BH Macro Limited
Annual Audited Financial Statements 2009

ANNUAL AUDITED FINANCIAL STATEMENTS
31 December 2009

Chairman's Statement

The three years that BH Macro Limited (the "Company") has been operating have witnessed turbulence in the global economy on a scale unprecedented in modern times. Financial assets have experienced vertiginous price adjustments, in both directions; volatility and risk premia have increased sharply; financial markets have suffered periods of outright dysfunction; financial institutions have faced serious distress, some needing government support; fiscal deficits have widened; monetary policy has moved to extreme ease; and the global economy has experienced the deepest synchronised recession in living memory.

It is hardly surprising that investment managers have found such extreme conditions a severe challenge to their ability to earn consistent returns. The hedge fund sector has been no exception. The crisis has provided an extreme test of whether funds have a coherent strategy and, where they do, whether they have the capability to execute that strategy in adverse conditions and continue to produce positive returns. Many have been found wanting and some have departed the field.

Against this challenging background, the Company's ability to continue to accumulate consistent and non-correlated gains in net asset value ("NAV") throughout the crisis is a notable achievement. Since its launch in March 2007, the NAV per share of its Sterling shares has risen 75.5%, with the NAV for the US Dollar shares rising 70.8% and the NAV for the Euro shares rising 71.3%. In 2009, the NAV per share gains were 18.0% for the Sterling shares, 18.0% for the US Dollar shares and 18.4% for the Euro shares, after gains for all three classes of just over 20% in 2008. What is particularly notable is the consistency of the Company's performance and the diversification benefit achieved through very low correlation with other asset classes. Positive gains have been achieved in all but five of the 34 months since the Company's launch and the compound annual growth rate in NAV since launch has been 22.22% for the Sterling shares, 21.05% for the US Dollar shares and 21.16% for the Euro shares.

In line with its stated purpose, the Company has continued to invest all its assets (net of minimal working capital) in Brevan Howard Master Fund Limited (the "Master Fund"). The Master Fund in turn seeks to generate consistent long-term capital appreciation through active leveraged trading and investment on a global basis. Its strong performance demonstrates its continued capacity to do just that. Key components in the Master Fund's ability to achieve such excellent results are the depth and quality of its analytical and trading resources, in identifying and capitalising on market opportunities, and its commitment to the highest standards of operational and risk management. Throughout the recent market turbulence, the Company's Board has given particularly close attention to both those features of the Master Fund's operations and the Board continues to have a high regard for the Master Fund's performance in both areas.

Where the crisis has adversely impacted the Company's performance over the past year has been in its share prices. For the first year and more of the Company's operations, its shares traded generally at a small premium to NAV. But as the upheaval in the global financial system intensified in September 2008, the shares moved to a discount, essentially reflecting a general and indiscriminate market sell-down. The Company's continuing gains in NAV were initially largely ignored as investors were forced to realise investments regardless of value in order to generate liquid resources.

The Board did not believe that the scale of the discount had any basis in the fundamentals of the Company and it took very seriously the need to initiate measures to manage the discount. Accordingly, early in 2009 it commenced market purchases of shares and in March 2009 it undertook a partial return of capital through a tender for up to 7.5% of the Company's shares. It also put in place, as a permanent feature, a scheme for an annual return of capital, at the Directors' discretion, of up to 100% of the positive NAV performance of the Company in the prior calendar year. The Board believes that this facility should prove valuable by providing an opportunity for shareholders to offer some of their shares for redemption by the Company at a price determined by reference to the prevailing NAV while at the same time not disadvantaging shareholders who do not want to redeem any shares. In addition, the Company will continue to have available the authority, subject to shareholder approval each year, to make market purchases of up to 14.99% of its shares; and shareholders have the opportunity each month to switch between currency classes. The Company has also, working with the Master Fund's investment manager and its corporate brokers, intensified its marketing activity in order to increase communication with its existing shareholders, to uncover potential new buyers of the shares and to enhance liquidity.

These initiatives bore fruit: the discount narrowed substantially during the course of the year and all three currency classes of shares were, by the end of the year, trading between a small discount and a small premium.

Despite this marked narrowing in the discount, the class closure provisions in the Company's Articles, which apply if the share price for a particular class has been at an average discount to the NAV per share of the relevant class of 10% or more over a 12-month period, were triggered for the US Dollar and Euro shares in October 2009, largely reflecting the exaggerated discounts which the shares reached briefly at the height of the upheaval in markets late in 2008. The Board accordingly presented class closure proposals for consideration at class shareholder meetings held in February 2010. Shareholders voted by an overwhelming majority, of over 98% in each class, in favour of continuing both classes of shares. In an EGM at the same time amendments to the class closure provisions for all three currency classes were approved which will provide shareholders with greater certainty regarding the range of options available to them should a class closure resolution be passed in the future and provide the Company with greater operational efficiency in the implementation of shareholders' wishes.

The Board greatly welcomes this demonstration that shareholders are at one with the Board in their confidence in the Company's underlying strengths. The Board nonetheless remains alert to the continuing need to be ready to undertake discount management actions where necessary to ensure that as far as possible the share prices properly reflect the Company's underlying performance.

In other activities, too, the Board has continued to pursue opportunities to strengthen the Company's base as a publicly-listed company and to give a wider range of investors access to its track record of superior investment returns. The Company continues to be included in the FTSE 250 Index (for its Sterling and Euro shares) and, besides its main listing in London, it has maintained its listings in Dubai and Bermuda. Regular communication is maintained with shareholders and presentations are made to keep analysts, financial journalists and the wider investment community informed of the Company's progress. Up-to-date performance information is provided through NAV data published monthly on a definitive basis and weekly on an estimated basis, as well as through regular risk reports and monthly shareholder reports. All these reports and further information about the Company are available on its website (www.bhmacro.com).

