the responsibility for monitoring and reviewing HGT's other key service providers. The Committee undertakes formal, in depth reviews of all of the third-party service providers on a five-yearly cycle. This is done through formal assessments, for example by using scorecards based on the agreed service level agreements, and/or through annual review meetings. The Committee reviews the performance of certain key service providers, such as the Company Secretary and the legal advisors more frequently, considering the importance of the services they provide to HGT. Following consideration of the evaluation outcomes, the Committee makes recommendations to the Board in respect of these appointments. During 2022, the Committee reviewed the services of Dickson Minto, HGT's legal advisor; Apex, HGT's depositary; h2glenfern, HGT's investor relationship adviser; Edison, HGT's investment research provider; and Brunswick, HGT's financial PR advisor, and concluded that their continued appointment remained in the best interests of HGT. The Committee also completed its annual review of the Company Secretary, Company Matters, and considered the performance of HGT's corporate broker, Numis, concluding that these appointments also remained in the best interests of HGT and all were recommended to the Board.

Looking ahead, I will continue to build constructive relationships with HGT's external providers and hold formal and informal discussions to continue to evolve the service providers' engagement and value delivered. I would like to thank Hg, our other third party service providers, the members of the Committee, Peter Dunscombe and Laura Dixon for their contributions during the year.

Erika Schraner  
*Chair, Management Engagement Committee*  
10 March 2023



# Nomination Committee report

### Membership of the Nomination Committee

Jim Strang	Chairman
Richard Brooman	Member
Peter Dunscombe (retired on 10 May 2022)	Member
Pilar Junco	Member
Erika Schraner (joined on 1 August 2022)	Member
Guy Wakeley	Member
Anne West	Member

### Key responsibilities:

- Review the composition of the Board and its Committees including the balance of skills, experience, knowledge and diversity, including that of gender, social and ethnic backgrounds, cognitive and personal strengths;
- Consider and formulate succession plans for the Chairman and the Directors in the context of HGT's strategic plans and consistent with HGT's policies on Board Tenure and Diversity & Inclusion;
- Identify, evaluate and recommend candidates for new Board appointments;
- Evaluate the Directors' performance and consider whether they should be recommended for re-election;
- Review outside commitments of the Directors;
- Develop and review policies on Board's Tenure and Diversity & Inclusion. The Culture Policy is reviewed regularly directly by the Board;
- The evaluation of the Board, its Committees, and the Directors is led by the Chairman of the Board and findings presented at the Board meetings.

### Chairman's introduction

During the year, the Committee remained focused on the continued refreshing of the Board, to ensure that the HGT's Board has the right skills and experience to deliver our long-term strategic plans and ambition. The Committee also continues to consider diversity and inclusion, especially in the context of the Parker Review goal of having at least one ethnically diverse Non-Executive Director before 2024.

Peter Dunscombe retired from the Board at our 2022 AGM, and towards the end of 2021 the Committee begun the search for a new Non-Executive Director to replace Peter. Below we describe the process that led to the appointment of Dr Erika Schraner, a Non-Executive Director and the new Chair of the Management Engagement Committee.

This year the Committee also focused on developing a plan to facilitate the succession of two of the longest serving members of the Board, the SID, Anne West, and the Chairman of the AVRC, Richard Brooman. Given the seniority of these positions and the critical role they play in the governance of HGT, these transitions will be accomplished over a period of two years through to the AGM of HGT in May 2025. As ever, the Committee will focus on ensuring new appointees bring the requisite set of skills to best support the development of HGT. A particular focus will also be to ensure the strong progress made in recent years in adding to the diversity of the Board is further built upon. More details on the succession plan are below.

### Policy on diversity and inclusion

We recognise that the Board's debates and decision-making are greatly enriched by a wider range of perspectives and thinking, fostered by diversity of experience and knowledge, social and ethnic backgrounds, gender, and cognitive and personal strengths. While we continue to believe that it would be inappropriate to set a rigid target for any specific recruitment and that all appointments must be made on merit, diversity in all its forms is encouraged and embedded in the new Director search process. Therefore, since 2019, we have in place a set of objectives and principles that HGT follows when looking to recruit a new candidate, including:

- any advertising states that applications from suitably qualified candidates who would add to the Board's diversity will be especially welcome;
- any recruitment agency used will be instructed to include diverse candidates of appropriate merit, identified through a search of a wide pool of potential appointees;
- any shortlist must include candidates who, if appointed, would add to the diversity of the Board;
- in addition, recognising that the finance, investment and private equity sectors have not historically reflected the diversity of the UK society, HGT encourages the inclusion of candidates from other backgrounds, and not necessarily based in the UK, provided they have appropriate transferable skills; and
- the selected short list of candidates to interview must include appointees, who, if appointed, would add to the diversity of the Board.





## Reports from the Committees of the Board

HGT is pleased to have met the target of the Hampton-Alexander Review to increase the number of women on Boards in all FTSE 350 companies and as at the date of this Report, we have 50% male and female representation on our Board. We also plan to make progress to meet the targets of the Parker Review to increase the ethnic diversity of UK boards by having at least one director from an ethnic minority background in the FTSE 250 by 2024 and this goal will be embedded in our future searches processes.

### Directors' policy on tenure

The Board adopts a Board Members' Tenure and Reappointments Policy (Board Tenure Policy). The Committee believes that a policy encompassing the whole Board, rather than just the Chairman, is better aligned with HGT's objective of delivering long-term success and consistent returns to shareholders, which can be supported by both, the benefits of longer corporate memory and challenge provided by fresh thinking. The Board believes that the value contributed by the continuity and experience of Directors with longer periods of service is not only desirable, but essential for an investment company whose business creates a cycle of negotiating significant long-term investment commitments with the Manager approximately every four years, and where those commitments lead to investments which are scrutinised and monitored across a commitment-investment-realisation cycle that can extend over periods of ten years or longer. Therefore, the Committee considers it to be inappropriate to set a specific tenure limit for any individual Director or the Chairman of the Board. Instead, the Board seeks to recruit a new Director every two to three years. By doing so, the Board believes that its effectiveness is better supported by Directors who have served on the Board for a range of different periods. Adopting this approach results in an average tenure of circa six years, thus ensuring that, when the Board enters into new investment commitments, at least half of the Board members have direct personal experience of negotiating previous commitments with the Manager. This way, the Board intends to benefit from fresh perspectives and diversity of thought, while preserving the cumulative experience and deep understanding of HGT, its commitments and investment portfolio.

In determining whether to recommend a Director for re-election, the Nomination Committee evaluates the quality of a Director's participation and contribution to the Board's deliberations, the results of the annual performance evaluations and any other pertinent aspect of a Director's performance. The Committee reviews this Policy annually and will continue to report on its performance to shareholders. Currently (at the date of release of this Report) the average Board tenure is 5.8 years and following our AGM in 2023, the average tenure will be six years.

Richard Brooman, our Chairman of the Audit, Valuations and Risk Committee has served on the Board since 2007, and, through his corporate memory, in depth knowledge of HGT and extensive experience of working with the Manager, he continues to provide constructive challenge and robust scrutiny of matters coming before the Board and the AVRC, in particular the valuations of the portfolio firms and negotiating the terms of the Manager's engagement, and supports the Committees' and the Board's discussions with his valuable insights and corporate memory. In the Committee's and the Board's opinion, despite the length of his tenure exceeding nine years, Richard Brooman remains independent; he is independent of Hg and free from any business or other relationships which could materially interfere with his decision making.

In May 2023, the tenure of Anne West, our Senior Independent Director will reach nine years. Anne remains a valued member of the Board and in her role as a SID she supports the Board's and Committees' discussions with her insights, deep understanding of investing and the investment cycles, and long-standing experience of working with HGT and the Manager, with particular emphasis on the interests of our shareholders and other stakeholders. In the Committee's and the Board's opinion Anne also continues to be considered independent.

### Succession planning

When the Committee reviews the Board's current composition and succession plans, it takes into account the Directors' skills matrix, which maps the current Directors' skills, skill sets the Board will have following any planned changes, as well as skills likely needed in future, as HGT makes progress in meeting its strategic goals. The Committee, led by the Chairman of the Board, plans for future Board departures over a ten-year period and reviews these plans regularly. In line with our policy on Board members' tenure and reappointments, the Committee considers the possible changes to the Board and Directors do not expect to be automatically reappointed, nor do they expect to retire from the Board in the order of their original appointment. HGT seeks to refresh the Board and appoint a new Director every 2-3 years, which results in an average tenure of circa 6 years – preserving the cumulative experience and understand of HGT, especially the cyclical commitments process, while benefiting from fresh perspective and better promoting diversity.

Our succession plan sets out an evolution of the Board's composition over the period through to the AGM of HGT in 2025. We believe that a suitable transition period for the roles of the Senior Independent Director and the Chairman of the Audit, Valuations and Risk Committee would be in HGT's interests, helping preserve continuity and allowing more time for their successors to assume their responsibilities in these critical roles. We therefore expect the next departures from the

## Reports from the Committees of the Board

Board to take place firstly at the 2024 and then subsequently at the 2025 AGM. HGT plans to run the associate recruitment processes in 2023 and 2024.

The timeline as set out in the current planning sees our Senior Independent Director, Anne West stepping down from the Board at the 2024 AGM with the recruitment process for commencing later this year. The next step in the plan sees Richard Brooman, our longstanding Chairman of the Audit, Valuations and Risk Committee stepping down from the Board at the AGM in 2025. Recruitment for his successor will commence early next year and we intend to have Richard and his successor work side by side, through at least one of our annual reporting cycles and the review of the valuations to facilitate the transition and minimize any risks to HGT.

In the context of succession planning, the Committee also considers the need for learning sessions; more information on these regular trainings can be found on page 91.

### Changes to Board composition

Given Peter Dunscombe's planned departure at the 2022 AGM, in 2021 the Committee began the search for a new candidate to join the Board as a Non-Executive Director. Led by myself, the Committee agreed on a description of the role, skills and attributes based on our Skills Matrix and the Diversity & Inclusion Policy. In December 2021, the Committee engaged Fletcher Jones Limited, an executive search practice, to help to identify suitable candidates (we confirm that Fletcher Jones Limited has no other connection to HGT). In renewing its past efforts to achieve greater diversity, including that of gender, the Committee followed the recruitment principles set out in our Policy on Diversity and Inclusion, described below. Following an extensive search process, the Committee reviewed the applications of all long-listed candidates and after agreeing the shortlist, conducted interviews with the shortlisted candidates. The Committee was very pleased to recommend Dr Erika Schraner's appointment to the Board – Erika has a wealth of experience that complements our skills, and her technology and digital expertise in particular, are very relevant to HGT now and as HGT continues to execute its strategy of investing in a portfolio of high-growth private companies in the software and technology-enabled business services sector.

