

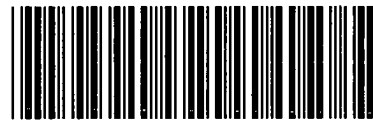
Oaktree Capital UK Limited

**Annual report and financial statements
for the year ended 31 December 2021**

Registered number

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Oaktree Capital UK Limited

**Annual Report and Financial Statements
for the year ended 31 December 2021**

Registered office

Verde, 10 Bressenden Place
London, United Kingdom, SW1E 5DH

Independent auditors

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

Directors

C Cartwright
D Keenan
S Rathod

Oaktree Capital UK Limited
Strategic report for the year ended 31 December 2021

The Directors present their Strategic report for Oaktree Capital UK Limited ("the Company") for the year ended 31 December 2021.

Business review and financial position

For the year under review, the profit and loss and year-end position are disclosed in the body of the financial statements. The profit after taxation for the financial year ended 31 December 2021 was £27,035,000 (2020: £3,667,000) as set out in the Statement of comprehensive income on page 13. At 31 December 2021 the Company had net assets of £9,804,000 (2020: £662,000) as set out in the Statement of financial position on page 14.

The Company is a subsidiary of Oaktree Capital Group, LLC ("Oaktree Group"), a limited liability company incorporated in the United States. Oaktree Group is majority-owned by Brookfield Asset Management Inc. ("Brookfield"), a corporation incorporated under the laws of the Province of Ontario, Canada.

Given the straightforward nature of the business, the Directors are of the opinion that analysis using key performance indicators is not necessary to form an understanding of the development, performance or position of the business.

Risk management

The Company is the Majority Member of Oaktree Capital Management (UK) LLP ("the LLP"), and as such the risks it is exposed to are consistent with those of the LLP. The Company's operations have exposure to certain financial risks. The Company considers financial risks regularly during the year and seeks to limit the adverse effects on the financial performance of the Company.

The overall Oaktree Group philosophy is one of reduction of exposure to known risks through development of mitigating controls and the avoidance of risks for which the level of impact cannot be reduced to an acceptable level. With this underlying philosophy the assessment and control of risk is of fundamental importance to the Company. Each department of the LLP is charged with assessing the risks underlying its area of responsibility and instituting controls to mitigate the identified risks.

In addition to the responsibilities of each department, the LLP has top-level policies and procedures which form the basis for its risk management framework. These include the written statements of the roles and responsibilities of each employee, the review and documentation of the allocation of the responsibilities of senior management, the documentation of risks and controls in a formal risk assessment matrix and the LLP's compliance manual. Each of the items noted are monitored by compliance staff of the LLP and Oaktree Group during the year.

Oaktree Capital UK Limited
Strategic report for the year ended 31 December 2021 (*continued*)

Risk management (*continued*)

For the risk management framework to operate properly, communication among senior management and the Designated Members of the LLP and senior management of Oaktree Group is of utmost importance. The communication between senior management and the Designated Members is facilitated by semi-annual board meetings. In addition, the Chief Compliance Officer of Oaktree Group also attends these board meetings to ensure that Oaktree Group is aware of all developments at the LLP. In addition to the formal board meetings, staff and senior management of the LLP have daily interactions with their counterparts at Oaktree Group thereby reducing the risk of any surprising developments surrounding the business and capital management of the LLP.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'S Rathod', with a large circular flourish at the end.

S Rathod
Director

29 March 2022

Oaktree Capital UK Limited
Directors' report for the year ended 31 December 2021

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2021.

Principal activities

The Company is a private company limited by shares, incorporated in England and Wales on 15 April 2011. The Company is the Majority Member of the LLP and is wholly owned by Oaktree International Holdings, LLC ("Holdings"). The Company is responsible for the day-to-day oversight of the LLP's business activities.

Going concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to financial risks are described in the Strategic report on pages 2 to 3.

The financial statements have been prepared on a going concern basis. As the company's activities are limited to those of acting as Designated Member of the LLP, the Directors consider that the going concern assessment for the Company must be considered in the context of the assessment for the LLP.