The Directors take very seriously their responsibility for safeguarding the interests of shareholders and believe that the Company observes high standards of corporate governance. The Board, which is independent of the Brevan Howard group, has held quarterly scheduled meetings and has met ad hoc on 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 that arise from the development of the Company's business. The work of the Board is supported by the Audit Committee, which has also met regularly.

Looking ahead, market conditions remain fragile, the global economic outlook is uncertain and the regulatory framework for investment management remains the subject of debate. The Board believes, however, that the Company's consistent performance over the three years since its launch demonstrates that the structure of a listed feeder fund investing in a top-quality fund management enterprise remains valid and is one that can continue to generate superior non-correlated returns for shareholders in the years ahead.

Ian Plenderleith
Chairman

24 March 2010

Directors' Report
31 December 2009

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 2009. The Directors' Report together with the Audited Statements and their related notes give a true and fair view of the financial position of the Company and have been prepared properly, in conformity with accounting principles generally accepted in the United States of America (US GAAP) and with The Companies (Guernsey) Law, 2008, 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.

During the year ended 31 December 2009, the Company launched a Tender Offer and bought back US$0.1 billion of shares.

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

Extraordinary General Meeting
Following publication of the NAVs for each class of the Company’s shares as at 30 September 2009 in October, the discount control provisions contained in the Company’s Articles were triggered for the Company’s Euro and US Dollar share classes respectively.

Accordingly, the Company held class meetings for the Euro and US Dollar share classes on 19 February 2010 to consider the class closure resolutions. Each class closure resolution was a special resolution which required not less than 75% of the total votes cast on the resolution to be in favour in order to become effective. The shareholders of each of the Euro and US Dollar class voted against the class closure resolutions.

The Board also proposed amendments to the existing discount management arrangements for all the share classes as detailed in note 8. The shareholders of all three classes held shareholder meetings on 19 February 2010 and all three classes voted to accept the proposals.

Investment objective and policy
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% 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. 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 5 to the Annual Audited Financial Statements (the “Financial Statements”).

Going concern
After making enquiries and given the nature of the Company and its investment, 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. Stephen Stonberg is not independent of the Manager. Talmai Morgan is not independent of the Manager for the purposes of Listing Rule 15.2.12.

The Articles provide that unless otherwise determined by ordinary resolution, the number of the Directors shall not be less than two. The Company's policy on Directors' Remuneration, together with details of the remuneration of each Director who served in the year, is detailed in the Directors' Remuneration Report.

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
The table below sets out the number of Board and Audit Committee meetings held during the year to 31 December 2009 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	5
Talmai Morgan	5	5
Stephen Stonberg	5	5

Audit Committee Meetings	**Held**	**Attended**
Anthony Hall	4	4
Christopher Legge	4	4
Talmai Morgan	4	4

Management Engagement Committee Meetings
The Management Engagement Committee was formed on 18 November 2009 and will hold its first formal meeting in 2010.

Directors' interests
Stephen Stonberg is a Partner of Brevan Howard Asset Management LLP and CEO of Brevan Howard US LLC.

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 2009 and at 31 December 2008:

		Sterling Shares
	31.12.09	**31.12.08**
Ian Plenderleith	Nil	Nil
Anthony Hall	10,000	10,000
Christopher Legge	Nil	Nil
Talmai Morgan	Nil	Nil
Stephen Stonberg	5,676	Nil

		Euro Shares
	31.12.09	**31.12.08**
Ian Plenderleith	Nil	Nil
Anthony Hall	6,500	Nil
Christopher Legge	Nil	Nil
Talmai Morgan	Nil	Nil
Stephen Stonberg	Nil	Nil

Directors' indemnity
Directors' and officers' liability insurance cover is in place in respect of the Directors. The Directors entered into indemnity agreements with the Company on 22 September 2009 which provide for, subject to the provisions of The Companies (Guernsey) Law, 2008, an indemnity for Directors in respect of costs which they may incur relating to the defence of proceedings brought against them arising out of their positions as directors, in which they are acquitted or judgement is given in their favour by the Court. The agreement does not provide for any indemnification for liability which attaches to the Directors in connection with any negligence, unfavourable judgements, breach of duty or trust in relation to the Company.

Manager
The Board, and in particular the Management Engagement Committee, considers the arrangements for the provision of management and other services to the Company on an ongoing basis. The principal contents of the agreement with Brevan Howard Offshore Management Limited (the "Manager") are as described in note 4 to the Financial Statements.

The Board continuously monitors the performance of the Manager and conducted a full review of the Manager's performance at its meeting held on 24 June 2009. The Manager has wide experience in managing and administering fund vehicles and has access to extensive investment management resources. As a result of this review, in which the non-independent Directors abstained from voting, it is the opinion of the Board, that the continued appointment of the Manager on the terms agreed is in the interests of the Company's shareholders as a whole. Accordingly, the Board recommends retaining the services of Brevan Howard Offshore Management Limited as the Manager. Following the establishment of the Management Engagement Committee on 18 November 2009, subsequent reviews will be carried out by the Management Engagement Committee.

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

Auditor's remuneration
The tables below summarise the remuneration paid to KPMG Channel Islands Limited and to other KPMG affiliates for audit and non-audit services during the years ended 31 December 2009 and 31 December 2008.

	Year ended 31.12.09	Year ended 31.12.08
KPMG Channel Islands Limited		
- Annual audit	£20,000	£10,868
- Auditor's interim review	£8,292	£5,500
- Other services	£5,175	–

	Year ended 31.12.09	Year ended 31.12.08
Other KPMG affiliates		
- German tax services	£18,819	£21,135
- US tax services	£11,147	£10,950

The Audit Committee has established pre-approval policies and procedures for the engagement of KPMG to provide audit, assurance and tax services.

Corporate governance
As an investment company, most of the Company's day-to-day functions 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 is 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 is independent of the Manager and of 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.

