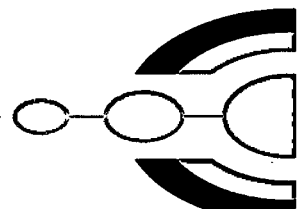


SC626607

**Partnership
Accounts**

Border to Coast Teesside GP Limited

**Report and Accounts for Period From
3 April 2019 (date of incorporation) to 31 March 2020**



Contents

Page**Management and Regulatory Reports**

Management and Administration	3
Directors' Report	4
Independent Auditor's Report	6
Statement of Financial Position	9
Statement of Comprehensive Income	10
Statement of Changes in Shareholders' Equity	11
Statement of Cash Flows	12
Notes to Financial Statements	13

Management and Administration

Directors

Fiona Miller (British - appointed 3 April 2019)
Rachel Elwell (British - appointed 3 April 2019)
Jonathan Shaw (British - appointed 18 March 2020)
Neil Hawkins (British - appointed 18 March 2020)

Registered Office

3 Melville Street
Edinburgh
EH3 7PE
United Kingdom

Company No

SC626607

Administrator

Northern Trust Global Services SE UK Branch
50 Bank Street
London
E14 5NT
United Kingdom

Independent Auditors

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL
United Kingdom

Legal Advisors

Eversheds Sutherland (International) LLP
One Wood Street
London
EC2V 7WS
United Kingdom

Directors' report

Introduction

The Directors present their report and the audited financial statements of Border to Coast Teesside GP Limited (the "Company") for the period from 3 April 2019 (date of incorporation) to 31 March 2020.

Principal activities

The Company's principal activity is to act as General Partner to Border to Coast Teesside LP (the "Partnership") and therefore has the responsibility to manage and operate the Partnership within the meaning of the Act.

Incorporation

The Company was incorporated in Scotland as a private company on 3 April 2019 with registered number SC626607 under the Companies Act 2006.

Going concern

The Directors have undertaken an assessment to establish whether the use of the going concern basis is appropriate for the preparation of the financial statements. This assessment involved the preparation of forecasts of the profitability and cash position of the Company for a period of at least a year from the date of the approval of the financial statements. Based on the assessment the Directors have no indication of any material uncertainties that would cast doubt over the Company's ability to continue as a going concern. Refer to note 2c) Going concern for further information.

Results and dividends

The result of the Company for the financial period is shown on the Statement of Comprehensive Income on page 10. The Directors did not recommend a dividend during the period.

Directors and their interests

The Directors who held office during the period and at the date of this report are:

- Fiona Miller (appointed 3 April 2019)
- Rachel Elwell (appointed 3 April 2019)
- Jonathan Shaw (appointed 18 March 2020)
- Neil Hawkins (appointed 18 March 2020)

The Directors listed above have no interests in the shares of the Company as at 31 March 2020.

Directors' report (continued)

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards (UK Generally accepted Accounting Practice), including FRS 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The Directors have taken advantage of the exemption contained within Section 414A of the Companies Act 2006 for small companies and not prepared a Strategic Report.

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

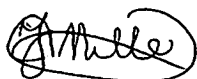
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Follow UK accounting standards, including Financial Reporting Standard 102 ("FRS 102"), the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and applicable by law;
- assess the Company's ability to continue as a going concern disclosing, as applicable, matters related to the going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Auditor

KPMG LLP have been appointed as the auditor of the Company. A resolution to reappoint them as auditors will be proposed at the forthcoming annual general meeting.

Approved by the Board and signed on its behalf by



Fiona Miller – Director

Date: 13 May 2020

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BORDER TO COAST TEESSIDE GP LIMITED

Opinion

We have audited the financial statements of Border to Coast Teesside GP Limited ("the company") for the period ended 31 March 2020, which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Shareholder's Equity, Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards applicable to smaller entities, including Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

Independent Auditor's Report (continued)

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report (continued)

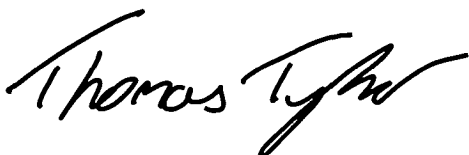
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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



Thomas Tyler (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 St Peter's Square

Manchester

M2 3AE

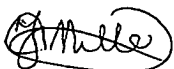
13 May 2020

Statement of Financial Position

For the period ended 31 March 2020

	NOTES	2020 £
Fixed Assets		
Investment		1
Current Assets		
Cash and cash equivalents		1
Receivables	3	1,249
Total Assets		<u>1,251</u>
Current Liabilities		
Payables	4	238
Total liabilities		<u>238</u>
Total Assets less current liabilities		<u><u>1,013</u></u>
Capital and reserves		
Called up share capital	6	1
Profit and loss reserves		1,012
Total equity		<u><u>1,013</u></u>

Approved by the Board and signed on its behalf by



Fiona Miller - Director

Date: 13 May 2020

The notes on pages 13 to 17 form an integral part of these financial statements.

Statement of Comprehensive Income

For the period from 3 April 2019 (date of incorporation) to 31 March 2020

	NOTES	2020 £
Income		
Partnership Priority Profit Share		1,249
Total Income		<u>1,249</u>
Expenses	7	-
Profit before taxation		<u>1,249</u>
Taxation		(237)
Profit for the financial period		<u><u>1,012</u></u>

The Company has no recognised gains and losses other than those included above and therefore no separate statement of total recognised gains and losses has been presented.

The results above are all in respect of the continuing operations of the Company.

The notes on pages 13 to 17 form an integral part of these financial statements.

Statement of Changes in Shareholders' Equity

For the period from 3 April 2019 (date of incorporation) to 31 March 2020

	NOTES	2020 £
Balance as at 3 April 2019		
Share capital issued during the period		1
Profit for the financial period		1,012
Balance as at 31 March 2020		<u>1,013</u>

The notes on pages 13 to 17 form an integral part of these financial statements.

Statement of Cash Flows

For the period from 3 April 2019 (date of incorporation) to 31 March 2020

	NOTES	2020 £
Cashflows from operating activities		
Profit for the financial period		1,012
Increase in payables		238
Increase in receivables		(1,249)
Net cash inflow from operating activities		<u>1</u>
Cashflows from financing activities		
Share capital paid in		<u>-</u>
Net cash outflow from operating activities		<u>-</u>
Net increase in cash and cash equivalents		1
Cash and cash equivalents at the beginning of period		<u>-</u>
Cash and cash equivalents at end of the period		<u><u>1</u></u>

The notes on pages 13 to 17 form an integral part of these financial statements.

Notes to Financial Statements

1. General information

Border to Coast Teesside GP Limited ('the Company') is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in Scotland. The address of the Company's registered office is 3 Melville Street, Edinburgh, EH3 7PE, United Kingdom.

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 to all the periods presented, unless otherwise stated. The Company has adopted Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and Companies Act, 2006 in these financial statements.

a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The Directors do not consider there to be any areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

b) Functional and presentational currency

The financial statements are presented in Pounds Sterling and rounded to the nearest £1.

c) Going concern

The financial statements have been prepared using the going concern basis of accounting. The Directors have undertaken an assessment to establish whether the use of the going concern basis is appropriate for the preparation of the financial statements. This assessment involved an evaluation of the long term value of the underlying investments made into the related Scottish Limited Partnership (Partnership) in addition to a review of the Limited Partner's investment strategy for a period of at least a year from the date of the approval of the financial statements.

Notes to Financial Statements

2. Significant accounting policies

c) Going concern

The impacts of the COVID-19 outbreak have caused a significant deterioration in economic conditions for some companies and increased economic uncertainty for others. The Directors have therefore made more detailed assessments to determine whether these events or conditions cast significant doubt on the Company's ability to continue as a going concern or, in severe cases, whether the going concern assumption is still appropriate as a basis for the preparation of the financial statements.

The Company is a subsidiary of Border to Coast Pensions Partnership Limited which was established to support the pooling of Local Government Pension Schemes. The Limited Partner is a Local Government Pension Scheme and the Directors have no reason to doubt:

- the Company will remain appointed as the General Partner to support the pooling of the Limited Partner's alternative investments;
- the nature of the income and expenses and the impact of potential downside scenarios on profitability and liquidity, as well as potential management actions;
- the effectiveness of the Company's operational resilience processes including the ability of key outsourcers to continue to provide services; and
- the forecasted future level of investments by the Limited Partner will continue which is supported by recent commitments by the Limited Partner post outbreak of COVID-19.

In conclusion, the Directors are not aware of any material uncertainties that would cast doubt over the Company's ability to continue as a going concern.

d) Basic financial instruments

Receivables are recognised initially at transaction price plus attributable transaction costs. Payables are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of receivables.

e) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits with banks and other financial institutions.

f) Foreign exchange translation

Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Exchange differences are recognised in the statement of comprehensive income in the period in which they arise except for exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income.

