Ares Management Limited

Report and Financial Statements

For the year ended 31 December 2020

Registered no. 05837428

Registered no. 05837428

Directors

Michael Daniel Weiner (resigned 8 January 2021)
Kevin Early
William Stephen Benjamin
Blair Jacobson
Miriam Krieger
Naseem Sagati Aghili (appointed 8 January 2021)

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

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 2020.

Principal activity

The principal activity of the Company during the year ended 31 December 2020 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:

Michael Daniel Weiner	(resigned 8 January 2021)
Kevin Early	
William Stephen Benjamin	
Blair Jacobson	
Miriam Krieger	
Naseem Sagati Aghili	(appointed 8 January 2021)

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 2020.

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 2020 for the Company's operations in the UK.

Energy Use

	2020
Total energy use (Kilowatt hours – KWh)	219,627
Total Floor Area (m2)	2,928
Energy Intensity (kWh/m2)	75

Energy use breakdown

	2020
	KWh
Electricity	212,074
Gas	7,553

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

	2020
	tCO2e
Scope 1 - Emission generated through consumption of gas	1,389
Scope 2 - Emissions generated through use of purchased electricity	49,443
Total	50,832

The greenhouse gas emission factors used in the calculations were the 2020 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.

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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 W. Early

Kevin Early

Director

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 2020.

Results and dividends

The profit for the year ended 31 December 2020 is £8,350,073 (2019: £6,985,739). During the year the Directors approved the payment of a dividend amounting to £15,000,000 (2019: nil).

Review of the business

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

	2020	*2019*
	£000	*£000*
Turnover	61,725	70,527
Profit after tax	8,350	6,986
Shareholders' funds	102,590	96,306
Current assets as % of current liabilities	830	805
Average number of employees	198	179

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 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.

Future Developments

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

Registered no. 05837428

Strategic report (continued)

Going Concern

The outbreak of a highly contagious form of a novel coronavirus ("COVID-19") in early 2020, for which the World Health Organization declared a global pandemic, led to significant and continued volatility in the public and private markets throughout the rest of the year. Many countries issued orders requiring the closure of, or certain restrictions on the operation of, non-essential businesses and/or requiring residents to stay at home. The COVID-19 pandemic and restrictive measures taken to contain or mitigate its spread have caused, and are continuing to cause, business shutdowns, or the re-introduction of business shutdowns, cancellations of events and restrictions on travel, significant reductions in demand for certain goods and services, reductions in business activity and financial transactions, supply chain interruptions and overall economic and financial market instability globally. Such effects will likely continue for the duration of the pandemic, which is uncertain, and for some period thereafter. While several countries have begun to relax the early public restrictions with a view to partially or fully reopening their economies, many have since experienced a surge in the reported number of cases, hospitalizations and related deaths. This increase in cases has led to the re-introduction of restrictions and business shutdowns in these countries and could lead to the re-introduction of such restrictions elsewhere.

From December 2020 onwards, COVID-19 vaccines began to be approved in the UK, Europe, and the rest of the world. However, it remains unclear how quickly the public will be inoculated and therefore the restrictions that were imposed to slow the spread of the virus will be lifted entirely. Any further delays in distributing the vaccines could lead people to continue to self-isolate and not participate in the economy at pre-pandemic levels for a prolonged period of time.

The full extent to which the COVID-19 pandemic may impact Company's results, operations or liquidity is uncertain. Management continues to monitor the impact that the COVID-19 pandemic has on the Company, the asset management industry and the economies in which the Company operates. Management has performed a COVID -19 impact analysis as part of their going concern assessment using information available to the date of issue of these financial statements. The analysis has modelled a number of adverse scenarios to assess the potential impact that COVID-19 may have on Company's operations, liquidity, solvency and regulatory capital position as well as a reverse stress test to assess the stresses the balance sheet has to endure before there is a breach of the relevant regulatory capital requirement and including an assessment of any relevant mitigations management have within their control to implement.

The most likely expected financial impact is in respect of the Company's future (i) management fee income as this is linked to assets under management; and (ii) incentive fees as these are based on certain specific hurdle rates as defined in the applicable investment management agreements or governing documents. It is not possible to quantify the overall impact of COVID-19 as financial markets continue to react to developments and management have a number of actions that they are able to take to protect profitability and solvency.