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 although the Board has included a separate Remuneration Report in these Financial Statements. The Directors are appointed for a specified term as recommended by Code provision A.7.2; and as required by the Company's Articles 20.3, one third of the Directors will retire by rotation at each Annual General Meeting. On 24 June 2009, the Annual General Meeting of the Company, Shareholders re-elected Ian Plenderleith, Talmai Morgan and Stephen Stonberg as 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.

During the year the Board completed individual self-assessments. The findings of these self-assesssments were discussed extensively at the Board meeting held on 18 November 2009. After noting that the Board would take forward discussion points relating to director independence, director succession planning and increased communication with the Investment Manager, the Chairman reported that he was satisfied that the Directors complemented each other and worked well as a Board. All Directors agreed that they considered the Company to be well run.

On 19 January 2010, the Guernsey Financial Services Commission ("GFSC") published a consultation paper on a proposed "Code of Corporate Governance" applicable for Guernsey. It is anticipated that the code will be published and implemented by the Company by the end of this year.

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 auditor. 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 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. 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. The Audit Committee are currently serving during their second term of three years.

At the Audit Committee Meeting held on 18 November 2009 the Audit Committee evaluated its performance by reviewing the results of the self-assessment just undertaken. It was concluded that the Audit Committee continued to be beneficial to the Company.

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.

Management Engagement Committee
On 18 November 2009, the Board established a Management Engagement Committee with formal duties and responsibilities. These duties and responsibilities include the regular review of the performance of and contractual arrangements with the Manager and the preparation of the Committee's annual opinion as to the Manager's services.

Detailed terms of the Manager's contract and notice period are contained in note 4 to the Financial Statements.

The Management Engagement Committee will meet formally at least once a year and comprises Ian Plenderleith, Anthony Hall and Christopher Legge. Anthony Hall is the Chairman of the Management Engagement 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 Administrator provides weekly unaudited estimates of the

NAVs and month end unaudited NAVs and the Manager provides a monthly newsletter and risk report. These are all 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.

Significant shareholders
As at 31 December 2009, the following had significant shareholdings in the Company:

Significant shareholders	Total shares held	% holdings in class
US Dollar shares		
HSBC Global Custody Nominee (UK) Limited	6,869,094	16.87
Lynchwood Nominees Limited	6,787,270	16.66
Euroclear Nominees Limited	6,311,517	15.50
Vidacos Nominees Limited	3,398,138	8.34
Nortrust Nominees Limited	3,034,107	7.45
Goldman Sachs Securities (Nominees) Limited	2,974,735	7.30
Roy Nominees Limited	1,929,395	4.74
Morstan Nominees Limited	1,616,734	3.97
State Street Nominees Limited	1,422,004	3.49
The Bank of New York (Nominees) Limited	1,255,275	3.08
Euro shares		
Securities Services (Nominees) Limited	3,323,574	19.23
Nordea Bank Danmark A/S	3,308,050	19.14
Citibank Nominees (Ireland) Limited	3,181,802	18.41
HSBC Global Custody Nominee (UK) Limited	1,646,579	9.53
Euroclear Nominees Limited	1,143,939	6.62
Lynchwood Nominees Limited	995,275	5.76
Vidacos Nominees Limited	983,984	5.69
Computershare Investor Services PLC	526,407	3.05
Sterling shares		
Chase Nominees Limited	5,313,396	20.16
State Street Nominees Limited	3,427,171	13.00
HSBC Global Custody Nominee (UK) Limited	2,881,035	10.93
Nutraco Nominees Limited	2,304,864	8.74

Lynchwood Nominees Limited	1,725,618	6.55
HSBC Client Holdings Nominee (UK) Limited	958,948	3.64
Pershing Nominees Limited	944,115	3.58

Signed on behalf of the Board by:

Ian Plenderleith
Chairman

Christopher Legge
Director

24 March 2010

Statement of Directors' Responsibility in Respect of the Financial Statements

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable laws, and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Financial Statements in conformity with accounting principles generally accepted in the United States of America and applicable law.

The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements the Directors are required to:-
• select suitable accounting policies and then apply them consistently;
• make judgements and estimates 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, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

We confirm to the best of our knowledge that:

• so far as each of the Directors is aware, there is no relevant audit information of which the Company's Auditor is unaware, and each has taken all the steps he ought to have taken as a Director to make himself aware of any relevant information and to establish that the Company's Auditor is aware of that information;
• 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 view of the information required by:-

(a) DTR 4.1.8 of the Disclosure and Transparency Rules, being a fair view 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

24 March 2010

Directors' Remuneration Report

Introduction
The Board has prepared this report as part of its framework for corporate governance which, as described in the Directors' Report, enables the Company voluntarily to comply with the main requirements of the Combined Code on Corporate Governance published by the Financial Reporting Council, although as a closed-ended investment company registered in Guernsey, the Company is eligible for exemption from the requirements of the Code.

An ordinary resolution for the approval of this report will be put to the shareholders at the forthcoming Annual General Meeting.

Remuneration policy
All Directors are non-executive and a Remuneration Committee has not been established. The Board as a whole considers matters relating to the Directors' remuneration. No advice or services were provided by any external person in respect of its consideration of the Directors' remuneration.

The Company's policy is that the fees payable to the Directors should reflect the time spent by the Directors on the Company's affairs and the responsibilities borne by the Directors and be sufficient to attract, retain and motivate directors of a quality required to run the Company successfully. The Chairman of the Board is paid a higher fee in recognition of his additional responsibilities, as is the Chairman of the Audit Committee. The policy is to review fee rates periodically, although such a review will not necessarily result in any changes to the rates, and account is taken of fees paid to directors of comparable companies.

There are no long term incentive schemes provided by the Company and no performance fees are paid to Directors.

