

Oaktree Capital Management Limited

**Annual Report and Financial Statements
for the Year Ended 31 December 2016**

Registered number

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Oaktree Capital Management Limited

**Annual Report and Financial Statements
for the Year Ended 31 December 2016**

Registered Office

27 Knightsbridge
London, United Kingdom, SW1X 7LY

Independent Auditors

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

Directors

D Keenan
J Myrtetus (resigned 23 May 2016)
T Ware

Oaktree Capital Management Limited
Strategic Report for the Year Ended 31 December 2016

The directors present their strategic report for Oaktree Capital Management Limited for the year ended 31 December 2016.

Business Review and Financial Position

For the year under review, the profit and loss and year-end position of Oaktree Capital Management Limited (the "Company") are disclosed in the body of the financial statements. The loss for the financial year ended 31 December 2016 was £8,000 (2015: £9,000) as set out in the Statement of Comprehensive Income on page 8.

At 31 December 2016 the company had net assets of £19,648,000 (2015: £19,656,000) as set out in the Statement of Financial Position on page 9.

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.

Principal Risks

The overall Oaktree Capital Group, LLC ("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 director is charged with assessing the risks underlying their area of responsibility and instituting controls to mitigate the identified risks.

The directors have considered the risks associated with the Company's activities and financial position at the year end.

The Company is exposed to financial risk through its financial assets and financial liabilities. The most important component of its financial risk is the credit risk of suffering financial loss should any of the Company's counterparties fail to fulfil their contractual obligations. This credit exposure is significantly reduced by virtue of the fact that most of the Company's counterparties are other subsidiaries and affiliates of Oaktree Group.

On behalf of the Board



T Ware
Director

22 March 2017

Oaktree Capital Management Limited
Directors' Report for the Year Ended 31 December 2016

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2016.

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").

The principal activity of the Company is acting as a guarantor under certain lease obligations of Oaktree Capital Management (UK) LLP ("the LLP").

Going Concern

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 2016 (2015: 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.

Financial Risk Management

The Company's approach to financial risk management is set out in the Strategic Report on page 2.

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 Management Limited
Directors' Report for the Year Ended 31 December 2016 (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 & Young LLP has indicated its willingness to be appointed as auditors and a resolution concerning their reappointment will be proposed at the next Directors' meeting.

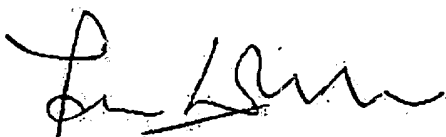
Statement of Disclosure of Information to Auditors

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



T Ware
Director

22 March 2017

Oaktree Capital Management Limited
Independent Auditors' Report to the Members of Oaktree Capital Management Limited

We have audited the financial statements of Oaktree Capital Management Limited (the "Company") for the year ended 31 December 2016, which comprise of the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland").

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 and 4, 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.

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Oaktree Capital Management Limited
Independent Auditors' Report to the Members of Oaktree Capital Management Limited
(continued)

Opinion on other matter prescribed by the Companies Act 2006

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

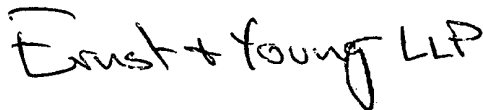
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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.



Ahmer Huda (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
22 March 2017

Oaktree Capital Management Limited

**Statement of Comprehensive Income
for the Year Ended 31 December 2016**

	<i>Notes</i>	2016 £'000	2015 £'000
Turnover		-	-
Administrative expenses	5	<u>(10)</u>	<u>(9)</u>
Operating loss	5	(10)	(9)
Interest receivable and similar income		<u>2</u>	<u>-</u>
Loss on ordinary activities before taxation		(8)	(9)
Tax on loss on ordinary activities	8	<u>-</u>	<u>-</u>
Loss for the financial year	12	(8)	(9)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss for the year		<u>(8)</u>	<u>(9)</u>

All activities relate to continuing operations.

The notes on pages 10 to 14 form an integral part of the financial statements.

Oaktree Capital Management Limited

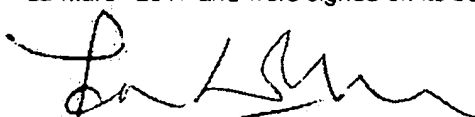
Statement of Financial Position

as at 31 December 2016

Company Number 03592405

	<i>Notes</i>	2016 £'000	2015 £'000
Current assets			
Debtors	9	19,526	19,526
Cash at bank and in hand		4,148	4,146
		<u>23,674</u>	<u>23,672</u>
Creditors: amounts falling due within one year	10	<u>(4,026)</u>	<u>(4,016)</u>
Net current assets		<u>19,648</u>	<u>19,656</u>
Net assets		<u>19,648</u>	<u>19,656</u>
Capital and reserves			
Called up share capital	11	11,950	11,950
Equity-based compensation	12	66,180	66,180
Profit and loss account	13	(58,482)	(58,474)
Total shareholder's funds	14	<u>19,648</u>	<u>19,656</u>

The financial statements on pages 8 to 14 were approved by the Board of Directors on 22 March 2017 and were signed on its behalf:



T Ware
Director

The notes on pages 10 to 14 form an integral part of the financial statements.

