

**Performa Reserve Fund Ltd. –  
Performa International Bond Fund  
(USD)**

**Financial Statements and  
Independent Auditors' Report**

**December 27, 2007**

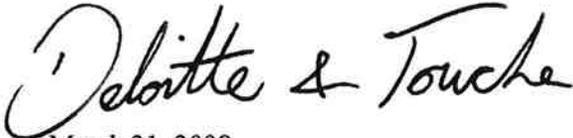
## INDEPENDENT AUDITORS' REPORT

To the Shareholders  
of Performa Reserve Fund Ltd. – Performa International Bond Fund (USD)

We have audited the accompanying statement of net assets of Performa Reserve Fund Ltd. – Performa International Bond Fund (USD) (the “Fund”), including the schedule of investments, as at December 27, 2007, and the related statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 27, 2007 and the results of its operations and the changes in its net assets for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

  
March 31, 2008

**PERFORMA RESERVE FUND LTD. –  
PERFORMA INTERNATIONAL BOND FUND (USD)  
STATEMENT OF NET ASSETS**  
as at December 27, 2007  
*(Expressed in U.S. dollars)*

	2007	2006
<b>ASSETS</b>		
Investments at fair value (cost: \$51,036,488 and \$34,162,338)	\$ 51,646,050	\$ 34,091,492
Cash and cash equivalents	7,733,328	2,963,425
Accrued interest receivable	611,047	550,690
Prepaid expenses	11,149	4,035
	60,001,574	37,609,642
<b>LIABILITIES</b>		
Management fees payable	40,095	25,332
Accounts payable and accrued expenses	28,863	30,733
Related party payable (Note 7)	-	1,500,000
Due to broker	-	1,357,271
	68,958	2,913,336
<b>NET ASSETS</b>	<b>\$ 59,932,616</b>	<b>\$ 34,696,306</b>
Accumulation Shares issued and outstanding (Note 3)	36,619	22,505
Net Asset Value per Accumulation Share	<b>\$ 1,636.65</b>	<b>\$ 1,541.70</b>

Approved on behalf of the Board:

\_\_\_\_\_  
Hugh Barit  
Director

\_\_\_\_\_  
Shawn Murphy  
Director

*The accompanying notes form an integral part of these statements*

**PERFORMA RESERVE FUND LTD. –  
PERFORMA INTERNATIONAL BOND FUND (USD)  
SCHEDULE OF INVESTMENTS**  
as at December 27, 2007  
(Expressed in U.S. dollars)

**Investments**

Nominal	Fixed Income Securities	Fair Value
574,000	American General Finance 4.88% 5/15/10	\$ 574,906
807,000	American Honda Finance 3.85% 11/6/08*	800,259
691,000	Bank One Corp 5.25% 1/30/13	683,776
1,152,000	Citigroup Inc 5.3% 10/17/12	1,158,098
869,000	Credit Suisse USA Inc. 5.25% 3/2/11	883,053
1,357,000	Fannie Mae 5.55% 12/29/10	1,357,035
1,370,000	Freddie Mac 6.2% 6/26/17	1,409,900
2,804,000	General Electric Capital 5.88% 2/15/12	2,903,332
973,000	Genworth Global Funding 5.13% 3/15/11	978,281
691,000	Goldman Saches Group 5.75% 10/1/16	693,258
1,147,000	HSBC Capital Funding LP 4.61% 6/27/13	1,026,159
716,000	Interamerican Development Bank 8.4% 9/1/09	766,878
552,000	International Lease Finance Corp 5.75% 6/15/11	555,469
556,000	Lehman Brothers Holdings 5.72% 7/18/11	527,225
438,000	Morgan Stanley 5.32% 1/18/11	423,920
2,959,000	Morgan Stanley 6.75% 4/15/11	3,075,218
801,000	Pepsico 5.15% 5/15/12	818,215
1,152,000	Pricoa Global Funding I 5.4% 10/18/12	1,186,265
1,025,000	RBS Capital Trust III 5.51% 9/30/14	922,047
837,000	SBC Communications 4.13% 9/15/09	828,355
7,148,539	US Treasury Inflation Protected Security 2.5% 7/15/16	7,550,087
9,412,000	US Treasury Note/Bond 4.25% 9/30/12	9,662,744
6,934,000	US Treasury Note/Bond 4.25% 11/15/17	6,961,625
521,000	US Treasury Note/Bond 4.75% 2/15/10	537,241
4,776,000	US Treasury Note/Bond 4.88% 1/31/09	4,853,237
573,000	Wachovia Capital Trust I 5.8% 3/15/11	509,467
		<hr/>
		\$ 51,646,050
		<hr/> <hr/>