No Director has a service contract with the Company but each of the Directors is appointed by a letter of appointment which sets out the main terms of their appointment. Directors were appointed for an initial term of three years and as required by the Company's Articles 20.3, one third of the Directors will retire by rotation at each Annual General Meeting. Should shareholders vote against a Director standing for re-election, the Director affected will not be entitled to any compensation. There are no set notice periods and a Director may resign by notice in writing to the Board at any time.

Directors are remunerated in the form of fees, payable quarterly in arrears, to the Director personally. No other remuneration or compensation was paid or payable by the Company during the year to any of the Directors apart from the reimbursement of allowable expenses.

Directors' fees
The Company's Articles limit the fees payable to Directors in aggregate to £300,000 per annum. The annual fees were last increased on 1 July 2008, and are £140,000 for the Chairman, £27,500 for the Chairman of the Audit Committee and £25,000 for all other Directors.

The fees payable by the Company in respect of each of the Directors who served during the year, and during 2008, were as follows:

	2009 **£**	**2008** **£**
Ian Plenderleith	140,000	137,500
Anthony Hall	25,000	24,167
Christopher Legge	27,500	25,417
Talmai Morgan	25,000	24,167

Stephen Stonberg*	–	–
Total	217,500	211,251

* Stephen Stonberg has waived his fee

Performance graphs
The graphs included in the Chairman's Statement detail the share price returns over the life of the company.

Signed on behalf of the Board by:

Ian Plenderleith
Chairman

Christopher Legge
Director

24 March 2010

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 18.04% for the US Dollar shares, 18.36% for the Euro shares and 18.00% for the Sterling shares during 2009.

The NAV performance of each currency class of the Company on a month-by-month basis during 2007, 2008 and 2009 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	6.70	(2.79)	(2.48)	0.77	2.75	1.13	0.75	(3.13)	2.76	3.75	(0.68)	20.32
2009	5.06	2.78	1.17	0.13	3.14	(0.86)	1.36	0.71	1.55	1.07	0.37	0.37	18.04

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	2.84	1.28	0.98	(3.30)	2.79	3.91	(0.45)	21.65
2009	5.38	2.67	1.32	0.14	3.12	(0.82)	1.33	0.71	1.48	1.05	0.35	0.40	18.36

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	2.91	1.33	1.21	(2.99)	2.84	4.23	(0.67)	23.25
2009	5.19	2.86	1.18	0.05	3.03	(0.90)	1.36	0.66	1.55	1.02	0.40	0.40	18.00

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 ("BHAM"). 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.

The majority of the Master Fund's performance in 2009 came from its rates trading; largely from directional and curve positions. The remainder of performance came from a variety of strategies, including FX, fixed income relative value, emerging market and credit. During the course of 2009 there were a number of dominant investment themes, notably "lower for longer", "higher volatility" and a divergence between the recoveries of the developed and emerging markets from the global financial crisis.

In early 2009 there were some significant downward movements in the shorter dated Euro interest rates, and a considerable curve steepening in both Euro and US interest rate term structures. This environment yielded some sizable trading opportunities. In the UK the implied volatility of long-dated GBP interest rate options increased sharply providing good profits. As the year progressed it became apparent that the use of leverage by the developed markets would hinder their recoveries from the global economic crisis (when compared to emerging markets), so to capitalise on this the Master Fund established long emerging markets vs developed market positions.

The trading outlook for 2010 remains good, with high levels of macro-economic activity and market volatility. However it is still unclear if the recent signs of economic strength are temporary or something more sustainable.

Commentary and Outlook
Capital markets stabilised at the end of the first quarter of 2009 after a shaky start and risk assets staged a spectacular rally during the rest of the year. The prospect of an indefinite period of monetary and fiscal stimulus, coupled with moderate growth and tame inflation, is proving an irresistible lure for increased risk appetite. However, the Manager and the Master Fund's investment managers (collectively "Brevan Howard") continue to believe that the macro environment is highly unstable.

This macro background leads the Master Fund's investment managers to focus on four broad themes in 2010:

- Higher Volatility: The "Great Moderation" period saw lower macro and policy volatility. Going forward Brevan Howard believes that there will be a higher volatility macro environment, which is ideally suited to Brevan Howard's trading style.
- "Lower-for-longer" in the US: According to the Blue Chip consensus forecast, nominal GDP will grow by 4% by the end of 2010. Nominal growth at such a low level would be among the worst performances witnessed during an expansion. In many ways, the recovery would still feel like a recession. Under these conditions, it is hard to see how the US Federal Reserve can begin to raise rates any time soon.
- Differentiation: In response to the financial crisis and global recession, most developed and developing countries have pursued some combination of aggressive monetary and fiscal policies. However not all economies have the same structural problems, so the outcomes have differed widely. Going forward, an important theme for Brevan Howard is the degree of differentiation that will emerge among countries that pursued similar treatments but realized different outcomes. Such differentiation bets could provide major trading opportunities.
- Emerging Markets: Brevan Howard believes in a secular shift in favour of growth in emerging market economies with solid fundamentals versus G7 economies. These countries have growing domestic demand, and have room for interest rates to move down as investors grow comfortable with responsible monetary/fiscal stewardship. The danger with this theme is that it is very much consensus and therefore extremely crowded. Any challenge to the global growth story could cause a sharp and painful correction; consequently, trade construction which limits mark-to-market loss and allows positions to be held through a correction is of paramount importance.

Given these broad trends, and other more specific situations, such as the massive issuance of sovereign debt, Brevan Howard believes that the trading opportunity set for the Master Fund remains exceptionally rich.

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.

24 March 2010

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

We have audited the Financial Statements of BH Macro Limited for the year ended 31 December 2009 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 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors
The Directors' responsibilities for preparing the Financial Statements which give a true and fair view and are in conformity with accounting principles generally accepted in the United States of America and are in compliance with applicable Guernsey Law are set out in the Statement of Directors'.

