

Saga VII USD K/S

c/o Bruun & Hjejle

Nørregade 21

1165 Copenhagen K

Registration no. 39 37 57 45

Annual Report

1 March – 30 September 2018

Approved at the Company's annual general meeting on 28/2-2019
Chairman



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Fund Summary

Name	Saga VII USD K/S
Address, Zip code, city	c/o Bruun & Hjejle Nørregade 21 DK-1165 Copenhagen K
Registration no.	39 37 57 45
AIF no.	24473
Established	1 March 2018
Registered office	Copenhagen
Financial year	1 October – 30 September
Management	General Partner: Saga VII GP ApS with Karsten Sivebæk Knudsen Simon Krogh
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4 2000 Frederiksberg Denmark
Depository	PEA Depository Services ApS (FT-no. 25701)
Manager	Saga Private Equity ApS (FT-no. 23133) Website: www.saga-pe.com

Management's statement on the annual report

The Management have today discussed and approved the annual report of Saga VII USD K/S for the financial year 1 March - 30 September 2018.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 30 September 2018 and of the results of its operations for the financial year 1 March - 30 September 2018.

Furthermore, in our opinion, the Management's review includes a fair review of the developments in the Company's activities and financial matters.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 21 December 2018

Management:

General Partner, Saga VII GP ApS



Karsten Sivebæk Knudsen



Simon Krogh

Independent auditor's report

To the limited partners of Saga VII USD K/S

Opinion

We have audited the financial statements of Saga VII USD K/S for the financial year 1 March – 30 September 2018, which comprise income statement, balance sheet and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 30 September 2018, and of the results of the Company's operations for the financial year 1 March – 30 September 2018, in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Alternative Investment Fund Managers, etc. Act and for such internal control as Management determines 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, Management is 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 in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 and additional requirements applicable in Denmark 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 the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent auditor's report

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statement Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 21 December 2018
Ernst & Young
Godkendt revisionspartnerselskab
CVR no. 30 70 02 28



Thomas Hjortkjaer Petersen
State Authorised
Public Accountant
MNE no.: mne33748

Management's review

Main activity of the partnership

Saga VII USD K/S is a fund-of-funds with a geographical focus on investments in Northern America. Investments are mainly made in micro, small and mid market buy-out funds.

Performance in the financial year

The financial year resulted in a loss of USD 1.0 million. Loss on investments in portfolio funds amounted to USD 0.6 million. Management fee and fund operating expenses amounted to USD 0.4 million.

The result is in line with management's expectations.

In the financial year an amount of USD 0.8 million was paid-in by the limited partners, corresponding to 1.0% of the limited partners' committed capital.

Special risk

Financial risk

The objective of Saga VII USD is to supply risk capital to the portfolio funds, and also to their investments in competitive companies in Northern America micro, small and mid market. The highest factor of risk is therefore the changes in the value of the companies in which Saga VII USD's portfolio funds invest in, which to a significant extent depend on the valuations of comparable listed companies on the quoted market. The valuation of investment in portfolio funds is accounting estimate and could be connected with some uncertainty.

Interest rate risk

Saga VII USD is less sensitive to the changes in interest rate levels.

Foreign exchange currency risk

Saga VII USD's investments in portfolio funds have been made in USD. As the capital in Saga VII USD is in USD, the currency risk is therefore considered as insignificant.

Investment Activity

During the financial year Saga VII USD has made commitments to two portfolio funds, bringing the total committed to USD 40.6 million, corresponding to 48.2% of the limited partners' committed capital.

The portfolio funds have performed as expected.

The manager will after the final closing in 2019 for commitments from limited partners to Saga VII instruct the portfolio funds to reallocate the commitments accordingly. Consequently, Saga VII USD's total commitments to the existing portfolio funds is expected to increase. The reallocation is expected to have a minor negative effect on the profit and loss account for 2018/19.

Cash resources

Saga VII USD's cash resources as of 30 September 2018, include cash and cash equivalents, undrawn credit facilities and outstanding commitments from the limited partners and are estimated as satisfactory to cover Saga VII USD's liabilities.

