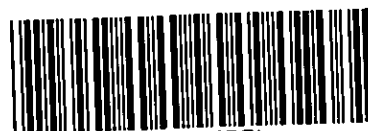


Registered No. OC304607

Pacific Alternative Asset Management Company Europe LLP

**Members' report and Financial Statements
for the year ended 31 December 2008**

MONDAY



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Registered Number: OC304607

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

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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

Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

Bankers

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

Registered Office

25 Victoria Street
London
SW1H 0EX

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 2008.

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 £816,863 (2007: £448,672).

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

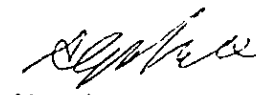
Auditors

A resolution to reappoint 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 21 April 2009 and signed on their behalf by:



Stephen Oxley



Alper Ince

Registered Number: OC304607

Statement of Members' responsibilities for the Financial Statements

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. The members are required to prepare the accounts for each financial year. 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 made under the Limited Liabilities Partnerships Act of 2000. They are also responsible for the systems of internal control and 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 2008 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.

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 2008 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

London 22 April 2009.

Registered Number: OC304607

Profit and loss account
for the year ended 31 December 2008

		2008	2007
		£	£
Turnover	Notes		
	2		
Management fees		837,519	856,955
'Cost plus' revenue from controlling party		2,458,527	1,943,194
Other		376,190	453,426
		<u>3,672,236</u>	<u>3,253,575</u>
Expenses			
Administration expenses		(2,296,354)	(1,261,698)
Operating profit	3	<u>1,375,882</u>	<u>1,991,877</u>
Interest receivable		3,884	5,500
Profit for the financial year before members' remuneration and profit shares available for discretionary division among members	10	<u>1,379,766</u>	<u>1,997,377</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 an integral part of these Financial Statements.

Registered Number: OC304607

Balance sheet

as at 31 December 2008

	Notes	2008 £	2007 £
Fixed Assets			
Tangible fixed assets	6	347,441	49,706
Current Assets			
Debtors and prepayments	7	833,975	1,764,787
Cash		1,105,208	449,591
		<u>1,939,183</u>	<u>2,214,378</u>
Current Liabilities			
Creditors falling due within one year	8	(895,640)	(1,172,145)
Net Current Assets		1,043,543	1,042,233
Creditors falling due in more than one year	8	(59,344)	-
Net Assets		<u>1,331,640</u>	<u>1,091,939</u>
Represented by:			
Loans and other debts due to members within one year			
Members' capital classified as a liability under FRS25		220,500	220,500
		<u>220,500</u>	<u>220,500</u>
Equity			
Members' other interests-classified as equity under FRS25		1,111,140	871,439
		<u>1,331,640</u>	<u>1,091,939</u>
Memorandum of Members' Total Interest			
Amount due from members		(683,722)	(1,639,773)
Loans and other debts due to members		398,446	1,217,006
Members' other interests		1,111,140	871,439
Total Members' Interests	10	816,863	448,672

The financial statements were approved by the members on 21 April 2009 and signed on their behalf by:


Stephen Oxley


Alper Ince

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

Registered Number: OC304607

Statement of cash flows

for the year ended 31 December 2008

		2008	2007
		£	£
	Notes		
Net cash inflow from operating activities	11	2,845,485	1,007,639
Returns on investments and servicing of finance			
Interest received		3,884	5,500
Capital expenditure and financial investment			
Payment to acquire tangible fixed assets		(348,813)	(20,973)
Transactions with members			
Payments to members		(1,967,626)	(834,564)
Contributions of capital		-	-
Increase/(decrease) in cash	12	<u>532,930</u>	<u>157,602</u>

Reconciliation of net cash flow to movement in net funds

		2008	2007
		£	£
Increase/(decrease) in cash in the period		532,930	157,602
Translation difference		122,687	1,401
Net funds at start of period		449,591	290,588
Net funds at 31 December	12	<u>1,105,208</u>	<u>449,591</u>

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

Registered Number: OC304607

Notes to the Financial Statements

for the year ended 31 December 2008

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 asset are stated at cost less accumulated depreciation and 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
Leasehold Improvements	The remainder of the lease or 10 years, whichever is smaller

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 Pacific Alternative Asset Management Company LLC ("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

Registered Number: OC304607

Notes to the Financial Statements

for the year ended 31 December 2008

recognised as and when earned. All revenue is derived from continuing activities in the UK.