The LLP's going concern analysis has modelled a number of stressed scenarios to assess the potential impact of adverse market events on the Company's operations, liquidity, solvency and regulatory capital position before there is a breach of the relevant mitigations management have within their control to implement. The Directors also have regard to the going concern assessment performed for the Oaktree group, which concludes that the risk of substantial doubt regarding the parent company's ability to continue as a going concern is remote.

Having regard to this analysis, the Directors, in their capacity as Directors of the Designated Member of the LLP, believe regulatory capital requirements continue to be met, the LLP has sufficient liquidity to meet its liabilities for at least the next 12 months, and that the preparation of the financial statements on a going concern basis remains appropriate as the LLP, and therefore also the company, expects to be able to meet its obligations as and when they fall due for the foreseeable future.

Dividends

During the year the Company made an interim dividend payment of £17,893,000 (2020: £10,000,000). The Directors do not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: nil).

Future development of the Company

The Directors do not foresee any forthcoming significant changes to the activities of the Company.

Oaktree Capital UK Limited
Directors' report for the year ended 31 December 2021 (*continued*)

Statement of directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

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 accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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 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 auditors

Ernst & Young LLP has indicated its willingness to be reappointed as auditors and a resolution concerning their reappointment will be proposed at the next Directors' meeting.

Oaktree Capital UK Limited
Directors' report for the year ended 31 December 2021 (*continued*)

Statement of disclosure of information to auditors

In the case of each director in office at the date the Directors' report is approved:

(a) so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'S Rathod', with a large circular flourish at the end.

S Rathod
Director

29 March 2022

Oaktree Capital UK Limited**Independent auditors' report to the members of Oaktree Capital UK Limited****Opinion**

We have audited the financial statements of Oaktree Capital UK Limited ('the company') for the year ended 31 December 2021 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 20, 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 2021 and of its profit 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 as applied to listed entities, 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. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included the following:

- We confirmed our understanding of the company's going concern assessment process and engaged with the directors to determine if all key factors were considered in their assessment, including the LLP's going concern analysis;
- We reviewed the directors' assessment of going concern for the period to 29 March 2023 which is at least twelve months from the date the financial statements were authorised for issue.
- We have reviewed and challenged the factors and assumptions applied within the going concern assessment.
- We considered the impact of COVID-19, including considerations relating to operational resilience.
- We considered whether there were other events subsequent to the balance sheet date which could have a bearing on the going concern conclusion.

Oaktree Capital UK Limited**Independent auditors' report to the members of Oaktree Capital UK Limited (*continued*)****Conclusions relating to going concern (*continued*)**

- We reviewed board meeting minutes to identify events or conditions that may impact the company's ability to continue as a going concern.
- We reviewed the company's going concern disclosures included in the financial statements in order to assess whether the disclosures were appropriate and in conformity with the reporting standards.

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 to 29 March 2023 (twelve 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.

Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"> • Improper revenue recognition
Materiality	<ul style="list-style-type: none"> • Overall materiality of £1.35m which represents 5% of profit on ordinary activities before taxation.

An overview of the scope of our audit**Tailoring the scope**

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Oaktree Capital UK Limited**Independent auditors' report to the members of Oaktree Capital UK Limited (*continued*)****Overview of our audit approach (*continued*)****Key audit matters (*continued*)**