Management's review

Expectation for 2018/19

American companies continue to experience solid growth in revenue and earnings. The private equity market is still characterized by relatively high investment activity and purchase price multiples. The exit market, however, has recently slowed down, following a number of very strong years. The private equity market is expected to remain stable in 2019, although the economic and political outlook is currently more uncertain.

Saga VII USD is expected to make further commitments to portfolio funds in 2018/19.

Due to the nature of a fund-of-fund a loss is expected in the beginning of the fund's life time mainly due to management fee and fund operating expenses on Saga VII USD and portfolio funds level.

The above-mentioned will affect the result for 2018/19 which is expected to be lower than the current year.

Disclosure requirements in respect of § 61 section 3 stated in the law of managers of alternative investment funds

We can inform, that during the financial year have there been no changes in §§ 62, 64 and 65 regarding the disclosures.

In respect of the requested disclosures of total remunerations paid to the employees and the management of Saga Private Equity ApS, this can be found on www.saga-pe.com. The disclosures are given on manager level and are neither allocated nor shown per individually managed fund.

Events after the end of the accounting period

An additionally USD xx.x million was committed to Saga VII USD, bringing total commitments from limited partners to USD xxx.x million.

There have been no other events after the end of the financial year and to the signing of the annual report which are considered of significance to the annual report.

Financial statement for the period 1 March – 30 September 2018

Accounting policies

The annual report of Saga VII USD K/S has been prepared in accordance with the Danish Financial Statements Act for a reporting class B entity.

The presentation of the income statement, the balance sheet and the description of entries has been adjusted according to the limited partnership's activity as an investment company in private equity.

The annual report has been prepared in USD (USD/DKK 30/9 2018: 644.13).

Income Statement

Gains/losses on portfolio funds' investments etc.

Gains/losses on investments in portfolio funds include income from investments (dividend and interest), realised and unrealised revaluations or depreciations of investments in portfolio funds.

Management fees and carried interest

The management fees and carried interest include management fee and carried interest for the period to the manager according to the Limited Partnership Agreement.

Fund operating expenses

Fund operating expenses include cost incurred by the limited partnership

Financial income and expenses

Financial income/expenses include interest income and –expenses.

Tax

The limited partnership is not independently liable to tax, and therefore no tax is charged to the profit and loss account.

Financial statement for the period 1 March – 30 September 2018

Accounting policies

Balance sheet

Investments assets

Investments in portfolio funds and co-investments are measured in accordance with the IPEV Valuation Guidelines or similar guidelines depending on the country of domicile of the portfolio funds, according to which investments are measured at the fair value. Revaluations are included in the profit and loss account.

Investments in unlisted private equity funds are valued on the basis of the latest reporting received from the respective sub-funds. The reports from the funds contain a valuation of the private equity fund, including a valuation of each individual portfolio company. The value of a private equity fund consists of the sum of the values of the portfolio companies in which the fund has invested in, and the value of other net assets.

Prepayments

Prepayments include paid costs relating to subsequent financial years. Prepayments primarily relates to prepaid management fee to the manager. Prepayments are measured at cost.

Other liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at fair value.

Other payables include a potential performance fee to the manager and fund operating expenses due. Liabilities are measured a net realized value.

Foreign currency translation

Transaction in foreign currency are translated into USD according to the currency exchange rate at the transaction date.

Investments, accounts receivable or payable in foreign currency are translated into USD according to the currency rate at the balance sheet date.

Financial statement for the period 1 March – 30 September

Income statement

Note USD 1,000

1/3 2018 -
30/9 2018

1	Gain/losses on portfolio funds investments	-584
	Profit/losses in portfolio funds etc.	-584
	Management fees etc.	-248
2	Fund operating expenses	-159
	Operating profit/loss	-991
	Financial expenses	0
	PROFIT/LOSS	-991

PROPOSED DISTRIBUTION OF THE PROFIT/LOSS

Transferred to retained earnings	-991
TOTAL RETAINED EARNINGS	-991

Financial statement for the period 1 March – 30 September

Balance sheet

Note USD 1,000

30/9/2018

ASSETS

FIXED ASSETS

Investment assets

1	Investments in portfolio funds	0
	Total investment assets	0
	Total Fixed assets	0

CURRENT ASSETS

Receivables

Prepayments	99
Total receivables	99

Cash and cash equivalent	437
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Total current assets	536
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TOTAL ASSETS	536
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LIMITED PARTNERS' CAPITAL AND LIABILITIES

