

BREVAN HOWARD

Brevan Howard Master Fund Limited
Interim Unaudited Financial Statements 2007

INTERIM FINANCIAL STATEMENTS
30 June 2007

Contents

- 01 Unaudited Statement of Assets and Liabilities
- 02 Unaudited Statement of Operations
- 03 Unaudited Statement of Changes in Net Assets
- 04 Unaudited Statement of Cash Flows
- 05 Notes to the Unaudited Financial Statements

Unaudited Statement of Assets and Liabilities

30 June 2007

	2007 US\$
Assets	
Investments at market value (cost \$46,479,841,254)	61,912,042,321
Cash	52,797
Investments purchased under agreements to resell (Note 5)	63,986,057,246
Dividends and interest receivable	450,116,880
Due from broker	65,692,382,061
Long-term interest-bearing subscriptions receivable (Note 10)	110,980,447
Total assets	192,151,631,752
Liabilities	
Securities sold short, at market value (proceeds \$57,682,924,147)	71,989,401,531
Investments sold under agreements to repurchase (Note 5)	41,189,298,178
Accounts payable and accrued expenses	1,017,899
Dividends and interest payable	644,310,998
Redemptions payable	173,812,443
Other liabilities	6,443
Due to broker	64,994,284,668
Total liabilities	178,992,132,160
Net assets	13,159,499,592
Number of shares outstanding (Note 6)	
US Dollar Class	5,001,410
US Dollar LP Class	458,203
Euro Class	590,795
Sterling Class	135,311
BH Macro Limited	
US Dollar Class	459,516
Euro Class	297,958
Sterling Class	114,467
Net Asset Value per share	
US Dollar Class	US\$ 1,856.81
US Dollar LP Class	US\$ 1,668.55
Euro Class	€ 1,800.83
Sterling Class	£ 1,955.51
BH Macro Limited	
US Dollar Class	US\$ 1,046.32
Euro Class	€ 1,042.43
Sterling Class	£ 1,046.33

See accompanying notes to the Financial Statements.

Unaudited Statement of Operations

For the period from 1 January 2007 to 30 June 2007

	2007 US\$
Investment income	
Interest income	1,997,626,946
Dividend income (net of withholding tax \$1,094,951)	4,957,962
Other income	10,718
Total income	2,002,595,626
Expenses	
Interest	1,840,356,806
Professional fees and other expenses	1,272,161
Operational services fee (Note 3)	18,369,300
Administration fee (Note 4)	8,067,866
Commissions	26,575,602
Dividend expense on investments sold short	531,154
Total expenses	1,895,172,889
Net investment gain	107,422,737
Net realised and unrealised gain on investments	
Net realised gain on investments	488,842,790
Net unrealised appreciation on investments, investments purchased under agreements to resell and investments sold under agreements to repurchase	645,538,006
Net gain on investments	1,134,380,796
Net increase in net assets resulting from operations	1,241,803,533

See accompanying notes to the Financial Statements.

Unaudited Statement of Changes in Net Assets

For the period from 1 January 2007 to 30 June 2007

	2007 US\$
Net increase in net assets resulting from operations	
Net investment gain	107,422,737
Net realised gain on investments	488,842,790
Net unrealised appreciation on investments, investments purchased under agreements to resell and investments sold under agreements to repurchase	645,538,006
	1,241,803,533
Share capital transactions	
Proceeds on issue of shares	
US Dollar Class	80,865,664
US Dollar LP Class	15,393,000
Euro Class	60,899,279
Sterling Class	11,999,224
Shares issued on a long-term subscription basis (Note 10)	
US Dollar Class	35,000,000
Sterling Class	12,857,757
BH Macro Limited	
US Dollar Class	461,208,453
Euro Class	399,302,503
Sterling Class	226,069,189
Redemptions	
US Dollar Class	(506,907,452)
US Dollar LP Class	(59,055,622)
Euro Class	(72,902,610)
Sterling Class	(12,553,716)
BH Macro Limited	
US Dollar Class	(1,600,000)
Euro Class	(1,425,721)
Sterling Class	(991,433)
	648,158,515
Net increase in net assets	1,889,962,048
Net assets at beginning of period	11,269,537,544
Net assets at end of period	13,159,499,592

See accompanying notes to the Financial Statements.