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Improper revenue recognition (<i>Refer to Accounting Policies (page 17)</i>)</p> <p>The total revenue for the year ended 31 December 2021 is £29.27m (2020: £13.76m).</p> <p>The company is a Designated Member of Oaktree Capital Management (UK) LLP ("the LLP") and is responsible for the day-to-day oversight of the business activities of the LLP. The company earns revenue from distributions made to it by the LLP. The distribution comprises a profit distribution from the LLP and also payment of the company's corporation tax by the LLP on behalf of the company.</p> <p>The company's operations are simple and revenue is the key balance in the Statement of Comprehensive Income. As a result, we consider the greatest risk of material misstatement arises from there being a risk of incomplete revenue being recognised or inaccurate recognition of revenue, not earned during the period.</p> <p>This area was the most significant assessed risk of material misstatement and accordingly we have determined it to be a key audit matter.</p>	<p>We obtained an understanding of the company's processes and controls surrounding the revenue recognition process by performing a walkthrough to understand the revenue recognition process, and to identify the controls around this process.</p> <p>We have reviewed the board resolutions of the LLP and have agreed the income distribution which was approved at the LLP's level to the revenue amount recorded by the Company during the year.</p> <p>We have obtained the schedule of revenue for the year and have agreed this to the financial statements.</p> <p>We have reviewed the relevant disclosures in relation to revenue and checked that these were made in accordance with the FRS 102.</p>	<p>Our procedures have been completed and we have no matters to report on this area.</p>

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be £1.35m (2020: £2.6m), which is 5% (2020: 5%) of profit on ordinary activities before taxation (2020: total assets). We believe that profit on ordinary activities before taxation provides us with materiality aligned to the key measure of the Company's performance.

Oaktree Capital UK Limited

Independent auditors' report to the members of Oaktree Capital UK Limited (*continued*)

Our application of materiality (*continued*)

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 75% (2021: 75%) of our planning materiality, namely £1.01m (2020: £1.92m). We have set performance materiality at this percentage because there were no material misstatements noted in the prior year.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £68k (2020: £128k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 2 to 6, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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 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.

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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Oaktree Capital UK Limited

Independent auditors' report to the members of Oaktree Capital UK Limited (*continued*)

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 strategic report or 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, 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.

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 company and management.

- 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 (FRS 102 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the United Kingdom.

Oaktree Capital UK Limited

Independent auditors' report to the members of Oaktree Capital UK Limited (*continued*)

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

- 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 assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by designating revenue recognition as a fraud risk. We performed journal entry testing by specific risk criteria, with a focus on journals indicating large or unusual transactions based on our understanding of the business.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of management and those charged with governance, review of legal and professional expenses, review of the breaches and complaints register, 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.

DocuSigned by:



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Ahmer Huda (Senior statutory auditor)

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

London

5 April 2022

Oaktree Capital UK Limited**Statement of comprehensive income
for the year ended 31 December 2021**

	<i>Notes</i>	2021 £'000	2020 £'000
Turnover	5	29,269	13,762
Administrative expenses		<u>(41)</u>	<u>(30)</u>
Operating profit	6	29,228	13,732
Foreign exchange gains/(losses)		3,651	(3,802)
Interest and similar income		-	3
Interest payable and similar charges		<u>(3,131)</u>	<u>(4,537)</u>
Profit on ordinary activities before taxation	6	29,748	5,396
Tax charge on profit on ordinary activities	10	<u>(2,713)</u>	<u>(1,729)</u>
Profit for the financial year		27,035	3,667
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive profit for the year		<u>27,035</u>	<u>3,667</u>

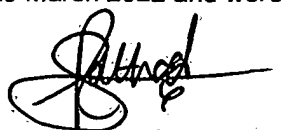
All activities relate to continuing operations.

The notes on pages 16 to 23 form an integral part of the financial statements

Oaktree Capital UK Limited**Statement of financial position
as at 31 December 2021
Company number 07606084**

	<i>Notes</i>	2021 £'000	2020 £'000
Fixed assets			
Investments	2,9	48,419	49,235
		<u>48,419</u>	<u>49,235</u>
Current assets			
Debtors: amounts falling due within one year	11	6,435	5,281
Cash at bank and in hand		1	6
		<u>6,436</u>	<u>5,287</u>
Creditors: amounts falling due within one year	12	<u>(1,369)</u>	<u>(140)</u>
Net current assets		<u>5,067</u>	<u>5,147</u>
Total assets less current liabilities		53,486	54,382
Creditors: amounts falling due after more than one year	13	(43,682)	(53,720)
Net assets		<u>9,804</u>	<u>662</u>
Capital and reserves			
Called up share capital	14	1	1
Profit and loss account	15	9,803	661
Total shareholder's funds	16	<u>9,804</u>	<u>662</u>