Having performed this analysis management believes regulatory capital requirements continue to be met and the Company has sufficient liquidity to meet its liabilities for at least the next 12 months to 30 April 2022 and that the preparation of the financial statements on a going concern basis remains appropriate as the Company expects to be able to meet its obligations as and when they fall due for the foreseeable future.

Strategic report (continued)

By the order of the Board

Kevin Early

Director

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 2020 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 22, 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 2020 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 26 April 2022.

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, we do not express any form of assurance conclusion thereon.

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 there is 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.

Registered no. 05837428

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 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.

Our approach was as follows:

- 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.

Ernst & Young LLP

Ashley Coups (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
26 April 2021

Profit and loss account

for the year ended 31 December 2020

	Notes	2020 £000	2019 £000
Turnover	4	61,725	70,527
Administrative expenses		(56,171)	(64,078)
Gross Profit		5,554	6,449
Gain on transfer of branches	19	4,992	-
Operating Profit	5	10,546	6,449
Other operating income and similar charges		(44)	(30)
Profit on ordinary activities before taxation		10,502	6,419
Tax on ordinary activities	9	(2,152)	567
Profit on ordinary activities after taxation		8,350	6,986

All items dealt with in arriving at the profit for the year ended 31 December 2020 related to continuing operations.

Statement of comprehensive income for the year ended 31 December 2020

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 15 to 31 form an integral part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2020

	Share capital £000	*Profit and loss account £000*	*Total Shareholders' funds £000*
At 1 January 2019	28,000	49,576	77,576
Profit for the year	-	6,986	6,986
Share based compensation	-	11,744	11,744
At 31 December 2019	28,000	68,306	96,306
Profit for the year	-	8,350	8,350
Share based compensation	-	12,934	12,934
Dividend	-	(15,000)	(15,000)
At 31 December 2020	28,000	74,590	102,590

The notes on pages 15 to 31 form an integral part of these financial statements.

Balance sheet
at 31 December 2020

	Notes	2020 £000	2019 £000
Fixed assets			
Intangible assets	10	823	1,923
Tangible assets	11	2,497	2,921
Investment	12	449	248
Total fixed assets		3,769	5,092
Current assets			
Debtors	13	72,978	82,962
Deferred tax	14	7,830	6,467
Cash and cash equivalents	18	33,945	17,915
Total current assets		114,753	107,344
Creditors: amounts falling due within one year	15	(13,829)	(13,333)
Total assets less current liabilities		104,693	99,103
Creditors: amounts falling due after more than one year	16	(2,103)	(2,797)
Net assets		102,590	96,306
Capital and reserves			
Called up share capital	17	28,000	28,000
Profit and loss account		74,590	68,306
Shareholders' funds		102,590	96,306

The notes on pages 15 to 31 form an integral part of these financial statements.

The financial statements on pages 11 to 31 were approved and authorised on 22 April 2021 for issue on behalf of the Directors.

Kevin W. Early

Kevin Early

Director

Cash flow statement

for the year ended 31 December 2020

	Note	2020 £000	2019 £000
Cash generated from operating activities	18 (a)	35,699	14,615
Tax paid		(3,970)	(3,735)
Interest paid		(49)	(44)
Net cash inflow from operating activities		31,680	10,836
Investing activities			
Interest received		6	6
Payments to acquire tangible fixed assets		(455)	(487)
Purchase of investment		(201)	(241)
Net cash outflow from investing activities		(650)	(722)
Financing activities			
Payment of Dividend		(15,000)	-
Net cash outflow from financing activities		(15,000)	(722)
Increase in cash and cash equivalents		16,030	10,114
Cash and cash equivalents at 1 January		17,915	7,801
Cash and cash equivalents at 31 December	18 (b)	33,945	17,915

The notes on pages 15 to 31 form an integral part of these financial statements.

