

BH Macro Limited
Annual Audited Financial Statements 2007

ANNUAL FINANCIAL STATEMENTS
31 December 2007

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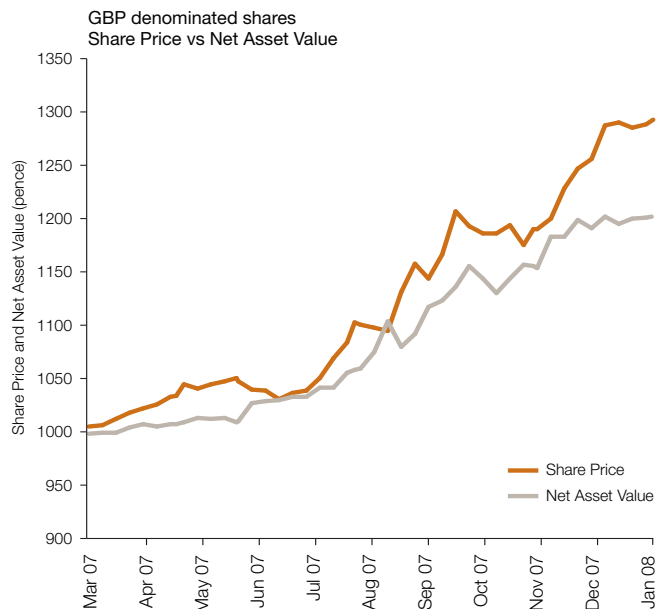
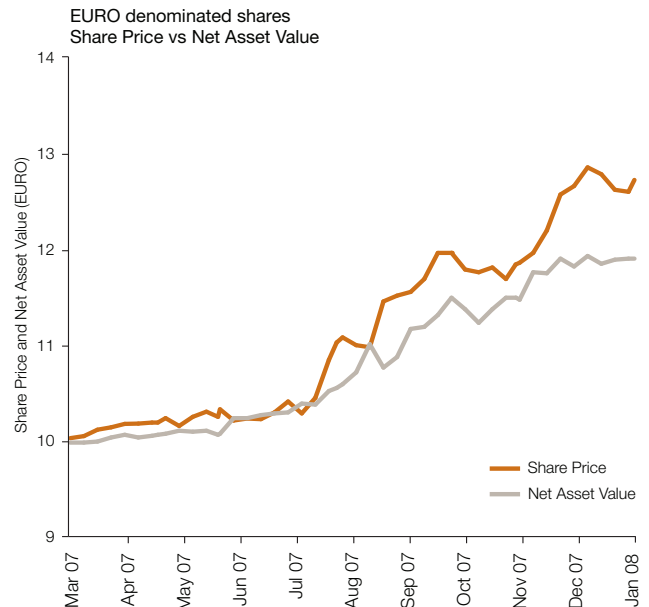
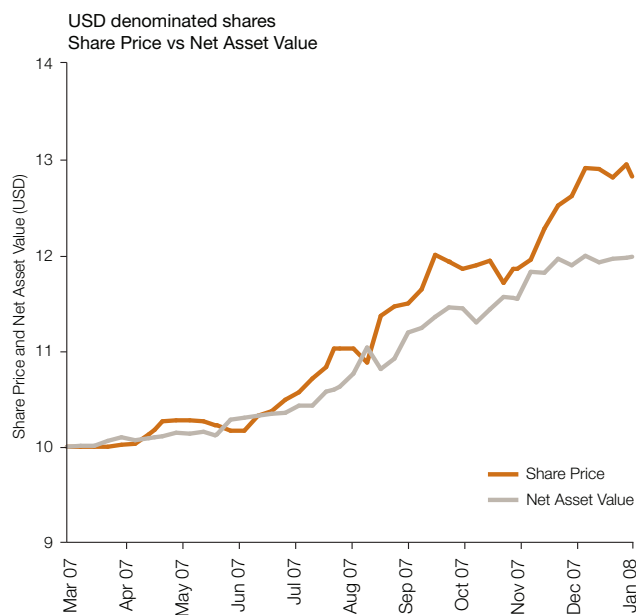
Chairman's Statement

In the nine months (to 31 December 2007) since its launch, BH Macro Limited (the "Company") has made a successful start as a public listed company, earning consistent and non-correlated superior returns for shareholders.

The Company was established as a closed-end investment company, registered and incorporated in Guernsey, on 17 January 2007. The Company's investment objective is to invest its assets in Brevan Howard Master Fund Limited (the "Master Fund"), which in turn seeks to generate consistent long-term capital appreciation through active leveraged trading and investment on a global basis.

An initial public offering by the Company of US Dollar, Euro and Sterling shares in March 2007 raised the equivalent of US\$1.1 billion from a wide range of investors. The Company was admitted to listing on the London Stock Exchange on 9 March 2007 and the proceeds of the offer (net of minimal working capital requirements) were invested in the Master Fund in early April 2007.

In response to significant continuing demand for the Company's shares, a placing of a further 9.99% of the Company's share capital was undertaken in October 2007 with the aim of broadening further the Company's investor base and increasing market liquidity in its shares. The placing, which raised the equivalent of US\$129 million, net of placing costs, was well received: it was oversubscribed and placed with a wide number of institutions. The proceeds of the placing were invested in the Master Fund in early November 2007. With this placing and the continued rise in the market price of the Company's shares, the Company's capitalisation had risen to the equivalent of US\$1.488 billion by 31 December 2007.