Further expected changes to the Board's composition are set out in our succession plan above and we will continue reporting on the progress we make against that plan.

### Evaluation of the Board's performance

The details and the actions arising from our annual board evaluation, which in 2022 was facilitated externally, are described on page 92. With the input from an external consultant, the Committee has concluded that the performance of all Directors remains effective.

The Directors have all demonstrated commitment to their role and devoted sufficient time to the business of HGT. The Board also reviewed the Directors' external commitments, and believes that it is in the best interests of shareholders to recommend that Messrs Strang, Brooman and Wakeley, and Ms Junco for re-election and that Ms Schraner be elected by our shareholders at the upcoming AGM. The relevant skills and experience each Director brings to the Board and the reasons we believe their appointments are in the best interests of HGT are set out along their biographies.

### Looking ahead

During 2022, the Board focused on HGT's long-term sustainability and its longer-term strategic ambition against the backdrop of challenging macro-economic conditions and persisting volatility. The Committee will therefore continue to support the Board by focusing on longer-term succession planning in the context of the Board's existing and likely future needs. We also aim to meet the objective of the Parker Review of having at least one ethnically diverse Non-Executive Director before 2024, and we will work with an external search agency to ensure that we seek diverse candidates of appropriate merit, identified through a search of a wide pool of potential appointees; we will also encourage candidates from backgrounds other than finance or private equity, where they have appropriate transferable skills.

Jim Strang  
*Chairman of the Nomination Committee*  
10 March 2023



Strategic report



Hg's review



Financial statements

111

Corporate governance



Further information



# Directors' remuneration report

This Directors' Remuneration Report for the year ended 31 December 2022, has been prepared in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The law requires the auditor to audit certain disclosures contained within this Report and these are indicated accordingly. The auditor's opinion is included in the Independent auditor's Report on pages 81–89.

Ordinary resolutions for the approval of this Report and the Directors' Remuneration Policy will be put to members at the forthcoming AGM.

### Statement from the Chairman of the Board

HGT has no employees or executive Directors and the level of the non-executive Directors' fees are only considered within the limits prescribed by the Articles of Association; therefore, it is felt that maintaining a separate Remuneration Committee would add very little value. Consequently, the Board is responsible for deciding on the level of fees to be paid to the non-executive Directors and the Chairman at its discretion – and each Director abstains from voting on his or her own individual remuneration.

The Directors' fees are reviewed annually – and, in its assessment, the Board considers the time required to be committed to the business of HGT and whether all Directors did devote sufficient time to HGT during the year under review; whether the Board evaluation indicated that the Directors fulfilled their roles, acted effectively and in the best interests of HGT; and whether, through the evolution of HGT's scale, complexity and its associated processes and procedures resulted in an increase in required time commitments.

During the year under review, the Board considered the annual fees, taking account of the various aspects described above, and agreed that, as HGT grows, managing the commitment / investment cycle and the balance sheet becomes increasingly complex and time consuming. The frequency and the length of meetings outside of the usual meeting cycle has been increasing, especially since the introduction of the quarterly valuations, with the Board and its committees now meeting in excess of 20 times a year; the Directors participate in, and/or deliver, monthly teach in sessions; and maintain a regular contact with the Manager outside of the scheduled meetings. HGT now balances its commitments across five different fund structures and manages the balance sheet through a multi-bank lender facility, all of which require significant time and attention from the Board. With all that in mind, the Directors agreed the fee level remained appropriate and no change to the fees has been proposed this year. Accordingly, the fee levels are as follows:

	Annual Fee (1 July 2022 – 30 June 2023)	Annual Fee (1 July 2021 – 30 June 2022)
Chairman	£100,000	£100,000
Senior Independent Director	£57,500	£57,500
Non-Executive Director	£50,000	£50,000
Chairman of the AVRC	£65,000	£65,000
Chair of the MEC	£57,500	£57,500

No discretion was exercised during the year in relation to directors' remuneration.

### Statement of voting at General Meeting

Any views expressed by shareholders at HGT's AGM in respect of the Directors' remuneration are taken into account in formulating the Directors' Remuneration Policy. At the last AGM, over 97% of votes were cast in favour of the Directors' Remuneration Report, 2.9% of the votes being cast against and 0.02% of votes being withheld. The current Directors' Remuneration Policy was approved by shareholders at the 2020 AGM, with 99.85% of votes cast in favour and only 0.03% votes cast against, showing significant shareholder support (with 0.04% of votes withheld).

## Directors' remuneration report

### Statement of implementation of Remuneration Policy in respect of the financial year ending 31 December 2022

The Remuneration Policy, as set out overleaf was approved by shareholders at the 2020 AGM. The total aggregate annual Directors' fees must be set within an aggregate ceiling of £450,000. However, HGT is seeking shareholders' approval to increase this limit by 7% at the forthcoming AGM to £480,000. Directors' fees have increased overtime, reflecting the growing amount of time they devote to the business of HGT, mainly driven by a significant increase in the scale and complexity of the business, as well as material and incremental increases in regulation, increased frequency of reporting (with the introduction of the quarterly valuations) and greatly increased number of meetings. It is also important that HGT remains able to recruit and retain high calibre directors with the right mix of skills and experience and retains the flexibility to maintain an appropriate size and composition of the Board. On page 110, we set out our succession plan, through which the Board aims to facilitate the succession of two of the longest serving members of the Board, the SID, Anne West, and the Chairman of the AVRC, Richard Brooman. Given the seniority of these positions and the critical role they play in the governance of HGT, these transitions will be accomplished over a period of two years through to the AGM of HGT in May 2025. As in previous years, the Board does not intend to increase remuneration significantly year on year, and we propose to increase the cap in the Articles to have sufficient headroom between the limit on total remuneration and the actual remuneration paid in any one year. With the expected changes to the Board's composition, the number of Directors on the Board will temporarily increase at the end of 2023 and 2024. We then expect that the HGT Board will return to being comprised of six Directors in 2025. Any views expressed by shareholders at HGT's AGM in respect of the Directors' remuneration are taken into account in formulating the Directors' Remuneration Policy. The current Directors' Remuneration Policy was approved by shareholders at the 2020 AGM, with 99.93% of votes cast in favour and 0.07% votes cast against, showing significant shareholder support. The revised Directors' Remuneration Policy, as outlined above, will be proposed to shareholders for approval at the forthcoming AGM, scheduled to be held in May 2023.

### Policy on Directors' Remuneration (proposed to shareholders for a binding vote at the forthcoming AGM)

HGT has no employees other than its Directors, who are all non-executive and independent of HgCapital. The Company Secretary provides a comparison of the Directors' remuneration with other investment trusts of similar size and/or mandate. This comparison, together with consideration of any change in non-executive Directors' responsibilities, is used to review annually whether any change in remuneration is appropriate. The remuneration of the Directors is determined within the limits set out within HGT's Articles of Association and the total aggregate annual fees payable to the Directors in respect of any financial period currently can not exceed £450,000. The only change being proposed to the Remuneration Policy this year is an increase of the aggregate fees ceiling of £450,000 by 7% to £480,000 subject to shareholders' approval at the forthcoming AGM. Other than the proposed change to the aggregate limit on Directors' fees, the policy has no material changes from the prior policy on remuneration. Should the shareholders approve the amendment to HGT's Articles of Association and the revised Directors' Remuneration Policy, the revised policy would be effective from the date of the 2023 AGM.

The components of the remuneration package for non-executive Directors, which are comprised in the Directors' remuneration policy of HGT, are as set out below:

Remuneration Type	Description and approach by HGT to determination	Maximum Potential Value	Proposed change To the policy
Fees	Annual fees set at a competitive level for the industry and appropriate for role and based on individual skills, time commitment and experience.	Aggregate Directors' fees cannot currently exceed £450,000 per annum	Should the shareholders approve the amendment to HGT's Articles of Association to increase the aggregate limit on Directors fees of £450,000 to £480,000 at the forthcoming AGM, the aggregate Directors' fees will not exceed £480,000 per annum
Additional fees for Senior Independent Director and Chairs of Committees	Additional fees may be paid to any Director who fulfils the role of the Senior Independent Director or any Director who chairs any committee of the Board. Such fees are set at a competitive level for the industry and appropriate for the role and based on individual skills, time commitment and experience.	Aggregate Directors' fees cannot currently exceed £450,000 per annum	Should the shareholders approve the amendment to HGT's Articles of Association to increase the aggregate limit on Directors' fees of £450,000 to £480,000 at the forthcoming AGM, aggregate Directors' fees will not exceed £480,000 per annum
Expenses	Non-executive Directors can claim for out-of-pocket expenses in the furtherance of their duties.	Ad hoc	
Payment for loss of office	No payments will be made to non-executive Directors for loss of office		





## Directors' remuneration report

Each component of the remuneration package set out above supports the short and long-term strategic objectives of HGT by ensuring that the non-executive Directors' remuneration is set at a competitive level which reflects the responsibilities of, and the time devoted by, the non-executive Directors.

### Approach to recruitment remuneration

When recruiting new Directors, the Nomination Committee considers the likely time required to be devoted to HGT's business, taking into account the evolution of HGT's scale, complexity and the associated processes and procedures and ensures, that the fees for any new Director appropriately reflect the responsibilities and time commitment.

### Other benefits

None of the Directors has a service contract with HGT. The terms of their appointments are detailed in a letter sent to them when they join the Board. Directors are entitled to be reimbursed for reasonable expenses incurred by them in connection with the performance of their duties and attendance at Board and General Meetings. HGT is permitted to provide pension or similar benefits for Directors and employees of HGT; however, no pension schemes or other similar arrangements have been established and no Director is entitled to any pension or similar benefits. HGT does not have a policy on termination payments and no past Director has been compensated for loss of office or otherwise. All of HGT's Directors are subject to annual re-election. None of the Directors receive any non-cash or taxable benefits.

