Registered No. OC304607

Pacific Alternative Asset Management Company Europe LLP

Members' report and Financial Statements for the year ended 31 December 2009



Pacific Alternative Asset Management Company Europe LLP

[redacted]

Registered Number OC304607

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

CONTENTS	Page
Registered Office and Professional Advisors	3
Members' Report	4
Statement of Members' Responsibilities	5
Independent Auditors' Report	6-7
Profit and Loss Account	8
Balance Sheet	9
Statement of Cash Flows	10
Notes to the Financial Statements	11-17

Registered Number OC304607

REGISTERED OFFICE AND PROFESSIONAL ADVISORS

Designated Members
Pacific Alternative Asset Management Company LLC
Stephen Edward Oxley
Alper Ince (resigned 31 December 2009)

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

Members' report

The members present their annual report together with the financial statements of the partnership for the year ended 31 December 2009

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 £657,767 (2008 £816,864)

Members' profit allocation

Any profits are shared among the members and governed by the Partnership Agreement dated 1 August 2003 as amended on 3 July 2009.

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

The Partnership Agreement dated 1 August 2003 as amended 3 July 2009 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 (resigned 31 December 2009)

Auditors

In so far as the members are aware

- there is no relevant audit information of which the LLP's auditor is unaware, and
- the members have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 as modified by the Limited Liability Partnerships Regulations 2008 unless the company receives notice under section 488(1) of the Companies Act 2006 as modified by the Limited Liability Partnerships Regulations 2008

This Members' Report was approved by the Designated Members on 23 April 2010 and signed on their behalf by

Stephen Oxley

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

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year Under the law the members have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) The financial statements are required by law to give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP 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 UK 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 adequate accounting records that 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 2008 Regulations 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

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdiction

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 2009 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the cash flow statement, and notes 1 to 13 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 Chapter 3 of Part 16 of the Companies Act 2006 as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 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) It is our responsibility to form an independent opinion based on our examination, and to report our opinion to you

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

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 of the state of the partnership's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the Companies Act 2006 as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008

Grant Thornton UK LLP

Marcus Swales
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

April 2010

Registered Number OC304607

Profit and loss account

For the year ended 31 December 2009

	Notes	2009 £	2008 £
Turnover	2		
Management fees		813,286	837,519
'Cost plus' revenue from controlling party		2,869,220	2,458,527
Other		480,764	376,190
		4,163,270	3,672,236
Expenses			
Administration expenses		(3,012,773)	(2,296,354)
Operating profit	3	1,150,497	1,375,882
Interest receivable		1,113	3,884
Profit for the financial year before members' remuneration and profit shares available for discretionary division among members	10	1,151,610	1,379,766

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 2009

	Notes	2009 £	2008 £
Fixed Assets			
Tangible fixed assets	6	327,916	347,441
Current Assets			
Amounts due from Members		556,571	683,722
Debtors and prepayments	7	138,346	150,253
Cash		310,333	1,105,208
		1,005,250	1,939,183
Current Liabilities			
Creditors falling due within one year	8	(86,897)	(726,694)
Net Current Assets		918,353	1,212,489
Creditors falling due in more than one year	8	(31,931)	(59,344)
Net Assets		**1,214,338**	**1,500,586**
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		58,110	168,946
		278,610	389,446
Equity			
Members' other interests-classified as equity under FRS25		935,728	1,111,140
		1,214,338	**1,500,586**
Memorandum of Members' Total Interest			
Members' capital classified as a liability under FRS 25		220,500	220,500
Other amounts due to Members		58,110	168,946
Members' other interests classified as equity		935,728	1,111,140
Amounts due from members		(556,571)	(683,722)
Total Members' Interests	10	**657,767**	**816,864**

The financial statements were approved by the members on 23 April 2010 and signed on their behalf by

Stephen Oxley

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

Statement of cash flows

for the year ended 31 December 2009

	Notes	2009 £	2008 £
Net cash inflow from operating activities	11	694,875	1,889,433
Returns on investments and servicing of finance			
Interest received		1,113	3,884
Capital expenditure and financial investment			
Payment to acquire tangible fixed assets		(46,781)	(348,813)
Transactions with members			
Payments to members		(800,707)	(1,011,574)
Drawings		(510,000)	-
Increase/(decrease) in cash		**(661,500)**	**532,930**

Reconciliation of net cash flow to movement in net funds

	2009 £	2008 £
Increase/(decrease) in cash in the period	(661,500)	532,930
Translation difference	(133,375)	122,687
Net funds at start of period	1,105,208	449,591
Net funds at 31 December	**310,333**	**1,105,208**

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

Notes to the Financial Statements

for the year ended 31 December 2009

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

Notes to the Financial Statements

for the year ended 31 December 2009

Members' participation rights

Members' participation rights are the rights of a member against the LLP that arise under the members' agreement (for example, in respect of amounts subscribed or otherwise contributed, remuneration and profits)

