

***COUTTS PRIVATE EQUITY LIMITED  
PARTNERSHIP II***

**Financial Statements**

December 31, 2020

# COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II

## Table of Contents

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Financial Statements as of and for the year ended December 31, 2020 and Independent Auditors' Report to the General Partner:

PAGE

Independent Auditors' Report to the General Partner .....	1 - 2
Statement of Assets, Liabilities and Partners' Capital .....	3
Statement of Operations .....	4
Statement of Changes in Partners' Capital .....	5
Statement of Cash Flows .....	6
Notes to Financial Statements .....	7 - 17



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## **Independent Auditors' Report to the General Partner**

### ***Opinion***

We have audited the financial statements of Couatts Private Equity Limited Partnership II (the "Partnership"), which comprise the statement of assets, liabilities and partners' capital as at December 31, 2020, the statements of operations, changes in partners' capital and cash flows for the year ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2020, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards ("IFRS").

### ***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Partnership in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with ethical requirements that are relevant to our audit of the financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Emphasis of Matter***

We draw attention to Notes 1 and 2 in the financial statements, which describes that the going concern basis of preparing the financial statements has not been used because the General Partner intends to enter the Partnership into voluntary liquidation. Our opinion is not modified in respect of this matter.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Partnership or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Partnership's financial reporting process.



## **Independent Auditors' Report to the General Partner (continued)**

### ***Auditors' Responsibility 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 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

A handwritten signature in blue ink that reads 'KPMG'. The letters are stylized and slanted to the right.

June 25, 2021

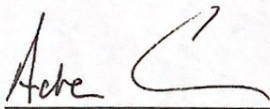
**COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II**  
**Statement of Assets, Liabilities and Partners' Capital**

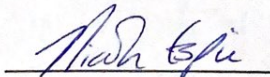
As at December 31, 2020  
 (expressed in United States dollars)

	Note	2020	2019
		\$	\$
<b>Assets</b>			
<b>Financial assets at fair value through profit or loss</b>	3,10	-	18,514,958
<b>Financial assets measured at amortised cost</b>			
Cash and cash equivalents	9	20,288,647	12,144,535
Receivable due from General Partner	9	-	589,787
Interest receivable	9	-	9,863
Prepayments		4,796	1,600
<i>Total financial assets measured at amortised cost</i>		20,293,443	12,745,785
<b>Total assets</b>		20,293,443	31,260,743
<b>Liabilities</b>			
<b>Financial liabilities measured at amortised cost</b>			
Distributions payable to Limited Partners		4,737,500	6,165,748
Operational fee payable	6,9	50,654	44,538
Accounts payable and accrued expenses	9	91,126	125,441
<i>Total financial liabilities measured at amortised cost</i>		4,879,280	6,335,727
<b>Total liabilities</b>		4,879,280	6,335,727
<b>Partners' capital (net assets)</b>	5	15,414,163	24,925,016

The accompanying notes on pages 7 - 17 form an integral part of these financial statements.

Approved by Aberdeen General Partner CPELP II Limited on 25 June 2021.

 Director

 Director

# COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II

## Statement of Operations

For the year ended December 31, 2020

(expressed in United States dollars)

	Note	2020	2019
		\$	\$
<b>Income from financial assets at fair value through profit or loss</b>			
Net realised loss on investments		(41,281,898)	(38,189,986)
Movement in unrealised gain on investments		32,429,720	29,356,407
		(8,852,178)	(8,833,579)
<b>Other investment income</b>			
Interest income	9	58,544	442,830
Foreign exchange gain/(loss)		7,092	(2,933)
		65,636	439,897
<b>Net investment loss</b>			
		(8,786,542)	(8,393,682)
<b>Operating expenses</b>			
Administration fee	7	222,082	217,771
Professional fees		197,156	143,119
Directors' fees	9	11,290	21,506
Other		15,064	30,504
<b>Total operating expenses</b>		445,592	412,900
<b>Net loss from operations before tax</b>			
		(9,232,134)	(8,806,582)
Withholding tax expense		(84,167)	(473,536)
<b>Net change in partners' capital resulting from operations after tax</b>			
		(9,316,301)	(9,280,118)

The accompanying notes on pages 7 - 17 form an integral part of these financial statements.

## COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II

### Statement of Changes in Partners' Capital

For the year ended December 31, 2020

(expressed in United States dollars)

	Note	General Partner \$	Limited Partners \$	Total \$
<b>Balance at December 31, 2018</b>		-	99,572,695	99,572,695
Distributions		(881,311)	(64,486,250)	(65,367,561)
Allocation of operational fee	6,9	881,311	(881,311)	-
Net change in partners' capital resulting from operations after tax		-	(9,280,118)	(9,280,118)
<b>Balance at December 31, 2019</b>		-	24,925,016	24,925,016
Distributions		(194,552)	-	(194,552)
Allocation of operational fee	6,9	194,552	(194,552)	-
Net change in partners' capital resulting from operations after tax		-	(9,316,301)	(9,316,301)
<b>Balance at December 31, 2020</b>		-	15,414,163	15,414,163

The accompanying notes on pages 7 - 17 form an integral part of these financial statements.

# COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II

## Statement of Cash Flows

For the year ended December 31, 2020

(expressed in United States dollars)

	2020	2019
	\$	\$
<b>Cash provided by/(used in):</b>		
<b>Operating Activities</b>		
Net change in partners' capital resulting from operations after tax	(9,316,301)	(9,280,118)
Add/(deduct) items not involving cash:		
Net realised loss on investments	41,281,898	38,189,986
Movement in unrealised gain on investments	(32,429,720)	(29,356,407)
Net change in non-cash operating balances:		
Receivable due from General Partner	589,787	(589,787)
Other receivables and prepayments	(3,196)	775
Interest receivable	9,863	19,965
Accounts payable and accrued expenses	(34,315)	(5,144)
Investments in financial assets designated at fair value	(465,224)	(471,380)
Distributions/sales from financial assets designated at fair value	10,128,004	57,909,019
Net cash provided by operating activities	9,760,796	56,416,909
<b>Financing Activities</b>		
Distributions paid to General Partner	(188,436)	(960,559)
Distributions paid to Limited Partners	(1,428,248)	(61,644,252)
Net cash used in financing activities	(1,616,684)	(62,604,811)
<b>Movements in cash and cash equivalents during the year</b>	8,144,112	(6,187,902)
Cash and cash equivalents at beginning of year	12,144,535	18,332,437
<b>Cash and cash equivalents at end of year</b>	20,288,647	12,144,535
<b>Supplementary information on cash flows from operating activities:</b>		
Interest received	68,407	462,795

The accompanying notes on pages 7 - 17 form an integral part of these financial statements.

# COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II

## Notes to Financial Statements

December 31, 2020

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### 1. GENERAL INFORMATION

Coutts Private Equity Limited Partnership II (the “Partnership”) was established under the Exempted Limited Partnership Law of the Cayman Islands on February 2, 2007 as a Cayman Islands closed-ended exempted limited partnership. On 24 July 2020, the Partnership registered with the Cayman Islands Monetary Authority (“CIMA”) under the Private Funds Law, 2020. The registered office of the Partnership is located at PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

Pursuant to the terms of the Amended and Restated Limited Partnership Agreement dated April 23, 2007 (the “Agreement”), Aberdeen General Partner CPELP II Limited (the “General Partner”) acts as General Partner to the Partnership and is responsible for the operation, management and risk management of the Partnership on the advice of Aberdeen Asset Managers Limited (the “Investment Manager”). Accordingly, in these notes, references to the General Partner should be read in the context that the General Partner has delegated investment discretion to the Investment Manager. The General Partner was incorporated under the Companies Law of the Cayman Islands on January 29, 2007 as an exempted company with limited liability. The General Partner does not intend to invest any capital in the Partnership and does not have any capital invested as of December 31, 2020 and 2019.

The investment objective of the Partnership is to seek long-term capital appreciation by investing in selected closed-ended investment funds operated by leading private equity investment managers (“Investment Vehicles”). In particular, the Partnership is a limited partner in a number of Investment Vehicles.

