

Registered No. OC304607

Pacific Alternative Asset Management Company Europe LLP

**Members' report and Financial Statements
for the year ended 31 December 2015**



Registered Number: OC304607

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

CONTENTS	Page
Registered Office and Professional Advisors	3
Members' Report	4 - 5
Statement of Members' Responsibilities	6
Independent Auditor's Report	7 - 8
Profit and Loss Account	9
Balance Sheet	10
Statement of Cash Flows	11
Notes to the Financial Statements	12 - 21
Pillar 3 Disclosure – Unaudited Appendix	23 - 25

Registered Number: OC304607

REGISTERED OFFICE AND PROFESSIONAL ADVISORS

Designated Members

Pacific Alternative Asset Management Company, LLC
Elizaveta Fridman
Stephen Edward Oxley (Resigned 01 April 2015)

Auditors

Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

Bankers

Barclays Bank PLC
Marble Arch Corp Banking Group
P.O. Box 32016
London
NW1 2ZH

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 2015.

Business overview and principal activities

Pacific Alternative Asset Management Company Europe LLP (PAAMCO Europe) was established in 2003. PAAMCO Europe is authorised and regulated by the Financial Conduct Authority, registered with the Securities and Exchange Commission ("SEC") as a relying advisor and classified as a BIPRU €50,000 limited license firm. PAAMCO Europe is a 97% owned subsidiary of Pacific Alternative Asset Management Company, LLC (PAAMCO LLC) which is headquartered in Irvine, California, USA. PAAMCO LLC is a fund of hedge funds investment manager that constructs, monitors and manages portfolios of hedge funds and provides investment services to institutional investors globally. PAAMCO Europe was created to focus on manager research and European marketing of PAAMCO LLC funds and is currently staffed with 12 people. PAAMCO Europe's sole client is the parent company which currently manages approximately \$10.0 billion in customised portfolios of hedge funds. PAAMCO LLC is registered with the SEC and with the Commodities Futures Trading Commission ("CFTC") and is a member of the National Futures Association.

The partnership's performance for the year is contained in the results and distributions section below.

Results and distributions

The results for the year are shown in the profit and loss account on page 9. The partnership's balance sheet as detailed on page 10 shows a satisfactory position with members' interests amounting to \$1,042,395 (2014: \$1,724,398).

Principal risks and uncertainties

The principal risks and uncertainties faced by PAAMCO Europe are described below:

- market – the risk of loss of European, Middle East and Africa (EMEA) clients due to movements in financial markets or significant changes in regulatory regimes of countries where PAAMCO Europe conducts marketing activities;
- regulatory – as a regulated business in the UK, new regulations may impose undue pressure on the partnership's infrastructure;
- concentration – with a sole client there could be risk if PAAMCO LLC decides to close PAAMCO Europe for business reasons.

The members are responsible for the overall stewardship of the LLP. The senior management of PAAMCO Europe are involved in the day to day management of the firm, which includes identifying and responding to risks. The members seek to mitigate and manage each of these risks through continual review and policy setting.

Key performance indicators

The LLP uses a number of performance measures to assess its success in meetings its objectives that include:

- EMEA assets under management by PAAMCO LLC; and
- profitability – the current year's results are reported in the results and distributions section above.

Registered Number: OC304607

Members' profit allocation

Any profits are shared among the members and governed by the Partnership Agreement most recently dated 23 November 2015 with effect from 1 April 2015.

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

The Partnership Agreement dated 23 November 2015 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
Elizaveta Fridman
Stephen Edward Oxley (Resigned 01 April 2015)

Auditors

The members confirm that:

- so far as each member is 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 as members in order 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 partnership 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 Member on 18 April 2016 and signed on their behalf by:

Elizaveta Fridman



Designated Member

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 regulations.

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 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 jurisdictions.

Registered Number: OC304607

Independent auditor's report 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 31st December 2015 which comprise the profit and loss account, the balance sheet, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 to limited liability partnerships by the Limited Liability Partnership (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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditor

As explained more fully in the Statement of Members' Responsibilities set out on page 6, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31st December 2015 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 requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Registered Number: OC304607

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



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

19 April 2016

Registered Number: OC304607

Profit and loss account

For the year ended 31 December 2015

		2015	2014
		\$	\$
	Notes		
Turnover	3		
Marketing fees		536,729	718,284
'Cost plus' revenue from controlling party		6,719,507	7,025,034
Other		953,130	1,754,889
		<u>8,209,366</u>	<u>9,498,207</u>
Expenses			
Administration expenses		(6,522,042)	(5,856,855)
Operating profit	4	<u>1,687,324</u>	<u>3,641,352</u>
Interest receivable		44	35
Profit for the financial year before members' remuneration and profit shares		<u>1,687,368</u>	<u>3,641,387</u>
Members' remuneration charged as an expense		(259,325)	(418,095)
Profit for the financial year available for discretionary division among members	11	<u>1,428,043</u>	<u>3,223,292</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 12 to 21 form an integral part of these Financial Statements.

