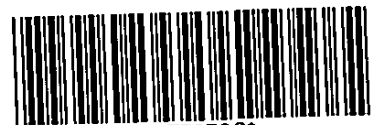


Registered No. OC304607

Pacific Alternative Asset Management Company Europe LLP

**Members' report and Financial Statements
for the year ended 31 December 2007**

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Pacific Alternative Asset Management Company Europe LLP

Registered Number: OC304607

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

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Pacific Alternative Asset Management Company Europe LLP

Registered Number: OC304607

REGISTERED OFFICE AND PROFESSIONAL ADVISORS

Designated Members

Pacific Alternative Asset Management Company LLC
Stephen Edward Oxley
Alper Ince

Auditors

Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

Bankers

Barclays Bank PLC
7th 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 2007

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 £448,672 (2006 £318,009)

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

RSM Robson Rhodes LLP ("Robson Rhodes") merged its audit practice with that of Grant Thornton UK LLP ("Grant Thornton") with effect from 2 July 2007, with the successor firm being Grant Thornton. Robson Rhodes resigned as auditors on 31 July 2007, creating a casual vacancy which the Designated Members have filled by appointing Grant Thornton. In accordance with Companies Act 1985, section 385(2), as applied by the Limited Liability Partnerships Regulations 2001, the Designated Members will reappoint the auditors before the expiry of not more than two months after the date that the attached financial statements were approved.

A resolution to appoint Grant Thornton UK LLP as auditors will be put to the members at the Annual General Meeting.

This Members' Report was approved by the Designated Members on 23 April 2008 and signed on their behalf by


Stephen Oxley


Alper Ince

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

Report of the independent auditor to the members of Pacific Alternative Asset Management Company Europe LLP

We have audited the financial statements of Pacific Alternative Asset Management Company Europe LLP for the year ended 31 December 2007 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the statement of cash flows, and notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the members, as a body, in accordance with Section 235 of the Companies Act 1985 as applied by the Limited Liability Partnerships Regulations 2001. Our audit work has been undertaken so that we might state to the 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 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 Members' Report and the financial statements in accordance with United Kingdom law and 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.

In addition we report to you if, in our opinion, Pacific Alternative Asset Management Company Europe 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 Members' report and consider whether it is consistent with the audited financial statements. We 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 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 Limited Liability Partnership's circumstances, consistently applied and adequately disclosed.

Pacific Alternative Asset Management Company Europe LLP

Registered Number: OC304607

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.

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 the partnership's affairs as at 31 December 2007 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

Grant Thornton UK LLP
GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
29/6/08
London

Pacific Alternative Asset Management Company Europe LLP

Registered Number OC304607

Profit and loss account

for the year ended 31 December 2007

		2007	2006
		£	£
	Notes		
Turnover	2		
Management fees		856,955	567,151
'Cost plus' revenue from controlling party		1,943,194	1,368,371
Other		453,426	346,707
		<u>3,253,575</u>	<u>2,282,229</u>
 Expenses			
Administration expenses		(1,261,698)	(1,124,147)
 Operating profit	3	<u>1,991,877</u>	<u>1,158,082</u>
 Interest receivable		5,500	2,824
 Profit for the financial year before members' remuneration and profit shares available for discretionary division among members	10	<u>1,997,377</u>	<u>1,160,906</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 17 form part of these Financial Statements

Pacific Alternative Asset Management Company Europe LLP

Registered Number OC304607

Balance sheet

as at 31 December 2007

		2007 £	2006 £
	Notes		
Fixed Assets			
Tangible fixed assets	6	49,706	55,773
Current Assets			
Debtors and prepayments	7	1,764,787	715,697
Cash		449,591	290,588
		2,214,378	1,006,285
Current Liabilities			
Creditors falling due within one year	8	(1,172,145)	(346,130)
Net Current Assets		1,042,233	660,155
Creditors falling due in more than one year	8	-	(3,026)
Net Assets		1,091,939	712,902
Represented by:			
Loans and other debts due to members within one year			
Members' capital classified as a liability under FRS25		220,500	220,500
Other amounts		-	-
		220,500	220,500
Equity			
Members' other interests-classified as equity under FRS25		871,439	492,402
Total Members' Interest		1,091,939	712,902
Amount due from members		(1,639,773)	(607,623)
Loans and other debts due to members		1,217,006	433,230
Members' other interests		871,439	492,402
Members' Total Interests	10	448,672	318,009

The financial statements were approved by the members on 23 April 2008 and signed on their behalf by


Stephen Oxley


Alper Ince

The notes on pages 11 to 17 form part of these Financial Statements

Pacific Alternative Asset Management Company Europe LLP

Registered Number OC304607

Statement of cash flows

for the year ended 31 December 2007

		2007	2006
		£	£
	Notes		
Net cash inflow from operating activities	11	1,007,639	635,095
Returns on investments and servicing of finance			
Interest received		5,500	2,824
Capital expenditure and financial investment			
Payment to acquire tangible fixed assets		(20,973)	(8,859)
Transactions with members			
Payments to members		(834,564)	(908,370)
Contributions of capital		-	-
Increase/(decrease) in cash	12	157,602	(279,310)

Reconciliation of net cash flow to movement in net funds

		2007	2006
		£	£
Increase/(decrease) in cash in the period		157,602	(279,310)
Translation difference		1,401	(12,655)
Net funds at start of period		290,588	582,553
Net funds at 31 December	12	449,591	290,588

The notes on pages 11 to 17 form part of these Financial Statements

Notes to the Financial Statements

for the year ended 31 December 20067

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.

