BH Macro Limited
Annual Audited Financial Statements 2008

ANNUAL AUDITED
FINANCIAL STATEMENTS
31 December 2008

Contents

Chairman's Statement

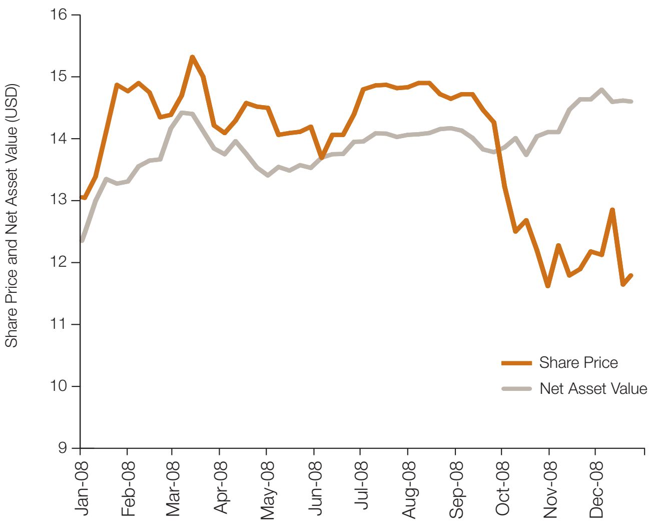
The past year has been marked by prolonged turbulence in financial markets and severe dislocation in the structure of the global financial system. Despite these perilous conditions, BH Macro Limited (the "Company") has been able in 2008 to continue to achieve superior returns on its assets and to take a number of important steps to broaden its base as a publicly listed company.

It is hard to conceive of a more challenging environment than the past 21 months since the Company became operational in April 2007. The Company's purpose is to provide access through its shares, as a listed closed-end investment company, to the Brevan Howard Master Fund Limited (the "Master Fund"), in which all its assets (net of minimal working capital requirements) are invested. The Master Fund seeks to generate consistent long-term capital appreciation through active leveraged trading and investment on a global basis. The dramatic deterioration in financial conditions over the past year has raised questions as to whether the model of a listed feeder fund can deliver value for shareholders. The Company's superior performance in achieving a gain in its net asset value (NAV) of approximately 20% in nine months of operation in 2007 and a further NAV gain in excess of 20% across all currency classes in 2008 demonstrates that it can, through its investment in the Master Fund, deliver non-correlated returns for shareholders on a consistent and continuing basis.

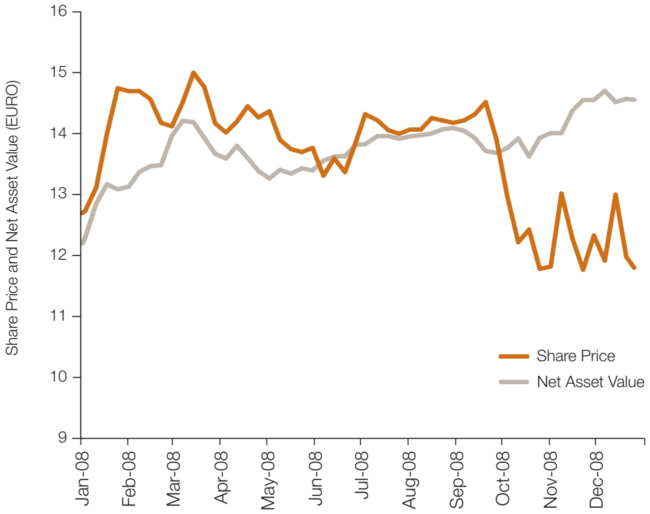
This performance reflects great credit on the investment skills of the Master Fund's investment managers, but also on the quality and robustness of their operational and risk management systems. Recent events have demonstrated that active management of risk exposures on a real-time basis is crucial to the success of any investment management operation and the Board has devoted particular attention over the past year to satisfying itself that the Master Fund adheres to the highest standards of risk control.

All three currency classes of shares have recorded significant rises in NAV during 2008, as evidenced by the accompanying charts: the NAV of the US Dollar shares has risen by 20.32% (on top of a rise of 20.27% in the nine months of operations in 2007); for the Euro shares by 21.65% (on top of a rise of 18.95% in 2007); and for the Sterling shares by 23.25% (on top of a rise of 20.67% in 2007).

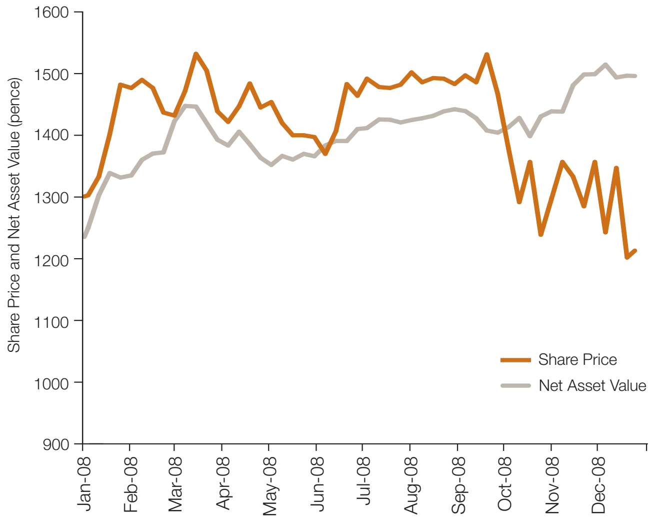
USD denominated shares
Share Price vs Net Asset Value



EURO denominated shares
Share Price vs Net Asset Value



GBP denominated shares
Share Price vs Net Asset Value



Chairman's Statement continued

For much of the year the share prices of the three currency classes of the Company's shares traded at a small premium to NAV. But since September 2008, as the upheaval in the global financial structure intensified and a range of major financial institutions came under severe pressure, the shares have moved to a discount. Investment companies across the board have suffered a similar experience, in most cases substantially more so than the Company, as investors came under pressure to realise investments regardless of value in order to generate liquid resources.

