

**Pacific Alternative Asset Management
Company Europe LLP**

Registered No. OC304607

**Members' report and Financial Statements
for the period from 6 May 2003
to 31 December 2003**



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Registered Number: OC304607

REPORT AND FINANCIAL STATEMENTS 2003

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REPORT AND FINANCIAL STATEMENTS 2003

REGISTERED OFFICE AND PROFESSIONAL ADVISORS

Members

Pacific Alternative Asset Management Company LLC
Stephen Edward Oxley
Laura Durenard-Brain
Alper Ince

Auditors

RSM Robson Rhodes LLP
186 City Road
London
EC1V 2NU

Bankers

Bank of Scotland
59 Bath Street
Glasgow
G2 2DH

Registered Office

42 Berkeley Square
London
W1J 5AW

Registered Number: OC304607

Members' report

The members present their first annual report together with the financial statements of the partnership for the period from 6 May 2003 to 31 December 2003.

Incorporation and commencement

The Pacific Alternative Asset Management Company Europe Limited Liability Partnership ('LLP') was incorporated on 6 May 2003. The LLP was authorised to conduct investment business by the Financial Services Authority on 13 August 2003.

Principal activity and review of the business

The principal activity of the partnership is to provide investment services.

Results and distributions

The results for the period are shown in the profit and loss account on page 7. The partnership's balance sheet as detailed on page 8 shows a satisfactory position with members' interests' amounting to £193,955.

Members' profit allocation

Any profits are shared among the members and governed by the Partnership Agreement dated 1 August 2003.

Policy for members' drawings, subscriptions and repayment of members' capital

The Partnership Agreement dated 1 August 2003 governs policies for members' drawings, subscriptions and repayment of members' capital.

Members

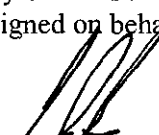
The members of the LLP during the period were as follows:

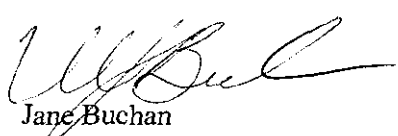
Pacific Alternative Asset Management Company LLC
Stephen Edward Oxley
Laura Durenard-Brain
Alper Ince

Auditors

RSM Robson Rhodes LLP were appointed auditors on the 26th of January 2004. A resolution to reappoint RSM Robson Rhodes LLP as auditors will be put to the members at the Annual General Meeting.

By order of the members
Signed on behalf of the members


Laura Durenard-Brain


Jane Buchan

23rd April 2004

Registered Number: OC304607

Statement of Members' responsibilities

The Limited Liability Partnerships (LLP) Regulations 2001 made under the Limited Liability Partnership Act 2000 requires the members to prepare accounts for each financial period which give a true and fair view of the state of affairs of the LLP as at the end of the financial period and of the profit or loss of the LLP for that period. In preparing those accounts, the Members 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.

The members are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the LLP and to enable them to ensure that the accounts comply with the LLP regulations. They are also responsible for safeguarding the assets of LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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Independent auditors' report to the members of Pacific Alternative Asset Management Company Europe LLP

We have audited the financial statements on pages 7 to 14.

This report is made solely to the members of the limited liability partnership (the "Partnership"), as a body, in accordance with Section 235 of the Companies Act 1985 as applied by the Limited Liability Partnerships Regulations 2001, Regulation 3. Our audit work has been undertaken so that we might state to the Partnership'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 Partnership and the Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditors

The members' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Members' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 as applied by the Limited Liability Partnerships Regulations 2001, Regulation 3. We also report to you if, in our opinion, the Members' Report is not consistent with the financial statements, if the Partnership has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Members' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Partnership'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, which exclude any provision for any liability to taxation on the individual partners.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Partnership as at 31 December 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985 as applied by the Limited Liability Partnerships Regulations 2001, Regulation 3.



RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
London, England
26 April 2004

Registered Number: OC304607

Profit and loss account

for the period from 6 May 2003 to 31 December 2003

		<i>Date of incorporation on 6 May 2003 to 31 December 2003</i>
	<i>Notes</i>	<i>£</i>
Income		
Management fees	2	2,116
'Cost plus' revenue from controlling party	2	<u>248,829</u>
		250,945
 Expenses		
Administration expenses		<u>(100,049)</u>
 Operating profit	3	150,896
 Interest receivable		<u>1,174</u>
 Profit for the financial period available for division among the members		<u>152,070</u>

There are no recognised gains or losses in the period other than those reported in the profit and loss account. All amounts are in respect of continuing operations.

The notes on pages 10 to 14 form part of these Financial Statements.

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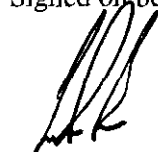
Balance sheet

as at 31 December 2003

	Notes	As at 31 December 2003 £
Fixed Assets		
Tangible fixed assets	4	21,099
Current assets		
Debtors and prepayments	5	57,590
Cash		173,535
		231,125
Current liabilities: Creditors – amounts falling due within one year	6	(18,169)
Net current assets		212,956
Loans and other debts due to members		
Undrawn profits		(36,145)
Net assets		197,910
Members' other interests		
Members' capital	7	172,000
Other reserves	7	25,910
Total Members' Funds		197,910
Memorandum of members' total interests		
Loans and other debts due from members	7	(3,955)
Members' other interests	7	197,910
Members' total interests	7	193,955

The notes on pages 10 to 14 form part of these Financial Statements and were approved by the members on 23 April 2004.

