

# GENERATION INVESTMENT MANAGEMENT (SCOTLAND) GP LIMITED

Registered in Scotland, No SC451774  
("the Company")

## PROFIT AND LOSS ACCOUNT AND BALANCE SHEET

FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2017

### PROFIT AND LOSS ACCOUNT

The company has not traded during the period ended 31 December 2017. Accordingly no profit and loss account has therefore been prepared.

### BALANCE SHEET

As at 31 December 2017

#### ASSETS EMPLOYED

##### CURRENT ASSETS

Debtors	£1
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#### FUNDS EMPLOYED

##### SHAREHOLDER'S FUNDS

Share Capital	£1
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### Dormant Company Statements

For the period ended 31 December 2017 the Company was entitled to exemption under Section 480 of the Companies Act 2006 ("the Act") relating to dormant companies.

### Directors' Responsibilities

Directors have not required the Company to obtain an audit in accordance with section 476 of the Act.

The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

We hereby certify that the company was dormant under the terms of Section 480 of the Act during the period ended 31 December 2017. The Accounts were approved by the board of directors on 13 August 2018.

Principal place of business:

50 Lothian Road  
Festival Square  
EDINBURGH  
EH3 9WJ

Partnership  
Accounts



AM Marshall  
Director

TUESDAY



SCT 25/09/2018 #430  
COMPANIES HOUSE

COMPANIES HOUSE  
EDINBURGH

25 SEP 2018

FRONT DESK

**COMPANIES HOUSE  
EDINBURGH**

**25 SEP 2018**

**FRONT DESK**

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**GENERATION IM INVESTMENTS (SCOTLAND) L.P.**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2017**

Partnership Registration SL013405

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## **GENERATION IM INVESTMENTS (SCOTLAND) L.P.**

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**GENERATION IM INVESTMENTS (SCOTLAND) L.P.**

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**THE GENERAL PARTNER, ADMINISTRATOR AND PROFESSIONAL ADVISERS**

**Registered address**

50 Lothian Road  
Festival Square  
Edinburgh EH3 9WJ  
Scotland

**General Partner**

Generation Investment Management (Scotland) GP Limited  
50 Lothian Road  
Festival Square  
Edinburgh EH3 9WJ  
Scotland

**Directors of the General Partner at date of approval of the financial statements**

A. Marshall  
M. Ramsay

**Investment Adviser**

Generation Investment Management LLP  
20 Air Street  
London W1B 5AN  
United Kingdom

**Administrator, Registrar and Transfer Agent**

State Street (Jersey) Limited  
Lime Grove House  
Green Street  
St Helier  
Jersey JE1 2ST  
Channel Islands

**Custodian**

State Street Bank Luxembourg S.C.A.  
49, avenue John F. Kennedy  
L-1855 Luxembourg

**Independent Auditors**

PricewaterhouseCoopers LLP  
7 More London Riverside  
London SE1 2RT  
United Kingdom

## **GENERATION IM INVESTMENTS (SCOTLAND) L.P.**

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### **REPORT OF THE GENERAL PARTNER**

Generation Investment Management (Scotland) GP Limited (the "General Partner"), presents its report and audited financial statements for Generation IM Investments (Scotland) L.P. (the "Partnership") for the year ended 31 December 2017.

The Partnership is established as a limited partnership under the laws of Scotland.

#### **LIMITED PARTNERSHIP**

The Partnership was established on 17 June 2013 and is registered as a limited partnership in Scotland under the Limited Partnerships Act 1907, with registration number SL013405.

#### **PRINCIPAL ACTIVITY**

The principal activity of the Partnership is to indirectly acquire interests in a portfolio of loans (or economically equivalent financing instruments) made to corporate borrowers, through its direct investments into Generation IM Credit Master Fund FCP-SIF.

#### **FINANCIAL RISK MANAGEMENT**

The key risks and uncertainties faced by the Partnership are managed within the framework established by Generation Investment Management LLP (the "Investment Adviser"). Exposures to credit risk, interest rate risk and foreign exchange risk arise in the normal course of the Partnership's business. These risks are discussed, and supplementary qualitative and quantitative information is provided in note 7 to the financial statements.

#### **RESULTS AND REVIEW OF BUSINESS**

The increase in net assets attributable to the Partners from operations for the year ended 31 December 2017 was US\$ 2,852,021 (2016: decrease US\$ 44,080).

#### **STRATEGIC REPORT**

A strategic report has not been included in these audited financial statements as the Partnership qualifies for exemption as a small entity under Section 382 of the Companies Act 2006 relating to small companies.

## **GENERATION IM INVESTMENTS (SCOTLAND) L.P.**

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### **REPORT OF THE GENERAL PARTNER - (CONTINUED)**

#### **STATEMENT OF GENERAL PARTNER'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The General Partner is responsible for preparing the annual report and the financial statements in accordance with the applicable law and regulations.

Company law as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 ("the Regulations") requires the General Partner to prepare financial statements for each financial year. Under that law the General Partner has prepared the Partnership financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRSs"), and applicable law. Under company law as applied to qualifying partnerships the General Partner must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period. In preparing these financial statements, the General Partner is required to:

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

The General Partner confirms it has complied with the above requirements throughout the year and subsequently.

#### **AUDIT INFORMATION**

As at the date of approval of the Report of the General Partner, the General Partner confirms that, so far as the General Partner is aware, there is no relevant audit information of which the Partnership's auditors are unaware; and the General Partner has taken all the steps that it ought to have taken as a general partner to be aware of any relevant audit information and to establish that the Partnership's auditors are aware of that information.