Unaudited Statement of Cash Flows

For the period from 1 January 2007 to 30 June 2007

	2007 US\$
Cash flows from operating activities	
Net increase in net assets resulting from operations	1,241,803,533
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:	
Decrease in investments	1,031,790,335
Proceeds on investments sold under agreements to repurchase	11,602,338,159
Increase in investments purchased under agreements to resell	(13,722,814,468)
Increase in dividends and interest receivable	(98,422,934)
Increase in other liabilities	6,442
Decrease in other assets	315,410
Decrease in receivable from feeder funds	179,843,166
Increase in amounts due from broker	(20,629,307,534)
Increase in amounts due to broker	19,653,130,456
Decrease in accounts payable and accrued expenses	(2,723,939)
Decrease in redemptions payable	(13,048,591)
Increase in dividends and interest payable	156,795,750
Net cash used in operating activities	(600,294,215)
Cash flows from financing activities	
Proceeds on issue of shares	1,255,737,314
Payment on redemption of shares	(655,436,554)
Net cash provided by financing activities	600,300,760
Net increase in cash and cash equivalents	6,545
Cash and cash equivalents – beginning of period	46,252
Cash and cash equivalents – end of period	52,797

Non-cash financing activities not included herein consist of movement in long-term interest-bearing subscriptions receivable of \$47,857,757. See accompanying notes to the Financial Statements.

Notes to the Unaudited Financial Statements

30 June 2007

1. The Company

Brevan Howard Master Fund Limited (the "Master Fund") is an open-ended investment company which was incorporated under the Companies Law of the Cayman Islands on 22 January 2003 and commenced trading on 1 April 2003. The Master Fund was registered under the Mutual Funds Law of the Cayman Islands on 4 March 2003.

The Master Fund seeks to generate consistent long-term appreciation through active leveraged trading and investment on a global basis. The Master Fund's portfolio is comprised of global investment strategies, and a number of long and short strategies that may have directional risk.

Brevan Howard Offshore Management Limited has been appointed as Manager of the Master Fund. The Manager has appointed (i) Brevan Howard Asset Management LLP ("BHAM") as the principal Investment Manager of the Master Fund responsible for managing and maintaining the overall risk profile of the Master Fund; and (ii) Brevan Howard US Asset Management LP, Brevan Howard (Hong Kong) Limited and Brevan Howard (Israel) Limited as the Investment Managers of part of the Master Fund's assets, in each case subject to risk oversight and treasury management by BHAM. The Manager may in future appoint additional investment managers provided they are affiliates of the current investment managers. The Manager and the Investment Managers (and/or their members, directors, employees, related entities and connected persons and their respective members, directors and employees) may subscribe, directly or indirectly, for shares in Brevan Howard Fund Limited, a feeder fund of the Master Fund.

The registered office of the Master Fund is at M&C Corporate Services Limited, P.O. Box 309 GT., George Town, Grand Cayman, Cayman Islands.

2. Significant accounting policies

Basis of preparation

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The Financial Statements are presented in US Dollars.

Security transactions and valuation

Security transactions are accounted for on a trade date basis.

The administrator prices most positions of the Master Fund at the same time each day. This provides reliable comparative pricing of positions which are traded in different markets. A snapshot of all markets (excluding Pacific Rim and Australasia) is made at 4:00 p.m. GMT. Pacific Rim and Australasia positions are priced as at local end-of-day mid-market levels. The investment valuation under the method employed by the Master Fund as at 30 June 2007 is not materially different to the investment valuation using the last quoted price.

Instruments with directly observable prices are priced to independent external data sources (e.g. exchange traded futures and options and metal options).

Some instruments may be priced using models in which some or all parameters are not directly driven by market-observable levels (e.g. unlisted securities or multifactor options).

Realised gains and losses on investments are calculated using the specific identification method. Realised and unrealised gains and losses are recorded at the reporting date in the Statement of Operations.