### Total remuneration paid to each Director

	Fees		Total fixed remuneration		Total variable remuneration	
	2022	2021	2022	2021	2022	2021
	£	£	£	£	£	£
Jim Strang	100,000	86,000	100,000	86,000	—	—
Richard Brooman	65,000	59,250	65,000	59,250	—	—
Peter Dunscombe*	20,322	52,750	20,322	52,750	—	—
Pilar Junco	50,000	45,500	50,000	45,500	—	—
Guy Wakeley	50,000	45,500	50,000	45,500	—	—
Anne West	57,500	52,750	57,500	52,750	—	—
Erika Schraner**	23,945	—	23,945	—	—	—
Total remuneration	366,767	341,750	366,767	341,750	—	—

\*Peter Dunscombe retired from the Board in May 2022

\*\*Erika Schraner was appointed to the Board in August 2022

The information in the above table has been audited.

There have been no payments to past Directors, whether for loss of office or otherwise. None of the fees referred to in the table above was paid to any third party, in respect of the services provided by any of the Directors. No element of the Directors' remuneration is performance related or variable. The Directors' remuneration is determined within the limits set out within HGT's Articles of Association and the Remuneration Policy – with Directors not eligible for benefits, bonuses, share options or long-term performance incentives. The terms and conditions for all Director appointments are set out in letters of appointment which are available for inspection at HGT's registered office. No Director has a service contract.

### Annual percentage change in remuneration of directors

Directors' pay has increased over the last three years, as set out in the table below:

	2022	% change from 2021 to 2022	2021 <sup>1</sup>	% change from 2020 to 2021	2020 <sup>1</sup>	% change from 2019 to 2020	2019 <sup>1</sup>
	£		£		£		£
Chairman	100,000	—	100,000	38.9%	72,000	2.9%	70,000
Audit, Valuations and Risk Committee Chairman	65,000	—	65,000	21.5%	53,500	2.9%	52,000
Management Engagement Committee Chairman	57,500	—	57,500	19.8%	48,000	3.2%	46,500
Senior Independent Director	57,500	—	57,500	19.8%	48,000	3.2%	46,500
Non-Executive Director	50,000	—	50,000	22.0%	41,000	2.5%	40,000

<sup>1</sup>The increases in pay were effective on 1 July in the given year.

The requirements to disclose this information came into force for companies with financial years starting on or after 10 June 2019 and the comparison will be expanded in future annual reports until it covers a five year period. HGT does not have any employees and therefore no comparisons are given in respect of Directors' and employees' pay increases.

## Directors' remuneration report

### Relative importance of spend on pay

	2022 <sup>1</sup> £000	% change from 2021 to 2022 <sup>1</sup>	2021 £000	% change from 2020 to 2021	2020 £000	% change from 2019 to 2020	2019 £000
Total Directors' remuneration	366,767	—	341,750	17.1%	292	2.8%	284
Total distributions to shareholders	35,567		21,660	6.2%	20,399	10.6%	18,444

<sup>1</sup> The fee increases are effective on 1 July; they were last increased in July 2021, with 2022 being the first full calendar year when the fees applied.

### Directors' interests

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

No. Ordinary shares	2022	2021
Richard Brooman	33,500	28,500
Peter Dunscombe*	n/a	60,000
Pilar Junco	—	—
Erika Schraner**	—	n/a
Jim Strang	137,250	109,000
Guy Wakeley	15,429	15,429
Anne West	200,000	200,000

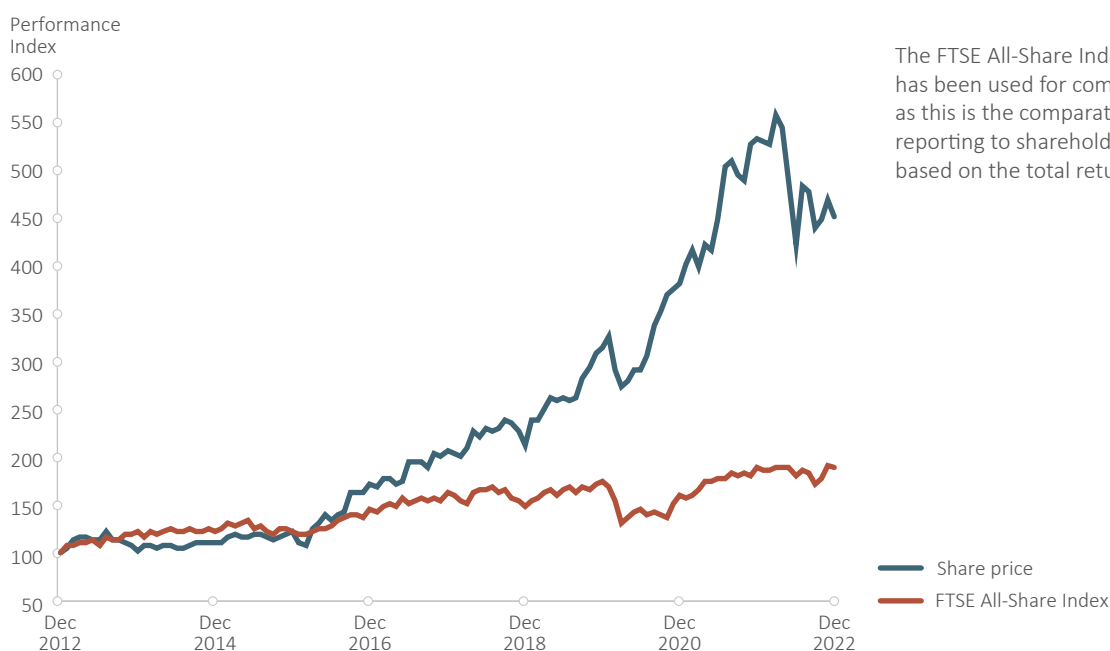
\*Peter Dunscombe retired from the Board in May 2022

\*\*Erika Schraner was appointed to the Board in August 2022

The above information has been audited.

Directors' share interests have not changed between the 31 December 2022 and 10 March 2023, being the latest practicable date before the publication of this Report.

### Share price performance from 31 December 2012 to 31 December 2022



On behalf of the Board  
Jim Strang  
Chairman of the Board  
10 March 2023



## Alternative Investment Fund Managers Directive (AIFMD)

HGT is an externally managed UK Alternative Investment Fund ('AIF') for the purposes of the Alternative Investment Fund Managers Directive (2011/61/EU), as applicable in the UK ('UK AIFMD'), being a public limited company incorporated in England and Wales and listed on the London Stock Exchange. HGT's registered office is 2 More London Riverside, London SE1 2AP.

Hg Pooled Management Limited ('Hg'), as Manager of HGT, has been appointed as the UK Alternative Investment Fund Manager ('AIFM') for the purposes of UK AIFMD.

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

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

### Investment Policy and risk management

The investment objective, policy and strategy of HGT and Hg are set out in HGT's Investment Objective and Investment Policy section (page 14) and Hg's Review section (pages 36–41) of the 31 December 2022 Annual Report and Accounts. HGT is subject to the UK Listing Authority listing rules and as such, any material change to HGT's investment policy can only be made with the approval of shareholders in a general meeting.

The principal risks associated with HGT's investment policy are set out in HGT's Business Model and Risk Framework (pages 14–19) and the Financial Risk section (page 73; note 19) of the notes to the financial statements in the Annual Report and Accounts. Hg is responsible for risk management functions and has procedures in place to evaluate, monitor and mitigate the risks faced by HGT. Hg's risk management function is reviewed by the Board and the Audit, Valuations and Risk Committee in order to ensure that the best processes are in place and properly followed.

### Manager

Hg Pooled Management Limited ('Hg') is the Manager of HGT, its registered office being 2 More London Riverside, London SE1 2AP. Hg is a limited company and is authorised and regulated (FRN 122466) by the Financial Conduct Authority ('FCA').

Hg was authorised to manage AIFs for the purpose of the AIFMD with effect from 22 July 2014.

Hg has been appointed to manage HGT pursuant to an agreement dated 14 January 2009 as amended and restated on 22 July 2014 (the 'Management Agreement') to include appropriate provisions relating to AIFMD.

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

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

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

### Depository

HGT has appointed APEX Depository (UK) Limited (the 'Depository'), whose registered office is at 6th Floor, 140 London Wall, London, EC2Y 5DN, as the depository in relation to HGT under an agreement dated 22 July 2014 (the 'Depository agreement').

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

### Auditor

HGT has appointed Grant Thornton UK LLP, whose registered office is at 30 Finsbury Square, London EC2A 1AG, as auditor.

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

The agreement between HGT and Grant Thornton for the provision of audit services to HGT does not include any specific rights for shareholders.

### Legal adviser

HGT has appointed Dickson Minto W.S., whose registered office is at 16 Charlotte Square, Edinburgh EH2 4DF as HGT's legal adviser.

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

## Alternative Investment Fund Managers Directive (AIFMD)

### Prime broker

HGT does not retain a prime broker.

### Legal relationship with shareholders

The rights of the shareholders are governed by HGT's Articles of Association.

As at 31 December 2022, HGT had 457,728,500 ordinary shares of 2.5 pence each in issue. Each ordinary share has one voting right attached to it. The total number of voting rights in HGT at this date was 457,728,500. Further information on the share capital of HGT can be found in the ordinary share capital (page 79; note 20) section of the notes to the financial statements in the Annual Report and Accounts. Shares are not offered on an ongoing basis but may be bought or sold through a stockbroker, financial intermediary, or one of the share dealing services detailed in the Shareholder Information section of the Annual Report and Accounts (page 119). HGT is incorporated under the laws of England and Wales. As such, the courts of England and Wales will have jurisdiction to hear and determine any proceeding, and to settle any dispute, in accordance with English law, which may arise out of a shareholder's shareholding in HGT. Consequently, for shareholders residing outside that jurisdiction it may not be possible to effect service of process in an alternative jurisdiction or enforce any judgement obtained against HGT in an alternative jurisdiction.

### Leverage

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

- the amount paid up, or credited as paid up, on the share capital of HGT (excluding any share capital presented as debt); and
- the total of any credit balance on the distributable and undistributable reserves of HGT's group, but excluding amounts attributable to outside shareholders in subsidiary undertakings of HGT and deducting any debit balance on any reserve.

HGT has in place a £290 million multi-currency standby facility with Lloyds Bank Corporate Markets plc on an unsecured basis, expiring on 7 October 2024. The facility was 47% drawn at 31 December 2022. Please refer to HGT's Business model and risk framework (page 14) of the Annual Report and Accounts.

### Valuation policy and procedure

Hg's valuation policy is to value investments in accordance with the International Private Equity and Venture Capital ('IPEV') guidelines. HGT has an Audit, Valuations and Risk Committee which reviews these valuations and provides oversight of the valuation process and methodology. Please see HGT's Business model and risk framework section (page 14) of the Annual Report and Accounts.

