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# **PACIFIC ALTERNATIVE ASSET MANAGEMENT COMPANY EUROPE LLP**

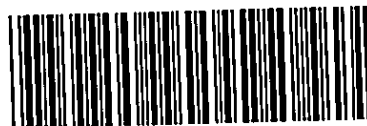
## **FSA ANNUAL FINANCIAL RETURN AND FINANCIAL STATEMENTS**

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◆ *Year Ended 31 December 2006* ◆

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TUESDAY



A29

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22/04/2008  
COMPANIES HOUSE

72

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- 3 ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 DECEMBER 2006

**SECTION 1**

**AUDITORS' REPORT TO THE  
FINANCIAL SERVICES AUTHORITY**

**FSA reference number: 225050**

**INDEPENDENT AUDITORS' REPORT TO THE FINANCIAL SERVICES AUTHORITY ("the FSA")  
PURSUANT TO CHAPTERS 3.9 AND 3.10 OF SUP, IN RESPECT OF PACIFIC ALTERNATIVE  
ASSET MANAGEMENT COMPANY EUROPE LLP FOR THE YEAR ENDED 31 DECEMBER 2006**

We report in respect of Pacific Alternative Asset Management Company Europe LLP ('the firm'), an investment management firm, on

- the attached annual financial statements,
- the following information set out in the attached Annual Financial Return
- the balance sheet and profit and loss account,
- the statement of financial resources and financial resources requirement,
- the statements of the firm's expenditure requirement for the forthcoming year,

and on the further matters set out below. Our report has been prepared in accordance with SUP 3.9.4 and 3.10.4 and is addressed to the FSA in its capacity as a regulator under the Financial Services and Markets Act 2000. Our report should not be disclosed to any third party or otherwise quoted or referred to without our prior written consent.

**Respective responsibilities of members and auditors**

The detailed responsibilities of the members and auditors with respect to the annual financial statements are set out within these annual financial statements.

The members are responsible for the preparation of the Annual Financial Return under the provisions of the FSA's rules. The Annual Financial Return is required to be prepared in the manner specified by the rules. It is our responsibility to form an independent opinion as to whether the Annual Financial meets these requirements and to report our opinions to you.

The members are responsible for establishing and maintaining adequate accounting and other records and systems and control procedures which are appropriate to the business and adequate for them to comply with the applicable provisions of the FSA's Client Assets Sourcebook. It is our responsibility to form an independent opinion, based on our procedures as set out below, and to report our opinion to you.

**Basis of opinion**

We have audited the annual financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. The basis of our audit opinion with respect to the annual financial statements is set out within those financial statements.

With respect to the Annual Financial Return, our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Annual Financial Return. The evidence included that previously obtained by us relating to the audit of the annual financial statements for the financial year. It also included an assessment of the significant estimates and judgements made by the company in the preparation of the Annual Financial Return.

RSM Robson Rhodes LLP is a limited liability partnership and is an independent member firm of RSM International, an affiliation of independent accounting and consulting firms.

RSM Robson Rhodes LLP is registered to carry on audit work by the Institute of Chartered Accountants in England & Wales and is authorised and regulated by the Financial Services Authority.

Offices at Birmingham Bristol Cambridge Dublin, Edinburgh Hemel Hempstead, Leeds Manchester. Registered office: 30 Finsbury Square London EC2P 2YU at which a list of members may be inspected. Registered in England and Wales No. 0C304188.



INVESTOR IN PEOPLE

We have carried out such other procedures as we considered necessary for the purposes of this report having regard to Practice Note 21, "The audit of investment businesses in the United Kingdom" We have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our report to the FSA

Systems and control procedures relating to client assets are subject to inherent limitations and, accordingly, errors or irregularities may occur and not be detected. Such procedures cannot be proof against fraudulent collusion, especially on the part of those holding positions of authority or trust. Furthermore, this opinion relates only to the year ended 31 December 2006, and should not be seen as providing assurance as to any further position, as changes to systems or control procedures may alter the validity of our opinion.