Income recognition

Interest income and expense is recognised in the Statement of Operations on an accruals basis.

Interest income and expense includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Dividend income on long positions is recognised on the ex-dividend date and dividend income declared on short positions existing on the record date is recognised on the ex-dividend date as an expense in the Statement of Operations.

Investments purchased under agreements to resell and investments sold under agreements to repurchase

The Master Fund enters into investments purchased under agreements to resell and investments sold under agreements to repurchase. These agreements are accounted for as collateralised investment and are recorded at cost plus accrued interest.

The Investment Manager monitors the market value of the Master Fund's underlying contract amounts, including accrued interest, and requests or provides additional collateral where deemed appropriate. Interest on investments purchased under agreements to resell and investments sold under agreements to repurchase is accrued on a daily basis.

In connection with investments sold under agreements to repurchase, it is the Master Fund's policy that its prime broker take possession of the underlying collateral securities. If the seller defaults and the fair value of the collateral declines, realisation of the collateral by the Master Fund may be delayed or insufficient.

Derivative financial instruments

The Master Fund uses derivative financial instruments such as forward exchange contracts, options, futures contracts and swaps, which are recorded at fair value at the reporting date. Realised and unrealised changes in fair values are included in realised and unrealised gains and losses on investments in the Statement of Operations in the period in which the changes occur.

Notes to the Unaudited Financial Statements continued

30 June 2007

2. Significant accounting policies (continued)

Derivative financial instruments (continued)

The fair value of derivative financial instruments at the reporting date generally reflects the amount that the Master Fund would receive or pay to terminate the contract at the reporting date. Many derivative financial instruments are exchange traded or are traded in the over the counter market where market values are normally readily obtainable. Where such market prices are not readily available, fair values will be determined using commercial products which utilise valuation models that are consistent with market pricing methods.

When the Master Fund purchases a put or call option an amount equal to the premium paid by the Master Fund is recorded as an investment and is subsequently adjusted to the current fair value of the option purchased on the reporting date.

Premiums paid for purchasing options that expire unexercised are treated by the Master Fund on the expiry date as realised losses from investments. The difference between the premium and the amount received on writing an option to effect a closing transaction, including brokerage commissions, is also treated as a realised loss, or, if the premium is less than the amount received from the closing transaction, as a realised gain. If a call option is exercised, the premium is added to the cost of purchase of the underlying security or currency in determining whether the Master Fund has realised a gain or loss. If a put option is exercised, the premium reduces the proceeds of the securities sold by the Master Fund.

Unrealised gain or loss on open forward foreign exchange contracts and forward rate agreements represents the Master Fund's net equity therein and is calculated as the present value of the difference between the contract date rate and the applicable forward rate at the reporting date, applied to the face amount of the forward contract. The unrealised gain or loss at the reporting date is included in the Statement of Assets and Liabilities.

Unrealised gain or loss on open futures contracts is calculated as the difference between the contract price at trade date and the contract's revaluation price. Any payments made to satisfy initial and variation margin are reflected as due to and due from broker balances on the Statement of Assets and Liabilities.

Unrealised gain or loss on swap agreements represents the cumulative fair value change since the last reporting date and is calculated as the present value of the future net cash flows to be received and paid under the agreement.

Investments sold short

The Master Fund may sell a security it does not own in anticipation of a decline in the market value of that security. When the Master Fund sells a security short, it must borrow the security and deliver it to the broker-dealer through which it made the short sale.

The Master Fund is required to maintain collateral with the broker-dealer from which the security was borrowed. A gain, limited to the value at which the Master Fund sold the security short, or a loss, unlimited in size, will be recognised upon the termination of a short sale and recorded as a net realised gain or loss on investments in the Statement of Operations. Securities sold short are recorded as liabilities on the Statement of Assets and Liabilities.

Foreign currency translation

Investment securities and other assets and liabilities denominated in foreign currencies are translated into US Dollar amounts at prevailing exchange rates at the reporting date. Purchases and sales of investment securities in foreign currencies and income and expense items denominated in foreign currencies are translated into US Dollar amounts at the exchange rate on the respective dates of such transactions.