Notes to Financial Statements

3. Receivables

	Period ended 31 March 2020 £
Due from Border to Coast Teesside LP	1,000
Accrued Income	249
Total	1,249

4. Payables

	Period ended 31 March 2020 £
Creditors	1
Corporation tax	237
Total	238

Notes to Financial Statements

5. Taxation

The tax assessed for the period for the Company is at the standard rate of corporation tax in the UK. Below is an analysis of the Company's tax charge during the period.

	Period ended 31 March 2020 £
Corporation tax	237
Profit for the period before tax	1,249
Corporation tax @ 19%	237
Effects of:	
Losses forward	-
Other tax adjustments	-
Tax charge for the period	237

The Finance Act 2016 introduced legislation setting the Corporation Tax main rate at 19% for the years starting 1 April 2017, 2018 and 2019 with a reduction to 17% for the year starting 1 April 2020. However, at the Budget 2020, the government announced that the Corporation Tax main rate for the years starting 1 April 2020 and 2021 would remain at 19%.

The effective tax rate for period ended 31 March 2020 is 19%.

6. Share Capital account

	Period ended 31 March 2020 £
Allocated, called up and paid	
1 ordinary share	1

Notes to Financial Statements

7. General and Administration Expenses

In accordance with the Partnership Agreement, the Limited Partner is responsible for paying the expenses of the Company.

The expenses paid in the period by the Limited Partner are as follows:

	Period ended 31 March 2020 £
Audit Fees	5,493
Administration fees	16,704
Legal and professional fees	1,300
Total	23,497

The Company employed no persons during the period.

The Directors have not charged any fees for the period. The audit fees and administration fees for the Company are covered by the Limited Partner.

8. Financial Accounting Period

The audited financial accounts cover the period from 3 April 2019 (date of incorporation) to 31 March 2020.

9. Ultimate Parent Company

The Company's ultimate parent company is Border to Coast Pensions Partnership Limited, incorporated in the United Kingdom.

10. Subsequent events

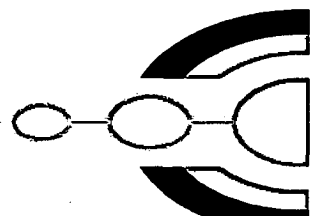
The Company has evaluated subsequent transactions and events after the period end through to 13 May 2020, the date the financial statements were signed.

No other events have occurred after the period ended 31 March 2020.

SL33706

Border to Coast Teesside LP

**Final Report and Accounts for Period From
8 April 2019 (commencement of operations) to
31 December 2019**



Contents

	Page
Management and Regulatory Reports	
Partnership Information	3
Private Markets Review	4
General Partner's Report	18
Independent Auditor's Report	20
Statement of Financial Position	23
Statement of Comprehensive Income	24
Statement of Changes in Partner's Capital	25
Statement of Cash Flows	26
Notes to the Financial Statements	27

Partnership Information

Limited Partnership	Border to Coast Teesside LP
Limited Partnership No	SL033706
General Partner	Border to Coast Teesside GP Limited 3 Melville Street Edinburgh EH3 7PE United Kingdom
Company No	SC626607
Registered Office	3 Melville Street Edinburgh EH3 7PE United Kingdom
Administrator	Northern Trust Global Services SE UK Branch 50 Bank Street London E14 5NT United Kingdom
Manager and Operator	Border to Coast Pensions Partnership Ltd 5 th Floor Toronto Square Toronto Street Leeds LS1 2HJ United Kingdom
Independent Auditors	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL United Kingdom

Private Markets Review

Border to Coast Teesside LP (Partnership) was set up to enable the Limited Partner (Middlesbrough Borough Council as administering authority of the Teesside Pension Fund) to invest in private equity, infrastructure and private credit investments, consistent with its Investment Strategy as set out in the Limited Partnership Agreement.

Border to Coast Pensions Partnership Limited (Border to Coast) was appointed to act as the Manager of the Partnership, with responsibility for the day to day management and achievement of the Partnership's objectives under the supervision of the General Partner, Border to Coast Teesside GP Limited.

Border to Coast has prepared a review of Private Markets with specific commentary on each of the investments under its management in the period. This review covers investments made by this Partnership in addition to nine Local Authority Pension Funds who are part of the Border to Coast Pensions Pool.

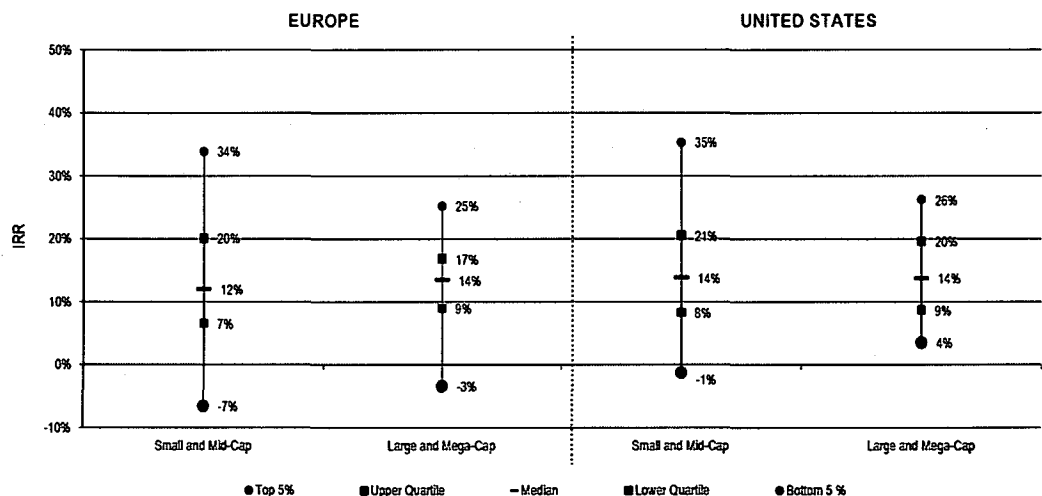
The specific investments relevant to this Partnership are:

- AMP Capital Global Infrastructure Fund II
- Brookfield Infrastructure Fund IV
- Global Infrastructure Partners IV
- GreatPoint Ventures Innovation Fund II
- Greenspring Opportunities VI (Cayman)
- NB Strategic Co-Investment Partners IV
- Palatine Private Equity IV
- Stepstone Secondaries Opportunities Fund IV Europe
- The Baring Asia Private Equity Fund VII, SCSp

Private markets continue to attract significant levels of investor capital. This is partly due to concerns over future returns from public markets but also as part of a longer-term asset allocation switch to illiquid investments, which are perceived to have lower correlations to traditional asset classes. Performance remains relatively strong in the majority of private market asset classes which has also attracted investor interest.

However, given where we are in the economic and credit cycles a more defensive stance is perhaps warranted. The key point to note is that, given the level of dispersion between stronger and weaker performing managers, particularly in Private Equity, significant value can be added via manager selection.

Private Markets Review (continued)

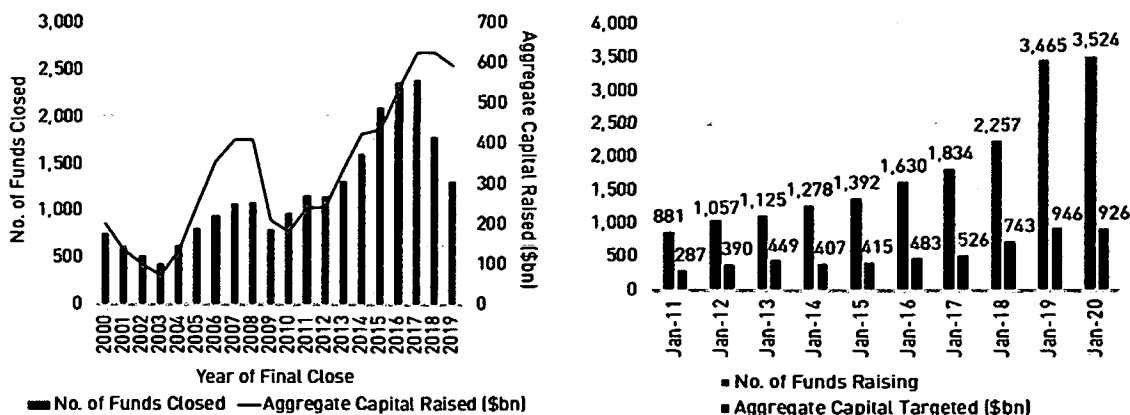


Source: Neuberger Berman

It is also difficult to time the market and studies have shown that regular deployment of capital is the most effective way of generating attractive returns in private markets.