### Liquidity management

As HGT is closed-ended, and no redemptions are possible, its liquidity management is limited to ensuring it has the ability to meet the commitments made to make investments. A number of levers are available in order to manage HGT's liquidity profile. A proportion of the assets of HGT is normally maintained in liquid readily realisable form (cash, money market instruments, gilts and a managed liquidity fund) to meet draw-downs. A borrowing facility has been arranged with Lloyds Bank Corporate Markets plc, pursuant to which additional temporary facilities of up to £290 million are available (as referred to in the Leverage section above), if required. In addition, an opt-out provision has been negotiated in connection with HGT's commitment alongside Hg Genesis 8, Hg Genesis 9, Hg Genesis 10, Hg Mercury 2, Hg Mercury 3, Hg Saturn, Hg Saturn 2 and Hg Saturn 3. This permits HGT to opt out of its obligation to fund its commitment for certain liquidity or regulatory reasons, if to do so would result in HGT (i) not having the cash resources to meet any of its liabilities, expenses or obligations to fund its commitments to other funds or investment vehicles of Hg that are reasonably likely to become due within 12 months or (ii) not being able to undertake any share buyback, in each case subject to certain conditions. Please refer to HGT's Business model and risk framework (page 14) section of the Annual Report and Accounts.

### Fees, charges and expenses

For details of the fees payable by HGT to Hg in relation to its investment activities within the underlying fund partnerships, please refer to the priority profit share and carried interest section (page 66; note 5) of the notes to the financial statements in the Annual Report and Accounts.

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

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



Strategic report



Hg's review



Financial statements



Corporate governance

117

Further information



## Alternative Investment Fund Managers Directive (AIFMD)

### Fair treatment of shareholders and Preferential Treatment

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

### Remuneration disclosure

HGT does not directly employ any staff and instead the Hg group, which also acts as investment adviser and provides administrative services to HGT, provides personnel to fulfil roles within its investment committee, portfolio review committee and the control and risk functions (the 'Relevant Functions') and perform other activities for HGT. Personnel carrying out the Relevant Functions or who are senior management of Hg are referred to below as 'Identified Staff'.

The table below sets out the disclosures required under AIFMD in relation to the proportion of remuneration which Hg calculates was attributable to work done for HGT during the year ended 31 December 2022.

	2022 £	2021 £
Fixed remuneration paid to Identified Staff	375,000	350,000
Variable remuneration paid to Identified Staff	60,000	68,000
Aggregate remuneration paid to Identified Staff who are senior management of the Manager	89,000	90,000
Aggregate remuneration paid to Identified Staff who have a material impact on the risk profile of the AIF by reason of performing Relevant Functions	346,000	328,000
Carried interest paid by the AIF to Identified Staff	3,798,000	2,943,000

The number of Identified Staff for the year was 22.

### Remuneration policy

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

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

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

### Reporting and updates

HGT's historic performance has been disclosed to shareholders in its Annual Report and Accounts, the most recent one covering the year ended 31 December 2022 (and is publicly disseminated to all shareholders).

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





## Shareholder information

### Financial calendar

The announcement and publication of HGT's results may normally be expected in the months shown below:

March	<ul style="list-style-type: none"> <li>Final results for year announced</li> <li>Annual report and accounts published</li> </ul>
May	<ul style="list-style-type: none"> <li>Annual general meeting and payment of final dividend</li> <li>Release of Manager's quarterly update with updated 31 March NAV</li> </ul>
September	<ul style="list-style-type: none"> <li>Interim figures announced and interim report published</li> </ul>
October	<ul style="list-style-type: none"> <li>Payment of interim dividend</li> </ul>
November	<ul style="list-style-type: none"> <li>Release of Manager's quarterly update with updated 30 September NAV</li> </ul>

### Dividend

The final dividend proposed in respect of the year ended 31 December 2022 is 4.5 pence per share.

Ex-dividend date (date from which shares are transferred without dividend)	23 March 2023
Record date (last date for registering transfers to receive the dividend)	24 March 2023
Last date for registering DRIP instructions (see below)	27 April 2023
Dividend payment date	22 May 2023

### Payment of dividends

Cash dividends will be sent by cheque to the first-named shareholder at their registered address, to arrive on the payment date. Alternatively, dividends may be paid direct into a shareholder's bank account. This may be arranged by contacting HGT's registrar, Computershare Investor Services PLC ('Computershare'), on 0370 707 1037.

### Dividend re-investment plan ('DRIP')

Shareholders can choose to use their dividends to purchase further shares in HGT, forms can be obtained from HGT's registrar, Computershare:

Telephone: +44 (0)370 703 0084 or  
computershare.co.uk/DRIP

Shareholders who have already opted for dividend re-investment do not need to re-apply. The last date for registering for this service for the forthcoming dividend is 27 April 2023.

### Share price

HGT's mid-market ordinary share price is published daily in The Times and The Daily Telegraph, under the section 'Investment Companies'. In the Financial Times, the ordinary share price is listed in the sub-section 'Conventional-Private Equity'. The share price is also available on our website, subject to a 15-minute delay: [hgcapitaltrust.com](https://www.hgcapitaltrust.com)

### ISIN/SEDOL numbers

The ISIN/SEDOL numbers and mnemonic code for HGT's ordinary shares are:

ISIN	GB00BJOLT190
SEDOL	BJOLT19
Reuters code	HGT.L

### Share dealing

Investors wishing to purchase or sell shares in HGT may do so through a stockbroker, financial adviser, bank or several share dealing platforms. To purchase this investment, you must have read the key information document ('KID') before the trade can be executed. This, and other information, is available on HGT's website: [hgcapitaltrust.com](https://www.hgcapitaltrust.com)

The registrar, Computershare, can provide you with the KID by either e-mail or post.

To purchase shares, you can contact the registrar on:

Telephone: +44 (0)370 703 0084  
Internet share dealing: [computershare.com/dealing/uk](https://computershare.com/dealing/uk)

Internet dealing service is available to shareholders in certain jurisdictions, including the UK. The commission is 1.4%, subject to a minimum charge of £40 for internet share dealing. In addition, stamp duty is payable on purchases. Before you trade, you will need to register for these services. Detailed terms and conditions are available on request by telephoning +44 (0)370 703 0084.

This is not a recommendation to buy, sell or hold shares in HgCapital Trust plc. Those shareholders unsure of what action to take should obtain independent financial advice. Share values may go down, as well as up, which may result in a shareholder receiving less than they originally invested.

To the extent that this statement is a financial promotion for the share-dealing service provided by Computershare Investor Services PLC, it has been approved by Computershare Investor Services PLC for the purpose of section 21 (2) (b) of the Financial Services and Markets Act 2000 only. Computershare Investor Services PLC is authorised and regulated by the Financial Conduct Authority. Where this has been received in a country where the provision of such a service would be contrary to local laws or regulations, this should be treated as being for information only.



Strategic report



Hg's review



Financial statements



Corporate governance

119

Further information



## Shareholder information

### Uncertificated Securities Regulations 1995 – CREST

HGT's ordinary shares have joined CREST, an electronic system for uncertificated securities trading.

Private investors can continue to retain their share certificates and remain outside of the CREST system. Private investors are able to buy and sell their holdings in the same way as they did before the introduction of CREST, although there may be differences in dealing charges.

### Income tax

Where possible, dividends can be designated as an interest distribution (interest-streaming) for tax purposes. The Finance Bill 2017 included provisions which removed the requirement to deduct income tax at source from dividends notionally designated as interest distributions by investment trust companies, when they are made on or after 6 April 2017.

This brought this type of income into line with the treatment of interest paid on bank and building society accounts, following the introduction of the personal savings allowance. The amount of your personal savings allowance depends on your adjusted net income. Where interest-streaming is not possible, there is an individual annual allowance of £2,000 across all dividend income, above which there is a tax liability. For further information, please visit the HMRC.gov.uk website. For queries about your own tax position, please speak to an independent tax adviser.

### Capital gains tax ('CGT') for UK tax payers

Qualifying investment trusts currently pay no corporation tax on capital gains made within the portfolio. When investors sell all or part of their holdings, they may be liable to CGT. For more information, visit [gov.uk/capital-gains-tax](https://gov.uk/capital-gains-tax)

Investments held in ISAs continue to remain exempt from CGT. Please remember that we are unable to offer individual investment or taxation advice. Those investors in any doubt about their liability for CGT should seek professional advice.

### Risk factors

- Investments in predominantly unquoted companies, which form the majority of HGT's investments, may not be as readily realisable as investments in quoted companies.
- As Hg invests primarily in companies whose operations are headquartered or substantially based in Europe and in companies which trade internationally, the value of HGT's shares may be affected by changes in rates of foreign exchange.

- Hg invests in a portfolio of small to mid-cap companies, with enterprise values of more than £100 million (at the time of acquisition), the performance of which can fluctuate.
- The price at which HGT's shares trade on the London Stock Exchange is not the same as their NAV (although they are related); therefore, you may realise returns which are lower or higher than NAV performance.
- Past performance is not necessarily a guide to future performance – and an investor may not get back the amount originally invested.
- The value of investments in HGT and the income from them can fluctuate, as the value of the underlying investments fluctuates.
- HGT invests in unquoted companies; although great care is taken in their valuation, such valuations cannot, by their nature, be exact and are liable to change.

### Duration of HGT

An ordinary resolution was approved by shareholders at the annual general meeting in May 2020 to continue the life of HGT for a further five years – and a similar resolution will be put to the shareholders at every fifth year thereafter.

If the resolution to continue the life of HGT is not approved, a general meeting will be convened within six months after the date of the AGM to put forward proposals for the reorganisation or reconstruction of HGT.

### Nominee holdings

Where shares are held in a nominee company name, HGT undertakes to:

- provide the nominee company with multiple copies of shareholder communications, provided that an indication of quantities has been given in advance.
- allow investors holding shares through a nominee company to attend general meetings, provided that the correct authority from the nominee company is available.

Nominee companies are encouraged to provide the necessary authority to underlying shareholders to attend HGT's general meetings.

## Shareholder information

### Non-mainstream pooled investments

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

Legal advice obtained by HGT confirms that HGT's shares will qualify as an 'excluded security' under these new rules and will be excluded, therefore, from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

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

### Common reporting standard

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

The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in them. As an affected company, HGT provides information annually to the local tax authority on the tax residencies of some non-UK based certificated shareholders and corporate entities.