#### **INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP have expressed their willingness to continue in office.

  
Director

Signed on behalf of Generation Investment Management (Scotland) GP Limited

17.8. 2018

# ***Independent auditors' report to the partners of Generation IM Investments (Scotland) L.P.***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Generation IM Investments (Scotland) L.P.'s financial statements:

- give a true and fair view of the state of the qualifying partnership's affairs as at 31 December 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the statement of comprehensive income, the statement of cash flows, the statement of changes in net assets attributable to the Partners for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the qualifying partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the general partner's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the general partner has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the qualifying partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the qualifying partnership's ability to continue as a going concern.

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### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The general partner is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Report of the General Partner, we also considered whether the disclosures required by the UK Companies Act 2006 as applied to qualifying partnerships have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### *Report of the General Partner*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Report of the General Partner for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the qualifying partnership and its environment obtained in the course of the audit, we did not identify any material misstatements in the Report of the General Partner.

### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the general partner for the financial statements*

As explained more fully in the Statement of General Partner's Responsibilities in respect of the Financial Statements set out on page 4, the general partner is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The general partner is also responsible for such internal control as they 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 general partner is responsible for assessing the qualifying 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 unless the general partner either intends to liquidate the qualifying partnership or to cease operations, or has no realistic alternative but to do so.

#### *Auditors' 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 auditors' 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.

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

#### *Use of this report*

This report, including the opinion, has been prepared for and only for the partners of the qualifying partnership as a body in accordance with the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 as applied to qualifying partnerships we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

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**Entitlement to exemptions**

Under the Companies Act 2006 as applied to qualifying partnerships we are required to report to you if, in our opinion, the general partner were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Siobhan Byrne (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

**17** August 2018

## GENERATION IM INVESTMENTS (SCOTLAND) L.P.

### STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	2017 US\$	2016 US\$
<b>Assets</b>			
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	10	40,761,712	58,869,926
<b>Current assets</b>			
Cash and cash equivalents		63,899	20,469
Receivables	12	4,036	4,036
<b>Total assets</b>		<b>40,829,647</b>	<b>58,894,431</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accrued expenses	11	88,236	37,583
		88,236	37,583
<b>Net assets attributable to the Partners (page 10)</b>		<b>40,741,411</b>	<b>58,856,848</b>
<b>Total liabilities</b>		<b>40,829,647</b>	<b>58,894,431</b>

The financial statements on pages 8 to 32 were approved and authorised for issue by the Board of Directors of the General Partner on the 17<sup>th</sup> day of *August*, 2018 and were signed on its behalf by:

Director :   
 Generation Investment Management (Scotland) GP Limited  
 General Partner

(The notes on pages 12 to 32 form part of these audited financial statements)

## **GENERATION IM INVESTMENTS (SCOTLAND) L.P.**

### **STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 US\$	2016 US\$
<b>Income</b>			
Other net changes in fair value on financial assets at fair value	9	2,959,243	2,044
Net foreign currency gains on exchange	(	3,712)	5,588
Deposit interest		84	-
<b>Total net income</b>		<b>2,955,615</b>	<b>7,632</b>
<b>Expenses</b>			
Professional and other fees	4	61,748	25,839
Administration fees	3	41,600	26,302
Priority profit share	2	-	(200)
Statutory fees		246	(229)
<b>Total expenses</b>		<b>103,594</b>	<b>51,712</b>
<b>Increase / (decrease) in net assets attributable to the Partners from operations for the year</b>		<b>2,852,021</b>	<b>(44,080)</b>

*(The notes on pages 12 to 32 form part of these audited financial statements)*

## GENERATION IM INVESTMENTS (SCOTLAND) L.P.

### STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE PARTNERS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Limited Partner	General Partner	2017 Total	Limited Partner	General Partner	2016 Total
	US\$	US\$	US\$	US\$	US\$	US\$
Opening balance	58,856,848	-	58,856,848	37,692,750	-	37,692,750
Capital contributions received	1,556,255	-	1,556,255	34,152,223	-	34,152,223
Return of capital contributions	( 22,523,713)	-	( 22,523,713)	( 12,944,045)	-	( 12,944,045)
Increase / (decrease) in net assets attributable to the Partners from operations for the year	2,852,021	-	2,852,021	( 44,080)	-	( 44,080)
Closing balance	40,741,411	-	40,741,411	58,856,848	-	58,856,848

(The notes on pages 12 to 32 form part of these audited financial statements)

## GENERATION IM INVESTMENTS (SCOTLAND) L.P.

### STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	US\$	US\$
<b>Cash flows provided by / (used in) operating activities</b>		
Increase / (decrease) in net assets attributable to the Partners from operations for the year	2,852,021 (	44,080)
<b>Adjustments made to reconcile (decrease) / increase in net assets attributable to the Partners from operations to net cash provided by / (used in) operating activities</b>		
Net gain on financial assets at fair value through profit or loss	( 2,959,243) (	2,043)
Purchase of financial assets at fair value through profit or loss	( 1,556,256) (	34,102,223)
Proceeds from sale of financial assets at fair value through profit or loss	22,623,713	12,944,045
Increase / (decrease) in accrued expenses	50,653 (	37,534)
<b>Net cash provided by / (used in) operating activities</b>	<b>21,010,888</b>	<b>(21,241,835)</b>
<b>Cash flows (used in) / provided by financing activities</b>		
Capital contributions received	1,556,255	34,152,223
Return of capital contributions paid	( 22,523,713) (	12,944,045)
<b>Net cash (used in) / provided by financing activities</b>	<b>( 20,967,458)</b>	<b>21,208,178</b>
<b>Net increase / (decrease) in cash for the year</b>	<b>43,430 (</b>	<b>33,657)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>20,469</b>	<b>54,126</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>63,899</b>	<b>20,469</b>

*(The notes on pages 12 to 32 form part of these audited financial statements)*

## **GENERATION IM INVESTMENTS (SCOTLAND) L.P.**

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### **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2017

#### **1. Organisation and business purpose**

Any capitalised terms used but not defined herein have the meaning assigned to them in the Limited Partnership Agreement ("LPA").