#### **Financial statements**

In our opinion

- the annual financial statements give a true and fair view in accordance with UK Generally Accepted Accounting Practice of the firm's state of affairs at 31 December 2006 and of its profit for the year then ended,
- the Annual Financial Return has been properly prepared in accordance with the FSA's rules,
- the balance sheet and profit and loss account in the Annual Financial Return are in agreement with the firm's accounting records and returns

#### **Financial resources**

In our opinion

- the firm's statement of financial resources and financial resources requirement as at 31 December 2006, have been properly prepared in accordance with the FSA's rules,
- the firm's financial resources as at 31 December 2006 are sufficient to meet the firm's financial resources requirement at that date,
- the statement of the firm's expenditure requirement for the forthcoming year has been prepared in accordance with the FSA's rules

#### **Accounting records**

In our opinion the firm has kept proper accounting records in accordance with the FSA's rules for the year ended 31 December 2006

#### **Client assets**

The scope of the firm's permission does not allow it to hold client money or custody assets

The members have stated that the firm did not hold client money or custody assets during the year. Based on review procedures performed, nothing has come to our attention that causes us to believe that the firm held client money or custody assets during the year.

*RSM Robson Rhodes LLP.*

RSM Robson Rhodes LLP  
Chartered Accountants and Registered Auditors

London, England  
27 April 2007

**SECTION 2**  
**FSA ANNUAL FINANCIAL RETURN**



## **Investment Management Firms**

# **Annual Financial Return**

|                           |                                                                        |
|---------------------------|------------------------------------------------------------------------|
| For the year ended        | <u>31 December 2006</u>                                                |
| Name of Firm              | <u>Pacific Alternative Asset<br/>Management Company<br/>Europe LLP</u> |
| FSA firm reference number | 225050                                                                 |
| Date of Audit Opinion     | <u>27 April 2007</u>                                                   |

For FSA use

|               |       |
|---------------|-------|
| Date received | _____ |
| Entered       | _____ |
| Completed     | _____ |

**ANNUAL PROFIT AND LOSS****AFS1**

For the period from 01-Jan-06 (date) to 31-Dec-06 (date)  
 (Accounting Reference Date)

£000

**Dealing Profit / (Loss)**

|                                                  |          |     |
|--------------------------------------------------|----------|-----|
| Dealing profit or (loss) - trading               | <u>-</u> | (1) |
| Dealing profit or (loss) - long term investments | <u>-</u> | (2) |
| Charges on unit trust sales/redemptions          | <u>-</u> | (3) |
| Total dealing profit or (loss) [(1) to (3)]      | <u>0</u> | (4) |

**Revenue**

|                            |              |      |
|----------------------------|--------------|------|
| Commission                 | <u>-</u>     | (5)  |
| Investment management fees | <u>0</u>     | (6)  |
| Investment advisory fees   | <u>-</u>     | (7)  |
| Unit trust management fees | <u>-</u>     | (8)  |
| Other revenue              | <u>2,285</u> | (9)  |
| Total revenue [(5) to (9)] | <u>2,285</u> | (10) |

**Expenditure**

|                                                                         |              |      |
|-------------------------------------------------------------------------|--------------|------|
| Commissions and fees                                                    | <u>-</u>     | (11) |
| Exceptional items (specify below)                                       | <u>-</u>     | (12) |
| Other expenditure                                                       | <u>1,124</u> | (13) |
| Total expenditure to (AFS5) [(11) to (13)]                              | <u>1,124</u> | (14) |
| Profit or (loss) on ordinary activities before taxation [(4)+(10)-(14)] | <u>1,161</u> | (15) |
| Taxation                                                                | <u>0</u>     | (16) |
| Extraordinary items net of attributable taxation                        | <u>-</u>     | (17) |
| Profit or (Loss) after taxation extraordinary items [(15)-(16)+(17)]    | <u>1,161</u> | (18) |
| Appropriations                                                          | <u>933</u>   | (19) |
| Retained profit or (loss) for the period [(18)-(19)]                    | <u>228</u>   | (20) |

**Details of exceptional items of expenditure**

**BALANCE SHEET**

AFS2

As at 31-Dec-05 (Accounting Reference Date)

£000

**Fixed Assets**

|                                 |           |      |
|---------------------------------|-----------|------|
| Intangible assets               | <u>-</u>  | (21) |
| Tangible assets                 | <u>56</u> | (22) |
| Investments                     | <u>-</u>  | (23) |
| Total Fixed Assets [(21)to(23)] | <u>56</u> | (24) |

**Current Assets**

|                                     |              |      |
|-------------------------------------|--------------|------|
| Investments                         | <u>-</u>     | (25) |
| Debtors                             | <u>716</u>   | (26) |
| Bank and cash balances              | <u>291</u>   | (27) |
| Total current assets [(25) to (27)] | <u>1,006</u> | (28) |