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

Please see HMRC's Quick Guide: Automatic Exchange of Information, information for account holders: [gov.uk/guidance/automatic-exchange-of-information-introduction](http://gov.uk/guidance/automatic-exchange-of-information-introduction)

### ISA status

HGT's shares are eligible for stocks and shares ISAs.

### Shareholders' enquiries

In the event of queries regarding your shares, please contact Computershare:

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol, BS99 6ZZ

Telephone: +44 (0)370 707 1037

Computershare Investor Centre: [investorcentre.co.uk](http://investorcentre.co.uk)

To register you will need your shareholder reference number (this information can be found on the last dividend voucher or your share certificate)

Computershare offers a free secure share management website which allows you to:

- view your share portfolio and see the latest market price of your shares.
- elect to receive your shareholder communications online.
- calculate the total market price of each shareholding.
- view price histories and trading graphs.
- update bank mandates and change of address details.
- use online dealing services.

General enquiries about HGT should be directed to:

Hg Pooled Management Ltd  
2 More London Riverside  
London, SE1 2AP

Telephone: 020 8396 0930

Email: [investorrelations@hgcapitaltrust.com](mailto:investorrelations@hgcapitaltrust.com)





### Investing in private equity

#### Private equity

Private equity is the term given to the provision of equity and equity type risk capital to unlisted companies.

It is normally used to finance beneficial change in businesses. The changes which require equity finance are manifold and ever present. They include a change in the scale of a business (through fast growth or acquisitions), a change in ownership, often in conjunction with management (the management buyout), a change in the strategic direction of a company, a significant change in the structure and operations of a business or financing the commercialisation of new technologies.

Healthy economies require constant change in their corporate sector, otherwise they stultify. Private equity is a form of finance well suited to pay for this change, as it is patient, welcomes considered risk-taking and participates directly in outcomes.

In return for their investment, private equity investors receive a share of the equity in the businesses they finance and do so with the objective of making a significant capital gain over holding periods, typically from three to seven years.

Private equity investors, like Hg, aim to deliver their clients higher returns than may be obtained from a portfolio of public equity investments over any rolling period of five to 10 years. Attractive returns can be garnered, if the private equity manager exploits the advantages which private equity investors have over investors in public markets.

#### Investment profile

Private equity investments are less liquid than publicly traded equities. To compensate for this, they offer greater control and aim for more attractive returns.

Individual private equity investments have a risk profile dependent on the nature of the underlying business. Investing in a diversified portfolio helps to mitigate some of these risks; the quality of company selections by the private equity manager and the Manager's ability to manage its portfolio further mitigates risk. Manager selection is a key determinant of returns.

#### Advantages of the private equity model

Compared with investment in the public markets, a private equity investor has significant advantages:

- **Better governance**  
Theory and experience tell us that businesses run by their owners tend to perform better than those run by salaried agents. In a private equity-backed business, almost everybody around the Board table and often a high percentage of the management and staff own shares in the companies they run. In addition, the private equity managers also have an equity interest in the portfolio companies through their co-investment obligations and via their carried interest. Accordingly, the interests of all parties are closely aligned and focused on creating value and realising a substantial capital gain. This is achieved by selecting ambitious medium- to long-term goals and allowing managers to pursue them, free from short-term distractions which often beset the managers of listed companies.
- **Better control**  
The private equity manager has more control over the method and timing of the sale of the business than does a manager of listed equities. This superior control also extends to the appointment of management.
- **Ability to attract the best management talent**  
Working in a private equity-backed business is highly attractive to the best and most ambitious managers. They will be incentivised by capital returns which the listed companies rarely, if ever, match and are given the challenge and satisfaction of running their own business.
- **Larger universe of opportunities**  
The universe of privately owned businesses is much larger than the publicly traded one, so the investor has greater choice. The choice available to private equity also includes listed companies which can be delisted and refinanced with private equity capital.
- **Better access presenting the possibility for better assessment**  
Before investing, private equity managers often have better access to information, including detailed market, financial, legal and management due diligence.

### Listed private equity

Listed private equity ('LPE') refers to public companies invested in unquoted businesses. The shares of the LPE company are listed and traded on a primary stock exchange. LPE companies provide the shareholder with an exposure to a differentiated portfolio of private companies, either directly or via funds, also known as limited partnerships. HGT is listed on the main market of the London Stock Exchange and is structured as an investment trust. It provides shareholders with exposure to a diversified portfolio of Hg limited partnerships and direct co-investments.

By buying shares in LPE companies, the investor benefits from liquidity while participating in the potentially superior returns of a private equity portfolio. In addition, LPE companies allow investors access to private equity, without having to commit to the 10-year lock-in and minimum investment required when investing in private equity via limited partnerships.

London Stock Exchange-listed private equity investment trusts are supervised by Boards of Directors, the majority of whom is independent, in order to reinforce the Manager's accountability to shareholders.

Provided that they meet certain criteria, investment trusts pay no corporation tax on capital gains, but may not retain more than 15% of their income in each financial year.

The objective of LPE is usually to provide shareholders with long-term capital appreciation, rather than income. LPE companies continually invest and reinvest; with no fixed life span like a limited partnership. Proceeds from the sale of assets are generally retained for re-investment, rather than being distributed to investors, which would trigger taxable gains. This, together with the long-term horizon of private equity, means that LPE is best suited to long-term holding, rather than frequent trading.

### Advantages of listed private equity

Compared with an investment in a limited partnership with a 10-year life, the normal route to obtaining a diversified exposure to private equity, LPE offers significant advantages:

- the opportunity for retail investors, as well as institutions, to participate in a diversified portfolio of mainly unlisted companies for the price of one share, rather than a typical minimum commitment of over £5 million to a limited partnership.
- by buying shares in an LPE company, investors have liquidity in the shares and do not have to make a 10-year commitment to a fund. Accordingly, they can trade without requiring the Manager's consent or the need to run a private auction of their interest.
- listed vehicles handle the cash management and administration, which are complex for a limited partnership interest. All LPE investors need do is monitor the value of their shareholdings in the quoted vehicle itself.
- capital gains retained within London-listed trusts are not taxed.







### Glossary and Alternative Performance Measures ('APM')

#### Available liquid resources (APM)

Includes cash at bank, uninvested capital, cash fund investments and the undrawn bank facility.

#### CAGR

Compound annual growth rate

#### Carried interest

Equivalent to a performance fee, this represents a share of the capital profits which will accrue to the investment manager, after achievement of an agreed preferred return.

#### Co-investment

An equity co-investment is typically a minority investment in a company made alongside a private equity fund. These investments are free from management fees and carried interest.

#### DACH

An acronym for D (Deutschland/Germany), A (Osterreich/Austria), CH (Schweiz/Switzerland).

#### Discount

Investment trust shares frequently trade at a discount to NAV. This occurs when the share price is less than the NAV. In this circumstance, the price which an investor pays or receives for a share would be less than the value attributable to it by reference to the underlying assets. The discount is the difference between the share price and the NAV, expressed as a percentage of the NAV. For example, if the NAV were 456.6 pence and the share price were 415.0 pence, the discount would be 10%.

#### EBITDA (APM)

Earnings before interest, tax, depreciation and amortisation. LTM EBITDA growth is an Alternative Performance Measure.

#### ESG

Environmental, social and governance

#### EV (enterprise value)

This is the aggregate value of a company's entire issued share capital and net debt.

#### Expansion capital

The provision of capital to an existing, established business, to finance organic growth or acquisitions.

#### Fund level facilities

Lines of credit that sit below the fund structure which are used to fund portfolio M&A and return cash to investors. The facilities are unsecured, with no recourse to HGT or the underlying funds and are repaid from future realised proceeds, the proportion of which will depend on the loan to value ratio at that time. Since the debt sits below the funds the interest is shown as an unrealised loss against the HGT investments.

#### Hedging

Hedging is an investment technique designed to offset a potential loss on one investment by purchasing a second investment which is expected to perform in the opposite way.

#### ILPA

Institutional Limited Partners Association

#### IPO (initial public offering)

An offering by a company of its share capital to the public with a view to seeking an admission of its shares to a recognised stock exchange.

#### IRR (internal rate of return)

The annualised rate of return received by an investor in a fund. This is calculated from cash drawn from and returned to the investor, together with the residual value of the investment.

#### LBO (leveraged buyout)

The purchase of all or most of a company's share capital, often involving its managers, funded mainly by borrowings often secured on HGT's assets, resulting in a post-financing capital structure of HGT which is geared.

#### LP (limited partnership)

An English limited partnership includes one or more general partners who have responsibility for managing the business of the partnership and have unlimited liability and one or more limited partners who do not participate in the operation of the partnership and whose liability is ordinarily capped at their capital and loan contribution to the partnership. In typical fund structures, the general partner receives a priority profit share ahead of distributions to limited partners. In addition, a limited partner, designated as the 'founder partner', will share in the profits of the partnership, alongside the other limited partners, once limited partners have been returned all loan contributions, plus a hurdle rate of return as agreed with the partnership.

## Shareholder information

### LTM

Last 12 months

### MBI (management buy-in)

A change of ownership, where an incoming management team raises financial backing, normally a mix of equity and debt, to acquire a business.

### MBO (management buyout)

A change of ownership, where the incumbent management team raises financial backing, normally a mix of equity and debt, to acquire a business it manages.

### MOIC

Multiple on invested capital – is one of the performance measurements for private fund investing. It is calculated by dividing the sum of a fund's realised and unrealised value by the total amount invested.

### NAV (net asset value per share) (APM)

This is the value of HGT's assets attributable to one ordinary share. It is calculated by dividing 'shareholders' funds' by the total number of ordinary shares in issue. For example, as at 31 December 2022, shareholders' funds were £2,089,965,000, with 457,728,500 ordinary shares in issue; the NAV was therefore 456.6 pence per ordinary share. Shareholders' funds are calculated by deducting current and long-term liabilities, and any provision for liabilities and charges, from HGT's total assets.

### NRR

Net recurring revenue is the proportion of the revenue from existing clients which is secured and will therefore recur in the following calendar year.

### P2P (public to private)

The purchase of all of a listed company's shares using a special-purpose vehicle funded with a mixture of debt and unquoted equity.

### Preferred return

A preferential rate of return on an individual investment or a portfolio of investments.

### Premium

A premium occurs when the share price is higher than the NAV and investors would therefore be paying more than the value attributable to the shares by reference to the underlying assets. For example, if the share price were 502.3 pence and the NAV were 456.6 pence, the premium would be 10%.