Generation IM Investments (Scotland) L.P. (the "Partnership") was established on 17 June 2013 and is registered as a limited partnership in Scotland under the Limited Partnerships Act 1907. Investment activities commenced on 23 January 2014, the first closing of committed contributions. The Partnership shall terminate upon an order made by the court, an effective resolution passed for the liquidation, winding up or administration of the General Partner or if the Limited Partner agree in writing that the Partnership should so terminate.

The principal activity of the Partnership is to indirectly acquire interests in a portfolio of loans (or economically equivalent financing instruments) made to corporate borrowers, through its direct investments into Generation IM Credit Master Fund FCP-SIF (the "Master Fund").

The Partnership has committed to contribute capital of up to US\$ 150,930,000 into the Master Fund.

The total commitment of the Limited Partner to the Partnership and related investment vehicles following the third closing on 31 March 2016, amounted to US\$ 150,930,000.

The financial statements of the Master Fund are available upon request from the General Partner.

#### **2. Significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the current and prior year, unless otherwise stated.

##### **Basis of preparation**

These financial statements have been prepared on a going concern basis under the historical cost basis, as modified by the revaluation of financial assets at fair value through profit or loss and in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRSs"). The financial statements have been prepared in accordance with the Companies Act 2006 as applied to qualifying partnerships by the Partnership (Accounts) Regulations 2008. The principal accounting policies set out below have been adopted and consistently applied in the preparation of the financial statements.

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**GENERATION IM INVESTMENTS (SCOTLAND) L.P.**

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**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2017

**2. Significant accounting policies - (continued)****Basis of preparation - (continued)**

The preparation of financial statements in accordance with EU IFRSs requires the use of accounting estimates and exercise of judgement by the management while applying the Partnership's accounting policies. These estimates are based on the management's best knowledge of the events which existed at the reporting date; however, the actual results may differ from these estimates. The area involving a higher degree of judgement or complexity and which involves significant assumptions is the valuation of investments, which are classified as 'fair value through profit or loss'. The valuation methodology of the investments is discussed in detail in this note, under the accounting policy for financial assets at fair value through profit or loss.

***a) New standards and amendments adopted by the Partnership***

In the opinion of the General Partner, there are no mandatory new standards, interpretations and amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2017 that would be expected to have a material impact on the Partnership.

***b) New standards and amendments issued but not yet effective for the financial year beginning 1 January 2017 and not early adopted by the Partnership***

The General Partner has made an assessment of the impact of applicable new standards and amendments that are either not yet permitted to be adopted, or are not yet mandatory and have not yet been adopted by the Partnership. In the General Partner's opinion, the pronouncements which are in issue are not effective or early adoption by the Partnership will not have a material impact on the financial statements of the Partnership. All other new standards and amendments have no bearing on the operating activities and disclosures of the Partnership, and consequently have not been listed.

**Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprises cash on hand, demand deposits and other short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant changes in value.

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**GENERATION IM INVESTMENTS (SCOTLAND) L.P.**

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**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2017

**2. Significant accounting policies - (continued)****Payables**

Payables are initially recognised at fair value. Payables are derecognised when the obligation under the liability is discharged or cancelled or expires.

**Accrued expenses**

Accrued expenses are initially recognised at fair value. Accrued expenses are derecognised when the obligation under the liability is discharged or cancelled or expires.

**Net assets attributable to the Partners**

Net assets attributable to the Partners are classified as a financial liability, due to a finite life and contractual payment provisions to each of the Partners within the LPA.

**Foreign currencies****(a) Functional and presentation currency**

Items included in the Partnership's financial statements are measured using the currency of the primary economic environment in which it operates. As all calls and distributions will be made in United States Dollars this is considered to be the functional and presentational currency of the Partnership. The performance of the Partnership is measured and reported to investors in United States Dollars. All financial information presented in United States Dollars has been rounded to the nearest Dollar, except when otherwise indicated.

**(b) Transactions and balances**

Foreign currency transactions are translated into United States Dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gain or loss resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Translation differences arising from financial assets and liabilities at fair value through profit or loss are reported as part of the fair value gain or loss within the statement of comprehensive income.

**Income recognition**

Bank interest and other income are recognised on an accrual basis as and when it falls due to the Partnership.

Distributions received from the Master Fund will be accounted for according to the notice received.



## **GENERATION IM INVESTMENTS (SCOTLAND) L.P.**

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### **NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2017

#### **2. Significant accounting policies - (continued)**

##### **Catch up interest**

Catch up interest, as a result of further closings when new investors become partners in the Partnership or in the Parallel Funds, is recognised in the statements of operations.