In these conditions, the Board has considered whether it should initiate discount management operations, shareholder approval for which was renewed at the Company's AGM on 17 July 2008. The Board has been in close consultation with its advisers and brokers as the market situation has developed and has kept under review a range of options. The fall in the Company's share prices has reflected a general and indiscriminate market sell-down, and has not in much degree taken account of the continuing positive performance of the Company's NAV. In the volatile trading conditions and thin markets in the later months of last year, it did not seem likely that market intervention would serve a useful purpose. Since the turn of the year, the Board has consulted a range of major shareholders and, with the discount narrowing somewhat, has concluded that some action to address the discount would now be appropriate.

Accordingly, on 16 February 2009 the Company announced arrangements for an annual partial return of capital at NAV less costs, initially for up to 7.5% of its shares (and in future years up to 100% of the positive NAV gain of the previous calendar year); and in addition the Company decided to initiate market purchases of its shares. The Board believes that these two steps are the most appropriate means in the current market of addressing the discount and potentially enhancing the Company's NAV, while continuing to preserve flexibility.

The Board has pursued a number of initiatives during the year to broaden the Company's base as a publicly listed company and to give a wider range of investors access to its track record of superior performance. A notable milestone was reached in June 2008 when its Euro and Sterling shares entered the FTSE 250 Index. The US Dollar shares did not qualify at that stage because turnover was below the required threshold, but hopefully will gain entry in due course. Inclusion in the Index is a significant achievement for the Company so soon after its launch. It has helped to broaden investment interest in the Company and foster deeper market liquidity in its shares.

In order to qualify for inclusion in the FTSE 250 Index, it was necessary for the Company to provide pre-emption rights in favour of shareholders on the issue of new shares for cash. At an EGM on 9 April 2008, shareholders approved resolutions to amend the Articles of Association (the "Articles") to that effect and to disapply the pre-emption rights in certain circumstances.

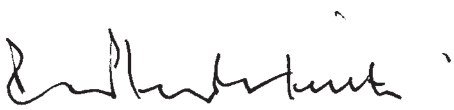
Another notable step in the Company's development was achieved on 20 March 2008, when the Company's listing on the London Stock Exchange was reclassified from a Secondary Listing under Chapter 14 of the Listing Rules to a Primary Listing under Chapter 15. This reflected a restructuring of the listing arrangements by the UK Listing Authority which, inter alia, enabled the Company to qualify for Chapter 15.

With a view to widening its shareholder base internationally, the Company listed its shares on two overseas exchanges during the year: on the Bermuda Stock Exchange on 20 October 2008 and on NASDAQ Dubai (US Dollar shares only) on 11 November 2008. To assist liquidity, the option for shareholders to convert between currency classes was moved from quarterly to monthly in October 2008.

The Board is independent of the Brevan Howard group and is committed to discharging its fiduciary responsibility to shareholders through high standards of corporate governance. The Board has held quarterly scheduled meetings throughout the year and has met on an ad-hoc basis on a number of other occasions as necessary. At each quarterly meeting Directors conduct a thorough review of the Company's financial performance and activities and of the services it engages from outside service providers, as well as addressing issues arising from the development of the Company's business. The work of the Board is supported by the Audit Committee, which has also met regularly.

Continued importance is attached to timely communication with shareholders. NAV data is reported monthly on a final basis and weekly on an estimated basis. These NAV reports, as well as weekly risk reports and monthly shareholder reports, are published on the Company's website (www.bhmacro.com), which also contains up-to-date information about the Company. In addition, the prices of all three currency classes of the Company's shares are reported live by the London Stock Exchange and Bloomberg and daily in the Financial Times.

On the basis of the outstanding track record the Company has achieved in delivering consistent and non-correlated gains in NAV, the Board remains of the view that the structure remains valid and is capable of continuing to add value for shareholders. The challenge facing the Company in the period ahead will be to do all it can to ensure that the positive returns being achieved on its assets are properly reflected in the prices of its shares. To this end, the Board will carry forward the discount management operations described above and, on a broader front, will pursue opportunities, in line with the initiatives already taken in the past year, actively to stimulate demand for the Company's shares and to enhance their liquidity.



Ian Plenderleith
Chairman

20 March 2009

Directors' Report

31 December 2008

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 year ended 31 December 2008, which have been prepared properly, in conformity 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-ended investment company incorporated in Guernsey on 17 January 2007.

The Company was admitted to a Secondary Listing (Chapter 14) on the Official List of the London Stock Exchange on 14 March 2007. On 11 March 2008, the Company migrated from the Secondary Listing to a Primary Listing pursuant to Chapter 15 of the Listing Rules of the UK Listing Authority.

As of 20 October 2008 the Company obtained a further Secondary Listing on the Bermuda Stock Exchange and with effect from 11 November 2008, the US Dollar Shares of the Company were admitted to a Secondary Listing on NASDAQ Dubai.

The proceeds from the original issue of shares on listing 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.

Change to Guernsey Company Law

On 1 July 2008, The Companies (Guernsey) Law, 1994 was superceded by The Companies (Guernsey) Law, 2008. Under the transitional provisions permitted by The Companies (Guernsey) Law, 2008 the Company has prepared these Financial Statements in accordance with The Companies (Guernsey) Law, 1994. Future financial statements will be prepared in accordance with The Companies (Guernsey) Law, 2008.

Investment objective and policies

The Company is organised as a feeder fund that invests all of its assets (net of short-term working capital requirements) directly in the Master Fund, a hedge fund in the form of a Cayman Islands open-ended investment company, and which has as its investment objective the generation of consistent long-term appreciation through active leveraged trading and investment on a global basis.

The Master Fund has flexibility to invest in a wide range of instruments including, but not limited to, debt securities and obligations (which may be below investment grade), bank loans, listed and unlisted equities, other collective investment schemes, currencies, commodities, futures, options, warrants, swaps and other derivative instruments. 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.

The Company may employ leverage for the purposes of financing share purchases or buy backs, satisfying working capital requirements or financing further investment into the Master Fund, subject to an aggregate borrowing limit of 20 per cent. of the Company's net asset value, calculated as at the time of borrowing. Borrowing by the Company is in addition to leverage at the Master Fund level, which has no limit on its own leverage.

Results and dividends

The results for the year are set out in the Audited Statement of Operations on page 13. The Directors do not recommend the payment of a dividend.