In the nine months to 31 December 2007 in which the Company has been operational, its investment performance has been consistently strong. All three currency classes of shares have recorded significant rises in net asset value ("NAV"): the NAV of the US Dollar shares has risen 20.3%, for the Euro shares 18.9%, and for the Sterling shares 20.7% (to 31 December 2007). All three classes of shares have seen their prices reflect the Master Fund's strong performance – rising over the nine months to 31 December 2007 to US\$12.89 for the US Dollar shares (a premium over NAV of 7.2%), to €12.70 for the Euro shares (a premium of 6.77%) and to £13.01 for the Sterling shares (a premium of 7.8%). There has been no need for the Company to utilise discount management measures.

Chairman's Statement continued

This strong performance, both in terms of NAV growth and in the share prices of the three currency classes, reflects the superior returns earned by the Master Fund. Increased market volatility since June 2007, marked particularly by widespread repricing of risk and heightened uncertainty about valuations in financial markets, created opportunities of which the Master Fund has been able to take advantage, to the benefit of shareholders, as demonstrated by the accelerated rise in NAV achieved in the second half of the year. The award in October 2007 by Moody's of its top Operations Quality rating (OQ1) to the Master Fund – the first such rating to be achieved by a hedge fund with a European fund manager – provides independent confirmation of the high quality of operational and risk management processes implemented by Brevan Howard Asset Management LLP ("BHAM"), the Master Fund's principal investment manager. This has been a particularly important strength during the current period of heightened market turbulence.

In response to shareholder feedback, a facility was introduced with shareholder agreement in June 2007 to enable shareholders to switch between currency classes on a quarterly basis. Since that date there have been three conversion opportunities, in July, September and December 2007. On each occasion use was made of the facility to switch by some shareholders but not on any substantial scale.

The Board, which is independent of the Brevan Howard group, has established high standards of corporate governance for the Company, with regular meetings of the Board and of its Audit Committee at which the Company's activities and the services it engages from outside service providers are closely reviewed. The Company has established a website (www.bhmacro.com), on which it publishes the monthly report of NAV and weekly NAV estimates,

weekly risk reports and monthly shareholder reports, as well as information about the Company. In addition, the prices of all three currency classes of the Company's shares are reported daily in the *Financial Times*. In order to keep abreast of industry developments, the Company has joined the Association of Investment Companies.

There has been one change in the composition of the Board: on 25 September 2007 Stephen Stonberg, a partner of BHAM, joined the Board in place of Nagi Kawkabani (also a partner of BHAM), who stepped down. The Board greatly appreciates the contribution Nagi Kawkabani made to getting the Company up and running in the initial months of its operations.

As the first single-manager feeder fund to list on the London Stock Exchange, the Company has an innovative structure which has attracted widespread investment support. The Company's performance to date has confirmed the Board's view that the structure can add significant value for a wide variety of shareholders. I and my fellow Directors remain committed to ensuring that, through investment in the Master Fund and through high standards of corporate governance, the Company continues to deliver superior performance for shareholders.



Ian Plenderleith
Chairman

29 February 2008

Directors' Report

31 December 2007

The Directors submit their report together with the Company's Audited Statement of Assets and Liabilities, Audited Statement of Operations, Audited Statement of Changes in Net Assets, Audited Statement of Cash Flows, and the related notes for the period from 17 January 2007 to 31 December 2007, which have been prepared properly, in accordance with accounting principles generally accepted in the United States of America (US GAAP), and are in accordance with any relevant enactment for the time being in force; and are in agreement with the accounting records.

The Company

The Company is a limited liability closed-end investment company incorporated in Guernsey on 17 January 2007.

The Company was admitted to a secondary listing on the Official List of the London Stock Exchange on 14 March 2007. The proceeds from the original issue of shares amounted to approximately US\$1.1 billion. On 26 October 2007 the Company issued further shares in a cash placing amounting to approximately US\$0.1 billion.

The Company is a member of the Association of Investment Companies.

Investment objective and policies

The Company is organised as a feeder fund and seeks to achieve its investment objective by investing all of its investable assets in the ordinary US Dollar, Euro and Sterling denominated Class B shares issued by Brevan Howard Master Fund Limited (the "Master Fund"), an open-ended investment company with limited liability formed under the laws of the Cayman Islands. The investment objective of the Master Fund is to generate consistent long-term appreciation through active leveraged trading and investment on a global basis.

Results and dividends

The results for the period are set out in the Audited Statement of Operations on page 10. The Directors do not recommend the payment of a dividend.

Share capital

The number of shares in issue at the period end is disclosed in Note 7 to the Financial Statements.

Going concern

After making enquiries and given the nature of the Company and its investments, the Directors are satisfied that it is appropriate to continue to adopt the going concern basis in preparing the Financial Statements, and, after due consideration, the Directors consider that the Company is able to continue for the foreseeable future.

Directors

The Directors of the Company during the period are as listed on the inside of the back cover.

The table below sets out the number of Board and Audit Committee meetings held during the period from the Company's launch to 31 December 2007 and the number of meetings attended by each Director, who served on the Board and/or as a Committee member during the period.

Scheduled Board Meetings	Held	Attended
Ian Plenderleith	5	5
Anthony Hall	5	5
Nagi Kawkabani*	4	4
Christopher Legge	5	5
Talmi Morgan	5	5
Stephen Stonberg	2	2

* Attendance through alternate director.

Audit Committee Meetings

Anthony Hall	3	3
Christopher Legge	3	3
Talmi Morgan	3	3

Directors' interests

The Chairman, Ian Plenderleith, was previously party to a consultancy agreement with Brevan Howard Asset Management LLP dated 1 July 2006 pursuant to which he had provided advisory information on macroeconomic policy-making and financial markets. This agreement was terminated on 31 December 2006.

