

Oaktree Capital UK Limited

**Annual Report and Financial Statements
For the year ended 31 December 2017**

Registered number

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Oaktree Capital UK Limited

**Annual Report and Financial Statements
For the year ended 31 December 2017**

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

D Keenan
S Rathod
T Ware

Oaktree Capital UK Limited
Strategic report for the year ended 31 December 2017

The Directors present their Strategic report for Oaktree Capital UK Limited for the year ended 31 December 2017.

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 loss after taxation for the financial year ended 31 December 2017 was £9,437,000 (2016: £11,678,000) as set out in the Statement of comprehensive income on page 9. At 31 December 2017 the company had net liabilities of £17,285,000 (2016: £7,848,000) as set out in the Statement of financial position on page 10.

During the year Oaktree Capital UK Limited ("the Company") entered into certain intra-group transactions in order to fund its investment activities.

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 Company is a wholly owned subsidiary of Oaktree Capital Group, LLC ("Oaktree Group"), a limited liability company incorporated in the United States. 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 LLP. Each department of the LLP is charged with assessing the risks underlying its area of responsibility and instituting controls to mitigate the identified risks.

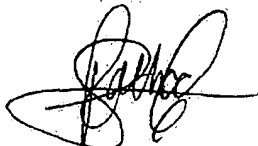
In addition to the responsibilities of each department, the LLP has top-level policies and procedures which form the basis for its risk management framework. These include the written statements of the roles and responsibilities of each employee, the review and documentation of the allocation of the 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 2017 (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', written over a circular stamp or seal.

S Rathod
Director

18 April 2018

Oaktree Capital UK Limited
Directors' report for the year ended 31 December 2017

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2017.

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

As at the 31 December 2017 the Company was in a net liability position, as set out in the Statement of financial position on page 10. The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of Oaktree Capital Management (Cayman), L.P. ("OCM Cayman"). OCM Cayman is an exempted limited partnership, established in the Cayman Islands, and is an affiliate of the Company. The Directors have received confirmation that OCM Cayman intends to support the company for at least one year after these financial statements are signed.

Dividends

The Directors do not recommend the payment of a dividend for the year ended 31 December 2017 (2016: nil).

Future development of the Company

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

On the 23 June 2016 the United Kingdom voted to leave the European Union ("Brexit"). The Directors are of the opinion that this decision will not adversely impact the activities of the entity. The Company will continue to assess any relevant considerations arising from the terms for withdrawal, as they are established, in the context of its risk management framework.

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.

Oaktree Capital UK Limited
Directors' report for the year ended 31 December 2017 (continued)

Statement of directors' responsibilities (continued)

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

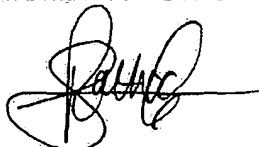
Ernst and Young LLP has indicated its willingness to be reappointed as auditors and a resolution concerning their reappointment will be proposed at the next Directors' meeting.

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



S Rathod
Director

18 April 2018

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 for the year ended 31 December 2017, which comprise of the Statement of comprehensive income, Statement of financial position, 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 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and 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.

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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 Directors are responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the 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.

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 pages 4 and 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Oaktree Capital UK Limited

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

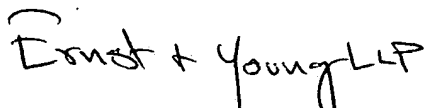
Responsibilities of directors (continued)

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our Auditor's report.



Ahmer Huda (Senior statutory auditor)

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

London

18 April 2018

Oaktree Capital UK Limited

**Statement of comprehensive income
For the year ended 31 December 2017**

| | | 2017 | Restated 2016 |
|--|--------------|----------------|------------------|
| | <i>Notes</i> | £'000 | £'000 |
| Turnover | 5 | 1,078 | 3,062 |
| Administrative expenses | | <u>(26)</u> | <u>(184)</u> |
| Operating profit | 6 | 1,052 | 2,878 |
| Foreign exchange losses | | (2,779) | (8,184) |
| Interest and similar income | | 2 | - |
| Interest payable and similar charges | | <u>(4,517)</u> | <u>(3,573)</u> |
| Loss on ordinary activities before taxation | 6 | (6,242) | (8,879) |
| Tax on loss on ordinary activities | 10 | <u>(3,195)</u> | <u>(2,799)</u> |
| Loss for the financial year | | (9,437) | (11,678) |
| Other comprehensive income | | <u>-</u> | <u>-</u> |
| Total comprehensive loss for the year | | <u>(9,437)</u> | <u>(11,678)</u> |

All activities relate to continuing operations.

