

# **Saga VII USD PD AIV K/S**

c/o Bruun & Hjejle Advokatpartnerselskab

Nørregade 21

1165 Copenhagen K

Registration no. 39 37 58 42

AIF-no. 24472

## **Annual Report**

**1 October 2019 – 30 September 2020**

Approved at the partnership's annual general meeting on

Chairman

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## Fund summary

Name	Saga VII USD PD AIV K/S
Address, Zip code, city	c/o Bruun & Hjejle Advokatpartnerselskab Nørregade 21 1165 Copenhagen K
Registration no.	39 37 58 42
ALF-no.	24472
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	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 2000 Frederiksberg Denmark
Depositary	PEA Depositary Services ApS (FT-no. 25701)
Manager	Saga Private Equity ApS (FT-no. 23133) Website: <a href="http://www.saga-pe.com">www.saga-pe.com</a>

## **Management's statement on the annual report**

The Management have today discussed and approved the annual report of Saga VII USD PD AIV K/S for the financial year 1 October 2019 - 30 September 2020.

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 partnership's financial position at 30 September 2020 and of the results of its operations for the financial year 1 October 2019 - 30 September 2020.

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

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

Copenhagen, 18 December 2020

Management:

General Partner, Saga VII GP ApS

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Karsten Sivebæk Knudsen

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Simon Krogh

# **Independent auditor's report**

## **To the limited partners of Saga VII USD PD AIV K/S**

### **Opinion**

We have audited the financial statements of Saga VII USD PD AIV K/S for the financial year 1 October 2019 - 30 September 2020, which comprise accounting policies, income statement, balance sheet, statement of changes in limited partners' capital, cash flow statement and notes. 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 partnership at 30 September 2020, and of the results of the partnership's operations for the financial year 1 October 2019 – 30 September 2020, 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 partnership 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 Financial Statements 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 partnership'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 partnership 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 partnership'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 partnership'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 partnership 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, 18 December 2020  
EY Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

Thomas Hjortkjær Petersen  
State Authorised  
Public Accountant  
mne33748

## **Management's review**

### **Main activity of the partnership**

Saga VII USD PD AIV K/S (Saga VII USD PD AIV) 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 profit of USD 0.9 million, corresponding to an IRR of 14.4%. Gains on investments in portfolio funds amounted to USD 1.1 million. Administrative expenses in the form of management fee and fund operating expenses amounted to USD 0.2 million.

This year's result is better than management's expectations.

In the financial year an amount of USD 9.3 million was paid-in by the limited partners, bringing the accumulated paid-in capital to USD 14.8 million, corresponding to 18.8% of the limited partners' committed capital. An amount of USD 11.5 million was contributed to the portfolio funds and co-investments during the financial year, bringing total contributions to the portfolio funds and co-investments to USD 14.2 million, corresponding to 20.5% of the commitments to the portfolio funds and co-investments.

An aggregate amount of USD 0.4 million was distributed from portfolio funds during the financial year, bringing total distributions from portfolio funds to USD 0.4 million, corresponding to 2.6% of the capital contributed to portfolio funds and co-investments.

### **Special risk**

#### **Financial risk**

The objective of Saga VII USD PD AIV 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 PD AIV'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 investments in portfolio funds is based on estimates and could therefore be connected with some degree of uncertainty.

#### **Interest rate risk**

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

#### **Foreign exchange currency risk**

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

### **Investment activity**

Saga VII USD PD AIV made three new commitments to portfolio funds and a co-investment in the financial year totalling USD 24.0 million, bringing total commitments to portfolio funds and co-investments to USD 69.4 million, corresponding to 87.8% of total commitments as of 30 September 2020.

The portfolio and co-investments funds have performed as expected.

### **Cash resources**

Saga VII USD PD AIV's cash resources as of 30 September 2020, 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 PD AIV's liabilities.