CPELP II Guernsey is a limited partnership with legal personality in Guernsey established under the Limited Partnership (Guernsey) Law on April 18, 2007 which was established to facilitate the acquisition of certain investments on behalf of the Partnership. The General Partner is also the general partner of CPELP II Guernsey and the Partnership is CPELP II Guernsey’s sole limited partner.

The Partnership may invest in other Investment Vehicles in place of or in addition to the Investment Vehicles listed above.

At the start of the life of the Partnership, it was intended that the term of the Partnership would be for the same term as the longest term of any of the Investment Vehicles plus a period determined by the General Partner during which period the Partnership would be wound up. During the year the Partnership transferred the remaining Investment Vehicles to a third party. The General Partner intends to liquidate the Partnership, which is expected to be completed near the end of 2021 or such other date as the General Partner reasonably determines. A final distribution is currently expected to be made in the next eighteen months.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### *Basis of preparation*

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and reflect the following significant accounting policies.

The functional and presentation currency of the Partnership is the U.S. dollar and not the local currency of the Cayman Islands, reflecting the fact that partners’ capital is denominated in U.S. dollars and the Partnership’s operations are primarily conducted in U.S. dollars.

The Partnership has prepared the annual financial statements on a basis other than that of a going concern. There are no material changes in how assets and liabilities are recognised from prior period, with no adjustments in relation to the recoverability and classification of asset or liability amounts.

# COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II

## Notes to Financial Statements (continued)

December 31, 2020

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **COVID-19**

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, continues to impact many aspects of daily life and the global economy. Travel, movement and operational restrictions have been implemented by many countries. In some cases, “lockdowns” have been applied – in varying degrees – to reflect further ‘waves’ of COVID-19. While these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.

The pandemic and the measures taken to tackle COVID-19, including the development and roll out of vaccines globally, continue to affect economies and public equity markets globally. The success of vaccine programs are expected to have a major impact on the speed and nature of economic recovery but the timing and form of the recovery remains uncertain, particularly with the emergence of new strains of COVID-19.

After taking this into consideration, the General Partner considers the Partnership has adequate resources to continue in operational existence until the Partnership is fully wound up.

#### ***New standards and interpretations***

There are no new standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2020 that have a material effect on the financial statements of the Partnership.

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

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. Actual results could differ from those estimates.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

#### ***Financial assets and financial liabilities***

##### ***Classification of financial assets***

On initial recognition, the Partnership classifies financial assets as measured at amortised cost or fair value through profit or loss (“FVTPL”). A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cashflows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of Principal and Interest.

All other financial assets of the Partnership are measured at FVTPL and include investments in Investment Vehicles.

Financial assets at amortised cost are:

Cash and cash equivalents, Receivable due from General Partner, Interest receivable and Prepayments.

# COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II

## Notes to Financial Statements (continued)

December 31, 2020

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Financial assets and financial liabilities (continued)*

##### *Business model assessment*

In making an assessment of the objective of the business model in which a financial asset is held, the Partnership considers all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Partnership's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed;
- how the investment manager is compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Partnership's continuing recognition of the assets.

##### *Reclassifications*

Financial assets are not reclassified subsequent to their initial recognition unless the Partnership were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

##### *Classification of financial liabilities*

Financial liabilities are classified as measured at amortised cost.

Financial liabilities at amortised cost are:

Operational fee payable, Accounts payable and accrued expenses and Distributions payable to limited partners.

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

The Partnership recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument using trade date accounting. Other financial assets and financial liabilities are recognized on the date on which they are originated. Financial instruments are initially measured at fair value and, for an item not at FVTPL, includes transaction costs that are directly attributable to its acquisition or issue. Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Operations. Net gain on investments is calculated using the specific identification method. Other financial assets or financial liabilities are subsequently measured at amortised cost using the effective interest method. The Partnership derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IFRS 9. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

#### **Impairment**

IFRS 9 introduces a new expected credit loss ("ECLs") impairment model. The Partnership recognises loss allowances for expected credit losses on financial assets measured at amortised cost.

# COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II

## Notes to Financial Statements (continued)

December 31, 2020

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Impairment (continued)*

The Partnership measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk has not increased significantly since initial recognition.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. At each reporting date, the Partnership assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The adoption of IFRS9 and the application of the new impairment model has not had a material impact on the Partnership's financial statements.

#### *Investments in Investment Vehicles*

The Partnership has designated its investments in Investment Vehicles into the financial assets at fair value through profit or loss category. The fair value of investments in Investment Vehicles is based primarily on the unadjusted value of the Partnership's capital accounts in such investments as determined by those Investment Vehicles. As a result, there are no additional unobservable inputs applied by the General Partner in determining the fair values as at December, 31 2020 and 2019.

The Investment Vehicles hold a majority of their investments in assets which are not actively traded. Consequently, it may be relatively difficult for the investment manager of the Investment Vehicles to obtain reliable information on the investments for valuation purposes and to dispose of the investments at the valuation level. Inherent uncertainties as to the valuation of assets held by Investment Vehicles could have an adverse effect on the partners' capital interests.

The valuations produced by the investment managers of the Investment Vehicles are estimates where they relate to unrealised investments. Therefore, these estimated values may differ significantly from the values that would have been used had a ready market for the Investment Vehicles and their underlying investments existed, and the differences could be material.

The Partnership's investment in the Investment Vehicles meets the definition of unconsolidated structured entities as the voting rights are not the dominant factor in determining control, the Investment Vehicles' activities are restricted by their offering memorandum and they have a narrow and well-defined objective to provide investment opportunities to investors.

#### *Other financial assets and liabilities*

The carrying value of financial assets and liabilities not classified at FVTPL approximate the fair value principally because of the short-term nature of these instruments.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise deposit accounts or short-term, highly liquid investments with original maturities of three months or less.

The Partnership held \$15,546,628 (2019: \$5,969,341) of cash and cash equivalents in a money market account at year end which is classified as level 1 on the fair value hierarchy.

# COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II

## Notes to Financial Statements (continued)

December 31, 2020

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Fair value measurement principles*

Financial instruments recognised at fair value in the statement of assets, liabilities and partners' capital have been classified into a fair value hierarchy with the following levels:

- |         |   |
|---------|---|
| Level 1 | Fair value is determined by quoted prices in active markets for identical assets and liabilities that the Partnership can access at the same measurement date;  |
| Level 2 | Fair value is determined by reference to observable inputs for the instrument not included within Level 1 of the fair value hierarchy; and  |
| Level 3 | Fair value is determined by reference to unobservable inputs (including the Partnership's own data, which are adjusted, if necessary, to reflect the assumptions market participants would use in the circumstances). |

All financial assets designated at FVTPL, being the investments in Investment Vehicles, are classified as level 3 in the fair value hierarchy reflecting that investments in Investment Vehicles are not redeemable.

#### *Interest income*

Interest income on cash and cash equivalents is accrued using the effective interest method.

#### *Expenses*

Expenses are recognised in the period when the service is provided on an accruals basis, in accordance with contractual arrangements.

#### *Foreign currency*

Unfunded commitments, investments in Investment Vehicles and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the reporting date. Purchases and sales of investments in Investment Vehicles and income and expense items denominated in foreign currencies are translated into U.S. dollars on the respective dates of such transactions. Realised and unrealised gains and losses resulting from foreign currency transactions are included in the Statement of Operations.

#### *Taxes*

Under Cayman Islands law, distributions made by the Partnership and return of capital in respect of investments in the Partnership are not subject to taxation in the Cayman Islands and no withholding will be required on such payments to limited partners. The Partnership has received an undertaking from the Governor in Cabinet exempting it from all local income, profits and capital gains taxes until February 13, 2057. No such taxes are levied in the Cayman Islands at the present time. The limited partners are responsible for reporting their respective share of the Partnership's net income or net loss on their own tax returns.

Withholding tax is being applied on distributions received from the underlying Investment Vehicles.