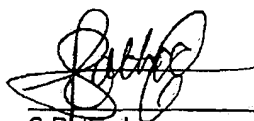
The notes on pages 12 to 20 form an integral part of the financial statements.

Oaktree Capital UK Limited

**Statement of financial position
As at 31 December 2017
Company number 07606084**

| | Notes | 2017 £'000 | Restated 2016 £'000 |
|--|-------|---------------|---------------------------|
| Fixed assets | | | |
| Investments | 2,9 | 75,049 | 72,876 |
| Current assets | | | |
| Debtors: amounts falling due within one year | 11 | 1 | 1,678 |
| Debtors: amounts falling due after one year | 12 | 254 | 406 |
| Cash at bank and in hand | | 1 | 1 |
| | | 256 | 2,085 |
| Creditors: amounts falling due within one year | 13 | (24,516) | (22,533) |
| Net current liabilities | | (24,260) | (20,448) |
| Total assets less current liabilities | | 50,789 | 52,428 |
| Creditors: amounts falling due after more than one year | 14 | (68,074) | (60,276) |
| Net liabilities | | (17,285) | (7,848) |
| Capital and reserves | | | |
| Called up share capital | 15 | 1 | 1 |
| Profit and loss account | 16 | (17,286) | (7,849) |
| Total shareholder's funds | 17 | (17,285) | (7,848) |

The financial statements on pages 9 to 20 were approved by the Board of Directors on 18 April 2018 and were signed on its behalf:


S Rathod
Director

The notes on pages 12 to 20 form an integral part of the financial statements.

Oaktree Capital UK Limited

Notes to the financial statements For the year ended 31 December 2017

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.

b. Going concern

As at the 31 December 2017 the Company was in a net liability position, as set out in the Statement of financial position on page 10. The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of OCM Cayman.

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 subsidiary undertaking.

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.

Oaktree Capital UK Limited

**Notes to the financial statements
For the year ended 31 December 2017**

2. Summary of significant accounting policies (continued)

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 2017, 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.

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 its subsidiary, the LLP. The investment is held at cost 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.

Oaktree Capital UK Limited

Notes to the financial statements For the year ended 31 December 2017

2. Summary of significant accounting policies (continued)

i. Financial instruments (continued)

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.

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.

Oaktree Capital UK Limited

**Notes to the financial statements
For the year ended 31 December 2017**

5. Turnover

| | 2017 £'000 | 2016 £'000 |
|---|---------------|---------------|
| Distributions from subsidiary undertaking | 1,078 | 3,062 |

6. Operating profit

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

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| Auditors' remuneration - audit services | 9 | 9 |
| Auditors' remuneration - taxation services | 4 | 4 |

7. Directors' emoluments

During the year ended 31 December 2017 the directors did not receive any emoluments in respect of their services to the Company (2016: £nil).

8. Staff costs and employee information

During the year ended 31 December 2017 the Company had no employees (2016: nil).