Private Equity

Private Equity fundraising levels remain relatively robust as investors continue to increase allocations to the asset class and reinvest distributed capital. Investors continue to gravitate towards the larger funds launched by established managers with smaller or newer managers struggling to attract capital. Buyout funds remain the largest constituent of the asset class, although exposure to Venture Capital funds has increased in recent years. North America-focused funds are the most popular, with relatively stable demand for Europe-focused funds, and a recent slowdown in Asia-focused funds following a period of strong growth. A notable trend is that the successful managers are able to raise larger amounts of capital in a shorter space of time and are typically over-subscribed.

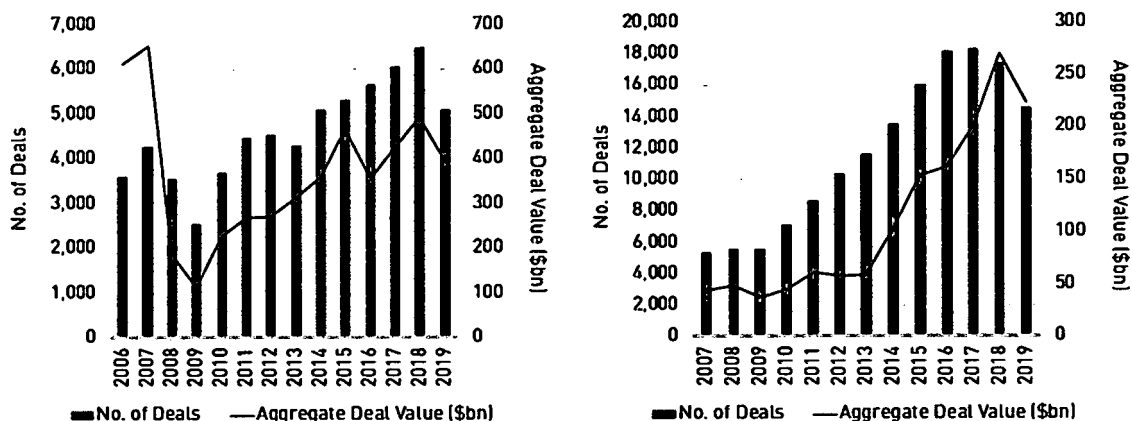


Source: Preqin

Private Markets Review (continued)

Private Equity (continued)

Despite the positive fundraising environment, the number and value of completed transactions has reduced although the average transaction size has increased. This is evident for both Buyout, as shown in the chart to the left below, and Venture Capital, as shown in the chart to the right below.



Source: Preqin

This has resulted in a modest increase in the level of available capital for deployment (“dry powder”) to c. \$1.62 trillion as at 31 December 2019 which has increased further to c. \$1.7 trillion as at 29 February 2020, with buyout funds accounting for c. 45% of this available capital.

Valuation multiples in private equity have increased over the last few years and are at levels that prevailed prior to the global financial crisis. Although valuation multiples remain at a discount to public markets in the US (c. 10% discount), they are higher in Europe (c. 10% premium), perhaps symptomatic of the relative performance of those equity markets.

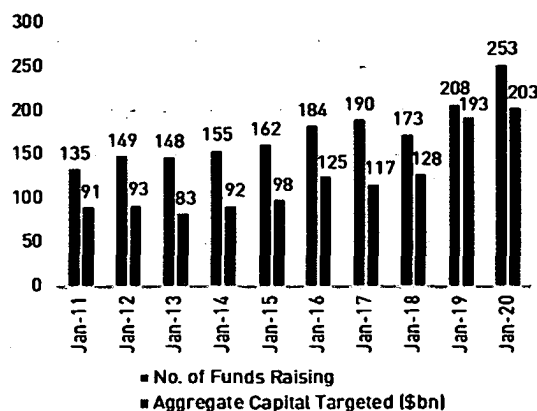
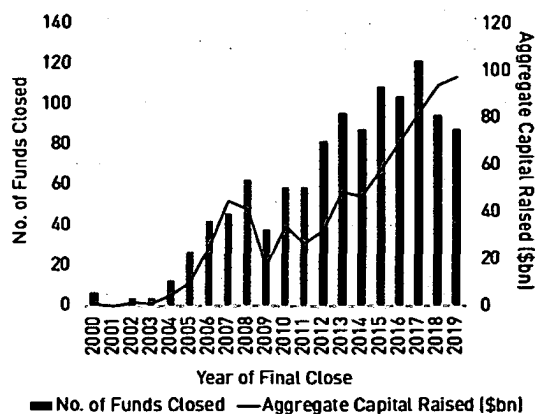
Debt multiples have also increased but have been effectively capped in recent years resulting in higher equity contribution levels (c. 45% of transaction value compared to c. 35% in 2007). In addition, interest coverage ratios remain above pre-crisis levels due to significantly lower interest rates.

Infrastructure

Fundraising activity in 2019 (\$98bn) is slightly higher than in 2018 but this is flattered by the closing of two \$20bn+ funds (GIP IV and Brookfield IV) with the number of funds achieving a successful closing falling to levels last seen in 2014. This echoes a trend seen in Private Equity whereby successful managers have been able to raise larger funds. However, this has not reduced the supply of managers coming to market with 250+ managers seeking \$200 billion+ of capital in 2020.

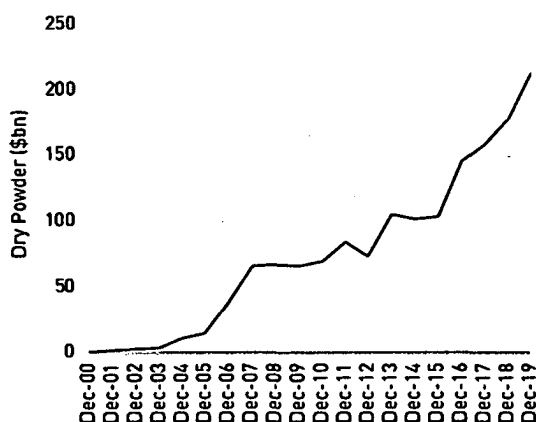
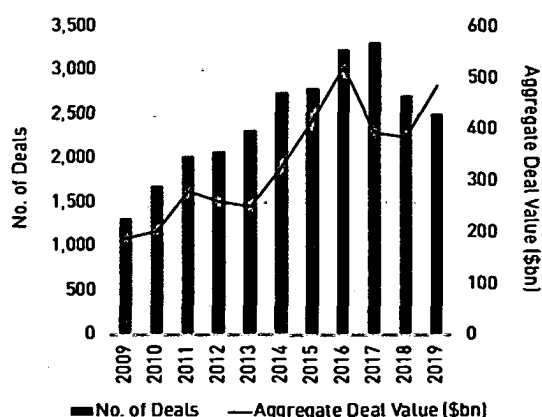
Private Markets Review (continued)

Infrastructure (continued)



Source: Preqin

Although the number of deals completed has continued to fall, deal sizes are larger resulting in an overall increase in capital invested. However, this has not kept pace with the amount of total capital (equity and debt) raised resulting in a continued increase in dry powder. The level of dry powder has increased further from \$220 billion as at 31 December 2019 to \$232 billion as at 29 February 2020. The main strategies of core, core plus and value add each account for c. 25% of this available capital.



Source: Preqin

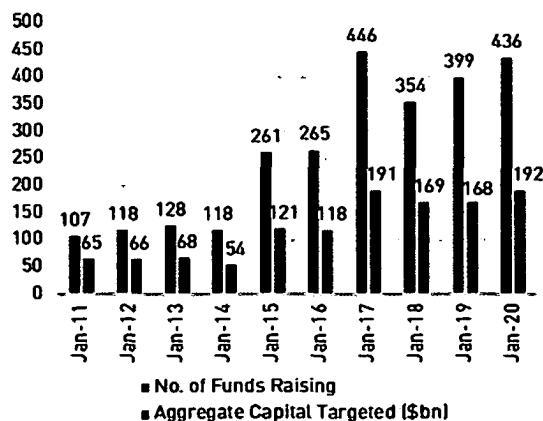
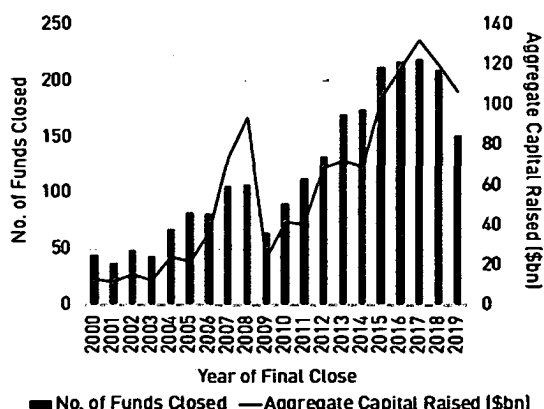
In 2019, the Energy, Transport and Utilities sectors accounted for the majority of transactions and Europe and North America were the key regions. This is a continuation of the trends established over the last decade although there was a notable slowdown in Asian deals in 2019.