LIMITED PARTNERS' CAPITAL

3	Limited partners' paid-in capital	842
	Distributions limited partners	0
	Retained earning	-991
	Total limited partners' capital	-149

LIABILITIES

SHORT-TERM LIABILITIES

Other liabilities	685
Total short-term liabilities	685

Total liabilities	685
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TOTAL LIMITED PARTNERS' CAPITAL AND LIABILITIES	536
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- 4 Related parties
- 5 Contingent liabilities, contingent assets and securities

Financial statement for the period 1 March – 30 September

Notes to the financial statements

Note	USD 1,000	30/9 2018
1 Investments in portfolio funds		
Cost 1 March		0
Additions in the year		584
Disposals in the year		0
Cost 30 September		584
Revaluations 1 March		0
Revaluations on disposals in the year		0
Revaluation in the year		-584
Revaluations 30 September		-584
Carrying amount 30 September		0
Specification of revaluations in the year		
Realised gains/losses on investments		-584
Unrealised gains/loss on investments		0
Gains/losses on investments		-584

Investments in portfolio funds

Through investments in portfolio funds the partnership has ownership of mainly unquoted investments. The company has no controlling or significant influence on the portfolio funds in which the partnership has invested.

The portfolio funds in which the partnership has invested all use common accepted guidelines for measuring the fair value. The measuring of the fair value of the investments in underlying portfolio companies are made by the managers of the portfolio funds.

Usually the partnership has no or very little information about specific methods and assumptions used by the managers of the portfolio funds when measuring the fair value of the underlying portfolio companies.

The manager's valuation committee will assess and if considered necessary adjust the valuation of the underlying portfolio companies. At the assessment of the fair value of the underlying portfolio companies reported by the managers, information about the market conditions, company specific information as well as information received through dialog with the managers of the portfolio are used.

The value of a private equity fund is measured as the fair value of each investment in portfolio companies owned by the fund with addition of other net assets in the fund. The valuation of a portfolio company in a private equity fund is based on the industry, market position and earnings capacity, and the (i) the peer group multiple, i.e. the market value of comparable listed companies, (ii) transaction multiple in recent M&A transactions involving comparable companies, (iii) value indications from potential buyers of the portfolio company, (iv) market value if the portfolio company is publicly traded, and or (v) future expected proceeds, if there is a concluded agreement on the sale of the portfolio company.

Financial statement for the period 1 March – 30 September

Notes to the financial statements

Note USD 1,000

1 Investments in portfolio funds (continued)

The partnership invests in buy-out funds. The investments made by the portfolio funds are classified within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy are described below:

Level 1 – Inputs based upon quoted prices for identical assets and liabilities in active markets.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active

Level 3 – Unobservable input

Fair value measurements as of 30 September 2018

	Quoted prices Level 1	Observable input Level 2	Unobservable input Level 3	Total
Investments in portfolio funds	0	0	0	0
Total	0	0	0	0

2 Fund operating expenses

The fund has not had any employees in the financial year.

3 Limited partners

	Commitment	Paid-in	Outstanding commitment
Limited Partners	84,161	842	83,319

Financial statement for the period 1 March – 30 September

Notes to the financial statements

Note USD 1,000

4 Related parties
Manager

Saga Private Equity ApS, August Bournonvilles Passage 1, 1055 Copenhagen K

Transactions: Annual management fee and possible performance fee

General Partner

Saga VII GP ApS, c/o Bruun & Hjejle, Nørregade 21, 1165 Copenhagen K

Transactions: Annual Partnership interest and reimbursement of expenses.

5 Contingent liabilities, contingent assets and securities

Investment obligations

	Commitment USD	Outstanding commitment USD
Commitment USD	40,577	39,993
Total commitment, USD	40,577	39,993

The limited partnership has no other contingent liabilities, contingent assets or collaterals as of 30 September 2018.