The financial statements on pages 13 to 23 were approved by the Board of Directors on 29 March 2022 and were signed on its behalf:



S Rathod
Director

The notes on pages 16 to 23 form an integral part of the financial statements

Oaktree Capital UK Limited**Statement of changes in equity
for the year ended 31 December 2021**

	<i>Notes</i>	Called up share capital £'000	Profit and loss account £'000	Total £'000
Balance as at 1 January 2020		1	6,994	6,995
Profit for the year	15	-	3,667	3,667
Total comprehensive profit for the year		-	10,661	10,662
Dividends paid	16	-	(10,000)	(10,000)
Balance as at 31 December 2020	16	1	661	662
 Balance as at 1 January 2021		 1	 661	 662
Profit for the year	15	-	27,035	27,035
Total comprehensive profit for the year		-	27,696	27,697
Dividends paid	16	-	(17,893)	(17,893)
Balance as at 31 December 2021	16	1	9,803	9,804

The notes on pages 16 to 23 form an integral part of the financial statements

Oaktree Capital UK Limited

Notes to the financial statements for the year ended 31 December 2021

1. Statement of compliance

The individual financial statements of Oaktree Capital UK Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. The Directors consider that the accounting policies set out below are suitable, have been consistently applied and are supported by reasonable and prudent judgements and estimates. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of preparation

The financial statements have been prepared on the going concern basis, under the historical cost convention.

In preparing these financial statements, the directors have considered the impact of the physical and transition risks of climate change, but have concluded that it does not have a material impact on the recognition and measurement of the assets and liabilities in these financial statements as at 31 December 2021. This is because the Company's assets and liabilities are measured at historic cost as stated under the summary of significant accounting policies below, and therefore cannot be impacted by future climate change.

b. Going concern

The financial statements have been prepared on a going concern basis. As the Company's activities are limited to those of acting as Designated Member of the LLP, the Directors consider that the going concern assessment for the Company must be considered in the context of the assessment for the LLP.

The LLP's going concern analysis has modelled a number of stressed scenarios to assess the potential impact of adverse market events on the Company's operations, liquidity, solvency and regulatory capital position before there is a breach of the relevant mitigations management have within their control to implement. The Directors also have regard to the going concern assessment performed for the Oaktree group, which concludes that the risk of substantial doubt regarding the parent company's ability to continue as a going concern is remote.

Having performed this analysis, the Directors believe that the Company has sufficient liquidity to meet its liabilities for at least the next 12 months, and that the 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.

Oaktree Capital UK Limited**Notes to the financial statements
for the year ended 31 December 2021****2. Summary of significant accounting policies (continued)****c. Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions:

i). from preparing a Statement of cash flows, required under FRS 102 section 7 Statement of Cash Flows, on the basis that the Company is a subsidiary of Oaktree Group, and its cash flows are included within Oaktree Group's consolidated financial statements;

ii). from certain disclosure requirements of FRS 102 section 33 Related Party Disclosures with regard to transactions with fellow group companies, on the basis that the Company is a wholly owned subsidiary of Oaktree Group.

d. Turnover

Turnover is recorded on an accruals basis. Turnover relates to distributions from the LLP.

e. Current taxation

Provision is made for all current tax liabilities in the year in which the liability arises at the current rate of UK Corporation Tax.

f. Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the Statement of financial position date 31 December 2021, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax is measured on an undiscounted basis.

g. Foreign currency**i). Functional and presentation currency**

The Company's functional and presentation currency is pound sterling. The financial statements are rounded to thousands, unless otherwise stated.

