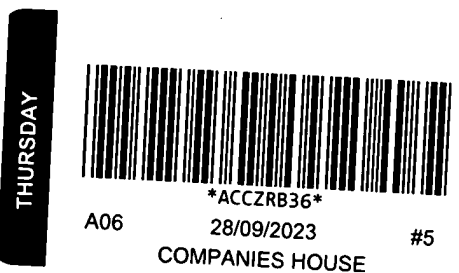


Ares Management Limited

Report and Financial Statements

For the year ended 31 December 2022

Registered no. 05837428



Ares Management Limited

Registered no. 05837428

Directors

John Atherton	(appointed 14 December 2022)
Kevin Early	
William Stephen Benjamin	
Blair Jacobson	
Miriam Krieger	
Naseem Sagati Aghili	(resigned 14 December 2022)

Secretary

TMF Corporate Administration Services Limited
8th floor
20 Farringdon Street
London
EC4A 4AB

Auditor

Ernst & Young LLP
25 Churchill Place
London E14 5EY

Bankers

Barclays PLC
1 Churchill Place, Level 11
London, E14 5HP

City National Bank
15260 Ventura Boulevard
Sherman Oaks, CA 91403, USA

Solicitors

Latham & Watkins LLC
355 South Grand Avenue
Los Angeles, CA 90071

Registered Office

8th floor
20 Farringdon Street
London
EC4A 4AB

Ares Management Limited

Registered no. 05837428

Directors' report

The Directors present their report and financial statements of Ares Management Limited (the "Company") for the year ended 31 December 2022.

Principal activity

The principal activity of the Company during the year ended 31 December 2022 was to provide advisory and investment management services. The Company was incorporated on 5 June 2006 and is a wholly owned subsidiary of Ares Management LLC ("Ares Management"). The Company is authorised by the Financial Conduct Authority to perform investment management activity that is subject to licensing requirements in the United Kingdom.

On 22 July 2014 the investment management of all the Alternative Investment Funds previously managed by the Company were transferred to Ares Management UK Limited ("AMUKL"), an affiliate of the Company.

Directors

Directors who served during the year and up to the date of this report were:

John Atherton	(appointed 14 December 2022)
Kevin Early	
William Stephen Benjamin	
Blair Jacobson	
Miriam Krieger	
Naseem Sagati Aghili	(resigned 14 December 2022)

Going concern

The Company's activities, together with the factors likely to affect its future development, its financial position and the financial risks are described in the strategic report.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company will continue to have financial support from its parent if required. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

As the Company has sufficient financial resources and fee generating Investment Management Agreements, the Directors believe that the Company is well placed to manage its business risks successfully.

Statement under Section 172 of the Companies Act 2006

The Directors consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2022.

Ares Management Limited

Registered no. 05837428

Directors' report (continued)

Streamlined Energy and Carbon Reporting

The below table covers the Streamlined Energy and Carbon Reporting disclosure for the year ended 31 December 2022 for the Company's operations in the UK:

Energy Use

	2022	2021
Total energy use (Kilowatt hours – KWh)	601,244	311,282
Total Floor Area (m ²)	5,797	2,928
Energy Intensity (kWh/m ²)	104	106

Energy use breakdown

	2022 KWh	2021 KWh
Electricity	422,793	213,800
Gas	178,451	97,483

Energy use has been calculated from metering and billing data provided for the Company's leased property in the UK. Energy use excludes indirect energy use such as that for business travel by public transport or flights.

Greenhouse Gas Emissions

	2022 tCO ₂ e	2021 tCO ₂ e
Scope 1 - Consumption of gas	32,121	17,855
Scope 2 - Consumption of purchased electricity	81,760	45,396
Total	113,881	63,251

The greenhouse gas emission factors used in the calculations were the 2022 UK Government conversion factors for company reporting of greenhouse gas emissions.

Greenhouse Gas Emissions

Ares Management is committed to managing energy use responsibly and will implement energy efficiency practices throughout our organisation, wherever it is feasible and cost-effective. Ares Management recognizes that climate change is one of the most serious environmental challenges currently faced by the global community and understand that we must play our role in reducing greenhouse gas emissions. As a tenant of a serviced office, we have no responsibility for the operation of major plants such as boilers, chillers and ventilation air-handling units. The energy we possess control over is small power and lighting. As such we have already implemented high specification pro-logic LED lighting with presence detection within our organisation to minimise energy consumption.

Pillar 3 disclosures

The unaudited Pillar 3 disclosures are appended to the financial statements.

Ares Management Limited

Registered no. 05837428

Directors' report (continued)

Disclosure of information to the auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that they are obliged to take as a Director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report, the Strategic 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Ireland'. 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 those financial statements, the Directors are required to:

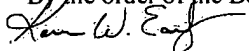
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Reappointment of Auditors

The auditors, Ernst & Young, LLP, have indicated their willingness to continue in office. A resolution concerning their reappointment will be put to the members at the annual general meeting.

