Registered No. OC404019

ARES EUROPEAN LOAN MANAGEMENT LLP

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

CONTENTS

MANAGEMENT AND ADMINISTRATION

Registered Office

5th Floor
6 St Andrew Street
London EC4A 3AE

Companies House Registered Number

0C404019

Designated Members

Ares European Loan Management Holdings (Jersey) Limited
First Floor
Waterloo House
Don Street
St Helier
Jersey JE1 1AD
Channel Islands

Ares European Loan Management Holdings LLC
Corporation Services Company
2000 Avenue of the Stars
12th Floor
Los Angeles
California
United States of America

Member

Ares European Loan Management Holdings (Luxembourg) S.a.r.l
5, rue Guillaume Kroll
L-1882 Luxembourg

Legal Advisers (Jersey)

Ogier
44 Esplanade
St. Helier
Jersey JE4 9WG
Channel Islands

Legal Advisers (United Kingdom)

Travers Smith
10 Snow Hill
London EC1A 2AL

Independent Auditors

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London E14 5EY

Investment Adviser

Ares Management Limited
5th Floor
6 St Andrew Street
London EC4A 3AE

REPORT OF THE MEMBERS

The Members present their report and the audited financial statements for Ares European Loan Management LLP (the "Partnership") for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Partnership was incorporated on 28 January 2016. The Partnership was authorised by the Financial Conduct Authority (the "FCA") to conduct investment advisory business on 20 September 2016 and is regulated by the FCA with registered number 737406.

The Partnership was established to carry on the investment and management business with a view to producing profits for distribution to the Members in accordance with the provisions of the Limited Liability Partnership Agreement (the "LLPA") dated 29 June 2016. There was no LLPA in place before 29 June 2016. The Partnership acts as the segregated discretionary investment manager to Ares-branded collateralised loan obligations which are managed by the Partnership. The Partnership acts as the risk retention holder for the purposes of the European Risk Retention Legislation of each CLO in respect of which it acts as the sponsor.

The net assets attributable to the Members as at 31 December 2017 was EUR 75,824,284 (2016: EUR 26,714,131).

The overall increase in net assets attributable to the Members from operations for the year was EUR 1,017,481 (2016: EUR 1,854,931).

The total distributions paid by the Partnership during the year was EUR 2,242,537 (2016: nil)

In accordance with the provisions of the LLPA, Ares European Loan Management Holding (Jersey) Limited ("Jersey Co") and Ares European Loan Management Holdings LLC ("Ares LLC") were admitted as Designated Members and Ares European Loan Management Holding (Luxembourg) Sarl ("Lux Co") was admitted as a Member (altogether "Members").

Ares LLC shall not be required to make any contributions to the Partnership.Jersey Co and Lux Co shall have in aggregate a notional maximum commitment which shall be adjusted from time to time such that it never exceeds the amounts of commitments in Ares European Loan Funding SLP ("Ares SLP"). The commitment of investors in Ares SLP was EUR 220,000,000 as at 31 December 2017.

The cumulative amount of capital contributions relating to the Members was EUR 75,194,409 (2016: EUR 24,859,200).

When a payment is due to the Members and a corresponding amount is required to be received from the Members, no cash is paid or received and a virtual payment and a virtual receipt is deemed to have

REPORT OF THE MEMBERS (CONTINUED)

GOING CONCERN

The Partnership will meet its working capital requirements and other obligations through income generated from its financial assets and additional equity contributions from its Members where required. The Members have a reasonable expectation that the Partnership will have adequate resources to settle the outstanding liabilities as at 31 December 2017 and to continue in operational existence for the foreseeable future. Accordingly, the Partnership continues to adopt the going concern basis in preparing the financial statements.

STATEMENT OF MEMBER'S RESPONSIBILITIES

The Members are responsible for preparing the Report of the Members and financial statements for each financial year in accordance with applicable law and regulations.

Legislation applicable to limited liability partnerships (Companies Act 2006 as modified by the Limited Liability Partnership (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) requires Members to prepare financial statements for each financial year.

Under that law the Members have elected to prepare the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") adopted by the European Union and applicable law. Under this legislation,as applied to limited liability partnerships, the Members 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 Partnership and of the profit or loss of the Partnership for that year. In preparing these financial statements, the Members are required to:

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

The Members are responsible for keeping adequate accounting records that are sufficient to show and explain the entity's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership and enable them to ensure that the financial statements comply with the Limited Liability Partnerships (Accounts and Audit)(Application of the Companies Act 2006) Regulations 2008. They are also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE MEMBERS - (CONTINUED)

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

Each of the Members at the time when this Report of the Members is approved has confirmed that:

* So far as that Member is aware, there is no relevant audit information of which the Partnership's auditor is unaware, and
* that Member has taken all the steps that ought to have been taken as a Member in order to be aware of any relevant audit information and to establish that the Partnership's auditor is aware of that information.