\* Restricted securities under Rule 144A of the Securities Act of 1933

*The accompanying notes form an integral part of these statements*

**PERFORMA RESERVE FUND LTD. –  
PERFORMA INTERNATIONAL BOND FUND (USD)  
SCHEDULE OF INVESTMENTS**  
as at December 28, 2006  
(Expressed in U.S. dollars)

**Investments**

Nominal	Fixed Income Securities	Fair Value
807,000	America Honda Finance 3.85% 11/6/08*	\$ 787,604
574,000	American General Finance 4.88% 5/15/10	567,794
691,000	Bank Once Corp 5.25% 1/30/13	685,916
869,000	Credit Suisse USA Inc. 5.25% 3/2/11	870,116
1,357,000	Fannie Mae 5.55% 12/29/10	1,352,427
1,396,000	Fannie Mae 5.75% 6/29/09	1,398,601
1,145,000	Fannie Mae 5.75% 8/7/09	1,147,055
1,147,055	Fannie Mae 5.8% 6/7/11	1,343,446
1,070,000	Federal Home Loan Bank 5.7% 9/21/10	1,068,449
3,840,000	Federal Home Loan Bank 6% 6/29/11	3,851,547
1,369,000	Freddie Mac 5% 1/30/14	1,364,781
2,804,000	General Electric Capital 5.88% 2/15/12	2,885,947
973,000	Genworth Global Funding 5.13% 3/15/11	969,076
691,000	Goldman Sachs Group 5.75% 10/1/16	702,851
1,377,000	HSBC Finance Corp. 6.75% 5/15/11	1,458,452
716,000	Interamerican Development Bank 8.4% 9/1/09	774,567
552,000	International Lease Finance Crop. 5.75% 6/15/11	562,276
556,000	Lehman Brothers Holdings 5.72% 7/18/11	556,959
438,000	Morgan Stanley 5.32% 1/18/11	439,389
1,793,000	Norsk Hydro A/S 6.36% 1/15/09	1,827,962
1,025,000	RBS CAP TR III 5.51% 9/30/14	1,014,110
837,000	SBC Communications 4.13% 9/15/09	813,261
520,000	Shell International Finance 5.63% 6/27/11	530,938
501,000	SLM Corporation 5.4% 10/25/11	501,874
698,000	SLM Corporation 5.61% 10/25/11	698,492
600,000	SP Powerassets 3.8% 10/22/08*	585,084
795,000	TIAA Global Market 3.88% 1/22/08*	781,925
762,165	US Treasury Inflation Protected Security 2.5% 7/15/16	767,970
375,000	US Treasury Note 4.88% 8/15/16	379,937
1,141,000	US Treasury Note / Bond 4.5% 11/30/11	1,131,818
1,141,000	US Treasury Note / Bond 4.63% 11/30/08	1,137,123
521,000	Vodafone Group PLC 7.75% 2/15/10	555,583
573,000	Wachovia Capital Trust I 5.8% 3/15/11	578,162
		\$ 34,091,492

\* Restricted securities under Rule 144A of the Securities Act of 1933.

*The accompanying notes form an integral part of these statements*

**PERFORMA RESERVE FUND LTD. –  
PERFORMA INTERNATIONAL BOND FUND (USD)  
STATEMENT OF OPERATIONS**  
for the year ended December 27, 2007  
*(Expressed in U.S. dollars)*

	2007	2006
<b>INCOME</b>		
Bond interest	\$ 2,330,457	\$ 2,444,405
Deposit interest	338,576	243,942
	<u>2,669,033</u>	<u>2,688,347</u>
<b>EXPENSES</b>		
Management fees (Note 4)	138,094	144,492
Administration and office fees (Note 4)	42,048	42,595
Custodian fees (Note 4)	36,638	37,281
Professional fees	20,906	24,349
Government fees	5,030	3,644
Miscellaneous fees	327	1,181
	<u>243,043</u>	<u>253,542</u>
<b>NET INVESTMENT INCOME</b>	<u>2,425,990</u>	<u>2,434,805</u>
<b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS</b>		
Net realized gain (loss) on investments (Note 6)	262,393	(948,370)
Change in unrealized appreciation of investments	680,408	10,826
	<u>942,801</u>	<u>(937,544)</u>
<b>INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<u>\$ 3,368,791</u>	<u>\$ 1,497,261</u>