Until his resignation, Nagi Kawkabani was the only Director who was not independent of the Manager. Mr Kawkabani is a partner and Co-Chief Executive of Brevan Howard Asset Management LLP, a director of Brevan Howard Offshore Management Limited and a director of a number of other Brevan Howard affiliates including Brevan Howard Fund Limited, Brevan Howard Master Fund Limited, Brevan Howard Equity Strategies Fund Limited, Brevan Howard Equity Strategies Master Fund Limited and Brevan Howard General Partner Limited.

Following his appointment to the Board on 25 September 2007 and Mr Kawkabani's resignation from the Board, Stephen Stonberg became the only current Director who is not independent of the Manager. Mr Stonberg is a partner at Brevan Howard Asset Management LLP.

The Directors had the following interests in the Company, held either directly or beneficially at 31 December 2007:

	GBP Shares
Ian Plenderleith	Nil
Anthony Hall	10,000
Christopher Legge	Nil
Talmi Morgan	Nil
Stephen Stonberg	Nil

Manager

The Manager is entitled to management and performance fees as described in Note 4 to the Financial Statements. The Board recommends retaining the services of Brevan Howard Offshore Management Limited as the Company's Manager.

Auditors

A resolution for the re-appointment of KPMG Channel Islands Limited will be proposed at the next Annual General Meeting.

Directors' Report continued

31 December 2007

Significant shareholdings

As at 31 December 2007, the following had significant shareholdings in the Company:

	Total shares held	% holdings in class
Significant shareholders		
US Dollar shares		
Euroclear Nominees Limited	13,335,042	24.75
HSBC Global Custody Nominee (UK) Limited	12,214,102	22.67
The Bank of New York (Nominees) Limited	9,183,500	17.05
Vidacos Nominees Limited	4,668,846	8.67
Morstan Nominees Limited	3,398,012	6.31
Nortrust Nominees Limited	3,300,000	6.13
Roy Nominees Limited	2,260,500	4.20
Euro shares		
Vidacos Nominees Limited	8,503,900	29.59
Securities Services (Nominees) Limited	4,517,867	15.72
HSBC Global Custody Nominee (UK) Limited	4,463,590	15.53
Nordea Bank Danmark A/S	4,000,000	13.92
Euroclear Nominees Limited	2,048,744	7.13
Chase Nominees Limited	1,786,492	6.22
KAS Nominees Limited	1,008,331	3.51
Sterling shares		
Chase Nominees Limited	3,808,907	27.29
Nutraco Nominees Limited	3,041,192	21.79
State Street Nominees Limited	2,022,524	14.49
HSBC Global Custody Nominee (UK) Limited	902,133	6.46
Pershing Keen Nominees Limited	871,502	6.24
The Bank of New York (Nominees) Limited	690,025	4.94
BBHISL Nominees Limited	567,990	4.07
BNY (OCS) Nominees Limited	445,120	3.19

Signed on behalf of the Board by:

Ian Plenderleith

Chairman

Christopher Legge

Director

29 February 2008

Statement of Directors' Responsibility in Respect of the Financial Statements

The Directors are responsible for preparing the Financial Statements for each financial period which give a true and fair view of the state of affairs of the Company and of the net income or expense of the Company for that period and are in accordance with applicable laws.

In preparing these Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with The Companies (Guernsey) Law, 1994. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Investment Manager's Review

BH Macro Limited is a feeder fund investing in the Brevan Howard Master Fund Limited (the "Master Fund"). Brevan Howard Asset Management LLP ("BHAM") has supplied the following report regarding the Master Fund's performance and outlook.

NAV performance is provided for information purposes only. Shares in BH Macro Limited do not necessarily trade at a price equal to the prevailing NAV per share.

Performance review

BH Macro Limited (US Dollar Class) NAV per share gained 20.3% during the period March 2007 to 31 December 2007 with all months positive.

In 2007, distress in US sub-prime, its impact on structured credit and the subsequent "flight-to-simplicity" caused a massive reassessment of risk by the market; curves steepened, volatility rose and rates fell. The Master Fund was positioned to capitalise on these moves by effectively being "long the stress scenario".

A majority of the profit for the year came from rates and FX; the Master Fund profited from the increase in volatility in Fixed Income and FX and also from directional and curve trades in interest rates. Specifically, on the major curves, the Master Fund was long the short end and had curve-steepening trades. September was the strongest month of the period, up 5.92%. During September, the Master Fund profited by being long the short end of the Euro curve, by having steepening positions primarily on the US Dollar curve and by being long fixed income volatility. In FX, the Master Fund profited by being short US Dollar as well as long FX volatility.

All non-core strategies – equity, emerging markets and credit – made small positive contributions to performance for the year.

In addition, the Master Fund has been "long liquidity" throughout the year. In August the Master Fund reduced its balance sheet by about half to limit gross exposure and to ensure that it was ready for market distress. Additionally, BHAM extended its funding terms and currently have less than 5% of our positions rolling overnight; meaning BHAM had only very limited exposure to struggling money markets. The Master Fund's unencumbered cash has also been maintained at a high level.

Commentary and outlook

In the US, growth slowed markedly at the end of 2007 and we believe that the economy now runs an elevated risk of recession due to adverse financial conditions and deteriorating macroeconomic fundamentals.

The banking sector has only recently begun to work through its housing-related distress by recognising losses, raising capital, cutting payouts and slowing lending growth. We are somewhat pessimistic going forward since the value of many credit derivatives depends on the value of housing. With remarkably elevated inventories of new and existing homes, house prices are set to fall. As a consequence, we believe the problems in the banking sector will continue into 2008.

In terms of the macroeconomic fundamentals, residential investment is going through a punishing recession that threatens to spill over into other sectors. Indeed, we are beginning to see a weakening in the labour market. Prior threats to expansion have been partially offset by a strong labour market but without this tailwind the risks are amplified.