### 3. INVESTMENTS IN INVESTMENT VEHICLES

As at 31 December 2020, the Partnership does not have any committed capital and investments in Investment Vehicles.

# COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II

## Notes to Financial Statements (continued)

December 31, 2020

### 3. INVESTMENTS IN INVESTMENT VEHICLES (continued)

The committed capital and investments in Investment Vehicles at fair value at December 31, 2019 are as follows:

Investment Vehicle		Total Net Assets of Investment Vehicle		Original Commitment (source currency)		Unfunded Commitment		Investment at Cost		Investment at Fair Value
Carlyle Europe Partners III, L.P.*	€	535,408 <sup>1</sup>	€	50,000,000	\$	1,062,427	\$	23,965,783	\$	4,833,539
Carlyle Partners V, L.P.	\$	2,274,046 <sup>1</sup>	\$	70,000,000	\$	12,660,899	\$	26,151,111	\$	9,758,735
Thomas H.Lee Parallel Fund VI, L.P.	\$	293,883 <sup>1</sup>	\$	50,000,000	\$	2,341,743	\$	827,784	\$	3,922,684
					\$	16,065,069	\$	50,944,678	\$	18,514,958

<sup>1</sup> Amounts expressed in thousands

\* This investment is made via CPELP II Guernsey

Commitments represent the aggregate commitments by the Partnership to each Investment Vehicle, in the actual currency and U.S. dollars, as at December 31, 2020 and 2019. Unfunded commitments represent the remaining undrawn funds and recallable distributions which may be called by each of the Investment Vehicles, in U.S. dollar equivalent amounts.

The Partnership's maximum exposure to loss at December 31, 2020 is \$nil (2019: \$34,580,027) represented by the Partnership's investment at fair value and the unfunded commitment. During the year the Partnership did not provide financial support to the Investment Vehicles and has no intention of providing financial support.

### 4. FINANCIAL ASSETS AND LIABILITIES AT AMORTISED COST

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance. The Partnership's carrying value of other financial assets and liabilities at amortised cost approximates fair value and are classified as level 2 on the fair value hierarchy.

### 5. PARTNERS' CAPITAL

The Partnership held a first offering which closed on April 23, 2007 that resulted in commitments from the partners of \$515,890,000, of which \$464,301,000 has been called and recorded as contributions to the Partnership. On June 21, 2016 the General Partner released the remaining commitment. Limited partners' capital interests are not redeemable and cannot be transferred except at the discretion of the General Partner.

As at December 31, 2020 the Partnership has distributed \$651,596,570 (2019: \$651,569,070) to limited partners of which \$nil (2019: \$64,486,250) relates to distributions declared during the year ending December 31, 2020. In certain circumstances, limited partners may be required to repay distributions previously declared by the Partnership so that the Partnership is able to meet obligations imposed by the Investment Vehicles.

# COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II

## Notes to Financial Statements (continued)

December 31, 2020

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### 5. PARTNERS' CAPITAL (continued)

Limited partners' capital interests are not redeemable and cannot be transferred except at the discretion of the General Partner.

### 6. OPERATIONAL AND PERFORMANCE FEE

Pursuant to the Agreement, the General Partner is entitled to receive from the Partnership an amount (the "Operational Fee") equal to 1.25% per annum (0.3125% per quarter) of the aggregate amount of limited partners' contributions drawn down by the Partnership as at the end of each relevant quarter, for the period from April 23, 2007 (the "Closing Date") until the end of the Investment Period, as defined in the Agreement. For the period from the end of the Investment Period to the Termination Date, as defined in the Agreement, the General Partner will receive an Operational Fee equal to 1.25% per annum (0.3125% per quarter) of the lesser of the Net Asset Value, as defined in the Agreement, of the Partnership or the aggregate amount of limited partners' contributions drawn down by the Partnership since the Closing Date as at the relevant quarter date.

The Operational fee will be treated as an equity transaction and allocated to the General Partner through the Statement of Changes in Partners' Capital.