*The accompanying notes form an integral part of these statements*

**PERFORMA RESERVE FUND LTD. –  
PERFORMA INTERNATIONAL BOND FUND (USD)  
STATEMENT OF CHANGES IN NET ASSETS**  
for the year ended December 27, 2007  
*(Expressed in U.S. dollars)*

	2007	2006
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 3,368,791	\$ 1,497,261
<b>CAPITAL TRANSACTIONS</b>		
Proceeds on issuance of 18,943 and 8,415 Accumulation Shares	29,548,871	12,499,190
Payments on redemption of 4,830 and 24,445 Accumulation Shares	(7,681,352)	(36,561,016)
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM CAPITAL TRANSACTIONS	21,867,519	(24,061,826)
INCREASE (DECREASE) IN NET ASSETS	25,236,310	(22,564,565)
NET ASSETS, BEGINNING OF YEAR	34,696,306	57,260,871
NET ASSETS, END OF YEAR	\$ 59,932,616	\$ 34,696,306

*The accompanying notes form an integral part of these statements*

**PERFORMA RESERVE FUND LTD. –  
PERFORMA INTERNATIONAL BOND FUND (USD)  
NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 27, 2007  
*(Expressed in U.S. dollars)*

1. THE FUND

Performa Reserve Fund Ltd. – (the “Company”), was incorporated under the laws of Bermuda on March 21, 1997, as an open-ended limited liability investment company. The year end of the Company is the last Thursday in December.

The Company is organized into distinct classes of shares. Performa Reserve Fund Ltd. – Performa International Bond Fund (USD) (the “Fund”) is a share class of the Company and was the only share class of the Company outstanding during the years ended December 27, 2007 and December 28, 2006. The Fund seeks to provide long-term capital accumulation through an optimized mix of international markets and investment grade securities while maintaining a relatively short duration, which will not exceed seven years.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of accounting:

The financial statements have been prepared in conformity with accounting principles generally accepted in Bermuda and Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

b. Investments:

Trading activity is recorded on a trade date basis. Securities that are listed on a national securities exchange are valued at their last sales prices on the date of valuation on the largest national securities exchange on which such securities have traded on such date. If no sales of such securities occurred on the date of valuation, the securities are valued at the “bid” price on the largest national securities exchange on which such securities are traded. The resulting unrealized appreciation and depreciation of securities is reflected in the statement of operations. Realized gains and losses on sales of securities are calculated using the first-in, first-out basis of accounting.

c. Cash and cash equivalents:

Cash and short-term deposits consist of cash held at bank, deposits with original maturities of less than 90 days and money market funds. As at December 28, 2007 and 2006 the Fund had an investment of \$7,733,328 and \$2,963,425 respectively, in a money market fund, which is included in cash and cash equivalents. The money market fund is managed by a fund advisor related to the Fund by a common directorship.

**PERFORMA RESERVE FUND LTD. –  
PERFORMA INTERNATIONAL BOND FUND (USD)  
NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 27, 2007  
*(Expressed in U.S. dollars)*

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d. Investment income:

Interest is recorded on the accrual basis of accounting.

3. SHARE CAPITAL

The Company's total authorized share capital is 12,000 Founder Shares with a par value of \$1.00 each and 10,000,000 Common Shares with a par value of \$0.01 each.

The Founder Shares are voting, non-redeemable and are not entitled to any dividends. The Founder Shares have been issued and are unpaid. The Company has issued all of the Founder Shares to the Investment Advisor. The Common Shares are non-voting, and are redeemable. Any number of classes of Common Shares can be issued as determined by the Directors of the Fund. Each class of Common Shares is further divided into Income Shares and Accumulation Shares. It is anticipated that Income Shares will receive dividends and that Accumulation Shares receive no dividends. The Performa International Bond Fund (USD) Accumulation Shares is the only class of Common Shares outstanding at December 27, 2007 and December 28, 2006.

