

Oaktree Capital Management Limited

**Annual report and financial statements
for the year ended 31 December 2018**

Registered number
03592405



Oaktree Capital Management Limited

**Annual report and financial statements
for the year ended 31 December 2018**

Registered office

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

Independent auditors

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

Directors

C Cartwright (appointed 5 November 2018)
D Keenan
T Ware (resigned 5 November 2018)

Oaktree Capital Management Limited
Strategic report for the year ended 31 December 2018

The Directors present their Strategic report for Oaktree Capital Management Limited for the year ended 31 December 2018.

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 2018 was £14,000 (2017: £68,000) as set out in the Statement of comprehensive income on page 8.

At 31 December 2018 the Company had net assets of £19,566,000 (2017: £19,580,000) 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



D Keenan
Director

8 April 2019

Oaktree Capital Management Limited
Directors' report for the year ended 31 December 2018

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2018.

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 was acting as a guarantor under certain lease obligations of Oaktree Capital Management (UK) LLP ("the LLP"), held in respect of the former office premises at 27 Knightsbridge, London. In 2017 the LLP relocated its offices to Verde, 10 Bressenden Place, London and the leases were terminated. At the date of the financial statements there are no plans to liquidate the company.

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 2018 (2017: 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").

Oaktree Capital Management Limited
Directors' report for the year ended 31 December 2018 (continued)

Statement of directors' responsibilities (continued)

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.

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



D Keenan
Director

8 April 2019

Oaktree Capital Management Limited
Independent auditors' report to the Members of Oaktree Capital Management Limited

Opinion

We have audited the financial statements of Oaktree Capital Management Limited for the year ended 31 December 2018 which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity and the related notes 1 to 16, 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 2018 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.

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.

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.

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

Other information (continued)

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 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, 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.

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

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.

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.



Ahmer Huda (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
8 April 2019

Oaktree Capital Management Limited

**Statement of comprehensive income
for the year ended 31 December 2018**

| | <i>Notes</i> | 2018 £'000 | 2017 £'000 |
|--|--------------|-----------------------|-----------------------|
| Turnover | | - | - |
| Administrative expenses | 5 | <u>(14)</u> | <u>(71)</u> |
| Operating loss | | (14) | (71) |
| Interest receivable and similar income | | <u>-</u> | <u>3</u> |
| Loss on ordinary activities before taxation | | (14) | (68) |
| Tax on loss on ordinary activities | 8 | <u>-</u> | <u>-</u> |
| Loss for the financial year | | (14) | (68) |
| Other comprehensive income | | <u>-</u> | <u>-</u> |
| Total comprehensive loss for the year | | <u>(14)</u> | <u>(68)</u> |

All activities relate to continuing operations.

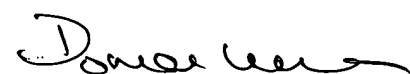
The notes on pages 11 to 15 form an integral part of the financial statements.

Oaktree Capital Management Limited

**Statement of financial position
as at 31 December 2018
Company number 03592405**

| | Notes | 2018 £'000 | 2017 £'000 |
|---|-------|-----------------|-----------------|
| Current assets | | | |
| Debtors | 9 | 19,435 | 19,435 |
| Cash at bank and in hand | | 242 | 242 |
| | | <u>19,677</u> | <u>19,677</u> |
| Creditors: amounts falling due within one year | 10 | <u>(111)</u> | <u>(97)</u> |
| Net current assets | | <u>19,566</u> | <u>19,580</u> |
| Net assets | | <u>19,566</u> | <u>19,580</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 | <u>(58,564)</u> | <u>(58,550)</u> |
| Total shareholder's funds | 14 | <u>19,566</u> | <u>19,580</u> |

The financial statements on pages 8 to 15 were approved by the Board of Directors on 8 April 2019 and were signed on its behalf:



D Keenan
Director

The notes on pages 11 to 15 form an integral part of the financial statements.

Oaktree Capital Management Limited

**Statement of changes in equity
for the year ended 31 December 2018**

| | <i>Notes</i> | Called up share capital £'000 | Equity-based compensation £'000 | Profit and loss account £'000 | Total £'000 |
|--|--------------|--|--|--|------------------------|
| Balance at 1 January 2017 | | 11,950 | 66,180 | (58,482) | 19,648 |
| Total comprehensive loss for the year | 13 | - | - | (68) | (68) |
| Balance at 31 December 2017 | 14 | 11,950 | 66,180 | (58,550) | 19,580 |
| Balance at 1 January 2018 | | 11,950 | 66,180 | (58,550) | 19,580 |
| Total comprehensive loss for the year | 13 | - | - | (14) | (14) |
| Balance at 31 December 2018 | 14 | 11,950 | 66,180 | (58,564) | 19,566 |

The notes on pages 11 to 15 form an integral part of the financial statements.

Oaktree Capital Management Limited

Notes to the financial statements for the year ended 31 December 2018

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 for the year ended 31 December 2018

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 2018 there were no such areas which required judgements or which had estimation uncertainty.

Oaktree Capital Management Limited

Notes to the financial statements for the year ended 31 December 2018

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.

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 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.

5. Operating loss

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

| | 2018 | 2017 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Auditors' remuneration - audit services | 6 | 6 |
| Auditors' remuneration - taxation services | 5 | 4 |

6. Directors' emoluments

The Directors did not receive any emoluments in respect of their services to the Company (2017: £nil).

7. Staff costs and employee information

During the year ended 31 December 2018 the Company had no employees (2017: nil).

Oaktree Capital Management Limited**Notes to the financial statements
for the year ended 31 December 2018****8. Tax on loss on ordinary activities****a). Tax expense included in profit or loss**

| | 2018 | 2017 |
|--|--------------|--------------|
| | £'000 | £'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 19% (2017: 19.25%).

c). 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.

9. Debtors

| | 2018 | 2017 |
|------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Amounts owed by group undertakings | 19,435 | 19,435 |
| | <u>19,435</u> | <u>19,435</u> |

10. Creditors: amounts falling due within one year

| | 2018 | 2017 |
|------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Amounts owed to group undertakings | 97 | 84 |
| Accruals | 14 | 13 |
| | <u>111</u> | <u>97</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

| | 2018 | 2017 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Balance as at 1 January | 11,950 | 11,950 |
| Issue of share capital during the year | - | - |
| Balance as at 31 December | <u>11,950</u> | <u>11,950</u> |

Oaktree Capital Management Limited

Notes to the financial statements for the year ended 31 December 2018

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.

13. Profit and loss account

| | 2018 | 2017 |
|---|-----------------|-----------------|
| | £'000 | £'000 |
| Profit and loss account as at 1 January | (58,550) | (58,482) |
| Loss for the financial year | (14) | (68) |
| Profit and loss account as at 31 December | <u>(58,564)</u> | <u>(58,550)</u> |

14. Reconciliation of movements in shareholder's funds

| | 2018 | 2017 |
|---------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Shareholder's funds as at 1 January | 19,580 | 19,648 |
| Loss for the financial year | (14) | (68) |
| Shareholder's funds as at 31 December | <u>19,566</u> | <u>19,580</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.