INDEPENDENT AUDITORS

Ernst & Young LLP has been appointed Independent Auditors of the Partnership and has indicated their willingness to continue in office.

Signed on behalf of
Ares European Loan Management Holdings (Jersey) Limited
Designated Member

BY ORDER OF THE BOARD

Kevin Early
Authorised Signatory

Director of the Members
Date: 26th March 2018

Independent Auditor's Report to the Members of Ares European Loan Management LLP

Opinion

We have audited the financial statements of Ares European Management LLP for the year ended 31 December 2017 which comprise the Statement of Financial Position, the Statement of Comprehensive Income the Statement of Changes in Partners' Capital, the Statement of Cash Flows and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

Basis for opinion

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

Use of our report

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to Limited Liability Partnerships. Our audit work has been undertaken so that we might state to the 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 limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the limited liability partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report set out on pages 3 to 5, other than the financial statements and our auditor's report thereon. The members are responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Independent Auditor's Report to the Members of Ares European Loan Management LLP (continued)

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as applied to limited liability partnerships 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
- we have not received all the information and explanations we require for our audit

Responsibilities of members

AAs explained more fully in the Members' Responsibilities Statement set out on page 4, the members 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 members 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 members are responsible for assessing the partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the partnership 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.

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.

Ernst & Young LLP

Ashley Coups (Senior statutory auditor)
for and on behalf of Ernst & Young, LLP, Statutory Auditor
London
26 March 2018

ARES EUROPEAN LOAN MANAGEMENT LLP
REGISTERED NUMBER - OC404019

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

(EXPRESSED IN EUROS)

	Notes	31 Dec 17	31 Dec 16
		EUR	EUR
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss (cost EUR 69,844,409 ; 2016: EUR 24,734,200)	5	64,378,293	26,623,055
Current assets			
Accounts receivable	6	5,600,756	88,825
Cash and cash equivalents		8,673,847	125,000
TOTAL CURRENT ASSETS		14,274,603	213,825
TOTAL ASSETS		78,652,896	26,836,880
Creditors: amounts falling due within one year			
Accrued expenses	8	2,828,612	122,749
TOTAL CURRENT LIABILITIES		2,828,612	122,749
NET ASSETS ATTRIBUTABLE TO MEMBERS		75,824,284	26,714,131
Represented by:			
Members' capital classified as equity		75,194,409	24,859,200
Other reserves		629,875	1,854,931
TOTAL MEMBERS' INTERESTS		75,824,284	26,714,131

The financial statements and accompanying notes on pages 8 to 24 were approved and authorised for issue by the Members on 26th March 2018 and were signed on its behalf by:

Member: Kevin Early
Authorised Signatory

Ares European Loan Management Holdings (Jersey) Limited
as Designated Member of
Ares European Loan Management LLP

(The notes on pages 12 to 24 form part of these audited financial statements)

ARES EUROPEAN LOAN MANAGEMENT LLP
REGISTERED NUMBER - OC404019

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

(EXPRESSED IN EUROS)	Notes	1 Jan 17 to 31 Dec 17	28 Jan 16 to 31 Dec 16
		EUR	EUR
INCOME			
Management fee income	9	4,200,306	88,826
Investment income	10	8,076,683	-
Unrealised (loss) / gain on financial assets at fair value through profit or loss	5	(7,354,971)	1,888,855
TOTAL INCOME		4,922,018	1,977,681
OPERATING EXPENSES			
Administration fees	12	24,156	17,547
Audit fees		29,342	16,377
Management service fees	12	3,851,039	88,826
TOTAL EXPENSES		3,904,537	122,750
PROFIT FOR THE YEAR/PERIOD AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS		1,017,481	1,854,931
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		1,017,481	1,854,931

There were no recognised gains or losses other than those included in the Statement of Comprehensive Income. All results are from continuing operations.