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, are in conformity with accounting principles generally accepted in the United States of America and comply with The Companies (Guernsey) Law, 2008. 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 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, of the state of the Company's affairs as at 31 December 2009 and of its net increase in net assets resulting from operations for the year then ended;
• are in conformity with accounting principles generally accepted in the United States of America; and
• comply with The Companies (Guernsey) Law, 2008.

KPMG Channel Islands Limited
Chartered Accountants
Guernsey

24 March 2010

Audited Statement of Assets and Liabilities
As at 31 December 2009

	31.12.09 US$ '000	**31.12.08 US$ '000**
Assets		
Investment in the Master Fund		
(cost 31 December 2009: US$810,348,154;		
31 December 2008: US$1,028,995,069)	1,856,646	1,635,584
Performance fees receivable (note 4)	79	4,163
Prepaid expenses	23	–
Cash and bank balances denominated in US Dollars	2,266	1,559
Cash and bank balances denominated in Euro	1,635	917
Cash and bank balances denominated in Sterling	2,511	833

Total assets	**1,863,160**	**1,643,056**

Liabilities		
Management fees payable (note 4)	2,957	2,712
Accrued expenses and other liabilities	377	60
Directors' fees payable	88	86
Administration fees payable (note 4)	87	78
Total liabilities	**3,509**	**2,936**

Net assets	**1,859,651**	**1,640,120**

Number of shares in issue (note 5)		
US Dollar shares	40,728,777	54,992,632
Euro shares	17,280,342	21,470,815
Sterling shares	26,356,443	19,075,361

Net Asset Value per share (notes 7 and 9)		
US Dollar shares	US$17.08	US$14.47
Euro shares	€17.13	€14.47
Sterling shares	£17.55	£14.87

See accompanying notes to the Financial Statements.

Signed on behalf of the Board by:

Ian Plenderleith
Chairman

Christopher Legge
Director

24 March 2010

Audited Statement of Operations
For the year ended 31 December 2009

	Year ended 31.12.09 US$ '000	Year ended 31.12.08 US$ '000
Net investment income/(loss) allocated from the Master Fund		
Interest	40,728	180,759
Dividend income (net of withholding tax of US$261,564)	887	734
Expenses	(30,527)	(196,295)
Net investment income/(loss) allocated from the Master Fund	**11,088**	**(14,802)**
Company income		
Fixed deposit income	6	108
Foreign exchange gains (note 3)	56,104	–

Total Company income	**56,110**	**108**

Company expenses		
Performance fees (note 4)	64,690	74,458
Management fees (note 4)	32,770	32,198
Other expenses	1,017	1,383
Directors’ fees	337	381
Administration fees (note 4)	330	282
Foreign exchange losses (note 3)	–	160,084
Total Company expenses	**99,144**	**268,786**

Net investment loss	**(31,946)**	**(283,480)**

Net realised and unrealised gain on investments allocated from the Master Fund		
Net realised gain on investments	516,297	160,770
Net unrealised (loss)/gain on investments	(141,469)	274,742
Net realised and unrealised gain on investments allocated from the Master Fund	**374,828**	**435,512**

Net increase in net assets resulting from operations	**342,882**	**152,032**

See accompanying notes to the Financial Statements.

Audited Statement of Changes in Net Assets
For the year ended 31 December 2009

	Year ended 31.12.09 US$ ’000	**Year ended 31.12.08 US$ ’000**
Net increase in net assets resulting from operations		
Net investment loss	(31,946)	(283,480)
Net realised gain on investments allocated from the Master Fund	516,297	160,770
Net unrealised (loss)/gain on investments allocated from the Master Fund	(141,469)	274,742
	342,882	**152,032**

Share capital transactions		
Purchase of own shares		
US Dollar shares	(66,983)	–
Euro shares	(31,651)	–
Sterling shares	(23,859)	–
Tender offer costs		
US Dollar shares	(438)	–
Euro shares	(179)	–
Sterling shares	(241)	–
	(123,351)	**–**

Net increase in net assets	**219,531**	**152,032**
Net assets at the beginning of the year	**1,640,120**	**1,488,088**
Net assets at the end of the year	**1,859,651**	**1,640,120**

See accompanying notes to the Financial Statements.

Audited Statement of Cash Flows
For the year ended 31 December 2009

	Year ended 31.12.09 US$ '000	**Year ended 31.12.08 US$ '000**
Cash flows from operating activities		
Net increase in net assets resulting from operations	342,882	152,032
Adjustments to reconcile net income to net cash provided by operating activities:		
Net investment (income)/loss allocated from the Master Fund	(11,088)	14,802
Net realised gain on investments allocated from the Master Fund	(516,297)	(160,770)
Net unrealised loss/(gain) on investments allocated from the Master Fund	141,469	(274,742)
Purchase of investment in the Master Fund	(7,934)	–
Proceeds from sale of investment in the Master Fund	228,892	114,754
Foreign exchange (gains)/losses	(56,104)	160,084
Increase in prepaid expenses	(23)	–
Decrease/(increase) in performance fees receivable	4,084	(5,895)
Increase in management fees payable	245	334
Increase/(decrease) in accrued expenses and other liabilities	317	(453)
Increase/(decrease) in directors' fees payable	2	(19)
Increase/(decrease) in administration fees payable	9	(26)
Net cash provided by operating activities	**126,454**	**101**
Cash flows from financing activities		
Purchase of own shares	(122,493)	–
Tender offer costs	(858)	–
Net cash used in financing activities	**(123,351)**	**–**
Change in cash	**3,103**	**101**
Cash, beginning of the year	**3,309**	**3,208**
Cash, end of the year	**6,412**	**3,309**
Cash, end of the year		
Cash and bank balances denominated in US Dollars	2,266	1,559
Cash and bank balances denominated in Euro	1,635	917
Cash and bank balances denominated in Sterling	2,511	833
	6,412	**3,309**

See accompanying notes to the Financial Statements.