4. MANAGEMENT, ADMINISTRATION AND CUSTODIAN FEES

Under the terms of the Fund's prospectus:

- a. P.R.P. Performa Limited (the "Investment Advisor"), an affiliated company, provides investment management and advisory services to the Fund. The Investment Advisor is responsible for the investment of the Fund's assets. The Investment Advisor earns an advisory fee equal to 0.30% per annum, calculated weekly and paid quarterly in arrears.

The Investment Advisor is related to the Fund by a common directorship.

- b. SS&C Technology, Inc. (the "Administrator"), provides services as the Administrator, Share Registrar and Transfer Agent for the Fund. For these services, the Administrator receives an administration fee. The administration fee is calculated at a rate of 0.08%, on the first \$100 million and 0.04% in excess of \$100 million per annum, calculated weekly and paid quarterly in arrears.

**PERFORMA RESERVE FUND LTD. –  
PERFORMA INTERNATIONAL BOND FUND (USD)  
NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 27, 2007  
*(Expressed in U.S. dollars)*

4. MANAGEMENT, ADMINISTRATION AND CUSTODIAN FEES (cont'd)

- c. The custodian, Comerica Bank, is entitled to receive fees calculated based on net assets at the following rates:

0.088% per annum on the first \$100 million;  
0.077% per annum on the next \$100 million;  
0.055% per annum on the amount over \$200 million

The custodian fee is calculated weekly and paid quarterly in arrears.

5. CONCENTRATION OF CREDIT RISK

As at December 27, 2007 and December 28, 2006, cash and cash equivalents and investments are maintained with the custodian. The Fund has all its individual counterparty concentration with this custodian, which is based in the United States of America.

6. NET REALIZED LOSS ON INVESTMENTS

The net realized gain (loss) on investments was as follows:

	2007	2006
Proceeds on sale of investments	\$ 58,250,212	\$ 121,023,737
Maturities during year	13,000,000	1,771,000
	<hr/>	<hr/>
Proceeds on investments sold/maturities	71,250,212	122,794,737
	<hr/>	<hr/>
Less cost of investments sold:		
Investments owned at beginning of year	34,162,338	57,593,783
Investments purchased during the year	87,861,969	100,311,662
Investments owned at end of year	(51,036,488)	(34,162,338)
	<hr/>	<hr/>
Cost of investments sold during year	70,987,819	123,743,107
	<hr/>	<hr/>
Net realized gain (loss) on investments	\$ 262,393	\$ (948,370)
	<hr/> <hr/>	<hr/> <hr/>

**PERFORMA RESERVE FUND LTD. –  
PERFORMA INTERNATIONAL BOND FUND (USD)  
NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 27, 2007  
*(Expressed in U.S. dollars)*

7. RELATED PARTY PAYABLE

Prior to December 28, 2006 the Fund received a redemption request for \$1,500,000, for which shares were redeemed. The payment for the redemption transferred to a fund related through common directorship on December 29, 2006 for a transaction that occurred on December 22, 2006. The \$1,500,000 redemption payments are recorded within the statement of net assets as a related party payable.

8. FINANCIAL HIGHLIGHTS

Financial highlights of the Fund for the year ended December 27, 2007 and December 28, 2006 are as follows:

Per share operating performance	2007	2006
Net asset value per share at beginning of year	\$ 1,541.70	\$ 1,485.96
Net investment income	71.22	70.72
Net realized and unrealized gain (loss) on investments	23.29	(14.98)
Net increase in net assets resulting from operations	94.95	55.74
Net asset value per share outstanding at end of year	\$ 1,636.65	\$ 1,541.70
 TOTAL RETURN:	 6.16%	 3.75%
 RATIO TO AVERAGE NET ASSETS:		
Expenses	0.45%	0.49%
Net investment income	4.51%	4.72%

An individual investor's return may vary from these returns based on the timing of capital transactions.

**PERFORMA INTERNATIONAL BOND FUND (USD)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 27, 2007  
*(Expressed in U.S. dollars)*

9. TAXES

Under current laws, there are no income, profit, capital or capital gains taxes levied in Bermuda, and, accordingly, no provision for such taxes has been recorded by the Fund. In the event that such taxes are levied, the Fund has received an undertaking from the Government of Bermuda exempting it from all such taxes until March 28, 2016.