Members' participation rights in the earnings or assets of the LLP are analysed between those that are, from the LLP's perspective, either a financial liability or equity, in accordance with FRS 25 (IAS 32) Financial Instruments: Disclosure and Presentation and UITF abstract 39 Members' shares in co-operative entities and similar instruments A member's participation right results in a liability unless the right to any payment is discretionary on the part of the LLP

Amounts subscribed or otherwise contributed by members, for example members' capital, are classed as equity if the LLP has an unconditional right to refuse payment to members If the LLP does not have such an unconditional right, such amounts are classified as liabilities

Where profits are automatically divided as they arise, so the LLP does not have an unconditional right to refuse payment, the amounts arising that are due to members are in the nature of liabilities They are therefore treated as an expense in the Profit and Loss Account in the relevant year. To the extent that they remain unpaid at the year end, they are shown as liabilities in the Balance Sheet

Conversely, where profits are divided only after a decision by the LLP or its representative, so that the LLP has an unconditional right to refuse payment, such profits are classed as an appropriation of equity rather than as an expense They are therefore shown as a residual amount available for discretionary division among members in the Profit and Loss Account and are equity appropriations in the Balance Sheet.

Other amounts applied to members, for example remuneration paid under an employment contract and interest on capital balances, are treated in the same way as all other divisions of profits, as described above, according to whether the LLP has, in each case, an unconditional right to refuse payment

All amounts due to members that are classified as liabilities are presented in the Balance Sheet within 'Loans and other debts due to members' Amounts due to members that are classified as equity are shown in the Balance Sheet within 'Members' other interests'

Registered Number OC304607

Notes to the Financial Statements

for the year ended 31 December 2009

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

3. Operating profit

This is stated after charging/(crediting)

	2009	2008
	£	£
Depreciation	57,684	43,653
Foreign exchange differences	133,375	(122,687)
Auditors' remuneration		
Fees payable to the LLP's auditors for the audit of the financial statements and tax preparation	21,585	20,640
Operating lease rentals	127,637	159,905

4. Employees

Average monthly number of employees in the year was 15 (2008 10)

Staff costs.

	2009	2008
	£	£
Wages and salaries	1,779,091	1,356,199
Social security costs	155,792	122,464
	1,934,883	**1,478,663**

5. Members and their remuneration

The average number of members during the year was 3 (2008. 3)

The profit (including remuneration), that is attributable to the member with the largest entitlement to profit (including remuneration), is £817,022 (2008 £908,462) The average profit (including remuneration) per member is £383,870 (2008 £459,922)

Notes to the Financial Statements

for the year ended 31 December 2009

6. Tangible fixed assets

	Computer Equipment £	Office Equipment, Fixtures and Fittings £	Leasehold Improvements £	Total £
Cost:				
Brought forward	94,292	142,131	211,572	447,995
Additions	8,850	6,102	31,829	46,781
Disposals	(24,656)	0	0	(24,656)
At 31 December 2009	78,486	148,233	243,401	470,120
Accumulated depreciation:				
Brought forward	69,898	16,637	14,019	100,554
Charge for the period	8,460	24,618	24,607	57,685
Elimination on disposal	(16,035)	0	0	(16,035)
At 31 December 2009	62,323	41,255	38,626	142,204
Net book value:				
At 31 December 2008	24,394	125,494	197,553	347,441
At 31 December 2009	**16,163**	**106,978**	**204,775**	**327,916**

7. Debtors

Amounts falling due in less than one year

	2009 £	2008 £
VAT	29,230	23,982
Other debtors	10,455	6,181
Prepayments and accrued income	98,661	120,090
	138,346	**150,253**

Included within other debtors is an amount of £2,400 (2008 £4,860) 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 2009

8. Creditors

Amounts falling due within one year

	2009	2008
	£	£
Trade creditors	25,295	32,248
Taxes and social security	0	182,100
Accruals and deferred rental	61,602	512,346
	86,897	**726,694**

Amounts falling due in more than one year

	2009	2008
	£	£
Deferred rental	31,931	59,344
	31,931	**59,344**

9. Loans and other debts due to members

	2009	2008
	£	£
Owed to members – falling due within one year	58,110	168,946

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 2009

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

	Members' Capital	Members' other Interests	Amounts due from Members	Amounts due to Members	Members' Total Interests
	£	£	£	£	£
Brought forward	**220,500**	**1,111,140**	**(683,722)**	**168,946**	**816,864**
Profit for financial year		1,151,610			1,151,610
Members' remuneration		(817,022)			(817,022)
Drawings		(510,000)			(510,000)
Change in amounts due to/from members			127,151	(110,836)	16,315
At 31 December 2009	**220,500**	**935,728**	**(556,571)**	**58,110**	**657,767**