Renewable energy transactions are a key driver of activity. Transportation and telecommunications sectors are also prominent, with the latter reflecting the growing demand for cell towers and data centres and the broadening definition of the infrastructure asset class.

Private Markets Review (continued)

Private Credit

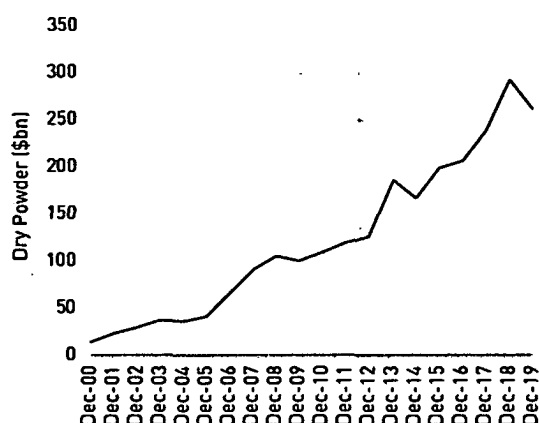
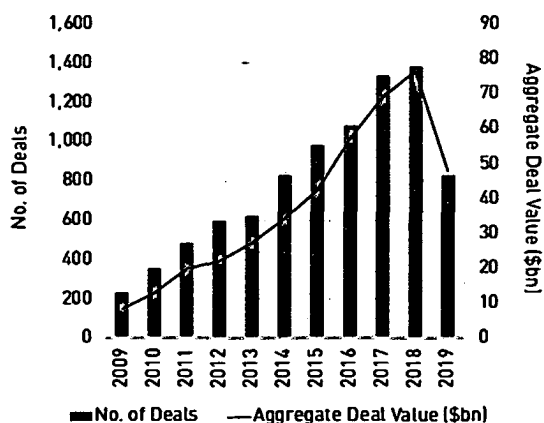
Private credit fundraising levels fell by c. 10% in 2019 possibly due to investor nervousness regarding the late cycle nature of the current credit and economic cycles. Direct lending funds have accounted for the majority (c. 60%) of fundraising activity as investors are perhaps seeking more defensive exposure to the asset class. Funds focused on North America and Europe accounted for the majority of capital raised, a continuation of the trend established over the last decade. Despite the difficulties experienced by managers there are 400+ managers seeking \$190 billion+ of capital in 2020.



Source: Preqin

There has been a significant fall in the number and value of deals completed in 2019. This is possibly due to nervousness at this point in the credit cycle but also due to competition from the leveraged loan and high yield markets where interest rate spreads have narrowed considerably in recent years.

The sharp fall in transactions has been offset by the reduction in fundraising resulting in a c. 10% fall in the level of dry powder in 2019 to \$260 billion as at 31 December 2019 although this has increased to c. \$275 billion as at 29 February 2020. Direct lending strategies account for c. 40% of available capital and distressed debt strategies account for c. 25% with the remainder broadly evenly split between mezzanine and special situations strategies.

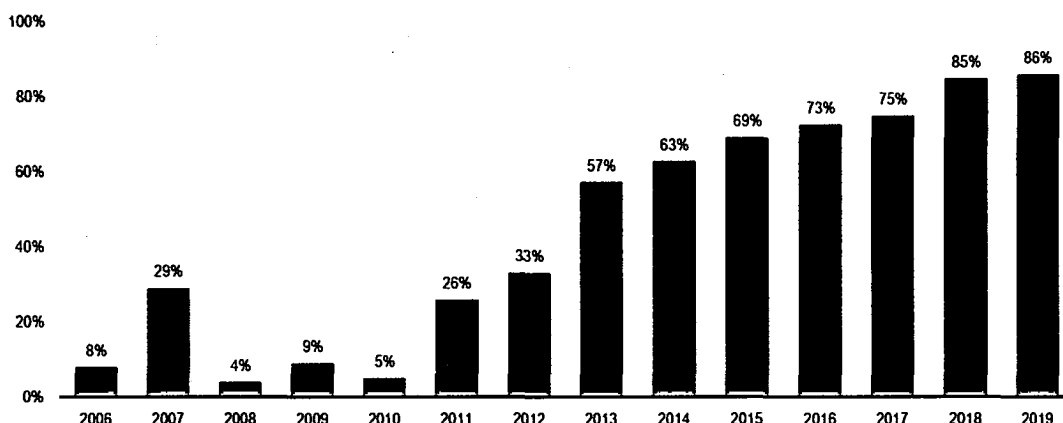


Source: Preqin

Private Markets Review (continued)

Private Credit (continued)

The prevalence of covenant-lite loans, which are loans that are issued with fewer restrictions on the borrower (e.g. ability to pay dividends) and/or fewer protections for the lender (e.g. minimum debt coverage ratio), is at the forefront of investors' minds.



Source: Neuberger Berman – covenant-lite loans as a % of total institutional loans

Covenant-lite loans are considered to be a structural change in the private credit market as opposed to a cyclical change which puts more emphasis on the quality of the original underwriting.

A more recent trend has been the level and types of adjustments that lenders permit to earnings such as future cost and revenue synergies. This has the effect of depressing the debt multiple and so although debt multiples are no higher than in 2007 it is not necessarily a like for like comparison. This is considered to be more of a cyclical change and borrowers may struggle to justify these adjustments in the event of a turn in the credit cycle.

Impact of recent market conditions

The emergence of the global coronavirus pandemic in early 2020 has had a significant impact on economic activity and financial markets. This is likely to continue for some time and will be highly disruptive in the short term. The potential impact for Private Markets will be uncertain but some high-level thoughts are below:

- Fundraising activity is likely to slow as investors either become more cautious or take longer to complete due diligence
- There are likely to be decreases in valuations during 2020 to reflect current economic activity which will disproportionately impact the energy, transportation, real estate and consumer discretionary industries
- Valuation multiples are likely to fall in tandem with equity markets – negative for those looking to exit but positive for acquirers

Private Markets Review (continued)

Impact of recent market conditions (continued)

- GPs have raised significant amounts of capital and are well placed to take advantage of market stresses – and there is likely to be an increase in public to private transactions
- Secondaries managers will be well placed to take advantage of sellers who are leveraged or have over-committed and discounts to net asset value are likely to increase
- There will be an increase in default rates in credit which will be a test of managers' historic credit underwriting capability and current workout capability and resources
- Although there would ordinarily be an increase in breaches of debt covenants, the proportion of loans that are covenant-lite suggests that this may not be the case in this cycle
- Debt multiples are likely to decrease as lenders become more cautious and some of the more egregious conditions that lenders have been willing to accept from borrowers (e.g. revenue and profit add-backs) will disappear
- Stressed and distressed managers will be able to take advantage of market dislocations in both the equity and debt parts of the capital structure

Private Equity

Private Equity (Series 1) launched on 28 May 2019 with total commitments of £500m for Series 1A. The Investment Period for Series 1A commenced on this date and will end on 31 March 2020. The primary benchmark is a long term absolute return of 10% per annum (net of all fees and costs) and the secondary benchmark is a PME+ benchmark with a target return of MSCI All Country World Index (ACWI) + 3%.

New Commitments During The Year

During the year, Border to Coast committed c. £300m into the following investments:

- **GreatPoint Ventures Innovation Fund II (\$40m commitment)**

GreatPoint is an early stage venture capital manager, typically investing in revenue generating companies disrupting existing industries in enterprise software, food and nutrition, digital health and life sciences. The management team has an excellent long term track record, initial investments in Fund II appear attractive, and there is a strong pipeline of opportunities through a strong deal sourcing network.

Border to Coast was able to access this capacity constrained fund through existing relationships.

Border to Coast themes: Technology, Healthcare

Private Markets Review (continued)

New Commitments During The Year (continued)

- **Palatine IV (£40m commitment)**

Palatine is a UK lower mid-market regional fund with a strong long term track record, focus on operational improvements and buy and build expansion, and strong ESG credentials. Other attributes include an experienced management team, strong origination and sourcing capability, disciplined pricing and conservative use of leverage.

Border to Coast was able to access this capacity constrained fund through existing relationships.

Border to Coast themes: Mid-market, Operational Value Add

- **Baring Private Equity Asia VII (\$60m commitment)**

Baring is a pan-Asian regional buyout fund with a focus on operational improvements. The team is experienced and well-resourced with a long and successful track record across market cycles. Baring has a strong regional presence and experience in cross-border transactions which is a growing trend within the region. In addition, the team have demonstrated that they are able to exit investments at an attractive valuation.