By the order of the Board



Kevin Early

Director

Ares Management Limited

Registered no. 05837428

Strategic report

The Directors present their strategic report together with the financial statements of the Company for the year ended 31 December 2022.

Results and dividends

The profit for the year ended 31 December 2022 is £11,101,550 (2021: £6,650,531). During the year the Directors approved the payment of a dividend amounting to £5,500,000 (2021: £9,000,000).

Review of the business

The key financial and other performance indicators during the year were as follows:

	2022	2021
	£000	£000
Turnover	111,766	86,618
Profit after tax	11,102	6,650
Shareholders' funds	143,205	114,911
Current assets as % of current liabilities	635	487
Average number of employees	277	235

Principal risks and uncertainties

The Company has established an investment committee focused on managing the risks, growth and strategy of the Company. The principal risks and uncertainties facing the Company are broadly grouped as competitive, legislative, liquidity and financial instrument risk.

Competitive Risks

The Company is reliant on underwriters being able to raise capital and place tranches of the funds for which the Company acts as investment manager. Sale of these tranches is uncertain and based on financial market conditions and certain performance criteria.

Legislative Risks

In the UK and Europe, investment management companies are subject to certain standards. These standards are subject to continuous revision and any new directive may have a material impact on the ability of the Company to provide investment management services at a profit. In addition compliance imposes costs and failure to comply with the standards could materially affect the Company's ability to operate.

Financial Instrument Risks

The Company has established a financial management framework the primary objectives of which are to protect the Company from events that hinder the achievement of the Company's performance objectives.

The objectives aim to ensure sufficient working capital exists and monitor the management of risk at the funds level.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company aims to mitigate liquidity risk by managing cash generation from operations. The Company also manages liquidity risk via possible additional equity investments from the parent company.

Ares Management Limited

Registered no. 05837428

Strategic report (continued)

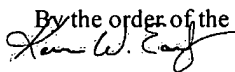
Future Developments

The Directors do not expect any change in the principal activity of the Company in the foreseeable future.

Impact of invasion of Ukraine by the Russian Federation

Following the invasion of Ukraine by the Russian Federation in February 2022, a number of jurisdictions (including the US, UK and EU) imposed sanctions against Russia, and certain entities and individuals connected to the Russian state. Growing geopolitical tensions since the commencement of the war have resulted in a significant increase in volatility on the securities and currency markets, as well as a significant depreciation of the ruble against the Sterling, US dollar and the Euro.

Although neither the Company's performance and going concern nor operations, at the date of this report, have been significantly impacted by these events, the directors continue to monitor the evolving situation and its impact on the financial position and results of the Company.

By the order of the Board


Kevin Early

Director

Ares Management Limited

Registered no. 05837428

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARES MANAGEMENT LIMITED

Opinion

We have audited the financial statements of Ares Management Limited (the "Company") for the year ended 31 December 2022 which comprise the Profit and loss account, the Statement of changes in equity, the Balance sheet, the Cash flow statement and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period to 25 April 2024.

Our responsibilities and the responsibilities of the members with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The members are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Ares Management Limited

Registered no. 05837428

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

- Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or

Ares Management Limited

Registered no. 05837428

intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006 and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the Company is required to comply with relevant Financial Conduct Authority's (FCA) rules and regulations relating to its operations.

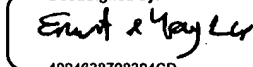
- We understood how the Company is complying with those frameworks by making enquiries of management and by seeking representation from those charged with governance. We corroborated our understanding by reviewing board meeting minutes and relevant policy and procedures manuals. We also reviewed correspondence with relevant authorities.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by designating revenue recognition as a fraud risk. We performed journal entry testing by specific risk criteria, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business. We recalculated the revenue based on the transfer pricing arrangement applied by management and tested a sample of inputs in the calculation back to source documentation. We also used our internal transfer pricing specialists to review the appropriateness of the transfer pricing arrangement.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of management and those charged with governance, review of legal and professional expenses, review of breaches and complaints register, and review of board meeting minutes.
- The Company is a regulated investment manager under the supervision of the FCA. As such, the Senior statutory auditor reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

- 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.

DocuSigned by:



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Ashley Coups (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
26 April 2023

Ares Management Limited

Profit and loss account

for the year ended 31 December 2021

	<i>Notes</i>	<i>2022</i> <i>£000</i>	<i>2021</i> <i>£000</i>
Turnover	4	111,766	86,618
Administrative expenses		(101,593)	(78,683)
		<hr/>	<hr/>
Gross Profit		10,173	7,935
		<hr/>	<hr/>
Gain on transfer of branches	21	1,536	-
		<hr/>	<hr/>
Operating Profit	5	11,709	7,935
		<hr/>	<hr/>
Other operating income and similar charges		(12)	(61)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		11,697	7,874
		<hr/>	<hr/>
Tax on ordinary activities	9	(595)	(1,224)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		11,102	6,650
		<hr/> <hr/>	<hr/> <hr/>

All items dealt with in arriving at the profit for the year ended 31 December 2022 related to continuing operations.