The Master Fund does not isolate that portion of the results of operations resulting from changes in currency exchange rates on investments from the fluctuations arising from changes in market prices of securities held. All currency gains and losses are included in net realised and unrealised gain or loss from investments in the Statement of Operations.

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 income and expense during the reporting period. Actual results could differ from those estimates. In particular, valuation models used to determine the fair value of unlisted derivative instruments require the use of a number of assumptions.

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and bank balances.

Due from and to brokers

Amounts receivable from and payable to brokers includes settlement of trades along with deposits held as collateral. As at 30 June 2007, deposits held as collateral amounted to \$1,051,049,021.

Allocation of income and expenses between share classes

Income and expenses that are identifiable with a particular class are allocated to that class in computing its Net Asset Value (NAV).

Income and expenses that are common to all classes are allocated between classes based on their monthly NAVs.

3. Fees

Management and performance fees are paid to Brevan Howard Offshore Management Limited by Brevan Howard Fund Limited, Brevan Howard LP and BH Macro Limited (together the "Feeder Funds").

The Investment Manager has also received from the Master Fund a fee of 1/12 of 0.30% per month of NAV of the Master Fund (the "Operational Services Fee") as at the last valuation day in each month in respect of the operation of the software programme licensed to it by Murex S.A. and other services as are or may be provided by the Investment Manager and which are intended to benefit shareholders directly or indirectly, such as middle-office and back-office services, information technology and quantitative modelling services.

The Operational Services Fee for the period ended 30 June 2007 amounted to \$18,369,300. The Operational Services Fee outstanding at 30 June 2007 is \$24,629 (payable).

4. Administration fee

Under the terms of the Administrative Services Agreement, as amended, dated 1 June 2006 between International Fund Services (Ireland) Limited (the "Administrator") and the Master Fund, the Administrator receives a fee based on the month end NAV of the Master Fund calculated and payable monthly in arrears.

This fee is quoted in basis points per annum of the Master Fund's month end NAV as follows:

On a monthly basis, 1/12 of 14 basis points per annum of the excess of the Master Fund's month end NAV over the sum of NAV that represents the amount of investment made by the Master Fund in the same month in the Brevan Howard Equity Strategies Master Fund Limited (indirectly via the Brevan Howard Equity Strategies Fund LP), the Brevan Howard Asia Master Fund Limited (indirectly via the Brevan Howard Asia Fund Limited) and the Brevan Howard Emerging Markets Strategies Master Fund Limited (indirectly via the Brevan Howard Emerging Markets Strategies Fund LP). The Master Fund redeemed fully its investment in Brevan Howard Asia Fund Limited on 31 January 2007.

5. Investments purchased under agreements to resell and investments sold under agreements to repurchase

At 30 June 2007, investments with a market value of \$63,986,057,246 were pledged to the Master Fund as collateral (investments purchased under agreements to resell) and investments with a value of \$41,189,298,178 were pledged by the Master Fund as collateral (investments sold under agreements to repurchase).

All agreements to repurchase mature by 28 September 2007 and agreements to resell mature by 28 December 2007.

6. Share capital

The Master Fund has an authorised share capital of:

- €50,000 divided into 5,000,000 ordinary shares of €0.01 par value;
- US\$200,000 divided into 20,000,000 ordinary shares of US\$0.01 par value; and
- £50,000 divided into 5,000,000 ordinary shares of £0.01 par value,

which are issued as Class A or Class B shares in any number of series.

The Class A US Dollar share class is divided into two series of shares, relating to Brevan Howard Fund Limited ("US\$") and Brevan Howard LP ("US\$LP"). These series commenced on 1 April 2003 and 1 February 2004 respectively. All Class A US Dollar, Euro and Sterling shares are held by Brevan Howard Fund Limited, whilst all Class A US Dollar LP shares are held by Brevan Howard LP. All Class B US Dollar, Euro and Sterling shares are held by BH Macro Limited.