Border to Coast themes: Operational Value Add, Emerging Markets

- **NB Strategic Co-Investment Fund IV (\$100m commitment)**

Neuberger Berman (NB) is a large global fund of funds manager. The co-investment fund sources its investments from NB's wide ranging network of relationships with investment managers. The strategy has a long successful track record with a focus on mid-market companies. It has a differentiated approach in that it focuses on co-underwriting and mid-life transactions which tend to be less competitive than traditional co-investment transactions.

The management fee (1% p.a.) is attractive relative to direct funds (typically 2% p.a.) and Border to Coast were able to secure an additional 15bps p.a. discount by investing alongside another LGPS pool. In addition, as part of the relationship, NB will provide educational and due diligence support to Border to Coast.

Border to Coast themes: Mid-Market, Operational Value Add, Buy and Build

Private Markets Review (continued)

New Commitments During The Year (continued)

- **Greenspring Opportunities Fund VI (\$60m commitment)**

Greenspring is a US-focused late stage venture capital and growth co-investment fund. The strategy benefits from the wider Greenspring platform for sourcing and due diligence of investment opportunities. It has a differentiated approach in that it tends to be the lead investor which is beneficial for securing investments.

The management fee (2% p.a.) is lower than venture capital funds (typically 2.5% p.a.) and is charged on invested rather than committed capital thus reducing the overall fee burden. In addition, as part of the relationship, Greenspring will provide educational and due diligence support to Border to Coast.

Border to Coast themes: Mid-market, Operational Value Add, Buy and Build

- **StepStone Secondaries Opportunities Fund IV (\$75m commitment)**

StepStone is an alternatives investment manager and consultant which manages both primary and secondary strategies. Secondaries strategies tend to produce more stable returns with lower loss rates relative to primary strategies. StepStone has an experienced management team with a long successful track record, strong origination and sourcing capability, conservative use of leverage, and a demonstrable ability to consistently select high performing funds.

The management fee (1.25% p.a.) is higher than other secondaries managers (typically 1% p.a.) but Border to Coast has been able to secure a 12.5bps p.a. discount due to scale. Border to Coast was also able to access a capacity constrained manager through existing relationships.

Border to Coast themes: Mid-Market

Investment Pipeline

Subsequent to the year end, due diligence has been completed on two investments with a total commitment of £100m but the formal close has not yet taken place. Due diligence is currently being undertaken on two further investments with expected commitments of c. £100m.

In the event of the successful completion of these investments, c. 100% of committed capital will have been deployed.

Private Markets Review (continued)

Significant Activity

During the year, the following significant portfolio activity occurred:

- **GreatPoint Ventures Innovation Fund II (\$40m commitment)**

GreatPoint has called c. 36% of commitments to fund management fees, operational expenses and the following investments:

- Even Financial – financial services platform
- Guide Therapeutics – develops nanoparticles to deliver genetic therapies
- Nebula Genomics – marketplace for genomic data to assist in the development of tools for diagnosing and treating diseases
- Phil – drug wholesaler and pharmacy network
- RapidDeploy – cloud-based platform to reduce first responder response times
- Spring Labs – marketplace for credit and identity data
- Sidecar Health – affordable comprehensive health plans
- Skyhawk Therapeutics – drug developer to correct the underlying genetics of diseases that were previously considered incurable
- Splice Machine – database technology to analyse real-time data
- Strangeworks – interface for developers to create and deploy quantum computing software
- Recogni – data platform for next generation autonomous vehicles
- Extend – data platform enabling retailers to sell product protection plans through established insurance network

Private Markets Review (continued)

Significant Activity (continued)

- **Baring Private Equity Asia VII (\$60m commitment)**

Baring has called c. 25% of commitments to fund management fees, operational expenses and the following investments:

- TS Group – Japanese healthcare recruitment business
- Pioneer – Japanese electronics and software manufacturer
- AGS Health – Healthcare outsourcing company based in India and US
- NIIT Technologies – Indian IT services provider
- JD Health – Chinese consumer health e-commerce platform
- Acuson Capital – Korean financial services company
- Citrus Tech – Healthcare IT services company based in India and US

Baring has also made a recallable distribution of c. 4% of committed capital due to a recapitalisation of TS Group.

Infrastructure

Infrastructure (Series 1) launched on 19 July 2019 with total commitments of £675m for Series 1A. The Investment Period for Series 1A commenced on this date and will end on 31 March 2020. The benchmark is a long term absolute return of 8% per annum (net of all fees and costs).

New Commitments During The Year

During the year, Border to Coast committed c. £226m into the following investments:

- **Brookfield Infrastructure Fund IV (\$125m commitment)**

Brookfield is one of the world's largest specialist infrastructure managers with a Core/Core Plus approach blending stable, income yielding assets with growth focused strategies. It tends to focus on the transportation, utilities, renewable power, energy and data infrastructure sectors. Brookfield has a large and experienced team with both financial and operational expertise and a proven track record of executing large and complex transactions. They have also made a significant commitment (25% of total commitments) to Fund IV, demonstrating alignment with investors.

Border to Coast was able to secure a 10bps p.a. discount in the management fee.

Border to Coast themes: Operational Value Add, Emerging Markets, Energy Transition, Technology

Private Markets Review (continued)

New Commitments During The Year (continued)

- **Global Infrastructure Partners Fund IV (\$60m commitment)**

GIP is an independent specialist infrastructure manager with a focus on large, complex transactions with opportunities for growth which are often proprietary in nature with less competitive tension on price. The team has a strong long term track record with a focus on operational improvements and a proven ability to exit investments at an attractive valuation.

Border to Coast was able to secure access to this heavily oversubscribed fund through continued dialogue with the manager.

Border to Coast themes: Operational Value Add, Emerging Markets

- **AMP Global Infrastructure Fund II (\$100m commitment)**

AMP is a large global infrastructure manager with an experienced and well resourced team with a strong long term track record. The fund has a global strategy with a focus on Europe and North America. The manager has a core/core plus approach focusing on the Transport, Energy and Utilities, Communications and Healthcare sectors. AMP are able to access high quality assets whilst maintaining pricing discipline with conservative use of leverage. The Fund has a large seed portfolio (c. 50% of target fund size) which reduces blind pool risk and mitigates the J-curve impact. Border to Coast will also be able to access co-investment opportunities.

Border to Coast was able to secure a 35bps p.a. discount in the management fee due to scale. In addition, as part of the relationship, AMP will provide educational and due diligence support to Border to Coast.

Border to Coast themes: Operational Value Add, Energy Transition

Investment Pipeline

Subsequent to the year end, due diligence has been completed on one investment with a commitment of £100m but the formal close has not yet taken place. Due diligence is currently being undertaken on five further investments with expected commitments of c. £350m.

In the event of the successful completion of these investments, c. 100% of committed capital will have been deployed.

Private Markets Review (continued)

Significant Activity

During the year, the following significant portfolio activity occurred:

- **Brookfield Infrastructure Fund IV (\$125m commitment)**

Brookfield has called c. 29% of commitments to fund management fees, operational expenses and the following investments:

- Ascenty Participacoes SA – data centres in South America
- Vodafone New Zealand – integrated telecom business
- TransAlta – hydroelectric power generation assets in Canada
- Axis Energy Ventures – wind power generation assets in India
- Genesee & Wyoming – freight rail business in North America
- Los Ramones – natural gas pipelines connecting producing assets in Texas to customer base in Mexico
- Wind and solar power generation assets in China
- Follow on investment in TransAlta – hydroelectric power generation assets in Canada
- Follow on investment in Axis Energy Ventures – wind power generation assets in India

- **AMP Global Infrastructure Fund II (\$100m commitment)**

Subsequent to the year end (but accrued in the financial statements), AMP has called c. 47% of commitments to fund management fees, operational expenses, equalisation interest and the following investments:

- Everstream Solutions LLC – US fibre network operator
- Achieve Together – UK specialist care provider for adults with learning difficulties and mental health issues
- London Luton Airport – UK airport operating under a concession agreement
- Invenergy LLC – US natural gas-fired power generation assets
- Expedient Data Centers – US fibre network

Private Credit

Private Credit (Series 1) launched on 8 October 2019 with total commitments of £581m for Series 1A. The Investment Period for Series 1A commenced on this date and will end on 31 March 2021. The benchmark is a long term absolute return of 6% per annum (net of all fees and costs).

Private Markets Review (continued)

Investment Pipeline

Subsequent to the year end, due diligence has been completed on one investment with a commitment of c. £80m but the formal close has not yet taken place. There is a robust pipeline of potential investment opportunities which will be developed further in 2020.