Notes to the financial statements

at 31 December 2020

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 outbreak of a highly contagious form of a novel coronavirus ("COVID-19") in early 2020, for which the World Health Organization declared a global pandemic, led to significant and continued volatility in the public and private markets throughout the rest of the year. Many countries issued orders requiring the closure of, or certain restrictions on the operation of, non-essential businesses and/or requiring residents to stay at home. The COVID-19 pandemic and restrictive measures taken to contain or mitigate its spread have caused, and are continuing to cause, business shutdowns, or the re-introduction of business shutdowns, cancellations of events and restrictions on travel, significant reductions in demand for certain goods and services, reductions in business activity and financial transactions, supply chain interruptions and overall economic and financial market instability globally. Such effects will likely continue for the duration of the pandemic, which is uncertain, and for some period thereafter. While several countries have begun to relax the early public restrictions with a view to partially or fully reopening their economies, many have since experienced a surge in the reported number of cases, hospitalizations and related deaths. This increase in cases has led to the re-introduction of restrictions and business shutdowns in these countries and could lead to the re-introduction of such restrictions elsewhere.

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The full extent to which the COVID-19 pandemic may impact Company's results, operations or liquidity is uncertain. Management continues to monitor the impact that the COVID-19 pandemic has on the Company, the asset management industry and the economies in which the Company operates. Management has performed a COVID -19 impact analysis as part of their going concern assessment using information available to the date of issue of these financial statements. The analysis has modelled a number of adverse scenarios to assess the potential impact that COVID-19 may have on Company's operations, liquidity, solvency and regulatory capital position as well as a reverse stress test to assess the stresses the balance sheet has to endure before there is a breach of the relevant regulatory capital requirement and including an assessment of any relevant mitigations management have within their control to implement.

The most likely expected financial impact is in respect of the Company's future (i) management fee income as this is linked to assets under management; and (ii) incentive fees as these are based on certain specific hurdle rates as defined in the applicable investment management agreements or governing documents. It is not possible to quantify the overall impact of COVID-19 as financial markets continue to react to developments and management have a number of actions that they are able to take to protect profitability and solvency.

Having performed this analysis management believes regulatory capital requirements continue to be met and the Company has sufficient liquidity to meet its liabilities for at least the next 12 months to 30 April 2022 and that the preparation of the financial statements on a going concern basis remains appropriate as the Company expects to be able to meet its obligations as and when they fall due for the foreseeable future.

Notes to the financial statements (continued)

at 31 December 2020

1. Accounting policies (continued)

Basis of preparation (continued)

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.

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. 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.

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.

Notes to the financial statements (continued)

at 31 December 2020

1. Accounting policies (continued)

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.

Notes to the financial statements (continued)

at 31 December 2020

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 21).

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.

Notes to the financial statements (continued)

at 31 December 2020

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.

Notes to the financial statements (continued)

at 31 December 2020

4. Turnover

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

For the year ended 31 December 2020, base investment management fees earned were £44,258,631, (2019: £43,976,087). Total incentive management fees earned for the year were £12,904,673 (2019: £22,615,871).

Turnover also includes Agency fees of £2,683,916 (2019: £2,605,935) and other income of £1,878,123 (2019: £1,329,586).

5. Operating profit

Operating profit is stated after charging:

	2020	*2019*
	£000	*£000*
Amortisation and impairment of intangible assets (see note 10)	1,100	721
Depreciation of owned assets (see note 11)	879	822
Operating lease rentals		
- Land and buildings	3,042	3,170
- Equipment	35	100
Foreign exchange (gain)/ loss	(2,087)	5,155
Auditors' remuneration (see note 6)	61	153

Notes to the financial statements (continued)
at 31 December 2020

6. Auditors' remuneration

The remuneration of the auditors is further analysed as follows:

	2020	*2019*
	£000	*£000*
Audit of the financial statements	37	32
Other fees to auditors - taxation services	24	121
	61	153

7. Directors' emoluments

None of the Directors received any compensation for services rendered as Directors of the Company (2019: nil).