Statement of comprehensive income for the year ended 31 December 2022

There are no gains and losses for the year other than those shown above and therefore no separate statement of comprehensive income has been presented.

The notes on pages 14 to 30 form an integral part of these financial statements.

Ares Management Limited

Statement of changes in equity**for the year ended 31 December 2022**

	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total Shareholders' funds £000</i>
<i>At 1 January 2021</i>	28,000	74,590	102,590
Profit for the year	-	6,650	6,650
Share based compensation	-	14,671	14,671
Dividend		(9,000)	(9,000)
At 31 December 2021	28,000	86,911	114,911
Profit for the year	-	11,102	11,102
Share based compensation	-	22,692	22,692
Dividend	-	(5,500)	(5,500)
At 31 December 2022	28,000	115,205	143,205

The notes on pages 14 to 30 form an integral part of these financial statements.

Ares Management Limited

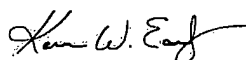
Balance sheet

at 31 December 2022

	Notes	2022 £000	2021 £000
Fixed assets			
Intangible assets			
Goodwill	10	68	135
Other intangible assets	11	-	330
Tangible assets			
Property, plant and equipment	12	2,336	2,509
Investment	13	420	624
Total fixed assets		<u>2,824</u>	<u>3,598</u>
Current assets			
Debtors	14	121,280	102,447
Deferred tax	15	11,930	7,891
Cash and cash equivalents	20	34,359	31,560
Total current assets		<u>167,569</u>	<u>141,898</u>
Creditors: amounts falling due within one year	16	(26,374)	(29,110)
Total assets less current liabilities		<u>144,019</u>	<u>116,386</u>
Creditors: amounts falling due after more than one year	17	(814)	(1,475)
Net assets		<u>143,205</u>	<u>114,911</u>
Capital and reserves			
Called up share capital	18	28,000	28,000
Profit and loss account		115,205	86,991
Shareholders' funds		<u>143,205</u>	<u>114,911</u>

The notes on pages 14 to 30 form an integral part of these financial statements.

The financial statements on pages 10 to 30 were approved and authorised on 25 April 2023 for issue on behalf of the Directors.



 Kevin Early

Director

Ares Management Limited

Cash flow statement

for the year ended 31 December 2022

	<i>Note</i>	<i>2022 £000</i>	<i>2021 £000</i>
Cash generated from operating activities	20 (a)	9,999	11,992
Tax paid		(1,139)	(4,094)
Interest paid		(29)	(64)
Net cash inflow from operating activities		8,831	7,834
Investing activities			
Interest received		17	3
Payments to acquire tangible fixed assets		(777)	(879)
Purchase of Goodwill		24	(168)
Proceeds from sale of investment		204	-
Purchase of investment		-	(175)
Net cash outflow from investing activities		(532)	(1,219)
Financing activities			
Payment of Dividend		(5,500)	(9,000)
Net cash outflow from financing activities		(5,500)	(9,000)
Increase/(Decrease) in cash and cash equivalents		2,799	(2,385)
Cash and cash equivalents at 1 January		31,560	33,945
Cash and cash equivalents at 31 December	20 (b)	34,359	31,560

The notes on pages 14 to 30 form an integral part of these financial statements.

Ares Management Limited

Notes to the financial statements

at 31 December 2022

1. Accounting policies

Organisation and business

The Company commenced operations on 5 June 2006 and is a wholly owned subsidiary of Ares Management LLC ("Ares Management"), a United States based company. Ares Management is the parent company of various operating subsidiaries which include the Company. The operating subsidiaries are generally either investment managers and/or general partners of various investment funds (the "Ares Funds"). These subsidiaries provide investment management services to the Ares Funds in exchange for investment management fees.

Basis of preparation

The financial statements are prepared in compliance with FRS 102 on a going concern basis, under the historical cost convention and are prepared in accordance with the Companies Act 2006. The accounting practices have been applied consistently by the Company. The financial statements have been prepared in the British pound sterling (£) which is also the functional currency.

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 accounting policies selected for use by the Company. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates.

Goodwill

Goodwill arising on acquisitions represents the excess of the fair value of consideration transferred over the Company's interest in the fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill is recognised as an asset as it represents synergies the Company expects to receive from the acquisition. Goodwill is subsequently amortised over its estimated useful life which is deemed to be three years from acquisition. If the recoverable amount of the cash generating unit is less than the carrying amount of the investment, the impairment to the related goodwill is recognised in profit or loss.