(The notes on pages 12 to 24 form part of these audited financial statements)

STATEMENT OF CHANGES IN PARTNERS' CAPITAL

FOR THE YEAR ENDED 31 DECEMBER 2017

(EXPRESSED IN EUROS)	Notes	Members' Capital (classified as equity) EUR	Other Reserves EUR	Members' Total Interests EUR
Net assets attributable to the Members at 28 January 2016		-	-	-
Capital contributions called	7	24,859,200	-	24,859,200
Increase in net assets attributable to the Members from operations		-	1,854,931	1,854,931
Net assets attributable to the Members at 31 December 2016		24,859,200	1,854,931	26,714,131
Capital contributions called		50,335,209	-	50,335,209
Increase in net assets attributable to the Members from operations		-	1,017,481	1,017,481
Distributions paid		-	(2,242,537)	(2,242,537)
Net assets attributable to the Members at 31 December 2017		75,194,409	629,875	75,824,284

(The notes on pages 12 to 24 form part of these audited financial statements)

ARES EUROPEAN LOAN MANAGEMENT LLP
REGISTERED NUMBER - OC404019

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

(EXPRESSED IN EUROS)	1 Jan 17 to 31 Dec 17	28 Jan 16 to 31 Dec 16
	EUR	EUR
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Total comprehensive income for the year / period	1,017,481	1,854,931
Adjustment for:		
Unrealised loss / (gain) on investments	7,354,971	(1,888,855)
Increase in accounts receivable	(5,511,931)	(88,825)
Increase in accrued expenses	2,705,863	122,749
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,566,384	-
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Purchase of investments	(45,110,209)	(24,734,200)
NET CASH USED IN INVESTING ACTIVITIES	(45,110,209)	(24,734,200)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Capital contributions	50,335,209	24,859,200
Distributions paid	(2,242,537)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	48,092,672	24,859,200
NET INCREASE IN CASH FOR THE YEAR/PERIOD	8,548,847	125,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	125,000	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	8,673,847	125,000

(The notes on pages 12 to 24 form part of these audited financial statements)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. ORGANISATION AND BUSINESS PURPOSE

Ares European Loan Management LLP was established and registered as a limited liability partnership in the United Kingdom under the Limited Liability Partnerships Act 2000, on 28 January 2016. The Partnership will terminate on the date on which all of the Partnership's assets have been realised and the Partnership has ceased to act as the collateral manager of all of the CLOs in respect of which it had been so appointed and the Designated Members determine it is appropriate to wind up the Partnership or the Partnership is wound up pursuant to the provisions of the Limited Liability Partnerships Act 2000.

The Partnership was established to make investments and act as the collateral manager of the CLOs with a view to producing profits for distribution to the Members in accordance with the provisions of the LLPA.

Ares LLC shall not be required to make any contributions to the Partnership.Jersey Co and Lux Co shall have in aggregate a notional maximum commitment which shall be adjusted from time to time such that it never exceeds the amounts of commitments in Ares European Loan Funding SLP ("Ares SLP"). The commitment of investors in Ares SLP was EUR 220,000,000 as at 31 December 2017.

The cumulative amount of capital contributions relating to the Members was EUR 75,194,409 (2016: EUR 24,859,200).

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

Basis of preparation

The financial statements of the Partnership have been prepared on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS as adopted by the European Union requires the use of accounting estimates and exercise of judgement by the management while applying the Partnership's accounting policies. Changes in assumption may have a significant impact on the financial statements in the year in which the assumptions changed. These estimates are based on the management's best knowledge of the events which existed at the statement of financial position date; however, the actual results may differ from these estimates.

2. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

New standards and amendments issued but not yet effective for the financial year beginning 1 January 2017 and onwards which have not been early adopted by the Partnership

The Designated Members' assessment of the impact of these new standards is set out below:

IFRS 9, "Financial instruments": the standard addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

Accordingly, the Partnership does not expect the new guidance to affect the classification and measurement of these financial assets. The Partnership's financial assets are comprised exclusively of equity instruments, therefore the Partnership shall continue to classify and measure these assets at fair value through profit and loss, in accordance with the new guidance. There will also be no impact on the Partnership's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Partnership does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed. The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost and debt instruments measured at fair value through other comprehensive income. An effective date of 1 January 2018 has been set by the IASB.

IFRS 15, 'Revenue from Contracts with Customers'

The Designated Members has made an assessment of the impact of IFRS 15 and is not expecting a material impact from the adoption of the new standards on 1 January 2018.

The Designated Members have made an assessment of the impact of applicable new standards and amendments that are either not yet permitted to be adopted, or are not yet mandatory and have not yet been adopted by the Partnership. In the Designated Members' opinion, the pronouncements which are in issue are not effective or early adoption by the Partnership will not have a material impact on the financial statements of the Partnership. All other new standards and amendments have no bearing on the operating activities and disclosures of the Partnership, and consequently have not been listed.