Registered Number: OC304607

Balance sheet

as at 31 December 2015

	Notes	2015 \$	2014 \$
Fixed Assets			
Tangible fixed assets	7	151,330	211,259
Current Assets			
Debtors and prepayments	8	494,707	554,708
Amounts due from members	11	2,210,358	1,381,632
Cash		346,924	472,648
		<u>3,051,989</u>	<u>2,408,988</u>
Current Liabilities			
Creditors falling due within one year	9, 13	(2,144,806)	(863,254)
Net Current Assets		907,183	1,545,734
Creditors falling due in more than one year	9	(16,118)	(32,595)
NET ASSETS ATTRIBUTABLE TO MEMBERS		<u>1,042,395</u>	<u>1,724,398</u>
REPRESENTED BY:			
Loans and other debts due to members within one year:			
Members' capital classified as a liability		342,855	342,855
Other amounts	10	448,122	1,286,482
		<u>790,977</u>	<u>1,629,337</u>
Members' other interests:			
Members' other interests – other reserves classified as equity	11	251,418	95,061
	11	<u>1,042,395</u>	<u>1,724,398</u>
TOTAL MEMBERS' INTERESTS:			
Loans and other debts due to members		790,977	1,629,337
Members' other interests		251,418	95,061
Amounts due from members		(2,210,358)	(1,381,632)
	11	<u>(1,167,963)</u>	<u>342,766</u>

The financial statements were approved by the Designated members on 18 April 2016 and signed on their behalf by:



Elizaveta Fridman
Designated Member

The notes on pages 12 to 21 form an integral part of these Financial Statements.

Registered Number: OC304607

Statement of cash flows
for the year ended 31 December 2015

		2015	2014
		\$	\$
	Notes		
Net cash inflow from operating activities	12	1,097,783	3,906,460
Returns on investments and servicing of finance			
Interest received		44	35
Capital expenditure and financial investment			
Payment to acquire tangible fixed assets		(22,480)	(9,186)
Transactions with members			
Drawings		(1,135,540)	(3,934,211)
Decrease in cash		(60,193)	(36,902)

Reconciliation of net cash flow to movement in net funds

	2015	2014
	\$	\$
Decrease in cash in the period	(60,193)	(36,902)
Translation difference	(65,531)	(91,040)
Net funds at start of period	472,648	600,590
Net funds at 31 December	346,924	472,648

The notes on pages 12 to 21 form an integral part of these Financial Statements.

Registered Number: OC304607

Notes to the Financial Statements

for the year ended 31 December 2015

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, the Statement of Recommended Practice ("SORP"), Accounting by Limited Liability Partnerships, revised in March 2010, and the terms of the LLP's Membership Agreement. The financial statements are presented in United States dollars.

Information on the impact of first-time adoption of FRS 102 is given in Note 16.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

Foreign Currency Transactions

The functional currency is the United States dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At the end of each reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss.

Fixed assets

All fixed assets 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.

Registered Number: OC304607

Notes to the Financial Statements

for the year ended 31 December 2015

Taxation

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

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 102 (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 2015

Going concern

The partnership's business activities, together with the factors likely to affect its future development, principal risks and financial risk management are set out in the Members' Report on page 4.

The partnership has considerable financial resources and as a consequence, the partners believe that the partnership is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The partners have a reasonable expectation that the partnership has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2. Key judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods. No key judgements, estimates or assumptions have been identified.

3. Turnover

Turnover, which is stated net of Value Added Tax, is derived from three sources: research services and trading provided to Pacific Alternative Asset Management Company, LLC ("PAAMCO, LLC") charged on a 'cost plus' basis, marketing fees earned from PAAMCO, LLC, and supplemental fees earned from PAAMCO, LLC. Marketing fees are recognised on a receivable basis. All revenue is derived from continuing activities in the United Kingdom.