9. Investments

| | 2017 £'000 | 2016 £'000 |
|----------------------------------|---------------|---------------|
| At cost less impairment | | |
| Net book value at 1 January | 72,876 | 71,145 |
| Capital contributions | 21,955 | 15,848 |
| Return of capital contributions | (19,782) | (14,117) |
| Net book value as at 31 December | 75,049 | 72,876 |

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

Oaktree Capital UK Limited

**Notes to the financial statements
For the year ended 31 December 2017**

10. Tax on profit on ordinary activities

a). Tax expense included in Statement of comprehensive income

| | 2017 | Restated |
|--|--------------|-----------------|
| | £'000 | 2016 |
| | | £'000 |
| Current tax | | |
| UK corporation tax on profits for the year | 3,112 | 3,187 |
| Adjustments in respect of prior years | (69) | (118) |
| Total current tax | <u>3,043</u> | <u>3,069</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | 152 | (270) |
| Total deferred tax | <u>152</u> | <u>(270)</u> |
| Tax on profit on ordinary activities | <u>3,195</u> | <u>2,799</u> |

b). Reconciliation of tax charge:

The tax assessed for the year differs from the effective standard rate in the United Kingdom corporation tax of 19.25% (2016: 20.00%). The differences are explained below:

| | 2017 | Restated |
|---|----------------|-----------------|
| | £'000 | 2016 |
| | | £'000 |
| Loss on ordinary activities before taxation | <u>(6,242)</u> | <u>(8,879)</u> |
| Loss multiplied by the standard rate of tax in the UK of 19.25% (2016: 20.00%) | (1,202) | (1,776) |
| Effects of: | | |
| Partnership allocation | 4,314 | 4,963 |
| Adjustments to tax charge in respect of prior years | (69) | (118) |
| Tax charge for the year | <u>3,043</u> | <u>3,069</u> |

c). Deferred tax

The provision for deferred tax consists of the following deferred tax assets:

| | 2017 | 2016 |
|--------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Accelerated capital allowances | 254 | 406 |
| Total provision | <u>254</u> | <u>406</u> |

d). Factors that may affect future tax charges

The standard rate of corporation tax in the UK will change to 17% with effect from 1 April 2020.

Oaktree Capital UK Limited

Notes to the financial statements
For the year ended 31 December 2017

11. Debtors: amounts falling due within one year

| | 2017 £'000 | Restated 2016 £'000 |
|------------------------------------|---------------|---------------------------|
| Amounts owed by group undertakings | - | 1,678 |
| Other debtors | 1 | - |
| | <u>1</u> | <u>1,678</u> |

12. Debtors: amounts falling due after one year

| | 2017 £'000 | 2016 £'000 |
|-------------------|---------------|---------------|
| Deferred taxation | 254 | 406 |
| | <u>254</u> | <u>406</u> |

The deferred tax asset relates to timing differences on the recognition of capital allowances. The Directors anticipate realisation of taxable profits in future years, supporting the recoverability and recognition of the deferred tax asset.

13. Creditors: amounts falling due within one year

| | 2017 £'000 | Restated 2016 £'000 |
|------------------------------------|---------------|---------------------------|
| Amounts owed to group undertakings | 19,454 | 19,435 |
| Taxation and social security | 5,042 | 3,078 |
| Accruals and deferred income | 20 | 20 |
| | <u>24,516</u> | <u>22,533</u> |

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

| | 2017 £'000 | 2016 £'000 |
|------------------------------------|---------------|---------------|
| Amounts owed to group undertakings | 68,074 | 60,276 |
| | <u>68,074</u> | <u>60,276</u> |

At the year-end €76,689,000 (2016: €70,614,000) (£68,074,000) (2016: £60,276,000) of principal and accrued interest was outstanding in respect of loan notes. The notes are denominated in Euro and have a maturity date of 31 December 2036.

Recognised within the Statement of comprehensive income for 2017 is a foreign exchange loss of £2,780,000 (2016: £8,307,000) on the translation of the payable into Sterling at the 31 December 2017 exchange rate.