Share capital

The number of shares in issue at the year end is disclosed in Note 7 to the Annual Audited Financial Statements (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 these Financial Statements, and, after due consideration, the Directors consider that the Company is able to continue for the foreseeable future.

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. Steven Stonberg is not independent of the Manager. Talmai Morgan is not independent of the Manager for the purposes of LR15.2.12.

The Articles 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 twelve 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.

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.

Directors' Report continued

31 December 2008

Directors

The table below sets out the number of Board and Audit Committee meetings held during the year ended 31 December 2008 and the number of meetings attended by each Director, who served on the Board and/or as a Committee Member during the year.

Scheduled Board Meetings	Held	Attended
Ian Plenderleith	5	5
Anthony Hall	5	5
Christopher Legge	5	4
Talmai Morgan	5	5
Stephen Stonberg	5	5

Audit Committee Meetings		
Anthony Hall	4	4
Christopher Legge	4	4
Talmai Morgan	4	4

Directors' interests

Stephen Stonberg is a Partner and Head of Business Development at Brevan Howard Asset Management LLP.

Talmai Morgan and Stephen Stonberg are both non-executive Directors of BH Global Limited which was incorporated on 25 February 2008 and started trading on the London Stock Exchange on 23 May 2008. BH Global Limited is managed by Brevan Howard Offshore Management Limited, the Company's Manager, and is a feeder fund for the Brevan Howard Global Opportunities Master Fund Limited which invests, amongst other investments, in the Master Fund.

The Directors had the following interests in the Company, held either directly or beneficially at 31 December 2008 and at 31 December 2007:

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

Manager

Brevan Howard Offshore Management Limited (the "Manager") is entitled to management and performance fees as described in Note 4 to the Financial Statements. In the opinion of the Directors the continuing appointment of the Manager on the terms currently agreed (as amended on 13 February 2009 and detailed in Note 4) is in the interests of the shareholders. Accordingly, the Board recommends retaining the services of Brevan Howard Offshore Management Limited as the Manager.

Auditors

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

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 "Code"). As a closed-ended investment company registered in Guernsey, the Company is eligible for exemption from the requirements of the Code. There is no published corporate governance regime equivalent to the Code in Guernsey. The Board has however put in place a framework for corporate governance which it believes is 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. This framework enables the Company voluntarily to comply with the main requirements of the Code, which sets out principles of good governance and a code of best practice.

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.

Except as disclosed in the following paragraphs, the Company complied throughout the year with the provisions of the Code. The provisions of the Code in respect of Directors' remuneration are not relevant to the Company as all the Directors are non-executive.

Corporate governance (continued)
In view of its non-executive and independent nature, the Board considers that it is not appropriate for a Senior Independent Director to be appointed as recommended by Code provision A.3.3, nor for there to be a Nomination Committee as recommended by Code provision A.4.1 or a Remuneration Committee as anticipated by Code provision B.1.5. The Directors are not appointed for a specified term as recommended by Code provision A.7.2. However, as required by the Company's Articles at each Annual General Meeting, one third of the Directors will retire by rotation. On 17 July 2008, the first Annual General Meeting of the Company, Shareholders re-elected all Directors of the Company.

The Board, of which Ian Plenderleith is Chairman, consists solely of non-executive Directors. As at the year end, all the Directors, except Stephen Stonberg, are considered by the Board to be independent of the Company's Manager. Talmai Morgan is not considered to be independent if the test of director independence contained in LR15.2.12 is applied in assessing independence for audit committee membership purposes. However, this does not prevent Talmai Morgan from serving on the Audit Committee. The Board believes that, in light of the current composition of the Audit Committee, Talmai Morgan's membership of the Audit Committee is justified, on the basis that his knowledge, skills and experience would be of value to the Committee in the discharge of its duties. The Board believes that Talmai Morgan will act objectively and be candid in the discharge of his duties as a member of the Audit Committee. The Board further believes that Talmai Morgan's directorship of BH Global Limited will not impede his judgement and ability to serve as a member of the Audit Committee.

The Company has established an Audit Committee with formal duties and responsibilities. This Committee meets formally at least twice a year and each meeting is attended by the external auditors. The Audit Committee comprises Christopher Legge, Anthony Hall and Talmai Morgan. Christopher Legge is the Chairman of the Audit Committee.

The Audit Committee reviews and recommends to the Board the Financial Statements of the Company and is also the forum through which the Auditor reports to the Board of Directors. The objectivity of the Auditor is reviewed by the Audit Committee which also reviews the terms under which the external Auditors are appointed to perform non-audit services. The Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditors, with particular regard to non-audit fees. There were no non-audit fees paid to KPMG Channel Islands Limited during the year. The Audit Committee considers KPMG Channel Islands Limited to be independent of the Company.

The Audit Committee has reviewed the need for an internal audit function. The Audit Committee has decided that the systems and procedures employed by the Manager and the Administrator, including their internal audit functions, provide sufficient assurance that a sound system of internal control, which safeguards the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

Appointment to the Audit Committee shall be for a period up to three years which may be extended for two further three year periods provided that the majority of the Audit Committee remain independent of the Manager.

At the Audit Committee Meeting held on 19 November 2008 the Audit Committee evaluated its performance by reviewing the results of the self-assessment just undertaken. It was concluded that the Audit Committee was considered to be functioning effectively.

A member of the Audit Committee will be available to attend each Annual General Meeting to respond to any shareholder questions on the activities of the Audit Committee.

Relations with shareholders
The Board welcomes shareholders' views and places great importance on communication with its shareholders. The Board receives regular reports on the views of shareholders and the Chairman and other Directors are available to meet shareholders if required. The Annual General Meeting of the Company provides a forum for shareholders to meet and discuss issues with the Directors of the Company. The Manager provides weekly estimates of NAV, a month end NAV, a monthly newsletter and a weekly risk report. These are published via RNS and are also available on the Company's website, www.bhmacro.com.

The Manager maintains regular dialogue with 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.