Registered Number: OC304607

Notes to the Financial Statements

for the year ended 31 December 2015

4. Operating profit

This is stated after charging:

	2015	2014
	\$	\$
Depreciation	82,109	91,182
Foreign exchange differences	65,531	91,040
Loss on disposal of fixed assets	300	-
Auditors' remuneration:		
Audit fee	29,038	29,918
Tax services	6,862	7,406
Operating lease rentals	499,419	424,409

5. Employees

Average monthly number of employees in the year was 12 (2014: 11)

Staff costs:

	2015	2014
	\$	\$
Wages and salaries	1,940,870	2,849,308
Pensions	54,196	83,281
National insurance and social security costs	228,061	304,751
	<u>2,223,127</u>	<u>3,237,340</u>

6. Members and their remuneration

The average number of members during the year was 2 (2014: 3).

The profit (including remuneration), that is attributable to the member with the largest entitlement to profit (including remuneration), is \$1,179,730 (2014: \$2,368,891). The average profit (including remuneration) per member is \$843,684 (2014: \$1,213,796).

Registered Number: OC304607

Notes to the Financial Statements

for the year ended 31 December 2015

7. Tangible fixed assets

	Computer Equipment \$	Office Equipment, Fixtures and Fittings \$	Leasehold Improvements \$	Total \$
Cost:				
Brought forward	64,482	270,561	448,959	784,002
Additions	15,408	1,205	5,867	22,480
Disposals	(14,669)	(906)	-	(15,575)
At 31 December 2015	<u>65,221</u>	<u>270,860</u>	<u>454,826</u>	<u>790,907</u>
Accumulated depreciation:				
Brought forward	48,832	242,658	281,253	572,743
Charge for the period	8,857	15,576	57,676	82,109
Elimination on Disposal	(14,369)	(906)	-	(15,275)
At 31 December 2015	<u>43,320</u>	<u>257,328</u>	<u>338,929</u>	<u>639,577</u>
Net book value:				
At 31 December 2014	<u>15,650</u>	<u>27,903</u>	<u>167,706</u>	<u>211,259</u>
At 31 December 2015	<u>21,901</u>	<u>13,532</u>	<u>115,897</u>	<u>151,330</u>

8. Debtors

Amounts falling due in less than one year

	2015 \$	2014 \$
Accounts receivable	91	-
VAT	75,835	68,020
Other debtors	8,714	185,829
Prepayments and accrued income	410,067	300,859
	<u>494,707</u>	<u>554,708</u>

There are no balances included that are due greater than one year (2014: nil).

Registered Number: OC304607

Notes to the Financial Statements

for the year ended 31 December 2015

9. Creditors

Amounts falling due within one year

	2015	2014
	\$	\$
Trade creditors	57,389	95,693
Amounts due to group undertakings	1,469,644	-
Accruals and deferred rent liability	154,853	534,920
Post-retirement payments to be made to former members	462,920	232,641
	<u>2,144,806</u>	<u>863,254</u>

Amounts falling due in more than one year

	2015	2014
	\$	\$
Deferred rent liability	16,118	32,595
	<u>16,118</u>	<u>32,595</u>

10. Loans and other debts due to members – other amounts

	2015	2014
	\$	\$
Owed to members – falling due within one year	<u>448,122</u>	<u>1,286,482</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 2015

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

	Members' other interests – other reserves classified as equity	Members' capital classified as a liability	Amounts due to/(from) Members	Members' Total Interests 2015	Members' Total Interests 2014
	\$	\$	\$	\$	\$
Amounts due to members	-	-	1,286,482	-	-
Amounts due from members	-	-	(1,381,632)	-	-
At 31 December 2014	95,061	342,855	(95,150)	342,766	77,945
Payment of 2014 profit to retiring member	-	-	(5,105)	(5,105)	-
Transferred to post- retirement payments to be made to former members	-	-	(1,141,146)	(1,141,146)	-
Balance after adjusting for retiring member	95,061	342,855	(1,241,401)	(803,485)	77,945
Members' remuneration charged as an expense	-	-	259,325	259,325	418,095
Profit for financial year available for discretionary division among members	1,428,043	-	-	1,428,043	3,223,292
Members' interests after profit for the year	1,523,104	342,855	(982,076)	883,883	3,719,332
Other divisions of profits	(1,271,686)	-	1,271,686	-	-
Drawings	-	-	(1,135,540)	(1,135,540)	(3,934,211)
Other movements	-	-	(916,306)	(916,306)	557,645
At 31 December 2015	251,418	342,855	(1,762,236)	(1,167,963)	342,766
Amounts due to members	-	-	448,122	-	-
Amounts due from members	-	-	(2,210,358)	-	-
At 31 December 2015	-	-	(1,762,236)	-	-

