



## **AEPEP (Scotland) GP II, LLP**

### **Report and Financial Statements**

For the year ended 31 December 2022

Registered no. SO305279



## **AEPEP (Scotland) GP II, LLP**

Registered No. SO305279

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### **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

## **AEPEP (Scotland) GP II, LLP**

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### **Members' Report**

The members present their report and financial statements of AEPEP (Scotland) GP II, LLP (the "LLP") for the year ended 31 December 2022.

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

### **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.

### **Results and dividends**

The LLP's turnover of £2,570,948 (2021: £3,300,524) 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 2021 the LLP paid Ares Management UK Limited £2,574,402 (2021: £3,306,672).

The results for the year ended 31 December 2022 are shown in the Income Statement on page 9. The LLP's statement of financial position detailed on page 10 shows a satisfactory position. Members' total interests amounted to £44,458 (2021: £47,912).

### **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**

*Following the invasion of Ukraine by the Russian Federation in February 2022, a number of jurisdictions (including the US, UK and EU) imposed sanctions against Russia, and certain entities and individuals connected to the Russian state. Growing geopolitical tensions since the commencement of the war have resulted in a significant increase in volatility on the securities and currency markets, as well as a significant depreciation of the Ruble against the Sterling, US dollar and the Euro.*

Although neither the Company's performance and going concern nor operations, at the date of this report, have been significantly impacted by these events, the directors continue to monitor the evolving situation and its impact on the financial position and results of the Company.

Revenue for the LLP is comprised of profit share from Ares European Property Enhancement Partners II, L.P. in the form of management fees. Management fees are calculated based on the invested capital of the investments held and the members 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 2023.

## **AEPEP (Scotland) GP II, LLP**

Registered No. SO305279

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Having performed this analysis the members believe regulatory capital requirements continue to be met and the LLP has sufficient liquidity to meet its liabilities for at least the next 12 months to 31 July 2024 and that the preparation of the financial statements on a going concern basis remains appropriate as the LLP expects to be able to meet its obligations as and when they fall due for the foreseeable future.

### **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.

### **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 Andrew Kooper  
Director of AEPEP (Scotland) Manager II Limited  
5 July 2023

## **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.

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## **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 (the "LLP") for the year ended 31 December 2022 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 9, 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 LLP's affairs as at 31 December 2022 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. We are independent of the LLP 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 members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the LLP's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorized for issue.

Our responsibilities and the responsibilities of the members with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the LLP's ability to continue as a going concern.

### **Other information**

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The members are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to 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.

### **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; or the members were not entitled to prepare financial statements in accordance with the small, limited liability partnerships' regime.

### **Responsibilities of members**

As explained more fully in the Statement of Members' Responsibilities set out on page 5, 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 LLP'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 LLP or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

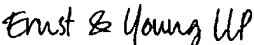
Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the LLP and determined that the most significant are those that relate to the reporting framework United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006 as applied to limited liability partnerships and the Statement of Recommended Practice "Accounting by Limited Liability Partnerships" and the relevant direct and indirect tax compliance regulation in the United Kingdom.
- We understood how the LLP 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 relevant policy and procedures manuals. We also reviewed correspondence with the relevant authorities.
- We assessed the susceptibility of the LLP'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 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 LLP and the LLP's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:  
  
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Keith Wood (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

05<sup>th</sup> July 2023



## AEPEP (Scotland) GP II, LLP

Registered No. SO305279

### Income Statement

for the year ended 31 December 2022

	Notes	2022 £	2021 £
<b>Income</b>			
Turnover	2	2,570,948	3,300,524
Administration expenses		<u>(2,574,402)</u>	<u>(3,306,672)</u>
<b>Operating result</b>	4	<u>(3,454)</u>	<u>(6,148)</u>
<b>(Loss) / Profit for the financial year before Members' remuneration and profit shares</b>		<u>(3,454)</u>	<u>(6,148)</u>
Members' deficit / (remuneration) charged as an expense		<u>3,454</u>	<u>6,148</u>
<b>Result for the financial year available for discretionary division among Members</b>		<u>-</u>	<u>-</u>

All amounts relate to continuing activities.

There was no other comprehensive income during the year ended 31 December 2022 (2021: £nil) other than the loss before members' remuneration for the financial year of £3,454 (2021: £6,148) as reported within the Income Statement above. Accordingly, no separate Statement of Comprehensive Income has been presented.

The notes on pages 12 to 14 form an integral part of these financial statements.