General Partner's Report

The General Partner submits the Annual Report and Audited Financial Statements of Border to Coast Teesside LP ('the Partnership') for the period from 8 April 2019 (commencement of operations) to 31 December 2019.

Principal Activity

The purpose of the Partnership is to carry on, in Scotland and elsewhere, investment and ancillary activities and in particular but without limitation to identify, research and negotiate investment opportunities and to make, hold, monitor the progress of and realise Investments in accordance with the Investment Policy.

Statement of the General Partner's responsibilities

The General Partner is responsible for preparing the General Partner's Report and the financial statements in accordance with applicable law and regulations.

The Partnerships (Accounts) Regulations 2008 requires the General Partner to prepare financial statements for each financial year in accordance with Part 15 and Chapter 1 of Part 16 of the Companies Act 2006. Under that law the General Partner has elected to prepare the financial statements in accordance with UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The General Partner has taken advantage of the exemption contained within Section 414A of the Companies Act 2006 for small companies and not prepared a Strategic Report.

Under company law, 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 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 judgments and estimates that are reasonable and prudent;
- Follow UK Accounting Standards, including Financial Reporting Standard 102 ("FRS 102"), the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and applicable by law;
- assess the Qualifying Partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Qualifying Partnership or to cease operations or have no realistic alternative but to do so

The General Partner is 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Partnership and to prevent and detect fraud and other irregularities.

General Partner's Report (continued)

Disclosure of Information to the auditor

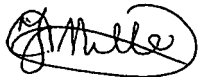
The General Partner who held office at the date of approval of this General Partner report confirms that, so far as the General Partner is aware, there is no relevant audit information of which the Partnership's Auditor is unaware; and the General Partner has taken all the steps that it ought to have taken as a General Partner to make itself aware of any relevant audit information and to establish that the Partnership's Auditor is aware of that information.

Auditor

KPMG LLP have indicated their willingness to be reappointed as auditor to the Partnership.

Results

Results of the period are set out in the Statement of Comprehensive Income on page 24.

A handwritten signature in black ink, appearing to read 'F. Miller', enclosed within a hand-drawn oval.

Fiona Miller – Director of the General Partner

13 May 2020

Independent Auditor's Report

Independent auditor's report to the members of Border to Coast Teesside LP

Opinion

We have audited the financial statements of Border to Coast Teesside LP ("the qualifying partnership") for the year ended 31 December 2019 which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Partner's Capital and Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the qualifying partnership's affairs as at 31 December 2019 and of its loss for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the qualifying partnership in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The general partner has prepared the financial statements on the going concern basis as they do not intend to liquidate the qualifying partnership or to cease its operations, and as they have concluded that the qualifying partnership's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the general partner's conclusions, we considered the inherent risks to the qualifying partnership's business model and analysed how those risks might affect the qualifying partnership's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

Independent Auditor's Report (continued)

Going concern (continued)

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the qualifying partnership will continue in operation.

Other information

The general partner is responsible for the other information, which comprises the general partner's report and the private market review. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in private market review and the general partner's report for the financial year is consistent with the financial statements; and
- in our opinion the general partner's report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the general partner was not entitled to take advantage of the small companies exemption, as applied to qualifying partnerships, from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Independent Auditor's Report (continued)

General partner's responsibilities

As explained more fully in the their statement set out on page 18, the general partner is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the qualifying partnership or to cease operations, or have no realistic alternative but to do so.

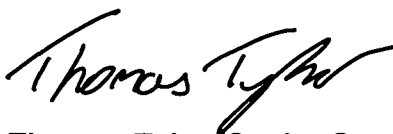
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the qualifying partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by regulation 4 of the Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the qualifying partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the qualifying partnership and its members, as a body, for our audit work, for this report, or for the opinions we have formed.



Thomas Tyler (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 St Peter's Square

Manchester

M2 3AE

United Kingdom

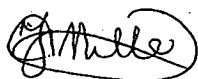
13 May 2020

Statement of Financial Position

For the period ended 31 December 2019

	NOTES	2019 GBP
Fixed Assets		
Financial assets at fair value through profit and loss	3	14,524,209
Current Assets		
Receivables		170,190
Cash and cash equivalents		778
Total Assets		14,695,177
Current Liabilities		
Investment acquisitions		(5,728,988)
Operator fees payable		(129,472)
Audit fees payable	8	(21,970)
Administration fees payable	4	(23,161)
Legal & professional fees payable		(28,439)
Priority profit share payable		(1,000)
Total liabilities		(5,933,030)
Net assets		8,762,147
Limited Partner's non loan account contributions		171,190
Limited Partner's loan account contributions		9,348,590
Limited Partner's recallable distributions		(468,977)
Limited Partner's income account		(288,656)
		8,762,147

On behalf of Border to Coast Teesside LP



Fiona Miller – Director of the General Partner

13 May 2020

The notes on pages 27 to 40 form an integral part of these financial statements.

Statement of Comprehensive Income

For the period from 8 April 2019 (commencement of operations) to 31 December 2019

	NOTES	2019 GBP
Income		
Bank Interest		108
Total income		108
Operating expenses		
Operator fees		129,472
Audit fees	8	21,970
Administration fees	4	23,161
Legal & professional fees		28,439
Foreign exchange loss		12,693
Priority profit share fees		1,000
Bank charges		227
Total operating expenses		216,962
Net Change in unrealised loss from investment		
Movement in unrealised loss on investments		(71,802)
Total loss from operations		<u>(288,656)</u>

The Partnership has no recognised gains and losses other than those included above and therefore no separate statement of total recognised gains and losses has been presented.

The results above are all in respect of continuing operations of the Partnership.

The notes on pages 27 to 40 form an integral part of these financial statements.

Statement of Changes in Partner's Capital

For the period from 8 April 2019 (commencement of operations) to 31 December 2019

	NOTES	2019 GBP
Partner's capital at 8 April 2019		-
Operations		
Total loss from operations		<u>(288,656)</u>
Net decrease in Partner's capital from operations		(288,656)
Capital transactions		
Limited Partner's non loan account contributions		171,190
Limited Partner's loan account contributions		9,348,590
Limited Partner's recallable distributions		<u>(468,977)</u>
Net increase in Partner's capital from capital transactions		9,050,803
Partner's capital at 31 December 2019		<u>8,762,147</u>

The notes on pages 27 to 40 form an integral part of these financial statements.

Statement of Cash Flows

For the period from 8 April 2019 (commencement of operations) to 31 December 2019

	NOTES	2019 GBP
Cashflows from operating activities		
Total loss from operations		(288,656)
Add back non cash items		
Movement in unrealised loss on investments		71,802
Increase in payables		5,933,030
Increase in receivables		(170,190)
Acquisition of investments		(15,065,222)
Return of capital on investments		469,211
Net cash outflow from operating activities		(9,050,025)
Cashflows from financing activities		
Limited Partner's non loan account contributions		171,190
Limited Partner's loan account contributions		9,348,590
Limited Partner's recallable distributions		(468,977)
Net cash inflow from financing activities		9,050,803
Net increase in cash and cash equivalents		778
Cash and cash equivalents at the beginning of period		-
Cash and cash equivalents at end of the period		778

The notes on pages 27 to 40 form an integral part of these financial statements.

Notes to Financial Statements

1. Organisation and nature of business

Border to Coast Teesside LP (the "Partnership") was established on 8 April 2019 and is registered as a Scottish Limited Partnership under the Limited Partnerships Act 1907 and is governed by the Limited Partnership Agreement signed on 20 May 2019 (the "LPA").

The Partnership is a collective investment scheme pursuant to Financial Services and Markets Act 2000 (FSMA) and therefore requires the Partnership to be managed and operated by an appropriately regulated entity. The Operator is authorised and regulated by the Financial Conduct Authority (FCA) with a FSMA Part 4A permission for the activity of operating, establishing and winding up collective investment schemes.

The initial partners of the Partnership were Border to Coast Teesside GP Limited (the "General Partner"), a limited company registered in Scotland and Border to Coast Pensions Partnership Limited acting as the initial Limited Partner.

On 20 May 2019 Border to Coast Pensions Partnership Limited was replaced by Middlesbrough Borough Council (acting as the administering authority of Teesside Local Government Pension Scheme) as the Limited Partner.

The Partnership was established to facilitate the efficient deployment of the Limited Partner's capital into private equity investments, infrastructure and private credit investments, consistent with the Investment Strategy as defined in Schedule 5 of the LPA.

The General Partner has appointed Border to Coast Pensions Partnership Limited (the "Manager") to act as the Manager of the Partnership, with responsibility for the day-to-day management and achievement of the Partnership's objectives under the supervision of the General Partner.