##### **Organisational expenses**

The Partnership will bear expenses in connection with the establishment of the Partnership including, without limitation, legal, tax and accounting fees and expenses, filing fees and other fees and expenses.

##### **Syndication costs**

Syndication costs are incidental to the issuing and marketing of interests in the Partnership and are non-recurring in nature. They are accounted for as a reduction in the Partners' capital in the statement of net assets attributable to the Partners.

##### **Financial assets at fair value through profit or loss**

###### *Classification*

Investments in the Master Fund are classified as financial assets at fair value through profit or loss at inception in accordance with the provisions set out in IAS 39. The General Partner designates the classification of its investments at the time of purchase.

###### *Recognition, derecognition and measurement*

All purchases and sales of investments are recognised on the trade date.

These investments are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Any gain or loss resulting from the changes in fair value of the financial assets at fair value through profit or loss is presented in the statement of comprehensive income in the period in which they arise.

Financial assets are derecognised when the Partnership's rights to receive cash flows from the investments have expired or the Partnership has transferred substantially all the risks and rewards of ownership. Any gains or losses on derecognition of investments are calculated after setting the proceeds against the cost and, in respect of part disposals, against the average costs at the date of sale. The gain or loss on realisation is transferred to the statement of comprehensive income.

## **GENERATION IM INVESTMENTS (SCOTLAND) L.P.**

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### **NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2017

#### **2. Significant accounting policies - (continued)**

##### **Financial assets at fair value through profit or loss - (continued)**

###### **Fair value estimation**

IAS 39 requires financial assets to be held at fair value, except only in rare circumstances where the fair value cannot be reliably measured in which case it allows the financial asset to be carried at cost less provision for impairment. IFRS 13 "Fair Value Measurement" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

IFRS 13 establishes a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices, either for the identical instrument or similar instruments, generally will have a higher degree of market price observability and a lesser degree of judgement used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed utilising inputs from one or more of the following categories:

Level 1 - Quoted prices (unadjusted) in active markets for identical investments that the entity can access at the measurement date. The type of investments included in Level 1 are publicly traded equity securities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Investments which may be included in this category include, but are not limited to, investments in which secondary market transactions meeting certain requirements (size, financial disposition buyer/seller, relative proximity of transaction date to reporting date, etc.) occurred.

Level 3 - Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment. Fair value for these investments are determined using valuation methodologies that consider a range of factors, including, but not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment. The inputs into the determination of fair value require significant management judgement. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that might have resulted had a ready market for these investments existed. Investments that are included in this category generally are privately held debt and equity securities.

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**GENERATION IM INVESTMENTS (SCOTLAND) L.P.**

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**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2017

**2. Significant accounting policies - (continued)****Fair value estimation - (continued)**

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the General Partner. The General Partner considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by multiple, independent sources that are actively involved in the relevant market. The categorisation of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the General Partner's perceived risk of that investment.

Fair value is calculated as follows:

(i) If a quoted market price is not available for a security, the General Partner estimates the security's fair value with reference to the International Private Equity and Venture Capital Valuation Guidelines developed by the Association Française des Investisseurs en Capital (AFIC), British Private Equity & Venture Capital Association (BVCA) and the European Private Equity & Venture Capital Association (EVCA).

The General Partner's fair value measurement of the Level III investments is based on significant unobservable inputs which are comparable company's multiples (EBITDA / EBITA / Sales or PAT earnings multiples depending on the most appropriate methodology for that business) against the latest available financial information. Changes in these inputs in isolation can cause significant increases or decreases in the fair value of the investments. Specifically, the comparable multiples are generally multiplied by the underlying portfolio company earnings to establish the total enterprise value of the portfolio company investments. Comparable company multiple means appropriate multiples for quoted companies, comparable in business activities and size to the investee company.

The valuation methodology includes fundamental analysis that evaluates the investee company's performance, growth potential etc. to ensure that there are no material factors which would impact the earnings multiple used. The multiple may be adjusted accordingly to reflect illiquidity and / or non-transferability, with the amount of such discount estimated by the General Partner in the absence of market information.

Similarly, for illiquid debt instruments, the General Partner's fair value measurement of these Level 3 investments is based on each instrument's specific cash flows (interest payments, principle amount) and risks and determined using Discounted Cash Flow ("DCF"). In the case of asset based lending, the value of collateral securing the instrument is additionally considered. If an instrument is non performing, fair value measurement includes use of a higher discount rate for DCF commensurate with the risks associated with the instrument or where the Borrower of the debt instrument is no longer considered to be a going concern, then specific consideration is given to discounted fair value of assets in liquidation.

## **GENERATION IM INVESTMENTS (SCOTLAND) L.P.**

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### **NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2017

#### **2 Significant accounting policies - (continued)**

##### **Fair value estimation - (continued)**

The fair value measurement of Level 3 investments does not include transaction costs that may have been capitalised as part of the security's cost basis. Assumptions used by the General Partner due to the lack of observable inputs may significantly impact the resulting fair value, and therefore the Partnership's results of operations.

(ii) Freely traded securities shall be valued based on the closing price, or if no sales have occurred, at the last bid price thereon as of the last day of such fiscal quarter or year as applicable.

Investments may be classified as Level 2 when market information becomes available, yet the investment is subject to transfer restrictions and the valuation is adjusted to reflect non-transferability.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, generally include active listed equities. The General Partner does not adjust the quoted price for such instruments, even in situations where the Partnership holds a large position and a sale could reasonably impact the quoted price.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The General Partner's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement, and considers factors specific to the investment.