Other intangible assets

Intangible assets acquired separately from a business are recorded at cost. Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on a straight line basis over the expected useful life of the assets as follows:

Management contracts acquired – over the term of the contract

The carrying value of the intangible asset is reviewed for impairment at least annually.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses, if any. Such costs include those costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life as follows:

Leasehold improvements - over the lease term

Furniture and computer equipment - over 5 to 7 years.

Investments

In the Company's Balance sheet, investments in subsidiaries are stated at cost less any provision for impairment.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price, as that is the consideration expected to be received or paid. Any losses arising from impairment are recognised in the profit and loss account in administrative expenses.

Ares Management Limited

Notes to the financial statements (continued)

at 31 December 2022

1. Accounting policies (continued)**Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity date of three months or less.

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at the reporting date.

Dividends

Dividends paid to the Company's parent are recognised in the Statement of changes in equity in the period in which the dividends are approved.

Turnover

Turnover is recognised to the extent that the Company obtains the right to consideration in exchange for its performance of services. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, Value Added Tax ("VAT") and other taxes or duty. The following criteria must also be met before turnover is recognised:

Rendering of services

Turnover from investment management fees are generally based on a defined percentage of fair value of assets, total commitments, invested capital, net asset value ("NAV"), net investment income, total assets or par value of the investment portfolios managed by the Company. Agency fees are recognised as turnover in the period that the management services are rendered. Investment management fees are recognised as turnover when collection of such fees is certain following a fund's determination date.

Incentive income

Incentive fees are based on certain specific hurdle rates as defined in the applicable investment management agreements or governing documents. Incentive fees are recognised when collection is fixed and ascertainable following a fund's determination date and usually coincides with the period in which the Company collects cash or the period immediately preceding cash collection.

Interest income

Interest income is recognised on an accrual basis on cash balances.

Special fees

Turnover may also include special fees such as administration fees paid to the Company in connection with the operations of the Company. The nature of these fees is specific to the administrative services provided by the Company. Such fees would be included in turnover in the profit and loss account and are recognised as turnover when earned.

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for the expected costs of maintenance under guarantees are charged against profits when services have been invoiced. The effect of the time value of money is not material; therefore the provisions are not discounted.

Operating lease commitments

Rentals payable less any incentives are charged in the profit and loss account on a straight line basis over the lease term.

Pension costs

The Company operates a defined contribution scheme. Contributions to the defined contribution scheme are recognised in the profit and loss account in the period in which they become payable.

Ares Management Limited

Notes to the financial statements (continued)

at 31 December 2022

1. Accounting policies (continued)**Foreign currencies**

Transactions in currencies other than sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on exchange are included in profit or loss.

Share-based payments (equity-settled)

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted and is recognised as an expense on a straight-line basis over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than performance conditions linked to the price of the shares of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market vesting condition or non-vesting condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition or a non-vesting condition, be treated as vesting as described above. Management's estimate of the number of equity instruments which ultimately vest is based on forfeiture rates since inception. Where awards are made to a small pool of senior leaders, a zero forfeiture rate is estimated.

The movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account, with a corresponding entry in equity.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the profit and loss account for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the profit and loss account (see Note 23).

Taxation

Income tax expense represents the sum of the current tax and deferred tax.

The charge for current tax is based on the result for the year adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Current and deferred tax is recognised in the same component of the profit and loss account, other comprehensive income or equity as the transaction or event that resulted in the tax expenses or income.

Unrelieved tax losses and other deferred tax assets are recognised to the extent that they are regarded as recoverable which are to the extent that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Ares Management Limited

Notes to the financial statements (continued)

at 31 December 2022

2. Critical accounting estimates and judgements

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past performance and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

Share-based payments (equity-settled)

The fair value of equity-settled transactions is determined by using an appropriate pricing model. Management uses its judgement to select an appropriate pricing model and estimates the key inputs using a variety of assumptions that are mainly based on market conditions existing at the date on which they are granted.

Estimated impairment of intangible assets

The entity annually reviews whether the intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. Management uses its judgement to consider if the expected useful life of the assets has decreased.

3. Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

Foreign exchange risk

The Company is exposed to foreign exchange risk through the movement in the value of its foreign currency denominated assets and liabilities. The Company mitigates this risk at a Group level.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company aims to mitigate liquidity risk by managing cash generation from operations. The Company also manages liquidity risk via additional equity investments from the parent company.

Credit risk

The Company has credit risk exposure arising from current fees due but not received from the funds it manages and from its cash balances held at highly rated banks. Fees are invoiced to these funds in accordance with the terms of the investment management agreements. By their nature, the funds hold significant cash balances and the fund trustee/administrator is responsible for making the payment of the management and performance fees.

Ares Management Limited

Notes to the financial statements (continued)

at 31 December 2022

4. Turnover

Turnover principally represents the amounts derived from the provision of investment management services, stated net of VAT, and arising from continuing activities in Europe.

