

Registered No. OC304607

Pacific Alternative Asset Management Company Europe LLP

**Members' report and Financial Statements
for the year ended 31 December 2004**



Registered Number: OC304607

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

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Registered Number: OC304607

REGISTERED OFFICE AND PROFESSIONAL ADVISORS

Designated Members

Pacific Alternative Asset Management Company LLC
Stephen Edward Oxley
Alper Ince
Laura Durenard-Brain (resigned 30 September 2004)

Auditors

RSM Robson Rhodes LLP
186 City Road
London
EC1V 2NU

Bankers

Barclays Bank PLC
7th Floor
180 Oxford Street
London
W1D 1EA

Bank of Scotland
59 Bath Street
Glasgow
G2 2DH

Northern Trust Bank of California
16 Corporate Plaza
Newport Beach, Ca 92660

Registered Office

40 New Bond Street
London W1S 2RX

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Members' report

The members present their annual report together with the financial statements of the partnership for the year ended 31 December 2004.

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 £439,363.

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.

Designated Members

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

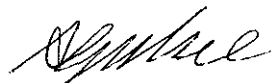
Pacific Alternative Asset Management Company LLC
Stephen Edward Oxley
Alper Ince
Laura Durenard-Brain (resigned 30 September 2004)

Auditors

A resolution to reappoint RSM Robson Rhodes LLP as auditors will be put to the members at the Annual General Meeting.

This Members' Report was approved by the Designated Members on 18 April 2005 and signed on their behalf by:


Stephen Oxley


Alper Ince

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Statement of Members' responsibilities

The Limited Liability Partnerships (LLP) Regulations 2001 made under the Limited Liability Partnership Act 2000 requires the members to prepare financial statements 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 these financial statements, the Members have:

- Selected suitable accounting policies and then apply them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Followed applicable accounting standards; and
- Prepared the accounts on the going concern basis.

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 15.

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 2004 and of its profit for the year 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

RSM Robson Rhodes LLP

Chartered Accountants and Registered Auditors

London, England

18 April 2005

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Profit and loss account

for the year ended 31 December 2004

		2004	2003
		£	£
Turnover	Notes 2		
Management fees		253,468	2,116
'Cost plus' revenue from controlling party		1,119,375	248,829
		<u>1,372,843</u>	<u>250,945</u>
Expenses			
Administration expenses		(510,728)	(100,049)
Operating profit		<u>862,115</u>	<u>150,896</u>
Interest receivable		7,542	1,174
Profit for the financial period available for division among the members	10	<u>869,657</u>	<u>152,070</u>

The comparative figures relate to the period from incorporation on 6 May 2003 to 31 December 2003.

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 15 form part of these Financial Statements.

Registered Number: OC304607

Balance sheet

as at 31 December 2004

		2004	2003
		£	£
	Notes		
Fixed Assets			
Tangible fixed assets	6	58,161	21,099
Current Assets			
Debtors and prepayments	7	180,850	57,590
Cash		361,473	173,535
		<u>542,323</u>	<u>231,125</u>
Current Liabilities			
Creditors falling due within one year	8	(47,937)	(18,169)
Net Current Assets		<u>494,386</u>	<u>212,956</u>
Creditors falling due in more than one year	8	(17,553)	-
Loans and Other Debts Due to Members			
Undrawn profits	9	(229,335)	(36,145)
Net Assets		<u>305,659</u>	<u>197,910</u>
Members' Other Interests			
Members' capital		168,560	172,000
Other reserves		137,099	25,910
Total Members' Funds	10	<u>305,659</u>	<u>197,910</u>
Memorandum of Members' Total Interests			
Loans and other debts due to / (from) members		133,704	(3,955)
Members' other interests		305,659	197,910
Members' Total Interests	10	<u>439,363</u>	<u>193,955</u>

The financial statements were approved by the members on 18 April 2004 and signed on their behalf by:


Stephen Oxley


Alper Ince

The notes on pages 10 to 15 form part of these Financial Statements.

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Statement of cash flows

for the year ended 31 December 2004

		2004	2003
		£	£
	Notes		
Net cash inflow from operating activities	11	795,040	150,617
Returns on investments and servicing of finance			
Interest received		7,542	1,174
Capital expenditure and financial investment			
Payment to acquire tangible fixed assets		(45,928)	(24,096)
Transactions with members			
Payments to members		(565,276)	(126,160)
(Withdrawals)/Contributions of capital		(3,440)	172,000
Increase in cash	12	<u>187,938</u>	<u>173,535</u>

Reconciliation of net cash flow to movement in net funds

		2004	2003
		£	£
Increase in cash in the period		187,938	173,535
Net funds at start of period		173,535	-
Net funds at 31 December	12	<u>361,473</u>	<u>173,535</u>

The comparative figures relate to the period from incorporation on 6 May 2003 to 31 December 2003.

The notes on pages 10 to 15 form part of these Financial Statements.

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Notes to the Financial Statements

for the year ended 31 December 2004

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	5 years
Computer software	3 years
Office equipment	5 years
Furniture	7 years

Leased assets

Rentals payable under an operating lease, after taking into account reduced rent periods, are charged to the profit and loss account on a straight line basis over the term of the lease.