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

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 function of investment management of the Master Fund to its affiliates Brevan Howard Asset Management LLP, Brevan Howard (Hong Kong) Limited, Brevan Howard (Israel) Limited and Brevan Howard Investments Products Limited. DW Investment Management LP was appointed as an Investment Manager on 1 February 2010.

3. Significant accounting policies

The Financial Statements which give a true and fair view, are prepared in conformity with accounting principles generally accepted in the United States of America and comply with The Companies (Guernsey) Law, 2008. The base currency of the Company is US Dollars.

In June 2009, the Financial Accounting Standards Board (the "FASB") codified its standards and accounting principles for reporting periods ending after 15 September 2009. Updates to the Codification Standards are issued as Accounting Standard Updates ("ASU"s) by the FASB. The adoption of the Codification does not impact the Company's Financial Statements except for references made to accounting standards in the notes below.

The following are the significant accounting policies adopted by the Company:

Valuation of investments
The Company records its investment in the Master Fund at fair value. At 31 December 2009, the Company's US Dollar, Euro and Sterling capital accounts represented 3.19%, 1.94% and 3.39% respectively of the Master Fund's capital (at 31 December 2008: 4.14%, 2.27% and 2.13%).

Fair value measurement
ASC Topic 820 defines fair value 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.

ASC 820 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 judgement.

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 judgement 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 which are available on the Company's website, www.bhmacro.com.

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 those 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 Current US Dollar NAV of the Company below its NAV at the time of the Company's listing, being US$1,080,740,459. The Current US Dollar NAV is calculated using the exchange rates ruling at the time of the Company's listing. 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.

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 reported in the Statement of Operations are translated into US Dollar amounts at the date of such transactions. The share capital 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.

Treasury shares
Where the Company purchases its own share capital, the consideration paid, which includes any directly attributable costs, is recognised as a deduction from equity shareholders' funds through the Company's reserves.

When such shares are subsequently sold or reissued to the market, any consideration received, net of any directly attributable incremental transaction costs, is recognised as an increase in equity shareholders' funds through the Share capital account. Shares held in treasury are excluded from calculations when determining NAV per share as detailed in note 7 or in the Financial Highlights in note 9.

Recent accounting pronouncements
In August 2009, the FASB issued the Accounting Standards Update ("ASU") 2009-05 which amends Subtopic 820-10 "Fair Value Measurements and Disclosures" for the fair value measurement of liabilities. ASU 2009-05 provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, an entity is required to measure fair value utilizing one or more of the following techniques (1) a valuation technique that uses the quoted market price of an identical liability or similar liabilities when traded as assets; or (2) another valuation technique that is consistent with the principles of ASC 820, such as a present value technique or a market approach. The provisions of ASU 2009-05 will be effective for interim and annual financial periods beginning after 27

August 2009. Management have evaluated the implications of ASU 2009-05 and have determined that it has not had a material impact on these 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 8) 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.

The management agreement may be terminated by either party giving the other party not less than 24 months written notice. In certain circumstances the Company will be obliged to pay compensation to the Manager of the aggregate management fees which would otherwise have been payable during the 24 months following the date of such notice and the aggregate of any accrued performance fee in respect of the current Calculation Period. Compensation is not payable if more than 24 months notice of termination is given.

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 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. Share capital

Issued and authorized 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. The treasury shares have arisen as a result of the discount management programme as described in note 8.

Reconciliation of number of shares	**US Dollar shares**	**Euro shares**	**Sterling shares**
Number of ordinary shares			
In issue at 1 January 2009	**54,992,632**	**21,470,815**	**19,075,361**
Share conversions	(9,825,379)	(2,618,460)	8,308,677
Purchase of own shares into treasury	(4,438,476)	(1,572,013)	(1,027,595)

In issue at 31 December 2009	**40,728,777**	**17,280,342**	**26,356,443**

Number of treasury shares			
In issue at 1 January 2009	**–**	**–**	**–**
Shares purchased and held in treasury during the year:			
- Tender offer	4,048,476	1,547,013	1,027,595
- Other on market purchases	390,000	25,000	–
In issue at 31 December 2009	**4,438,476**	**1,572,013**	**1,027,595**
Percentage of class	**9.83%**	**8.34%**	**3.75%**

	US$ ’000	**€ ’000**	**£ ’000**	**Company Total US$ ’000**
Share capital account*				
In issue at 1 January 2009	**53,883**	**31,754**	**14,512**	**129,349**
At 31 December 2009	**53,883**	**31,754**	**14,512**	**129,349**

* *Previously disclosed as the Share premium account, under The Companies (Guernsey) Law, 1994.*

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 of shares
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 (as described in the Articles) 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.

Treasury shares do not have any voting rights.

Repurchase of ordinary shares
The Directors have been granted authority to purchase in the market up to 14.99% of each class of shares and they intend to seek annual renewal of this authority from shareholders which was last granted on 24 June 2009. 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 8 for further details.

Further issue of shares
As approved by the Shareholders at the Annual General Meeting held on 24 June 2009 (the “AGM”), the Directors have the power to issue further shares on a non pre-emptive basis for cash in respect of 4,934,863 US Dollar shares, 1,874,634 Euro shares and 1,991,319 Sterling shares respectively. This power 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.

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.

Treasury shares are not entitled to distributions.

Annual redemption offer

Commencing in 2010, once in every calendar year the Directors may, in their absolute discretion, determine that the Company shall make an offer to redeem such number of shares of the Company in issue as they may determine provided that the maximum amount distributed does not exceed 100% of the increase in NAV of the Company in the prior calendar year.

The Directors shall, in their absolute discretion, determine the particular class or classes of shares in respect of which an Annual Redemption Offer will be made, the timetable for that Annual Redemption Offer and the price at which the shares of each relevant class will be redeemed.