Oaktree Capital UK Limited

Notes to the financial statements for the year ended 31 December 2021

2. Summary of significant accounting policies (*continued*)

g. Foreign currency (*continued*)

ii). Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each year-end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

h. Investments

The Company is the Majority Member of the LLP. Whilst as Majority Member the Company is responsible for the day-to-day oversight of the LLP's business activities, The LLP is controlled by its Corporate Member, Oaktree European Holdings, LLC, which is considered its parent undertaking. The Company's investment in the LLP is stated at historic cost, which includes the partnership contributions, less provision for any permanent diminution in value.

i. Financial instruments

The Company has chosen to adopt the sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets, including other debtors and cash at bank and in hand are initially recognised at transaction price.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If evidence of impairment exists, the impairment loss is recognised in profit or loss. If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed in the Statement of comprehensive income.

Financial assets are derecognised when substantially all the risks and rewards of the ownership of the asset are transferred to another party.

3. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are addressed below.

Oaktree Capital UK Limited**Notes to the financial statements
for the year ended 31 December 2021****3. Critical accounting judgements and estimation uncertainty (continued)****i). Impairment of investments**

The Company considers whether investments are impaired on an annual basis. This involves judgement on whether the value of the underlying net assets of the investment have fallen below carrying value.

ii). Provisions (notes 10 and 13).

Provision is made for tax liabilities arising on the Company's profits and on the allocation of profit from the LLP. This provision requires judgement on interpretation of current and future tax legislation and is subject to revision based on changes to such legislation or underlying assumptions therein.

4. Financial instrument risk

The Company's operations have exposure to certain financial risks, including credit, liquidity and exchange rate risk. The Company's management considers financial risks regularly during the year and seeks to limit the adverse effects on the financial performance of the Company in the context of its risk management framework.

i). Credit risk is the risk that a counterparty to a transaction may default and cause a financial loss to the Company. Credit risk exposure arises principally from cash held at bank and debtor balances.

ii). Liquidity risk is the risk that the Company is unable to meet payment obligations associated with its financial liabilities as they fall due. The Company aims to mitigate exposure to liquidity risk through ensuring adequate cash balances are maintained.

iii). Exchange rate risk arises from the impact of fluctuations in currency exchange rates on assets and liabilities denominated in foreign currencies. The Company is exposed to exchange rate risk through creditor balances denominated in currencies other than the Company's functional currency.

5. Turnover

	2021	2020
	£'000	£'000
Distributions from the LLP	29,269	13,762

6. Operating profit

The operating profit for the year has been stated after charging the following:

	2021	2020
	£'000	£'000
Auditors' remuneration – audit services	27	13
Auditors' remuneration – taxation services	6	10

Oaktree Capital UK Limited**Notes to the financial statements
for the year ended 31 December 2021****7. Directors' emoluments**

During the year ended 31 December 2021 the directors did not receive any emoluments in respect of their services to the Company (2020: £nil).

8. Staff costs and employee information

During the year ended 31 December 2021 the Company had no employees (2020: nil).

9. Investments

	2021	2020
	£'000	£'000
At cost less impairment		
Net book value at 1 January	49,235	76,853
Capital contributions	1,176	4,800
Return of capital contributions	(1,992)	(32,418)
Net book value as at 31 December	<u>48,419</u>	<u>49,235</u>

Investment in the LLP is stated at historic cost, which includes the partnership contributions. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

10. Tax on profit on ordinary activities**a). Tax expense included in Statement of comprehensive income**

	2021	2020
	£'000	£'000
Current tax		
UK corporation tax on profits for the year	4,083	3,076
Adjustments in respect of prior years	71	(98)
Total current tax	<u>4,154</u>	<u>2,978</u>
Deferred tax		
Origination and reversal of timing differences	(1,441)	(1,249)
Total deferred tax	<u>(1,441)</u>	<u>(1,249)</u>
Tax charge on profit on ordinary activities	<u>2,713</u>	<u>1,729</u>

Oaktree Capital UK Limited**Notes to the financial statements
for the year ended 31 December 2021****10. Tax on profit on ordinary activities (continued)****b). Reconciliation of tax charge**

The tax assessed for the year differs from the effective standard rate in the United Kingdom corporation tax of 19% (2020: 19%). The differences are explained below:

	2021	2020
	£'000	£'000
Profit on ordinary activities before taxation	29,748	5,396
Profit multiplied by the standard rate of tax in the UK of 19% (2020: 19%)	5,652	1,026
Effects of:		
Partnership allocation	(3,010)	801
Adjustments to tax charge in respect of prior years	71	(98)
Tax charge for the year	2,713	1,729

c). Deferred tax

	2021	2020
	£'000	£'000
Deferred tax asset as at 1 January	4,993	3,744
Deferred tax credit for current year	1,441	1,249
Deferred tax asset as at 31 December	6,434	4,993

The deferred tax asset has arisen as a result of timing differences in respect of the distribution of LLP profit shares and accelerated capital allowances.

d). Factors that may affect future tax charges

The UK government announced in its Spring Budget on 11 March 2021 the intention to increase the UK corporation tax rates from 19% to 25% from 1 April 2023. As this change was not substantively enacted at 31 December 2021, deferred tax continues to be calculated based on the 19% rate.

11. Debtors: amounts falling due within one year

	2021	2020
	£'000	£'000
Other debtors	1	1
Deferred taxation	6,434	4,993
Taxation	-	287
	6,435	5,281

Oaktree Capital UK Limited**Notes to the financial statements
for the year ended 31 December 2021****12. Creditors: amounts falling due within one year**

	2021 £'000	2020 £'000
Amounts owed to group undertakings	142	113
Taxation and social security	1,186	-
Accruals and deferred income	41	27
	<u>1,369</u>	<u>140</u>

13. Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Amounts owed to group undertakings	43,682	53,720
	<u>43,682</u>	<u>53,720</u>

At the year-end €52,030,000 (2020: €59,438,000) (£43,682,000) (2020: £53,720,000) of principal and accrued interest was outstanding in respect of loan notes. The notes are listed on The International Stock Exchange ("TISE"), denominated in Euro and have a maturity date of 31 December 2036.

Recognised within the Statement of comprehensive income for 2021 is a foreign exchange gain of £3,651,000 (2020: loss of £3,802,000) on the translation of the payable into Sterling at the 31 December 2021 exchange rate.

With the exception of the loan notes, amounts owed to/by group undertakings are unsecured, interest free and repayable on demand.

14. Called up share capital

	2021 £'000	2020 £'000
Authorised, issued and fully paid ordinary shares of £1 each	1	1
	<u>1</u>	<u>1</u>

Oaktree Capital UK Limited**Notes to the financial statements
for the year ended 31 December 2021****14. Profit and loss account**

	2021	2020
	£'000	£'000
Profit and loss account as at 1 January	661	6,994
Profit for the financial year	27,035	3,667
Dividends paid	(17,893)	(10,000)
Profit and loss account as at 31 December	<u>9,803</u>	<u>661</u>

15. Reconciliation of movements in shareholder's funds

	2021	2020
	£'000	£'000
Shareholder's funds as at 1 January	662	6,995
Profit for the financial year	27,035	3,667
Dividends paid	(17,893)	(10,000)
Shareholder's funds as at 31 December	<u>9,804</u>	<u>662</u>

16. Related party transactions

The Company is a wholly owned subsidiary of Oaktree Group, whose Annual Report can be obtained from the address below (see note 19). In accordance with FRS 102 – para 33.1A Related Party Disclosures, the Company has taken advantage of the exemption from disclosing transactions with fellow group companies.

18. Parent undertaking and controlling party

The immediate parent undertaking is Holdings, a limited liability company incorporated in the United States.

The ultimate parent undertaking and controlling party is Oaktree Capital Group Holdings GP, LLC ("OCGH GP"), a limited liability company incorporated in the United States.

OGCH GP is the controlling party of Oaktree Group. Oaktree Group is the smallest and largest group to consolidate these financial statements. The Annual Report for Oaktree Group can be obtained from the company's principle executive offices at 333 South Grand Avenue, 28th Floor, Los Angeles, CA 90071.

19. Subsequent events

There have been no events that occurred subsequent to 31 December 2021 through the date the financial statements were issued that required additional disclosure.