Registered Number OC304607

Notes to the Financial Statements

for the year ended 31 December 2007

3. Operating profit

This is stated after charging/(crediting)

	2007	2006
	£	£
Depreciation	21,429	21,081
Foreign exchange differences	(1,401)	12,655
Auditors' remuneration		
Fees payable to the LLP's	11,700	8,400
auditors for the audit of the		
financial statements		
Operating lease rentals	50,603	50,838

4. Employees

Average monthly number of employees in the year was 10 (2006 8)

Staff costs

	2007	2006
	£	£
Wages and salaries	625,555	505,859
Social security costs	71,584	60,163
	<u>697,139</u>	<u>566,022</u>

5. Members and their remuneration

The average number of members during the year was 3 (2006 3)

The profit (including remuneration), that is attributable to the member with the largest entitlement to profit (including remuneration), is £879,984 (2006 £536,154)

Notes to the Financial Statements

for the year ended 31 December 2007

6. Tangible fixed assets

	Computer Equipment £	Office Equipment, Fixtures and Fittings £	Total £
Cost:			
Brought forward	77,140	30,316	107,456
Additions	8,016	12,957	20,973
Disposals	(1,229)	(13,096)	(14,325)
At 31 December 2007	83,927	30,177	114,104
Accumulated depreciation:			
Brought forward	40,836	10,847	51,683
Charge for the period	16,214	5,215	21,429
Elimination on disposal	(750)	(7,964)	(8,714)
At 31 December 2007	56,300	8,098	64,398
Net book value			
At 31 December 2006	36,304	19,469	55,773
At 31 December 2007	27,627	22,079	49,706

7. Debtors

Amounts falling due in less than one year

	2007 £	2006 £
Amounts due from PAAMCo LLC	1,639,773	607,623
VAT	14,910	11,718
Other debtors	48,834	39,246
Prepayments and accrued income	61,270	57,110
	<u>1,764,787</u>	<u>715,697</u>

Included within other debtors is an amount of £0 (2006 £34,134) in respect of a rental deposit which is recoverable in more than one year

Notes to the Financial Statements

for the year ended 31 December 2007

8. Creditors

Amounts falling due within one year

	2007	2006
	£	£
Trade creditors	35,322	6,594
Taxes and social security	126,430	81,783
Accruals and deferred rental	1,010,393	257,753
	<u>1,172,145</u>	<u>346,130</u>

Amounts falling due in more than one year

	2007	2006
	£	£
Deferred rental	-	3,026
	<u>-</u>	<u>3,026</u>

9. Loans and other debts due to members

	2007	2006
	£	£
Owed to members in respect of profits – falling due within one year	<u>996,506</u>	<u>212,731</u>

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

Notes to the Financial Statements

for the year ended 31 December 2007

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

	Members' Capital	Other Reserves	Total	Loans and other debts due (from)/to members	Total members' interests
	£	£	£	£	£
Brought forward	-	492,402	492,402	(174,393)	318,009
Profit for financial year		1,997,377	1,997,377	-	1,997,377
Members' capital				-	-
Members' remuneration		(1,618,340)	(1,618,340)	1,618,340	-
Drawings				(834,564)	(834,564)
Increase in loan to member				(1,032,150)	(1,032,150)
					448,672
Amounts due to members				1,217,006	
Amounts due from members				(1,639,773)	
At 31 December 2007	-	871,439	871,439	(422,767)	448,672

Pacific Alternative Asset Management Company Europe LLP

Registered Number OC304607

Notes to the Financial Statements
for the year ended 31 December 2007

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

	2007 £	2006 £
Operating profit	1,991,877	1,158,082
Gain/(Loss) on foreign exchange	(1,401)	12,655
Depreciation charge	21,429	21,081
Loss on disposal of fixed assets	5,611	0
(Increase) in debtors	(1,049,090)	(398,186)
Increase/(decrease) in creditors	39,213	(158,537)
Net cash inflow from operating activities	1,007,639	635,095

12. Analysis of changes in net funds

	At 31 December 2006 £	Cash inflow £	Exchange Rate Movement £	At 31 December 2007 £
Cash at bank and in hand	290,588	157,602	1,401	449,591

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 £1,943,194 (2006 £1,368,371) during the period from its controlling member PAAMCo LLC under a 'cost plus' transfer pricing arrangement between the two entities. At the year end £1,639,773 was due from Paamco LLC (2006 £607,623).

Registered Number OC304607

Notes to the Financial Statements for the year ended 31 December 2007

14. Financial commitments

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

	2007 £	2006 £
Land and buildings – leases expiring		
Less than one year	14,759	-
In one to five years	-	58,100

The LLP signed a new operating lease on 17 March 2008. The lease is a ten year commitment consisting of a six month rent free period and rent of £142,096 per annum.