Taxation

No provision for taxation is made as any liability arising is assessable directly on the members.

2. Turnover

Turnover, which is stated net of value added tax, is derived from two sources, the reimbursement of expenses by Paamco LLC on a 'cost plus' basis and fees for the marketing of investment management services during the period. Management fees are recognised on a receivable basis. Other income is recognised as and when earned. All activities are derived from continuing activities in the UK.

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Notes to the Financial Statements for the year ended 31 December 2004

3. Operating profit

This is stated after charging/(crediting):

	2004	2003
	£	£
Depreciation	8,866	2,997
Foreign exchange differences	1,169	(312)
Auditors' remuneration:		
- Audit fees	6,500	6,500
- Non-audit fees	-	2,500
Operating lease rentals	48,063	-

4. Employees

Average monthly number of employees in the year was 2 (2003: nil)

Staff costs:

	2004	2003
Wages and salaries	75,303	-
Social security costs	8,113	-
	<u>83,416</u>	<u>-</u>

5. Members and their remuneration

The average number of members during the year was 4 (2003: 4).

The profit (including remuneration), that is attributable to the member with the largest entitlement to profit (including remuneration), is £373,799 (2003: £70,719).

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Notes to the Financial Statements

for the year ended 31 December 2004

6. Tangible fixed assets

	Computer Equipment £	Office Equipment, Fixtures and Fittings £	Total £
Cost:			
Brought forward	24,096	-	24,096
Additions	27,923	18,005	45,928
At 31 December 2004	<u>52,019</u>	<u>18,005</u>	<u>70,024</u>
Accumulated depreciation:			
Brought forward	2,997	-	2,997
Charge for the period	7,117	1,749	8,866
At 31 December 2004	<u>10,114</u>	<u>1,749</u>	<u>11,863</u>
Net book value:			
At 31 December 2003	<u>21,099</u>	<u>-</u>	<u>21,099</u>
At 31 December 2004	<u>41,905</u>	<u>16,256</u>	<u>58,161</u>

7. Debtors

Amounts falling due in less than one year

	2004 £	2003 £
Amounts due from PAAMCo LLC	95,631	40,100
VAT	10,155	-
Other debtors	44,706	15,374
Prepayments and accrued income	<u>30,358</u>	<u>2,116</u>
	<u>180,850</u>	<u>57,590</u>

Included within other debtors is an amount of £36,918 (2003: nil) in respect of a rental deposit which is recoverable in more than one year.

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8. Creditors

Amounts falling due within one year

	2004	2003
	£	£
Trade creditors	24,031	18,169
Taxes and social security	7,324	-
Accruals and deferred income	16,582	-
	<u>47,937</u>	<u>18,169</u>

Amounts falling due in more than one year

	2004	2003
	£	£
Deferred income	17,553	-
	<u>17,553</u>	<u>-</u>

9. Loans and other debts due to members

	2004	2003
	£	£
Owed to members in respect of profits – falling due within one year	<u>229,335</u>	<u>36,145</u>

Amounts owed to members would rank equally with other unsecured creditors in the event of a winding up of the LLP.

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Notes to the Financial Statements

for the year ended 31 December 2004

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

	Members' Capital	Other Reserves	Loans and other debts Total due from/to members		Total members' interests
	£	£	£	£	£
Brought forward	172,000	25,910	197,910	(3,955)	193,955
Repayment of Capital	(3,440)	-	(3,440)	-	(3,440)
Profit for the financial year	-	869,657	869,657	-	869,657
Members interest after profit for the year	168,560	895,567	1,064,127	(3,955)	1,060,172
Allocated profit	-	(758,468)	(758,468)	758,468	-
Drawings	-	-	-	(565,276)	(565,276)
Other				(55,533)	(55,533)
				133,704	439,363
Amounts due to members				229,335	
Amounts due from members				(95,631)	
At 31 December 2004	168,560	137,099	305,659	133,704	439,363

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Notes to the Financial Statements

for the year ended 31 December 2004

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

	2004 £	2003 £
Operating profit	862,115	150,896
Depreciation charge	8,866	2,997
(Increase) in debtors	(123,260)	(57,590)
Increase in creditors	47,319	54,314
Net cash flow from operating activities	795,040	150,617

12. Analysis of changes in net funds

	At 31 December 2003 £	Cash inflow £	At 31 December 2004 £
Cash at bank and in hand	173,535	187,938	361,473

13. Related parties

The ultimate controlling party is Pacific Alternative Asset Management Company LLC ("PAAMCo LLC"). The LLP received £1,090,722 during the period from its controlling member PAAMCo LLC under a 'cost plus' transfer pricing arrangement between the two entities. At the year end £95,631 was due from Paamco LLC (2003: £40,100).

14. Financial commitments

The payments which the LLP is committed to make under non-cancellable operating leases are:

	2004 £	2003 £
Land and buildings – leases expiring:		
In the second to fifth years	192,053	-