Registered Number: OC304607

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

	2015	2014
	\$	\$
Profit before discretionary division	1,427,999	3,223,257
Members' remuneration charged as an expense	259,325	418,095
Gain on foreign exchange	65,531	91,040
Depreciation charge	82,109	91,183
Loss on disposal of fixed assets	300	-
(Increase)/Decrease in debtors	(856,304)	363,793
Increase/(Decrease) in creditors	118,823	(280,908)
Net cash inflow from operating activities	1,097,783	3,906,460

13. Related parties

The ultimate controlling party is PAAMCO, LLC incorporated in the United States of America. The LLP charged PAAMCO, LLC \$8,209,366 (2014: \$9,498,207) during the period for research and trading services (charged on a 'cost plus' basis), marketing fees and supplemental fees. The transactions were conducted on an arms length basis. At the year end \$2,210,358 (2014: \$1,381,632) was due from PAAMCO, LLC net of the members' interest.

On 1 January 2013, a Member holding a 2.24 percent interest in the LLP resigned as a Member of the LLP. The Member's resignation was a triggering event for PAAMCO, enabling it to exercise its option to purchase the Member's interest in accordance with the LLP Members' Agreement. The resigning Member is entitled to receive the Member's unpaid capital and drawings payable pursuant to the Members' Agreement. In addition, the Member is entitled to receive a trail off profit component pursuant to the Confidentiality, Separation and Consulting Agreement for a period through 31 December 2015. At 31 December 2015, the prior Member's trail off profit payable of \$269,814 is included in the accompanying balance sheet.

On and effective 1 January, 2015, PAAMCO, LLC entered into a Deed of Assignment with a member to transfer and assign all of its rights and interests in \$833 of its "B Capital", to be redesignated as "A Capital" and then be assigned to the member in consideration of \$833 from the member to PAAMCO, LLC.

In addition, on and effective 1 January, 2015, the LLP entered into the Fifth Amendment Agreement to the Solicitation and Sub-Advisor Agreement with PAAMCO, LLC to amend the terms of the agreement in place to a firm percentage of 8.12 percent for the supplemental fee and further amend the member percentage allocations.

Registered Number: OC304607

On 20 March, 2015, PAAMCO LLC entered into a Deed of Assignment with a member to transfer and assign all of its rights and interests in \$330 of its "B Capital", to be redesignated as "A Capital" and then be assigned to the member in consideration of \$330 from the member to PAAMCO, LLC.

In addition, on 1 March, 2015, the LLP entered into the Sixth Amendment Agreement to the Solicitation and Sub-Advisor Agreement with PAAMCO, LLC to amend the terms of the agreement in place to a firm percentage of 8.22 percent for the supplemental fee and further amend the member percentage allocations.

On 19 March, 2015 and effective 1 April, 2015, PAAMCO LLC entered into a Deed of Assignment with a member to transfer and assign all of the member's rights and interests in \$17,468 of its "A Capital", to be redesignated as "B Capital" and then be assigned to PAAMCO LLC in consideration of \$17,468 from PAAMCO, LLC to the member.

In addition, on 19 March, 2015 and effective 1 April, 2015, the LLP entered into the Seventh Amendment Agreement to the Solicitation and Sub-Advisor Agreement with PAAMCO, LLC to amend the terms of the agreement in place to a firm percentage of 2.85 percent for the supplemental fee and further amend the member percentage allocations.

On 18 November, 2015, the LLP entered into an Investment Management Delegation Agreement (IMD Agreement) with PAAMCO LLC to provide services for certain investment management, trading desk and administrative services. At 31 December, 2015, the receivable of \$1,952,899 related to the IMD Agreement is included in the accompanying balance sheet which consists of cost plus revenue relating to the three entities of \$1,900,172 and cost plus revenue on costs paid by the LLP of \$52,727.

On 20 November, 2015, the LLP entered into Services Agreements with three related entities of PAAMCO LLC to provide certain research services to the LLP. PAAMCO Colombia S.A.S., PAAMCO Arastirma Hizmetleri A.S. and PAAMCO Mexico are reimbursed by the LLP on a monthly basis. At 31 December, 2015, the payable to the related entities of \$1,469,644 is included in the accompanying balance sheet.

On 23 November, 2015, the LLP entered into the Eighth Amendment Agreement to the Solicitation and Sub-Advisor Agreement with PAAMCO, LLC to clarify the way in which the agreement works alongside the IMD Agreement.

Pacific Alternative Asset Management Company Europe LLP

Registered Number: OC304607

14. Financial commitments

As at 31 December 2015 the LLP had annual commitments under non-cancellable operating leases as set out below.