Consumption spending has been reasonable despite higher energy and food prices. However, we are not optimistic about the outlook: wealth seems poised to decline in the face of lower house prices and a vulnerable stock market. In addition, real income growth should slow as the labour market weakens and headline inflation remains elevated.

Putting the pieces together, we see anaemic growth in 2008 with downside risks.

In addition to lower growth, policy-makers will also have to fight high inflation. Headline inflation is rising due to further energy and food price shocks. Core inflation is near 2% but there are several upside risks. There will be some pass-through of energy and food price shocks, import prices will rise faster because of the fall in the US Dollar and there is little downward pressure on core inflation from economic slack in an environment in which the Phillips curve is nearly flat.

On balance, the greater threat from the financial sector and evidence of a potential recession, means the Fed is likely to cut rates further despite inflationary pressure.

In Europe, inflation surged at the end of 2007 due to an unfavourable base effect and the strong accelerations in the prices of food and energy. Core inflation has however been moving sideways over the recent months.

After a strong Q3, Euro area activity decelerated in Q4. Consumption continues to underperform despite the improvement of household disposable income. On the corporate side, the investment cycle has come to an end due to tight credit conditions and the unwillingness of firms to expand their capacity given the deceleration of world demand. At the same time, however, Euro area industrial production proved resilient at the end of 2007, benefiting from a large stock of past orders which will provide support to activity in the immediate future.

In August, the European Central Bank ("ECB") interrupted its tightening cycle due to market distress and adopted a "wait-and-see" stance, while maintaining hawkish rhetoric due to the unexpected acceleration of inflation.

Looking ahead to 2008, there are three elements of risk which concern the ECB: inflation, slowing activity levels and the continued credit-related stress.

BHAM believes that the ECB will try to balance these risks by staying on hold well into 2008.

Investment Manager's Review

In the UK, the Bank of England ("BoE") cut rates by 25 basis points in December, a move which was fully priced in. The minutes of the Monetary Policy Committee meeting suggested that the medium-term weaker prospects for the economy are now more of a concern than the near-term upward cost pressures.

On the data front, the deterioration in the residential and commercial real estate markets continues. The PMI surveys and retail sales indicators also suggest that activity is slowing. However, high food and energy prices have kept inflation just above the target level so the BoE is wary of cutting too aggressively.

Looking ahead to 2008, we expect the economy to continue to slow. Consumers are stretched, with savings rates low and most of the recent wealth increases of the past few years consisting of housing wealth, which is now faltering. Government finances have not been restored to health in recent years of above-trend growth, so there is little scope for aggressive fiscal stimulation. Investment prospects benefit from healthy corporate balance sheets but are sensitive to uncertainty about domestic and world demand. Net trade, which has been a strong negative to economic growth in recent quarters, could stabilise; but with UK exports largely headed for developed countries, weaker growth prospects for the US and the Eurozone put a cap on the potential boost to UK exports.

With growth slowing, underlying inflationary pressures are likely to be well-contained, although food and energy price fluctuations could keep headline CPI inflation a little above target for most of 2008.

On balance, we expect the BoE to cut rates further, as slowing growth and lower inflation prospects for 2009 will outweigh concerns about near-term inflation.

In Japan, the Bank of Japan ("BoJ") has left monetary policy unchanged since raising the key policy rate to a decade-high 0.5% in February 2007.

Activity levels deteriorated in Q3/Q4. Despite robust exports to Asia and Europe and a favourable production inventory cycle, growth in Q4 was at risk of being below its potential range due to continued weak housing investment. The unemployment rate fell marginally in November although this was not enough to improve economic sentiment amid unstable global financial market. Core CPI (excluding fresh foods) started to rise in October mainly due to the rise in energy and food prices.

The market is increasingly sceptical that the BoJ will hike rates in the near term. BHAM believes that a prerequisite for the next hike is normalisation in global capital markets, especially US and European money markets. The Master Fund has limited exposure to Japanese interest rates.

BHAM thanks you once again for your continued support, and looks forward to a profitable 2008.

Signed on behalf of Brevan Howard Asset Management LLP:

Alan Howard

Chief Investment Officer and Joint Chief Executive Officer

29 February 2008

Independent Auditor's Report

Independent Auditor's Report to the Members of BH Macro Limited

We have audited the Financial Statements of BH Macro Limited for the period from 17 January 2007 to 31 December 2007 which comprise the Audited Statement of Assets and Liabilities, the Audited Statement of Operations, the Audited Statement of Changes in Net Assets, the Audited Statement of Cash Flows and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's Members, as a body, in accordance with Section 64 of The Companies (Guernsey) Law, 1994. Our audit work has been undertaken so that we might state to the Company's 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 Company and the Company's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Directors' Report and the Financial Statements in conformity with applicable Guernsey law and accounting principles generally accepted in the United States of America as set out in the Statement of Directors' Responsibility on page 5.

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 (Guernsey) Law, 1994. We also report to you if, in our opinion, the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

We read the other information accompanying the Financial Statements and consider whether it is consistent with those 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 Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company'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, in conformity with accounting principles generally accepted in the United States of America, of the state of the Company's affairs as at 31 December 2007 and of its net result for the period from 17 January 2007 to 31 December 2007; and
- have been properly prepared in accordance with The Companies (Guernsey) Law, 1994.

