

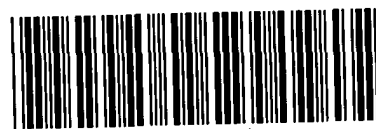
AEPEP (Scotland) GP II, LLP

Report and Financial Statements

For the year ended 31 December 2018

Registered no. SO305279

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COMPANIES HOUSE

Designated Members

AEPEP (Scotland) Manager II Ltd (Managing member)
AEPEP (Scotland) II Ltd

Auditors

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Registered Office

50 Lothian Road
Festival Square
Edinburgh
EH3 9WJ

Members' report

The members present their report and financial statements of AEPEP (Scotland) GP II, LLP (the "LLP") for the year ended 31 December 2018.

The report and financial statements has been prepared in accordance with the special provisions relating to small companies under Companies Act 2006 Section 415A.

Results and dividends

The LLP's turnover of £5,187,607 (2017: £5,323,953) represents management fee income from Ares European Property Enhancement Partners II, LP. The LLP has selected Ares Management UK Limited as Manager to perform portfolio management and risk management functions by a Management Agreement dated 28 August 2015. The LLP pays Ares Management UK Limited a management fee for these services. For the year ended 31 December 2018 the LLP paid Ares Management UK Limited £5,174,839 (2017: £5,294,548).

The results for the year ended 31 December 2018 are shown in the Income Statement on page 7. The LLP's statement of financial position detailed on page 9 shows a satisfactory position. Members' total interests amounted to £46,290 (2017: £33,522).

Principal activities and review of the business

The LLP was incorporated on 18 March 2015 with the principal activity to carry on the business of a general partner for Ares European Property Enhancement Partners II, LP.

Future developments

The members do not anticipate any significant change in the business of the LLP for the foreseeable future.

Members' profit allocation

Any profits are shared among the members as decided by the Managing Member and governed by the Partnership Agreement dated 14 August 2015 ("the agreement"). As per the Partnership Agreement, the Managing Member shall decide to allocate profits and losses of the LLP between members in the proportions set out in the agreement.

Going concern

The financial position of the LLP and its liquidity are reflected in the statement of financial position.

The LLP has sufficient financial resources; as a consequence the members believe that the LLP is well placed to manage its business risks successfully. The members have a reasonable expectation that the LLP has adequate resources to continue in operational existence for the foreseeable future being a period of 12 months from the date the financial statements were approved. Thus they have adopted the going concern basis of accounting in preparing the annual financial statements.

Designated Members

The following were Designated Members throughout the year from the date of incorporation:

AEPEP (Scotland) Manager II Ltd
AEPEP (Scotland) II Ltd

Policy with respect to members' drawings and subscriptions and repayment of members' capital

Policies for members' drawings, subscriptions and repayment of members' capital are governed by the Partnership Agreement.

Members' report (continued)

Disclosure of information to the auditors

So far as the members are 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 members and the LLP's auditor, each member has taken all the steps that he is obliged to take as a member 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

Ernst & Young LLP will be proposed for reappointment by the members.

For and on behalf of the Managing Member



Keith Kooper
Director of AEPEP (Scotland) Manager II Limited
27 September 2019

Statement of members' responsibilities

The Designated Members are responsible for preparing the Members' report and the financial statements in accordance with applicable law and regulations.

Company law, as applied to LLPs by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) requires the members to prepare financial statements for each financial year. Under that law the Designated Members 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, as applied to LLPs, the Designated 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 LLP and of the profit or loss of the LLP for that year. In preparing those financial statements, the Designated Members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 LLP will continue in business.

The Designated Members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. They are also responsible for safeguarding the assets of the LLP 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) GP II LLP

Opinion

We have audited the financial statements of AEPEP (Scotland) GP II LLP for the year ended 31 December 2018 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position and the related notes 1 to 7, 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland.

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 2018 and of its result for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

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 limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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 members' report set out on pages 2 and 3, 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.

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

As 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.

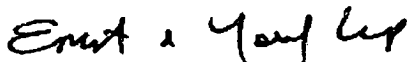
Auditor's responsibilities for the audit of the financial statements

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.

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.



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

30 September 2019

Income Statement

for the year ended 31 December 2018

	Notes	2018 £	2017 £
Income			
Turnover	2	5,187,607	5,323,953
Administration expenses		(5,174,839)	(5,294,548)
Operating result	4	12,768	29,405
Profit for the financial year before Members' remuneration and profit shares		12,768	29,405
Members' remuneration charged as an expense		(12,768)	(29,405)
Result for the financial year available for discretionary division among Members		-	-

All amounts relate to continuing activities.

There was no other comprehensive income during the year ended 31 December 2018 other than the profit before members' remuneration for the financial year of £12,768 as reported within the Income Statement above. Accordingly, no separate Statement of Comprehensive Income has been presented.