8. Staff costs

	2020	*2019*
	£000	*£000*
Wages and salaries	83,854	64,156
Social security costs	11,585	9,661
Pension costs	1,817	1,454
Total staff costs	97,256	75,271

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

	2020	*2019*
Fund management	116	108
Marketing	21	18
Administrative	61	53
Average number of total staff	198	179

Notes to the financial statements (continued)

at 31 December 2020

9. Tax on profit on ordinary activities

Current tax for the year:

	2020 £000	2019 £000
UK Corporation tax on profit for the year	2,960	2,591
Foreign tax relief/other relief	(1,285)	(117)
Adjustment for prior periods	(98)	172
	1,577	2,646
Foreign tax suffered	1,938	117
Total current tax	3,515	2,763
Deferred tax:		
Origination and reversal of timing differences	(658)	(3,738)
Effect of changes in tax rates	(755)	393
Adjustment in respect of previous periods	50	15
Total deferred tax	(1,363)	(3,330)
Total tax charge/(credit) per income statement	2,152	(567)

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

	2020 £000	2019 £000
Profit on ordinary activities before taxation	10,502	6,419
Corporation tax at 19% (2019: 19%)	1,995	1,220
Adjustment from previous periods	(47)	188
Expenses not deductible	146	265
Effect of overseas tax rates	653	-
Tax rate changes	(755)	393
Share options	160	(2,633)
Total tax charge/(credit) for the year	2,152	(567)

Notes to the financial statements (continued)
at 31 December 2020

10. Intangible assets

	Total
	£000
Cost:	
At 1 January 2020	7,189
Less: Impairment	(2,265)
At 31 December 2020	4,924
Amortisation:	
At 1 January 2020	(5,266)
Amortisation charge for the year	(1,100)
Less: Previously amortised balances	2,265
At 31 December 2020	(4,101)
Net realisable value at 31 December 2020	823
Net realisable value at 31 December 2019	1,923

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.

Notes to the financial statements (continued)

at 31 December 2020

11. Tangible fixed assets

	Furniture and computer equipment £000	*Leasehold improvements £000*	*Total £000*
Cost:			
At 1 January 2020	2,473	4,354	6,827
Additions	456	71	527
Disposals	(701)	(22)	(723)
At 31 December 2020	2,228	4,403	6,631
Depreciation:			
At 1 January 2020	1,526	2,380	3,906
Charge for the year	392	487	879
Disposals	(638)	(13)	(651)
At 31 December 2020	1,280	2,854	4,134
Net realisable value at 31 December 2020	948	1,549	2,497
Net realisable value at 31 December 2019	948	1,973	2,921

12. Investments

	2020 £000	*2019 £000*
At 1 January	248	-
Additions	208	241
Foreign exchange gain	(7)	7
At 31 December	449	248

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.

Notes to the financial statements (continued)

at 31 December 2020

13. Debtors

	2020 £000	2019 £000
Management fee receivable	22,501	14,333
Performance fee receivable	13,843	13,860
Amounts due from affiliated parties	33,879	52,141
Prepayments	2,319	1,894
Other debtors	436	654
VAT	-	80
	72,978	82,862

14. Deferred tax

	2020 £000	2019 £000
Provision at start of year	6,467	3,138
Deferred tax credit / (charge) to income statement for the year	1,413	3,346
Adjustment in respect of prior years	(50)	(17)
Provision at end of year	7,830	6,467

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

	2020 £000	2019 £000
Fixed asset timing differences	112	199
Short term timing differences – trading	7,718	6,268
Provision at end of year	7,830	6,467

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to reduce the tax expense for the period by £2,472,731 to increase the deferred tax asset to £10,303,045.

Notes to the financial statements (continued)

at 31 December 2020

15. Creditors: amounts falling due within one period

	2020	2019
	£000	£000
Trade creditors	251	530
Corporation tax	342	797
Accruals	12,875	10,168
Deferred revenue	103	1,838
VAT	257	-
	13,829	13,333

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

	2020	2019
	£000	£000
Accruals	2,103	2,797
	2,103	2,797

17. Called up share capital

	2020	2019
	£000	£000
Allotted, called up and fully paid		
Ordinary shares £1 each	28,000	28,000

Notes to the financial statements (continued)

at 31 December 2020

18. Notes to the statement of cash flows

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

	2020	*2019*
	£000	*£000*
Operating Profit	10,546	6,449
Depreciation of tangible fixed assets	879	822
Amortisation of intangible assets	1,100	721
Share based payments	12,934	11,744
Decrease/ (increase) in debtors	9,985	(11,868)
Increase in creditors	255	6,747
Cash generated from operating activities	35,699	14,615

(b) Cash and cash equivalents

Cash and cash equivalents are fully comprised of current accounts.