KPMG Channel Islands Limited

Chartered Accountants
Guernsey

29 February 2008

Audited Statement of Assets and Liabilities

As at 31 December 2007

	2007 US\$
Assets	
Investment in Brevan Howard Master Fund Limited (cost US\$1,109,756,501)	1,489,711,931
Cash and bank balances denominated in US Dollars	1,288,792
Cash and bank balances denominated in Euro	1,143,515
Cash and bank balances denominated in Sterling	775,636
Total assets	1,492,919,874
Liabilities	
Performance fees payable (Note 4)	1,731,754
Management fees payable (Note 4)	2,377,562
Accrued expense and other liabilities	513,882
Directors' fees payable (Note 5)	104,102
Administration fees payable (Note 4)	104,233
Total liabilities	4,831,533
Net assets	1,488,088,341
Number of shares in issue (Note 7)	
US Dollar shares	53,877,466
Euro shares	28,736,067
Sterling shares	13,958,236
Net Asset Value per share (Notes 9 and 10)	
US Dollar shares	US\$12.03
Euro shares	€11.89
Sterling shares	£12.07

See accompanying notes to the Financial Statements.

Signed on behalf of the Board by:

Ian Plenderleith
Chairman

Christopher Legge
Director

29 February 2008

Audited Statement of Operations

For the period from 17 January 2007 (date of incorporation) to 31 December 2007

	2007 US\$
Net investment income allocated from Master Fund	
Interest	231,022,091
Dividend income	1,013,719
Expenses	(222,193,692)
Net investment income allocated from Master Fund	9,842,118
Company income	
Fixed deposit income	2,875,386
Foreign exchange gains (Note 3)	51,805,239
Total Company income	54,680,625
Company expenses	
Performance fees (Note 4)	54,457,318
Management fees (Note 4)	18,537,071
Other expenses	1,377,430
Directors' fees (Note 5)	366,595
Administration fees (Note 4)	154,773
Total Company expenses	74,893,187
Net investment loss	(10,370,444)
Net realised and unrealised gain on investments allocated from Master Fund	
Net realised loss on investments	(12,772,058)
Net unrealised gain on investments	303,056,279
Net realised and unrealised foreign exchange losses	(1,914,826)
Net realised and unrealised gain on investments allocated from Master Fund	288,369,395
Net increase in net assets resulting from operations	277,998,951

See accompanying notes to the Financial Statements.

Audited Statement of Changes in Net Assets

For the period from 17 January 2007 (date of incorporation) to 31 December 2007

	2007 US\$
Net increase in net assets resulting from operations	
Net investment loss	(10,370,444)
Net realised loss on investments allocated from Master Fund	(12,772,058)
Net unrealised gain on investments allocated from Master Fund	303,056,279
Net realised and unrealised foreign exchange losses allocated from Master Fund	(1,914,826)
	277,998,951
Share capital transactions	
Proceeds on issue of shares	
US Dollar shares	516,093,128
Euro shares	443,351,389
Sterling shares	253,284,649
Issue costs	
US Dollar shares	(1,099,663)
Euro shares	(932,319)
Sterling shares	(607,794)
	1,210,089,390
Net increase in net assets	1,488,088,341
Net assets at the beginning of the period	–
Net assets at the end of the period	1,488,088,341

See accompanying notes to the Financial Statements.

Audited Statement of Cash Flows

For the period from 17 January 2007 (date of incorporation) to 31 December 2007

	2007 US\$
Cash flows from operating activities	
Net increase in net assets resulting from operations	277,998,951
Adjustments to reconcile net income to net cash used in operating activities:	
Net investment income allocated from Master Fund	(9,842,118)
Net realised loss on investments	12,772,058
Net unrealised gain on investments	(303,056,279)
Net realised and unrealised foreign exchange losses	1,914,826
Purchase of investment in Master Fund	(1,266,627,745)
Disposal of investment in Master Fund	126,932,566
Foreign exchange gains	(51,805,239)
Increase in performance fees payable	1,731,754
Increase in management fees payable	2,377,562
Increase in accrued expenses and other liabilities	513,882
Increase in Directors' fees payable	104,102
Increase in administration fees payable	104,233
Net cash used in operating activities	(1,206,881,447)
Cash flows from financing activities	
Proceeds on issue of shares	1,212,729,166
Issue costs	(2,639,776)
Net cash provided by financing activities	1,210,089,390
Change in cash	3,207,943
Cash, beginning of the period	–
Cash, end of the period	3,207,943

See accompanying notes to the Financial Statements.

Notes to the Audited Financial Statements

For the period from 17 January 2007 (date of incorporation) to 31 December 2007

1. The Company

BH Macro Limited (the "Company") is a limited liability closed-ended investment company incorporated in Guernsey on 17 January 2007 for an unlimited period, with registration number 46235.

The Company was admitted to a Secondary Listing on the Official List of the London Stock Exchange on 14 March 2007. As a consequence of the Secondary Listing, the Company is not required to comply with the provisions of Chapter 15 of the Listing Rules.

The Company offers multiple classes of ordinary shares, which differ in terms of currency of issue. To date, ordinary shares have been issued in US Dollar, Euro and Sterling.

2. Organisation

The Company is organised as a feeder fund and seeks to achieve its investment objective by investing all of its investable assets, net of short-term working capital requirements, in the ordinary US Dollar, Euro and Sterling denominated Class B shares issued by the Brevan Howard Master Fund Limited (the "Master Fund").

The Master Fund is an open-ended investment company with limited liability formed under the laws of the Cayman Islands on 22 January 2003. The investment objective of the Master Fund is to generate consistent long-term appreciation through active leveraged trading and investment on a global basis. The Master Fund employs a combination of investment strategies that focus primarily on economic change and monetary policy and market inefficiencies. The underlying philosophy is to construct strategies, often contingent in nature with superior risk/return profiles, whose outcome will often be crystallised by an expected event occurring within a pre-determined period of time. New trading strategies will be added as investment opportunities present themselves. At the date of these Financial Statements, there were two other feeder funds in operation in addition to the Company.