For the year ended 31 December 2022, base investment management fees earned were £54,673,164, (2021: £35,865,540). Total incentive management fees earned for the year were £50,468,901 (2021: £45,192,514).

Turnover also includes Agency fees of £3,719,810 (2021: £3,407,637) and other income of £2,904,613 (2021: £2,152,592).

5. Operating profit

Operating profit is stated after charging:

	2022 £000	2021 £000
Amortisation and impairment of goodwill (see note 10)	43	33
Amortisation and impairment of other intangible assets (see note 11)	330	493
Depreciation of owned assets (see note 12)	950	867
Operating lease rentals		
- Land and buildings	3,662	3,126
- Equipment	43	44
Foreign exchange loss	3,911	239
Auditors' remuneration (see note 6)	103	113

6. Auditors' remuneration

The remuneration of the auditors is further analysed as follows:

	2022 £000	2021 £000
Audit of the financial statements	40	38
Other fees to auditors - taxation services	63	75
	<u>103</u>	<u>113</u>

7. Directors' emoluments

None of the Directors received any compensation for services rendered as Directors of the Company (2021: nil).

Ares Management Limited

Notes to the financial statements (continued)

at 31 December 2022

8. Staff costs

	2022	2021
	£000	£000
Wages and salaries	114,644	98,263
Social security costs	19,695	16,588
Pension costs	2,825	1,996
Total staff costs	137,164	116,847

The average numbers of employees during the year were as follows:

	2022	2021
Fund management	156	136
Marketing	36	27
Administrative	85	72
Average number of total staff	277	235

9. Tax on profit on ordinary activities

Current tax for the year:

	2022	2021
	£000	£000
UK Corporation tax on profit for the year	4,370	1,433
Foreign tax relief/other relief	(292)	(187)
Adjustment for prior periods	(47)	(224)
	4,031	1,022
Foreign tax suffered	602	280
Foreign tax adjustment in respect of prior periods	(-)	(17)
Total current tax	4,633	1,285
Deferred tax:		
Origination and reversal of timing differences	(2,254)	791
Effect of changes in tax rates	(1,744)	(865)
Adjustment in respect of previous periods	(40)	13
Total deferred tax	(4,038)	(61)
Total tax charge per income statement	595	1,224

Ares Management Limited

Notes to the financial statements (continued)

at 31 December 2022

9. Tax on profit on ordinary activities (continued)

The charge for the year can be reconciled to the profit per the income statement as follows:

	<i>2022</i>	<i>2021</i>
	<i>£000</i>	<i>£000</i>
Profit on ordinary activities before taxation	11,697	7,874
Corporation tax at 19% (2021: 19%)	2,222	1,497
Adjustment from previous periods	(86)	(228)
Expenses not deductible	261	159
Effect of overseas tax rates	310	93
Tax rate changes	(1,744)	(865)
Share options	(367)	569
Income not taxable	(1)	(1)
Total tax charge for the year	595	1,224

10. Goodwill

	<i>Total</i>
	<i>£000</i>
Cost:	
At 1 January 2022	168
*Changes made during the year	(24)
At 31 December 2022	144
Amortisation:	
At 1 January 2022	(33)
Amortisation charge for the year	(43)
At 31 December 2022	(76)
Net realisable value at 31 December 2022	68
Net realisable value at 31 December 2021	135

On 6 February 2021, the Company acquired the assets, liabilities, and contingent liabilities of Landmark Partners (Europe) Limited. The total cost of the goodwill was recorded and is amortized over three years.

*Changes made during the year relates to writing off the opening balance of tax from Landmark.

Ares Management Limited

Notes to the financial statements (continued)

at 31 December 2022

11. Intangible assets

	<i>Total £000</i>
Cost:	
At 1 January 2022	4,924
Disposal:	(4,924)
	<hr/>
At 31 December 2022	-
	<hr/>
Amortisation:	
At 1 January 2022	(4,594)
Amortisation charge for the year	(330)
Disposal:	4,924
	<hr/>
At 31 December 2022	-
	<hr/>
Net realisable value at 31 December 2022	-
	<hr/>
Net realisable value at 31 December 2021	330
	<hr/>

On 7 September July 2012 the Company acquired the investment management contracts of several alternative investment funds from Indicus Advisors LLP (IALLP). The total purchase price was recorded as an intangible asset and is amortised over ten years which is the length of the contracts. The contracts have expired and the balance is fully amortised and hence written off.