### Quoted company

Any company whose shares are listed or traded on a recognised stock exchange.

### SASB

The Sustainability Accounting Standards Board

### Share-split

A share-split (or stock-split) is the process by which a company divides its existing shares into multiple shares. Although the number of shares outstanding increases, the total net asset value of the shares remains the same as before.

HGT completed a 10:1 share-split in May 2019.

### TCFD

Task Force on Climate-related Financial Disclosures. The Financial Stability Board created TCFD to improve and increase reporting of climate-related financial information.

### Total ongoing charges (APM)

Please refer to page 96.

### Total return (APM)

The total return to shareholders comprises both changes in HGT's NAV or share price and dividends paid to shareholders; it is calculated on the basis that all historic dividends have been reinvested in HGT's shares on the date the dividend is paid.

### UNPRI

Principles of Responsible Investment. The PRI is the world's leading proponent of responsible investment.

### Unquoted company

Any company whose shares are not listed or traded on a recognised stock exchange.

### Venture capital

Investing in companies at a point in that company's life cycle which is at the concept, start-up or early stage of development.





## Notice of Annual General Meeting

This document is important and requires your immediate attention. If you are in any doubt about any aspect of the proposals referred to in this document or about the action which you should take, you should seek your own advice immediately from a stockbroker, solicitor, accountant or other independent professional adviser. If you have sold or otherwise transferred all of your shares, please pass this document, together with the accompanying documents, to the purchaser or transferee, or to the person who arranged the sale or transfer, so they can pass these documents to the person who now holds the shares.

### HgCapital Trust plc (incorporated and registered in England and Wales under number 01525583)

#### Directors:

Jim Strang

Richard Brooman

Erika Schraner

Pilar Junco

Guy Wakeley

Anne West

#### Registered Office:

2 More London

London, SE1 2AP

### Annual General Meeting 2023

I am pleased to present the Notice of the Annual General Meeting (AGM) of HgCapital Trust plc (HGT) which will be held at 2 More London Riverside, SE1 2AP on 17 May 2023 at 11.00 a.m. to transact the business set out in the resolutions in this Notice of AGM. The purpose of this letter is to explain certain elements of that business. We are pleased to be able to welcome our shareholders at our AGM. Those of our shareholders who will not be able to attend the meeting in person are encouraged to submit a proxy vote in advance of the meeting. All resolutions will be voted on by a poll. A form of proxy for use at the AGM is enclosed with this document or can be requested from the Company Secretary (HgCapitalSecretarial@linkgroup.co.uk). To be valid, the form of proxy should be completed, signed and returned in accordance with the instructions printed thereon, as soon as possible and, in any event, to reach HGT's registrars, Computershare Investor Services PLC (Computershare), no later than 48 hours before the time of the AGM, or any adjournment of that meeting. The results of the AGM business will be posted on hgcapitaltrust.com and announced to the market via the London Stock Exchange.

Should you wish to ask the Board or HGT's investment manager any questions, please feel free to do so by either email to: HGTAGM2023@hgcapital.com, or by post, by writing to HGT at 2 More London Riverside, London, SE1 2AP. Those questions which are submitted before 16 May 2023 will be answered ahead of the AGM, and we will endeavour to answer any questions subsequently received as soon as possible.

Any changes to the arrangements for the AGM (including any change to the location) will be communicated to shareholders before the meeting through our website hgcapitaltrust.com and, where appropriate, by an announcement on the London Stock Exchange.

### Resolution 2 – Remuneration

An advisory resolution to approve the Directors' Remuneration Report (set out in the Annual Report) is included.

### Resolution 3 – Remuneration Policy

The Board proposes a resolution to approve the Remuneration Policy that will apply until it is next put to shareholders for renewal of that approval, which must be at intervals of not more than three years.

### Resolution 4 – Final dividend

The Board proposes a final dividend of 4.5 pence per share in respect of the year ended 31 December 2022. If approved, the recommended final dividend will be paid on 22 May 2023 to all ordinary shareholders who are on the register of members on 24 March 2023. The shares will be marked ex-dividend on 23 March 2023.

### Resolutions 5 to 10 – Re-election of Directors

In line with the recommendations of the 2019 AIC Corporate Governance Code, all Directors of HGT are required to retire and offer themselves for re-election at each AGM. In accordance with this requirement, Dr Strang, Mr Brooman, Ms Junco, Dr Wakeley and Ms West will retire and offer themselves for re-election as Directors and Ms Schraner will offer herself for election as a Director. Full biographies of all of the Directors are set out in the Annual Report on pages 94 and 95 and are also available on HGT's website hgcapitaltrust.com. The Nomination Committee considered the Directors' performance and recommended their re-election and the Board agrees that it is in the best interests of shareholders that each of the Directors be re-elected.

### Directors' tenure

The tenure of two of our Board members, Anne West, our Senior Independent Director, and Richard Brooman, our Chairman of the Audit, Valuations and Risk Committee, is close to, or exceeds, nine years. The Board believes that longer periods of service are not only desirable, but essential for an investment company such as HGT, where the cycles of commitment-investment-realization and the negotiations of significant, new long-term commitments can extend over a period of up to ten years or longer. It is important that the Board is able to maintain its long-term perspective, supported by a long corporate memory, balanced with the regular challenge provided by fresh thinking. Our succession plan sets out an evolution of the Board's composition over the period through to the AGM of HGT in 2025. We believe that a suitable transition period for Anne and Richard's roles would be in HGT's interests, helping preserve continuity and allowing more time

### Resolution 1 – To receive the Annual Report and Financial Statements

The Directors are required to present the financial statements, Strategic Report, Directors' Report and Auditor's Report to the meeting. These are contained in HGT's Annual Report and Accounts for the year ended 31 December 2022 (the Annual Report). A resolution to receive the financial statements, together with the Strategic Report, Directors' Report and the Auditor's Report on those accounts is included as an ordinary resolution.

## Notice of Annual General Meeting

for their successors to assume their responsibilities in these critical roles. We therefore expect the next departures from the Board to take place firstly at the 2024 and then subsequently at the 2025 AGM.

Richard has served on the Board since 2007. Through his corporate memory, in depth knowledge of HGT and extensive experience of working with the Manager, he continues to provide constructive challenge and robust scrutiny of matters coming before the Board and the AVRC, in particular the valuations of the portfolio firms and negotiating the terms of the Manager's engagement, and supports the Committees' and the Board's discussions with his valuable insights and corporate memory. In May 2023, Anne's tenure will reach nine years – Anne also remains a valued member of the Board and in her role as a SID she supports the Board's and Committees' discussions with her insights, deep understanding of investing and the investment cycles, and her long-standing experience of working with HGT and the Manager, with particular emphasis on the interests of our shareholders and other stakeholders. In the Board's opinion, despite the length of their tenure exceeding nine years, Anne and Richard both remain independent; they are both independent of Hg and free from any business or other relationships which could materially interfere with their decision making.

### Resolutions 11 and 12 – Re-appointment and remuneration of auditor

At each meeting at which HGT's financial statements are presented to its members, HGT is required to appoint an auditor to serve until the next such meeting. The Board, on the recommendation of the Audit, Valuations and Risk Committee, recommends the re-appointment of Grant Thornton UK LLP as auditor to HGT, and this will be proposed to the AGM as Resolution 11. Resolution 12 authorises the Directors to fix the auditor's remuneration.

### Resolution 13 – Authority to allot ordinary shares

Resolution 13 authorises the Board to allot ordinary shares generally and unconditionally in accordance with Section 551 of the Companies Act 2006 (the Act) up to an aggregate nominal value of £3,814,404, representing approximately one-third (33.33%) of the issued ordinary share capital at the date of the Notice. No shares are held in treasury.

No ordinary shares will be issued at a price less than the prevailing net asset value per ordinary share at the time of issue, other than on a pre-emptive basis or with the prior consent of Shareholders provided in accordance with the Listing Rules. This authority shall expire at the next AGM of HGT.

### Resolution 14 – Amendment to Investment Policy

Resolution 14 is an ordinary resolution to amend HGT's investment policy. The Board is proposing a resolution to amend HGT's investment policy to more accurately describe the sectors and markets in which the Manager invests. We recommend that:

- HGT invests in businesses, in which Hg can work collaboratively with management teams to help those business achieve their full potential and grow, organically and inorganically;
- HGT's investments are focused on a range of sub-sectors within the software and technology-enabled business services in industry verticals, where the Manager can utilise the full extent of its knowledge and experience;
- The businesses HGT invests in often operate across multiple countries but are substantially headquartered in Europe, with a minority based in North America.

### Resolution 15 – Authority to disapply pre-emption rights

Resolution 15 is a special resolution which is being proposed to authorise the Directors to disapply the pre-emption rights of existing Shareholders in relation to issues of ordinary shares under Resolution 13, in respect of ordinary shares up to an aggregate nominal value of £1,144,321, representing approximately 10% of HGT's issued ordinary share capital as at the date of the Notice.

No issuance of ordinary shares without pre-emption rights will be made at a price less than the prevailing net asset value per ordinary share at the time of issue. This authority shall expire at the next AGM of HGT.

### Resolution 16 – Purchase of own shares

Resolution 16 is a special resolution which will grant HGT authority to make market purchases of up to 68,613,502 ordinary shares, representing 14.99% of the ordinary shares in issue as at the date of the Notice. The ordinary shares bought back will either be cancelled or placed into treasury, at the determination of the Directors.

The maximum price which may be paid for each ordinary share must not be more than the higher of (i) 105% of the average of the mid-market values of the ordinary shares for the five business days before the purchase is made or (ii) the higher of the price of the last independent trade and the highest current independent purchase bid for a share of HGT on the trading venues where the market purchases by HGT, pursuant to the authority conferred by this Resolution 16, will be carried out. The minimum price which may be paid for each Ordinary share is £0.025.

There are currently no shares held in treasury by HGT. In addition, the Directors would not exercise the authority granted under this resolution, unless they consider it to be in the best interests of Shareholders, which may include addressing any significant imbalance between the supply and demand for HGT's ordinary shares and to manage any discount to net asset value at which the ordinary shares trade. Purchases would be made in accordance with the provisions of the Act and the Listing Rules. This authority shall expire at the next AGM of HGT, when a resolution to renew the authority will be proposed. HGT currently intends that any ordinary shares repurchased would be held in treasury, subject to applicable law and regulation.