The Financial Statements of the Master Fund should be read alongside the Company's Financial Statements.

The Manager

Brevan Howard Offshore Management Limited (the "Manager") is the Manager of the Company. The Manager was incorporated in the Cayman Islands on 22 January 2003 and is regulated as Manager of the Company by the Jersey Financial Services Commission pursuant to the Collective Investment Funds (Jersey) Law 1988 and the Orders made thereunder.

The Manager also manages the Master Fund and in that capacity, as at the date of these Financial Statements, has delegated the responsibility for the investment management of the Master Fund to its affiliates Brevan Howard Asset Management LLP, Brevan Howard US Asset Management LP, Brevan Howard (Hong Kong) Limited and Brevan Howard (Israel) Limited.

Corporate governance

As an investment company, most of the Company's day-to-day responsibilities are delegated to third parties and the Directors are all non-executive. The Directors recognise the importance of sound corporate governance, particularly the requirements of the Combined Code on Corporate Governance published by the Financial Reporting Council. The Company does not comply with the Combined Code since there is no published corporate governance regime equivalent to the Combined Code in Guernsey. The Directors acknowledge this non-compliance and will comply with the Combined Code to the extent that they consider appropriate having regard to the Company's size, stage of development and resources and with reference to the recommendations within the Association of Investment Companies' Corporate Governance Guide for Investment Companies.

The Company has adopted a policy that the composition of the Board of Directors be at all times such that (i) a majority of the Directors are independent of the Manager and any company in the same group as the Manager; (ii) the Chairman of the Board of Directors is free from any conflicts of interest and be independent of the Manager and any company in the same group as the Manager; and (iii) no more than one director, partner, employee or professional adviser to the Manager or any company in the same group as the Manager may be a Director of the Company at any one time.

The Company has also adopted a Code of Directors' dealings in shares, which is based on the Model Code for Directors' dealings contained in the London Stock Exchange's Listing Rules.

The Board

The Board of Directors has overall responsibility for safeguarding the Company's assets, for the determination of the investment policy of the Company, for reviewing the performance of the service providers and for the Company's activities. The Directors, all of whom are non-executive, are disclosed on the inside back cover. Stephen Stonberg is the only Director not independent of the Manager.

The Articles of Association provide that unless otherwise determined by ordinary resolution, the number of the Directors shall not be less than two and the aggregate remuneration of all Directors in any 12-month period or pro rata for any lesser period shall not exceed £300,000 or such higher amount as may be approved by ordinary resolution.

The Board meets at least four times a year and between these formal meetings there is regular contact with the Manager and the Secretary. The Directors are kept fully informed of investment and financial controls, and other matters that are relevant to the business of the Company and should be brought to the attention of the Directors. The Directors also have access to the Administrator and, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Company.

Notes to the Audited Financial Statements continued

For the period from 17 January 2007 (date of incorporation) to 31 December 2007

2. Organisation (continued)

The Board has a breadth of experience relevant to the Company, and the Directors believe that any changes to the Board's composition can be managed without undue disruption. With any new Director appointment to the Board, consideration will be given as to whether an induction process is appropriate.

Board committees

The Company has established an Audit Committee with formally delegated duties and responsibilities. This Committee meets formally at least twice a year for the purpose, amongst others, of considering the appointment, independence and remuneration of the auditors, to discuss and agree with the external auditors the nature and scope of the audit and to keep under review the scope, results and cost effectiveness of the audit. The Audit Committee comprises Christopher Legge, Anthony Hall and Talmai Morgan. Christopher Legge is the Chairman of the Audit Committee.

The Company has not established separate remuneration or nomination committees as the Directors are satisfied that any relevant issues can be properly considered by the Board.

Relations with shareholders

The Manager will maintain regular dialogue with any institutional shareholders, the feedback from which is reported to the Board. In addition, Board members will be available to respond to shareholders' questions at the Annual General Meeting.

3. Significant accounting policies

The accompanying Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America, The Companies (Guernsey) Law, 1994 and the principal documents. The base currency of the Company is US Dollars. The following are the significant accounting policies adopted by the Company:

Valuation of investments

The value of the Company's investment in the Master Fund reflects the balance of the Company's capital account, as at 31 December 2007. At 31 December 2007, the Company's US Dollar, Euro and Sterling capital account represents 4.1980%, 3.2585% and 2.2418% respectively of the Master Fund's capital. The valuation of securities held by the Master Fund is discussed in the notes to the Master Fund's Financial Statements.

Income and expenses

The Company records monthly its proportionate share of the Master Fund's income, expenses and realised and unrealised gains and losses. In addition, the Company accrues its own income and expenses.

Use of estimates

The preparation of Financial Statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of increases and

decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

Share issue expenses

Share issue expenses of approximately US\$43,229,618 were borne by the Manager and are payable by the Company to the Manager should the management agreement terminate for certain grounds in whole or with respect to any class of share during the period ending on the seventh anniversary of admission, being 14 March 2014. The Directors consider the likelihood of this liability crystallising as remote and hence no provision has been made within the accounts. The Directors confirm there are no other contingent liabilities that require disclosure or provision.

The costs of the cash placing on 26 October 2007 have been charged to the share premium account as disclosed in Note 7.

Leverage

The Manager has discretion, subject to the prior approval of a majority of the independent Directors, to employ leverage for and on behalf of the Company by way of borrowings to effect share purchases or share buy-backs and to satisfy working capital requirements.

The Company may borrow up to 20% of its NAV, calculated as at the time of borrowing.

Foreign exchange

Investment securities and other assets and liabilities denominated in foreign currencies are translated into US Dollars using exchange rates at the reporting date. Purchases and sales of investments and income and expense items denominated in foreign currencies are translated into US Dollar amounts at the date of such transaction.