**Creditors Amounts falling due within One Year**

|                                                   |            |      |
|---------------------------------------------------|------------|------|
|                                                   | <u>346</u> | (29) |
| Net current assets (liabilities) [(28)-(29)]      | <u>660</u> | (30) |
| Total assets less current liabilities [(24)+(30)] | <u>716</u> | (31) |

**Creditors Amounts falling due after more than One Year****Provisions for Liabilities and Charges**

|                                                      |            |      |
|------------------------------------------------------|------------|------|
|                                                      | <u>-</u>   | (32) |
| Total assets less total liabilities [(31)-(32)-(33)] | <u>713</u> | (34) |

**Capital and Reserves**

Indicate constituent items from AFS3)

|            |      |
|------------|------|
| <u>713</u> | (35) |
|------------|------|

**Off Balance Sheet Items (detailed below with values)**

# FINANCIAL RESOURCES STATEMENT

AFS3

£000

£000

## Financial Resources

*Note The references in brackets are to the items of capital in Part 1 of IPRU(INV) Table 5 2 2(1)*

### TIER 1

|                                                                 |          |            |      |
|-----------------------------------------------------------------|----------|------------|------|
| Paid up share capital (excluding preference shares) (Item 1)    |          | <u>221</u> | (36) |
| Share premium account (Item 2)                                  |          | <u>-</u>   | (37) |
| Audited reserves (Item 3)                                       |          | <u>492</u> | (38) |
| Non-cumulative preference shares (Item 4)                       |          | <u>-</u>   | (39) |
| Less Investment in own shares (Item 5)                          | <u>-</u> |            |      |
| Intangible assets (Item 6)                                      | <u>-</u> |            |      |
| Material current year losses (Item 7)                           | <u>-</u> |            |      |
| Material holdings in credit and financial institutions (Item 8) | <u>-</u> | <u>0</u>   | (40) |

**Tier 1 Capital** [(36)to(39)-(40)] 713 (41)

### TIER 2

|                                                                      |  |          |      |
|----------------------------------------------------------------------|--|----------|------|
| Revaluation reserves (Item 9)                                        |  | <u>-</u> | (42) |
| Fixed term cumulative preference share capital (Item 10)             |  | <u>-</u> | (43) |
| Long term subordinated loans (Item 11)                               |  | <u>-</u> | (44) |
| Other cumulative preference share capital and debt capital (Item 12) |  | <u>-</u> | (45) |
| Qualifying arrangements (Item 13)                                    |  | <u>-</u> | (46) |

**Own Funds** [(41)+(42)to(46)] 713 (47)

### TIER 3

|                                                                              |  |            |      |
|------------------------------------------------------------------------------|--|------------|------|
| Net Trading Book profits (Item 14)                                           |  | <u>-</u>   | (48) |
| Short term Qualifying Subordinated Loans and excess Tier 2 capital (Item 15) |  | <u>-</u>   | (49) |
| Less Illiquid assets (Item 16)                                               |  | <u>106</u> | (50) |
| Add Qualifying Property (Item 17)                                            |  | <u>-</u>   | (51) |