Due to the inherent uncertainty of valuations, however, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and those differences could be material. The Partnership may also have risk associated with its concentration of investments in one geographic region and in certain industries. The investments in private equity and private debt securities are illiquid and there can be no assurance that the Partnership will be able to realise the values of such investments in a timely manner.

The General Partner has concluded that the Partnership's investments should be classified as using significant Level 3 inputs.

The unrealised gain or loss in the value of the investments is dealt with in the statement of comprehensive income.

The fair value of the investments as at 31 December 2017 amounted to US\$ 40,761,712 (2016: US\$ 58,869,926).

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**GENERATION IM INVESTMENTS (SCOTLAND) L.P.**

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**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2017

**2. Significant accounting policies - (continued)****Investment entities**

The Partnership has one investor and holds one investment. Ownership interests in the Partnership are in the form of interest in the net assets of the Partnership which are classified as debt in accordance with IAS 32 and which are exposed to variable returns from changes in the fair value of the Partnership's net assets. The Partnership has been deemed to meet the definition of an Investment Entity per IFRS 10 as the following conditions exist:

- (a) The Partnership has obtained funds for the purpose of providing investors with investment management services.
- (b) The Partnership's business purpose, which was communicated directly to the investor, is investing solely for returns from capital appreciation and investment income.
- (c) The performance of investments made are measured and evaluated on a fair value basis.

**Subsidiaries**

IFRS 10 "Consolidated Financial Statements": requires the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. Where the entity is an Investment Entity, it shall not consolidate its subsidiaries or apply IFRS 3 when it obtains control of another entity. Instead, an investment entity shall measure an investment in a subsidiary at fair value through profit or loss in accordance with IAS 39. As the Partnership is classified as an Investment Entity per IFRS 10, it has not consolidated its investments in subsidiaries and measured its investments in subsidiaries at fair value through profit or loss in accordance with IAS 39 and IFRS 13.

The Partnership does not have any other subsidiaries other than those determined to be controlled subsidiary investments. Controlled subsidiary investments are measured at fair value through profit or loss and not consolidated, in accordance with IFRS 10. The fair value of controlled subsidiary investments is determined on a consistent basis to all other investments measured at fair value through profit or loss, and as described in the Fair Value estimation policy.

**Distributions**

Subject to Clause 7.1 of the LPA, the profits of the Partnership and any other sums available for distribution shall

- (i) first, in the payment of the expenses and liabilities of the Partnership and the General Partner;
- (ii) second, to the General Partner the sum of US\$ 100 annually as a priority profit share;
- (iii) third, the balance if any shall be allocated to the Limited Partner pro rata in proportion to the capital contribution subscribed by the Limited Partner or as otherwise determined by the General Partner in its sole discretion;

## **GENERATION IM INVESTMENTS (SCOTLAND) L.P.**

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### **NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2017

#### **2. Significant accounting policies - (continued)**

##### **Distributions - (continued)**

and shall be distributed in accordance with this Clause 7.1 throughout the continuance of the Partnership as may be agreed in writing between the Partners from time to time.

##### **Expense recognition**

Expenses are accounted for on an accrual basis and recognised in the statement of comprehensive income.

##### **Use of estimates**

The General Partner makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **3. Custody, administration, transfer agency and other fees**

State Street (Jersey) Limited serves as registrar and transfer, administrative and paying agent, and is entitled to a fee paid out of the assets of the Partnership. The Partnership's proportionate share of the fee is calculated and paid quarterly on the basis of the total net assets of the Partnership, all Parallel Funds and any Investment Vehicles for the relevant quarter.

State Street Bank Luxembourg S.C.A. serves as the Partnership's custodian, and is entitled to a fee paid out of the assets of the Partnership. Fees are paid quarterly.

#### **4. Professional and other fees**

The Partnership pays its own operating and administrative expenses. Such expenses include, but are not limited to, reasonable legal, tax advisory, auditing and other professional fees. These fees are paid as incurred.

#### **5. Auditors' remuneration**

Fees payable to the Partnership's auditors for the audit of the Partnership's annual financial statements for the year ended 31 December 2017 were US\$ 32,985 (2016: US\$ 20,367).

#### **6. Taxation**

Any tax liability arising on the activity of the Partnership will be borne by the Partners either directly or indirectly.

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**GENERATION IM INVESTMENTS (SCOTLAND) L.P.**

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**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2017****7. Risks**

The Partnership's investing activities expose it to various types of risks that are associated with the markets and financial instruments in which it invests. The significant financial risks to which the Partnership is exposed include, but are not limited to, market risk, liquidity risk, credit risk and concentration risk. This is not meant to be a comprehensive list of the risks of the Partnership.

**Market risk**

Market risk encompasses the potential for both losses and gains and includes, but is not limited to, price risk, interest rate risk and currency risk.

**Price risk**

The Partnership's investments are long-term and highly illiquid and there is no assurance that the Partnership will achieve investment objectives including targeted returns.

**Interest rate risk**

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flows. The Partnership's investments may acquire debt securities. Any increase to prevailing interest rates may result in a decrease in the value of debt securities held or vice versa. Additionally, changes in market rates may result in declining yields upon reinvestment of excess cash balances.

Interest income from cash deposits may fluctuate in amount, in particular due to changes in interest rates. Whilst the Partnership seeks to optimise overall performance from the assets it holds, it does not seek to maximise interest income.