Ares Management Limited

Notes to the financial statements (continued)

at 31 December 2022

12. Tangible fixed assets

	<i>Furniture and computer equipment £000</i>	<i>Leasehold improve- ments £000</i>	<i>Total £000</i>
Cost:			
At 1 January 2022	2,105	4,607	6,712
Additions	832	107	939
Disposals	(452)	-	(452)
At 31 December 2022	2,485	4,714	7,199
Depreciation:			
At 1 January 2022	844	3,358	4,202
Charge for the year	406	544	950
Disposals	(289)	(-)	(289)
At 31 December 2022	961	3,902	4,863
Net realisable value at 31 December 2022	1,524	812	2,336
Net realisable value at 31 December 2021	1,260	1,249	2,509

13. Investments

	<i>2022 £000</i>	<i>2021 £000</i>
At 1 January	624	449
Additions	-	175
Disposal	(204)	-
At 31 December	420	624

The Company's Investment relates solely to its holding in SDL Management GP L.P. The Company holds a majority interest in SDL Management GP L.P. and has control over its financial and operational policies. The Company has utilised its exemption to prepare group accounts on the grounds that it is itself a wholly-owned subsidiary of Ares Management Corporation. Both the Company and SDL Management GP L.P. are consolidated into the accounts of Ares Management Corporation.

In line with the Company's accounting policy, the investment is held at cost less impairment.

Ares Management Limited

Notes to the financial statements (continued)

at 31 December 2022

14. Debtors

	2022	2021
	£000	£000
Management fee receivable	29,332	25,216
Performance fee receivable	72,391	44,312
Amounts due from affiliated parties	15,823	27,280
Prepayments	2,926	2,306
Other debtors	731	866
Corporation tax	-	2,467
VAT	77	-
	<u>121,280</u>	<u>102,447</u>

15. Deferred tax

	2022	2021
	£000	£000
Provision at start of year	7,891	7,830
Deferred tax charge to income statement for the year	3,998	74
Adjustment in respect of prior years	41	(13)
Provision at end of year	<u>11,930</u>	<u>7,891</u>

The deferred tax asset at the end of the year arises on the following timing differences, tax losses or tax credits:

	2022	2021
	£000	£000
Fixed asset timing differences	(111)	(28)
Short term timing differences – trading	12,041	7,919
Provision at end of year	<u>11,930</u>	<u>7,891</u>

In the Spring Budget 2021, the government announced that from 1 April 2023 the headline corporation tax rate will increase to 25%. The proposal to increase the rate to 25% has been substantively enacted at the Company's balance sheet date, therefore its effects have been included in these financial statements.

Ares Management Limited

Notes to the financial statements (continued)

at 31 December 2022

16. Creditors: amounts falling due within one period

	<i>2022</i>	<i>2021</i>
	<i>£000</i>	<i>£000</i>
Trade creditors	464	171
Corporation tax	1,028	-
Accruals	24,882	28,896
VAT	-	43
	<u>26,374</u>	<u>29,110</u>

17. Creditors: amounts falling due after more than one year

	<i>2022</i>	<i>2021</i>
	<i>£000</i>	<i>£000</i>
Accruals	814	1,474
	<u>814</u>	<u>1,474</u>

18. Called up share capital

	<i>2022</i>	<i>2021</i>
	<i>£000</i>	<i>£000</i>
Authorised		
68,000,00 Ordinary shares £1 each	68,000	68,000
Allocated, called up and paid		
1 ordinary share for £1	28,000	28,000

19. Dividends

On 29 June 2022 an interim dividend of £5,500,000 (2021: £9,000,000) was approved and paid by the directors to Ares Management LLC, the Company's sole shareholder.

Ares Management Limited

Notes to the financial statements (continued)

at 31 December 2022

20. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash outflow from operating activities:

	2022	2021
	£000	£000
Operating Profit	11,709	7,935
Depreciation of tangible fixed assets	950	867
Amortisation of intangible assets	330	493
Amortisation of goodwill	43	33
Share based payments	22,692	14,672
Increase in debtors	(21,300)	(27,003)
(Decrease)/Increase in creditors	(4,425)	14,995
Cash generated from operating activities	9,999	11,992

(b) Cash and cash equivalents

Cash and cash equivalents are fully comprised of current accounts.

21. Related party transactions

During the year ended 31 December 2022, the Company entered into certain related party transactions with Ares Management UK Limited, Ares Management LLC, Ares Management Luxembourg and Ares European Operations Sarl. The summary of these transactions is disclosed as follows:

Affiliated Party	Relationship	Transaction Type	Amount £000
Ares Management UK Limited	Affiliate	Cost Recharge	82,747
Ares Management LLC	Parent	Transfer Pricing	37,607
Ares Management Luxembourg	Affiliate	Services	29,500
Ares European Operations Sarl	Affiliate	Services	42

The cost recharge to Ares Management UK Limited relates to the recovery of administrative expenses incurred by the Company. Total administrative expenses between Ares Management Limited and Ares Management UK Limited are allocated in proportion to their revenues.

The Company engages Ares Management Luxembourg to search and communicate investment opportunities in Spain and France.