**Liquid Capital** [(47)+(48)+(49)-(50)+(51)] 607 (52)

|                                                                               | £000                   | £000                   |
|-------------------------------------------------------------------------------|------------------------|------------------------|
| <b>Own Funds Test</b> ( <i>ISD Firms subject to IPRU(INV) 5 2 3(1)(b)R</i> )  |                        |                        |
| Own Funds ( <i>from AFS3 line (47)</i> )                                      |                        | <u>713</u> (53)        |
| Own Funds Requirement                                                         |                        |                        |
| (ECU 50,000 or ECU 125,000 or ECU 730,000) x spot rate                        | <u>34</u>              | (54)                   |
| <b>Surplus/Deficit of Own Funds over Own Funds Requirement</b>                | <b>[(53)-(54)]</b>     | <b><u>679</u> (55)</b> |
| <b>Own Funds Test</b> ( <i>Non-ISD Firms subject to IPRU(INV) 5 2 3(2)R</i> ) |                        |                        |
| Own Funds ( <i>from AFS3 line (47)</i> )                                      |                        | <u>N/A</u> (56)        |
| Own Funds Requirement either                                                  | (i) £5 or <u>N/A</u>   |                        |
|                                                                               | (ii) £4,000 <u>N/A</u> | (57)                   |
| <b>Surplus/Deficit of Own Funds</b>                                           | <b>[(56)-(57)]</b>     | <b><u>N/A</u> (58)</b> |
| <b>Liquid Capital Test</b> ( <i>Firms subject to IPRU(INV) 5 2 3(1)R</i> )    |                        |                        |
| Liquid Capital ( <i>from AFS3 line (52)</i> )                                 |                        | <u>607</u> (59)(A)     |
| Capital Requirement                                                           |                        |                        |
| Expenditure Based Requirement ( <i>IPRU(INV) (Table 5 2 3(5)(a))</i> )        | <u>113</u>             | (60)                   |
| Position Risk Requirement ( <i>IPRU(INV) (Table 5 2 3(5)(b))</i> )            | <u>-</u>               | (61)                   |
| Counterparty Risk Requirement ( <i>IPRU(INV) (Table 5 2 3(5)(c))</i> )        | <u>-</u>               | (62)                   |
| Foreign Exchange Requirement ( <i>IPRU(INV) (Table 5 2 3(5)(d))</i> )         | <u>55</u>              | (63)                   |
| Other Assets Requirement ( <i>IPRU(INV) (Table 5 2 3(5)(e))</i> )             | <u>52</u>              | (64)                   |
| Total Capital Requirement                                                     |                        | <u>220</u> (65)(B)     |
| 13 weeks Expenditure Based Requirement                                        |                        | <u>245</u> (66)(C)     |
| <b>Surplus/Deficit of Liquid Capital</b>                                      |                        |                        |
| For an ISD Firm on a 6 week EBR = (A) - the greater of (B) or (C)             |                        | <u>362</u> (67)        |
| Other Firms = (A) - (B)                                                       |                        | <u>N/A</u> (68)        |

# **CALCULATION OF FINANCIAL RESOURCES REQUIREMENT FOR FORTHCOMING YEAR**

AFS5

|                                                                                                                                                                         | £000  | £000            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-----------------|
| <b>Expenditure Based Requirement</b>                                                                                                                                    |       |                 |
| <i>(IPRU(INV) Table 5 2 3(5)(a))</i>                                                                                                                                    |       |                 |
| Total Expenditure (per profit and loss account AFS1 line (14))                                                                                                          |       | <u>1,124</u>    |
| <b>Less</b>                                                                                                                                                             |       |                 |
| Staff bonus, except to the extent that they are guaranteed                                                                                                              | ( - ) |                 |
| Employees' and Directors' shares in profits,<br>except to the extent that they are guaranteed                                                                           | ( - ) |                 |
| Other appropriations of profits                                                                                                                                         | ( - ) |                 |
| Allowable commission and fees                                                                                                                                           | ( - ) |                 |
| Interest charges in respect of borrowings made to finance the<br>acquisition of the Firm's Readily Realisable Investments                                               | ( - ) |                 |
| Interest paid to Customers on Client Money                                                                                                                              | ( - ) |                 |
| Interest payable to counterparties                                                                                                                                      | ( - ) |                 |
| Fees, brokerage and other charges paid to clearing houses,<br>exchanges and intermediate brokers for the purposes<br>of executing, registering or clearing transactions | ( - ) |                 |
| Foreign exchange losses                                                                                                                                                 | ( - ) |                 |
| <b>Audited Expenditure</b>                                                                                                                                              |       | <u>1,124</u>    |
| <b>Annual Audited Expenditure</b>                                                                                                                                       |       |                 |
| (pro-rated where relevant to annual amount) <i>(IPRU(INV) Table 5 2 4(1)(b)R)</i>                                                                                       |       | <u>1,124</u>    |
| <b>Expenditure Based Requirement</b>                                                                                                                                    |       |                 |
| (6/52 of Annual Audited Expenditure)                                                                                                                                    |       | <u>130 (69)</u> |
| <b>Fraction indicator (6)</b>                                                                                                                                           |       | <u>6 (70)</u>   |

**Note.** The Expenditure Based Requirement calculated above becomes effective from the date on which this Annual Financial Return is approved by the auditor. At all times throughout the period from this date until the next Annual Financial Return is approved, the Firm's Financial Resources must satisfy its Financial Resources Requirement incorporating the above Requirement.