Notes to the Unaudited Financial Statements continued

30 June 2007

6. Share capital (continued)

	2007 Units
Shares in issue at start of period	
US Dollar Class A	5,215,455
US Dollar LP Class A	484,921
Euro Class A	616,891
Sterling Class A	118,750
BH Macro Limited	
US Dollar Class B	0
Euro Class B	0
Sterling Class B	0
Shares issued during the period	
US Dollar Class A	68,259
US Dollar LP Class A	9,891
Euro Class A	5,403
Sterling Class A	20,043
BH Macro Limited	
US Dollar Class B	461,079
Euro Class B	298,995
Sterling Class B	114,956
Shares redeemed during the period	
US Dollar Class A	(282,304)
US Dollar LP Class A	(36,609)
Euro Class A	(31,499)
Sterling Class A	(3,482)
BH Macro Limited	
US Dollar Class B	(1,563)
Euro Class B	(1,037)
Sterling Class B	(489)
Shares in issue at end of period	
US Dollar Class A	5,001,410
US Dollar LP Class A	458,203
Euro Class A	590,795
Sterling Class A	135,311
BH Macro Limited	
US Dollar Class B	459,516
Euro Class B	297,958
Sterling Class B	114,467

It is envisaged that no income or gains are to be distributed by way of dividend.

7. Taxes

Under current Cayman Islands laws, the Master Fund is not required to pay any taxes in the Cayman Islands on either income or capital gains. The Master Fund has received an undertaking from the Governor in Cabinet in the Cayman Islands exempting it from any such taxes at least until 11 February 2023. The only taxes payable by the Master Fund on its income are withholding taxes applicable to certain income. Accordingly, no provision for taxes is recorded in these Financial Statements.

8. Financial instruments with off-balance sheet risk or concentration of credit risk

Derivative financial instruments may result in off-balance sheet market and credit risk. Market risk is the possibility that future changes in market price may make a financial instrument less valuable or more onerous. If the markets should move against one or more positions that the Master Fund holds, the Master Fund could incur losses greater than the unrealised amounts recorded in the Statement of Assets and Liabilities. The principal credit risk is that the counterparty to the Master Fund will default and fail to fulfil its obligations.

Securities sold short have market risk to the extent that the Master Fund, in satisfying its obligation, may have to purchase securities to cover a short position at a higher value than that recorded on the Statement of Assets and Liabilities.

Futures contracts expose the Master Fund to credit, market and liquidity risks. The Master Fund is exposed to market risk such that changes in the market values of the securities or indices underlying a contract may exceed the amount recognised in the Statement of Assets and Liabilities. Liquidity risk represents the possibility that the Master Fund may not be able to rapidly adjust the size of its futures position in times of high volatility and financial stress at a reasonable price.

Forward contracts expose the Master Fund to market and liquidity risks. The Master Fund is exposed to market risk to the extent that adverse changes occur in the value of the underlying asset. Liquidity risk represents the possibility that the Master Fund may not be able to rapidly adjust the size of its forwards position in times of high volatility and financial stress at a reasonable price.

As a purchaser of an option contract, the Master Fund is subject to credit risk since the counterparty is obligated to make payments under the terms of the option contract if the Master Fund exercises the option. As a purchaser of an option contract, the Master Fund is only subject to market risk to the extent of the premium paid. The Master Fund purchases both exchange-traded and over-the-counter options. For exchange-traded option contracts, the futures exchange acts as the counterparty to specific transactions and therefore, bears the risk of delivery to and from counterparties of specific positions, rather than the Master Fund.

Over-the-counter option contracts are not guaranteed by any regulated stock exchange and therefore the Master Fund bears the risk of delivery to and from counterparties of specific positions.

Entering into credit default swap agreements and contracts for difference expose the Master Fund to market risks equivalent to actually holding securities of the notional value but typically involve little capital commitment relative to the exposure achieved. The gains or losses of the Master Fund may therefore be significantly greater than this initial commitment.

In accordance with SFAS No. 133, the Master Fund records its trading-related derivative activities on a fair value basis (as described in Note 2).

Assets and liabilities represent the fair value of the Master Fund's holdings at period end. These assets and liabilities are not representative of the outstanding credit risk to the Master Fund due to the existence of master netting agreements.