Directors' Report continued

31 December 2008

Significant shareholders

As at 31 December 2008, the following had significant shareholdings in the Company:

	Total shares held	% holdings in class
Significant shareholders		
US Dollar shares		
HSBC Global Custody Nominee (UK) Limited	11,171,925	20.32
Euroclear Nominees Limited	10,641,470	19.35
Vidacos Nominees Limited	4,714,329	8.57
Lynchwood Nominees Limited	4,347,361	7.91
Morstan Nominees Limited	3,654,189	6.64
Nortrust Nominees Limited	3,555,814	6.47
Goldman Sachs Securities (Nominees) Limited	3,287,845	5.98
The Bank of New York (Nominees) Limited	2,968,359	5.40
Roy Nominees Limited	2,412,172	4.39
Euro shares		
Citibank Nominees (Ireland) Limited	5,034,814	23.45
Securities Services (Nominees) Limited	4,138,786	19.28
Nordea Bank Danmark A/S	4,000,000	18.63
HSBC Global Custody Nominee (UK) Limited	1,916,940	8.93
Vidacos Nominees Limited	1,081,543	5.04
Lynchwood Nominees Limited	945,772	4.40
Euroclear Nominees Limited	895,541	4.17
The Bank of New York (Nominees) Limited	672,896	3.13
Sterling shares		
Chase Nominees Limited	4,487,593	23.53
State Street Nominees Limited	2,839,696	14.89
Nutraco Nominees Limited	2,510,573	13.16
HSBC Global Custody Nominee (UK) Limited	1,984,851	10.41
Lynchwood Nominees Limited	1,225,230	6.42
HSBC Client Holdings Nominee (UK) Limited	904,476	4.74
Nortrust Nominees Limited	648,479	3.40
Pershing Nominees Limited	623,216	3.27

Signed on behalf of the Board by:

Ian Plenderleith
Chairman

Christopher Legge
Director

20 March 2009

Statement of Directors' Responsibility in Respect of the Financial Statements

The Directors are responsible for preparing 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.

We confirm to the best of our knowledge that:

- these Financial Statements have been prepared in conformity with Accounting Principles Generally Accepted in the United States of America and give a true and fair view of the financial position of the Company; and
- these Financial Statements include information detailed in the Chairman's Statement, the Directors' Report, the Manager's Report and the Notes to the Financial Statements, which provides a fair review of the information required by:-

(a) DTR 4.1.8 of the Disclosure and Transparency Rules, being a fair review of the Company business and a description of the principal risks and uncertainties facing the Company; and

(b) DTR 4.1.11 of the Disclosure and Transparency Rules, being an indication of important events that have occurred since the end of the financial year and the likely future development of the Company.

Signed on behalf of the Board by:

Ian Plenderleith
Chairman

Christopher Legge
Director

20 March 2009

Manager's Report

Brevan Howard Offshore Management Limited is the Manager of the Company and of the Master Fund.

Performance review
The Company's NAV per share gained 20.32% for the US Dollar shares, 21.65% for the Euro shares and 23.25% for the Sterling shares during 2008.

The NAV performance of each currency class of the Company on a month-by-month basis during 2007 and 2008 is set out below:

USD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007	–	–	0.10	0.90	0.15	2.29	2.56	3.11	5.92	0.03	2.96	0.75	20.27
2008	9.89	6.69	(2.79)	(2.48)	0.77	2.78	1.13	0.76	(3.13)	2.76	3.74	(0.68)	20.32

EUR	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007	–	–	0.05	0.70	0.02	2.26	2.43	3.07	5.65	(0.08)	2.85	0.69	18.95
2008	9.92	6.68	(2.62)	(2.34)	0.86	2.87	1.28	0.99	(3.30)	2.79	3.90	(0.45)	21.65

GBP	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007	–	–	0.11	0.83	0.17	2.28	2.55	3.26	5.92	0.04	3.08	0.89	20.67
2008	10.18	6.85	(2.61)	(2.33)	0.95	2.94	1.33	1.21	(2.99)	2.84	4.21	(0.67)	23.25

Important note – shares in the Company do not necessarily trade at a price equal to the prevailing NAV per share.

Source: Company NAV per share % monthly change calculations made by the Investment Manager of the Master Fund, Brevan Howard Asset Management LLP. NAV Data is unaudited and net of all investment management fees (2% annual management fee and 20% performance fee) and all other fees and expenses payable by the Company. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

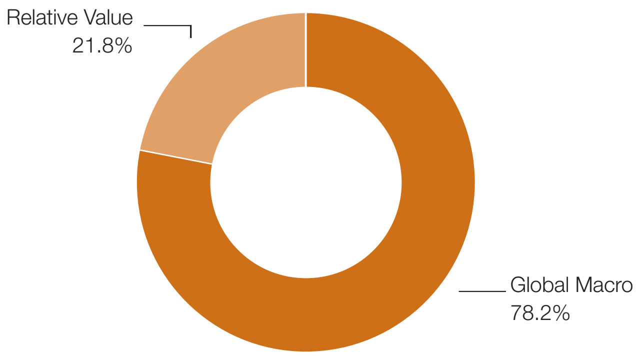
In 2008, the Master Fund made strong profits in interest rate trading; in particular, significant return was made in fixed income and volatility trading in the major currencies. Going into 2008, the Master Fund was long on a large number of options which went significantly in-the-money by 1 March 2008. This greatly increased its delta-adjusted exposure to certain risks. Market retracements during March and April caused the Master Fund to give back some of its profit. Nonetheless, despite moves in rates, curves and foreign exchange ("FX") which took levels roughly back, in many cases, to where they were at the beginning of the year, the Master Fund was able to hold onto the large majority of its first quarter gains.

The Master Fund was also profitable during the second half of the year, mainly due to directional trades. In FX, the Master Fund's exposure, as measured by Value at Risk ("VaR"), was limited for most of the year, apart from option vega and return made in this asset class was limited. Similarly, the Master Fund's exposure to the equity and credit asset classes, as measured by VaR, was small and return was limited. In commodities, the Master Fund was profitable up to June. After commodity markets peaked, the Master Fund gave back some, but not all, of the profits during the second half of the year. Many of the Master Fund's exposures to commodities, via options, had limited downside.