Oaktree Capital Management Limited

**Statement of Changes in Equity
for the Year Ended 31 December 2016**

	Notes	Called up share capital £'000	Equity-based compensation £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2015		11,600	66,180	(58,465)	19,315
Issue of share capital	11	350	-	-	350
Total comprehensive loss for the year	13	-	-	(9)	(9)
Balance at 31 December 2015	14	11,950	66,180	(58,474)	19,656
Balance at 1 January 2016		11,950	66,180	(58,474)	19,656
Total comprehensive loss for the year	13	-	-	(8)	(8)
Balance at 31 December 2016	14	11,950	66,180	(58,482)	19,648

The notes on pages 10 to 14 form an integral part of the financial statements.

Oaktree Capital Management Limited

Notes to the Financial Statements As at 31 December 2016

1. Statement of Compliance

The individual financial statements of Oaktree Capital Management Limited have been prepared in compliance United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and 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

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. 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 Management Limited

**Notes to the Financial Statements
As at 31 December 2016**

2. Summary of Significant Accounting Policies (*continued*)

e. 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.

f. 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.

During the year ended 31 December 2016 there were no such areas which required judgements or which had estimation uncertainty.

4. Financial Instrument Risk

The Company's operations have exposure to certain financial risks, including credit and liquidity 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.

Oaktree Capital Management Limited

Notes to the Financial Statements As at 31 December 2016

4. Financial Instrument Risk (*continued*)

i). Credit risk

The Company is exposed to credit risk, which 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

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

5. Operating Loss

The loss on ordinary activities for the year has been stated after charging the following:

	2016 £'000	2015 £'000
Auditors' remuneration - audit services	6	6
Auditors' remuneration - taxation services	4	3

6. Directors' Emoluments

The directors did not receive any emoluments in respect of their services to the Company (2015: £nil).

7. Staff Costs and Employee Information

During the year ended 31 December 2016 the Company had no employees (2015: nil).

8. Tax on Loss on Ordinary Activities

a). Tax expense included in profit or loss

	2016 £'000	2015 £'000
Current tax		
UK corporation tax on profits for the year	-	-
Adjustments in respect of prior years	-	-
Tax on loss on ordinary activities	-	-

b). Reconciliation of tax charge:

The tax assessed for the year is at the standard rate in the United Kingdom corporation tax of 20% (2015: 20.25%).

Oaktree Capital Management Limited

**Notes to the Financial Statements
As at 31 December 2016**

8. Tax on Loss on Ordinary Activities (continued)

c). Factors that may affect future tax charges

The standard rate of corporation tax in the UK will change to 19% with effect from 1 April 2017.

9. Debtors

	2016 £'000	2015 £'000
Amounts owed by group undertakings	19,435	19,435
Other debtors	91	91
	<u>19,526</u>	<u>19,526</u>

10. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Amounts owed to group undertakings	4,013	4,003
Accruals	13	13
	<u>4,026</u>	<u>4,016</u>

Amounts owed by/to group undertakings are unsecured and repayable on demand.

11. Called Up Share Capital

Authorised, issued and fully paid ordinary shares of £1 each

	2016 £'000	2015 £'000
Balance as at 1 January	11,950	11,600
Issue of share capital during the year	-	350
Balance as at 31 December	<u>11,950</u>	<u>11,950</u>

12. Equity-Based Compensation

The equity-based compensation balance within reserves relates to the Company's participation in an equity settled share based compensation scheme, established by Oaktree Capital Group Holdings L.P. ("OCGH"). The Company's participation in the scheme ceased during 2011.

The scheme provided for the granting of OCGH units to Company employees and has been accounted for in accordance with FRS102, section 26. During the periods the Company participated in the scheme, an amount equal to the fair value of the units awarded on grant date was charged to compensation expense in the Statement of Comprehensive Income. When charges were taken to the Statement of Comprehensive Income a corresponding increase in equity was also recorded.

Oaktree Capital Management Limited

**Notes to the Financial Statements
As at 31 December 2016**

13. Profit and Loss Account

	2016 £'000	2015 £'000
Profit and loss account as at 1 January	(58,474)	(58,465)
Loss for the financial year	(8)	(9)
Profit and loss account as at 31 December	<u>(58,482)</u>	<u>(58,474)</u>

14. Reconciliation of Movements in Shareholder's Funds

	2016 £'000	2015 £'000
Shareholder's funds as at 1 January	19,656	19,315
Issue of share capital	-	350
Loss for the financial year	(8)	(9)
Shareholder's funds as at 31 December	<u>19,648</u>	<u>19,656</u>

15. Related Party Transactions

The Company is a wholly owned subsidiary of Oaktree Group, whose Annual Report can be obtained from the address below (note 16). 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.

16. 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.

17. Subsequent Events

In January 2017 the Company served notice to terminate operating leases held in respect of the office premises at 27 Knightsbridge. The leases are expected to terminate by 30 June 2017.