Signed on behalf of the Members



Laura Durenard-Brain



Jane Buchan

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Statement of cash flows

for the period from 6 May 2003 to 31 December 2003

		<i>Date of incorporation on 6 May 2003 to 31 December 2003</i>
	<i>Notes</i>	<i>£</i>
<i>Net cash inflow from operating activities</i>	8(a)	150,617
<i>Returns on investments and servicing of finance</i>	8(b)	1,174
<i>Capital expenditure and financial expenditure</i>	8(c)	(24,096)
<i>Transactions with members</i>	8(d)	45,840
<i>Increase in cash</i>	8(e)	<u>173,535</u>

The notes on pages 10 to 14 form part of these Financial Statements.

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Notes to the Financial Statements

for the period from 6 May 2003 to 31 December 2003

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost convention and in accordance with the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships' (SORP) issued May 2003.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. Differences arising from the rate between due date and actual payment date are taken to the profit and loss account. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Fixed assets

All fixed asset are recorded at cost, less any provision for impairment.

Depreciation

Depreciation is provided on all tangible fixed assets on a straight-line basis as below:

Computer hardware	60 months
Computer software	36 months

2. Income

Income, which is stated net of value added tax, represents fees receivable for investment management during the period and arising from continuing activities in the UK. Management fees are recognised on a receivable basis. Other income is recognised as and when earned.

3. Operating profit

This is stated after charging/(crediting):

	<i>From date of incorporation on 6 May 2003 to 31 December 2003</i>
	£
Depreciation	2,997
Foreign exchange differences	(312)
Auditors' remuneration:	
Audit services	6,500
Non-audit services	<u>2,500</u>

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Notes to the Financial Statements

for the period 6 May 2003 to 31 December 2003

4. Tangible fixed assets

	<i>Computer equipment £</i>
Cost:	
At 6 May 2003	-
Additions	24,096
Disposals	-
At 31 December 2003	<u>24,096</u>
Accumulated depreciation:	
At 6 May 2003	-
Charge for the period	2,997
Disposals	-
At 31 December 2003	<u>2,997</u>
Net book value: At 31 December 2003	<u>21,099</u>

5. Debtors

	<i>31 December 2003 £</i>
Amounts due from PAAMCo LLC	40,100
Other debtors	15,374
Prepayments and accrued income	<u>2,116</u>
	<u>57,590</u>

6. Creditors: amounts falling due within one year

	<i>31 December 2003 £</i>
Trade creditors	<u>18,169</u>

Notes to the Financial Statements

for the period 6 May 2003 to 31 December 2003

7. Reconciliation of movements in members' other and members' total interests

	Members' Capital	Other Reserves	Total	Loans and other debts due from members	Members total interests
	£	£	£	£	£
At date of incorporation	-	-	-	-	-
Capital contributed	172,000	-	172,000	-	172,000
Profit for the period	-	152,070	152,070	-	152,070
Profit allocated	-	(126,160)	(126,160)	126,160	-
Distributions	-	-	-	(90,015)	(90,015)
Loan to members	-	-	-	(40,100)	(40,100)
At 31 December 2003	<u>172,000</u>	<u>25,910</u>	<u>197,910</u>	<u>3,955</u>	<u>193,955</u>

8. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities:

	<i>Date of incorporation on 6 May 2003 to 31 December 2003 £</i>
Operating profit	150,896
Depreciation charge	2,997
(Increase) in debtors	(57,590)
Increase in creditors	54,314
Net cash flow from operating activities	<u>150,617</u>

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Notes to the Financial Statements

for the period from 6 May 2003 to 31 December 2003

8. Notes to the statement of cash flows (continued)

*Date of
incorporation 6
May 2003 to 31
December 2003
£*

(b) Returns on investments and servicing of finance:

Interest received	<u>1,174</u>
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(c) Capital expenditure and financial investment:

Payment to acquire tangible fixed assets	<u>(24,096)</u>
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(d) Transactions with members:

Payments to members	(126,160)
Contributions by Members	<u>172,000</u>
	<u>45,840</u>

(e) Analysis of changes in net funds

	<i>At date of incorporation</i>	<i>Cash flows</i>	<i>At 31 December 2003</i>
	£	£	£
Cash at bank	-	173,535	173,535
	<u> </u>	<u> </u>	<u> </u>

(f) Reconciliation of net cash inflow to movement in net funds

*From date of
incorporation on
6 May 2003 to 31
December 2003
£*

Increase in cash in the period	<u>173,535</u>
Change in net funds resulting from cash flows	<u>173,535</u>
Net funds at incorporation	-
Net funds at 31 December 2003	<u>173,535</u>

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Notes to the Financial Statements

for the period 6 May 2003 to 31 December 2003

9. Related Parties

The ultimate controlling party is Pacific Alternative Asset Management Company LLC ("PAAMCo LLC"). The LLP received £248,829 during the period from its controlling member PAAMCo LLC under a 'cost plus' transfer pricing arrangement between the two entities.