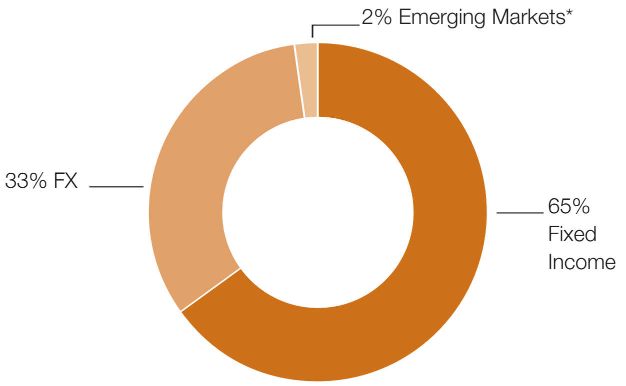
Going into 2009, the Master Fund is cautiously positioned with a low level of leverage (securities leverage was 0.6x as at 31 December 2008), a low level of VaR (VaR was 0.43 as at 31 December 2008) and a high level of unencumbered cash (in excess of 80% as at 31 December 2008).

Performance review (continued)
The investment profile of the Master Fund as at 31 December 2008 is set out below:

By Investment Style
(% of capital allocation)



By Asset Class
(% of capital allocation)



Source: Brevan Howard Asset Management LLP

**Emerging Markets consists of Fixed Income, FX and Credit and capital allocations are subject to change*

Commentary and outlook:
The Investment Manager of the Master Fund, Brevan Howard Asset Management LLP has provided the Company's Manager with the following commentary regarding the financial landscape in which the Master Fund operated in 2008:

United States of America
In 2008, markets broke down, the global economy plunged into severe recession and policy makers scrambled to erect a safety net. Not surprisingly, credit markets were crushed, stocks tumbled and yields on short-term government obligations reached historic lows. In many ways, the year was the worst since the Great Depression for the economy and for capital markets.

Until the summer and in particular the collapse of Lehman, markets believed that financial and economic problems would be mild: subprime would be contained; bank failures would be isolated; recession would be moderate; emerging economies would sail along untouched. In fact, virtually every problem materialised into what turned out to be a massive adverse feedback loop. Meanwhile, policy makers were helpless to do anything but keep the patient alive on a cocktail of super low interest rates, liquidity programs and direct lending.

Looking forward, we acknowledge reasons for cautious optimism. The Fed and the Obama Administration are fully committed to reviving the economy and markets. Although the Federal funds rate target will be essentially zero for a prolonged period, the Fed has an arsenal of tools it is rolling out in order to resuscitate credit markets: the Fed is buying MBS, setting up a facility to buy ABS and other assets and is hinting at buying Treasuries. The Obama Administration pushed through a colossal stimulus package consisting of tax cuts, infrastructure spending, grants to state and local governments and so on. In addition, the Administration is looking at ways to mitigate foreclosures and strengthen the banking sector.

Nonetheless, we are somewhat pessimistic going forward. Policy action will certainly get some traction so the most likely path leads to some growth by the end of the year. However, we do not see asset markets mending quickly, nor do we see how the economy can achieve the kind of fast growth necessary to reduce unemployment and forestall deflation risks.

Europe
The European Economic and Monetary Union ("EMU") economic landscape changed dramatically in the second half of 2008 and recession fears took over the inflation fears which had characterised the first part of the year. In particular, the fall in foreign demand and the crisis of the financial markets are taking a toll on firms' investment decisions, which have started a rapid retrenchment. Q3 marked the beginning of the EMU recession, as GDP contracted for consecutive quarters. Between October and November, industrial production fell by another 3.0%, paving the way for a very steep and unprecedented contraction of EMU GDP in the final quarter of 2008. Inflation receded very rapidly in the final part of the year due to the decline in commodity prices and the weakening of demand. Short and medium-term inflation expectations, which worsened in the summer as energy commodity prices rose, have fallen back drastically over the last few months.

After the co-ordinated rate reduction in October, the ECB lowered its policy rates further at both the November and the December meetings, down to 2.5% (followed by further 50bps cuts in January and March 2009 to a rate of 1.5%). However, the ECB has been slow in acknowledging the gravity of the recession and its actions so far have been insufficient to counteract the economic slowdown in the EMU. The ECB still has the ability to use further monetary stimulus as a tool and may well be forced to do so.

Manager's Report continued

United Kingdom

The UK growth and inflation picture continued to deteriorate in the final month of 2008, with no sign of any current or prospective improvement. There were sharp falls across the board, including PMIs, car registrations, mortgage approvals and labour market surveys. Of particular note were the unemployment data, which showed a drastic rise, taking place even earlier in this cycle than in previous recessions. Inflation continued to ease and, given the further sharp falls in commodity prices, the risks have rapidly shifted towards deflation. The severe deterioration in emerging markets and the Eurozone is triggering a second wave of weakness for the UK economy, with the initial wave driven by housing and construction related problems and their effect on financial services.

The BoE cut rates by a further 100bps in December (followed by 50bps cuts in January, February and March 2009), and further government measures were announced to improve banks' ability to lend. However, going forward there are several reasons for expecting a continuation of the severe pace of contraction which was seen towards the end of 2008: the construction downturn is still gathering pace, weakness in business investment has barely started and consumers have not yet responded significantly to the deteriorating labour market outlook and the need to restore balance sheets. Credit conditions tightened further in the fourth quarter and we expect them to continue tightening.

Japan

In Japan, the economic slump is assuming dimensions which are much worse than during the deflation years. In particular, like in all other major Asian economies, exports collapsed in the second half of 2008. The sharp appreciation of the Yen most likely compounded the dampening effect of falling world demand and eroding availability of credit available to finance global credit. The drop in exports has been quickly transmitted to corporate profits expectations and thus to firms' intentions to invest. Capital spending is on the verge of a big retrenchment. Until November, consumption was holding relatively better than corporate spending, as the labour market had not given up as of yet; however, it is likely only a matter of time before that happens. In all, Q4 2008 GDP is shaping up as one of the weakest on record.

The BoJ cut rates from 0.30% to 0.10% in December and has announced forms of quantitative easing going into the new year.

Although 2008 was a difficult year for all asset managers regardless of performance, Brevan Howard is confident that the hedge fund industry, and Brevan Howard in particular, will emerge from this financial crisis in a better position than we entered it. There will always be a demand for genuine alpha and the crisis we are living through has given investors far greater understanding as to what alpha really is, the value of that alpha and who can generate it. The Master Fund has had a strong start to the year and Brevan Howard is determined to continue this success throughout 2009.