## AEPEP (Scotland) GP II, LLP

Registered No. SO305279

### Statement of Financial Position

at 31 December 2022

	Notes	2022 £	2021 £
<b>Current assets</b>			
Debtors	1	44,458	47,912
<b>Total Assets</b>		<b>44,458</b>	<b>47,912</b>
<b>Equity and liabilities</b>			
Amounts due to/(from) Members	5	44,458	47,912
<b>Members' capital interests</b>		<b>44,458</b>	<b>47,912</b>

The financial statements on pages 9 to 11 were approved and authorised on 5 July 2023 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 Andrew Kooper  
Director of AEPEP (Scotland) Manager II Limited

The notes on pages 12 to 14 form an integral part of these financial statements.

**AEPEP (Scotland) GP II, LLP**

Registered No. SO305279

**Statement of Changes in Equity***for the year ended 31 December 2022*

	<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>
	£	£	£	£	£
<b>At 1 January 2021</b>	-	-	-	54,060	<b>54,060</b>
Members' deficit charged as an expense	-	-	-	(6,148)	<b>(6,148)</b>
<b>At 31 December 2021</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,912</u>	<u><b>47,912</b></u>
<b>At 1 January 2022</b>	-	-	-	47,912	<b>47,912</b>
Members' deficit charged as an expense	-	-	-	(3,454)	<b>(3,454)</b>
<b>At 31 December 2022</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,458</u>	<u><b>44,458</b></u>

Amounts due to members are not subordinated.

The notes on pages 12 to 14 form an integral part of these financial statements.

## **Notes to the Financial Statements**

### **1. Accounting policies**

#### ***General information***

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 2022 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 ("LLP SORP").

#### ***Going concern***

Following the invasion of Ukraine by the Russian Federation in February 2022, a number of jurisdictions (including the US, UK and EU) imposed sanctions against Russia, and certain entities and individuals connected to the Russian state. Growing geopolitical tensions since the commencement of the war have resulted in a significant increase in volatility on the securities and currency markets, as well as a significant depreciation of the Ruble against the Sterling, US dollar and the Euro.

Although neither the Company's performance and going concern nor operations, at the date of this report, have been significantly impacted by these events, the directors continue to monitor the evolving situation and its impact on the financial position and results of the Company.

Revenue for the LLP is comprised of profit share from Ares European Property Enhancement Partners II, L.P. in the form of management fees. Management fees are calculated based on the invested capital of the investments held and the members 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 the year ending 31 December 2023.

Having performed this analysis the members believe regulatory capital requirements continue to be met and the LLP has sufficient liquidity to meet its liabilities for at least the next 12 months to 31 July 2024 and that the preparation of the financial statements on a going concern basis remains appropriate as the LLP expects to be able to meet its obligations as and when they fall due for the foreseeable future.

#### ***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.

#### ***Turnover***

Turnover is recognised to the extent that the LLP 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.

#### ***Investments***

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

#### ***Expenses***

Expenses incurred have been recognised on an accrual 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.

## **Notes to the Financial Statements (continued)**

### **1. Accounting policies (continued)**

#### ***Debtors***

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

#### ***Creditors***

Short term trade creditors are measured at the transaction price.

#### ***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. These are recognised at fair value.

#### ***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.

#### ***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 and losses are treated as "Members' deficit / 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.

### **2. Turnover**

Turnover, which is stated net of VAT, represents Management Fee income from the LPs in its role as a general partner of Ares European Property Enhancement Partners II LP. It is measured at fair value of consideration received.

### **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 £5,000 (2021: £3,500), which has been borne by Ares Management UK Limited. The fee of £3,800 (2021 : £3,800) for tax services has been borne by Ares Management UK Limited. Expenses will continue to be borne by Ares Management UK Limited.

### **5. Members' remuneration**

Members' (deficit) / remuneration (including remuneration charged as an expense) attributable to the members' during the year amounts to (£3,454) (2021: (£6,148)).

The average number of members in the year was 2.

## **AEPEP (Scotland) GP II, LLP**

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### **Notes to the Financial Statements (continued)**

#### **6. Related party transactions**

The LLP's turnover of £2,570,948 (2021: £3,300,524) represents a management fee income from Ares European Property Enhancement Partners II, LP for the year ended 31 December 2022. As at 31 December 2022, £44,458 (2021: £47,912) of the management fee income was due from Ares European Property Enhancement Partners II, LP. The LLP's expense of £2,574,402 (2021: £3,306,672) represents the management fees paid to Ares Management UK Limited for the year ended 31 December 2022. As at 31 December 2022, £44,458 (2021: £47,912) of the Members' remuneration was payable to the members.

#### **7. Cash**

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

#### **8. 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.

#### **9. Events after the end of the reporting period**

The members have evaluated the possibility of events after the balance sheet date existing in the LLP's financial statements through to 5 July 2023 and to their knowledge, there have been no material post balance sheet events that occurred during the period that would require disclosure in the LLP's financial statements for the year ended 31 December 2022.