2. Significant accounting policies

a) Basis of preparation

The financial statements have been prepared in accordance with Part 15 and Chapter 1 of Part 16 of the Companies Act 2006. Under that law the General Partner has elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

The financial statements have been prepared under the historical cost convention with the exception of portfolio investments which are measured at fair value in accordance with the accounting policy set out below.

Notes to Financial Statements (continued)

2. Significant accounting policies (continued)

b) Functional and presentational currency

The financial statements are presented in Pounds Sterling and rounded to the nearest £1.

c) Going concern

The financial statements have been prepared using the going concern basis of accounting. The General Partner has undertaken an assessment to establish whether the use of the going concern basis is appropriate for the preparation of the financial statements. This assessment has involved an evaluation of the long term value of the underlying investments in addition to a review of the Limited Partner's investment strategy for a period of at least a year from the date of the approval of the financial statements.

The impacts of the COVID-19 outbreak have caused a significant deterioration in economic conditions for some companies and increased economic uncertainty for others. The General Partner has therefore made more detailed assessments to determine whether these events or conditions cast significant doubt on the Partnership's ability to continue as a going concern or, in severe cases, whether the going concern assumption is still appropriate as a basis for the preparation of the Partnership's financial statements. The General Partner has considered the uncertainty created by COVID 19, focusing specifically on:

- the level of liquid resources, including cash and cash equivalents, which exceed the level of creditors. The Manager has confirmed that they regularly monitor the Partnerships' cash position to ensure sufficient cash is held to meet liabilities as they fall due;
- the level of undrawn commitments available from Limited Partners, which are due on demand in accordance with the Limited Partnership Agreement, are sufficient to meet future obligations to Fund Investments and working capital requirements; and
- the effectiveness of the General Partner's operational resilience processes, including the ability of key outsourcers to continue to provide services.

The Limited Partner is a Local Government Pension Scheme and, because the Scheme's assets are ring-fenced from the main Local Authority's budget, there is no reason to doubt that the forecasted future level of investments into the Partnership, in line with the Limited Partner's long term strategic investment objectives which include diversification into alternative investment classes, will continue. This assertion is further supported by recent commitments by the Limited Partner post outbreak of COVID-19.

In response to the COVID-19 outbreak, the Bank of England and the Government have introduced a range of economic and financial measures to assist Companies. However, the General Partner has had no need to utilise any of these measures.

Notes to Financial Statements (continued)

2. Significant accounting policies (continued)

c) Going concern (continued)

In respect of the potential impacts of Brexit:

- valuation of investments may be impacted by weaker UK economic growth and/or currency weakness although the UK is expected to form a relatively small proportion of total investment exposure
- as the reporting currency of the Partnership is GBP, valuations will be impacted by currency movements, albeit sterling weakness would have a beneficial impact at the point of translation and vice versa
- Investment activity may be impacted if there is a change in the regulatory environment which prevents investment managers from marketing their funds in the UK

In conclusion, the General Partner is not aware of any material uncertainties that would cast doubt over the Partnership's ability to continue as a going concern.

d) Financial Assets

Other financial assets

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in the statement of comprehensive income except as follows:

- Investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below

The basis to determine the fair value of the Partnership's investments are the quarter end valuations as reported in the latest available capital account statements or, if available the audited financial statements as provided by the underlying investment manager.

Generally, the fair value provided by the underlying investment manager is adopted if the investment is

- Prepared under International Financial Reporting Standards (IFRS) or
- Prepared under different accounting standards (UK Generally Accepted Accounting Practice) but provides a compliant valuation

If the quarter end valuation is not available in time, the previous quarter end fair value is taken and adjusted for cash movements in the quarter. If the Partnership investment includes listed companies, and the movement of the share price has a material impact, the closing share price of the quarter is used for valuation.

Notes to Financial Statements (continued)

2. Significant accounting policies (continued)

d) Financial Assets (continued)

Other financial assets (continued)

If the General Partner is aware of any material change in any of the underlying investments that impacts the fair value reported, or if such valuation may not be the best approximation of fair value, the General Partner may adjust the reported fair value as it deems necessary to better reflect the fair value of the Partnership's investments.

For co-investment, the lead-investor's fair value will be adopted unless exceptional circumstances make an alternative valuation approach more appropriate.

Basic financial assets

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

e) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits with banks and other financial institutions.

f) Foreign exchange translation

Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Exchange differences are recognised in the statement of comprehensive income in the period in which they arise except for exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income.

g) Interest income and interest expense

Interest income and expense are recognised in profit or loss as they accrue, using the effective interest method.

h) Taxation

The Partnership is not separately taxable as gains and losses flow through to individual Partners. Accordingly, no provision for taxation has been made in these Financial Statements. Income and Capital Gains (or Losses) accruing to the Limited Partnership will be attributed to the relevant Partners for tax purposes according to their entitlements to Income and Capital Gain (or Loss) in accordance with the LPA.

Notes to Financial Statements (continued)

2. Significant accounting policies (continued)

i) Distributions

Net Income (after payment of Partnership expenses) shall be available for distribution to the Partner entitled to them once the balance of cleared funds on the relevant Partner's income account and capital account exceeds an amount as determined by the Operator as economic to distribute. Distributions will be made in accordance with Section 7.4.1 of the LPA as summarised below:

- first, to the General Partner until all amounts payable to it as Priority Profit Share have been allocated in full and then
- to the Limited Partner

j) Critical accounting judgements and estimates

In the application of the Partnership's accounting policies, the General Partner is required to make judgements that have a significant impact on the amounts recognised. The following are the critical judgements and estimates that the General Partner has made in the process of applying the Partnership's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Investments – where the General Partner is aware of any material change in any of the underlying investments that impacts the fair value reported, or if such valuation may not be the best approximation of fair value, the General Partner may adjust the reported fair value as it deems necessary to better reflect the fair value of the Partnership's investments.

Notes to Financial Statements (continued)

3. Financial Assets at Fair Value through profit and loss

DRAWDOWN SUMMARY		Committed Amount*	Cumulative Commitment Affecting Capital Contributions	Cumulative Non Commitment Affecting Capital Contributions	Distribution subject to Recall	Outstanding Commitments	Fair value of Investments at 31/12/2019
INFRASTRUCTURE		GBP	GBP	GBP	GBP	GBP	GBP
SERIES 1 A							
Investments							
AMP Capital Global Infrastructure Fund II B LP	11,184,509	(5,272,201)	(456,788)	-	5,912,308	5,646,508	
Brookfield Infrastructure Fund IV	13,980,069	(4,380,372)	617	51,216	9,828,215	4,067,438	
Global Infrastructure Partners IV-C2, LP	6,710,705	-	(125,390)	-	6,710,705	(6,486)	
Total	31,875,283	(9,652,573)	(581,561)	51,216	22,451,228	9,707,460	

* These values have been revalued using the FX rate at 31 December 2019.

Notes to Financial Statements (continued)

3. Financial Assets at Fair Value through profit and loss (continued)

DRAWDOWN SUMMARY		Committed Amount*	Cumulative Commitment Affecting Capital Contributions	Cumulative Non Commitment Affecting Capital Contributions	Distribution subject to Recall	Outstanding Commitments	Fair value of Investments at 31/12/2019
PRIVATE EQUITY		GBP	GBP	GBP	GBP	GBP	GBP
SERIES 1 A							
Investments							
GreatPoint Ventures Innovation Fund II, L.P.		6,039,559	(2,274,586)	(81,395)	-	3,857,994	2,901,205
Greenspring Opportunities VI (Cayman) LP		9,059,339	-	-	-	9,059,339	-
NB Strategic Co-Investment Partners IV		15,098,898	-	-	-	15,098,898	-
Palatine Private Equity IV LP		8,000,000	-	-	-	8,000,000	-
Stepstone Secondaries Opportunities Fund IV Europe		11,324,173	-	-	-	11,324,173	-
The Baring Asia Private Equity Fund VII, SCSp		9,059,339	(2,453,573)	(21,534)	417,995	7,174,342	1,915,544
Total		58,581,308	(4,728,159)	(102,929)	417,995	54,514,746	4,816,749

* These values have been revalued using the FX rate at 31 December 2019.

Notes to Financial Statements (continued)

3. Financial Assets at Fair Value through profit and loss (continued)

	Period ended 31 December 2019 GBP
Opening Balance	-
Purchases	15,065,222
Sales	(469,211)
Loss on revaluation at fair value	(71,802)
Closing Balance	<u>14,524,209</u>

4. Administration Fees

The Manager, Border to Coast Pensions Partnership Limited has entered into an Administration Agreement with Northern Trust Global Services SE, UK Branch (the 'Administrator') dated 15 May 2019 to perform administration services with the fee structure in line with the administration agreement.

