

Oaktree Capital Management Limited

**Directors' Report and Financial Statements
for the year ended 31 December 2001**

Registered number

3592405



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Oaktree Capital Management Limited

**Directors' Report and Financial Statements
for the year ended 31 December 2001**

Registered office

2nd Floor, 1 Creed Court
5 Ludgate Hill
London EC4M 7AA, England

Oaktree Capital Management Limited
Directors' Report for the year ended 31 December 2001

The directors present their report and the audited financial statements of the company for the year ended 31 December 2001. The Company commenced its principal activities on 4 May 1999 and became a member of IMRO (reference number 5084) on 24 June 1999. Beginning 1 December 2001, the Company is regulated by the Financial Services Authority (FSA) (reference number 189880).

Principal activity and results

Oaktree Capital Management Limited (the Company), a United Kingdom company, is a wholly-owned subsidiary of Oaktree International Holdings, LLC (Holdings), which is a wholly-owned subsidiary of Oaktree Capital Management, LLC (Oaktree). Holdings and Oaktree are limited liability companies in the United States.

The principal activity of the Company is providing investment management services for Oaktree in connection with an investment partnership in which Oaktree serves as general partner.

The profit after taxation for the year ended 31 December 2001 was £101,000 (£92,000 for the period ended 31 December 2000) as set out in the profit and loss account on page 6. No dividend will be paid for the period ended 31 December 2001. (2000 – Nil)

Directors

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

Mr. Howard Stanley Marks
Mr. William Richard Moores (Company Secretary)
Mr. Sheldon Michael Stone

Directors' interests

None of the directors held shares in the Company at any stage in the period from 3 July 1998 to 31 December 2001. The following directors of the Company held shares in Holdings:

	Shares held as at 31 December 2001	Shares held as at 31 December 2000
Howard Marks	212,000	193,000
Sheldon Stone	117,000	106,000

Oaktree Capital Management Limited
Directors' Report for the year ended 31 December 2001

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year that 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 those financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



WR Moores

Director

25 April 2002

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

We have audited the financial statements on pages 6 to 13.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

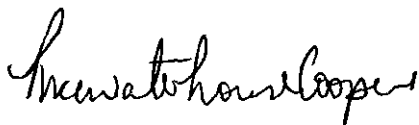
We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2001 of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script, appearing to read 'PricewaterhouseCoopers', is written over the printed name of the firm.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
25 April 2002

Oaktree Capital Management Limited

Profit and Loss Account

For the Year Ended 31 December 2001

	<i>Notes</i>	2001 £'000	2000 £'000
Turnover	2,16	1,228	1,049
Administrative expenses	4,5	<u>(1,116)</u>	<u>(956)</u>
Operating profit		112	93
Interest income		<u>25</u>	<u>24</u>
Profit on ordinary activities before taxation		137	117
Taxation on profit on ordinary activities	6	<u>(36)</u>	<u>(25)</u>
Profit for the financial year		<u>101</u>	<u>92</u>

All activities are continuing operations.

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

The annexed notes on pages 9 to 13 form an integral part of these financial statements.

Oaktree Capital Management Limited

Balance Sheet

As at 31 December 2001

	<i>Notes</i>	2001 £'000	2000 £'000
Fixed assets			
Tangible assets	8	166	200
Current assets			
Debtors	9	47	53
Cash at bank		984	888
		<u>1,031</u>	<u>941</u>
Creditors: amounts falling due within one year	10	<u>(573)</u>	<u>(618)</u>
Net current assets		<u>458</u>	<u>323</u>
Total assets less current liabilities		<u>624</u>	<u>523</u>
Capital and reserves			
Called up share capital	13	400	400
Profit and loss account	14	<u>224</u>	<u>123</u>
Total shareholders' funds (equity)		<u>624</u>	<u>523</u>

The financial statements on pages 6 to 13 were approved by the Board of Directors on 25 April 2002 and were signed on its behalf by:


WR Moores
Director

The annexed notes on pages 9 to 13 form an integral part of these financial statements.

Oaktree Capital Management Limited

Cash Flow Statement

For the Year Ended 31 December 2001

	<i>Notes</i>	2001 £'000	2000 £'000
Net cash inflow from operating activities	<i>11</i>	<u>121</u>	<u>511</u>
Returns on investments and servicing of finance			
Interest received		25	24
Taxation		(23)	(12)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		<u>(27)</u>	<u>(95)</u>
Increase in cash		<u>96</u>	<u>428</u>

The annexed notes on pages 9 to 13 form an integral part of these financial statements.