Financial assets at fair value through the profit or loss

(a) Classification

The investments are classified as financial assets at fair value through profit or loss in accordance with the provisions set out in IAS 39. The Partnership acts as the risk retention holder for the purposes of the European Risk Retention Legislation of each CLO in respect of which it acts as the sponsor. The Designated Members designate the classification of its investments at the time of purchase.

2. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Financial assets at fair value through the profit or loss - (continued)

(b) Recognition, derecognition and measurement

All purchases and sales of investments are recognised on settlement date - the date on which an asset is delivered by or to the Partnership.

This investments are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Any gain or loss resulting from the changes in fair value of the financial assets at fair value through profit or loss are presented in the statement of comprehensive income in the year in which they arise.

Financial assets are derecognised when the Partnership's rights to receive cash flows from the investments have expired or the Partnership has transferred substantially all the risks and rewards of ownership. Any gains or losses on derecognition of investments are calculated after setting the proceeds against the cost and, in respect of part disposals, against the average costs at the date of sale. The gain or loss on realisation is presented in the statement of comprehensive income.

(c) Fair value estimation

IAS 39 requires financial assets to be held at fair value, except only in rare circumstances where the fair value cannot be reliably measured in which case it allows the financial asset to be carried at cost less provision for impairment. IFRS 13, "Fair Value Measurement" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

IFRS 13 establishes a fair value hierarchy that categories into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level I inputs) and the lowest priority to unobservable inputs (Level III inputs). Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices, either for the identical instrument or similar instruments, generally will have a higher degree of market price observability and a lesser degree of judgement used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed utilising inputs from one or more of the following categories:

Level I - Quoted prices (unadjusted) in active markets for identical investments that the entity can access at the reporting date. The type of investments which may be included in Level I are publicly traded equity securities.

2. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Financial assets at fair value through the profit or loss - (continued)

(c) Fair value estimation - (continued)

Level II - Inputs other than quoted prices included in Level I which are either directly or indirectly observable as of the reporting date. Investments which may be included in this category include, but are not limited to, investments in which secondary market transactions meeting certain requirements (size, financial disposition buyer/seller, relative proximity of transaction date to reporting date, etc.) occurred.

Level III - Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment. Fair values for these investments are determined using valuation methodologies that consider a range of factors, including, but not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment. The inputs into the determination of fair value require significant management judgement. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that might have resulted had a ready market for these investments existed. Investments that are included in this category generally are privately held debt and equity securities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Designated Members' assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement, and considers factors specific to the investment.

The investments are valued on a daily basis based on an automated pricing feed from JP Morgan Pricing Direct as a third party valuation provider and checked against internal pricing models.

The Designated Members have concluded that the Partnership's investments should be classified as using significant Level III inputs.

Transfers between Levels are recognised at the end of the reporting year in which the event or change in circumstances that caused the transfer had occurred.

The Partnership's investments are in a closed ended investment vehicle, which provides for no liquidity or redemption option, and is not readily marketable.

Net gain on financial assets at fair value through profit or loss

The net gain on financial assets at fair value through profit or loss comprises interest income on funds invested and net changes in the fair value of financial assets at fair value through profit or loss.

Interest income is recognised on the due date of such income.

2. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Members' interests and contributions

In accordance with Schedule 3 of the LLPA, Ares European Loan Management Holdings (Luxembourg) S.à r.l (the "Investor Member") will contribute 100% into the Partnership while the other two members, Ares European Loan Management Holdings LLC ("Ares LLC") and Ares European Loan Management Holdings (Jersey) Limited ("Jersey Company"), will have 0% contribution. However, Jersey Co has agreed and will make a contribution to the Partnership if required and requested from time to time.

Members' remuneration and profit allocation

All management net income in respect of each accounting year will be allocated among the Members pro rata to their management sharing percentages as set out in schedule 3 of the LLPA. The management sharing percentage states that Ares LLC shall get 95%, Lux Co 4.5% and Jersey Co 0.5%.

All net investment income, net investment income losses, investment capital gains and investment capital losses shall in each accounting year be allocated among the Members pro rata to their investment sharing percentages as set out in schedule 3 of the LLPA. The investment sharing percentage states that Lux Co shall contribute 100% while Jersey Co and Ares LLC each contribute 0%.

Accounts receivable

Accounts receivable are initially recognised at fair value and measured subsequently at amortised cost using the effective interest rate method.

Cash and cash equivalents

For the purposes of the statement of cash flow, cash comprises cash on hand, demand deposits and other short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant changes in value.

Foreign currencies

(a) Functional and presentation currency

Items included in the Partnership's financial statements are measured using the currency of the primary economic environment in which it operates. As investments, calls and distributions will be made in Euro ('EUR') this is considered to be the functional and presentation currency of the Partnership.

2. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

(b) Transactions and balances

Foreign currency transactions are translated into Euro using the exchange rates prevailing at the dates of the transactions. Foreign exchange gain or loss resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Translation differences arising from financial assets and liabilities at fair value through profit or loss are reported as part of the fair value gain or loss within statement of comprehensive income.

Management fee income recognition

Management fee income is recognised on an accrual basis based on the CLO traded par value at 15 basis points per annum in respect of senior fees and 35 basis points per annum in respect of subordinated fees.

Expense recognition

Expenses are accounted for on an accruals basis and recognised within the statement of comprehensive income.

The Partnership bears all of the financial obligations of the Designated Members with the exception of the commitment of the Designated Members to the Partnership.

Use of estimates and judgements

The Designated Members make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3. FINANCIAL RISK MANAGEMENT

The Partnership is exposed to a number of risks arising from the various financial instruments it holds. The main risks to which the Partnership is exposed are: market risk, credit risk and liquidity risk. The risk management policies employed by the Partnership to manage these risks are discussed below:

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices and includes price risk, foreign currency risk, interest rate risk and other price risk such as commodity or equity risks.

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

3. FINANCIAL RISK MANAGEMENT - (CONTINUED)

Price risk

The Partnership's unquoted investments are susceptible to market price risk arising from uncertainties about future values of the equity securities. The Partnership's Investment Adviser, Ares Management Limited (the "Adviser") advises the Partnership on the investments that have prospects to appreciate in value in the medium and long term year. The Adviser's recommendations are reviewed by the Designated Member before the investment decisions are implemented.

As at 31 December 2017, a 10% drop in the price of the investments, with all other variables held constant, would have resulted in a decrease in the NAV of EUR 6,437,829 (2016: EUR 2,662,306). The movement given a 10% rise would have resulted in an equal but opposite movement.

Foreign currency risk

The Partnership is exposed to currency risk as some of its liabilities are denominated in Pound Sterling ('GBP'). The Partnership's overall currency risk and exposure is monitored on a quarterly basis by the Designated Members.

The table below summarises the exposure of the financial liabilities of the Partnership to Pound Sterling:

31 December 2017	GBP	EUR	Total
Accrued expenses	67,876	2,760,736	2,828,612
31 December 2016	GBP	EUR	Total
Accrued expenses	33,923	88,826	122,749

As at 31 December 2017 a 10% weakening of GBP against the EUR, with all other variables held constant, would have resulted in an increase in the loss for the year as per the statement of comprehensive income and a decrease in net assets of the Partnership by EUR 6,788 (2016: EUR 3,392). If GBP had strengthened against the EUR by 10%, the loss for the year as per the statement of comprehensive income would have decreased and the net assets of the Partnership would have increased by the same amount with all other variables held constant.

Interest rate risk

The Partnership is not exposed to any interest rate risk as it does not hold any assets and liabilities as at 31 December 2017 which are interest bearing.

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

3. FINANCIAL RISK MANAGEMENT - (CONTINUED)

Credit risk

The Partnership takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due resulting in financial loss to the Partnership. The Partnership is exposed to the risk of non-payment of commitments to the Partnership.

The Designated Members manage the risk of defaulting investors by putting in adequate controls in place to monitor that all capital call monies are received on a timely manner. Investors agree that they are aware of their obligations before being accepted into the Partnership and the Designated Members believe there are adequate provisions in the LLPA, Clause 3.10, which deals with defaulting investors.

The Partnership assesses all counterparties for credit risk before contracting with them.

The maximum exposure to credit risk as at 31 December 2017 is the carrying amount of the financial assets set out below:

	31 Dec 17	31 Dec 16
	EUR	EUR
Accounts receivable	5,600,756	88,825

As at 31 December 2017 the assets held by the Partnership are not past due or impaired.

Liquidity risk

The liquidity risk is the risk that the Partnership will not meet its financial obligations when they fall due. When funds are required, capital contributions are called from the Partners. As at 31 December 2017 amounts available for call amounted to EUR 144,805,591 (2016: EUR 195,140,800). The Members therefore are of the belief that the Partnership has no liquidity risk for the foreseeable future.