The Company engages Ares European Operations Sarl for domiciliation and business office services.

Ares Management Limited

Notes to the financial statements (continued)

at 31 December 2022

21. Related party transactions (continued)

As a consequence of the United Kingdom's decision to exit the European Union (Brexit), AML may lose the benefits of the passporting rights granted by the Alternative Investment Fund Managers Directive and would no longer be able to carry its regulated business in European Union member states and more specifically, Sweden and Germany. On 1 November 2022 the Company sold the assets, rights and liabilities totalling £128,345 of the Swedish Branch to Ares Management Luxembourg for a consideration of £702,382 resulting in a gain on sale of £574,037. On 1 December 2022 the Company sold the assets, rights and liabilities totalling £110,586 of the Frankfurt Branch to Ares Management Luxembourg for a consideration of £1,072,408 resulting in a gain on sale of £961,823. The consideration for the sales were set using a fair market value calculated using an income approach discounted cash flow method. The Company then engaged Ares Management Luxembourg to perform services on its behalf. These services include searching and communicating investment opportunities for the Company.

As at 31 December 2022, the Company was owed £15,823,262 (2021: £27,279,125) from its affiliates and £101,723,307 (2021: £69,527,734) from the funds it manages.

22. Obligations under leases

At 31 December 2022, the Company had future minimum payments due under operating leases as set out below:

	2022 £000	2021 £000
Land and Buildings		
On leases expiring:		
-within one year from the balance sheet date	3,959	3,627
-within two and five years from the balance sheet date	1,724	4,535
-over five years from the balance sheet date	-	49
Equipment		
On leases expiring:		
-within one year from the balance sheet date	33	148
-within two and five years from the balance sheet date	5	80
	<u>5,721</u>	<u>8,439</u>

The operating lease payables for Land and Buildings are in respect of office buildings in London, Luxembourg, and Amsterdam.

Ares Management Limited

Notes to the financial statements (continued)

at 31 December 2022

23. Share-based payments**Equity-settled***Ares Employee Participation LLC Interests and AREA Membership Interest*

Prior to the Initial Public Offering ("IPO") on 1 May 2014 of Ares Management Corporation (formerly Ares Management LP), various profit interests and membership interests were issued historically to pools of certain professionals that provided for the participation in the profits and/or proceeds of certain capital events, including also professionals of the Company. Unless otherwise stated, the grant date fair value of each award or respective membership interest was determined by an independent third party valuation firm. These awards are referred to as Ares Employee Participation ("AEP") plans and are described below.

In July 2013, certain employees of the Company were granted equity ownership of 1.2% ("AREA Membership Interest") in Ares Holdings LLC, the parent of Ares Management, and in Ares Investments LLC, an affiliate of the Company. This ownership entitles recipients to equal rights to privileges as other equity holders. The fair value of these awards was determined using a recent market transaction at the time of determination. These membership units vest over a period of two years. As a result of the initial public offering of Ares Management Corporation on 1 May 2014, £3,867,451 of the total of £7,505,837 equity-settled share-based compensation in 2014 related to London Real Estate for the acceleration of this award granted in July 2013. There was no change in the fair value of these converted interests as a result of the acceleration in vesting. They were not subject to satisfaction of any conditions or market related performance. In addition, the Company recorded one time acceleration expenses on the following awards vesting only as a result of a capital event:

- Ares Employee Participation IV £230,660;
- Ares Employee Participation VIII £988,136.

The key inputs used in the Black Scholes Model are as follows:

	Equity Value	Ares Holdings LLC Equity	Ares Investments LLC Equity	Term	Risk Free Rate	Management Fee Volatility	Incentive Fee Volatility
AEP IV	\$1,650	\$1,089	\$561	2 years	0.27%	34%	44%
AEP VIII	\$3,374	\$2,227	\$1,147	2 years	0.34%	29%	39%

Ares Management, L.P. 2014 Equity Incentive Plan

In connection with the IPO of Ares Management Corporation on 1 May 2014, the Board of Directors of the General Partner of Ares Management Corporation adopted the Equity Incentive Plan. Under the Equity Incentive Plan, the Company granted options to acquire common units £3,579,932 (2021: £3,579,932), restricted units to be settled in common units £3,607,635 (2021: £3,607,635) and phantom common units to be settled in cash £19,166 (2021: £19,166), less a deduction of a dividend equivalent of £305,627 (2021: £305,627). Equity based compensation expense is determined based on the fair value of the respective equity award on the grant date and is recognised on a straight line basis over the requisite service period, with a corresponding increase in shareholders' equity.

Ares Management Limited

Notes to the financial statements (continued)

at 31 December 2022

23. Share-based payments (Continued)**Equity-settled (continued)****Restricted Units**

The table below shows the history of units granted since the IPO of Ares Management Corporation.