Oaktree Capital Management Limited

Notes to the Financial Statements For the Year Ended 31 December 2001

1. Accounting policies

The financial statements are prepared under the historical cost convention, in accordance with applicable accounting standards.

a. Turnover

Turnover is recorded as income as the related costs are incurred.

b. Tangible assets and depreciation

Depreciation of furniture and equipment is provided using the straight-line method over the estimated useful lives of the assets, which generally range from three to five years. The cost of leasehold improvements is amortised using the straight-line basis over the shorter of the respective estimated useful life or the lease term.

c. Taxation

The charge for UK taxation is based on the profit for the period.

d. 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.

2. Turnover

Turnover relates to the reimbursement of the Company's costs by Oaktree, equivalent to the Company's costs plus 10%.

All turnover is derived in the UK.

3. Directors' emoluments

Only one director received remuneration during the years ended 31 December 2001 and 2000. The remuneration was £420,000 and £415,000, respectively.

Oaktree Capital Management Limited

Notes to the Financial Statements For the Year Ended 31 December 2001

4. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging:

	Year ended 2001 £'000	Year ended 2000 £'000
Operating lease charges	71	72
Professional services	44	55
Auditor's remuneration	5	7
Depreciation of tangible fixed assets	61	39

5. Staff costs and employee information

The average number of persons employed by the Company was four during the year ended 31 December 2001, and three for the year ended 31 December 2000.

	Year ended 2001 £'000	Year ended 2000 £'000
Wages and salaries	744	580
Social security costs	33	95
Other benefit costs	14	7
	<u>791</u>	<u>682</u>

6. Taxation on profit on ordinary activities

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

	Year ended 2001 £'000	Year ended 2000 £'000
Current year corporation tax at 30%	40	25
Over provision in prior year	(4)	-
	<u>36</u>	<u>25</u>

Oaktree Capital Management Limited

Notes to the Financial Statements For the Year Ended 31 December 2001

7. Operating leases

The total rentals under an operating lease for office space, charged as an expense in the profit and loss account, were £71,000 and £72,000 for the years ended 31 December 2001 and 2000, respectively. Commitments during the year following the period of these accounts total £250,000 on the lease, which expires within two to five years.

8. Tangible assets

	Leasehold improvements £'000	Furniture & equipment £'000	Total £'000
Cost			
As at 1 January 2001	164	74	238
Additions for the year	6	21	27
As at 31 December 2001	170	95	265
Accumulated Depreciation			
As at 1 January 2001	19	19	38
Charges for the year	41	20	61
As at 31 December 2001	60	39	99
Net Book Amount			
As at 31 December 2001	110	56	166
As at 1 January 2001	145	55	200

9. Debtors

	As at 31 December 2001 £'000	As at 31 December 2000 £'000
Prepayments	17	18
Deposits	24	24
Taxation	4	—
VAT refund	2	11
	<u>47</u>	<u>53</u>

Oaktree Capital Management Limited

Notes to the Financial Statements

For the Year Ended 31 December 2001

10. Creditors: amounts falling due within one year

	As at 31 December 2001 £'000	As at 31 December 2000 £'000
Accrued compensation	465	421
Amounts owed to Oaktree	46	148
Taxation	40	23
Accruals	22	26
	<u>573</u>	<u>618</u>

11. Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 2001 £'000	Year ended 2000 £'000
Operating profit	112	93
Depreciation	61	39
Decrease in debtors	10	25
(Decrease) increase in creditors	(62)	354
Net cash inflow from operating activities	<u>121</u>	<u>511</u>

12. Analysis of changes in cash during the period

	Year ended 2001 £'000	Year ended 2000 £'000
Balance of cash at bank as at beginning of year	888	460
Net cash inflow	96	428
Balance of cash at bank as at end of year	<u>984</u>	<u>888</u>

Oaktree Capital Management Limited

Notes to the Financial Statements For the Year Ended 31 December 2001

13. Called-up share capital

	As at 31 December 2001	As at 31 December 2000
Authorised ordinary shares of £1 each	<u>400,000</u>	<u>400,000</u>
Issued and fully paid	<u>400,000</u>	<u>400,000</u>

14. Reserves

	Year ended 2001 £'000	Year ended 2000 £'000
Profit and loss account as at beginning of year	123	31
Retained profit	<u>101</u>	<u>92</u>
Profit and loss account as at end of year	<u>224</u>	<u>123</u>

15. Reconciliation in the movement in shareholder's funds

	Year ended 2001 £'000	Year ended 2000 £'000
Shareholder's funds as at beginning of year	523	431
Profit for the financial year	<u>101</u>	<u>92</u>
Shareholder's funds as at end of year	<u>624</u>	<u>523</u>

16. Related party transactions

The Company's sole business is providing investment management services for Oaktree in connection with an investment partnership in which Oaktree serves as general partner. For the periods ended 31 December 2001 and 2000, the Company received £1,228,000 and £1,049,000, respectively from Oaktree, which was recorded as turnover in the profit and loss account.