The table below analyses the Partnership's financial liabilities into the relevant maturity grouping based on the remaining year at the reporting date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	Between 1-2 years	More than 2 years	Total
	EUR	EUR	EUR	EUR
31 December 2017				
Liabilities				
Accrued expenses	2,828,612	-	-	2,828,612
	2,828,612	-	-	2,828,612

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

3. FINANCIAL RISK MANAGEMENT - (CONTINUED)

Liquidity risk - continued

	Less than 1 year	Between 1-2 years	More than 2 years	Total
	EUR	EUR	EUR	EUR
31 December 2016				
Liabilities				
Accrued expenses	122,749	-	-	122,749
	122,749	-	-	122,749

Capital risk management

The capital of the Partnership is represented by the net assets attributable to the Members. The Partnership's objective when managing the capital is to safeguard the ability to continue as a going concern in order to provide returns for Members and benefits for other stakeholders and to maintain a strong capital base to support the development of the investments activities of the Partnership.

The Designated Members monitor capital on the basis of the undrawn commitment and value of the net assets or liabilities attributable to the Members.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the financial statements, the Designated Members are 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.

Fair value of investments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Designated Members use their judgement to select a variety of methods, and make assumptions that are mainly based on market conditions existing at the end of each reporting year.

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 Dec 17	31 Dec 16
	EUR	EUR
Unquoted Investments		
Brought forward cost	24,734,200	-
Additions	45,110,209	24,734,200
Unrealised (loss) / gain on investments	(5,466,116)	1,888,855
At fair value	64,378,293	26,623,055

	31 Dec 17	31 Dec 16
	EUR	EUR
Net gain/(loss) on financial assets at fair value through profit or loss		
Unrealised (losses)/gains on investment	(7,354,971)	1,888,855
	(7,354,971)	1,888,855

All financial assets held at fair value through profit and loss are classified as level III investments. There were no transfers between levels during the financial year.

The following summarises the valuation methodology and inputs used for risk retention notes categorised as Level III inputs as at 31 December 2017.

Description	Fair value	Valuation technique	Range (Weighted average)
31 December 2017	**EUR**		
Risk Retention notes	64,378,293	Net asset value	n/a
31 December 2016	**EUR**		
Risk Retention notes	26,623,055	Net asset value	n/a

In line with the Partnership's accounting policy the subordinated investments in the CLOs are held at fair value. The fair values of the CLOs are estimated based on various valuation models of third-party pricing services as well as internal models. The valuation models generally utilise discounted cash flows and take into consideration prepayment and loss assumptions, based on historical experience and projected performance, economic factors, the characteristics and condition of the underlying collateral, comparable yields for similar securities and recent trading activity.

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

6. ACCOUNTS RECEIVABLE

	31 Dec 17	31 Dec 16
	EUR	EUR
CLO management fee income receivable	2,978,989	88,825
Investment income receivable	2,385,942	-
VAT receivable	235,825	-
	5,600,756	88,825

7. CAPITAL CONTRIBUTIONS

	31 Dec 17	31 Dec 16
	EUR	EUR
Ares European Loan Management Holdings (Luxembourg) S.à r.l	75,069,409	24,734,200
Ares European Loan Management Holdings (Jersey) Limited	125,000	125,000
	75,194,409	24,859,200

8. ACCRUED EXPENSES

	31 Dec 17	31 Dec 16
	EUR	EUR
Management service fee expense	2,760,736	88,825
Administration fee	41,703	17,547
Audit fee	26,171	16,377
	2,828,610	122,749

9. MANAGEMENT FEE INCOME

Management fee income is received by the Partnership as per the provisions outlined in Schedule 1 of the LLPA. For the year ended 31 December 2017, management fee income received amounted to EUR 4,200,306 (2016: EUR 88,826).

10. INVESTMENT INCOME

Investment income is received by the Partnership and allocated to the Members as per Schedule 3 of the LLPA. For the year ended 31 December 2017, investment income received amounted to EUR 8,076,683 (2016: nil)

11. TAXATION

The Partnership is a UK limited liability partnership which is not subject to United Kingdom taxation. On that basis United Kingdom taxation is not provided in the financial statements.

12. RELATED PARTY DISCLOSURES

During the year, the Partnership incurred the following management service fees with Ares Management Limited:

	31 Dec 17	31 Dec 16
	EUR	EUR
Management service fees	3,851,039	88,825
	3,851,039	88,825

K. Early, D. Hall and M. Craston are directors of Ares European Loan Management Holdings (Jersey) Limited and employees of companies related to Ares Management Limited. K. Early, D. Hall and M. Craston are to be regarded as having an interest in any transaction with the Partnership. The Partnership did not incur any fees in relation to their services as directors during the year.

M. Craston and M. Thomas are directors of Ares European Loan Management Holdings (Luxembourg) S.à r.l and employees of companies related to Ares Management Limited. M. Craston and M. Thomas are to be regarded as having an interest in any transaction with the Partnership. The Partnership did not incur any fees in relation to their services as directors during the year.