Strategic report



Hg's review



Financial statements



Corporate governance

127

Further information



## Notice of Annual General Meeting

### Resolution 17 – Amendment to HGT's Articles of Association ('the Articles')

Resolution 17 is an ordinary resolution and, as explained in the Remuneration Report on pages 112 to 115, the Board would like to propose an amendment to article 106, which currently limits the remuneration which may be paid to the Directors of HGT to the aggregate annual sum of £450,000, to increase this limit to an aggregate annual sum of £480,000.

Directors' fees have increased overtime, reflecting the growing amount of time they devote to the business of HGT, mainly driven by a significant increase in the scale and complexity of the business, as well as material and incremental increases in regulation, increased frequency of reporting (with the introduction of the quarterly valuations) and greatly increased number of meetings. It is also important that HGT remains able to recruit and retain high calibre directors with the right mix of skills and experience and retains the flexibility to maintain an appropriate size and composition of the Board. On page 110, we set out our succession plan, through which the Board aims to facilitate the succession of two of the longest serving members of the Board, the Senior Independent Director, Anne West, and the Chairman of the Audit, Valuations and Risk Committee, Richard Brooman. Given the seniority of these positions and the critical role they play in the governance of HGT, these transitions will be accomplished over a period of two years through to the AGM of HGT in May 2025.

As in previous years, the Board does not intend to increase remuneration significantly year on year, and we propose to increase the cap in the Articles to have sufficient headroom between the limit on total remuneration and the actual remuneration paid in any one year. With the expected changes to the Board's composition, the number of Directors on the Board will temporarily increase at the end of 2023 and 2024, we then expect that the HGT Board will return to being comprised of six Directors in 2025.

Copies of the Articles of HGT, including a version marked to show the amendments from the existing Articles, will be available for inspection at the venue of the AGM, from 15 minutes before the meeting, until the conclusion of the AGM.

### Action to be taken

All shareholders are encouraged to submit a proxy vote in advance of the meeting. Forms of Proxy should be returned so as to be received by HGT's Registrar, Computershare, at The Pavilions, Bridgwater Road, Bristol BS99 6ZY as soon as possible and, in any event, no later than 11.00 a.m. on 15 May 2023. Alternatively, you may appoint a proxy electronically via [investorcentre.co.uk/eproxy](https://investorcentre.co.uk/eproxy) by following the instructions on that website or, if you hold your shares in CREST, via the CREST system. Please note that all proxy appointment forms should reach HGT's registrar, Computershare, by no later than 11.00 a.m. on 15 May 2023. If you hold your shares through a nominee service, please contact the nominee service provider about the process for giving voting instructions.

If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by HGT and approved by the Registrar. For further information regarding Proxymity, please go to [proxymity.io](https://proxymity.io). Your proxy must be lodged by 11.00am on 15 May 2023 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

### Recommendation

Full details of the above resolutions are contained in the Notice. The Directors consider that all of the resolutions to be proposed at the AGM are in the best interests of HGT and its members as a whole. The Directors unanimously recommend that Shareholders vote in favour of all of the resolutions.

Jim Strang  
*Chairman, HgCapital Trust plc*  
10 March 2023



# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of HgCapital Trust plc (HGT) will be held at 2 More London Riverside, London SE1 2AP, on 17 May 2023 at 11.00 a.m. to transact the business set out in the resolutions below.

Resolutions 1 to 14 and 17 will be proposed as ordinary resolutions; this means that for each of those ordinary resolutions to be passed, more than half of the votes cast must be in favour. Resolutions 15 and 16 will be proposed as special resolutions; this means that, for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour.

## Ordinary resolutions

1. To receive HGT's annual financial statements for the year ended 31 December 2022, together with the Directors' Report, the Strategic Report and the Auditor's Report on those financial statements.
2. To approve the Directors' Remuneration Report set out on pages 112 to 115 of HGT's Annual Report and Accounts for the financial year ended 31 December 2022.
3. To approve the Directors' Remuneration Policy.
4. To declare a final dividend of 4.5 pence per share in respect of the year ended 31 December 2022.
5. To elect Erika Schraner as a Director.
6. To re-elect Richard Brooman as a Director.
7. To re-elect Pilar Junco as a Director.
8. To re-elect Jim Strang as a Director.
9. To re-elect Guy Wakeley as a Director.
10. To re-elect Anne West as a Director.
11. To re-appoint Grant Thornton UK LLP as auditor of HGT, to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting at which financial statements are laid before HGT.
12. To authorise the Directors to determine the remuneration of the auditor.
13. THAT, in accordance with Section 551 of the Companies Act 2006 (the Act), the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of HGT to allot ordinary shares in HGT, up to a maximum aggregate nominal amount of £3,814,404 (being approximately 33.33% of the issued ordinary share capital of HGT at the date of this Notice), such authority (i) to replace any existing authorities in respect of ordinary shares of the Directors pursuant to Section 551 of the Act, which are hereby revoked and (ii) to expire at the conclusion of the next Annual General Meeting of HGT (unless previously renewed, varied or revoked by HGT in a general meeting), save that HGT may, before such expiry, make offers or agreements which would or might require ordinary shares to be allotted after such expiry and the Directors may allot ordinary shares in pursuance of such offers or agreements as if the authority conferred by this resolution had not expired.
14. THAT the revised and restated investment policy set out as an appendix to this Notice, a copy of which has been produced to the meeting and signed by the Chairman for the purposes of identification, be approved and is hereby adopted as the investment policy of HGT, to the exclusion of all previous investment policies of HGT.

## Special resolutions

15. THAT, subject to the passing of Resolution 13, and in accordance with Sections 570 and 573 of the Act, the Directors be and are hereby generally empowered to allot equity securities (as defined in Section 560(1) of the Act) for cash, pursuant to the authority conferred on the Directors by Resolution 13 and to sell ordinary shares from treasury for cash, as if Section 561 of the Act did not apply to any such allotment or sale, up to an aggregate nominal amount of £1,144,321 (being approximately 10% of the issued ordinary share capital of HGT at the date of this Notice), such power to expire at the conclusion of the next Annual General Meeting of HGT (unless previously renewed, varied or revoked by HGT in general meeting) save that HGT may, at any time prior to the expiry of such power, make an offer or enter into an agreement which would or might require ordinary shares to be allotted or sold from treasury after the expiry of such power and the Directors may allot or sell ordinary shares from treasury in pursuance of such an offer or agreement as if such power had not expired.
16. THAT, HGT be and is hereby generally and unconditionally authorised for the purpose of Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares in the capital of HGT, provided that:
  - a. the maximum number of ordinary shares which may be purchased is 68,613,502 (representing approximately 14.99% of the issued ordinary share capital of HGT as at the date of this Notice);
  - b. the minimum price, exclusive of any expenses, which may be paid for each ordinary share is the nominal value of that ordinary share;
  - c. the maximum price, exclusive of any expenses, which may be paid for each ordinary share is an amount equal to the higher of:
    - i. 105% of the average of the mid-market values of the ordinary shares for the five business days before the purchase is made; and
    - ii. the higher of the price of the last independent trade of an ordinary share and the highest current independent purchase bid for a share of HGT on the trading venues where the market purchases by HGT, pursuant to the authority conferred by this Resolution 16 will be carried out,provided that all ordinary shares purchased pursuant to the said authority shall:
    - i. be cancelled immediately upon completion of the purchase; or
    - ii. be held, sold or otherwise dealt with as treasury shares, in accordance with the provisions of the Act.





## Notice of Annual General Meeting

This authority shall expire at the conclusion of the next Annual General Meeting of HGT (unless previously revoked, varied, renewed or extended by HGT in general meeting) save that HGT may, before such expiry, enter into a contract to purchase shares which will or may be executed wholly or partly after the expiry of such authority.

### Ordinary resolutions

17. THAT the limit on Directors' fees set out in Article 106 of HGT's Articles of Association be and is hereby amended by ordinary resolution of HGT as provided for in terms of the said Article 106, from £450,000 to £480,000.

By order of the Board  
Link Company Matters Limited  
Company Secretary  
10 March 2023  
Registered Office:  
2 More London Riverside  
London SE1 2AP

### Important notes

The following notes explain your general rights as a shareholder and your right to attend and vote at this Annual General Meeting or to appoint someone else to vote on your behalf.

1. To be entitled to attend and vote at the Annual General Meeting (and for the purposes of the determination by HGT of the votes they may cast), members must be registered in the Register of Members of HGT at 6.00pm on 15 May 2023 (or, in the event of any adjournment, 48 hours before the time of the adjourned meeting excluding non-working days). Changes to the Register of Members of HGT after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Annual General Meeting.
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member, but must attend the Annual General Meeting to represent you. Details of how to appoint the Chairman of the Annual General Meeting or another person as your proxy, using the proxy form, are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Annual General Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.  
If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by HGT and approved by the Registrar. For further information regarding Proxymity, please go to [proxymity.io](https://proxymity.io). Your proxy must be lodged by 6pm on 15 May 2023 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.
3. To appoint more than one proxy, an additional proxy form(s) may be obtained by contacting HGT's registrars, Computershare, helpline on 0370 707 1037 or you may photocopy the proxy form. Please indicate in the box next to the proxy holder's name, the number of shares in relation to which they are authorised to act as your proxy. Please also indicate, by ticking the box provided, if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
4. In the case of joint holders, where more than one of the joint holders completes a proxy appointment, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in HGT's register of members, in respect of the joint holding (the first-named being the most senior).