Brevan Howard thanks shareholders once again for your continued support.

Gunther Thumann

Signed on behalf of Brevan Howard Offshore Management Limited in its capacity as Manager of BH Macro Limited

20 March 2009

Independent Auditors' Report to the Members of BH Macro Limited

We have audited the financial statements (the "Financial Statements") of BH Macro Limited for the year ended 31 December 2008 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 auditors' 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' Responsibilities on page 7.

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 2008 and of its net result for the year then ended, and
- have been properly prepared in accordance with The Companies (Guernsey) Law, 1994.

KPMG Channel Islands Limited
Chartered Accountants
Guernsey

20 March 2009

Audited Statement of Assets and Liabilities

As at 31 December 2008

	31.12.08 US$	31.12.07 US$
Assets		
Investment in the Master Fund (cost 31 December 2008: US$1,028,995,069 31 December 2007: US$1,109,756,501)	1,635,583,839	1,489,711,931
Performance fees receivable (Note 4)	4,163,259	–
Cash and bank balances denominated in US Dollars	1,559,126	1,288,792
Cash and bank balances denominated in Euro	916,624	1,143,515
Cash and bank balances denominated in Sterling	832,760	775,636
Total assets	**1,643,055,608**	**1,492,919,874**
Liabilities		
Performance fees payable (Note 4)	–	1,731,754
Management fees payable (Note 4)	2,711,448	2,377,562
Accrued expenses and other liabilities	60,425	513,882
Directors' fees payable (Note 5)	85,540	104,102
Administration fees payable (Note 4)	78,235	104,233
Total liabilities	**2,935,648**	**4,831,533**
Net assets	**1,640,119,960**	**1,488,088,341**
Number of shares in issue (Note 7)		
US Dollar shares	54,992,632	53,877,466
Euro shares	21,470,815	28,736,067
Sterling shares	19,075,361	13,958,236
Net asset value per share (Notes 9 and 11)		
US Dollar shares	US$14.47	US$12.03
Euro shares	€14.47	€11.89
Sterling shares	£14.87	£12.07

See accompanying notes to the Financial Statements.

Signed on behalf of the Board by:

Ian Plenderleith
Chairman

Christopher Legge
Director

20 March 2009

Audited Statement of Operations

For the year ended 31 December 2008

	01.01.08 to 31.12.08 US$	17.01.07 to 31.12.07 US$
Net investment (loss)/income allocated from the Master Fund		
Interest	180,759,248	231,022,091
Dividend income	733,559	1,013,719
Expenses	(196,294,468)	(222,193,692)
Net investment (loss)/income allocated from the Master Fund	**(14,801,661)**	**9,842,118**
Company income		
Fixed deposit income	107,529	2,875,386
Foreign exchange gains (Note 3)	–	51,805,239
Total Company income	**107,529**	**54,680,625**
Company expenses		
Performance fees (Note 4)	74,457,566	54,457,318
Management fees (Note 4)	32,198,467	18,537,071
Other expenses	1,383,079	1,377,430
Directors' fees (Note 5)	380,894	366,595
Administration fees (Note 4)	282,171	154,773
Foreign exchange losses (Note 3)	160,084,066	–
Total Company expenses	**268,786,243**	**74,893,187**
Net investment loss	**(283,480,375)**	**(10,370,444)**
Net realised and unrealised gain on investments allocated from the Master Fund		
Net realised gain/(loss) on investments	160,769,568	(12,772,058)
Net unrealised gain on investments	274,742,426	301,141,453
Net realised and unrealised gain on investments allocated from the Master Fund	**435,511,994**	**288,369,395**
Net increase in net assets resulting from operations	**152,031,619**	**277,998,951**

See accompanying notes to the Financial Statements.

Audited Statement of Changes in Net Assets

For the year ended 31 December 2008

	01.01.08 to 31.12.08 US$	17.01.07 to 31.12.07 US$
Net increase in net assets resulting from operations		
Net investment loss	(283,480,375)	(10,370,444)
Net realised gain/(loss) on investments allocated from the Master Fund	160,769,568	(12,772,058)
Net unrealised gain on investments allocated from the Master Fund	274,742,426	301,141,453
	152,031,619	**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	**152,031,619**	**1,488,088,341**
Net assets at the beginning of the year/period	**1,488,088,341**	**–**
Net assets at the end of the year/period	**1,640,119,960**	**1,488,088,341**

See accompanying notes to the Financial Statements.

Audited Statement of Cash Flows

For the year ended 31 December 2008

	01.01.08 to 31.12.08 US$	17.01.07 to 31.12.07 US$
Cash flows from operating activities		
Net increase in net assets resulting from operations	152,031,619	277,998,951
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Net investment loss/(income) allocated from the Master Fund	14,801,661	(9,842,118)
Net realised (gain)/loss on investments allocated from the Master Fund	(160,769,568)	12,772,058
Net unrealised gain on investments allocated from the Master Fund	(274,742,426)	(301,141,453)
Purchase of investment in the Master Fund	–	(1,266,627,745)
Proceeds from sale of investment in the Master Fund	114,754,359	126,932,566
Foreign exchange losses/(gains)	160,084,066	(51,805,239)
(Decrease)/increase in performance fees payable	(5,895,013)	1,731,754
Increase in management fees payable	333,886	2,377,562
(Decrease)/increase in accrued expenses and other liabilities	(453,457)	513,882
(Decrease)/increase in directors' fees payable	(18,562)	104,102
(Decrease)/increase in administration fees payable	(25,998)	104,233
Net cash provided by/(used in) operating activities	**100,567**	**(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	**100,567**	**3,207,943**
Cash, beginning of the year/period	**3,207,943**	**–**
Cash, end of the year/period	**3,308,510**	**3,207,943**
Cash, end of the year/period		
Cash and bank balances denominated in US Dollars	1,559,126	1,288,792
Cash and bank balances denominated in Euro	916,624	1,143,515
Cash and bank balances denominated in Sterling	832,760	775,636
	3,308,510	**3,207,943**

See accompanying notes to the Financial Statements.

