

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

Financial Statements

December 31, 2016

COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II

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Independent Auditors' Report to the General Partner

Opinion

We have audited the financial statements of Coutts Private Equity Limited Partnership II (the "Partnership"), which comprise the statement of assets, liabilities and partners' capital as at December 31, 2016, the statements of operations, changes in partners' capital and cash flows for the year then 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, 2016, and its financial performance and its cash flows for the year 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 ("IESBA Code") together with the 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.

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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 skepticism 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. However, future events or conditions may cause the Partnership to cease to continue as a going concern.
- 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.

KPMG

June 30, 2017

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

December 31, 2016

(expressed in United States dollars)

	Note	2016	2015
Assets			
Financial assets designated at fair value	3,12	\$ 180,813,687	\$ 271,228,427
Loans and receivables			
Cash and cash equivalents	10	47,851,650	41,332,972
Interest receivable	10	40,692	-
Prepayments		5,575	5,575
<i>Total loans and receivables</i>		47,897,917	41,338,547
Total assets		228,711,604	312,566,974
Liabilities			
Financial liabilities measured at amortised cost			
Distributions payable to Limited Partners		625,000	-
Operational fee payable	6,10	620,835	1,450,941
Accounts payable and accrued expenses	10	132,213	137,615
<i>Total financial liabilities measured at amortised cost</i>		1,378,048	1,588,556
Total liabilities		1,378,048	1,588,556
Partners' capital (net assets)	5	\$ 227,333,556	\$ 310,978,418

See accompanying notes to financial statements.

Approved by Aberdeen General Partner CPELP II Limited on June 30, 2017.

ANDREW GALLOWAY Director

NICOLA ESPIE Director

COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II

Statement of Operations

For the year ended December 31, 2016

(expressed in United States dollars)

	Note	2016	2015
Income from financial assets designated at fair value			
Net realised gain on investments		\$ 61,603,444	\$ 77,495,192
Movement in unrealised loss on investments		(51,877,216)	(59,990,056)
		9,726,228	17,505,136
Other investment income			
Interest income	10	352,602	22,823
Foreign exchange gain/(loss)		76,467	(30,952)
		429,069	(8,129)
Net investment income		10,155,297	17,497,007
Operating expenses			
Administration fee	7	230,450	254,867
Management (rebate)/fees to Investment Vehicles	11	(182,714)	224,863
Professional fees		86,847	88,121
Directors' fees	10	18,181	22,756
Other		27,428	22,232
Total operating expenses		180,192	612,839
Net income from operations before finance costs		9,975,105	16,884,168
Finance costs			
Overdraft facility arrangement fee	9	-	50,000
		-	50,000
Net change in partners' capital resulting from operations		\$ 9,975,105	\$ 16,834,168

See accompanying notes to financial statements.

COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II

Statement of Changes in Partners' Capital

For the year ended December 31, 2016

(expressed in United States dollars)

	Note	General Partner	Limited Partners	Total
Balance at December 31, 2014		\$ -	\$ 451,103,782	\$ 451,103,782
Distributions		(5,803,762)	(151,155,770)	(156,959,532)
Allocation of operational fee	6,10	5,803,762	(5,803,762)	-
Net change in partners' capital resulting from operations		-	16,834,168	16,834,168
Balance at December 31, 2015		-	310,978,418	310,978,418
Distributions		(3,339,217)	(90,280,750)	(93,619,967)
Allocation of operational fee	6,10	3,339,217	(3,339,217)	-
Net change in partners' capital resulting from operations		-	9,975,105	9,975,105
Balance at December 31, 2016		\$ -	\$ 227,333,556	\$ 227,333,556

See accompanying notes to financial statements.

COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II

Statement of Cash Flows

For the year ended December 31, 2016

(expressed in United States dollars)

	2016	2015
Cash provided by/(applied in):		
Operating Activities		
Net change in partners' capital resulting from operations	\$ 9,975,105	\$ 16,834,168
Add/(deduct) items not involving cash:		
Net realised gain on investments	(61,603,444)	(77,495,192)
Movement in unrealised loss on investments	51,877,216	59,990,056
Net change in non-cash operating balances:		
Distribution receivable	-	7,942,690
Prepayments	-	10,000
Interest receivable	(40,692)	-
Operational fee payable	(830,106)	-
Accounts payable and accrued expenses	(5,402)	158
Investments in financial assets designated at fair value	(3,016,824)	(3,838,953)
Distributions from financial assets designated at fair value	103,157,792	124,583,769
Net cash from operating activities	99,513,645	128,026,696
Financing Activities		
Distributions to limited partners net of distributions payable to limited partners	(89,655,750)	(151,155,770)
Distributions to General Partner	(3,339,217)	(5,803,762)
Net cash used in financing activities	(92,994,967)	(156,959,532)
Movements in cash and cash equivalents during the year	6,518,678	(28,932,836)
Cash and cash equivalents at beginning of year	41,332,972	70,265,808
Cash and cash equivalents at end of year	\$ 47,851,650	\$ 41,332,972
Supplementary information on cash flows from operating activities:		
Interest received	\$ 352,602	\$ 22,823

See accompanying notes to financial statements.

COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II

Notes to Financial Statements

December 31, 2016

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. The registered office of the Partnership is located at PO Box 309, Ugland 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"). The Investment Manager changed with effect from March 31, 2016 from Aberdeen Private Equity Managers Limited (both the General Partner and Investment Manager are related parties as discussed in note 10). 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, 2016 and 2015.

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. As at December 31, 2016, the Partnership is a limited partner in the following Investment Vehicles: Blackstone Capital Partners V-AC, L.P., Carlyle Partners V, L.P., CVC Capital Partners Asia Pacific III, L.P., Fortress Investment Fund V, KKR Asian Fund, L.P., Thomas H. Lee Parallel Fund VI, L.P., TPG Asia V, L.P., and Warburg Pincus Private Equity X, L.P. In addition, the Partnership has invested in Apax Europe VII-B, L.P., Carlyle Europe Partners III, L.P., Doughty Hanson & Co V, L.P. and PAI Europe V-2, L.P. through CPELP II Guernsey Limited Partnership Inc. ("CPELP II Guernsey").

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.

It is intended that the term of the Partnership will 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 will be wound up. This is expected to be before the end of 2019 or such other date as the General Partner reasonably determines.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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.

COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II

Notes to Financial Statements (continued)

December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

These financial statements are prepared on a fair value basis for financial assets at fair value through profit or loss. Other financial assets and liabilities and non-financial assets and liabilities are stated at historical or amortised cost. The accounting policies have been consistently applied by the Partnership during the current and previous reporting periods.

New standards and interpretations

There are a number of new standards, amendments to standards and interpretations not yet effective for the year ended December 31, 2016 which have not been applied in preparing these financial statements. No standards or amendments effective in the near future are expected to have any significant impact on the Partnership.

Adoption of new standards

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning January 1, 2016 that would be expected to have a material impact on 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 instruments. 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 instruments

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. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded. Financial instruments are initially measured at fair value. Subsequent to initial recognition, all instruments classified as fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Operations. 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 IAS 39. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

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 value of the Partnership's capital accounts in such investments as determined by the Investment Managers. As a result, there are no additional unobservable inputs applied by the General Partner in determining the fair values as at December, 31 2016 and 2015.

COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II

Notes to Financial Statements

December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in Investment Vehicles (continued)

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 managers of the Investment Vehicles to obtain reliable information on the investments for valuation purposes and to dispose of 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 investment managers of the Investment Vehicles attempt to utilise consistent valuation methodologies where possible, however, the valuations provided by this process 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.

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. |

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

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.

Interest income

Interest income is recognised on an accruals basis.

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. The cost portion of the distributions are translated at the historical weighted average exchange rate.

COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II

Notes to Financial Statements (continued)

December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 tax returns.

During the year ended December 31, 2009, the Partnership's investment in Fortress Investment Fund V generated U.S. income connected with a U.S. based business or trade ("ECI"). Receiving ECI would have resulted in both the Partnership and its limited partners having an obligation to file U.S. tax returns. However, in order to stream line and simplify the U.S. filing process for limited partners, the General Partner made a retroactive election for the Partnership to be treated as a corporation for U.S. tax purposes. The result of this election is that the Partnership is considered to be a single entity for U.S. tax purposes and the ECI is deemed to have been received by the Partnership and not its limited partners. The General Partner, therefore, makes one U.S. tax filing on behalf of the entire Partnership. The estimated tax receivable as at December 31, 2016 is not considered material and therefore has not been included in the financial statements.