## Notice of Annual General Meeting

5. A personalised form of proxy is enclosed with Shareholders' copies of this document. To be valid, it should be lodged with HGT's registrars, Computershare, The Pavilions, Bridgwater Road, Bristol BS99 6ZY so as to be received no later than 48 hours (excluding non-working days) before the time appointed for the Annual General Meeting or any adjourned meeting or, in the case of a poll taken subsequent to the date of the Annual General Meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.
6. A person authorised by a corporation is entitled to exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of HGT. On a vote on a resolution on a show of hands, each authorised person has the same voting rights as the corporation would be entitled to. On a vote on a resolution on a poll, if more than one authorised person purports to exercise a power in respect of the same share:
  - a. if they purport to exercise the power in the same way as each other, the power is treated as exercised in that way; or
  - b. if they do not purport to exercise the power in the same way as each other, the power is treated as not exercised.
7. Any person receiving a copy of this Notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a Nominated Person) should note that the provisions in notes 2 above concerning the appointment of a proxy or proxies to attend the Annual General Meeting in place of a member, do not apply to a Nominated Person, as only Shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the Annual General Meeting.
8. Nominated persons should also remember that their main point of contact in terms of their investment in HGT remains the member who nominated the Nominated Person to enjoy information rights (or perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not HGT) regarding any changes or queries relating to the Nominated Person's personal details and interest in HGT (including any administrative matters). The only exception to this is where HGT expressly requests a response from a Nominated Person.
9. Appointment of a proxy will not preclude a member from subsequently attending and voting at the Annual General Meeting should the member subsequently decide to do so. A member can only appoint a proxy by using the procedures set out in these notes and the notes to the proxy card. The termination of the authority of a person to act as a proxy must be notified to HGT in writing. Amended instructions must be received by Computershare by the deadline for receipt of proxies. Should a member wish to appoint a proxy electronically, such proxy appointment must be registered electronically at [investorcentre.co.uk/eproxy](https://investorcentre.co.uk/eproxy), so as to be received no later than 48 hours (excluding non-working days) before the time appointed for the Annual General Meeting or any adjourned meeting or, in the case of a poll taken subsequent to the date of the Annual General Meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed to take the poll. To vote electronically, you will be asked to provide the Control Number, Shareholder Reference Number (SRN) and PIN, details of which are contained in the personalised proxy card enclosed. This is the only acceptable means by which proxy instructions may be submitted electronically.
10. As at 10 March 2023 HGT's issued share capital consists of 457,728,500 ordinary shares, with none held in treasury. The total number of voting rights in HGT is therefore 457,728,500.
11. A copy of the Notice of Annual General Meeting and the information required by Section 311A of the Companies Act 2006 is included on HGT's website, [hgcapitaltrust.com](https://hgcapitaltrust.com).
12. Section 319A of the Companies Act 2006 requires the Directors to answer any question raised at the Annual General Meeting which, relates to the business of the Annual General Meeting, although no answer need be given (a) if to do so would interfere unduly with the preparation of the Annual General Meeting or involve disclosure of confidential information; (b) if the answer has already been given on HGT's website; or (c) if it is undesirable in the best interests of HGT or the good order of the Annual General Meeting.
13. Members satisfying the thresholds in section 527 of the Companies Act 2006 can require HGT to publish a statement on its website setting out any matter relating to (a) the audit of HGT's accounts (including the auditor's report and the conduct of the audit) which are to be laid before the Annual General Meeting; or (b) any circumstances connected with an auditor of HGT ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the Annual General Meeting. HGT cannot require the members requesting the publication to pay its expenses. Any statement required to be placed on the website must also be sent to HGT's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that HGT has been required to publish on its website.



Strategic report



Hg's review



Financial statements



Corporate governance

131

Further information



## Notice of Annual General Meeting

14. Members satisfying the thresholds in section 338 of the Companies Act 2006 may require HGT to give, to members of HGT entitled to receive notice of the Annual General Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Annual General Meeting. A resolution may properly be moved at the Annual General Meeting unless (a) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or HGT's constitution or otherwise); (b) it is defamatory of any person; or it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by HGT no later than six weeks before the date of the Annual General Meeting.
15. Members satisfying the thresholds in section 338A of the Companies Act 2006 may request HGT to include in the business to be dealt with at the Annual General Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Annual General Meeting. A matter may properly be included in the business at the Annual General Meeting unless (a) it is defamatory of any person or (b) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by HGT no later than six weeks before the date of the Annual General Meeting.
16. By attending the Annual General Meeting, members and their proxies and representatives are understood by HGT to have agreed to receive any communications relating to HGT's shares made at the Annual General Meeting.
17. You may not use any electronic address provided in either this Notice or any related documents (including the Form of Proxy) to communicate with HGT for any purposes other than those expressly stated.
18. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST manual, which is available to download from the Euroclear website ([euroclear.com/CREST](http://euroclear.com/CREST)). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
19. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the Issuer's agent (3RA50) by the latest time for receipt of proxy appointments specified in note 4 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
20. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.
21. HGT may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001.
22. The Annual Report incorporating this notice of Annual General Meeting, details of the number of shares in respect of which members are entitled to exercise voting rights at the Annual General Meeting as at 9 March 2023 (the business day prior to publication of this notice) and, if applicable, any members' statements, members' resolutions or members' matters of business received by HGT after the dates of this notice will be available on HGT's website: [hgcapitaltrust.com](http://hgcapitaltrust.com).
22. None of the Directors has a contract of service with HGT. A copy of the terms and conditions of appointment of Directors is available for inspection at the registered office of HGT during usual business hours on any weekday (except weekends and public holidays).
23. Personal data provided by shareholders at or in relation to the Meeting will be processed in line with HGT's privacy policy.

## Appendix 1

### Updated investment policy

The policy of HGT is to invest, directly or indirectly, in a portfolio of unlisted companies; where Hg believes that it can add value through increasing organic growth, generating operational improvements, driving margin expansion, reorganisation or acquisition – to achieve scale. HGT seeks to maximise its opportunities and reduce investment risk by holding a spread of businesses diversified by end-market and geography.

#### Risk management

HGT has adopted formal policies to control risk arising through excessive leverage or concentration. HGT's maximum exposure to unlisted investments is 100% of the gross assets of HGT from time to time. On investment, no investment in a single business will exceed a maximum of 20% of gross assets. HGT may invest in other listed closed-ended investment funds, up to a maximum at the time of investment of 15% of gross assets.

#### Sectors and markets

As HGT's policy is to invest in businesses in which Hg can **work collaboratively** play an active role in supporting with management **teams to help those businesses achieve their full potential and grow, organically and inorganically**. HGT's **investments are focused on**, Hg 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 **specific sub-sectors within the software and technology-enabled business services in industry verticals** where Hg **believes that its skills can utilise the full extent of its knowledge and experience. add value, but there is no policy of making allocations to sectors. The businesses HGT invests in often operate across multiple countries but are substantially headquartered in Europe, with a minority based in North America.** HGT may, from time to time, invest directly in private equity funds managed by Hg where it is more economical and practical to do so.

#### Leverage

Each underlying investment is usually leveraged, but no more than its own cash flow can support, in order to enhance value creation; it is impractical to set a maximum for such gearing across the portfolio as a whole. HGT commits to invest in new opportunities in order to maintain the proportion of gross assets which are invested at any time, but monitors such commitments carefully against projected cash flows. HGT has the power to borrow and to charge its assets as security. The articles restrict HGT's ability (without shareholders' approval) to borrow to no more than twice HGT's share capital and reserves, allowing for the deduction of debit balances on any reserves.

#### Hedging

Part of HGT's portfolio is located outside of the UK, predominantly in northern Europe, with a further part in businesses which operate in US dollars. HGT may therefore hold investments valued in currencies other than sterling. From time to time, HGT may put in place hedging arrangements with the objective of protecting the sterling translation of a valuation in another currency. Derivatives are also used to protect the sterling value of the cost of investment made or proceeds from realising investments in other currencies, between the exchange of contracts and the completion of a transaction.

#### Commitment strategy

HGT employs a commitment strategy to ensure that its balance sheet is managed efficiently. The level of commitment is regularly reviewed by the Board and Hg.

#### Liquid funds

HGT maintains a level of liquidity to ensure, as far as can be forecast, that it can participate in all investments made by Hg throughout the investment-realisation cycle. At certain points in that cycle, HGT may hold substantial amounts of cash awaiting investment. HGT may invest its liquid funds in government or corporate debt securities, or in bank deposits, in each case with an investment grade rating, or in managed liquidity funds which hold investments of a similar quality. 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. Any material change to HGT's investment objective and policy will be made only with the approval of shareholders in a general meeting.







## Board, management and administration

### Directors

Jim Strang  
(Chairman)  
Richard Brooman  
(Chairman of the Audit, Valuations and Risk Committee)  
Pilar Junco  
Guy Wakeley  
Anne West  
(Senior Independent Director)  
Erika Schraner  
(Chair of the Management Engagement Committee, appointed on 1 August 2022)

### Company secretary

Link Company Matters Limited  
65 Gresham Street  
London  
EC2V 7NQ  
Telephone: 0207 954 9531

### Registered office

2 More London Riverside  
London  
SE1 2AP

### Registered number

01525583

### Website

hgcapitaltrust.com

### Investment manager

Hg Pooled Management Limited<sup>1</sup>  
2 More London Riverside  
London  
SE1 2AP  
Telephone: 020 8396 0930  
hgcapital.com

### Registrars and transfer office

Computershare Investor Services PLC<sup>1</sup>  
The Pavilions  
Bridgwater Road  
Bristol  
BS99 6ZZ  
Telephone: 0370 707 1037  
computershare.com/uk

### Broker

Numis Securities Ltd<sup>1</sup>  
45 Gresham Street  
London  
EC2V 7BF  
Telephone: 020 7260 1000  
numiscorp.com

### Auditor

Grant Thornton UK LLP<sup>1</sup>  
30 Finsbury Square  
London  
EC2A 1AG  
Telephone: 020 7383 5100  
granthornton.co.uk

### Legal adviser

Dickson Minto  
16 Charlotte Square  
Edinburgh  
EH2 4DF  
Telephone: 0131 225 4455  
dicksonminto.com

### Bank

The Royal Bank of Scotland International  
7th Floor  
1 Princes Street  
London  
EC2R 8BP  
Telephone: 020 7085 5000  
rbsinternational.com

### Administrator

Hg Pooled Management Limited<sup>1</sup>  
2 More London Riverside  
London  
SE1 2AP  
Telephone: 020 8396 0930  
hgcapital.com

### Depository

Apex Depository (UK) Limited<sup>1</sup>  
6th Floor  
140 London Wall  
London  
EC2Y 5DN  
Telephone: 020 3697 5353  
theapexgroup.com

### AIC

Association of Investment Companies  
theaic.co.uk  
The AIC represents closed-ended investment companies. It helps its member companies through lobbying, media engagement, technical advice, training and events.  
The AIC's website includes information about investments via investment companies, including investments in listed private equity companies.

<sup>1</sup> Authorised and regulated by the Financial Conduct Authority.



hgcapitaltrust.com is constantly updated to ensure that the you can always access HGT's latest data and information on your computer or mobile device in a transparent, convenient and intuitive manner.

If you have any suggestions on improvements we can make to the site, please do get in touch at [investorrelations@hgcapitaltrust.com](mailto:investorrelations@hgcapitaltrust.com)





[www.hgcapitaltrust.com](http://www.hgcapitaltrust.com)

designed by &inc – [info@andinc.co.uk](mailto:info@andinc.co.uk)