

AEPEP (Scotland) Manager II Limited

Report and Financial Statements

For the year ended 31 December 2019

Registered no. SC500304



AEPEP (Scotland) Manager II Limited

Registered no. SC500304

Directors

Keith Andrew Kooper
Michael Daniel Weiner

Secretary

TMF Corporate Administration Services Limited
6 St Andrew Street
5th Floor
London
EC4A 3AE

Auditor

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

Solicitors

Burness Paull & Williamsons
50 Lothian Road
Festival Square
Edinburgh
EH3 9WJ

Registered Office

50 Lothian Road
Festival Square
Edinburgh
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Directors' Report

The directors present their report and financial statements of AEPEP (Scotland) Manager II Limited (the "Company") for the year ended 31 December 2019.

The report and financial statements have been prepared in accordance with the special provisions relating to small companies under Companies Act 2006 Section 415A. The directors have also taken advantage of the exemption in preparing a strategic report under Companies Act 2006 Section 414B.

Principal activity

The principal activity of the Company is to carry on the business of a managing member for AEPEP (Scotland) GP II LLP.

Results and Dividends

The Company in its role of managing member of AEPEP (Scotland) GP II LLP has been allocated a profit share of £114,776 (2018: £12,641).

The results for the year ended 31 December 2019 are shown in the profit and loss account on page 9. The Company's balance sheet on page 10 shows a satisfactory position. Shareholders' funds amounted to £160,604 (2018: £45,829).

The Company has neither paid nor declared any dividends in the year (2018: nil).

Directors

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

Keith Andrew Kooper
Michael Daniel Weiner

Going concern

The recent outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which the World Health Organization has declared to constitute a pandemic, has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The global impact of the outbreak is rapidly evolving, and many countries have reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. Businesses are also implementing similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity and are having a particularly adverse impact on transportation, hospitality, tourism, entertainment and other industries. The impact of COVID-19 has led to significant volatility and declines in the global public equity markets and it is uncertain how long this volatility will continue. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess.

Any public health emergency, including any outbreak of COVID-19 or other existing or new epidemic diseases, or the threat thereof, and the resulting financial and economic market uncertainty could have a significant adverse impact on the entity. The Directors consider the emergence of the COVID-19 coronavirus pandemic to be a non-adjusting post balance sheet event. Future volatility does not impact the partnership's ability to continue as a going concern as the entity is able to meet its obligations as and when they fall due and payable for the foreseeable future.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and meet its liabilities as they fall due for the foreseeable

AEPEP (Scotland) Manager II Limited

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Going concern (continued)

future, being a period of at least twelve months from the date the financial statements were approved. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Revenue for the Company is ultimately comprised of profit share from Ares European Property Enhancement Partners II, L.P. in the form of management fees. Management fee is calculated based on the invested capital of the investments held and the Directors do not foresee, and have not experienced thus far, any material decreases in the invested capital for Ares European Property Enhancement Partners II, L.P. in 2020.

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 as defined by section 418 of the Companies Act 2006, 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 he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Reappointment of Auditors

The auditors, Ernst & Young, LLP, have indicated their willingness to continue in office. A written resolution concerning their reappointment has been approved by the Directors of the Company.

By the order of the Board



Keith Andrew Kooper

Director

14 September 2020

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report, and the financial statements in accordance with applicable law and regulations.

The Companies Act requires the directors to prepare financial statements for each financial year. Under the Companies Act 2006 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). 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 these 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 UK 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AEPEP (SCOTLAND) MANAGER II LIMITED

Opinion

We have audited the financial statements of AEPEP (Scotland) Manager II Limited (the 'company') for the year ended 31 December 2019 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 12, 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 2019 and of its results 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 below. 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 the provisions available for small entities in the circumstances set out in note 1 to the financial statement, 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

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 directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company'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 Director's report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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.

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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

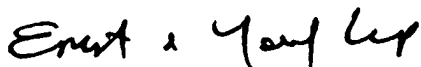
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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.

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.



Ashley Coups (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
14 September 2020

Profit and loss account

for the year ended 31 December 2019

	Notes	2019 £	2018 £
Turnover	1	114,776	12,641
Profit on operating activities before taxation	3	114,776	12,641
Tax on operating activities	5	-	-
Profit on operating activities after taxation		114,776	12,641

All items dealt with in arriving at the result for the year ended 31 December 2019 related to continuing operations.

Statement of comprehensive income for the year ended 31 December 2019

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

The notes on pages 12 to 15 form part of these financial statements.

Balance Sheet

as at 31 December 2019

	Notes	2019 £	2018 £
Fixed assets			
Investments	4	1	1
Total fixed assets		<u>1</u>	<u>1</u>
Current assets			
Debtors: amounts falling due within one year	6	160,605	45,829
Total current assets		<u>160,605</u>	<u>45,829</u>
Creditors: amounts falling due within one year	8	(1)	(1)
Net current assets		<u>160,604</u>	<u>45,828</u>
Total assets less current liabilities		<u>160,605</u>	<u>45,829</u>
Net assets		<u>160,605</u>	<u>45,829</u>
Capital and reserves			
Called up share capital	9	1	1
Profit and loss account		160,604	45,828
Shareholders' funds		<u>160,605</u>	<u>45,829</u>

The financial statements on pages 9 to 11 were approved and authorised on 14 September 2020 for issue on behalf of the directors. The report and financial statements have been prepared in accordance with the provisions applicable to entities subject to the small entities regime within Part 15 of the Companies Act 2006 and in accordance with provisions of FRS 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' Section 1A – small entities.



