

Oaktree Capital Management Limited

**Directors' Report and Financial Statements
for the year ended 31 December 2012**

Registered number

3592405



Oaktree Capital Management Limited

**Directors' Report and Financial Statements
for the year ended 31 December 2012**

Registered office

27 Knightsbridge, 4th Floor
London, United Kingdom, SW1X 7LY

Independent auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London, United Kingdom, SE1 2RT

Directors

Mr David George Johnston
Mr Dominic Keenan
Mr Thomas William Ware

Oaktree Capital Management Limited
Directors' Report for the year ended 31 December 2012

The directors present their report and the audited financial statements of Oaktree Capital Management Limited (the "Company") for the year ended 31 December 2012. The Company commenced its principal activities on 4 May 1999 and became a member of IMRO (reference number 5084) on 24 June 1999. Since 1 December 2001, the Company has been regulated by the Financial Services Authority ("FSA") (reference number 189880). Following the business transfer to Oaktree Capital Management (UK) LLP, described below, on 16 November 2011 the Company ceased performing regulated activities and therefore requested the FSA cancel its authorisation. The cancellation was effective from 5 December 2011.

Business review and principal activities

The Company is a private company limited by shares, incorporated under the laws of England and Wales. The Company is a majority-owned subsidiary of Oaktree International Holdings, LLC ("Holdings"). During 2007 the parent of Holdings converted from Oaktree Capital Management, LLC (the "former Parent"), to Oaktree Capital Management (Cayman) L.P. This is the result of a reorganisation of the former Parent, which was separated into separate operating entities. These separate operating entities are ultimately controlled by Oaktree Capital Group Holdings L.P. ("OCGH"). Holdings and OCGH are a limited liability company and a limited partnership, respectively, incorporated in the United States.

The principal activity of the Company is acting as a guarantor under certain lease obligations of Oaktree Capital Management (UK) LLP, (the LLP). There are no plans to liquidate the Company until the lease obligation is satisfied.

The loss after taxation for the year ended 31 December 2012 was £179,000 (2011: £14,377,000) as set out in the profit and loss account on page 6. No dividend was paid for the period ended 31 December 2012 (2011: Nil).

Given the straightforward nature of the business, the Company's 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.

Directors

The Directors who held office during the year are given below:

Mr Howard Stanley Marks (Company Chairman) {resigned 9 March 2012}
Mr William Richard Moores {resigned 31 January 2012}
Mr Sheldon Michael Stone {resigned 9 March 2012}

One director is entitled to shares in OCGH under a long-term incentive scheme for qualifying services to the Company.

On 8 March 2012 the shareholders appointed new Directors as

Mr David George Johnston
Mr Dominic Keenan
Mr Thomas William Ware

Oaktree Capital Management Limited
Directors' Report for the year ended 31 December 2012

Statement of directors' responsibilities

The directors are responsible for preparing the 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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.

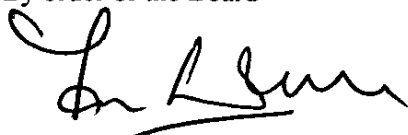
Statement of disclosure of information to auditors

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.

By order of the Board



Mr Thomas William Ware
Director

25 September 2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OAKTREE CAPITAL MANAGEMENT LIMITED

We have audited the financial statements of Oaktree Capital Management Limited for the year ended 31st December 2012 which comprise of Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. 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).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31st December 2012 and of its loss and cash flows 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.

Opinion on other matter prescribed by the Companies Act 2006

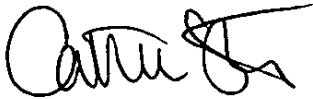
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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



Catherine Lester (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 September 2013

Oaktree Capital Management Limited

**Profit and Loss Account
For the Year Ended 31 December 2012**

	<i>Notes</i>	2012 £'000	2011 £'000
Turnover	2	-	35,119
Administrative expenses	4,6	<u>(9)</u>	<u>(49,134)</u>
Operating loss		(9)	(14,015)
Interest receivable and similar income		<u>4</u>	<u>46</u>
Loss on ordinary activities before taxation		(5)	(13,969)
Tax on loss on ordinary activities	8	<u>(174)</u>	<u>(408)</u>
Loss for the financial year		<u>(179)</u>	<u>(14,377)</u>

All activities are continuing operations

There is no difference between the loss on ordinary activities for the years and its historical cost equivalent

The Company had no recognised gains or losses other than those disclosed in the loss above and therefore no separate statement of total recognised gains and losses has been presented

The annexed notes on pages 9 to 14 form an integral part of these financial statements

Oaktree Capital Management Limited

Balance Sheet

As at 31 December 2012

Company Number 3592405

	<i>Notes</i>	2012 £'000	2011 £'000
Current assets			
Debtors	9	19,435	19,609
Cash at bank and in hand		-	6,512
		<u>19,435</u>	<u>26,121</u>
Creditors: amounts falling due within one year	10	<u>(5)</u>	<u>(6,512)</u>
Net current assets		<u>19,430</u>	<u>19,609</u>
Net assets		<u>19,430</u>	<u>19,609</u>
Capital and reserves			
Called up share capital	13	11,600	11,600
Equity-based compensation	16	66,180	66,180
Profit and loss account	14	<u>(58,350)</u>	<u>(58,171)</u>
Total shareholders' funds	15	<u>19,430</u>	<u>19,609</u>