Fair values represent the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Master Fund maintains trading relationships with counterparties that include domestic and foreign brokers-dealers and financial institutions; these relationships could result in the concentration of the credit risk if counterparties fail to fulfil their obligation or the value of any collateral becomes inadequate.

BHAM has formulated credit review policies that attempt to control credit risk by following an established credit approval process, daily monitoring net exposure to individual counterparties, requiring additional collateral where appropriate, and using master netting agreements whenever possible.

9. Related party transactions

Brevan Howard Offshore Management Limited has been appointed as Manager of the Master Fund. The Manager has appointed Brevan Howard Asset Management LLP, Brevan Howard US Asset Management LP, Brevan Howard (Hong Kong) Limited and Brevan Howard (Israel) Limited as the Investment Managers of the Master Fund's assets. The transactions with the investment managers and fees payable at the period end are disclosed in Notes 3 and 10 to the Financial Statements.

Notes to the Unaudited Financial Statements continued

30 June 2007

10. Long term interest-bearing subscriptions

The subscriptions receivable amount of \$110,980,447 is due from Brevan Howard Fund Limited ("Feeder Fund") and relates to nil paid Class C and partly paid Class D shares issued by the Feeder Fund. Upon issuance of these nil and partly paid shares by the Feeder Fund, additional shares were issued by the Master Fund, resulting in the recognition of a corresponding receivable balance.

The Feeder Fund has issued 207,112 nil paid Class C shares to Brevan Howard Employee Benefit Trust No 3 during the period. A guarantee to pay any unmet capital calls covering the issue of the Class C shares has been given to the Feeder Fund by Brevan Howard Offshore Management Limited, the Manager of the Master Fund. Accrued interest receivable in the form of a funding fee has been recognised by the Feeder Fund at a rate of 3.2421% for the first allotment of 152,803 Class C shares issued in March 2005 (redeemable on or before 1 January 2008), 3.8004% for the second allotment of 206,240 shares issued in January 2006 (redeemable on or before 1 January 2009) and 4.08908% for the third allotment of 207,112 shares issued in January 2007 (redeemable on or before 1 January 2010). This funding fee is paid by the Feeder Fund to the Master Fund.

The Feeder Fund has also issued in the period 65,839 shares of 50% partly paid Class D shares to partners of Brevan Howard Asset Management LLP. Accrued interest receivable is being recognised by the Feeder Fund at a rate equal to three month US Dollar Libor reset every quarter for the unpaid amount of the Class D shares issued October 2006 and May 2007, payable on redemption, and is allocated to the Master Fund. The Directors of the Master Fund have discretion to call for the outstanding Class D share capital to be paid up at any time.

Management and Administration

Directors

Karla Bodden
Dennis Hunter
Nagi Kawkabani
Philippe Lespinard
Gunther Thumann
James Vernon

Registered Office

113 South Church Street
PO Box 309
George Town
Grand Cayman KY1-1104
Cayman Islands

Manager

Brevan Howard Offshore Management Limited
113 South Church Street
PO Box 309
George Town
Grand Cayman KY1-1104
Cayman Islands

Investment Managers

Brevan Howard Asset Management LLP
Almack House
28 King Street
London SW1Y 6XA

Brevan Howard US Asset Management LP
Suite 9A
9th Floor
590 Madison Avenue
New York
NY 10022
USA

Brevan Howard (Hong Kong) Limited
Suite 1201-02
ICBC Tower
Citibank Plaza
3 Garden Road
Hong Kong

Brevan Howard (Israel) Limited
7th Floor
7 Menachem Begin Street
Gibor Sport Building
Ramat-Gan
Israel 52521

Auditor

KPMG
PO Box 493
Century Yard Building
Grand Cayman KY1-1106
Cayman Islands

Legal Advisors (Cayman Law)

Maples and Calder
113 South Church Street
PO Box 309
George Town
Grand Cayman KY1-1104
Cayman Islands

Legal Advisors (UK Law)

Simmons & Simmons
Citypoint
One Ropemaker Street
London EC2Y 9SS

Administrator

International Fund Services (Ireland) Limited
3rd Floor
Bishop's Square
Redmond's Hill
Dublin 2
Ireland