Notes to the Financial Statements

For the year ended 31 December 2008

1. The Company

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 (Chapter 14) on the Official List of the London Stock Exchange on 14 March 2007. On 11 March 2008, the Company migrated from the Secondary Listing to a Primary Listing pursuant to Chapter 15 of the Listing Rules of the UK Listing Authority.

As of 20 October 2008 the Company obtained a further Secondary Listing on the Bermuda Stock Exchange and with effect from 11 November 2008, the US Dollar shares of the Company were admitted to a Secondary Listing on NASDAQ Dubai.

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 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 that invest all of their assets (net of working capital) in the Master Fund.

The Annual Audited 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.

3. Significant accounting policies

The Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America and The Companies (Guernsey) Law, 1994. The functional 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 within the Master Fund, as at 31 December 2008. At 31 December 2008, the Company's US Dollar, Euro and Sterling capital account represented 4.14%, 2.27% and 2.13% respectively of the Master Fund's capital (31 December 2007: 4.20%, 3.26% and 2.24%).

Fair value measurement

In the year to 31 December 2008, the Company adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("FAS 157"). In accordance with FAS 157, fair value is defined as the price that the Company would receive upon selling a security in an orderly transaction to an independent buyer in the principal or most advantageous market of the security.

FAS 157 establishes a three-level hierarchy to maximise the use of observable market data and minimise the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity.

Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

3. Significant accounting policies (continued)

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Company's Directors (the "Management"). Management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorisation of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to Management's perceived risk of that instrument.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, Management's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. Management uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

The valuation and classification of securities held by the Master Fund is discussed in the notes to the Master Fund's Annual Audited 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

During 2007, share issue expenses of US$42,220,026 (the "Offer Costs") 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. Pursuant to the terms of the Amended and Restated Management Agreement dated 13 February 2009, the Company must repay to the Manager a fraction of these Offer Costs for every US Dollar by which repurchases, redemptions or cancellations of the Company's shares reduce the NAV of the Company below its NAV at the time of the Company's listing, being US$1,080,740,459. The amount of these Offer Costs to be repaid for every US Dollar by which the Company's NAV is reduced will be US$0.0391, being the figure obtained by dividing the Offer Costs by the NAV of the Company at the time of its listing. The Directors consider the likelihood of this contingent liability crystallising as remote and hence no provision has been made within these Financial Statements. The Directors confirm there are no other contingent liabilities that require disclosure or provision.

The costs of the cash placing issue on 26 October 2007 of US$2,639,776 were charged to the share premium account when incurred.

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, to satisfy working capital requirements, and to finance further investments in the Master Fund.

The Company may borrow up to 20% of its NAV, calculated as at the time of borrowing. Additional borrowing over 20% of NAV may only occur if approved by an ordinary resolution of the shareholders.

Foreign exchange

Investment securities and other assets and liabilities of the Sterling and Euro share classes are translated into US Dollars, the Company's reporting currency, using exchange rates at the reporting date. Transactions are translated into US Dollar amounts at the date of such transactions. The share capital, share premium and other capital reserve accounts are translated at the historic rate ruling at the date of the transaction. Exchange differences arising on translation are included in the Audited Statement of Operations. This adjustment has no effect on the value of net assets allocated to the individual share classes.

Standards not yet effective

In March 2008, the Financial Accounting Standards Board (the "FASB") released Statement of Financial Accounting Standards No. 161 "Disclosures about Derivative Instruments and Hedging Activities" ("FAS 161"). FAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. The application of FAS 161 is required for fiscal years beginning after 15 November 2008 and interim periods within those fiscal years. Management have evaluated the implications of FAS 161 and have determined that it will not have a material impact on the Company's Financial Statements.

Notes to the Financial Statements continued

For the year ended 31 December 2008

3. Significant accounting policies (continued)

In June 2006, the FASB released FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 provides guidance for how uncertain tax positions should be recognised, measured, presented and disclosed in the Financial Statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority based on technical merits of the position. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the year of determination. Adoption of FIN 48 is required no later than the last business day of the first financial statement reporting period for fiscal years beginning after 15 December 2008 for non-public entities and is applied to all open tax years as of the effective date. Management is currently in the process of evaluating the impact that will result from adopting FIN 48. At this time, Management does not believe the adoption of FIN 48 will have a material impact on the Company's Financial Statements.

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 investment in the Class B shares of the Master Fund is not subject to management fees.

On 13 February 2009, the Company amended and restated the Management Agreement. As detailed in Note 3 'Share issue expenses' this was made to facilitate the operation of the discount management programme (as detailed in Note 10) whilst ensuring that the possible contingent liability is not effectively borne solely by those shareholders choosing not to participate in the discount management programme.

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. 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 investment in the Class B shares of the Master Fund is not subject to performance fees.

The Master Fund may hold investments in other funds managed by the 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 to the NAV based fee, with effect from 1 October 2008, the Administrator is also entitled to an annual fee of £36,000 for certain additional administration services. 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

With effect from 1 March 2008, the Chairman is entitled to a fee of £140,000 (previously £125,000) per annum with all other Directors receiving £25,000 (previously £20,000) per annum. Mr Stonberg has waived his fee. With effect from 1 July 2008, Christopher Legge, as Chairman of the Audit Committee, is entitled to receive £27,500 per annum. 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's facility agreement with Citigroup N.A. terminated in November 2008.

As at the date of these Financial Statements the Company does not have a loan facility in place.

7. Share capital

Issued 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.

7. Share capital (continued)

	USD shares	EUR shares	GBP shares	
Number of ordinary shares				
In issue at 1 January 2008	**53,877,466**	**28,736,067**	**13,958,236**	
Share conversions	1,115,166	(7,265,252)	5,117,125	
In issue at 31 December 2008	**54,992,632**	**21,470,815**	**19,075,361**	

	US$	€	£	Company Total US$
Share premium account				
At 1 January 2008	**53,883,475**	**31,754,490**	**14,511,809**	**129,348,931**
At 31 December 2008	**53,883,475**	**31,754,490**	**14,511,809**	**129,348,931**

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 Dollars 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, 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 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 which was last granted on 17 July 2008. The Directors may, at their discretion, utilise this share repurchase authority to address any imbalance between the supply of and demand for shares.