The Partnership must also pay a performance fee of 10% of the Partnership's net income and capital gains, after all other fees and expenses have been deducted, in excess of the "Hurdle" rate, as defined in the Agreement. Once the limited partners have been returned their original investment in the Partnership plus the Hurdle rate thereon, the General Partner receives 10% of all sums distributed after that time. The remaining 90% will be distributed to the limited partners pro rata to their investment in the Partnership. During the year ended 31 December, 2020 and 2019, no performance fees were accrued by the Partnership.

### 7. ADMINISTRATION FEE

On January 8, 2013 the Partnership appointed Apex Fund and Corporate Services (Guernsey) Limited pursuant to an administrative services agreement ("Administration Agreement") to act as the administrator to the Partnership. The Administrator is primarily responsible for processing contributions from and distributions to limited partners and providing administrative and accounting services to the Partnership. In return for its services, the Administrator receives a fixed administration fee from the Partnership.

### 8. INVESTMENT MANAGER

Pursuant to an investment agreement dated June 1, 2010 (as novated on June 4, 2013 and March 31, 2017) the Investment Manager has agreed to act as investment manager to the General Partner. The investment management fee is met by the General Partner out of the Operational Fee.

# COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II

## Notes to Financial Statements (continued)

December 31, 2020

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### 9. RELATED PARTIES

The following balances and transactions were with related parties:

	<u>2020</u>	<u>2019</u>
	\$	\$
<b><u>Assets</u></b>		
Cash and cash equivalents held in the Aberdeen Liquidity Fund	15,546,628	5,969,341
Interest receivable	-	9,863
Receivable due from General Partner	-	589,787
<b><u>Liabilities</u></b>		
Operational fee payable	50,654	44,538
Payable to General Partner	-	8,284
<b><u>Income</u></b>		
Interest income	58,544	442,830
<b><u>Expenses</u></b>		
Directors' fees	11,290	21,506
<b><u>Allocation of partners' capital</u></b>		
Operational Fee	194,552	881,311

The General Partner and Investment Manager are related parties by virtue of common control by Standard Life Aberdeen PLC.

Directors' fees are paid by the Partnership on behalf of the General Partner.

### 10. RISK MANAGEMENT

The Partnership's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. Significant financial risks to which the Partnership is exposed are market risk, credit risk and liquidity risk. Market risk includes price risk, interest rate risk and currency risk.

The Partnership's financial risk is managed by the General Partner. The General Partner undertakes due diligence prior to investment in an Investment Vehicle. This due diligence includes meetings to review the investment managers' investment processes and organisations, negotiating the terms of investment in an Investment Vehicle and other checks. Progress of the Partnership is monitored on a quarterly basis by the General Partner.

The nature and extent of the financial instruments outstanding at the date of the Statement of Assets, Liabilities and Partners' Capital and the risk management policies employed by the General Partner on behalf of the Partnership are discussed below.

#### (a) Market risk

Market risk is the risk that changes in interest rates, foreign exchange rates or equity and commodity prices will make an instrument less valuable or more onerous. All financial assets designated at fair value through profit or loss are recognised at fair value, and all changes in market conditions directly affect net income.

# COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II

## Notes to Financial Statements (continued)

December 31, 2020

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### 10. RISK MANAGEMENT (continued)

#### (a) Market risk (continued)

Due to the sale of the investment in the Investment Vehicle during 2020, the Partnership's market risk was managed through its portfolio construction. The General Partner invests in a number of Investment Vehicles in order to take advantage of the diversification offered by various asset classes and Investment Vehicles in differing geographical areas and market sectors. Carlyle manages the market risk in each Investment Vehicle.

#### **Price risk**

The Partnership is exposed to price risk through the underlying investments held by the Investment Vehicles. To manage this risk, the Partnership has selected investment managers with extensive experience and global networks. The General Partner is supported by the Investment Manager in reviewing the operation and performance of the investment managers and the Investment Vehicles.

At December 31, 2020, had the fair value of the investments increased by 5%, with all other variables held constant, partners' capital and the change in partners' capital per the Statement of Operations would have increased by \$nil (2019: \$925,748). A 5% decrease would have resulted in an equal but opposite effect on the basis that all other variables remain constant.