19. Related party transactions

During the year ended 31 December 2020, the Company entered into certain related party transactions with Ares Management UK Limited, Ares Management LLC, SDL Management GP L.P. and Ares Management Luxembourg. The summary of these transactions is disclosed as follows:

Affiliated Party	**Relationship**	**Transaction Type**	**Amount**
			£000
Ares Management UK Limited	Affiliate	Cost Recharge	72,242
Ares Management LLC	Parent	Transfer Pricing	25,601
SDL Management GP L.P	Subsidiary	Investment	208
Ares Management Luxembourg	Affiliate	Gain on sale of branches	4,992
Ares Management Luxembourg	Affiliate	Services	1,026

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.

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, Spain and France. On 1 August 2020 the Company sold the assets, rights and liabilities totalling £22,654 of the Spanish Branch to Ares Management Luxembourg for a consideration of £669,182 resulting in a gain on sale of £646,528. On 8 December 2020 the Company sold the assets, rights and liabilities totalling £102,374 of the French Branch to Ares Management Luxembourg for a consideration of £4,475,575 resulting in a gain on sale of £4,345,201. The consideration for the sales were set using a fair market value calculated using an

Notes to the financial statements (continued)

at 31 December 2020

19. Related party transactions (continued)

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 2020, the Company was owed £33,878,829 (2019: £49,726,055) from its affiliates and £36,344,262 (2019: £30,606,961) from the funds it manages.

20. Obligations under leases

At 31 December 2020, the Company had future minimum payments due under operating leases as set out below:

	2020	*2019*
	£000	*£000*
Land and Buildings		
On leases expiring:		
-within one year from the balance sheet date	3,287	3,696
-within two and five years from the balance sheet date	6,346	11,118
-over five years from the balance sheet date	6	617
Equipment		
On leases expiring:		
-within one year from the balance sheet date	123	144
-within two and five years from the balance sheet date	5	42
	9,767	15,617

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

Notes to the financial statements (continued)

at 31 December 2020

21. 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 (2019: £3,579,932), restricted units to be settled in common units £3,607,635 (2018: £3,607,635) and phantom common units to be settled in cash £19,166 (2019: £19,166), less a deduction of a dividend equivalent of £305,627 (2019: £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.

Notes to the financial statements (continued)

at 31 December 2020

21. 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

For the year ended 31 December 2020, 41,544 restricted units were forfeited (2019: 101,066).
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 £59,311,956 (2019: £43,309,454) relating to these awards has been recognised in the profit and loss account in equity.

For the year ended 31 December 2020: 565,446 restricted units vested (2019: 621,611).

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 (2019: £11,025,834) relating to these awards has been recognised in the profit and loss account in equity.

For the year ended 31 December 2020, nil options were forfeited (2019: 183,188).

Notes to the financial statements (continued)

at 31 December 2020

21. Share-based payments (continued)

Equity-settled (continued)

The fair value of each option granted during the period from 1 May 2014 to 31 December 2020 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 Band Rate
Assumed Dividend Yield	5%	5%	5%	Management
Estimated Per-Share Value	$4.02	$3.83	$3.47	

22. 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.

Appendix I

(Unaudited)

Ares Management Limited

Pillar 3 Disclosure

Introduction

Since 1 January 2014, Ares Management Limited (the **Firm**, **AML**, **we**, or **our**) has been subject to the EU Capital Requirements Directive IV (**CRDIV**) and the related Capital Requirements Regulations (**CRR**). Accordingly, it has been treated by the Financial Conduct Authority (**FCA**) as a €125k limited licence investment firm subject to the Prudential sourcebook for Investment Firms (**IFPRU**).

CRDIV establishes a regulatory capital framework across Europe governing the amount and nature of capital credit institutions and investments firms must maintain. CRDIV represents the European Union's current application of the Basel Capital Accord. As of 1 April 2013, the FSA was disbanded and replaced by two regulatory bodies: the FCA and the Prudential Regulatory Authority (**PRA**). AML has been regulated by the FCA since 1 April 2013.