Total administration fees charged for the Partnership during the period from 8 April 2019 to 31 December 2019 amounted to £23,161 and the amount payable at the period end was £23,161.

5. Allocation of Profits and Losses and Distributions

The General Partner shall determine in its sole discretion how much of the Partnership Assets are surplus and available for distribution. Any Partnership Assets which are deemed available for distribution shall be distributed as soon as reasonably practicable after receipt by the Partnership.

The General Partner undertakes to exercise its discretion reasonably and in the best interests of the Partnership taken as a whole and in accordance with the Investment Strategy.

Distributions received from investments shall be allocated to Limited Partners in accordance with each Limited Partner's interest in such Investment as recorded in the books and records of the Partnership.

Notes to Financial Statements (continued)

5. Allocation of Profits and Losses and Distributions (continued)

The Limited Partner acknowledges and agrees that pursuant to the investment documentation controlling Investee Entities it is common practice for distributions to be subject to recall or to clawback, in which case the following treatment shall apply:

- Where distributions which may be subject to recall are received by the Partnership from investee entities and distributed to the Limited Partner, the General Partner shall treat such distributions, in the books and records of the Partnership, as negative drawdowns and will increase the undrawn commitments of each applicable Limited Partner by each Limited Partner's share of the applicable distribution;
- Where distributions which may be subject to clawback are received by the Partnership from investee entities and distributed to Limited Partners, the Limited Partners shall continue to be liable to repay such distributions to the Partnership to the same extent as the Partnership is required to repay such distributions to investee entities under clawback arrangements, until such clawback liability is extinguished

The Partnership employed no persons during the period.

Under the provisions of the Limited Partnership Agreement, the General Partner is due a Priority Profit Share of £1,000. This amount was outstanding at 31 December 2019.

6. Risks Associated with Financial Instruments

The Partnership is exposed to a number of risks arising from the various financial investments held. The main risks to which the Partnership is exposed are market risk (including market price risk, currency risk, and interest rate risk), credit risk and liquidity risk. The risk management policies employed by the Partnership to manage these risks are discussed below.

The Partnership has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy and has established processes to monitor and control all transactions in a timely and accurate manner.

The Partnership assets and liabilities comprise financial instruments which include:

- Investments including equity, unlisted loan stock and unlisted preferred stock. These are held in accordance with the Partnership's investment objectives and policies
- Cash and cash equivalents, liquid resources and short-term debtors and creditors that arise directly from its investment activities

Notes to Financial Statements (continued)

6. Risks Associated with Financial Instruments (continued)

The Partnership buys, sells or holds financial assets and liabilities in order to take advantage of changes in market prices or rates.

Market risk

The Partnership invests in quoted and unquoted securities. The fair value or future cash flows of a financial instrument held by the Partnership may fluctuate because of changes in the market. This market risk comprises currency risk, interest risk and market price risk. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole investment portfolio on an ongoing basis.

Currency risk

The functional and presentational currency of the Partnership is Pounds Sterling. Foreign currency risk is the risk that a financial instrument will fluctuate because of changes in foreign exchange rates.

The Partnership has investments in securities denominated in a currency other than the functional currency of the Partnership. Accordingly, the value of the Partnership's assets may be affected favourably or unfavourably by fluctuations in currency rates and therefore the Partnership has some exposure to foreign exchange risk.

The table below shows USD currency risk exposure for the Partnership.

	Period ended 31 December 2019 GBP
Financial assets as fair value	14,524,209
Cash and cash equivalents	778
Investment acquisitions	(5,728,988)
Total USD exposure	8,795,999

An increase or decrease of the currency rates by 5% would have caused a corresponding increase or decrease in the partners' capital of £439,800.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Partnership has no material direct exposure to interest rates.

Notes to Financial Statements (continued)

6. Risks Associated with Financial Instruments (continued)

Market price risk

Market price risk (i.e. changes in market prices other than those arising from the currency risk or interest rate risk) may affect the value of the unquoted investments. The Partnership's exposure to price risk comprises mainly movements in the value of its investment.

The following table illustrates the sensitivity of the profit and net assets to an increase or decrease of 10% in the fair value of the Partnership's investments. 10% is the sensitivity rate used when reporting risk internally to key investment management personnel. The sensitivity analysis is based on the Partnership's investments at each balance sheet date, with all other variables held constant. A positive number indicates an increase in net assets attributable to Partner where the market price of the relevant financial instrument increases and a negative number indicates a decrease where the market price of the relevant financial instrument decreases. In practice, actual trading results may differ from those in the table below and the difference could be material.

	31 December 2019 Increase in GBP	31 December 2019 Decrease in GBP
Statement of comprehensive income	1,452,421	(1,452,421)
Net assets	1,452,421	(1,452,421)

Liquidity risk

The Partnership's financial instruments include investments in unlisted equity investments, which are not traded in an organised public market and which may be illiquid. As a result, the Partnership may not be able to promptly liquidate some of its investments in these instruments at an amount close to its fair value in order to meet its liquidity requirements or to respond to specific events such as deterioration in the credit worthiness of any particular issuer.

The table below analyses the Partnership's financial assets and liabilities into the relevant maturity grouping based on remaining period at the balance sheet date to the contractual maturity date or if this is not applicable the best estimate of liquidity return.

Notes to Financial Statements (continued)

6. Risks associated with Financial Statements (continued)

Liquidity risk (continued)

Financial assets at 31 December 2019

	Due on demand	Due within 3 months	Due between 3 and 12 months	Over 12 months	No stated maturity	Totals
	GBP	GBP	GBP	GBP	GBP	GBP
Cash and cash equivalents	778	-	-	-	-	778
Financial assets at fair value through the profit and loss	-	-	-	-	14,524,209	14,524,209
Other receivables	-	170,190	-	-	-	170,190
Total financial assets	778	170,190	-	-	14,524,209	14,695,177
Administration fees payable	-	(23,161)	-	-	-	(23,161)
Other payable	-	(5,909,869)	-	-	-	(5,909,869)
Total financial liabilities	-	(5,933,030)	-	-	-	(5,933,030)

Current creditors and next year expenses will be financed by the current cash at bank and the uncalled commitments from underlying investors. The current uncalled commitments are £191,121,387.

Credit risk

Credit risk is the risk that an issuer or counterparty may be unable or unwilling to meet a commitment that it has entered into with the Partnership. The Partnership's principal financial assets are cash and cash equivalents, other receivables and financial assets at fair value through profit and loss as set out in the Balance Sheet, which represent the Partnership's maximum exposure to credit risk in relation to the financial assets.

The Partnership assesses all counterparties, including its partner, for credit risk before contracting with them.

The Partnership mitigates its exposure to credit risk on bank balances by using a bank with a high credit rating of at least A-1 assigned by international credit rating agencies.

Notes to Financial Statements (continued)

6. Risks associated with Financial Statements (continued)

Credit risk (continued)

The table below gives an analysis of cash and cash equivalents at 31 December 2019, together with their respective credit ratings.

Institution	Cash held GBP	Credit Rating
Northern Trust Corporation	778	A-1

7. Related Parties

The Partnership shall bear all costs and expenses incurred in the operation of the Partnership. The Manager pays all costs and expenses on behalf of the Partnership and the General Partner. Such costs will be allocated and charged quarterly amongst all partnerships within the structure in a manner that is determined to be fair by the General Partner, acting reasonable and in good faith.

8. Audit fees

The Partnership pays the audit fees which is £21,970 for the period from 8 April 2019 to 31 December 2019. The amount payable at the period end was £21,970.

9. Subsequent event/Post balance sheet event

The Partnership has evaluated subsequent transactions and events after the period end through to 13 May 2020, the date the financial statements were signed.

Impact of COVID-19 on investment valuations

Analysis from a number of market participants suggests that valuations in Q1-2020 could fall by c. 10% in Private Equity and less than 5% for Private Credit and Infrastructure.

Private Equity investments are likely to be impacted by lower earnings and lower valuation multiples as well as a reduction in exit activity as potential buyers become more risk averse, sources of funding become less widely available, and equity markets are not supportive of IPOs.

Infrastructure investments are likely to be more resilient particularly those assets whose returns are driven by availability rather than usage of asset or have revenues supported by regulations and/or governments.

Private Credit investments will be dependent on the risk of contractual payments not being made or covenants being breached which could result in actual loss of income or mark to market losses.

Notes to Financial Statements (continued)

9. Subsequent event/Post balance sheet event (continued)

Given the emergence and spread of the COVID-19 virus is not considered to provide more information about conditions that existed at the balance sheet date, the General Partner has concluded that measurement of assets and liabilities in the financial statements should not be adjusted for its potential impact as it is unable to quantify this at the date of signing.