3. Operating profit

This is stated after charging/(crediting):

	2008 £	2007 £
Depreciation	43,653	21,429
Foreign exchange differences	(122,687)	(1,401)
Auditors' remuneration:		
Fees payable to the LLP's auditors for the audit of the financial statements and tax preparation	20,640	11,700
Operating lease rentals	159,905	50,603

4. Employees

Average monthly number of employees in the year was 10 (2007: 10)

Staff costs:

	2008 £	2007 £
Wages and salaries	1,356,199	625,555
Social security costs	122,464	71,584
	<u>1,478,663</u>	<u>697,139</u>

5. Members and their remuneration

The average number of members during the year was 3 (2007: 3).

The profit (including remuneration), that is attributable to the member with the largest entitlement to profit (including remuneration), is £913,918 (2007: £879,984). The average profit (including remuneration) per member is £383,053 (2007: £539,447)

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Notes to the Financial Statements

for the year ended 31 December 2008

6. Tangible fixed assets

	Computer Equipment £	Office Equipment, Fixtures and Fittings £	Leasehold Improvements	Total £
Cost:				
Brought forward	83,927	30,177	0	114,104
Additions	10,635	126,607	211,572	348,813
Disposals	(270)	(14,653)	0	(14,923)
At 31 December 2008	94,292	142,130	211,572	447,995
Accumulated depreciation:				
Brought forward	56,300	8,098	0	64,398
Charge for the period	13,818	15,827	14,019	43,663
Elimination on disposal	(220)	(7,288)	0	(7,508)
At 31 December 2008	69,898	16,637	14,019	100,554
Net book value:				
At 31 December 2007	27,627	22,079	0	49,706
At 31 December 2008	24,394	125,494	197,553	347,441

7. Debtors**Amounts falling due in less than one year**

	2008 £	2007 £
Amounts due from PAAMCO LLC	692,815	1,639,773
VAT	23,982	14,910
Other debtors	6,180	48,834
Prepayments and accrued income	120,090	61,270
	843,067	1,764,787

Included within other debtors is an amount of £4,860 (2007: £34,134) in respect of a rental deposit which is recoverable in more than one year.

Registered Number: OC304607

Notes to the Financial Statements

for the year ended 31 December 2008

8. Creditors

Amounts falling due within one year

	2008 £	2007 £
Trade creditors	32,248	35,322
Taxes and social security	182,100	126,430
Accruals and deferred rental	690,384	1,010,393
	<u>904,732</u>	<u>1,172,145</u>

Amounts falling due in more than one year

	2008 £	2007 £
Deferred rental	59,344	-
	<u>59,344</u>	<u>-</u>

9. Loans and other debts due to members

	2008 £	2007 £
Owed to members in respect of profits – falling due within one year	<u>178,038</u>	<u>996,506</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 2008

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	-	871,439	871,439	(422,767)	448,672
Profit for financial year		1,388,859	1,388,859	-	1,388,859
Members' capital				-	-
Members' remuneration		(1,149,158)	(1,149,158)	1,149,158	-
Drawings				(1,967,626)	(1,967,626)
Increase in loan to member				946,958	946,958
					816,863
Amounts due to members				398,538	
Amounts due from members				(692,815)	
At 31 December 2008	-	1,111,140	1,111,140	(294,277)	816,863

Registered Number: OC304607

Notes to the Financial Statements for the year ended 31 December 2008

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

	2008 £	2007 £
Operating profit	1,384,975	1,991,877
Gain/(Loss) on foreign exchange	(122,687)	(1,401)
Depreciation charge	43,663	21,429
Loss on disposal of fixed assets	7,415	5,611
(Increase) in debtors	921,720	(1,049,090)
Increase/(decrease) in creditors	610,399	39,213
Net cash inflow from operating activities	2,845,485	1,007,639

12. Analysis of changes in net funds

	At 31 December 2007 £	Cash Inflow £	Exchange Rate Movement £	At 31 December 2008 £
Cash at bank and in hand	449,591	532,930	122,687	1,105,208

13. Related parties

The ultimate controlling party is PAAMCO LLC incorporated in the United States of America. The LLP received £2,458,527 (2007: £1,943,194) during the period from its controlling member PAAMCO LLC under a 'cost plus' transfer pricing arrangement between the two entities. At the year end £692,815 was due from PAAMCO LLC (2007: £1,639,773).

Registered Number: OC304607

Notes to the Financial Statements for the year ended 31 December 2008

14. Financial commitments

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. After five years, either party has the option to cancel the remaining period of the lease.

	2008 £	2007 £
Land and buildings – leases expiring:		
Less than one year	142,096	14,759
In two to five years	455,091	-
More than five years	-	-