The CRDIV framework comprises three 'Pillars':

- Pillar 1 sets out the minimum capital amount that meets the firm's credit, market and operational risk requirement;
- Pillar 2 requires the firm to assess whether its capital reserves, processes, strategies and systems are adequate to meet Pillar 1 requirements and further determine whether it should apply additional capital, processes, strategies or systems to cover any other risks that it may be exposed to;
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position to encourage market discipline.

The CRR sets out the provisions for Pillar 3 disclosure. This document is designed to meet the Pillar 3 obligations of the Firm under Part Eight of the CRR (Articles 431 to 455).

The Pillar 3 disclosure document has been prepared by AML and is verified by the Firm's Board of Directors (the **Board**). Unless otherwise stated, all figures are as at the 31 December financial year end.

Pillar 3 disclosures will be issued on an annual basis after the year-end and published as soon as practical with the Firm's financial statements.

The information contained in this document has not been audited by the Firm's independent appointed auditors and does not constitute any form of financial statement and must not be relied upon in making any judgement on the Firm.

The Firm is permitted to omit required disclosures if the Board believes that the information is immaterial, such that omission would be unlikely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions about the Firm.

In addition, we may omit required disclosures where we believe that the information is regarded as proprietary or confidential. Proprietary information is that which, if it were shared, would in our view undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

We have made no omissions on the grounds that information has been deemed by us to be immaterial, proprietary or confidential, other than where noted in this document.

Scope and Application of the Requirements

AML is incorporated in England and Wales. As such, AML is subject to minimum regulatory capital requirements set by the FCA. The Firm is categorised as a €125k limited licence investment firm subject to the IFPRU. The Firm has no trading book exposures. The Firm is not a member of an EEA group and so is not required to prepare consolidated reporting for prudential purposes.

The Firm is wholly owned by Ares Management LLC (the **Parent**), a U.S.-based investment management company. AML was authorised to carry on investment management activity by the FSA on 27 November 2006; the Firm's principal business activity is the provision of advisory and investment management services to cash flow loan funds registered outside the United Kingdom and similar loan fund products, and the Firm provides portfolio management services to a number of segregated account clients.

Governance Framework and Risk Management

The Firm's Board is responsible for determining AML's business strategy and risk appetite, together with designing and implementing a risk management framework that recognises the risks that the business faces, determines how those risks may be mitigated, and assesses the ongoing management of those risks. The Board meets at least annually, and more often as required, to discuss current projections for profitability and capital management, business planning, and risk management. The meetings serve to demonstrate how the Board oversees and is accountable for the implementation of governance arrangements and ensures the effective and prudent management of the Firm, with due consideration to the appropriate and proportionate segregation of duties and the prevention of conflicts of interest.

The Board manages the Firm's risks through a framework of policies and procedures having regard to relevant laws, standards, principles and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required. The Firm considers the robust, effective structure of systems and controls it has in place are appropriate to the size, nature and complexity of AML's business.

The Board and senior management team has accepted collective responsibility for compliance. The Firm's Compliance Officer and the Parent's Chief Compliance Officer and her team in Los Angeles are responsible for compliance oversight. In addition, the Firm utilises the services of external consultants, who provide advice and assistance on a range of regulatory matters and also undertake regular monitoring and produce reports summarising work performed and recommendations for improvements.

The Board has identified foreign exchange (market), credit, business and operational risks as the main areas of risk to which the Firm is exposed. The adequacy of the Firm's regulatory capital in relation to these and other less significant risks is assessed through an Internal

Capital Adequacy Assessment Process (**ICAAP**). The Board reviews and approves the ICAAP (following appropriate challenge) on an annual basis using the ICAAP as an important part of the Firm's business planning and capital management.

All members of the Board have disclosed any outside business interests, and each is an experienced professional in their industry. In the appointment of new Board members, due consideration will always be given to the reputation, fitness and experience of the candidate, as well as the long-term strategic goals targets of the Firm's business.