Whether a partial 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.

Share conversion scheme

The Company has implemented a Share Conversion Scheme. The scheme provides shareholders with the ability to convert some or all of their ordinary shares in the Company of one class into ordinary shares of another class. From 31 October 2008 shareholders have been able to convert ordinary shares on the last business day of every month. Each conversion will be based on the NAVs (note 7) of the shares of the class to be converted.

6. Taxation

Overview

The Company is exempt from taxation in Guernsey under the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989. Accordingly, no provision for income taxes is included in these Financial Statements.

Uncertain tax positions

The Company recognises the tax benefits of uncertain tax positions only where the position is more-likely-than-not (i.e. greater than 50 per cent) to be sustained assuming examination by a tax authority based on the technical merits of the position. In evaluating whether a tax position has met the recognition threshold, the Company must presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognise in the Company's Financial Statements. Income tax and related interest and penalties would be recognised by the Company as tax expense in the Statement of Operations if the tax positions were deemed to not meet the more-likely-than-not threshold.

The Company analyses all open tax years for all major taxing jurisdictions. Open tax years are those that are open for examination by taxing authorities, as defined by the Statute of Limitations in each jurisdiction. The Company identifies its major tax jurisdictions as the Cayman Islands and foreign jurisdictions where the Company makes significant investments. The Company has no examinations by tax authorities in progress.

Management has analysed the Company's tax positions, and has concluded that no liability for unrecognised tax benefits should be recorded related to uncertain tax positions. Further, Management is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognised tax benefits will significantly change in the next twelve months.

7. Publication and calculation of net asset value

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

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

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

8. Discount management programme

In February 2009, the Company announced proposals to address concerns regarding the discount at which its shares have been trading and to enhance the Company's appeal to existing and potential investors. In particular, the Company proposed arrangements, subject to approval at general meeting/s of the Company, for a 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.

As a result of the Extraordinary General Meeting held on 30 March 2009 it was resolved that a Tender Offer of up to 7.5% would take place on 1 May 2009. As a result of this Tender Offer, 4,048,947 US Dollar shares, 1,547,013 Euro shares and 1,029,514 Sterling shares were repurchased by the Company at a cost of US$61,453,298, €23,554,201 and £16,090,069 respectively.

The Extraordinary General Meeting also resolved that a Matching Purchase Facility (the "Facility") would accompany the Tender Offer whereby shareholders who wished to do so could increase their shareholding by offering to purchase shares tendered by other shareholders. Under this Facility, shareholders purchased 471 US Dollar shares for US$7,149 and 1,919 Sterling shares for £29,992 on 1 May 2009.

From 2010 any partial return of capital will be carried out by way of the Annual Redemption Offer described in note 5.

The above proposals were implemented along with the Company's existing discount programme (prior to 19 February 2010) which included 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.

Following publication of the NAVs for each class of the Company's shares as at 30 September 2009, the discount control provisions contained in the Company's Articles triggered for the Company's Euro and US Dollar share classes respectively.

Accordingly, the Company held class meetings for the Euro and US Dollar share classes on 19 February 2010 to consider the class closure resolutions. Each class closure resolution was a special resolution which required not less than 75% of the total voting rights cast on the resolution to be in favour in order to become effective. As recommended by the Board of the Company, the shareholders of each of the Euro and US Dollar class voted against the class closure resolutions.

Also on 19 February 2010 all three classes held shareholder meetings and approved the Board's proposed amendments to the existing discount management arrangements. These amendments were proposed so that, in the event of a future class closure resolution being passed, the Company would have greater flexibility to offer shareholders a range of options and to provide shareholders with greater certainty with regard to the range of options available to them. The effect of these amendments was (a) to replace the use of a 12 month rolling period with a fixed discount management period from 1 January to 31 December each year, with the first twelve month period beginning on 1 January 2010 and ending on 31 December 2010 and (b) to provide the following options to shareholders in a class should a class closure resolution be passed (instead of an immediate tender offer under the previous provisions):
(i) to redeem all or some of their shares at NAV per share less the costs and expenses of the class closure vote and other outstanding costs and expenses of the Company attributable to the relevant class (including any redemption fees and repayment of Offer Costs as described in note 3)
(ii) subject to certain limitations, to convert all or some of their shares into shares of another class, assuming that other class does not also pass a class closure resolution; or
(iii) subject to the class continuing, to remain in the class.

These provisions are disclosed in more detail in the Company's Articles.

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

Using its ability to make market purchases of its shares, during the year to 31 December 2009 the Company repurchased 390,000 US Dollar shares at a cost of US$5,536,360 and 25,000 Euro shares at a cost of €347,194.

The total number of treasury shares held in treasury at 31 December 2009 are as disclosed in note 5.

9. Financial highlights

The following tables include selected data for a single ordinary share of each of the ordinary share classes in issue at the year 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.

	31.12.09 US Dollar shares US$	**31.12.09 Euro shares €**	**31.12.09 Sterling shares £**	**31.12.08 US Dollar shares US$**	**31.12.08 Euro shares €**	**31.12.08 Sterling shares £**
Per share operating performance						
Net asset value at beginning of the year	**14.47**	**14.47**	**14.87**	**12.03**	**11.89**	**12.07**
Income from investment operations						
Net investment loss*	(0.96)	(0.90)	(0.64)	(0.96)	(1.26)	(0.89)
Net realised and unrealised gain on investment	4.10	3.90	2.78	3.34	4.47	3.18
Other capital items**	(0.53)	(0.34)	0.54	0.06	(0.63)	0.51
Total return*	**2.61**	**2.66**	**2.68**	**2.44**	**2.58**	**2.80**
Net asset value, end of the year	**17.08**	**17.13**	**17.55**	**14.47**	**14.47**	**14.87**
Total return before performance fee	22.95%	22.94%	21.18%	25.06%	28.12%	27.72%
Performance fee	(4.91%)	(4.56%)	(3.16%)	(4.74%)	(6.47%)	(4.47%)
Total return after performance fee	**18.04%**	**18.38%**	**18.02%**	**20.32%**	**21.65%**	**23.25%**

Total return reflects the net return for an investment made at the beginning of the year and is calculated as the change in the NAV per ordinary share during the year from 1 January 2009 to 31 December 2009 (31 December 2008: 1 January 2008 to 31 December 2008). An individual shareholder's return may vary from these returns based on the timing of their purchase or sale of shares.