Under the Company's Articles, shareholders of a class of shares also have the ability to call for repurchase of that class of shares in certain circumstances. See Note 10 for further details.

Further issue of shares

Under the Company’s Amended Articles, as approved by the Shareholders at the Extraordinary General Meeting held on 9 April 2008 (the “EGM”), the Directors have the power to issue further shares on a pre-emptive basis. Any pre-emptive offer must remain open for a minimum of twenty-one days and may not be withdrawn during that period.

The EGM also approved the disapplication of the pre-emptive rights so that the Directors have the authority to allot shares for cash on a non-pre-emptive basis. This disapplication was re-approved at the Annual General Meeting that took place on 17 July 2008 (the "AGM") in respect of 5,302,910 US Dollar shares, 2,768,920 Euro shares and 1,518,592 Sterling shares respectively and expires on the date falling eighteen months after the date of the AGM or the conclusion of the next Annual General Meeting of the Company, whichever is the earlier.

Notes to the Financial Statements continued

For the year ended 31 December 2008

7. Share capital (continued)

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 were able to convert shares on the last business day of September, December, March and June each year. From 31 October 2008 shareholders have been able to convert shares on the last business day of every month. Each conversion will be based on 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 net asset value 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 shares as calculated by the Administrator based in part on information provided by the Master Fund, weekly in arrears.

10. Discount management programme

In February 2009, the Company announced proposals to address concerns regarding the discount at which its shares are currently trading and to enhance the Company's appeal to existing and potential investors. In particular, the Company has proposed arrangements, subject to approval at general meeting/s of the Company, for an annual partial return of capital whereby shareholders would be able to elect to tender some of their shares for repurchase by the Company at a price equivalent to the prevailing net asset value of shares of the relevant class less costs. In 2009, a return of 7.5% of the number of shares of each class in issue has been proposed and in future years it is proposed that up to 100% of the positive NAV performance of the Company for the prior calendar year be returned. Whether a return of capital is made in any particular year and, if so, the amount of the return, may depend, among other things, on prevailing market conditions, the ability of the Company to liquidate its investments to fund the capital return, the success of prior capital returns and applicable legal, regulatory and tax considerations.

The above proposals are proposed to be implemented along with the Company's existing discount programme, including the ability to make market purchases of shares and the obligation to propose class closure resolutions if, in any rolling twelve month period, the average daily closing market price of the relevant class of shares during such period is 10% or more below the average NAV per share of the relevant class taken over the 12 monthly NAV Determination Dates in that twelve month period, as described more fully in the Company's Prospectus dated 7 February 2007 and in its Articles.

The discount management measures will be funded by partial redemptions of the Company's investment in the Master Fund.

At 19 March 2009 the Company had bought back the following shares and is holding them as treasury shares:

	No. of shares	% of class
US Dollar shares	Nil	–
Euro shares	25,000	0.12%
Sterling shares	Nil	–

11. 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.

11. Financial highlights (continued)

	31.12.08 USD shares US$	31.12.08 EUR shares €	31.12.08 GBP shares £	31.12.07 USD shares US$	31.12.07 EUR shares €	31.12.07 GBP shares £
Per share operating performance						
Net asset value at beginning of the year/period	**12.03**	**11.89**	**12.07**	**10.00**	**10.00**	**10.00**
Income from investment operations						
Net investment loss*	(0.96)	(1.26)	(0.89)	(0.49)	(0.53)	(0.51)
Net realised and unrealised gain on investment	3.34	4.47	3.18	2.31	2.42	2.38
Other capital items**	0.06	(0.63)	0.51	0.21	–	0.20
Total return*	**2.44**	**2.58**	**2.80**	**2.03**	**1.89**	**2.07**
Net asset value, end of the year/period	**14.47**	**14.47**	**14.87**	**12.03**	**11.89**	**12.07**
Total return before performance fee	25.06%	28.12%	27.72%	24.64%	23.49%	25.19%
Performance fee	(4.74%)	(6.47%)	(4.47%)	(4.37%)	(4.54%)	(4.52%)
Total return after performance fee	**20.32%**	**21.65%**	**23.25%**	**20.27%**	**18.95%**	**20.67%**

Total return reflects the net return for an investment made at the beginning of the year/period and is calculated as the change in the NAV per ordinary share during the year/period from 1 January 2008 to 31 December 2008 (31 December 2007: 17 January 2007 (date of incorporation) to 31 December 2007). An individual shareholder's return may vary from these returns based on the timing of their purchase or sale of shares.

	31.12.08 USD shares US$	31.12.08 EUR shares €	31.12.08 GBP shares £	31.12.07 USD shares US$	31.12.07 EUR shares €	31.12.07 GBP shares £
Supplemental data						
Net asset value, end of the year/period	**795,769,967**	**310,679,909**	**283,700,204**	**647,960,341**	**341,801,613**	**168,431,145**
Average net asset value for the year/period	**746,884,795**	**358,672,301**	**227,293,647**	**531,968,487**	**313,388,729**	**136,018,490**
Ratio to average net assets						
Operating expense***	13.51%	14.03%	13.47%	19.51%	19.69%	19.33%
Performance fee	4.16%	4.64%	4.57%	4.43%	4.17%	4.64%
	17.67%	**18.67%**	**18.04%**	**23.94%**	**23.86%**	**23.97%**
Net investment loss before performance fees*	**(2.89%)**	**(2.92%)**	**(2.97%)**	**(0.61%)**	**(0.66%)**	**(0.58%)**
Net investment loss after performance fees*	**(7.05%)**	**(7.56%)**	**(7.54%)**	**(5.04%)**	**(4.83%)**	**(5.22%)**

Notes:

* The Directors consider that the total return of the Company is a true reflection of the Company's performance during the year/period. The net investment 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.

** Included in other capital items are the premium on conversions between share classes above the NAV per share at the beginning of the year/period.

*** Operating expenses are total Company expenses from the Audited Statement of Operations (excluding the performance fee) plus the operating expenses of the Master Fund.

Notes

Notes

Notes

Management and Administration

Directors
Ian Plenderleith (Chairman)*

Anthony Hall*

Christopher Legge*

Talmai Morgan

Stephen Stonberg

All Directors are non-executive.

** These Directors are independent for the purpose of LR15.2.12.*

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