The notes on pages 11 to 13 form an integral part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2018

	<i>Members' capital</i>	<i>Other reserves</i>	<i>Total members' capital interests</i>	<i>Loans and other debts due to members</i>	<i>Members' total interests</i>
	£	£	£	£	£
At 1 January 2017	-	-	-	4,117	4,117
Members' remuneration charged as an expense	-	-	-	5,323,953	5,323,953
Drawings	-	-	-	(5,294,548)	(5,294,548)
At 31 December 2017	-	-	-	33,522	33,522
At 1 January 2018	-	-	-	33,522	33,522
Members' remuneration charged as an expense	-	-	-	5,187,607	5,187,607
Drawings	-	-	-	(5,174,839)	(5,174,839)
At 31 December 2018	-	-	-	46,290	26,290

Amounts due to members are not subordinated.

The notes on pages 11 to 13 form an integral part of these financial statements.

Statement of financial position

at 31 December 2018

	2018 £	2017 £
Current assets		
Debtors	46,290	33,522
Total Assets	46,290	33,522
Equity and liabilities		
Amounts due to/(from) Members	46,290	33,522
Members' capital interests	46,290	33,522

The financial statements on pages 8 to 10 were approved and authorised on 27 September 2019 for issue on behalf of the members. 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 Kooper
Director of AEPEP (Scotland) Manager II Limited

The notes on pages 11 to 13 form an integral part of these financial statements.

Notes to the financial statements

at 31 December 2018

1. Accounting policies

AEPEP (Scotland) GP II LLP is a limited liability partnership incorporated in Scotland. The registered office of the LLP is 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ.

Basis of preparation

The LLP's financial statements for the year ended to 31 December 2018 have been prepared on a going concern basis under the historical cost convention in accordance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' Section 1A –small entities and the Companies Act 2006 as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008 and the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships' dated January 2018. Certain changes were made to the presentation of the prior year balances to align with the current year presentation.

Statement of cash flows

The LLP, as a qualifying entity, has taken advantage of the exemption in section 7 of FRS 102 from the requirement to prepare a statement of cash flows.

Revenue recognition

Revenue is recognised on an accruals basis net of VAT and rebates.

Financial instruments

Financial assets and financial liabilities are recognised in the LLP's statement of financial position when the LLP becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at fair value on initial recognition, and are subsequently measured at amortised cost, using the stated interest rate method.

Trade payables

Trade payables are initially measured at fair value on initial recognition, and are subsequently measured at amortised cost, using the stated interest rate method.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the LLP after deducting all of its liabilities.

Foreign currencies

The functional and presentational currency of the LLP is in British pound sterling (GBP).

Transactions in foreign currencies are recorded at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated into sterling at the rates of exchange ruling at the year end. All currency differences are taken to the income statement.

Notes to the financial statements (continued)

at 31 December 2018

1. Accounting policies (continued)

Taxation

No provision has been made for taxation in the financial statements. Each member is exclusively liable for any tax liabilities arising out of their interest in the LLP, which will be assessed on the individual members and not on the LLP.

Members' remuneration

In accordance with the LLP SORP, as profits are automatically allocated to the members of the partnership, the allocations of profits are treated as "Members' remuneration charged as an expense" within the Income Statement. Amounts not yet drawn by the members are treated as "Loans and other debts due to members" within the Statement of Financial Position.

Expenses

Expenses incurred have been recognised on an accruals basis. The LLP has selected Ares Management UK Limited as Manager to perform portfolio management and risk management functions by a Management Agreement dated 28 August 2015. The LLP pays Ares Management UK Limited a management fee for these services. Member's remuneration is charged as an expense to the LLP, in line with the agreement.

2. Turnover

Turnover, which is stated net of value added tax, represents Management Fee income from its role as a general partner of Ares European Property Enhancement Partners II LP.

3. Staff costs

The LLP has no employees and therefore there were no staff costs during the year.

4. Operating result

Auditor's remuneration for the statutory audit of the LLP's financial statements was £3,200 (2017: £3,100), which has been borne by Ares Management UK Limited. Expenses will continue to be borne by Ares Management UK Limited.

5. Members' remuneration

Members' remuneration (including remuneration charged as an expense) attributable to the members' during the year amounts to £12,768 (2017: £29,405).

The average number of members in the year was 2.

6. Related party transactions

The LLP's turnover of £5,187,607 (2017: £5,323,953) represents a management fee income from Ares European Property Enhancement Partners II, LP for the year ended 31 December 2018. As at 31 December 2018, £46,290 (2017: £33,522) of the management fee income was due from Ares European Property Enhancement Partners II, LP.

The LLP's expense of £5,174,839 (2017: £5,294,548) represents the Members' remuneration payable to Members for the year ended 31 December 2018. As at 31 December 2018, £46,290 (2017: £33,522) of the Members' remuneration was outstanding.

Notes to the financial statements (continued)

at 31 December 2018

7. Ultimate parent undertaking and controlling party

The LLP 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.