All currency gains and losses are included in the Statement of Operations.

4. Management, performance and administration agreements

Management and performance fee

On 7 February 2007, the Company entered into a management agreement with the Manager to manage the Company's investment portfolio. The Manager receives a management fee of 1/12 of 2% (or a pro rata proportion thereof) per month of the closing NAV (before deduction of that month's management fee and before making any deduction for any accrued performance fee) as at the last valuation day in each month, payable monthly in arrears. The Master Fund itself is not subject to management fees.

The Manager is also entitled to an annual performance fee for each share class. The performance fee is equal to 20% of the appreciation in the NAV per share of that class during that calculation period which is above the base NAV per share of that class. The base NAV per share is the greater of the NAV per share of the relevant class at the time of issue of such share and the highest NAV per share achieved as at the end of any previous calculation period. The Manager will be paid an estimated performance fee on the last day of the calculation period.

4. Management, performance and administration agreements (continued)

Within 15 business days following the end of the calculation period, any difference between the actual performance fee and the estimated amount will be paid to or refunded by the Manager, as appropriate. The Master Fund itself is not subject to performance fees.

The Master Fund may hold investments in other funds managed by Manager. To ensure that shareholders of the Company are not subject to two tiers of fees, the fees paid to the Manager as outlined above are reduced by the Company's share of any fees paid to the Manager by the underlying Master Fund investments, managed by the Manager.

Administration fee

Under the terms of an administration agreement dated 6 February 2007, the Company appointed Northern Trust International Fund Administration Services (Guernsey) Limited as Administrator, Registrar and Corporate Secretary. The Administrator is paid fees based on the NAV of the Company, payable quarterly. The fee is at a rate of 0.015% of the average month end NAV of the Company, subject to a minimum fee of £67,500 per annum. In addition, the Administrator is entitled to be reimbursed out-of-pocket expenses incurred in the course of carrying out its duties as Administrator.

5. Directors' fees

The Chairman is entitled to a fee of £125,000 per annum with all other independent Directors receiving £20,000 per annum. Mr Kawkabani waived his fees but received a fee as a Director of the Master Fund. Mr Stonberg has waived his fee. The Directors are also entitled to be reimbursed for expenses properly incurred in the performance of their duties as Directors.

6. Facility agreement

The Company has entered into a facility agreement with Citigroup N.A. dated 20 April 2007. The Company has negotiated a 364-day share buy-back facility, arranged by Citigroup N.A. to enable the Company to, *inter alia*, purchase its own shares and shares in the Brevan Howard Master Fund. The purposes of the facility agreement are (i) the repurchase of the Company's shares at times when the market price is less than NAV per share; (ii) working capital purposes; and (iii) purchases of shares in the Brevan Howard Master Fund Limited. The facility of €80 million has not been utilised during the period.

7. Share capital

The Company was incorporated with the authority to issue an unlimited number of ordinary shares with no par value which may be divided into at least three classes denominated in US Dollars, Euros and Sterling. At incorporation, two shares were subscribed by the subscribers to the Memorandum of Association. These shares were later transferred to subscribers in the Offer.

	USD shares	EUR shares	GBP shares	Company Total
Number of ordinary shares				
Shares issued 14 March 2007	45,056,818	27,219,130	10,545,400	82,821,348
Shares issued 12 April 2007	1,054,181	2,721,913	957,740	4,733,834
Shares issued 26 October 2007	4,679,416	2,781,334	1,259,181	8,719,931
Share conversions	3,087,051	(3,986,310)	1,195,915	296,656
In issue at end of period	53,877,466	28,736,067	13,958,236	96,571,769

	US\$	€	£	US\$
Share Premium Account				
Proceeds of shares issued 14 March 2007	450,568,180	272,191,300	105,454,000	1,014,504,791
Proceeds of shares issued 12 April 2007	10,541,810	27,219,130	9,577,400	66,235,668
Transfer to Distributable Reserve*	(461,109,990)	(299,410,430)	(115,031,400)	(1,080,740,459)
Proceeds of shares issued 26 October 2007	54,983,138	32,402,541	14,807,969	131,988,707
Issue costs of shares issued 26 October 2007	(1,099,663)	(648,051)	(296,160)	(2,639,776)
At end of period	53,883,475	31,754,490	14,511,809	129,348,931

* By way of a special resolution passed on 5 February 2007, it was resolved that, conditional on admission and the approval of the Court in Guernsey, the amount standing to the credit of the share premium account of the Company following completion of the Offer be cancelled and the amount so cancelled be credited to a Distributable Reserve. This resolution was approved by the Royal Court of Guernsey on 23 March 2007.

Notes to the Audited Financial Statements continued

For the period from 17 January 2007 (date of incorporation) to 31 December 2007

7. Share capital (continued)

Share classes

In respect of each class of shares a separate class account has been established in the books of the Company. An amount equal to the aggregate proceeds of issue of each share class has been credited to the relevant class account. Any increase or decrease in the NAV of the Master Fund US Dollar shares, Master Fund Euro shares and Master Fund Sterling shares as calculated by the Master Fund is allocated to the relevant class account in the Company. Each class account is allocated those costs, pre-paid expenses, losses, dividends, profits, gains and income which the Directors determine in their sole discretion relate to a particular class.

Voting rights

Ordinary shares carry the right to vote at general meetings of the Company and to receive any dividends, attributable to the ordinary shares as a class, declared by the Company and, in a winding-up will be entitled to receive, by way of capital, any surplus assets of the Company attributable to the ordinary shares as a class in proportion to their holdings remaining after settlement of any outstanding liabilities of the Company.