## GENERATION IM INVESTMENTS (SCOTLAND) L.P.

### NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

#### 7. Risks - (continued)

##### Market risk - (continued)

##### Interest rate risk - (continued)

The following table analyses the composition of the Partnership's net assets by those that are or are not interest bearing categorised by maturity dates.

	Up to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
31 December 2017	US\$	US\$	US\$	US\$	US\$
<b>Assets</b>					
Financial assets at fair value through profit or loss	-	-	-	40,761,712	40,761,712
Cash and cash equivalents	63,899	-	-	-	63,899
Receivables	-	-	-	4,036	4,036
<b>Total assets</b>	<b>63,899</b>	<b>-</b>	<b>-</b>	<b>40,765,748</b>	<b>40,829,647</b>
<b>Liabilities</b>					
Accrued expenses	-	-	-	(88,236)	(88,236)
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(88,236)</b>	<b>(88,236)</b>
<b>Net assets attributable to the Partners</b>	<b>63,899</b>	<b>-</b>	<b>-</b>	<b>40,677,512</b>	<b>40,741,411</b>



## GENERATION IM INVESTMENTS (SCOTLAND) L.P.

### NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

#### 7. Risks - (continued)

##### Market risk - (continued)

##### Interest rate risk - (continued)

	Up to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
31 December 2016	US\$	US\$	US\$	US\$	US\$
<b>Assets</b>					
Financial assets at fair value through profit or loss	-	-	-	58,869,926	58,869,926
Cash and cash equivalents	20,469	-	-	-	20,469
Receivables	-	-	-	4,036	4,036
<b>Total assets</b>	<b>20,469</b>	<b>-</b>	<b>-</b>	<b>58,873,962</b>	<b>58,894,431</b>
<b>Liabilities</b>					
Accrued expenses	-	-	-	( 37,583)	( 37,583)
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>( 37,583)</b>	<b>( 37,583)</b>
<b>Net assets attributable to the Partners</b>	<b>20,469</b>	<b>-</b>	<b>-</b>	<b>58,836,379</b>	<b>58,856,848</b>

Cash and cash equivalents are at floating rates which are not significant. Had the interest rate increased or decreased, there would be no significant impact in net assets attributable to the Partners.

As at 31 December 2017 the Partnership's share of the Luxembourg Master Fund's investments that are interest bearing amounted to US\$ 34,644,230 and have maturity over 1 year from reporting date (2016: US\$ 52,373,250 with a maturity over 1 year) while US\$ 1,087,975 are non-interest bearing (2016: US\$ 823,806).

##### Currency risk

The Partnership may invest in financial instruments denominated in currencies other than its functional currency and therefore may be exposed to the risk that changes in exchange rates may have an adverse effect on the Partnership.

## GENERATION IM INVESTMENTS (SCOTLAND) L.P.

### NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

#### 7. Risks - (continued)

##### Liquidity risk

Liquidity risk is the risk that the Partnership will encounter difficulty in meeting obligations associated with financial liabilities. Among other things, liquidity could be impaired by an inability to access adequate sources of financing and the failure of the Limited Partner to meet capital calls. These situations may arise due to circumstances outside of the General Partner's control, such as a general market disruption or an operational problem affecting the Partnership or third parties.

The General Partner manages the risk of defaulting investors by putting in adequate controls in place to monitor that all call monies are received on a timely manner. Investors agree that they are aware of their obligations before being accepted into the Partnership.

The following table illustrates the expected liquidity of assets held and undrawn commitments:

	Undrawn commitments	Less than 1 month	1 - 12 months	More than 12 months
<b>31 December 2017</b>	US\$	US\$	US\$	US\$
Total assets and undrawn commitments	76,686,984	63,899	4,036	40,761,712
	Undrawn commitments	Less than 1 month	1 - 12 months	More than 12 months
<b>31 December 2016</b>	US\$	US\$	US\$	US\$
Total assets and undrawn commitments	78,243,239	20,469	4,036	58,869,926

Undrawn commitments that are given by the Partners to the Partnership are also included in the table. They can be drawn down at any time. The amounts in this table are the contractual undiscounted cash flows.

The Partnership has committed to contribute capital of up to US\$ 150,930,000 into the Master Fund.

As at 31 December 2017, the cumulative amount of net capital contributed into the Master Fund was US\$ 32,946,877 (21.83% of commitment) (2016: US\$ 54,014,334 (35.79% of commitment)).

The total amount of the outstanding commitment into the Master Fund at the reporting date was US\$ 76,812,847 (2016: US\$ 78,369,103).

The total commitment of the Partners to the Partnership following the second and final closing on 31 March 2015, amounted to US\$ 150,930,000.

## **GENERATION IM INVESTMENTS (SCOTLAND) L.P.**

### **NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2017

#### **7. Risks - (continued)**

##### **Liquidity risk - (continued)**

As at 31 December 2017, the cumulative amount of net capital contributions of the Partners was US\$ 33,222,739 (22.01% of commitment) (2016: US\$ 54,190,197 (35.9% of commitment)).

The total amount of the outstanding commitment due from the Partners at the reporting date was US\$ 76,686,984 (2016: US\$ 78,243,239).

Although 100% of the commitments of the Partnership are committed to the Master Fund, this is only deemed to represent a theoretical maximum available to be called from the Partners. The commitments will be reduced by expenses and investments made in other entities in the group's structure. The Investment Adviser acts for the Partnership, the Master Fund and other entities in the structure and will manage the process to ensure that the Partnership does not invest more than the amount committed by its Partners.