Date granted	Number of units	Price of grant \$	Discount on Fair value %	Assumed forfeiture rate per annum %	Years vested over
01 May 2014	951,708	19	5	1.3	5
09 January 2015	3,947	17.56	5	1.3	5
20 January 2016	317,147	11.21	0	1.3	4
15 August 2016	521,875	17.34	0	1.3	2
01 January 2017	100,001	19.20	0	Nil	2
20 January 2017	218,484	19.90	0	1.3	4
31 January 2017	755,000	19.45	0	Nil	5
20 January 2018	205,296	23.20	0	1.3	4
31 January 2018	560,000	24.15	0	1.3	5
20 January 2019	323,769	20.05	0	1.3	3
31 January 2019	297,500	20.78	0	1.3	5
20 January 2020	198,661	37.28	0	1.1	3
31 January 2020	378,000	36.55	0	1.1	5
06 February 2020	70,000	36.55	0	1.1	5
15 May 2020	25,000	36.55	0	1.1	5
01 October 2020	5,032	40.42	0	1.1	5
20 January 2021	152,488	45.67	0	1.1	3
31 January 2021	912,000	45.16	0	1.1	8
1 May 2021	12,500	52.52	0	0.9	5
2 June 2021	9,412	55.29	0	0.9	5
1 July 2021	800	63.59	0	0.9	5
15 September 2021	1,743	78.22	0	0.9	5
18 October 2021	1,147	78.22	0	0.9	5
15 November 2021	1,189	78.22	0	0.9	5
07 January 2022	15,085	73.94	0	2.2	5
20 January 2022	136,795	74.81	0	1.2	3
31 January 2022	342,000	74.16	0	2.2	5
10 February 2022	26,974	81.27	0	2.2	5
05 September 2022	35,000	72.75	0	2.2	5
10 October 2022	1,853	65.19	0	2.2	5
01 November 2022	11,045	65.19	0	2.2	5
02 November 2022	21,940	65.19	0	2.2	5

Ares Management Limited

Notes to the financial statements (continued)

at 31 December 2022

23. Share-based payments (continued)**Equity-settled (continued)**

For the year ended 31 December 2022, 3,389 restricted units were forfeited (2021: 69,431).

Each restricted unit represents an unfunded, unsecured right of the holder to receive a common unit on the vesting date. Fair value of the restricted units and phantom units was determined to be the most recent closing price of common units. Certain restricted units are subject to a lock up provision that expires on the fifth anniversary of the IPO. The Company used Finnerty's average strike price put option model to estimate the discount associated with this lack of marketability. Compensation expense associated with restricted units is being recognised on a straight line basis over the service period of the respective grant. A cumulative expense of £103,171,629 (2021: £76,791,037) relating to these awards has been recognised in the profit and loss account in equity.

For the year ended 31 December 2022: 435,122 restricted units vested (2021: 1,092,626).

Options

On 1 May 2014, 3,873,238 units were issued at \$4.02 with 3.5% forfeiture rate vested over 5 years; and 10,568 units issued on 31 May 2014 at \$3.83 with 3.5% forfeiture rate vested over 5 years. An additional 525,000 units were issued on 9 January 2016 at \$3.47 with 3.5% annual forfeiture rate vested over 4 years.

A cumulative expense of £11,025,834 (2021: £11,025,834) relating to these awards has been recognised in the profit and loss account in equity.

For the year ended 31 December 2022, nil options were forfeited (2021: nil).

The fair value of each option granted during the period from 1 May 2014 to 31 December 2022 is measured on the date of grant using the Black Scholes option pricing model and the following weighted average assumptions:

Input	1 May 2014 Grant	30 May 2014 Grant	9 January 2015 Grant	Source
Stock Price	\$19	\$19	\$17.72	Traded Price
Exercise Price	\$19	\$19	\$19	Management
Expected Term	7 years	6.92 years	7.49 years	See above
Volatility	35%	34%	36%	See AEP Table above
Risk Free Rate	2.21%	2.06%	1.80%	Interpolated from US Govt Bond Rate
Assumed Dividend Yield	5%	5%	5%	Management
Estimated Per-Share Value	\$4.02	\$3.83	\$3.47	

24. Ultimate parent undertaking

The Company is immediately controlled by Ares Management LLC, a company incorporated in the United States of America, and ultimately controlled by Ares Management Corporation (formerly Ares Management LP). Copies of the financial statements are available from Ares Management LLC, 2000 Avenue of the Stars, 12th Floor, Los Angeles, California, 90067, USA.

Ares Management Limited

Notes to the financial statements (continued)

at 31 December 2022

25. Events after the end of the reporting period

The Directors have evaluated the possibility of events after the balance sheet date existing in the Company's financial statements through to 25 April 2023 and to its knowledge, there have been no material post balance sheet events that occurred during the period that would require disclosure in the Company's financial statements for the year ended 31 December 2022.