As prescribed in the Company's Articles of Association, the different classes of ordinary shares have different values attributable to their votes. The attributed values have been calculated on the basis of the Weighted Voting Calculation (as described in the Articles of Association) which takes into account the prevailing exchange rates on the date of initial issue of ordinary shares. Currently, on a vote, a single US Dollar ordinary share has 0.7606 votes, a single Euro ordinary share has one vote and a single Sterling ordinary share has 1.4710 votes.

Repurchase of shares

The Directors have been granted authority to purchase in the market up to 14.99% of each class of shares that were in issue immediately following admission, and they intend to seek annual renewal of this authority from shareholders. The Directors propose to utilise this share repurchase authority to address any imbalance between the supply of and demand for shares and intend to do so actively if the closing price of any class of shares on any day on which such class of shares is traded is 5% or more below the most recently published NAV per share of that class.

Under the Company's Articles of Association, shareholders of a class of shares also have the ability to call for repurchase of that class of shares where it has traded at an average discount of 10% or more to average NAV per share over a rolling 12-month period or, where resolutions for repurchase have been passed by shareholders of all classes of shares for the winding-up of the Company.

Further issue of shares

Under the Articles, the Directors have the power to issue further shares on a non-pre-emptive basis. If the Directors issue further shares, the issue price will not be less than the then-prevailing estimated weekly NAV per share of the relevant class of shares.

Distributions

The Master Fund has not previously paid dividends to its investors and does not expect to do so in the future. Therefore, the Directors of the Company do not expect to declare any dividends. This does not prevent the Directors of the Company from declaring a dividend at any time in the future if the Directors consider payment of a dividend to be appropriate in the circumstances. If the Directors declare a dividend, such dividend will be paid on a per class basis.

Share Conversion Scheme

On 27 June 2007 the Company implemented a Share Conversion Scheme. The scheme provides shareholders with the ability to convert some or all of their shares in the Company of one class into shares of another class. The first conversion date was 31 July 2007 and thereafter shareholders are able to convert shares on the last business day of September, December, March and June each year. Each conversion is based on the NAV (Note 9) of the share classes to be converted.

8. Taxation

The Company is exempt from taxation in Guernsey under the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989.

9. Publication and calculation of Net Asset Value

The NAV of the Company is equal to the value of its total assets less its total liabilities. The NAV per share of each class will be calculated by dividing the NAV of the relevant class account by the number of shares of the relevant class in issue on that day.

The Company publishes the NAV per share for each class of shares as calculated by the Administrator based in part on information provided by the Master Fund, monthly in arrears, as at each month end.

The Company also publishes an estimate of the NAV per share for each class of share as calculated by the Administrator based in part on information provided by the Master Fund, weekly in arrears.

10. Financial highlights

The following tables include selected data for a single ordinary share of each of the ordinary share classes in issue at the period end and other performance information derived from the Financial Statements.

The per share amounts and ratios which are shown reflect the income and expenses of the Company for each class of ordinary share.

	USD shares US\$	EUR shares €	GBP shares £
Per share operating performance			
Issue price of ordinary shares	10.00	10.00	10.00
Income from investment operations			
Net investment loss (Note 2)	(0.49)	(0.53)	(0.51)
Net realised and unrealised gain on investment	2.31	2.42	2.38
Other capital items (Note 3)	0.21	–	0.20
Total return (Note 2)	2.03	1.89	2.07
Net Asset Value, end of the period	12.03	11.89	12.07
Total return before performance fee	24.64%	23.49%	25.19%
Performance fee	(4.37)%	(4.54)%	(4.52)%
Total return after performance fee	20.27%	18.95%	20.67%

Total return reflects the net return for an investment made at the beginning of the period and is calculated as the change in the NAV per ordinary share during the period ended 31 December 2007. Total return is not annualised. An individual shareholder's return may vary from these returns based on the timing of their subscription or redemption of shares on the market.

	USD shares US\$	EUR shares €	GBP shares £
Supplemental data			
Net Asset Value, end of the period	647,960,341	341,801,613	168,431,145
Average Net Asset Value for the period	531,968,487	313,388,729	136,018,490

Ratio to average net assets

Operating expenses (Note 1)	19.51%	19.69%	19.33%
Performance fee	4.43%	4.17%	4.64%
	23.94%	23.86%	23.97%
Net loss before realised and unrealised investment gains (Note 2)	(5.04)%	(4.83)%	(5.22)%

Notes:

- Operating expenses are total Company expenses from the Statement of Operations (excluding the performance fee) plus the operating expenses of the Master Fund. Operating expense and net investment loss are not annualised.
- The net loss figures that the Company is obliged to disclose above, in the Directors' opinion and in accordance with the Company's investment objectives, do not accurately reflect the Company's overall performance. Considering the investment objectives of the Company, the Directors consider that the total return of the Company is a true reflection of the Company's performance during the period.
- Included in other capital items are the premium on issue of shares in October 2007 above the initial offer price, issue costs and the premium on conversions between share classes above the initial offer price.

Notes

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Management and Administration

Directors

Ian Plenderleith (Chairman)*
(Appointed 17 January 2007)

Anthony Hall*
(Appointed 17 January 2007)

Nagi Kawkabani
(Appointed 17 January 2007 and resigned 25 September 2007)

Christopher Legge*
(Appointed 17 January 2007)

Talmi Morgan*
(Appointed 17 January 2007)

Stephen Stonberg
(Appointed 25 September 2007)

All Directors are non-executive.

* These Directors are independent.

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Cayman Islands

Administrator, Registrar and Corporate Secretary

Northern Trust International Fund
Administration Services (Guernsey) Limited
Trafalgar Court
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Auditors

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