(Not subject to audit)

£000

**1 FUNDS UNDER MANAGEMENT**Value of total funds under management  
at Accounting Reference Date0 (71)**2 CLIENT MONEY AND ASSETS**During the period, has the Firm  
held Client Money?\*

NO (72)

During the period, has the Firm  
held customers' assets?\*

NO (73)

**3 OWN ACCOUNT TRADING**Has the Firm traded on its own  
account and taken active positions during the period  
(other than the box position taken by  
an Authorised Unit Trust Manager)?

NO (74)

If yes, give brief details of nature and scale of transactions

**4 LARGE EXPOSURES** (ISD Firms only)

Provide details of all Large Exposures outstanding at the end of the period (75)

| Counterparty                                   | Value of Exposure | Percentage<br>of Own Funds | Nature of Item<br>(eg Accrued fees, billed fees<br>settlement balance etc) |
|------------------------------------------------|-------------------|----------------------------|----------------------------------------------------------------------------|
|                                                | £000              |                            |                                                                            |
| Pacific Alternative Asset<br>Management Co LLC | 608               | 85.2%                      | Accrued Fees                                                               |

\*\* Consider by reference to Part IV Permission Statement

This Annual Financial Return has been properly prepared in accordance with the Rules,

and was approved by the Firm on

27 April 2007

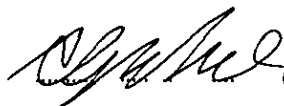
It is accompanied by the Annual Accounts and the report of the auditor to FSA as required by the Rules

#### SIGNATURE AND DECLARATION

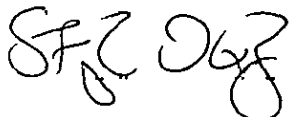
Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000) It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body

I confirm that the information in this form is accurate and complete to the best of my knowledge and belief

Signed on behalf of the Firm by

 (authorised signatory)

April 27, 07 (date)

 (authorised signatory)

27 April 07 (date)

**SECTION 3**

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 DECEMBER 2006**

**Registered No. OC304607**

**Pacific Alternative Asset Management  
Company Europe LLP**

**Members' report and Financial Statements  
for the year ended 31 December 2006**

Registered Number: OC304607

**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

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**Pacific Alternative Asset Management Company Europe LLP**

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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

### **Auditors**

RSM Robson Rhodes LLP  
30 Finsbury Square  
London  
EC2P 2YU

### **Bankers**

Barclays Bank PLC  
7<sup>th</sup> Floor  
180 Oxford Street  
London  
W1D 1EA

### **Registered Office**

40 New Bond Street  
London  
W1S 2RX

Registered Number: OC304607

## **Members' report**

The members present their annual report together with the financial statements of the partnership for the year ended 31 December 2006

### **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 8. The partnership's balance sheet as detailed on page 9 shows a satisfactory position with members' interests amounting to £318,009 (2005 £443,761)

### **Members' profit allocation**

Any profits are shared among the members and governed by the Partnership Agreement dated 1 August 2003 as amended on 9 March 2007

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

The Partnership Agreement dated 1 August 2003 as amended 9 March 2007 governs policies for members' drawings, subscriptions and repayment of members' capital

### **Designated Members**

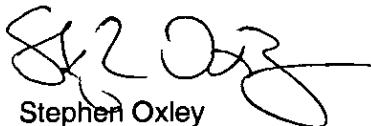
The designated members of the LLP during the period were as follows

Pacific Alternative Asset Management Company LLC  
Stephen Edward Oxley  
Alper Ince

### **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 27 April 2007 and signed on their behalf by:

  
Stephen Oxley

  
Alper Ince

Registered Number: OC304607

## **Statement of Members' responsibilities**

The members are responsible for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Limited liability partnership law in the United Kingdom requires the members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the limited liability partnership and of the profit or loss of the limited liability partnership for that period. In preparing those financial statements, 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 financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the limited liability partnership 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 limited liability partnership and enable them to ensure that the financial statements comply with the Limited Liability Partnerships Regulations 2001. They are also responsible for safeguarding the assets of the limited liability partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Registered Number OC304607

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

We have audited the financial statements on pages 8 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the members of the limited liability partnership (the "LLP"), 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 LLP's members those matters we are required to state to them in an auditors' 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 LLP and the LLP'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 (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 as applied by the Limited Liability Partnerships Regulations 2001, Regulation 3.