Keith Andrew Kooper
Director

The notes on pages 12 to 15 form part of these financial statements.

Statement of changes in equity

For the period ended 31 December 2019

	Share Capital	Profit and Loss Account	Total Shareholder's Funds
	£	£	£
At 1 January 2018	1	33,187	33,188
Profit for the year	-	12,641	12,641
At 31 December 2018	1	45,828	45,829

	Share Capital	Profit and Loss Account	Total Shareholder's Funds
	£	£	£
At 1 January 2019	1	45,828	45,829
Profit for the year	-	114,776	114,776
At 31 December 2019	1	160,604	160,605

Notes to the financial statements

at 31 December 2019

1. ACCOUNTING POLICIES

General information

AEPEP (Scotland) Manager II Limited is a private limited company incorporated in Scotland. The address of its registered office is 50 Lothian Road, Edinburgh, EH3 9WJ.

Basis of Preparation

The financial statements are prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and Financial Reporting Standard 102 'The Financial Reporting Standard Applicable in the UK and the Republic of Ireland' ("FRS 102") Section 1A – small entities.

The accounting practices have been applied consistently by the Company. The financial statements have been presented in British pound sterling (£) which is the Company's functional and presentational currency.

As the Company forms part of a larger consolidated group, it is exempt from the need to prepare consolidated financial statements. Consequently, these are the individual financial statements of the Company.

On January 30, 2020, the World Health Organization declared the outbreak of coronavirus ("COVID-19") to be a public health emergency of international concern. This coronavirus outbreak has severely restricted the level of economic activity around the world. In response to this coronavirus outbreak, the governments of many countries, states, cities and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes.

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, and solvency position.

It is not possible to quantify the overall impact of Covid-19 as financial markets continue to react to developments and management have taken a number of actions that are able to protect profitability and solvency. Having performed this analysis management believes 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. The expenditure cannot exceed the income recognised.

Revenue for the Company is ultimately comprised of profit share from Ares European Property Enhancement Partners II, L.P. in the form of management fees. Management fee is calculated based on the invested capital of the investments held and the Directors do not foresee, and have not experienced thus far, any material decreases in the invested capital for Ares European Property Enhancement Partners II, L.P. in 2020.

Notes to the financial statements (continued)

ACCOUNTING POLICIES (CONTINUED)

Cash flow

The Company meets the requirements of a small company as defined by Companies Act 2006 and accordingly has taken advantage of the exemption under Section 7 of FRS 102 from preparing a cash flow statement.

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 Company earnings constitute profit share from its role as managing member of AEPEP (Scotland) GP II LLP. All turnover is derived from operations within the United Kingdom.

Investments

Investments represent subsidiary undertakings and are held at cost less provisions for impairment in value.

Expenses

The only expense incurred was the audit fee borne by Ares Management UK Limited.

Debtors

Short term debtors are measured at transaction price, less any impairment. Given the short term nature, the transaction price is the amount that they are expected to be settled at.

Creditors

Short term trade creditors are measured at the transaction price.

2. STAFF COSTS

There were no staff costs or directors' emoluments during the year.

3. OPERATING PROFIT

The fee of £3,300 (2018: £3,200) for the audit of the financial statements has been borne by Ares Management UK Limited. Expenses will continue to be borne by Ares Management UK Limited.

4. INVESTMENTS

On 12 March 2015, the Company acquired 100% of the shares in AEPEP (Scotland) II Limited. The issued share capital is 1 ordinary share of £1 each which was unpaid. The subsidiary has not been consolidated as it forms part of a larger consolidated group.

	2019	2018
	£	£
AEPEP (Scotland) II Limited	1	1
	<hr/>	<hr/>
	1	1

Notes to the financial statements (continued)

5. TAXATION

There was no tax charge for the year as is borne by Ares Management UK Limited.

6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	£
AEPEP (Scotland) GP II LLP	160,604	45,828
Ares Management LLC	1	1
	<u>160,605</u>	<u>45,829</u>

7. CASH

The Company has no bank accounts and held no cash during the year.

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	£
AEPEP (Scotland) II Limited	1	1
	<u>1</u>	<u>1</u>

9. CALLED UP SHARE CAPITAL

	2019	2018
	£	£
<i>Allotted, called up and unpaid</i>		
Ordinary shares £1 each	1	1
	<u>1</u>	<u>1</u>

10. RELATED PARTY TRANSACTIONS

As of 31 December 2019, the Company was owed (i) £160,604 (2018: £45,828) from AEPEP (Scotland) GP II LLP representing the profit share from its role as its managing member and (ii) £1 (2018: £1) from Ares Management LLC for unpaid consideration for issued ordinary shares.

As of 31 December 2019, the Company owed AEPEP (Scotland) II Limited £1 (2018: £1) for unpaid capital contribution.

11. 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 LP. Copies of the financial statements are available from Ares Management LLC, 2000 Avenue of the Stars, 12th Floor, Los Angeles, California, 90067, USA.

Notes to the financial statements (continued)

12. SUBSEQUENT EVENTS

COVID-19 is considered to be a non-adjusting post balance sheet event and as such no adjustments have been made to the valuation of assets and liabilities as at 31 December 2019. For further discussion concerning the management assessment of COVID 19 impact on the Company refer to note 1.