The table below analyses the Partnership's financial liabilities into the relevant maturity groupings based on the remaining period at the reporting date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	<b>Between 1-12 months</b>	<b>More than 12 months</b>
<b>31 December 2017</b>	<b>US\$</b>	<b>US\$</b>
Accrued expenses	88,236	-
Net assets attributable to the Partners	-	40,741,411
<b>Total liabilities</b>	<b>88,236</b>	<b>40,741,411</b>
	<b>Between 1-12 months</b>	<b>More than 12 months</b>
<b>31 December 2016</b>	<b>US\$</b>	<b>US\$</b>
Accrued expenses	37,583	-
Net assets attributable to the Partners	-	58,856,848
<b>Total liabilities</b>	<b>37,583</b>	<b>58,856,848</b>

## **GENERATION IM INVESTMENTS (SCOTLAND) L.P.**

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### **NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2017

#### **7. Risks - (continued)**

##### **Credit risk**

Credit risk is the risk that counterparties to a portfolio investment or financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

As discussed in note 1, the Partnership acquires interests in investments indirectly through its investment in the Master Fund. The Master Fund may acquire debt securities. Investment portfolios with debt securities are subject to credit risks. Credit risk refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument.

The Investment Adviser's on-going engagement with portfolio companies and monitoring of trading performance is a core credit risk management tool. Borrowers typically undertake to provide trading performance and other information updates at regular intervals which, for private companies, may also potentially extend to reporting against certain financial covenants. This enables the Investment Adviser to assess, review and react to credit risk dynamics within the portfolio.

The Partnership also takes on exposure to credit risk when an investor defaults on a capital call made by the General Partner. The General Partner manages the risk of defaulting investors by putting in adequate controls in place to monitor that all call monies are received on a timely manner. Investors agree that they are aware of their obligations before being accepted into the Partnership.

The maximum exposure to credit risk as at 31 December 2017 is the carrying amount of the financial assets set out below, it does not include any collateral or other credit risk enhancer, which reduce the Partnership's exposure.

	<b>2017</b>	<b>2016</b>
	<b>US\$</b>	<b>US\$</b>
Cash and cash equivalents	63,899	20,469
Receivables	4,036	4,036
	<b>67,935</b>	<b>24,505</b>

As at 31 December 2017, the Partnership's share of the Master Fund's exposure to credit risk for its investments in loans amounted to US\$ 34,644,230 (2016: US\$ 52,373,429).

## **GENERATION IM INVESTMENTS (SCOTLAND) L.P.**

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FOR THE YEAR ENDED 31 DECEMBER 2017

### **7. Risks - (continued)**

#### **Concentration risk**

The Partnership may invest in a limited number of investments and those investments may be concentrated in a particular industry or geographic region. A consequence of this concentration is that performance may be more favourably or unfavourably affected by the performance of individual investments, industries or regions.

At 31 December 2017, the Partnership had a sole Limited Partner (2016: sole Limited Partner). The Partnership could be materially affected by the actions of such Limited Partner.

#### **Contingencies**

In the normal course of business, the Partnership enters into contracts that contain provisions related to general indemnifications or contingencies related to specific transactions. The Partnership's maximum exposure under these arrangements is unknown, as any such exposure involves possible future claims that may be, but have not yet been made against the Partnership, based on events which have not yet occurred. However, based on experience and knowledge of the Partnership's transactions, the General Partner believes the risk of material loss from these arrangements to be remote.

#### **Capital risk management**

The capital of the Partnership is represented by the net assets attributable to the Partners. The Partnership's objective when managing the capital is to safeguard the ability to continue as a going concern in order to provide returns for Partners and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Partnership.

The General Partner monitors capital on the basis of the value of the net assets attributable to the Partners.

### **8. Critical accounting estimates and judgements**

The General Partner makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As explained in note 2, the most significant estimate relates to the fair value of the financial assets at fair value through profit or loss.

## **GENERATION IM INVESTMENTS (SCOTLAND) L.P.**

### **NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2017

#### **9. Other net changes in fair value on financial assets at fair value through profit and loss**

The table below classifies the 'other net changes in fair value on financial assets at fair value through profit or loss' into unrealised gains and losses on investments held by the Partnership directly.

	2017	2016
	US\$	US\$
Unrealised gains on investment	2,959,243	2,044

#### **10. Financial assets at fair value through profit or loss**

	2017	2016
	US\$	US\$
<b>Unquoted Investment</b>		
At historical cost	32,946,877	54,014,334
Unrealised gain on revaluation of investment	7,814,835	4,855,592
<b>At fair value</b>	<b>40,761,712</b>	<b>58,869,926</b>

Details of the current portfolio of financial assets at fair value through profit or loss (unaudited) is provided on page 33.

The following table summarises the valuation of the Partnership's financial assets at fair value through profit or loss by IFRS 13 fair value hierarchy as at 31 December 2017. All fair value measurements disclosed are recurring fair value measurements.

	2017	2016
	US\$	US\$
<b>Investments at fair value</b>		
Investments at Level 1	-	-
Investments at Level 2	-	-
Investments at Level 3	40,761,712	58,869,926
	<b>40,761,712</b>	<b>58,869,926</b>

There have been no transfers between Levels during the years ended 31 December 2017 and 2016.