## **Management's review**

### **Expectation for 2020/21**

The year 2020 has been drastically impacted by COVID-19, which led to almost unprecedented health and economic uncertainty. As a result, private equity activity experienced a sharp fall in Spring when uncertainty was at its peak, but has since rebounded along with the rest of the market and economic activity in general. Although certain sectors such as travel, tourism, and restaurants are still very negatively impacted by the pandemic, other sectors such as IT and software are generally performing strongly. Going into 2021, optimism about a COVID-19 vaccine is high, and the expectation is that the market will further stabilize and strengthen as a vaccine hopefully soon becomes widely available.

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

The above-mentioned will affect the result for 2020/21 which is expected to be at the same level or higher 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](http://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**

Saga VII USD PD AIV made commitments of USD 17.5 million to a portfolio fund and a co-investment, bringing total commitment to portfolio funds and co-investments to USD 86.9 million corresponding to 109.9% of total commitments.

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 October – 30 September**

### **Accounting policies**

The annual report of Saga VII USD PD AIV K/S has been prepared in accordance with the Danish Financial Statements Act for a reporting class B entity with the adjustments following the legal form and operating activities of the partnership.

The accounting policies applied are consistent with those of last year.

The annual report has been prepared in the functional currency USD.

### **Income Statement**

#### **Gains/losses on portfolio funds' investments etc.**

Gains/losses on portfolio funds' investments 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 according to the Limited Partnership Agreement.

#### **Fund operating expenses**

Fund operating expenses include cost incurred by the partnership.

#### **Financial income and expenses**

Financial income and expenses include interest.

#### **Tax**

The 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 October – 30 September**

### **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 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.

Outstanding investment commitments at the balance sheet date are disclosed as contingent liabilities in the notes.

##### **Other receivables**

Other receivables are measured at amortised cost after deduction of write-down for anticipated losses.

##### **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 payables**

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 potential carried interest and fund operating expenses due. Liabilities are measured at net realised value.

##### **Cash and cash equivalents**

Cash and cash equivalents include cash funds in open accounts and fixed short term loans.

##### **Foreign currency translation**

Transactions in foreign currency are translated into US Dollars (USD) according to the currency exchange rate at the transaction date.

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

## Financial statement for the period 1 October - 30 September

### Income statement

Note	USD 1,000	1/10 2019 - 30/9 2020	1/10 2018 - 30/9 2019
1	Gains/losses on portfolio funds' investments	1,147	201
	<b>Profit/losses in portfolio funds etc.</b>	<u>1,147</u>	<u>201</u>
2	Management fees etc.	-169	-173
3	Fund operating expenses	-49	8
	<b>Operating profit/losses</b>	<u>929</u>	<u>36</u>
	Financial income	4	0
	Financial expenses	-22	-119
	<b>PROFIT/LOSS</b>	<u>911</u>	<u>-83</u>
<b>PROPOSED DISTRIBUTION OF THE PROFIT/LOSS</b>			
	Transferred to retained earnings	911	-83
	<b>TOTAL RETAINED EARNINGS</b>	<u>911</u>	<u>-83</u>

## Financial statement for the period 1 October - 30 September

### Balance sheet

Note	USD 1,000	30/9 2020	30/9 2019
	<b>ASSETS</b>		
	<b>FIXED ASSETS</b>		
	<b>Investment assets</b>		
1	Investments in portfolio funds	14,608	2,303
	<b>Total investment assets</b>	14,608	2,303
	<b>Total fixed assets</b>	14,608	2,303
	<b>CURRENT ASSETS</b>		
	<b>Receivables</b>		
	Other receivables	9	16
	Prepayments	41	40
	<b>Total receivables</b>	50	56
	Cash and cash equivalents	187	2,293
	<b>Total current assets</b>	237	2,349
	<b>TOTAL ASSETS</b>	14,845	4,652
	<b>LIMITED PARTNERS' CAPITAL AND LIABILITIES</b>		
	<b>LIMITED PARTNERS' CAPITAL</b>		
4	Limited partners' paid-in capital	14,833	5,538
	Retained earnings	-3	-914
	<b>Total limited partners' capital</b>	14,830	4,624
	<b>LIABILITIES</b>		
	<b>SHORT-TERM LIABILITIES</b>		
	Other payables	15	28
	<b>Total short-term liabilities</b>	15	28
	<b>Total liabilities</b>	15	28
	<b>TOTAL LIMITED PARTNERS' CAPITAL AND LIABILITIES</b>	14,845	4,652
5	Related parties		
6	Contingent liabilities		