F. Gauvin, D. Hall and P. Roll are directors of Ares European Loan Management Holdings LLC and employees of companies related to Ares Management Limited. F. Gauvin, D. Hall and P. Roll are to be regarded as having an interest in any transaction with the Partnership. The Partnership did not incur any fees in relation to their services as directors during the year.

Each of S. Wells and J. Brasher is a Director of the Designated Members and an employee of Alter Domus (Jersey) Limited. Alter Domus (Jersey) Limited provided administrative services to the Partnership at commercial rates including directors fees. M. Dambax is a Director of Ares European Loan Management Holdings (Luxembourg) S.à r.l and an employee of Alter Domus Luxembourg. Alter Domus Luxembourg provided administrative services to Lux Co at commercial rates including directors fees.

During the year the Partnership incurred the following expenses with Alter Domus (Jersey) Limited:

	31 Dec 17	31 Dec 16
	EUR	EUR
Administration fees	24,156	17,547

The outstanding administration fees payable are disclosed in Note 8.

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

13. CONTROLLING PARTIES

The General Partner of Ares SLP, Ares European Loan Funding GP Limited, is considered to be the immediate controlling party. The Members do not consider there to be one ultimate controlling party.

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated up to the date the financial statements were approved and authorised for issue by the Board of Directors of the Members and there were no events to report.

Appendix I

(Unaudited)

Ares European Loan Management LLP

Pillar 3 Disclosure

Introduction

Ares European Loan Management LLP ("**AELM**, or the **Firm**") was incorporated on 28 January 2016 and authorised by the FCA on 20 September 2016 to undertake investment management. AELM's principal business activity is the provision of advisory and investment management services to European Collateralised Loan Obligation (**CLO**) funds. The Firm has no employees and has delegated its day-to-day management of the CLOs to Ares Management Limited ("AML"), an FCA-regulated entity. As at 31 December 2017 the Firm manages three CLOs namely Ares European CLO VI,VI and VIII.

The Firm is 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").

The CRDIV establishes a regulatory capital framework across Europe governing the amount and nature of capital credit institutions and investments firms must maintain. The CRDIV represents the European Union's current application of the Basel Capital Accord.

The CRDIV framework comprised three 'Pillars':

- Pillar 1 sets out the minimum capital amount that meets the firm's credit, market and operational risk;
- Pillar 2 requires the firm at least annually to assess and document whether its Pillar 1 capital is adequate to meet its risks, which can be subject to review by the FCA;
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position.

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This document is designed to meet the Pillar 3 obligations of the Firm as applicable in 2017.

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 it 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.

In addition, the Firm may omit required disclosures where it believes that the information is regarded as proprietary or confidential. Proprietary information is that which, if it were shared, would undermine the Firm's competitive position. Information is considered to be confidential where there are obligations binding the Firm to confidentiality with its customers, suppliers and counterparties.

No omissions have been made because it is immaterial, proprietary or confidential other than where noted in this document.

Scope and Application of the Requirements

The Firm 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 Prudential sourcebook for Investment Firms ("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.

AELM is English limited liability partnership established by the Ares Management group of companies with financial backing from Ares' own investment capital and certain strategic investors. The table below shows the members and their investment and management sharing percentages.

Member	Investment Sharing %	Management Sharing %
Ares European Loan Management Holdings (Jersey) Limited (Designated Member)	0%	95%
Ares European Loan Management Holdings (Luxembourg) S.à.r.l.	100%	4.5%
Ares European Loan Management Holdings LLC (Designated Member)	0%	0.5%

AELM is owned and controlled indirectly by Ares European Loan Funding, S.L.P. (the **Investment Partnership**), which is a Jersey separate limited partnership investment fund. The general partner of the Investment Partnership, which is responsible for managing the Investment Partnership, is Ares European Loan Funding GP Limited (the **GP**), which is licensed by the Jersey Financial Services Commission. The GP is a member of the Ares group and a sister company of AML and AMUKL, whose common parent is Ares Management LLC. The limited partners of the Investment Partnership are outside investors.

Governance Framework and Risk Management

The governing body of the Applicant is its members in general meeting, being the three corporate members of the Applicant, each represented by one Member's Representative (the **Governing Body**) as set out below:

Each of the corporate members and the Initial Member's Representatives are registered with the FCA to carry on the controlled function CF4 (member) on the basis that each of them acts in the capacity of a partner in the Applicant (SUP 10A.6.23R).

