

AEPEP (Scotland) Manager II Limited

Report and Financial Statements

For the year ended 31 December 2020

Registered no. SC500304

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COMPANIES HOUSE

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 Paul & Williamsons
50 Lothian Road
Festival Square
Edinburgh
EH3 9WJ

Registered Office

50 Lothian Road
Festival Square
Edinburgh
EH3 9WJ

Directors' Report

The directors present their report and financial statements of AEPEP (Scotland) Manager II Limited (the "Company") for the year ended 31 December 2020.

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 loss of £107,084 (2019: profit £114,776).

The results for the year ended 31 December 2020 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 £53,521 (2019: £160,604).

The Company has neither paid nor declared any dividends in the year (2019: 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 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.

Going concern (continued)

The full extent to which the COVID-19 pandemic may impact Company's results, operations or liquidity is uncertain. The Directors continue 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. 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 until 31 August 2021, 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.

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

17 September 2021

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 2020 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 2020 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. 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 statements, 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 directors' 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 a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors 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 Director's report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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.

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.

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;
- 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 Statement of Directors' Responsibilities 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

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

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.
- 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 the 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. We tested all journal entries booked during the year.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiries of management and those charged with governance, review of legal and professional expenses and review of board meeting minutes.

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
17 September 2021

Profit and loss account

for the year ended 31 December 2020

	Notes	2020 £	2019 £
Turnover	1	(107,084)	114,776
(Loss) / Profit on operating activities before taxation	3	(107,084)	114,776
Tax on operating activities	5	-	-
(Loss) / Profit on operating activities after taxation		<u>(107,084)</u>	<u>114,776</u>

All items dealt with in arriving at the result 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 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 2020

	Notes	2020 £	2019 £
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	53,521	160,605
Total current assets		<u>53,521</u>	<u>160,605</u>
Creditors: amounts falling due within one year	8	(1)	(1)
Net current assets		<u>53,520</u>	<u>160,604</u>
Total assets less current liabilities		<u>53,521</u>	<u>160,605</u>
Net assets		<u><u>53,521</u></u>	<u><u>160,605</u></u>
Capital and reserves			
Called up share capital	9	1	1
Profit and loss account		53,520	160,604
Shareholders' funds		<u><u>53,521</u></u>	<u><u>160,605</u></u>

The financial statements on pages 9 to 11 were approved and authorised on 17 September 2021 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 2020

	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

	Share Capital	Profit and Loss Account	Total Shareholder's Funds
	£	£	£
At 1 January 2020	1	160,604	160,605
Loss for the year	-	(107,084)	(107,084)
At 31 December 2020	1	53,520	53,521

Notes to the financial statements

at 31 December 2020

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.

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. The Directors continue 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. 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 until 31 August

Notes to the financial statements (continued)

ACCOUNTING POLICIES (CONTINUED)

Basis of Preparation (CONTINUED)

2022, 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 2021.

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 during the year was the audit fee. The fee was borne by Ares Management UK Limited.

Debtors

Short term debtors are measured at transaction price, less any impairment.

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 £3,740 (2019: £3,300) for the audit of the financial statements has been borne by Ares Management UK Limited. The fee of £3,605 (2019: £3,500) for tax services has been borne by Ares Management UK Limited. Expenses will continue to be borne by Ares Management UK Limited.

Notes to the financial statements (continued)

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.

	2020	2019
	£	£
AEPEP (Scotland) II Limited	1	1
	<u>1</u>	<u>1</u>

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

	2020	2019
	£	£
AEPEP (Scotland) GP II LLP	53,520	160,604
Ares Management LLC	1	1
	<u>53,521</u>	<u>160,605</u>

7. CASH

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

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
AEPEP (Scotland) II Limited	1	1
	<u>1</u>	<u>1</u>

9. CALLED UP SHARE CAPITAL

	2020	2019
	£	£
<i>Allotted, called up and unpaid</i>		
Ordinary shares £1 each	1	1
	<u>1</u>	<u>1</u>

Notes to the financial statements (continued)

10. RELATED PARTY TRANSACTIONS

As of 31 December 2020, the Company was owed (i) £53,520 (2019: £160,604) from AEPEP (Scotland) GP II LLP representing the profit share from its role as its managing member and (ii) £1 (2019: £1) from Ares Management LLC for unpaid consideration for issued ordinary shares.

As of 31 December 2020, the Company owed AEPEP (Scotland) II Limited £1 (2019: £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.

12. SUBSEQUENT EVENTS

The Directors have evaluated subsequent events and concluded that no additional disclosures are required.