Regulatory Capital

The Firm is a private limited company and its capital arrangements are established in its Articles of Association. All of AML's capital is tier 1 with deductions against it for intangible assets.

Capital summary as at 31 December 2020:	*£000*
Ordinary share capital	28,000
Retained profit	9,318
Total tier 1 capital before deductions	37,318
Deduct	
Deferred tax	(4,964)
intangible assets	(823)
Total capital resources	31,531

The Firm is small with a simple operational infrastructure. AML's market risk is limited to foreign exchange risk on cash held at bank and on accounts receivables in foreign currency. The Firm's credit risk arises from portfolio management and performance fees receivable and other assets. The Firm follows the IFPRU standardised approach to market risk, and the simplified standard approach to credit risk (as opposed to the Internal Ratings Based approach). The Firm is subject to a fixed overhead requirement (**FOR**) and, as such, is not required to calculate an operational risk capital charge; although this is considered as a component of the completion of the ICAAP as it relates to the level of risk-based capital required.

As noted previously the Firm is classified as a limited licence firm and as such the Pillar 1 capital requirement is the greater of:

- The sum of AML's risk weighted exposures relating to market and credit risk; or
- 12.5 x FOR.

The FOR is calculated, in accordance with the EBA regulatory technical standards, based on the Firm's previous years audited expenditure. Given the Firm's adoption of the standardised approach to credit and market risk (noted above) the below figures have been produced on that basis. The Firm is not subject to an operational risk requirement.

Under the CRDIV, CRR and IFPRU rules the Firm has an initial capital requirement of €125,000 and is required to maintain a Common Equity Tier 1 capital ratio of 4.5%, a Tier 1 Capital ratio of 6% and a Total Capital Ratio of 8%. These ratios are calculated by expressing the Firm's Own Funds (Tier 1 and Tier 2 Capital) as a percentage of the total risk exposure amount. In AML's case the total risk exposure for Pillar 1 is the higher of the FOR and the sum of the credit and foreign exchange exposure amounts. In essence this is the same as under the GENPRU and BIPRU rules.

It is the Firm's experience that the FOR has historically established AML's capital requirement and only occasionally has this been determined by the sum of the market and credit risk requirements when higher. Based on the firm's 2021 budgeted information and reviewing the 31 December 2020 actuals the FOR will be £9,312k.

The Firm's ICAAP assesses the amount of capital required to mitigate the risks to which it is exposed over a three-year time horizon. The 2020 ICAAP considers the impact of future business plans as well as potential adverse scenarios (such as market downturns or significant operational errors) on the capital resources of the Firm, to ensure regulatory capital requirements are met at all times.

In addition, the Firm has considered the effect of a significant drop in management and performance fee income caused by poor investment performance or other reputational damage/loss and has assessed whether additional capital is required to withstand a 1 in 25 year-type adverse scenario. The Firm also calculates realistic wind-up costs and is comfortable that regulatory capital held would provide for an orderly wind-up.

Based on the risk assessment and stress testing and wind down costs described above the Firm's management concluded that Pillar 2 capital of £13,184k was required for 2020.

Remuneration Code

The Firm has assessed its remuneration structure in line with the IFPRU Remuneration Code (the **Code**) and has adopted policies and procedures designed to ensure that risk is monitored and mitigated in line with the Code. Under FCA guidance, the Firm has determined that it is a "Proportionality Level 3" firm and has taken a proportionate approach as permitted by Code rules. The Firm believes that AML complies with the Code principles in a manner that is proportionate to the size, nature, and complexity of the Firm's business. The Board, in accordance with the Parent's compensation guidelines that are applied to staff globally, determines the Firm's remuneration policy on at least an annual basis. When considering an award of discretionary bonus, including that relating to individual performance, the Board assesses the overall profits of the Firm and the relevant business.

Remuneration Code Staff Remuneration by Business Area

Business Area	Total Remuneration y/e 31/12/20
Investment Management Services	£31,005,312

Aggregate Quantitative Remuneration by Senior Management and other Remuneration Code Staff

Type of Remuneration Code Staff	Total (aggregate) Remuneration
Senior Management	£4,666,179
Other Remuneration Code Staff	£26,339,133
Totals	£31,005,312