#### **Interest rate risk**

At December 31, 2020 and 2019 cash and cash equivalents, which are repriced daily, are the Partnership's only interest bearing financial assets.

The Partnership's exposure to interest rate risk is considered insignificant and fluctuations in interest rates would not have a significant impact on the Partnership's net assets.

#### **Currency risk**

The Partnership invests in financial instruments denominated in currencies other than its functional currency. Consequently, the Partnership is exposed to risks that the exchange rate of its currency relative to other currencies may change in a manner that has an adverse effect on the value of that portion of the Partnership's assets or liabilities denominated in currencies other than U.S. dollars.

It is not the intention of the General Partner to enter into hedging arrangements with respect to this currency exposure. The General Partner monitors the Partnership's currency exposure and may take such action as it deems appropriate.

At December 31, 2020 the Partnership's net exposure to fluctuations in foreign exchange rates converted into U.S. dollars was \$nil (2019: \$4,833,539), which represents 0.0% (2019: 19.4%) of partners' capital.

#### **Sensitivity analysis**

At December 31, 2020, had the U.S. dollar strengthened by 1% in relation to the euro, with all other variables held constant, partners' capital and the change in partners' capital per the Statement of Operations would have decreased by \$nil (2019: \$48,335). A 1% weakening of the U.S. dollar against the euro would have resulted in an equal but opposite effect on the basis that all other variables remain constant.

# COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II

## Notes to Financial Statements (continued)

December 31, 2020

### 10. RISK MANAGEMENT (continued)

#### (b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Partnership. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty for non-exchange traded financial instruments is not backed by an exchange clearing house. At December 31, 2020 and 2019, none of the instruments were exchange traded.

The amount of credit exposure is represented by the carrying amount of each financial instrument in the Statement of Assets, Liabilities and Partners' Capital. The bank accounts are held with Barclays Bank plc. The Partnership also subscribed into the Aberdeen Liquidity Fund ("LUX") a money market account that is readily convertible to cash. The Partnership is subject to credit risk to the extent that these entities may be unable to fulfil their obligations to repay the amounts owed. The General Partner considers the possibility that these entities will fail to meet their obligations to be remote.

Other than outlined above, there were no significant concentrations of credit risk to counterparties at December 31, 2020 or 2019.

#### (c) Liquidity risk

The Partnership's financial instruments include investments in Investment Vehicles that are not traded on a public exchange and are illiquid. As a result, the Partnership may not be able to liquidate its investments in these instruments, in order to meet its liquidity requirements or to respond to particular events such as deterioration in the creditworthiness of any particular counterparty. The amounts that are ultimately realised for each Investment Vehicle may be substantially different from their current fair values.

The following table presents additional information about level 3 financial instruments measured at fair value.

	2020	2019
	\$	\$
Balance at beginning of year	18,514,958	84,786,176
Investment during year	465,224	471,380
Distributions during year	(10,128,004)	(57,909,019)
Net realised loss on investments	(41,281,898)	(38,189,986)
Movement in unrealised gain on investments	32,429,720	29,356,407
	-	18,514,958

Net realised and unrealised gains/(losses) are recognised in the Statement of Operations.

There were no transfers between the investment levels during the year to December 31, 2020 or 2019.

#### (d) Residual contractual maturities of financial liabilities

The Partnership's contractual obligations to settle financial liabilities are disclosed in the following notes: Partners' Capital (note 5), Operational and Performance Fee (note 6) and Administration Fee (note 7).

# **COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II**

## **Notes to Financial Statements (continued)**

December 31, 2020

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### **11. COMPARATIVE INFORMATION**

Certain of the prior year information has been reclassified to conform with the current year presentation of income and expenses on the Statement of Operations. These reclassifications had no effect on the previously reported net income.

### **12. SUBSEQUENT EVENTS**

The General Partner intends to liquidate the Partnership, which is expected to be completed near the end of 2021 or such other date as the General Partner reasonably determines. A final distribution is currently expected to be made in the next eighteen months.

There were no other significant events from December 31, 2020 to the date these financial statements were approved by the General Partner that require disclosure in the financial statements.