In addition we report to you if, in our opinion, the LLP has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Members' Report and we consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 LLP'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

**Pacific Alternative Asset Management Company Europe LLP**

**Registered Number OC304607**

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 members.

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the LLP as at 31 December 2006 and of its profit for the year then ended, and
- the financial statements 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  
27 April 2007

Registered Number OC304607

# Profit and loss account

for the year ended 31 December 2006

|                                                                                                                                        |       | 2006             | 2005             |
|----------------------------------------------------------------------------------------------------------------------------------------|-------|------------------|------------------|
|                                                                                                                                        |       | £                | £                |
| <b>Turnover</b>                                                                                                                        | Notes |                  |                  |
|                                                                                                                                        | 2     |                  |                  |
| Management fees                                                                                                                        |       | 567,151          | 677,457          |
| 'Cost plus' revenue from controlling party                                                                                             |       | 1,368,371        | 1,008,560        |
| Other                                                                                                                                  |       | 346,707          | 280,435          |
|                                                                                                                                        |       | <u>2,282,229</u> | <u>1,966,452</u> |
| <b>Expenses</b>                                                                                                                        |       |                  |                  |
| Administration expenses                                                                                                                |       | (1,124,147)      | (981,478)        |
| <b>Operating profit</b>                                                                                                                | 3     | <u>1,158,082</u> | <u>984,974</u>   |
| Interest receivable                                                                                                                    |       | 2,824            | 407              |
| <b>Profit for the financial year before members' remuneration and profit shares available for discretionary division among members</b> | 10    | <u>1,160,906</u> | <u>985,381</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 11 to 16 form part of these Financial Statements

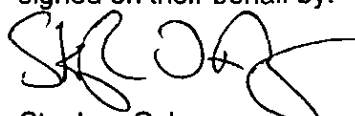
Registered Number OC304607

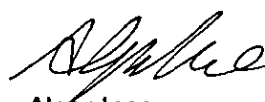
## Balance sheet

as at 31 December 2006

|                                                           | Notes | 2006<br>£             | 2005<br>£             |
|-----------------------------------------------------------|-------|-----------------------|-----------------------|
| <b>Fixed Assets</b>                                       |       |                       |                       |
| Tangible fixed assets                                     | 6     | 55,773                | 67,995                |
| <b>Current Assets</b>                                     |       |                       |                       |
| Debtors and prepayments                                   | 7     | 715,697               | 317,511               |
| Cash                                                      |       | 290,588               | 582,553               |
|                                                           |       | <u>1,006,285</u>      | <u>900,064</u>        |
| <b>Current Liabilities</b>                                |       |                       |                       |
| Creditors falling due within one year                     | 8     | (346,130)             | (284,674)             |
| <b>Net Current Assets</b>                                 |       | <u>660,155</u>        | <u>615,390</u>        |
| Creditors falling due in more than one year               | 8     | (3,026)               | (10,289)              |
| <b>Net Assets</b>                                         |       | <u><b>712,902</b></u> | <u><b>673,096</b></u> |
| <b>Represented by:</b>                                    |       |                       |                       |
| Loans and other debts due to members within one year      |       |                       |                       |
| Members' capital classified as a liability under FRS25    |       | 220,500               | 220,500               |
| Other amounts                                             |       | 0                     | <u>187,608</u>        |
|                                                           |       | 220,500               | 408,108               |
| <b>Equity</b>                                             |       |                       |                       |
| Members' other interests-classified as equity under FRS25 |       | 492,402               | 264,988               |
| <b>Total Members' Interest</b>                            |       | <u><b>712,902</b></u> | <u><b>673,096</b></u> |
| Amount due from members                                   |       | (607,623)             | (239,335)             |
| Loans and other debts due to members                      |       | 433,230               | 408,108               |
| Members' other interests                                  |       | 492,402               | 264,988               |
| <b>Members' Total Interests</b>                           | 10    | <u><b>318,009</b></u> | <u><b>443,761</b></u> |

The financial statements were approved by the members on 27 April 2007 and signed on their behalf by:

  
Stephen Oxley

  
Alper Ince

The notes on pages 11 to 16 form part of these Financial Statements

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## Statement of cash flows

for the year ended 31 December 2006

|                                                        |       | 2006             | 2005           |
|--------------------------------------------------------|-------|------------------|----------------|
|                                                        |       | £                | £              |
|                                                        | Notes |                  |                |
| <b>Net cash inflow from operating activities</b>       | 11    | 635,095          | 898,306        |
| <b>Returns on investments and servicing of finance</b> |       |                  |                |
| Interest received                                      |       | 2,824            | 407            |
| <b>Capital expenditure and financial investment</b>    |       |                  |                |
| Payment to acquire tangible fixed assets               |       | (8,859)          | (28,574)       |
| <b>Transactions with members</b>                       |       |                  |                |
| Payments to members                                    |       | (908,370)        | (716,015)      |
| Contributions of capital                               |       | 0                | 51,940         |
| <b>(Decrease)/increase in cash</b>                     | 12    | <b>(279,310)</b> | <b>206,064</b> |

### Reconciliation of net cash flow to movement in net funds

|                                           |    | 2006           | 2005           |
|-------------------------------------------|----|----------------|----------------|
|                                           |    | £              | £              |
| (Decrease)/increase in cash in the period |    | (279,310)      | 206,064        |
| Translation difference                    |    | (12,655)       | 15,016         |
| Net funds at start of period              |    | 582,553        | 361,473        |
| Net funds at 31 December                  | 12 | <b>290,588</b> | <b>582,553</b> |

The notes on pages 11 to 16 form part of these Financial Statements

## Notes to the Financial Statements

for the year ended 31 December 2006

### 1. Accounting policies

#### Basis of preparation

The financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards, the Statement of Recommended Practice ("SORP"), Accounting by Limited Liability Partnerships, revised in March 2006, and the terms of the LLP's Membership Agreement

#### 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 assets 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 main 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 2006

### 3. Operating profit

This is stated after charging/(crediting)

|                               | 2006   | 2005     |
|-------------------------------|--------|----------|
|                               | £      | £        |
| Depreciation                  | 21,081 | 18,740   |
| Foreign exchange differences  | 12,655 | (19,631) |
| Auditors' remuneration        |        |          |
| Fees payable to the LLP's     | 8,400  | 7,590    |
| auditors for the audit of the |        |          |
| financial statements          |        |          |
| Operating lease rentals       | 50,838 | 50,838   |

### 4. Employees

Average monthly number of employees in the year was 8 (2005 7)

Staff costs

|                       | 2006           | 2005           |
|-----------------------|----------------|----------------|
|                       | £              | £              |
| Wages and salaries    | 505,859        | 423,364        |
| Social security costs | 60,163         | 52,521         |
|                       | <u>566,022</u> | <u>475,885</u> |

### 5. Members and their remuneration

The average number of members during the year was 3 (2005 3).

The profit (including remuneration), that is attributable to the member with the largest entitlement to profit (including remuneration), is £536,154 (2005 £483,902)

## Notes to the Financial Statements

for the year ended 31 December 2006

### 6. Tangible fixed assets

|                                  | Computer<br>Equipment<br>£ | Office<br>Equipment,<br>Fixtures and<br>Fittings<br>£ | Total<br>£     |
|----------------------------------|----------------------------|-------------------------------------------------------|----------------|
| <b>Cost:</b>                     |                            |                                                       |                |
| Brought forward                  | 71,443                     | 27,155                                                | 98,598         |
| Additions                        | 5,698                      | 3,161                                                 | 8,859          |
| At 31 December 2006              | <u>77,141</u>              | <u>30,316</u>                                         | <u>107,457</u> |
| <b>Accumulated depreciation:</b> |                            |                                                       |                |
| Brought forward                  | 24,833                     | 5,770                                                 | 30,603         |
| Charge for the period            | 16,004                     | 5,077                                                 | 21,081         |
| At 31 December 2006              | <u>40,837</u>              | <u>10,847</u>                                         | <u>51,684</u>  |
| <b>Net book value:</b>           |                            |                                                       |                |
| At 31 December 2005              | <u>46,610</u>              | <u>21,385</u>                                         | <u>67,995</u>  |
| At 31 December 2006              | <u>36,304</u>              | <u>19,469</u>                                         | <u>55,773</u>  |

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## Notes to the Financial Statements

for the year ended 31 December 2006

### 7. Debtors

#### Amounts falling due in less than one year

|                                | 2006           | 2005           |
|--------------------------------|----------------|----------------|
|                                | £              | £              |
| Amounts due from PAAMCo LLC    | 607,623        | 239,335        |
| VAT                            | 11,718         | 10,636         |
| Other debtors                  | 39,246         | 35,818         |
| Prepayments and accrued income | 57,110         | 31,722         |
|                                | <u>715,697</u> | <u>317,511</u> |