The financial statements on pages 6 to 14 were approved by the Board of Directors on 25 September 2013 and were signed on its behalf by



Mr Thomas William Ware
Director

The annexed notes on pages 9 to 14 form an integral part of these financial statements

Oaktree Capital Management Limited

**Cash Flow Statement
For the Year Ended 31 December 2012**

	<i>Notes</i>	2012 £'000	2011 £'000
Net cash outflow from operating activities	<i>11</i>	<u>(6,516)</u>	<u>(30,140)</u>
Returns on investments and servicing of finance			
Interest received		4	46
Taxation		-	(1,351)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		-	(1,299)
Disposal of tangible fixed assets		-	4,805
Disposal of investment in funds		-	21
Financing			
Dividend paid		<u>-</u>	<u>-</u>
Decrease in cash	<i>12</i>	<u>(6,512)</u>	<u>(27,918)</u>

The annexed notes on pages 9 to 14 form an integral part of these financial statements

Oaktree Capital Management Limited

Notes to the Financial Statements For the Year Ended 31 December 2012

1. Accounting policies

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. 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.

a. 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.

b. Operating leases

All leases are operating leases. The annual rentals are charged to operating profit on a straight-line basis over the terms of the leases.

c. Foreign Exchange

Monetary assets and liabilities denominated in foreign currencies, outstanding at the balance sheet date, are translated at the rates ruling at that date. Foreign currency transactions undertaken by the UK operations are translated into sterling at the exchange rates ruling at the time of the transactions and foreign exchange profits and losses arising are treated as part of the company's profit and loss on ordinary activities.

2. Turnover

	2012	2011
	£'000	£'000
Fees charged to Oaktree	-	32,606
Fees received and receivable from third parties	-	2,513
	<u>-</u>	<u>35,119</u>

3. Related party transactions

The Company is a majority-owned subsidiary (99%) of Oaktree International Holdings, LLC ("Holdings").

The Company has also participated in transactions with majority-owned subsidiaries of Holdings. See Notes 9 and 10 for outstanding amounts.

The amount due from related party is unsecured, has no fixed repayment terms and is non-interest bearing.

Oaktree Capital Management Limited

Notes to the Financial Statements For the Year Ended 31 December 2012

4. Loss on ordinary activities before taxation

This is stated after charging

	2012	2011
	£'000	£'000
Staff costs – see <i>Notes 6 and 16</i>	-	42,071
Operating lease charges	-	1,938
Professional services	-	786
Auditor's remuneration - audit services	5	28
Auditor's remuneration - taxation services	-	292
Depreciation of tangible fixed assets	-	617
Foreign exchange loss	4	487

5. Directors' emoluments

No emoluments were paid to Directors for the year ended 31 December 2012. Two directors received remuneration during the year ended 31 December 2011 totaling £7,190,492.

The total remuneration received by the highest paid director during the year ended 31 December 2011 was £7,102,543. Shares in OCGH were received in respect of qualifying services under a long-term incentive scheme.

6. Staff costs and employee information

	2012	2011
	£'000	£'000
Wages and salaries	-	20,435
Equity-based compensation – see <i>Note 16</i>	-	16,471
Social security costs	-	4,253
Other benefit costs	-	912
	-	42,071

	2012	2011
	Average	Average
	Staff	Staff
	Number	Number
Administration	-	41
Investment management	-	45
	-	86

Oaktree Capital Management Limited

Notes to the Financial Statements For the Year Ended 31 December 2012

7. Operating leases

There is no operating lease expense for 2012 as all leases were transferred to the LLP in November 2011. The total rentals under operating leases for office space, charged as an expense in the profit and loss account, were £1,938,000 for the year ended 31 December 2011.

8. Tax on loss on ordinary activities

The charge for taxation, which is based on the profit for the period, amounted to

	2012 £'000	2011 £'000
Current tax:		
Current year UK corporation tax at 24.5% (2011: 26.5%)	-	742
Under provision in prior year	174	32
	<u>174</u>	<u>774</u>
Deferred tax:		
Origination and reversal of timing differences	-	(366)
Tax on loss on ordinary activities	<u>174</u>	<u>408</u>
Deferred tax liability:		
At start of period	-	358
Deferred tax credit in profit and loss account	-	(358)
At end of period	<u>-</u>	<u>-</u>

The tax assessed for the year differs from the effective standard rate in the United Kingdom corporation tax of 24.5 (2011: 26.5%). The differences are explained below:

	2012 £'000	2011 £'000
Loss on ordinary activities at the UK tax rate 24.5 (2011: 26.5%)	<u>-</u>	<u>(3,702)</u>
Effects of:		
Expenses not deductible for tax purposes	-	4,385
Accelerated capital allowances/other timing differences	-	60
Adjustments to tax charge in respect of previous periods	174	31
Current tax charge	<u>174</u>	<u>774</u>

Oaktree Capital Management Limited

Notes to the Financial Statements For the Year Ended 31 December 2012

9. Debtors

	As at 31 December 2012 £'000	As at 31 December 2011 £'000
Amounts due from Oaktree Capital UK Limited	<u>19,435</u>	<u>19,609</u>

The decrease in the balance relates to the under provision of taxes in prior year which was settled through an inter-company transaction

10. Creditors: amounts falling due within one year

	As at 31 December 2012 £'000	As at 31 December 2011 £'000
Amounts owed to the LLP	-	6,512
Accruals	<u>5</u>	<u>-</u>
	<u>5</u>	<u>6,512</u>

Amounts owed to the LLP and affiliated entities are unsecured, interest free and repayable on demand

11. Reconciliation of operating loss to net cash outflow from operating activities

	2012 £'000	2011 £'000
Operating loss	(9)	(14,015)
Depreciation	-	617
Equity-based compensation	-	16,471
Increase in debtors	-	(13,899)
Decrease in creditors	<u>(6,507)</u>	<u>(19,314)</u>
Net cash outflow from operating activities	<u>(6,516)</u>	<u>(30,140)</u>

Oaktree Capital Management Limited

Notes to the Financial Statements For the Year Ended 31 December 2012

12. Analysis of changes in cash during the period

	2012 £'000	2011 £'000
Balance of cash at bank as at beginning of year	6,512	34,430
Net cash outflow	<u>(6,512)</u>	<u>(27,918)</u>
Balance of cash at bank as at end of year	<u>-</u>	<u>6,512</u>

13. Called-up share capital

	As at 31 December 2012	As at 31 December 2011
Authorised, issued and fully paid ordinary shares of £1 each	<u>11,600,000</u>	<u>11,600,000</u>

14. Profit and Loss Account

	2012 £'000	2011 £'000
Profit and loss account as at beginning of year	(58,171)	(43,794)
Loss for the financial year	<u>(179)</u>	<u>(14,377)</u>
Profit and loss account as at end of year	<u>(58,350)</u>	<u>(58,171)</u>

15. Reconciliation of movement in shareholders' funds

	2012 £'000	2011 £'000
Loss for the financial year	(179)	(14,377)
Equity-based compensation related credit – <i>see Note 16</i>	-	16,471
Shareholders' funds as at beginning of year	<u>19,609</u>	<u>17,515</u>
Shareholders' funds as at end of year	<u>19,430</u>	<u>19,609</u>

There were no additional shares issued in 2012 (2011 Nil)

Oaktree Capital Management Limited

Notes to the Financial Statements For the Year Ended 31 December 2012

16. Equity-Based Compensation

In May 2007, the former Parent was reorganised from a limited liability company into five limited partnerships (collectively, Oaktree Operating Group) in conjunction with a private over-the-counter equity offering of Class A units by newly-formed Oaktree Capital Group, LLC ("OCG"). The business of OCG is conducted by the Oaktree Operating Group.

As part of the reorganisation, units in OCGH, the newly formed ultimate parent company, were issued to holders of interests in the former parent and to other individuals. These OCGH units vest over five years, and both vested and non-vested units are entitled to distributions from the Oaktree Operating Group through OCGH. From time to time, the general partner of OCGH may designate dates on which holders of OCGH units ("OCGH Unitholders") may have their vested OCGH units exchanged for units of OCG, by way of an exchange agreement. Holders of OCG units share ratably in any authorized distributions. The partnership agreement of OCGH generally provides that, in the event an individual's employment with the Oaktree Operating Group is terminated for any reason, the unvested portion of his or her OCGH units will be forfeited and, generally, will be reallocated among other OCGH Unitholders, unless the termination is due to his or her death or disability.

As a result of the service requirement of the OCGH units held by employees of the Company and subject to the risk of forfeiture, an amount equal to the fair value of OCGH units on the grant date is charged to compensation expense over the related service period of five years. The fair market value on grant date has been determined by reference to the US dollar share price of the equity in the private over-the-counter offering. This transaction is treated as an equity-settled share-based transaction so that when the Company records this equity-based compensation expense, a corresponding increase in capital is also recorded.

There is no equity-based compensation expense recognized for the year ended 31 December 2012. Equity-based compensation expense of £16,471,000 was recognised for the year ended 31 December 2011 and is included in the wages and salaries as disclosed in Note 6. During the period, twelve thousand five hundred OCGH units were forfeited and one hundred thirteen thousand units were transferred.

17. Ultimate parent undertaking

The immediate parent undertaking is Oaktree International Holdings, LLC ("Holdings").

The ultimate parent undertaking and controlling party is Oaktree Capital Group Holdings L.P. ("OCGH").