Other financial assets and liabilities

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

The Partnership classifies financial assets and financial liabilities into the following categories.

Financial assets at amortised cost:

Loans and receivables: Cash, Interest receivable and Prepayments.

Financial liabilities at amortised cost:

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

Performance fee payable

The Partnership is required to pay a performance fee if it meets requirements as set out in note 6. The performance fee payable is the amount the Partnership would have to pay if the Partnership's net assets were fully realized at the reporting date.

COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II
Notes to Financial Statements (continued)
December 31, 2016

3. INVESTMENTS IN INVESTMENT VEHICLES

The committed capital and investments in Investment Vehicles at estimated fair value at December 31, 2016 are as follows:

Investment Vehicle		Total Net Assets of Investment Vehicle	Commitment (source currency)	U.S. Dollar Commitment	Unfunded Commitment	Investment at Cost	Investment at Fair Value
Apax Europe VII-B, L.P.*	€	3,245,071 ¹	€ 30,000,000	\$ 41,719,702 ²	\$ 434,537	\$ 25,420,218	\$ 11,187,784
Blackstone Capital Partners V-AC, L.P.	\$	698,379 ¹	\$ 60,000,000	\$ 60,000,000	\$ 4,520,473	\$ 16,098,769	\$ 16,105,357
Carlyle Europe Partners III, L.P.*	€	1,941,941	€ 50,000,000	\$ 68,980,944	\$ 2,993,569	\$ 30,572,620	\$ 16,908,579
Carlyle Partners V, L.P.	\$	4,668,584 ¹	\$ 70,000,000	\$ 70,000,000	\$ 13,516,665	\$ 33,188,571	\$ 21,694,182
CVC Capital Partners Asia Pacific III, L.P.	\$	1,009,003 ¹	\$ 20,000,000	\$ 20,000,000	\$ 3,507,307	\$ 8,351,783	\$ 5,144,519
Doughty Hanson & Co V, L.P.*	€	1,119,489	€ 40,000,000	\$ 54,191,532 ²	\$ 9,176,220	\$ 24,086,140	\$ 14,173,855
Fortress Investment Fund V	\$	3,587,105 ¹	\$ 25,000,000	\$ 25,000,000	\$ 121,998	\$ 16,890,306	\$ 15,202,559
KKR Asian Fund, L.P.	\$	900,556 ¹	\$ 35,000,000	\$ 35,000,000	\$ 907,559	\$ 11,233,666	\$ 8,538,998
PAI Europe V-2, L.P.*	€	790,175 ¹	€ 7,500,000	\$ 10,186,353 ²	\$ 559,653	\$ 6,470,271	\$ 6,493,402
Thomas H.Lee Parallel Fund VI, L.P.	\$	2,096,421 ¹	\$ 50,000,000	\$ 50,000,000	\$ 2,414,403	\$ 18,730,226	\$ 31,816,900
TPG Asia V, L.P.	\$	1,542,588	\$ 20,000,000	\$ 20,000,000	\$ 2,911,950	\$ 10,899,988	\$ 8,174,884
Warburg Pincus Private Equity X, L.P.	\$	8,345,257	\$ 50,000,000	\$ 50,000,000	\$ -	\$ 14,843,693	\$ 25,372,668
				505,078,531	41,064,334	216,786,251	180,813,687

¹ Amounts expressed in thousands

* This investment is made via CPELPII Guernsey

² The U.S. Dollar commitment is composed of: i) the unfunded commitment at the year end foreign exchange rate, ii) calls and distributions impacting commitment at the spot rate on the day of the transactions

COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II

Notes to Financial Statements (continued)

December 31, 2016

3. INVESTMENTS IN INVESTMENT VEHICLES (continued)

The committed capital and investments in Investment Vehicles at estimated fair value at December 31, 2015 are as follows:

Investment Vehicle		Total Net Assets of Investment Vehicle	Commitment (source currency)	U.S. Dollar Commitment	Unfunded Commitment	Investment at Cost	Investment at Fair Value
Apax Europe VII-B, L.P.*	€	5,425,710 ¹	€ 30,000,000	\$ 41,722,556 ²	\$ 651,136	\$ 28,660,482	\$ 21,755,226
Blackstone Capital Partners V-AC, L.P.	\$	1,076,505 ¹	\$ 60,000,000	\$ 60,000,000	\$ 4,596,517	\$ 23,768,979	\$ 28,830,041
Carlyle Europe Partners III, L.P.*	€	3,926,596 ¹	€ 50,000,000	\$ 68,990,832 ²	\$ 6,049,408	\$ 36,620,277	\$ 35,045,522
Carlyle Partners V, L.P.	\$	8,939,035 ¹	\$ 70,000,000	\$ 70,000,000	\$ 13,631,707	\$ 38,091,138	\$ 41,574,448
CVC Capital Partners Asia Pacific III, L.P.	\$	1,296,777 ¹	\$ 20,000,000	\$ 20,000,000	\$ 3,539,029	\$ 9,073,799	\$ 6,780,169
Doughty Hanson & Co V, L.P.*	€	1,055,116 ¹	€ 40,000,000	\$ 54,323,915 ²	\$ 9,450,703	\$ 24,086,139	\$ 13,999,032
Fortress Investment Fund V	\$	5,097,957 ¹	\$ 25,000,000	\$ 25,000,000	\$ 121,997	\$ 19,058,020	\$ 21,311,357
KKR Asian Fund, L.P.	\$	2,164,457 ¹	\$ 35,000,000	\$ 35,000,000	\$ 1,116,395	\$ 19,035,776	\$ 21,209,046
PAI Europe V-2, L.P.*	€	881,509 ¹	€ 7,500,000	\$ 10,199,112 ²	\$ 730,042	\$ 7,703,734	\$ 8,005,479
Thomas H.Lee Parallel Fund VI, L.P.	\$	2,453,099 ¹	\$ 50,000,000	\$ 50,000,000	\$ 4,198,354	\$ 20,674,778	\$ 35,221,851
TPG Asia V, L.P.	\$	1,828,751 ¹	\$ 20,000,000	\$ 20,000,000	\$ 3,004,150	\$ 11,530,182	\$ 9,666,863
Warburg Pincus Private Equity X, L.P.	\$	9,003,901 ¹	\$ 50,000,000	\$ 50,000,000	\$ -	\$ 17,020,471	\$ 27,829,393
				<u>505,236,415</u>	<u>47,089,438</u>	<u>255,323,775</u>	<u>271,228,427</u>

¹ Amounts expressed in thousands

* This investment is made via CPELPII Guernsey

² The U.S. Dollar commitment is composed of: i) the unfunded commitment at the year end foreign exchange rate, ii) calls and distributions impacting commitment at the spot rate on the day of the transactions

Commitments represent the aggregate commitments by the Partnership to each Investment Vehicle, in the actual currency and U.S. dollars, as at December 31, 2016 and 2015. 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.

COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II

Notes to Financial Statements (continued)

December 31, 2016

3. INVESTMENTS IN INVESTMENT VEHICLES (continued)

The Partnership's maximum exposure to loss at December 31, 2016 is \$221,878,021 (2015: \$318,317,865) 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 NOT MEASURED AT FAIR VALUE

The Partnership's other financial assets and liabilities carrying value approximates fair value and would be 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, 2016 the Partnership has distributed \$434,895,270 (2015: \$344,614,520) to limited partners of which \$90,280,750 (2015: \$151,155,770) relates to distributions made during the year ending December 31, 2016. In certain circumstances, limited partners may be required to repay distributions previously made by the Partnership so that the Partnership is able to meet obligations imposed by the Investment Vehicles.

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. On July 27, 2016 the Company released the remaining undrawn commitment with effect from January 1, 2016, which effectively closed the Investment Period and the Operational Fee became based on the lesser of Net Asset Value and drawn commitments.

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, 2016 and 2015, no performance fees were earned by the General Partner.

COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II

Notes to Financial Statements (continued)

December 31, 2016

7. ADMINISTRATION FEE

On January 8, 2013 the Partnership appointed IPES (Guernsey) Limited (the "Administrator") 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 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, 2016) 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.