Notes to the Financial Statements
for the year ended 31 December 2009

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

	2009	2008
	£	£
Operating profit	1,150,497	1,375,882
(Gain)/loss on foreign exchange	133,375	(122,687)
Depreciation charge	57,685	43,663
Loss on disposal of fixed assets	8,621	7,415
(Increase)/decrease in debtors	11,907	(25,239)
Increase/(decrease) in creditors	(667,210)	610,399
Net cash inflow from operating activities	**694,875**	**1,889,433**

12. Related parties

The ultimate controlling party is PAAMCO LLC incorporated in the United States of America The LLP received £2,869,220 (2008 £2,458,527) during the period from its controlling member PAAMCO LLC under a 'cost plus' transfer pricing arrangement between the two entities At the year end £556,571 was due from PAAMCO LLC (2008 £683,722)

13. Financial commitments

As at 31 December 2009 the LLP had annual commitments under non-cancellable operating leases as set out below

	2009		2008	
	Land & Buildings	Other Items	Land & Buildings	Other Items
	£	£	£	£
Operating leases which expire				
In two to five years	142,096	3,774	142,096	3,774
	142,096	**3,774**	**142,096**	**3,774**

The following pages do not form part of the statutory financial statements which are the subject of the report of the independent auditor on pages 6 and 7.

Pacific Alternative Asset Management Company Europe LLP

Pillar 3 Disclosure

Introduction

Pacific Alternative Asset Management Company Europe LLP ("the Firm") is authorised and regulated by the FSA and as such is subject to minimum regulatory capital requirements The Firm is categorised by the FSA, for capital purposes, as a limited licence firm The Firm is not required to prepare consolidated reporting for prudential purposes

The FSA's capital requirement framework consists of three "pillars"

- Pillar 1 – This is the minimum regulatory capital requirement and consists of both the base capital requirement and the variable capital requirement.
- Pillar 2 – This is the capital that the Firm believes it needs to hold in respect of individual risks identified under the overall Pillar 2 rule
- Pillar 3 - Requires firms to make disclosures which will allow market participants to assess key information about the Firm's underlying risks, risk management controls and capital position

This document is designed to meet the Firm's Pillar 3 obligations

Disclosure Policy

The Pillar 3 rules in BIPRU 11 set out the need for firms to have a formal disclosure policy In accordance with the rules of the Financial Services Authority ("FSA") the Firm will disclose the information set out in BIPRU 11 (the Pillar 3 rule) on at least an annual basis The Pillar 3 disclosure will be made in the Firm's annual financial statements

The Firm may omit information it deems as immaterial, confidential or proprietary in accordance with the rules

Risk Management

The Firm is governed by its members ("Principals") who determine its business strategy and risk appetite The Principals meet on a regular basis and discuss current projections for profitability, cash flow, regulatory capital management, and business planning and risk management The Principals manage the Firm's risks though a framework of policy and procedures having regard to relevant laws, standards, principles and rules (including FSA principles and rules) with the aim to operate a defined and transparent risk management framework These policies and procedures are updated as required

The Principals have identified business, operational, market, credit and concentration risks as the main areas of risk to which the Firm is exposed Annually the Principals formally review the areas of risk to the Firm and identify any new risks that may have arisen. The Principals determine how the risks the Firm faces may be mitigated and assess the arrangements to manage those risks. Where the Principals identify material risks they consider the financial impact of these risks as part of the Firm's business planning and capital management and conclude whether the amount of regulatory capital is adequate.

Capital Resources

The Pillar 1 capital requirement is the greater of the variable capital requirement and the base capital requirement. The Firm's variable capital requirement exceeds the base capital requirement and therefore constitutes the Firm's Pillar 1 requirement The variable capital requirement is defined as the higher of the credit risk and market risk capital requirements combined and the fixed overhead requirement. The Firm's risk analysis concluded that we do not require significant capital in respect of credit risk or market risk, therefore the Firm's variable capital requirement is equal to the fixed overhead requirement

Our overall approach to assessing the adequacy of our internal capital is set out as part of our Internal Capital Adequacy Assessment Process (ICAAP) The ICAAP process involves separate consideration of risks in accordance with the Pillar 2 rules The only material risk identified by the ICAAP was PAAMCO LLC choosing to close down PAAMCO Europe for business or regulatory reasons We estimated the capital required for an orderly wind-up of the company to exceed the Firm's requirement under Pillar 1 and therefore constitutes the Firm's internal capital requirement

The Firm is a Limited Liability Partnership and its capital arrangements are established in its Partnership deed The Firm's capital position at December 31, 2009 is summarised as follows

	£
Members' contributed capital	220,500
Other reserves	935,728
Total capital	1,156,228

The Firm's capital resources are comprised of core tier one capital only, there are no other items or deductions

The Firm holds a considerable surplus of capital above the capital requirement.