Included within other debtors is an amount of £34,134 (2005 £34,134) in respect of a rental deposit which is recoverable in more than one year

### 8. Creditors

#### Amounts falling due within one year

|                              | 2006           | 2005           |
|------------------------------|----------------|----------------|
|                              | £              | £              |
| Trade creditors              | 6,594          | 9,550          |
| Taxes and social security    | 81,783         | 78,123         |
| Accruals and deferred rental | 257,753        | 197,001        |
|                              | <u>346,130</u> | <u>284,674</u> |

#### Amounts falling due in more than one year

|                 | 2006         | 2005          |
|-----------------|--------------|---------------|
|                 | £            | £             |
| Deferred rental | 3,026        | 10,289        |
|                 | <u>3,026</u> | <u>10,289</u> |

### 9. Loans and other debts due to members

|                                                                     | 2006           | 2005           |
|---------------------------------------------------------------------|----------------|----------------|
|                                                                     | £              | £              |
| Owed to members in respect of profits – falling due within one year | <u>212,731</u> | <u>370,811</u> |

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

Registered Number: OC304607

## Notes to the Financial Statements

for the year ended 31 December 2006

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

|                            | Members'<br>Capital | Other<br>Reserves | Total          | Loans and<br>other debts<br>due from/to<br>members | Total<br>members'<br>Interests |
|----------------------------|---------------------|-------------------|----------------|----------------------------------------------------|--------------------------------|
|                            | £                   | £                 | £              | £                                                  | £                              |
| Brought forward            | 0                   | 264,989           | 264,989        | 168,772                                            | 433,761                        |
| Profit for financial year  |                     | 1,160,906         | 1,160,906      | 0                                                  | 1,160,906                      |
| Members' capital           |                     |                   |                | 0                                                  | 0                              |
| Members' remuneration      |                     | (933,493)         | (933,493)      | 933,493                                            |                                |
| Drawings                   |                     |                   |                | (908,370)                                          | (908,370)                      |
| Increase in loan to member |                     |                   |                | (368,288)                                          | (368,288)                      |
|                            |                     |                   |                |                                                    | 318,009                        |
| Amounts due to members     |                     |                   |                | 433,230                                            |                                |
| Amounts due from members   |                     |                   |                | (607,623)                                          |                                |
| <b>At 31 December 2006</b> | <b>0</b>            | <b>492,402</b>    | <b>492,402</b> | <b>(174,393)</b>                                   | <b>318,009</b>                 |

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## Notes to the Financial Statements for the year ended 31 December 2006

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

|                                                | 2006<br>£      | 2005<br>£      |
|------------------------------------------------|----------------|----------------|
| Operating profit                               | 1,158,082      | 984,974        |
| Gain/(Loss) on foreign exchange                | 12,655         | (15,016)       |
| Depreciation charge                            | 21,081         | 18,740         |
| (Increase) in debtors                          | (398,186)      | (136,661)      |
| (Decrease)/Increase in creditors               | (158,537)      | 46,269         |
| <b>Net cash flow from operating activities</b> | <b>635,095</b> | <b>898,306</b> |

### 12. Analysis of changes in net funds

|                          | At 31<br>December<br>2005<br>£ | Cash<br>outflow<br>£ | Exchange Rate<br>Movement<br>£ | At 31<br>December<br>2006<br>£ |
|--------------------------|--------------------------------|----------------------|--------------------------------|--------------------------------|
| Cash at bank and in hand | 582,553                        | (279,310)            | (12,655)                       | 290,588                        |

### 13. Related parties

The ultimate controlling party is Pacific Alternative Asset Management Company LLC ("PAAMCo LLC") incorporated in the United States of America. The LLP received £1,368,371 (2005 £1,008,560) during the period from its controlling member PAAMCo LLC under a 'cost plus' transfer pricing arrangement between the two entities. At the year end £607,623 was due from Paamco LLC (2005 £239,335).

### 14. Financial commitments

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

|                                      | 2006<br>£ | 2005<br>£ |
|--------------------------------------|-----------|-----------|
| Land and buildings – leases expiring |           |           |
| Within one to five years             | 58,100    | 58,100    |