Member	Member's Representative
Ares European Loan Management Holdings (Jersey) Limited	Matthew Craston (FCA individual Reference Number MJC 01240)
Ares European Loan Management Holdings (Luxembourg) S.à.r.l.	Michael Thomas (FCA Individual Reference Number MXT 001743)
Ares European Loan Management Holdings LLC	François Gauvin (FCA Individual Reference Number FXG 01119) Number UXD01005)

The Member's Representatives and other employees also perform the other controlled functions set out below:

Individual	FCA Controlled Functions
Matthew Craston	CF 4 Partner; CF 30 Customer
François Gauvin	CF 3 Chief Executive; CF 4 Partner; CF 30 Customer
Kevin Early	CF 28 Systems and Controls
Francois Gauvin	CF 30 Customer
Stephanie Shephard Cobb	CF 10 Compliance Oversight CF 11 Money Laundering
Michael Thomas	CF 4 Partner; CF 30 Customer

The Governing Body is responsible for determining the Firm'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 Governing Body meets at least annually, and more often as required, to discuss current projections for profitability and capital management, business planning, and risk management. 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 manages only cash flow loan funds and similar loan fund products and considers the robust, effective structure of systems and controls it has in place appropriate to the size, nature and complexity of its business.

The Governing Body and other individuals who also perform controlled functions have accepted collective responsibility for compliance. The Firm's Compliance Officer and the Parent's Chief Compliance Officer and his team in Los Angeles are responsible for compliance oversight. In addition, the Firm also utilises the services of external consultants, who provide advice and assistance on a range of regulatory matters, undertake regular monitoring and produce reports summarizing work performed and recommendations for improvements.

The Board has identified 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 its Internal Capital Adequacy Assessment Process ("ICAAP"). The Board reviews and approves the ICAAP on an annual basis and uses it as an important part of the Firm's business planning and capital management.

Regulatory Capital

Capital summary as at 31 December 2017:	*€000*
Eligible Members' Capital	75,194
Audited Reserves	630
Total tier 1 capital before deductions	75,824
Deduct securitisation position	(64,378)
Total capital resources	11,446

The Firm is small with a simple operational infrastructure. It has little market (fx) risk as it is a Euro based entity and has no foreign exchange risk on its assets. The Firm deducts 100% of its retentions in Ares European CLO VI, VII and VIII as permitted by the FCA Rules rather than include it in the Credit Risk Requirement Calculation. The Firm follows the standardised approach to market risk. It has adopted the Simplified standard and not the Internals Ratings Based approach to credit risk. The Firm is subject to the Fixed Overhead Requirement and is not required to calculate an operational risk capital charge though it considers this as part of its process to identify the level of risk based capital required.

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

- Its base capital requirement of €125,000; or
- The sum of its market and credit risk requirements; or
- Its Fixed Overhead Requirement ("FOR").

Although higher than the sum of market and credit risk, the FOR is low at €25k. However under the CRDIV, CRR and IFPRU rules the Firm has an initial requirement of €125,000 and must 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 percentage of the total risk exposure amount. In AML's case the total risk exposure for Pillar 1 is the higher of the Fixed Overhead Requirement ("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.

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 2017 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 always.

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 allow it to wind up in an orderly fashion.

Based on the risk assessment and stress testing and wind down costs described above the Firm's management concluded that no additional Pillar 2 capital was required for 2017.

Remuneration Code

The Firm has no employees, relying instead on the services of Members' Representatives, and Ares Investment Committee members, the majority of which are either employees or directors of Ares Management Limited ("AML"). The Firm has determined the proportion of an individual's time spent on AELM's business and applied those percentages in aggregating Code Staff and Senior Management remuneration. Given that Ares Management Limited is the Firm's main service provider, AELM has adopted AML's Remuneration Code policies and procedures. The Firm thereby has assessed its remuneration structure in line with the FCA 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 the rules. The Firm believes that given its business, it is already structured in compliance with the Principles of the Code. The AML Board in accordance with Ares Management LLC's firm wide compensation guidelines determines the Firm's remuneration policy on at least an annual basis. AML's annual review of bonuses and performance related remuneration assesses the overall profits of the Firm and the business division along with the individual's financial and non-financial performance.

Remuneration Code Staff Remuneration by Business Area (BIPRU 11.5.18(6))

Business Area	Total Remuneration y/e 31/12/17
Investment Management Services	€3,296,593

Aggregate Quantitative Remuneration by Senior Management and other Remuneration Code Staff (BIPRU 11.5.18(7))

Type of Remuneration Code Staff	Total Remuneration
Senior Management (SIF)	€3,296,593
Other Remuneration Code Staff	€ -
Totals	€3,296,593