	2015		2014	
	Land & Buildings	Other Items	Land & Buildings	Other Items
	\$	\$	\$	\$
Operating leases which expire:				
Falling due within one year	-	6,410	-	3,365
In two to five years	933,138	26,250	1,483,773	19,010
	<u>933,138</u>	<u>32,660</u>	<u>1,483,773</u>	<u>22,375</u>

15. Subsequent event

On 15 January, 2016 and effective 1 January, 2016, PAAMCO, LLC entered into a Deed of Assignment with a member to transfer and assign all of its rights and interests in \$3,099 of its "B Capital", to be redesignated as "A Capital" and then be assigned to the member in consideration of \$3,099 from the member to PAAMCO, LLC.

In addition, on 15 January, 2016 and effective 1 January, 2016, the LLP entered into the Ninth Amendment Agreement to the Solicitation and Sub-Advisor Agreement with PAAMCO, LLC to amend the terms of the agreement in place to a firm percentage of 3.80 percent for the supplemental fee and further amend the member percentage allocations.

16. Transition to FRS102

The partnership has adopted FRS 102 for the year ended 2015 and has restated the comparative prior year amounts.

Changes for FRS 102 adoption

The total minimum lease payments due over the lease term are now reflected in the lease bandings, as compared to previous years where payments to be made during the next year only were disclosed.

Amounts due from members are now reflected in current assets on the balance sheet.

The members have considered the new reporting framework and no other adjustments have been identified.

Registered Number: OC304607

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 7 and 8.

Registered Number: OC304607

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 Financial Conduct Authority ("FCA") and as such is subject to minimum regulatory capital requirements. The Firm is categorised by the FCA, for capital purposes, as a BIPRU firm. The Firm is not required to prepare consolidated reporting for prudential purposes.

The FCA'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. This Pillar 3 Disclosure is appended to our annual accounts.

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 FCA 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 through a framework of policies and procedures having regard to relevant laws, standards, principles and rules (including FCA 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 risk as the main area of risk to which the Firm is exposed. Annually the Principals formally review the areas of risk to the Firm, identify any new risks that may have arisen and approve the ICAAP. 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.

Registered Number: OC304607

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 credit plus market risk is lower than the firm's fixed overheads requirement. 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 Pacific Alternative Asset Management Company, LLC, the Firm's parent company, choosing to close down the Firm for business reasons. We estimated the capital required for an orderly wind-up of the company to be below the Firm's requirement under Pillar 1.

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, 2015 is summarised as follows:

	\$
Members' contributed capital	342,855
Other reserves	2,284,916

Total capital	2,627,771
	=====

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.

Remuneration

The Firm must comply with the FCA's Remuneration Code ("the Code"). The purpose of the Code is to ensure that firms have risk focused remuneration policies, which are consistent with and promote effective risk management and do not expose themselves to excessive risk. We have reviewed all existing employment contracts to ensure they comply with the Code.

The Code can be applied in a proportionate way, in-line with FCA guidance. As such, Senior Management has determined that the following rules are not proportionate to the Firm and have not implemented these detailed rules:

SYSC 19C.3.44 – Ratios between fixed and variable remuneration;
SYSC 19C.3.47 - Retained shares and other instruments;
SYSC 19C.3.49 - Deferral; and
SYSC 19C.3.51, 19C.3.52 - Performance adjustment.

The Firm's Remuneration Policy has been formally approved and adopted by the Firm's governing body, which will have ultimate responsibility for its implementation. There is a Remuneration Committee based at the group's headquarters in the United States. This Committee determines remuneration levels for all group companies. In setting remuneration levels, the Firm recognises the importance of attracting and retaining experienced, capable staff. The Remuneration Committee has the ability to adjust discretionary bonus amounts.

Where remuneration is performance-related then, in addition to the performance of the individual, the Firm will also take into account the performance of the business unit concerned

Registered Number: OC304607

and the overall results of the firm. Performance assessment will not relate solely to financial criteria but will also include compliance with regulatory obligations and adherence to effective risk management. In keeping with the Firm's long term objectives, the assessment of performance will take into account longer-term performance.

The Firm had a total of four Code Staff during the year-ended 31st December 2015, with one Code Staff member ceasing to be Code Staff as of 1 April 2015. Three Code Staff were senior management, receiving a total aggregate remuneration of \$1,686,571, made up of salary, discretionary bonuses and entitlements to share of profits. The fourth Code Staff, in the capacity of a risk taker, received a total aggregate remuneration of \$32,445. Note that in the year under review a new firm-wide business line was launched consisting of several emerging markets long-only equity trading desks, for which the oversight and part of the trading function, is performed by Firm employees. However, no amendments to the Firm's Part 4A permissions were required and the Firm will continue not to have retail clients and not hold client money / assets. No sign-on or severance payments were made to Code Staff in the year under review.