## **GENERATION IM INVESTMENTS (SCOTLAND) L.P.**

### **NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2017

#### **10. Financial assets at fair value through profit or loss - (continued)**

The changes in investments classified within Level 3 are as follows:

	2017	2016
	US\$	US\$
Opening balance	58,869,926	37,709,704
Contributions	1,556,256	34,102,223
Distributions	( 22,623,713)	( 12,944,045)
Gains / (losses)		
- Unrealised	2,959,243	2,044
Closing balance	40,761,712	58,869,926

All realised and unrealised gains and losses in the table above are recognised in the statement of comprehensive income.

The Partnership's subsidiary undertaking comprise the following:

Name	Holding	Country of registration
Generation IM Credit Master Fund, FCP-SIF	62.25%	Luxembourg

The above investment is held directly by the Partnership. The following investments are held indirectly by the Partnership:

Name	Holding	Country of registration
GIM Credit Holdings (Luxembourg) S.à r.l.	62.25%	Luxembourg
GIM Credit (Luxembourg) S.à r.l.	62.25%	Luxembourg
GIM Credit Holdings US II L.P.	62.25%	USA

## GENERATION IM INVESTMENTS (SCOTLAND) L.P.

### NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

#### 10. Financial assets at fair value through profit or loss - (continued)

The following summarises the valuation methodologies and inputs used for private equity investments categorised as Level 3 inputs as at 31 December 2017 and 2016:

##### 31 December 2017

Description	Fair value	Valuation Technique	Unobservable input	Range
	US\$			
Private equity investment	40,761,712	NAV non - adjusted	NAV	N/A

##### 31 December 2016

Description	Fair value	Valuation Technique	Unobservable input	Range
	US\$			
Private equity investment	58,869,926	NAV non - adjusted	NAV	N/A

#### Assets and liabilities not carried at fair value but for which fair value is disclosed

	Level 1	Level 2	Level 3	Total
31 December 2017	US\$	US\$	US\$	US\$
<b>Assets</b>				
Cash and cash equivalents	63,899	-	-	63,899
Receivables	-	4,036	-	4,036
<b>Total</b>	<b>63,899</b>	<b>4,036</b>	<b>-</b>	<b>67,935</b>
<b>Liabilities</b>				
Accrued expenses	-	88,236	-	88,236
Net assets attributable to the Partners	-	-	40,741,411	40,741,411
<b>Total</b>	<b>-</b>	<b>88,236</b>	<b>40,741,411</b>	<b>40,829,647</b>



## GENERATION IM INVESTMENTS (SCOTLAND) L.P.

### NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

#### 10. Financial assets at fair value through profit or loss - (continued)

Assets and liabilities not carried at fair value but for which fair value is disclosed - (continued)

	Level 1	Level 2	Level 3	Total
31 December 2016	US\$	US\$	US\$	US\$
<b>Assets</b>				
Cash and cash equivalents	20,469	-	-	20,469
Receivables	-	4,036	-	4,036
<b>Total</b>	<b>20,469</b>	<b>4,036</b>	<b>-</b>	<b>24,505</b>
<b>Liabilities</b>				
Accrued expenses	-	37,583	-	37,583
Net assets attributable to the Partners	-	-	58,856,848	58,856,848
<b>Total</b>	<b>-</b>	<b>37,583</b>	<b>58,856,848</b>	<b>58,894,431</b>

The assets and liabilities included in the above tables are carried at amortised cost. Their carrying values are reasonable approximations of fair value.

11. Accrued expenses	2017	2016
	US\$	US\$
Professional and other fees	76,536	31,083
Administration fees	11,700	6,500
	<b>88,236</b>	<b>37,583</b>

## **GENERATION IM INVESTMENTS (SCOTLAND) L.P.**

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### **NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2017

#### **12. Related party disclosures**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The Partnership has a direct investment in the Master Fund as well as other related parties, which are detailed in note 1.

Generation Investment Management LLP acts as Investment Adviser to the Partnership.

A. Marshall and M. Ramsay are Directors of the General Partner and Partners of the Investment Adviser during the year.

As at 31 December 2017, the amount receivable from the Investment Adviser was US\$ 4,036 (2016: US\$ 4,036).

Generation Investment Management II GP Limited, as General Partner to Generation IM Credit Feeder Fund III LP, is the sole Limited Partner of the Partnership.

#### **13. Controlling party**

In the opinion of the General Partner, the Partnership has no single controlling party.

#### **14. Subsequent events**

On 24 May 2018, the Partnership made a distribution of US\$ 12,656,769 to Generation IM Credit Feeder Fund III LP.

There are no further material events to be disclosed in these financial statements.

GENERATION IM INVESTMENTS (SCOTLAND) L.P.

CURRENT PORTFOLIO OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (UNAUDITED)

AS AT 31 DECEMBER 2017

	Holding %	2017				Holding %	2016			
		Cost value	Unrealised gains	Fair value	NAV %		Cost value	Fair value	NAV %	
		US\$	US\$	US\$			US\$	US\$		
Luxembourg investment holding										
Generation IM Credit Master Fund FCP-SIF	62.25	32,946,877	7,814,835	40,761,712	100.05	62.25	54,014,334	58,869,926	100.02	
Total investment		32,946,877	7,814,835	40,761,712	100.05		54,014,334	58,869,926	100.02	
Cash and cash equivalents				63,899	0.16			20,469	0.04	
Other net liabilities				(84,200)	(0.21)			(33,547)	(0.06)	
Partners' capital				40,741,411	100.00			58,856,848	100.00	

## **GENERATION IM INVESTMENTS (SCOTLAND) L.P.**

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### **IMPORTANT INFORMATION**

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