9. OVERDRAFT FACILITY

The Partnership had secured an overdraft facility with Coutts & Co Ltd ("Coutts Bank"), in the amount of \$10,000,000. The Partnership agreed to an arrangement fee of 0.5% per annum to reflect the cost of renewing the overdraft facility. Interest on the daily cleared balance was charged at Coutts Bank's U.S. dollar funding rate plus 1.5% and amounts borrowed were repayable within three months from the date of drawing. In addition, Coutts Bank could set-off amounts deposited by the Partnership in other Coutts Bank accounts against any amounts payable under this facility. The total aggregate amount outstanding on the facility at any time had to be covered by a level of at least 150% of the uncalled capital commitment of the Partnership. The overdraft facility was not renewed on January 31, 2016.

10. RELATED PARTIES

The following balances and transactions were with related parties:

	2016	2015
<u>Assets</u>		
Cash and cash equivalents held in the Aberdeen Liquidity Fund	\$ 47,851,380	\$ 41,321,587
Interest receivable	40,692	-
<u>Liabilities</u>		
Operational fee payable	620,835	1,450,941
Payable to General Partner	14,593	28,748
<u>Income</u>		
Interest Income	352,602	22,823
<u>Expenses</u>		
Directors' fees	18,181	22,756
<u>Allocation of partners' capital</u>		
Operational Fee	3,339,217	5,803,762

The General Partner and the Investment Manager are related by virtue of common control by Aberdeen Asset Management PLC.

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

COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II

Notes to Financial Statements (continued)

December 31, 2016

11. MANAGEMENT (REBATE)/FEES TO INVESTMENT VEHICLES

Certain Investment Vehicles charge management fees in addition to the committed amounts or via direct payments to the relevant Investment Vehicle's investment manager. To the extent this has occurred, the (rebate)/fees have been recorded in the Statement of Operations as Management (rebate)/fees (from)/to Investment Vehicles.

12. 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.

The Partnership's market risk is 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. Each investment manager manages the market risk in each relevant 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, 2016, 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 \$9,040,684 (2015: \$13,561,421). A 5% decrease 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, 2016

12. RISK MANAGEMENT (continued)

Interest rate risk

At December 31, 2016 and 2015 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, 2016 the Partnership's net exposure to fluctuations in foreign exchange rates converted into U.S. dollars was \$48,763,620 (2015: \$78,805,259), which represents 21.5% (2015: 25.3%) of partners' capital.

Sensitivity analysis

At December 31, 2016, 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 \$487,636 (2015: \$788,053). 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.

(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, 2016 and 2015, 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. In April 2016 the bank accounts were moved from Coutts & Co Ltd to Barclays Bank. In December 2015, 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, 2016 or 2015.

COUTTS PRIVATE EQUITY LIMITED PARTNERSHIP II

Notes to Financial Statements (continued)

December 31, 2016

12. RISK MANAGEMENT (continued)

(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 General Partner manages liquidity risk by calling down on limited partners' commitments to seek to meet the Partnership's commitments to its Investment Vehicles.

(d) Level 3 financial instruments

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

	2016	2015
Balance at beginning of year	\$ 271,228,427	\$ 374,468,107
Investment during year	3,016,824	3,838,953
Distributions during year	(103,157,792)	(124,583,769)
Net realised gain on investments	61,603,444	77,495,192
Movement in unrealised loss on investments	(51,877,216)	(59,990,056)
	<u>\$ 180,813,687</u>	<u>\$ 271,228,427</u>

Net realised gains and movements in unrealised gains are recognised in the Statement of Operations.

There were no transfers between the investment levels during the year to December 31, 2016 or 2015.

Of the total unrealised loss on investments recognised in the Statement of Operations \$(51,877,216), (2015: \$(59,990,056)) relates to investments held at the year end.

(e) 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), Administration Fee (note 7), and Overdraft Facility (note 9).

13. SUBSEQUENT EVENTS

There were no significant events subsequent to December 31, 2016 to the date the financial statements were approved by the General Partner that require disclosure in the financial statements.

14. COMPARATIVE INFORMATION

Certain of the prior year information has been reclassified to conform with the presentation adopted in the current year.