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

Oaktree Capital UK Limited

**Notes to the financial statements
For the year ended 31 December 2017**

| | | |
|--|--------------|--------------|
| 15. Called up share capital | 2017 | 2016 |
| | £'000 | £'000 |
| Authorised, issued and fully paid ordinary shares of £1 each | <u>1</u> | <u>1</u> |
| | <u>1</u> | <u>1</u> |

| | | |
|---|-----------------|--------------------------|
| 16. Profit and loss account | 2017 | Restated 2016 |
| | £'000 | £'000 |
| Profit and loss account as at 1 January | (7,849) | 3,829 |
| Loss for the financial year | <u>(9,437)</u> | <u>(11,678)</u> |
| Profit and loss account as at 31 December | <u>(17,286)</u> | <u>(7,849)</u> |

| | | |
|---|-----------------|--------------------------|
| 17. Reconciliation of movements in shareholder's (deficit)/funds | 2017 | Restated 2016 |
| | £'000 | £'000 |
| Shareholder's (deficit)/funds as at 1 January | (7,848) | 3,830 |
| Loss for the financial year | <u>(9,437)</u> | <u>(11,678)</u> |
| Shareholder's deficit as at 31 December | <u>(17,285)</u> | <u>(7,848)</u> |

18. 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.

19. 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. OCGH 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.

Oaktree Capital UK Limited

**Notes to the financial statements
For the year ended 31 December 2017**

20. Restatement of comparatives

The comparative figures for the year ended 31 December 2016 and brought forward retained earnings at 1 January 2016 have been restated to reflect a reassessment of the taxable profits, and current tax charge arising thereon, from investments held by the Company's subsidiary, Oaktree Capital Management (UK) LLP (the LLP). The Company is subject to UK Corporation Tax on its allocation of the LLP's profits.

The reassessment represents changes in the approach to taxation of the Company's allocation of profits from the LLP's management of the Arbour CLO funds. The effect of the revision to these estimates is an increase in the current tax provision, and a reduction in retained earnings, at as 1 January 2016 of £467,000, and an increase in the current tax charge, and reduction in profits, for the year ended 31 December 2016 by £2,637,000 to £3,187,000 from £550,000 as previously reported.

Set out below is the impact of the restatement on the loss for the financial year ended 31 December 2016, and the total shareholder's funds as at 31 December 2016.

| Reconciliation of changes to the Statement of comprehensive income for the year ended 31 December 2016 | As previously reported £'000 | Effect of restatement £'000 | Restated 2016 £'000 |
|---|---|--|------------------------------------|
| Loss on ordinary activities before taxation | (8,879) | - | (8,879) |
| Tax on loss on ordinary activities | (162) | (2,637) | (2,799) |
| Loss for the financial year | (9,041) | (2,637) | (11,678) |
| Other comprehensive income | - | - | - |
| Total comprehensive loss for the year | (9,041) | (2,637) | (11,678) |

Oaktree Capital UK Limited

**Notes to the financial statements
For the year ended 31 December 2017**

20. Restatement of comparatives (continued)

| Reconciliation of changes to the Statement of financial position as at 31 December 2016 | As previously reported £'000 | Effect of restatement £'000 | Restated 2016 £'000 |
|--|---|--|------------------------------------|
| Fixed assets | 72,876 | - | 72,876 |
| Current assets | 2,111 | (26) | 2,085 |
| Creditors: amounts falling due within one year | (19,455) | (3,078) | (22,533) |
| Net current liabilities | (17,344) | (3,104) | (20,448) |
| Total assets less current liabilities | 55,532 | (3,104) | 52,428 |
| Creditors: amounts falling due after more than one year | (60,276) | - | (60,276) |
| Net liabilities | (4,744) | (3,104) | (7,848) |
| Capital and reserves | | | |
| Called up share capital | 1 | - | 1 |
| Profit and loss account | (4,745) | (3,104) | (7,849) |
| Shareholder's funds | (4,744) | (3,104) | (7,848) |

| Reconciliation of changes to the Statement of changes in equity for the year ended 31 December 2016 | As previously reported £'000 | Effect of restatement £'000 | Restated 2016 £'000 |
|--|---|--|------------------------------------|
| Shareholders' funds at 1 January 2016 | 4,297 | - | 4,297 |
| Restatement | - | (467) | (467) |
| Restated balance at 1 January 2016 | 4,297 | (467) | 3,830 |
| Loss for the year | (9,041) | (2,637) | (11,678) |
| Total comprehensive income for the year | (9,041) | (2,637) | (11,678) |
| Shareholders' funds at 31 December 2016 | (4,744) | (3,104) | (7,848) |