## Financial statement for the period 1 October - 30 September

### Notes

#### 1 Investments in portfolio funds

USD 1,000	30/9 2020	30/9 2019
Cost at 1 October	2,673	571
Additions in the year	11,527	2,102
Disposals in the year	-369	0
<b>Cost at 30 September</b>	<b>13,831</b>	<b>2,673</b>
Revaluations at 1 October	-370	-571
Revaluations on disposals in the year	0	0
Revaluation in the year	1,147	201
<b>Revaluations at 30 September</b>	<b>777</b>	<b>-370</b>
<b>Carrying amount at 30 September</b>	<b>14,608</b>	<b>2,303</b>
<b>Specification of revaluations in the year</b>		
Realised gains/losses on investments	-779	-236
Unrealised gains/loss on investments	1,926	437
<b>Gains/losses on investments</b>	<b>1,147</b>	<b>201</b>

#### Investments in portfolio funds

The partnership has through investments in portfolio funds ownership of mainly unquoted investments. The partnership 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 funds 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 or (v) future expected proceeds, if there is a concluded agreement on the sale of the portfolio company.

## Financial statement for the period 1 October - 30 September

### Notes

#### 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 priced 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 market value measurements as of 30 September 2020

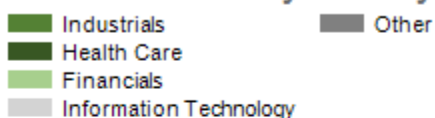
USD 1,000	Quoted prices Level 1	Observable input Level 2	Unobservable input Level 3	Total
Investments in portfolio funds	0	0	14,608	14,608
Total	0	0	14,608	14,608

#### Fair market value measurements as of 30 September 2019

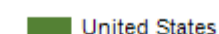
USD 1,000	Quoted prices Level 1	Observable input Level 2	Unobservable input Level 3	Total
Investments in portfolio funds	0	0	2,303	2,303
Total	0	0	2,303	2,303

The investments divided by Industry and Geography, based on fair market value as of 30 September 2020:

#### Unrealized FMV by Industry



#### Unrealized FMV by Geography



## Financial statement for the period 1 October - 30 September

### Notes

#### Note

#### 2 Management fees etc.

USD 1,000	1/10 2019 - 30/9 2020	1/10 2018 - 30/9 2019
Management fee	169	173
Adjustment of carried interest	0	0
<b>Management fees etc. in total</b>	<b>169</b>	<b>173</b>

#### 3 Fund operating expenses

The partnership has no employees.

#### 4 Limited partners

USD 1,000	Commitment	Paid-in	Outstanding commitment
Limited partners	79,112	14,833	64,278

#### 5 Related parties

##### Manager

Manager: Saga Private Equity ApS, Amaliegade 24, 1., 1256 Copenhagen K

Transactions: Management fee and possible carried interest.

##### General Partner

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

Transactions: Partnership interest and reimbursement of expenses.

## Financial statement for the period 1 October - 30 September

### Notes

#### Note

##### 6 Contingent liabilities

###### Investment obligations

USD 1,000	Commitment		Outstanding commitment	
	Currency	USD	Currency	USD
Commitment, USD	69,430	69,430	55,229	55,229
<b>Total commitment, USD</b>		<b>69,430</b>		<b>55,229</b>

The portfolio funds have made callable distributions to the partnership, which as of 30 September 2020 amounts to USD 0.4 million.

The partnership has no other contingent liabilities as of 30 September 2020.