	31.12.09 US Dollar shares US$ '000	**31.12.09 Euro shares € '000**	**31.12.09 Sterling shares £ '000**	**31.12.08 US Dollar shares US$ '000**	**31.12.08 Euro shares € '000**	**31.12.08 Sterling shares £ '000**
Supplemental data						
Net asset value, end of the year	**695,704**	**295,954**	**462,550**	**795,770**	**310,680**	**283,700**

Average net asset value for the year	**771,346**	**309,858**	**365,821**	**746,885**	**358,672**	**227,294**

	31.12.09 US Dollar shares	**31.12.09 Euro shares**	**31.12.09 Sterling shares**	**31.12.08 US Dollar shares**	**31.12.08 Euro shares**	**31.12.08 Sterling shares**
Ratio to average net assets						
Operating expenses						
Company expenses***	1.93%	1.93%	1.98%	2.03%	2.03%	2.02%
Master Fund expenses****	0.78%	0.77%	0.78%	0.87%	0.89%	0.89%
Master Fund interest expense*****	0.94%	0.94%	0.95%	10.61%	11.11%	10.56%
Performance fee	3.76%	3.76%	3.43%	4.16%	4.64%	4.57%
	7.41%	**7.40%**	**7.14%**	**17.67%**	**18.67%**	**18.04%**
Net investment loss before performance fees*	**(1.32%)**	**(1.33%)**	**(1.27%)**	**(2.89%)**	**(2.92%)**	**(2.97%)**
Net investment loss after performance fees*	**(5.08%)**	**(5.09%)**	**(4.70%)**	**(7.05%)**	**(7.56%)**	**(7.54%)**

Notes:

* 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. Considering the investment objectives of the Company, the Directors consider that the total return of the Company is a true reflection of the Company's performance during the year.

** Included in other capital items are the discounts and premiums on conversions between share classes and on the discount management measures taken during the year as compared to the NAV per share at the beginnning of the year.

*** Company expenses are as disclosed in the Audited Statement of Operations excluding the performance fee.

**** Master Fund expenses are the operating expenses of the Master Fund excluding the interest and dividend expenses of the Master Fund.

***** Master Fund interest expense includes interest and dividend expenses on investments sold short.

10. Subsequent events

Management has evaluated subsequent events up to 24 March 2010, which is the date that the Financial Statements were available to be issued, and has concluded there are not any material events that require disclosure or adjustment to the Financial Statements other than those listed below:

On 1 February 2010, DW Investment Management LP was appointed as an investment manager to the Master Fund.

The Company sold 50,000 Sterling treasury shares for £891,213 on 4 February 2010 and 100,000 Sterling treasury shares for £1,785,421 on 5 February 2010. The treasury shares were sold at a premium to NAV, at the date of sale.

As detailed in the Chairman's Statement on page 2, in the Directors' Report on page 3 and in note 8 on page 22, the Company held an Extraordinary General Meeting and separate class meetings for the Euro and US Dollar share classes on 19 February 2010 following the triggering of discount control provisions contained in the Company's Articles in October 2009.

Historic Performance Summary

As at 31 December 2009

	2009 US$ '000	2008 US$ '000	2007 US$ '000
Net increase in net assets resulting from operations	**342,882**	**152,032**	**277,999**
Total assets	**1,863,160**	**1,643,056**	**1,492,920**
Total liabilities	**(3,509)**	**(2,936)**	**(4,832)**
Net assets	**1,859,651**	**1,640,120**	**1,488,088**
Number of shares in issue			
US Dollar shares	40,728,777	54,992,632	53,877,466
Euro shares	17,280,342	21,470,815	28,736,067
Sterling shares	26,356,443	19,075,361	13,958,236
Net asset value per share			
US Dollar shares	US$ 17.08	US$ 14.47	US$ 12.03
Euro shares	€17.13	€14.47	€11.89
Sterling shares	£17.55	£14.87	£12.07

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.*

Registered Office
Trafalgar Court
Les Banques
St Peter Port
Guernsey
Channel Islands GY1 3QL

Manager
Brevan Howard Offshore Management Limited
PO Box 309
George Town
Grand Cayman KY1-1104
Cayman Islands

Administrator, Registrar and Corporate Secretary
Northern Trust International Fund Administration Services (Guernsey) Limited
Trafalgar Court
Les Banques

St Peter Port
Guernsey
Channel Islands GY1 3QL

Independent Auditor
KPMG Channel Islands Limited
20 New Street
St Peter Port
Guernsey
Channel Islands GY1 4AN

CREST Service Provider
Computershare Investor Services (Channel Islands) Limited
Ordnance House
31 Pier Road
St Helier
Jersey
Channel Islands JE4 8PW

Legal Advisors (Guernsey Law)
Carey Olsen
Carey House
Les Banques
St Peter Port
Guernsey GY1 4BZ

Legal Advisors (UK and US Law)
Freshfields Bruckhaus Deringer
65 Fleet Street
London EC4Y 1HS

For the latest information
www.bhmacro.com

The Annual Audited Financial Statements of BH Macro Limited and the Annual Audited Financial Statements of Brevan Howard Master Fund Limited will shortly be available on BH Macro's website www.bhmacro.com